# Between 'artificial economics' and 'the discipline of the market': SASOL from Parastatal to Privatisation

STEPHEN SPARKS

**[**Department of Historical Studies, University of Johannesburg**]**

*This paper explores the history of South Africa's oil-from-coal project, SASOL, the petro-chemical company central to apartheid South Africa's response to oil sanctions. Contrary to popular perception, South African interest in synthetic fuel pre-dates anti-apartheid sanctions. Anglovaal, a private mining company, acquired rights to the German Fischer-Tropsch process for converting coal into liquid fuel in the 1930s and its subsidiary, SATMAR, converted torbanite into petrol and was an important precursor to SASOL. Like Germany, South Africa possessed no indigenous source of oil and dependence on imports came to be seen as a strategic and economic vulnerability. Afrikaner nationalist reluctance to commit monies to Anglovaal to build an oil-from-coal plant lead to SASOL's establishment as a parastatal. Even so, this paper argues, the project possessed enough 'Smutsian features' to attract criticism from Afrikaner nationalists. The low cost of black labour in the early apartheid era was important to the project's initial financial viability but the paper argues that it was the state intervening to regulate the fuel market, discipline the oil multinationals and massively subsidise oil-from-coal which saved the project from obsolescence. Energetic management also mattered: with low oil prices preventing oil-from-coal expansion during the 1960s, SASOL leveraged state support to facilitate diversification into the wider petro-chemical industry. After Sharpeville, SASOL spearheaded South Africa's increasingly isolationist oil strategy while at the same time SASOL managers became increasingly defensive about their dependence on state support. SASOL's privatisation in 1979 was, however, precipitated by the need to fund two massive new oil-from-coal plants in the aftermath of the Oil Shock and Iranian Revolution to meet the apartheid state's strategic priorities. SASOL's new hybrid identity as a company with private shareholders enjoying public subsidies continues to be controversial.*

## Introduction

South Africa was doubly out of step during the second half of the twentieth century. Belligerently beating a white supremacist path in an era of decolonisation, it persisted with economically uncompetitive dependence on coal as a feedstock for fuel production in defiance of the global energy transition described by Timothy Mitchell.[1] The two seem closely, perhaps causally, related. Two arguments falling under the rubric of a theory of South African exceptionalism come readily to mind. The first would explain South Africa's energy adventurism by emphasising the survivalism of Afrikaner nationalists who rose to power in 1948. In Saul Dubow's words, this elite was 'determinedly insular and wholly focused on the survival of white South Africa.'[2] The second, indebted to Harold Wolpe's cheap labour thesis, underlines the importance of apartheid's political economy - specifically cheap black labour – in defining the character of South African *sonderweg*.[3]

Renfrew Christie has stressed the importance of cheap energy derived from coal mined by hyper-exploited black labour in driving South African industrialisation.[4] Gabrielle Hecht and Paul Edwards have noted the frequent coded invocation of 'South African conditions' – a reference to Apartheid's labour regime – in official explanations for the viability of technological systems under Apartheid.[5] Nancy Clark has insisted that instead of challenging mining companies, the parastatals partnered with the mines and replicated their dependence

[1] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011).

[2] Saul Dubow *A Commonwealth of Knowledge: Science, Sensibility, and White South Africa, 1820–2000* (Oxford: Oxford University Press, 2006), p. 248.

[3] Harold Wolpe. 'Capitalism and cheap labour-power in South Africa: from segregation to apartheid', *Economy and Society* 1( 4) 1972, pp. 425-456.

[4] Renfrew Christie, *Electricity, Industry and Class in South Africa* (London: MacMillan, 1984).

