Between 'artificial economics' and 'the discipline of market forces': SASOL, from State Corporation to Privatisation

Stephen Sparks
University of Johannesburg

The subject of perennial calls for a 'windfall tax', re-nationalisation and lower petrol prices, SASOL, the formerly state-owned oil company established under apartheid, remains a lightning rod in national debates in South Africa. More than evident moral complicity with apartheid, it is the company's historic dependence on significant financial support from the state – alleged crimes against putatively 'free market' capitalism – which most often has the company on the back foot today, as evinced in the recent Competition Commission ruling against it.[1] Now privatised and listed on the New York Stock Exchange, headed by a Canadian CEO and investing massively overseas, its history as a public corporation funded by tax payer monies and an official regulatory regime heavily skewed to its advantage is proving hard for SASOL to shake.

A small but important body of scholarship has explored the role of the South African state in fostering industrial development in the country, and the state corporations have figured centrally in this literature.[2] While some of this literature qualified ideas that state corporations were set up in direct opposition to private capital by emphasising the important affinities between the public and private sectors across the twentieth century, their privatisation has proven an ongoing source of contestation. State corporations displaced nineteenth and early twentieth century patterns of laissez-faire and municipal socialism, rising to global prominence (with the notable exception of the United States) during the twentieth century out of a confluence of concerns about the security and sovereignty of the nation-state, working class radicalism, the urgency and expense of infrastructure development at national scales, and 'market failure' after the crisis of capitalism in the interwar period.[3] The majority of decolonised nation-states embraced public corporations as motors for 'catch-up' and modernization. "The years from 1945 to 1980 were the halcyon days for public enterprise", as Robert Millward has noted.[4] The 1970s proved to be a decisive turning point. After the formation of OPEC and the 1973 oil shock, the "Keynesian class compromise of national capitalism" hit serious snags, via a perfect storm of rising unemployment and inflation ('stagflation').[5] In this crisis 'neo-liberal' ideas privileging the energies of the 'free

---

[1] 'Watchdog mauls Sasol for fleecing South Africa', *Business Day*, June 8, 2014 Accessed at http://www.bdlive.co.za/businesstimes/2014/06/08/watchdog-mauls-sasol-for-fleecing-south-africa

[2] Belinda Bozzoli 'The Origins, Development and Ideology of Local Manufacturing in South Africa'; Kaplan, 'The Politics of Industrial Protection in South Africa, 1910-1939'; Renfew Christie, *Electricity, Industry and Class in South Africa*. Albany: State University of New York Press, 1984. Nancy L. Clark. *Manufacturing Apartheid: State Corporations in South Africa.* New Haven, Conn.: Yale University Press, 1994; O'Meara, *Volkskapitalisme* and *Forty Lost Years;* Ben Fine and Zavareh Rustomjee, *The Political Economy of South Africa: From Minerals-Energy Complex to Industrialisation*, Boulder, CO: Westview Press, 1996. More recent work includes Bill Freund 'A ghost from the past: the South African developmental state of the 1940s' *Transformation: Critical Perspectives on Southern Africa*, Number 81/82, 2013, pp. 86-114 and Keith Hart and Vishnu Padayachee, 'A history of South African capitalism in national and global perspective' *Transformation: Critical Perspectives on Southern Africa*, Number 81/82, 2013; Simon Roberts and Zavareh Rustomjee 'Industrial policy under democracy: apartheid's grown-up infant industries? Iscor and Sasol' *Transformation*: *Critical Perspectives on Southern Africa*, 71 (2009)

[3] Pier Toninelli (Ed.) *The Rise and Fall of State-Owned Enterprise in the Western World.* (Cambridge: Cambridge University Press, 2000)

[4] Robert Millward, 'Public enterprise in the Modern Western World: An Historical Analysis'.

[5] Keith Hart and Vishnu Padayachee, 'A history of South African capitalism in national and global perspective' *Transformation: Critical Perspectives on Southern Africa*, Number 81/82, 2013, p 66

market' over state intervention and cutting back public spending grew increasingly influential.[6] In this context state-owned enterprises and nationalisation policies lost much of the "thaumaturgic valence" they had acquired.[7]

These global trends were felt in the later apartheid period in South Africa too. And yet there have been a small number of studies of the privatisation of South Africa's state corporations.[8] While noting the uneven way in which privatisation proceeded in the 1980s –the selling off of the country's 'crown jewels' was actively resisted by the democratic movement at the end of apartheid – Ben Fine describes privatisation of South Africa's former state corporations in the 1980s as "a dramatic reversal" of the massive public sector investment led economic development in the 1970s.[9] Fine insists that privatisation in SA did not emerge "out of significant changes in the balance of anti-statist feeling", but was rather a response to "changed economic circumstances", a reference to the apartheid state's debt crisis in 1985. Noting that "state production had long been associated with the supposed dangers of communism" in South Africa, Fine nonetheless believes it unlikely "that such sentiments could have commanded widespread and increasing support and form the basis for a shift of policy towards privatisation" in the late apartheid period, "even if such views do obtain a greater prominence as privatisation comes on to the agenda." He continues, arguing that "the same is also true of the less dramatic anti-statism which views government as bureaucratic, inefficient and overspending." Fine's is correct to emphasise the political economy of the late apartheid as critically underlying the privatisation efforts in the 1980s.[10] The state corporations had been the major recipients of large foreign loans to the apartheid state that were called in and cut off by major international lenders in 1985. In this context, privatising the state corporations was meant to ease the debt burden and generate a revenue windfall for the Treasury. But this is primarily significant only for privatisation reforms after 1985. Most of the discussion of privatisation in the late apartheid period has focused on reforms in the second half of the 1980s, but SASOL's privatisation – beginning with a public share offering in 1979 – began earlier than other privatisations but has

---

[6] Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*. Princeton University Press, 2012; Michael Mann, 'Neoliberalism, rise and faltering, 1970–2000' in *The Sources of Social Power (Vol. 4) Globalizations, 1945–2011*. Cambridge University Press, 2012; David Harvey, *A Short History of Neo-liberalism* (Oxford University Press, 2005)

[7] Toninelli (Ed), *The Rise and Fall of State-Owned Enterprise in the Western World*, pg 4