[5] Gabrielle Hecht and Paul Edwards 'History and the Technopolitics of Identity: The Case of Apartheid South Africa', *Journal of Southern African Studies* 36 (3) 2010, pp. 619–639.

on low paid, low skilled black workers.[6] Similarly, Ben Fine and Zavareh Rustomjee have downplayed the contribution of the parastatals to industrial diversification, arguing instead for increased interpenetration of public and private capital as part of the growing conglomeration of the economy.[7]

South Africa's oil-from-coal project appears to be a clear demonstration of the arguments offered by this literature about the primitively exploitative basis of South Africa's techno-industrial achievements. There were repeated references in the early apartheid period, in precisely the manner Hecht and Edwards have identified, to the importance of the low cost of mining coal to the viability of oil-from-coal in South Africa. This was, however, no longer the case by the 1970s as a result of changes in the political economy of labour recruitment to the mines. We therefore have to look beyond a recapitulation of the revisionist cheap labour thesis for other explanations for why SASOL escaped the obsolescence many critics predicted.

Drawing on a range of archival materials drawn from National Archives, SASOL's own archives and interviews, this paper traces South Africa's oil-from-coal project from its pre-apartheid conception through to its privatisation in the late apartheid years. It argues that it was the state intervening to regulate the fuel market, discipline the oil multinationals and massively subsidise oil-from-coal that was decisive to the project's viability, as was chemical diversification driven by SASOL's energetic management. South African interest in synthetic fuel production reflects a 'national capitalist' prioritising of parastatals to diversify economic

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[6] Nancy Clark, *Manufacturing Apartheid: Parastatals in South Africa* (New Haven: Yale University Press, 1994).

[7] Ben Fine and Zavareh Rustomjee, *The Political Economy of South Africa: From Minerals-Energy Complex to Industrialisation* (London: Hurst, 1996).

activities in the country away from its historic bases in mineral extraction.[8] While some historians saw the parastatals as a 'Hertzogite' intervention, it makes sense, as Bill Freund has argued, to see them as a 'Smutsian' creation.[9] This paper challenges Tim Cross's view of SASOL as uncomplicatedly in the grip of Afrikaner nationalists.[10] Though many of SASOL's senior figures possessed undoubted Afrikaner nationalist pedigree, these engineers and scientists were the inheritors of a Smutsian tradition running through H. van der Bijl and H. J. van Eck. SASOL became increasingly nativist as South Africa became increasingly isolated, but the project also possessed unavoidably cosmopolitan aspects which attracted criticism among hardcore Afrikaner nationalists.

Like its decolonising neighbours in southern Africa later in the century, white South Africa embraced parastatals as engines of modernisation.[11] However odious SASOL's involvements in apartheid, the execution of a project of synthetic fuel production on SASOL's scale, in the

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[8] Keith Hart and Vishnu Padayachee, 'A History of South African Capitalism in National and Global Perspective', *Transformation: Critical Perspectives on Southern Africa*, 81/82 (2013) pp. 55-85.

[9] Bill Freund, 'A ghost from the past: the South African developmental state of the 1940s', *Transformation,* 81/82 (2013), pp. 86-114, p. 91.

[10] Tim Cross, 'The Afrikaner Takeover: Nationalist Politics and the Colonization of South Africa's Parastatals, 1948 to 1960', *Collected Seminar Papers: Institute of Commonwealth Studies*, Vol. 48 (London: Institute of Commonwealth Studies, 1994) p. 123.

[11] Key literature which is enlightening on the development of secondary industry and parastatals in South Africa includes: Belinda Bozzoli, 'The origins, development and ideology of local manufacturing in South Africa', *Journal of Southern African Studies* 1 (2) 1975, pp. 194-214; David Kaplan, 'The politics of industrial protection in South Africa, 1910–1939', *Journal of Southern African Studies* 3 (1) 1976, pp. 70-91; Renfew Christie, *Electricity, Industry and Class in South Africa* (London: MacMillan, 1984); Nancy L. Clark. *Manufacturing Apartheid: Parastatals in South Africa* (New Haven: Yale University Press, 1994); Dan O'Meara, *Volkskapitalisme: Class, Capital, and Ideology in the Development of Afrikaner Nationalism, 1934-1948* (Cambridge: Cambridge University Press, 1983);and Fine and Rustomjee, *The Political Economy of South Africa: From Minerals-Energy Complex to Industrialisation*. More recent work includes: Bill Freund 'A ghost from the past: the South African developmental state of the 1940s'; Hart and Padayachee, 'A history of South African capitalism in national and global perspective'; 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 (2010) pp. 50-75. See also Rod Crompton, 'The South African commodity plastics filiere: history and future strategy options' (Unpublished PhD dissertation, University of Natal, 1994); and Richard Hengeveld and Jaap Rodenburg (eds.), *Embargo: Apartheid's Oil Secrets Revealed* (Amsterdam: Amsterdam University Press, 1995).