[8] A selection include Andries Bezuidenhout and Jacklyn Cock 'Corporate power, society and the environment: A case study of ArcelorMittal South Africa' *Transformation: Critical Perspectives on Southern Africa*, 69, (2009); James Jude Hentz 'The Two Faces of Privatisation: Political and Economic Logics in Transitional South Africa' *The Journal of Modern African Studies*, Vol. 38, No. 2 (Jul., 2000); Ben Fine, 'Privatization and the RDP: A critical assessment', *Transformation: Critical Perspectives on Southern Africa* 27 (1995). Nancy Clark's otherwise impressive monograph on the history of the state corporations dedicates just a handful of pages to their privatisation. Nancy L. Clark. *Manufacturing Apartheid: State Corporations in South Africa.* New Haven, Conn.: Yale University Press, 1994

[9] Fine, 'Privatization and the RDP'

[10] A similar argument about the importance of the debt crises in 1985 to privatisation of the state corporations is made in Afeikhena Jerome, 'Privatisation and Regulation in South Africa: An evaluation', paper delivered at 3rd International Conference on Pro-Poor Regulation and Competition: Issues, Policies and Practices, Cape Town - South Africa, 7-9 September 2004. Available at http://www.thepresidency.gov.za/electronicreport/downloads/volume_4/business_case_viability/BC1_Research_Material/Privatization_and_Regulation_in_SA_An_Evaluation.pdf

attracted little serious scholarly attention.[11] This is a gap which this paper aims to fill and it does so largely from within SASOL itself.

Drawing inspiration from the suggestive analyses of the shifting sands of Afrikaner subjectivity at the intersection of class and consumption under apartheid by Dan O'Meara, Jon Hyslop and Albert Grundlingh – this paper analyses correspondence drawn from SASOL's archive and the South African National Archives to tentatively construct an intellectual history of the SASOL project from its birth as a state corporation through to its privatisation.[12] This is a story which has been told in far too simplistic a fashion to date – by both company managers and academics – as if the distinction between the company operating as a state corporation and a private enterprise were not so great. Discussing the removal of certain SASOL-specific state protections in 1994, Verhoef is much too quick to claim that the company "had established itself as a private enterprise long before that."[13] Writing the history of the movement of state corporations into privatised companies requires a more careful tracing of this transition.

The paper therefore closely examines the shifting character of the discourses of senior SASOL managers over the course of the second half of the twentieth century. While the company's privatisation via an initial public share-offering on the Johannesburg Stock Exchange in 1979 helped pay for massive plant expansions in Secunda, unlike Fine I see the privatisation 'turn' with regards to South Africa's state corporations being enabled chiefly by important shifts in thinking at elite levels of Afrikanerdom over the course of the second half of the twentieth century. In an effort to begin constructing an intellectual history of these shifts, my analysis starts with the initial steps taken by SASOL managers and the state to provide the project with extraordinary support to ensure its economic viability. The project was heavily dependent on the state from the beginning, and I show how after initially being fairly unapologetic about this dependence, SASOL managers became increasingly defensive about it. Managers started to talk about themselves as businessmen, self-consciously insisting that in spite of state support and the fixing of the fuel market to SASOL's advantage, they too were subject to the allegedly disciplining effects of the market.

Background to the SASOL project

According to popular myth, SASOL is believed to have its origins in the apartheid state's grim determination to ensure its survival in the face of international anti-apartheid oil sanctions. This view is as much a product of anti-apartheid imagination as pro-apartheid techno-nationalism. In its common rendering, this necessity is the mother of (white South African) technological invention. In fact, South African interest in synthetic fuel technology as an alternative to conventional crude oil refining predated apartheid, reflecting emerging 'national capitalist' interests in South Africa, and was typical of nationalist preoccupations with fuel sovereignty and

---

[11] Grietjie Verhoef, 'Innovation for globalisation or globalisation of innovation Sasol in the chemical industry during the 1990s' *South African Journal of Economic History*, Volume 18, Issue 1-2, 2003; Grietjie Verhoef, 'The Globalisation of South African Conglomerates, 1990–2009' in *Economic History of Developing Regions*, Volume 26, Issue 2, 2011.

[12] Dan O'Meara, *Volkskapitalisme*, *Forty Lost Years* and 'Thinking Theoretically? Afrikaner nationalism and the comparative theory of the politics of identity: A tribute to Harold Wolpe' Paper presented to the Inaugural Conference of the Harold Wolpe Memorial Trust, University of the Western Cape, 1-2 April, 1997; Jonathan Hyslop, 'Shopping during a Revolution: Entrepreneurs, Retailers and "White" Identity in the Democratic Transition' *Historia*, 50, 1, May 2005, pp 173-190 and Albert Grundlingh, "Are We Afrikaners Getting too Rich?" Cornucopia and Change in Afrikanerdom in the 1960s' *Journal of Historical Sociology* Vol. 21 No. 2/3 June/September 2008

[13] Grietjie Verhoef, 'The Globalisation of South African Conglomerates, 1990–2009' in *Economic History of Developing Regions*, Volume 26, Issue 2, 2011, pg 90.

autarky elsewhere at the time, such as in Franco's Spain.[14] Germany, like South Africa, lacked large deposits of coal but no crude oil and was the site of important pioneering work in oil-from-coal in the pre-World War I and Weimar periods. From the 1930s importing fuel began to be regarded in official and expert circles in South Africa as a drain on foreign exchange, and an acute vulnerability to fuel shortages in times of crisis. Once Hitler came to power, tentative forays into synthetic fuel production in the Weimar period were energized (as anti-apartheid campaigners later delighted in pointing out) by Hitler's rise to power and Nazi fantasies of fuel sovereignty during World War II. However synthetic fuel supplies never rose to significant levels and conventional refining remained cheaper despite limited Nazi tariff protections. With conventional crude oil interests too powerful in America and the United Kingdom, it was in apartheid South Africa that oil-from-coal reached its largest scale realisation, technological improvement and, most importantly, its handsomest state support.

Counter-intuitively, the first serious interest in synthetic oil production in South Africa came from Anglo-Vaal, a private mining company which began producing oil-from-shale through a subsidiary called the South African Torbanite Mining & Refining company (SATMAR) during the 1930s. Like its successor SASOL, SATMAR depended for its viability on tariff protection granted by the state, but this support was unceremoniously cut in 1936. Anglovaal purchased an operating licence for the Fischer-Tropsch process, and engaged in on-going negotiations with government throughout the late 1930s and 1940s. Anglovaal wouldn't proceed without heavy, *guaranteed* government subsidies which were not forthcoming. The opening up of the goldfields in the Orange Free State diverted Anglovaal's attentions elsewhere but the coming to power of the Herenigde Nasionale Party in 1948 represented an important political watershed, with momentum quickly building for the establishment of a state corporation to produce oil-from-coal along the lines of ISCOR and ESKOM, which had been established under the Pact government a few decades earlier.

In April 1950, Frans du Toit, veteran civil servant, industrial advisor to the state and Broederbonder told H.J. van Eck, head of the Industrial Development Corporation there was a "strong feeling in Afrikaans-speaking circles" that the project should be state-controlled and funded through the IDC. [15] Though the anti-capitalist 'Hoggenheimer' rhetoric of Afrikaner nationalism would soon become less deeply felt in elite Afrikaner circles, the cultural politics of Afrikaner nationalism was still, at this point, important. In correspondence in the late 1950s with Nico Diederichs, then Minister of Economic Affairs, and a leading figure of the Afrikaner 'economic movement', SASOL's founding managing director, Etienne Rousseau, referred glibly to Anglo-Vaal, as "the Jews."[16] Recognisably generic nationalist concerns with fuel sovereignty was thus interlaced with more politely coded Afrikaner nationalist inflections when, speaking in parliament shortly after SASOL's establishment, Diederichs rejoiced at bringing into being a strategically important enterprise "not controlled from abroad or by international monopolies and cartels but by the South African state." [17]

[14] Keith Hart and Vishnu Padayachee, 'A history of South African capitalism in national and global perspective' Transformation: Critical Perspectives on Southern Africa, Number 81/82, 2013; Román, Elena San and Sudrià, Carles, 'Synthetic fuels in Spain, 1942-66: the failure of Franco's autarkic dream', *Business History*,45:4, 2003, 73-88

[15] Add archival cite

[16] Etienne Rousseau to Diederichs, 1959 (check date)

[17] Hansard, South African Parliamentary Debates, 10th April 1951, Columns 4150-4151.

SASOL was registered in terms of the Company Act in late 1950. The Stellenbosch chemical engineering graduate Etienne Rousseau was appointed Managing Director, after working as research engineer at ISCOR and SATMAR, as well as serving as industrial advisor for Federale Volksbeleggings, the investment company established by SANLAM. Rousseau had previously worked at Federale's fish by-products manufacturer, Marine Oil Refiners. He moved quickly after his university studies within the networks of the Western Cape's aspirant Afrikaner bourgeoisie, which was the key mover and beneficiary of the Afrikaner nationalist economic movement from the 1930s.[18] As with other state corporations the board of directors was packed with key members of the Afrikaner nationalist elite at the very centre of that movement, including Dr. M.S. Louw, founding figure of SANLAM and Frans du Toit, veteran civil servant, industrial advisor in the Department of Economic Affairs and Broederbond member. Other members included Dr. Hendrik van Eck, head of the Industrial Development Corporation; David de Villiers, Stellenbosch trained lawyer, SASOL's first company secretary and Rousseau's successor as managing director; and A. P. Faickney, the only non-Afrikaans speaking director, included as a gesture of good faith for the work he had done on oil-from-coal inside Anglo-Vaal. He was regarded by Rousseau as an "Afrikaner sympathizer", though his influence on the founding board was minimal and his tenure on the board was mostly given over to nursing his gravely ill wife. Rousseau and de Villiers had both previously worked closely together at Federale Volksbeleggings and their fathers – both former school-inspectors in the Cape – knew each other well. M.S. Louw's father-in-law was related to Rousseau. SASOL's inaugural upper level technical team was similarly interconnected. Rousseau, Johnny van der Merwe and Bill Neale-May (another English-speaker) were all at SATMAR together. SASOL's technical team were accustomed, in other words, to working on the left-field of the fuel industry, and in industries that required state support for their economic viability.

During 1951 plans were accelerated at government request because of nervousness about rising oil prices and difficulties securing oil deliveries in light of reverberations associated with the establishment of the state of Israel and rising Arab nationalism in the Middle East – the source of all the country's imported oil. Amidst this time sensitivity, however, the interim committee advising the government on the project (essentially SASOL's first board of directors) warned that "urgency should not be allowed to force South Africa into a project which would not be economical in normal times."[19] It was clear from the outset that producing a barrel of oil-from-coal would be more expensive than importing either finished fuel products or conventional crude oil for refining locally; this was an important source of the cynicism about the project both in South Africa and internationally. A big part of the problem was that when oil was widely available and inexpensive, oil-from-coal became particularly marginal, economically speaking. Thus, in the mid-1960s – when oil was plentiful and cheap – a good decade after SASOL's factory in Sasolburg started up and only four years after it turned its first profit, Etienne Rousseau returned from an overseas visit to report that "nobody really bothers about coal", and was told "for any country; the possession of coal is an embarrassment… like having colonies!"[20]

How, then, could SASOL be economically viable and avoid meeting the same fate as its predecessor SATMAR, which so many senior SASOL figures were personally familiar with? An important part of the answer was contained in coded references throughout preliminary discussions to the project being "tailor made for South African conditions", a reference to the

[18] O'Meara, *Volkskapitalisme*

[19] Report of Interim Committee to establish a South African Synthetic Oil Industry, 2nd Sept 1950