absence of a significant pool of highly skilled labour certainly does take on the appearance of an 'exercise in courage', if we keep in mind South Africa's status in intellectual, economic and institutional terms before the building up of its major parastatals.[12]

During the 1960s, however, oil prices remained low, which meant oil-from-coal expansions were put on hold. SASOL instead leveraged state support to move aggressively into the South African chemical industry and, after Sharpeville, spearheaded South Africa's increasingly isolationist oil strategy. At the same time that they were co-ordinating the apartheid state's oil strategy, SASOL managers began to speak increasingly defensively about their dependence upon state support. When SASOL went private starting in 1979 – half a decade before the privatisations following South Africa's debt crisis – its managers spoke of a dream fulfilled.[13] SASOL's privatisation was in fact precipitated by the demands of funding two massive new oil-from-coal plants in the aftermath of the Oil Shock and Iranian Revolution. It was a case of privatisation by panic to meet the apartheid state's strategic priorities. SASOL's new hybrid identity as a company with private shareholders enjoying continued state support proved immediately controversial in the closing years of apartheid and has continued to be so to the present.

[12] E. A. Bunt, 'Some Highlights of Engineering Research in South Africa', in A. C. Brown (ed.), *A History of Scientific Endeavour in South Africa* (Cape Town, 1977), quoted in Dubow, *Commonwealth of Knowledge*, p. 251.

[13] On the privatisation of the parastatals, see 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', *Journal of Modern African Studies*, 38 (2) 2000, pp. 203-223; Ben Fine, 'Privatization and the RDP: A critical assessment', *Transformation: Critical Perspectives on Southern Africa*, 27 (1995); Nancy L. Clark, *Manufacturing Apartheid*, especially chapter seven.

**‘Tailor made for South African conditions’**

Synthetic fuel derived from coal first emerged from experimentation in the laboratories of Weimar Germany which, like South Africa, possessed no indigenous source of oil but had abundant reserves of coal. Once Hitler came to power – as anti-apartheid campaigners delighted in pointing out – these synthetic technologies were put into the service of Nazi autarkic fantasies. Synthetic fuel supplies sourced from oil-from-coal plants never rose to significant levels and conventional refining remained cheaper, despite Nazi tariffs. Because of its association with Nazi military strategy, the German synthetic fuel industry was dismantled in the aftermath of the war.[14] It was the Anglo Transvaal Consolidated Investment Company (Anglovaal), a South African mining house, which first took the lead in developing oil-from-coal in South Africa.[15] Anglovaal discovered bitumen shales (torbanite) in Ermelo district of the Transvaal and in 1934 established the South African Torbanite Mining and Refining Company Limited (SATMAR), producing petrol and bitumen from torbanite at a refinery on Johannesburg’s East Rand. Because of the presence of low-grade coal among the shales, in 1936 the company acquired rights to the Fischer-Tropsch process, one of the major German oil-from-coal processes. Like its successor SASOL, Anglovaal’s torbanite operation depended on subsidisation through elevated customs duty and rail tariffs on imported petrol.

Anglovaal employed H.J Van Eck, future head of the Industrial Development Corporation, to investigate establishing an oil-from-coal plant in South Africa. On a visit to Germany in October 1936, A.P.J. Fourie, Minister of Commerce and Industries in the Fusion government,

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[14] Arnold Krammer, ‘Fueling the Third Reich’, *Technology and Culture*, 19 (3) 1978, pp. 394-422; Thomas Parke Hughes, ‘Technological Momentum in History: Hydrogenation in Germany, 1898-1933’, *Past & Present*, 44 (August 1969), pp. 106-132.