[20] Recounted in J.W. van der Merwe to H.N. Hepker, 17th July, 1964

comparatively cheap cost of labour (and thus coal) in the country.[21] As Gabrielle Hecht and Paul Edwards have noted, these kinds of formulations present intensely social-political facts in depoliticised terms, as if owed to the accidents of geology, rather than political design under racial capitalism.[22] The importance of labour costs to the economic viability of oil-from-coal was underlined by Etienne Rousseau's meeting with the World Bank in Washington in connection with securing an initial government guaranteed loan of £15 million for the project. Rousseau reported to his colleagues on the SASOL board that Bank officials kept querying SASOL's predicted labour costs. "They did not seem to appreciate that the whole South African economic set-up is vastly different from that of America," Rousseau explained. In 1956, when SASOL was experiencing severe technical problems with its Sasolburg plant – it did not balance the books until 1960, six years after it started operating – the Minister of Economic Affairs, Albert van Rhijn, reframed these "difficulties" as a challenge which South Africa had to meet if it wanted to claim membership of the international scientific community. "A country and a people who lack the courage to face those difficulties which crop up in the scientific world, are not worthy of taking part in scientific development." What gave South Africa an edge, or at least allowed it to punch above its weight by attempting oil-from-coal, was precisely the fact of 'South African conditions'. "We are a small nation', he conceded, "but we have the cheapest coal in the whole world."[23]

However, 'cheap coal' – cheap mine labour – only applied for the early apartheid period. From the early 1970s, SASOL's coal mine labour costs, together with those across the rest of the country's various mining sectors, rose significantly (by as much as 60%) as decolonization jeopardised regional southern African migrant labour supplies, forcing the 'South Africanisation' of mine workforces, coupled with increasing recognition of the need to lift wages to enhance labour productivity.[24] The oil price shock of 1973 was especially timely from SASOL's perspective for two reasons: the massively increased oil price made oil-from-coal not just 'viable' but immensely *profitable* for a period of time, in a way it had not been before; it also cushioned the blow of increased labour costs in its mines and beyond. If labour costs were only contingently important to SASOL's economic prospects, the invariable constant which mattered most to the economics of the project was the financial and regulatory support of the Apartheid state.

Specifically citing SATMAR's collapse, Rousseau recalled: "we all wanted a fiscal structure which would protect this industry by law".[25] In March 1950, in his capacity as industrial advisor to the state, Frans du Toit wrote to the Minister for Economic Affairs, Eric Louw, explaining that oil-from-coal was "of such national importance" that it would be acceptable for the state to make "big concessions" to place the industry on a "healthy economic footing. I won't be in the slightest bit panic-stricken if it makes a little more or less profit occasionally."[26] This last sentence

[21] This resonates with Nancy Clark's argument about the ways in which South Africa's state corporations replicated mining industry dependence on exploited, unskilled black workers. See Nancy Clark, *Manufacturing Apartheid*

[22] Gabrielle Hecht and Paul Edwards 'History and the Technopolitics of Identity: The Case of Apartheid South Africa' *Journal of Southern African Studies* 36, no.3 (2010): 619–639

[23] Add Hansard cite

[24] These shifts are explicated in detail in Stephen Sparks, 'Apartheid Modern: South Africa's Oil from Coal Project and the making of a company town' unpublished doctoral dissertation, The University of Michigan, 2012

[25] Sasolburg Public Library, Africana Room, Johannes Meintjes Collection, Commentary by P.E Rousseau 20 April, 1974

[26] SASOL 1 Archive, 8/18 Historical Documents, F.J. du Toit to Eric Louw, 9th March, 1950

captured the generally forgiving arithmetic which defined the state's relationship to SASOL over the coming decades. Later that same year, du Toit was even more pointed: "the profit motive will have to be subordinated for several years."[27] Emphasising the national importance and strategic value of SASOL to the country, as well as the Western world in the context of the Cold War became a key strategy for making the case that SASOL needed, in Rousseau's words "all the help it can possibly get to make it a success." It could not be regarded as a "normal undertaking" and the notion of "fair treatment" – a reference to market competition – did not apply. "It is entitled to and must get preference."[28] An internal memorandum written by Rousseau stated this more baldly: "when we think of oil from coal we must think in terms of artificial economics and Government protection."[29]

Writing shortly before the Sasolburg factory began operating, Frans du Toit anticipated a "year or two" where the factory would "undergo a painful process of cutting teeth. Once we have cut our teeth, we will be the first to tell the state that that we no longer need any special treatment." Painful teething certainly materialised. When the factory in Sasolburg started operating in 1954 there were immediate problems with the synthesis unit designed by the project's American contractor, Kellogg. The plant had to be repeatedly shut down and did not run smoothly "for even 48 hours at a stretch" for significant periods of time over the first few years of operation. It was calamitous. The National Party government had already weathered a storm of criticism in parliament and some sections of the press for the amount of money which it had committed to the project.[30] Production was so seriously imperilled that SASOL decided that "until substantial production has been achieved, operations must be regarded as developmental both as regards plant and processes." In 1957's end of year report Frans du Toit explained that "the balance on operating account amounting to £4.7 million has been charged to a separate plant and processes development account." Via budgetary cosmetics the project was temporarily re-framed as a research experiment rather than an enterprise which the state was pouring money into that was running at a substantial loss despite the state artificially securing a market for its products. The state gave SASOL the breathing room it needed to make the technology work. "If we had not had a very patient Government behind us on the financial side, we would have by this time been in very, very great trouble", Rousseau admitted.[31] A National Party representative's comments in parliament captured the fundamental importance of SASOL's status as a state corporation: "the capitalists would not be prepared to bear the losses which the state much bear in order to tide this undertaking over its teething troubles."[32]

'Artificial economics' and 'government protection' came to pass, as any reader of the 2007 Treasury task team report which investigated imposing a windfall tax against SASOL will appreciate.[33] From its establishment SASOL received tariff protection (approximately 20% of the fuel price) and, more extraordinarily, an agreement required multinational oil companies to

---

[27] SAB. HEN 7/5/50, P.A. 11/2, Vorm en Finasiering van olie-uit-steenkool Maatskappy, F.du Toit to Min of Econ Affairs, 17 Nov, 1950

[28] Etienne Rousseau Memo, 21st Nov 1951

[29] Etienne Rousseau Memo 'General Principles, Sasol projects', 29 March, 1962

[30] Add cite
[31] Etienne Rousseau to Warren Smith, 1st Sept, 1955
[32] *Hansard*, Column 2748-2749, 18 March 1959

[33] 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry', Task Team Report, 9 February, 2007.

source their inland requirements from the output of SASOL One – the Sasolburg plant – to service their inland requirements. In addition the multinationals agreed to accommodate SASOL's distinctive blue pumps on their Highveld forecourts. In the late 1960s, with oil prices too low to warrant further oil-from-coal expansion, SASOL entered a partnership with the French company TOTAL and the National Iranian Oil Company to build a conventional oil refinery (named NATREF) in a highly unconventional location: in the interior (in Sasolburg) instead of at the coast, where it could directly receive shipments of Iranian crude which it was intended to secure. Government ensured that crude oil would be moved from the coast to the refinery free of charge in a pipeline built by the South African Railways & Harbours. A tariff structure was arranged ('Natref at the sea') that ensured that the refinery was no worse off than it would have been had it been sited at a logical coastal location. A byzantine inland pipeline infrastructure was created that was used to meet SASOL's needs to its express advantage.[34] The fall in 1979 of one of apartheid South Africa's key allies at the time, the Shah of Iran, and the subsequent oil shock led to the speedy commissioning of SASOL 2 and 3 at Secunda. Both plants – duplicates of each other – also enjoyed tariff protection and were funded by a combination of levies imposed on motorists and the over-subscribed public share offering on the Johannesburg Stock Exchange which initiated SASOL's privatisation. When SASOL 2 and 3 began operating in 1982, the multinational conventional refiners agreed to mothball 30% of their production capacity because they were once again obliged by the state to absorb output from SASOL's new plants.[35]

During the 1950s and 1960s senior SASOL figures were largely unapologetic about their dependence on the state, happy to cite a general trend of "state involvement in oil industries", including in newly independent African states to the north, as well as metropolitan precedent: "Britain was the first country to decide that petroleum was too important for the state to stay out of. Britain's government bought a large part of the Anglo-Persian Oil Company which became BP." SASOL, Rousseau observed, was "close enough to the state to be trusted to place the interests of South Africa first."[36] Rousseau imagined himself as an example of "the Afrikaans speaker who turns his back on a future in the wide business world to build up undertakings such as ISCOR, the Industrial Development Corporation and SASOL for the benefit of his country."[37] These statements of the importance of a public sector service ethos were an important element of the 'structure of feeling' of the state corporations.[38] In the late 1950s, Rousseau considered South Arica fortunate to have what he called "business men" who were "willing to give service for salaries much lower than in the private sector, this sort of man is scarce in South Africa and among Afrikaners." By the mid-1960s he would pessimistically report to Nico Diederichs that the sort of Afrikaners the state corporations had been able to recruit in the recent past were increasingly attracted to the private sector: "As you know, the youth of today are less idealistic than was the case in our time."[39]

---

34 Much of the detail in this section is drawn from 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry', Task Team Report, 9 February, 2007.

35 The multinationals were compensated for this, and they did not actively try to bring an end to this arrangement after the end of apartheid.

36 Etienne Rousseau to Nico Diedrichs, 9 March, 1962

37 Etienne Rousseau to Nico Diedrichs, 30 Sept, 1959

38 Raymond Williams, *The Country and the City* (New York: Oxford University Press, 1973), 1-8.

39 Etienne Rousseau to Nico Diedrichs, 11th March, 1964

Frans du Toit once described the Minister of Economic Affairs as SASOL's 'patron' and the company undoubtedly depended critically on the state's largesse and interventions but it would be a mistake to characterise the relationship between the two as unchanging or uncomplicated. National Treasury officials in particular weren't always convinced that the project should be given an entirely blank cheque by the state. Under early pressure in 1954 from the company for additional financial cushioning in anticipation of technical trouble the Treasury manager warned in an internal memorandum: "Mr Rousseau insufficiently comprehends the Treasuries responsibility towards the tax payer…there is no justification for nakedly throwing away revenue to set up SASOL to make large profits."[40] Part of the problem was that the experimental nature of oil-from-coal – and the expectation of technical difficulties – meant SASOL could not give the Treasury concrete estimates of likely capital requirements. With the benefit of hindsight Minister of Finance N.C Havenga observed that if he'd known the escalation of capital costs which getting SASOL off the ground would entail then he wouldn't have "approved of the scheme" in the first place.[41] Similar tensions emerged in the early 1970s when SASOL planned on using profits to expand its interests in the oil industry by purchasing Volskas' stake in TOTAL's South African subsidiary as well as General Mining's stakes in Trek. Invoking severe capital shortages prevalent at the time, Minister of Finance Nico Diedrichs warned: "it is unhealthy for a state corporation to plan an expansion project with money which came from the state without consulting the treasury."[42]

It is significant that these tensions centred on SASOL's desire to dispose of profits as it pleased. While they were initially unapologetic about their reliance on public monies, senior SASOL figures had in fact long hoped to carve out a "greater amount of latitude" with regard to capital expenditure vis-à-vis its relationship to the state, its paymaster.[43] As early as 1951, before the Sasolburg plant had even been built, Rousseau had privately worried about the company's funding model turning it into "a subsidiary of the I.D.C [Industrial Development Corporation]".[44] Whatever the shape of capital markets, in terms of legislation governing state corporations SASOL was obliged to consult with its political masters if it intended using profits for serious capital expenditure. If carving out autonomy in relation to the state was an on-going concern, the same certainly applied to parliamentary oversight. In 1958, whilst still grappling with serious technical trouble in Sasolburg and facing intense scrutiny and criticism in parliament and the press, Rousseau warned SASOL's board about new proposals for "more effective parliamentary control" over state corporations:

> I regard the above recommendations as very dangerous to the future management of State sponsored undertakings. Business has as a result of centuries of experience come to the conclusion that shareholders money is most effectively protected by a Board consisting of capable directors. An undertaking subject to parliamentary control can never be as efficient as an undertaking subject to the control by a Board of expert directors. The best way to make a state sponsored undertaking efficient is for the state to see that good men are

---

[40] Secretary of Finances to Sec of Commerce and industry, 8 June 1954

[41] Cited in Nancy Clark, *Manufacturing Apartheid*, p. 162

[42] Nico Diedrichs to S.L. Muller, 28 April, 1971

[43] David de Villiers to Chairman, Liquid Fuel and Oil Industry Advisory Board, 28th Sept, 1951