[15] Mendel Kaplan and Marian Robertson, *The Jewish Roots in The South African Economy*, (Cape Town: C. Struik, 1986) p. 109.

was taken by Van Eck and another Anglovaal consulting engineer, C. Feldmann, to visit one of the first Fischer-Tropsch factories established in Germany. Apparently impressed, Fourie promised government support for Anglovaal's plans but the notoriously headstrong Oswald Pirow, acting in Fourie's post in his absence, unexpectedly lowered the cost of imported petrol railage, which severely affected the economics of SATMAR's torbanite operation and synthetic fuel production in general.[16]

Additional requests by Anglovaal in the late 1930s for protection for an oil-from-coal factory – including a fixed petrol price and the allocation of a 'portion of the market for petrol' to oil-from-coal output – were rebuffed by the fiscally conservative Finance Minister N.C. Havenga, who said the industry would have to 'stand on its own merits as an ordinary profit earning business venture.'[17] South African Railways and Harbours also objected, seeing oil-from-coal as a threat to its income because the transportation of imported petrol and refined products from Durban to Johannesburg on behalf of the oil multinationals was one of its most lucrative sources of revenue.[18] Ministers were put off by the size of Anglovaal's request for nearly £15 million from the state.[19] Officials also correctly suspected Anglovaal's interest in securing financial support for oil-from-coal was driven by a desire to cross-subsidise its uncompetitive SATMAR operation.[20]

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[16] SASOL Archive, 015/2 SATMAR, R.S. Dickie to A.S. Hersov, 6 April 1937

[17] SASOL Archive, 015/2 SATMAR, W.J. Lamont to A.S. Hersov, 27 Oct 1936; SASOL Archive, 015/2 SATMAR, Precis of evidence given before governmental Fischer-Tropsch commission at Pretoria, 17-19 March 1937 by Mr R.S. Dickie and Dr H.J van Eck, 1 April 1937.

[18] SASOL Archive, 015/2: SATMAR, H.J. Van Eck Memorandum (24 March 1942) on SATMAR Proposition submitted to the government by Mr A.P. Faickney.

[19] SASOL Archive, 05/1 (105); Oil-from-Coal, Oil from Coal in the Union Memorandum, May 1941, C. Feldmann.

[20] SAB HEN 711, 92/2/21, Power, Spirits and Oil Industry. Establishment of Industry: Petrol and Allied Substances from Coal. Fischer Tropsch Process: Confidential Report: 'The Production of Petrol in South Africa' 20 September, 1937.

Anglovaal brought Dr Franz Fischer, one of the developers of the Fischer-Tropsch process to South Africa in 1938 where he was guest of honour at a Rand Club reception hosted by H.J van der Bijl and attended by forty representatives ‘of the mining houses and scientific and social circles in the Union’.[21] After the War broke out the company’s further approaches to government emphasised the military value of the project, arguing for ‘an explicit long term charter’ to ‘protect the company against changes in fiscal conditions and inequitable competition.’ Anglovaal insisted that wartime conditions meant ‘the economic factor could be ignored.’ The government, however, remained reluctant to protect the company through ‘interference with the general market structure.’[22] Moreover, the oil price remained low; thus even though he had recently worked on oil-from-coal for Anglovaal, H.J van Eck, writing as head of the Industrial Development Corporation (IDC) in 1942, admitted that ‘there's a cheaper option, namely stockpiling and storage.’[23]

Nonetheless Anglovaal persisted, acquiring the rights to a new American (and purportedly more advanced) version of Fischer-Tropsch in 1945. Sufficient official enthusiasm existed for the promulgation of the 1947 Liquid Fuel and Oil Act, empowering the granting of a license by government for the production of petrol via oil-from-coal. Anglovaal was the obvious candidate but the following year the South African pound was devalued, massively increasing the cost of importing materials for plant construction. Anglovaal’s attentions (and capital) were diverted to the opening up of the Free State gold fields. The company was unable to raise loan finance for oil-from-coal from overseas lenders, particularly after the 1948 victory

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[21] SASOL Archive, 05/1 (105); Oil-from-Coal, Oil from Coal in the Union Memorandum, May 1941, C. Feldmann.