[44] Etienne Rousseau to Frans du Toit, 12 Jan, 1951

> appointed to its board and that matters are then left to these directors to deal with. South Africa's state industries have been a success because from a managerial side of things, they have been allowed to function like private undertakings.[45]

Significantly, the memorandum was appended with an editorial from *The Economist* making the same argument for state corporations in the UK. It was a revealing analogy for the head of a state corporation subsidised by public monies to make in the 1950s. From its establishment key movers behind the project like Rousseau and Frans du Toit had argued in private for maintaining "flexibility" to allow for the possibility that SASOL might "cease being under government control" over the longer term.[46] This probably reflected the influence of the sensibilities of the Cape Afrikaner aspirant bourgeoisie which represented the background of most of the senior figures in SASOL. Evaluating anti-monopoly legislation proposed by the government in 1952, Rousseau noted he was concerned that it might "close the door" on SASOL investing in or partnering with private enterprise."[47] When the state corporations encountered pushback under Prime Minister J.G. Strijdom on entering deals with the private sector, Rousseau insisted that proposed expansions should be evaluated by the state on a case by case basis.[48]

In the mid 1950s SASOL began discussions with African Explosives Chemical Industries (AECI) about the Anglo-American owned company setting up a factory in Sasolburg using feedstocks from its factory. A deal to this effect was ultimately struck, and this marked the beginning of SASOL's expansion into the wider chemical industry in South Africa beyond the confines of oil-from-coal, which, as we've seen, remained economically marginal throughout the 1960s because of low global oil prices. AECI was regarded with a degree of suspicion in Afrikaner nationalist circles because of its history of occupying a monopolistic position in the South African chemical industry, but Rousseau argued that state corporations stood to benefit from working with 'monopolies', so long as they were "careful not to fall into their grasp."[49]

During the 1960s economic boom – after the initial post-Sharpeville massacre divestment crisis – Minister of Finance Nico Diedrichs claimed that there was a growing feeling at the highest levels of government that the state "shouldn't take special steps to stimulate the economy, and that the state shouldn't venture into areas where private initiative is prepared and able to go."[50] In this context, managers of state corporations like SASOL, wanting a piece of the boom pie, became increasingly restless and expressed frustration about "restrictions and interference" by government.[51] There was a sense in which this tension was structural to the relationship of state corporations to the state. At the beginning of the 1970s Etienne Rousseau complained of negativity "towards the legitimate aspirations of the state corporations."[52]

---

[45] Etienne Rousseau to Chairman & Directors of SASOL, 2nd Dec, 1958, re Report of the Commission of Enquiry into Policy Relating to the Protection of Industries.

[46] Frans du Toit to Min of Econ Affairs, 17 Nov, 1950

[47] Etienne Rousseau Memo to Board 21st Jan, 1952, Re: Anti-monopoly legislation

[48] Etienne Rousseau to Prime Minister J.G. Strijdom, 12 March 1955

[49] Etienne Rousseau memo to Min of Econ Affairs, 19 March, 1955

[50] Nico Diedrichs to Etienne Rousseau, 18 March, 1964.

[51] Etienne Rousseau to Nico Diedrichs, 11th March, 1964

[52] Etienne Rousseau to Minister of Econ Affairs, 12 April, 1971

For SASOL managers these aspirations included a desire to expand aggressively into the larger chemical industry field in South Africa. As the national treasury's resistance to giving SASOL free reign with regards to disposal of profits indicates, the legitimacy and specific character of these aspirations had long been the subject of contestation and debate within government and broader Afrikaner nationalist circles. SASOL wanted to use the state support it received in its role as producer of the strategic commodity of oil as leverage for expansion into the chemical industry.[53] SASOL encountered continued resistance from Treasury officials to it "using state resources" for this purpose.[54] The cheap price of oil in the 1960s may have taken the prospect of further expansion in oil-from-coal off the table for the time being, but Etienne Rousseau was especially intent on moving beyond the confines of oil-from-coal because he'd previously observed the dangers of being a one-trick pony via 'artificial economics' at close quarters: "The SATMAR owners have had an artificial industry around their necks for 27 years" he observed in the early 1960s, "there are lots of opportunities open to us. Let us avoid having things around our necks."[55]

"the discipline of market forces"

SASOL's managers were undoubtedly initially unapologetic about receiving special state support. They were also happy to exploit the perception that oil-from-coal could save white South Africa from anti-apartheid sanctions, since it helped ensure continued prioritisation as a 'strategic' industry, even where this perception bore little relationship to the reality of its contribution to national fuel supplies. However they became increasingly defensive about this dependence over time.

Some of this defensiveness first exhibited in the context of early public criticism in parliament and press about the fact that SASOL's petrol was not cheaper than imported petrol – a complaint which still persists. Responding to criticism by the Automobile Association of South Africa which emphasised the special assistance SASOL enjoyed, Rousseau insisted "SASOL is not a Government Department or a monopoly, but is a business which has to compete with some of the most astute companies of the world."[56] During the interregnum when severe technical problems meant SASOL did not produce petrol for public consumption Rousseau wrote in *SASOL Nuus*, the company newsletter:

> We all trust that it will not be long before SASOL petrol will be available to the public…we shall not be satisfied until we see the final crown on our labours and our petrol available to the general public. Until this happens we shall not have the satisfaction that we are living on our own income. We are living on borrowed money. Not only is this not pleasant for one's self-esteem but as practical men we realize that our bread and butter must come from the income which SASOL will derive from the sale of its petrol and other products.[57]

[53] This is precisely what SASOL Chemical Industries was accused of doing by the recent Competition Tribunal

[54] Etienne Rousseau to Minister of Econ Affairs, 12 April, 1971

[55] Etienne Rousseau Memo 'General Principles, Sasol projects', 29 March, 1962

[56] Etienne Rousseau Memo, 'The price of SASOL Petrol and the AA', 11th Aug, 1954

[57] Editorial, *SASOL Nuus*, February 1956

Rousseau wrote defensively on a number of occasions to the editors of prominent international publications in the chemical and oil fields which questioned the viability of the economic project and drew particular attention to the extent of state support. In one instance, an article in an international trade publication which portrayed SASOL as "uneconomic" and a beneficiary of "socialist economics" provoked an internal memorandum calling for the company's public relations department "to see that this view does not gain ground."[58]

The 'socialist economics' critique of SASOL's relationship to the state was a common one among opposition parliamentarians and in the business pages since the 1950s and had been directed at the state corporations since their emergence early in the century.[59] This line of critique reached its apogee in the 1970s in a symbolically important broadside by Andreas Wassenaar. Wassenaar was head of Insurance giant SANLAM, which had been central to the Afrikaner nationalist 'economic movement' from the 1930s and had benefited directly from Afrikaner state. His *Assault on Private Enterprise* lambasted economic interventionism by the state.[60]

In fact, Wassenaar and Etienne Rousseau were, by the 1960s, much less encumbered by Afrikaner nationalist pieties and circumspections than they appear to have been even a decade earlier. They had come to see themselves as business men.[61] As O'Meara has described it, the cross-class alliance which emerged out of the Afrikaner nationalist 'economic movement' in the 1930s, stitching together poor whites, workers, farmers, intellectuals and aspirant entrepreneurs, had, by the 1960s, quite spectacularly succeeded in nurturing "a class of Afrikaner financial, industrial and commercial capitalists", and in the process the "volk" had been taken out of 'volkskapitalisme'. By the 1960s, this Afrikaner elite had "fully learned to express themselves in the language of the stock exchange and boardroom. The time came by the late 1960s when the Ruperts, the Diedrichs, the Louws and the Wassenaars…had so imbibed the spirit of this new bourgeois language that they could freely express themselves only in it."[62]

During the mid-1960s Rousseau waxed lyrical in personal responses to American surveys of business opinion about the "advantages of competitive private enterprise."[63] By the beginning of the 1970s, Rousseau could unselfconsciously describe himself to Nico Diederichs – a key figure in the Afrikaner nationalist 'economic movement' of the 1930s – as someone "who stands on both the state and private sides of the oil industry."[64] Rousseau had been reading *The Economist* since the 1950s, at least. On a trip to New York City in the 1950s he and a colleague, David de Villiers – who succeeded him as SASOL's managing director – had listened enraptured to American minister, motivational speaker and author of *The Power of Positive Thinking*, Norman

---

58 Etienne Rousseau Memo, September ?, 1964

59 Charles H. Feinstein *An Economic History of South Africa: Conquest, Discrimination, and Development*, Cambridge: Cambridge University Press, 2005, pg 121

60 Andreas Wassenaar, *Assault on Private Enterprise.* Cape Town: Tafelberg, 1977.

61 In *Forty Lost Years* O'Meara notes a shift in self-descriptions within the Broederbond membership over time. By the 1960s and 1970s 'businessmen' became a newly prominent self-descriptor where previously it was never used, or considered acceptable (academic, lawyer, teacher, clergymen, farmer were more common). Add cite

62 O'Meara, *Volkskapitalisme*, pg 254

63 Etienne Rousseau to G. Clark Thompson, 7th Sept, 1966.

64 Etienne Rousseau to Nico Diedrichs, 8 June, 1971

Vincent Peale addressing a crowd in Times Square.[65] Peale's entrepreneurial Christianity advocated a 'gospel of success', alongside an emphasis on positive belief in oneself, which resonated with Rousseau and De Villiers, as it did for many others at the time.[66]

Despite intermittent treasury resistance, SASOL successfully used state support and windfalls to expand its operations in the oil and chemical industry throughout the 1960s. So successful was the company in its expansions during the 1960s and early 1970s that it was awarded the *Rand Daily Mail* Business Achievement Award in 1975. In his acceptance speech new managing director David de Villiers spoke directly to prevailing criticisms of state intervention and the state corporations:

> [There] is so much talk in South Africa about the dangers of creeping socialism. It is usually said if an organization is state financed the discipline of competition is lacking and that leads to technological stagnation and general incompetence... this very business we are in has through the years subjected us to the discipline of market forces. In the same manner as any other company we had to develop a commercial approach of cost-consciousness, market competitiveness and a continuous striving for productivity. I think it can in truth be said after 25 years that we grew up the hard way. As we would say in Afrikaans, *ons het swaar groot geword* [we grew up the hard way]. During the first eight years of our existence we were always short of money and were compelled to do things on a shoestring. In this process of growing up we were taught to be self-disciplined and to live frugally. We were indeed fortunate to have had [Etienne Rousseau] as my predecessor as managing director; the most self-disciplined man I have ever known…the man who instilled a climate of cost-consciousness and financial responsibility into our organization.[67]

There is perhaps some truth to much of what de Villiers says about penny-pinching in SASOL's early years and about cost-consciousness and productivity pressures. But there is also a sense that de Villiers is protesting too much; of defensiveness in his insistence that SASOL was in fact subject to the 'discipline of market forces', despite its special status as a state corporation which only deepened as it became synonymous with apartheid South Africa surviving international oil sanctions. Two years later, responding directly in a media interview to Andreas Wassenaar's critique, de Villiers again insisted "SASOL is run like any company in the private sector. We try to play the game according to the normal rules of commercial life."[68]

Dan O'Meara has observed the growing influence of "new corporate ideologies and business practices" and "American-styled managerialism" in both the public and private sectors in South Africa during the 1960s.[69] SASOL managers came increasingly under the influence of the American 'gospel of productivity' at this time.[70] This preoccupation with productivity intensified

---

65 Interview by author with David de Villiers, Stellenbosch, 2009.

66 Sarah Forbes Orwig 'Business Ethics and the Protestant Spirit: How Norman Vincent Peale Shaped the Religious Values of American Business Leaders' *Journal of Business Ethics*, Vol. 38, No. 1/2, (Jun., 2002), pp. 81-89

67 *Rand Daily Mail* Business Achievement Award of 1975 accepted by D.P. de Villiers, 24 Nov, 1975

68 'Public sector not all that big, businessmen told', *Rand Daily Mail*, 2 Sept, 1977; 'State industries: SASOL chairman rebuffs Wassenaar' *The Star*, 10 August 1977

69 O'Meara, *Forty Lost Years*, p 174

70 Nick Tiratsoo and Jim Tomlinson, 'The 'Gospel of Productivity': United States Technical Assistance and British Industry, 1945-1960', *Business History Review*, 71:1 (Spring, 1997), 41-81. See also Mary Nolan, *Visions of Modernity:*

against the backdrop of increasing concern throughout the public and private sectors in the country about skills shortages accentuated by Apartheid policies preventing black workers from competing on the labour market for more skilled jobs. Through his embrace of the 'gospel of productivity' David de Villiers was prompted to reflect upon the subtle signalling in everyday life under apartheid which worsened the productivity of African workers:

> There is a general tendency to think that the time of Bantus is not precious, so that the different places that serve Bantus, do not care about keeping them waiting a long time for service. How often we see groups of Bantus standing in front of offices where they have to be registered or pay taxes. Most of us can recall occasions when Bantu domestic servants have to leave work for three consecutive days because there are not enough personnel at these places to serve them. We are all aware of how often business undertakings make Bantus wait to be served, wait if whites arrive that must be served. Since it is bad manners to keep someone waiting for longer than is necessary, this lack of quick service must make the Bantu believe that his time is not important and that his work is also not important. The most productive worker is the one that believes that he is making an important contribution and that his contribution is valued. A person that really believes in separate development must, if he thinks over the case, agree that it is as important for white areas that the wait and the unproductivity of Bantus be decreased as it is for whites...thousands of man-hours of Bantus are being wasted.[71]

The ground shifted in SASOL's company towns, too. Significant increases in black wages and shifting labour recruitment patterns towards a more urban, 'South Africanized' workforce across the gold and coal mines in the early to mid-1970s came together with broader socio-economic and cultural changes to undermine the paternalism which had defined the relationship of SASOL to its black employees since the early 1950s. By the mid-1980s, when the company ended its involvement in financial subsidization of employee housing in order to release capital tied up in its housing instalment schemes, its managing director Pieter Cox could say: "It is generally accepted that an employer should not become directly involved in the personal affairs of its employees."[72] This from the head of a company which had built two company towns and spent much of the previous three and half decades directly involving itself in the personal affairs of its employees.

When the 1973 oil shock happened government ministers had been eager for SASOL to go ahead with another synthetic fuel plant given the more economically fortuitous conditions which it created for oil-from-coal production. Senior managers of the company had instead urged continued stockpiling of oil through the Strategic Fuel Fund, which, had been created in the 1960s to acquire crude oil supplies for the country in light of anti-apartheid oil sanctions. SASOL was keen to use the windfall resulting from higher oil prices to consolidate its footprint in the chemical industry, rather than immediately embarking on a major expensive project. However the Iranian revolution in 1979 and the consequent loss of a key ally of the apartheid state – and the South African oil industry – fundamentally changed the strategic picture, closing off South Africa's supply of its lifeblood, Iranian crude. This, coupled with more serious anti-

---

American business and the modernization of Germany (Oxford: Oxford University Press, 1994); For South Africa, see Stuart Coupe, 'Testing for Aptitude and Motivation in South African Industry: The Work of the National Institute for Personnel Research, 1946-1973' *The Business History Review*, Vol. 70, No. 1 (Spring, 1996), 43-68.

[71] D.P de Villiers, 'Kongres Noord-Oos Vrystaatse Streekontwikkelingvereniging', Bethlehem, 22 Feb, 1971

[72] Memorandum by P.V. Cox: 'Sasol's involvement in the housing of its employees', 23 July 1987.

apartheid sanction threats after the Soweto uprising in 1976 meant a significant ramping up of strategic stakes, with oil-from-coal expansion by SASOL and intensified acquisition of crude by the Strategic Fuel Fund by illicit means became increasingly urgent priorities.

Shortly before SASOL agreed to proceed with constructing two new massive synthetic fuel plants in Secunda, a new company town constructed on coalfields in the Eastern Transvaal, key figures within PW Botha's government such as senior economic advisor P.J. Riekert had begun to push the idea of the sale of shares in state corporations like SASOL on the stock exchange.[73] This approach to the state corporations reflected what Posel describes as Botha's "infatuation with the business community."[74] SASOL was the first major state corporation to be allowed to go this route, beginning with the first phase of its privatisation through an initial offering of shares on the Johannesburg Stock Exchange in 1979. The company's managers presented privatisation as the consummation of theirs and the company's longstanding aspirations. SASOL embarked on a major oil-from-coal expansion in the name of securing the apartheid state's strategic interests, while simultaneously beginning the process of privatisation.

The state worked hard to secure the success of SASOL's privatisation, in part because in addition to special tariff protection and fuel levies, the influx of private money would indeed be crucial to helping fund the giant Secunda plants. As the Treasury's 2007 Windfall tax report noted, SASOL's massively oversubscribed listing on the JSE occurred "on terms very favourable to investors" because of "undertakings that effectively locked Government into ongoing tariff protection" and continued "soft loans" through the Industrial Development Corporation.[75] SASOL's special strategic status in relation to the state meant minimal risk and guaranteed profitability.

Despite public hype about SASOL shares being readily available to the 'man on the street' – in a South African version of Margaret Thatcher's fantasy of 'people's capitalism' – the share allocation heavily favoured a "narrow base of shareholders/stakeholders", primarily major South African conglomerates.[76] This share allocation reinforced and reflected the increasing conglomeration of the South African economy more generally.[77] News of SASOL's privatisation prompted speculation by a senior private sector chemical industry figure about how it would "live with men like us moving closer to its inside marketing and pricing strategies".[78] In fact, little of substance changed; this initial privatisation and its next phases were featherbedded by continued state support, the majority of which was only belatedly removed in the post-apartheid era, and which in fact still continues today, via import parity pricing on South African petrol.[79]

73 'Riekert backs state handover to industry' unknown, 1978

74 Deborah Posel, 'Whiteness and Power in the South African Civil Service: Paradoxes of the Apartheid State' *Journal of Southern African Studies*, Vol. 25, No. 1 (Mar., 1999), p 110.

75 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry', Task Team Report, 9 February, 2007, p 74

76 'Once bitten, twice shy', *Financial Mail*, 2 Nov, 1979 and 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector, with particular reference to the synthetic fuel industry', p 74.

77 Add cite – Hart & Padayachee

78 Add cite newspaper article

79 'Sasol funding in a fix' *Sunday Times*, 8 April 1979