[22] SASOL Archive 015/2 SATMAR, ‘Scheme for Expansion of Undertaking’, 10 March 1942.

[23] SASOL Archive, 015/2: SATMAR, H.J. Van Eck Memorandum (24 March 1942) on SATMAR Proposition submitted to the government by Mr A.P. Faickney.

of the Herenigde Nasionale Party in 1948.[24] In April 1950, Frans du Toit, industrial advisor to the state (and a Broederbonder) told van Eck there was a 'strong feeling in Afrikaans-speaking circles' that the project should be state-controlled and funded through the IDC rather than with the involvement of a private company.[25]

SASOL's establishment in 1950 was celebrated in parliament as the birth of a strategically important enterprise 'not controlled from abroad or by international monopolies and cartels but by the South African state.'[26] State ownership would have other benefits. SANLAM's Dr. M.S 'Tienie' Louw advocated full state ownership 'to avoid the complication of reconciling the conflicting interests of the consuming public, who want lower prices, and a small group of private shareholders, who want higher dividends.'[27] The flipside to autarkic rhetoric was language framing the project in terms of its geopolitical value to the West in the event of 'another global conflagration' where the Suez Canal might be closed to shipping - in which case South Africa would be the 'logical link between the West and the Middle East.'[28] Cold War defence priorities were increasingly invoked by SASOL managers, though often for instrumental purposes aimed at speeding up the import of American construction materials.[29]

SASOL was also presented as an important step in the development of a diversified industrial base in the country. In the words of Etienne Rousseau, its founding Managing Director, gold was 'a wasting asset and it is important that the industrial structure be diversified in order that it may become independent of the gold mining industry as the latter peters out.'[30] For Dr A.J.

[24] SASOL Archive, 002, Oil-from-Coal, E. Rousseau to J. van der Merwe, 10 July 1948.
[25] SASOL Archive, P.A 11, Oil-from-Coal, F.J du Toit to H. Van Eck, 21 April, 1950.
[26] *Hansard*, South African Parliamentary Debates, 10 April 1951.
[27] SASOL Archive, 002, Oil-from-Coal, 'Telephone Conversation: Dr M.S Louw's Opinion, 11 September 1950.
[28] SASOL Archive, 002, Oil-from-Coal, Report to the Interim Committee, 18 August 1950.
[29] SAB, HEN 3513/539, SA Coal Oil and Gas Corporation (SASOL) General, D.P. de Villiers to F. du Toit, 29 October, 1951.
[30] SAB, HEN, 3512/539, SASOL (General) E. Rousseau, 'Considerations regarding the establishment of an oil from coal industry in South Africa', 22 September 1951.

Norval, Chairman of the Board of Trade and Industries, SASOL's appeal lay in the urgent necessity of the country exploiting its abundant reserves of low grade coal 'before atomic energy and alternative sources of energy make coal useless'.[31] Minister of Economic Affairs Eric Louw was less worried about impending competition from alternative sources of energy, boasting that the country had an inexhaustible supply of coal, or what he dubbed 'oil-potential'. 'We have enough coal', he claimed, 'to meet South Africa's requirements for the next 500 years.'[32] While there was some reticence within SASOL about bringing its factory online too hastily, plans were accelerated in 1951 because of rising oil prices and delivery problems from an increasingly unstable Middle East, the source of all South Africa's imported oil.

SASOL's founding Board of Directors possessed an impressive Afrikaner nationalist pedigree, but it would be a mistake to overstate the extent to which the project was defined by Afrikaner nationalist interests, particularly in the pre-Sharpeville period. In his analysis of the 'Afrikanerisation' of the parastatals in the early apartheid period, Tim Cross presents SASOL as uncomplicatedly in the grip of Afrikaner nationalists, simply by virtue of its establishment after 1948.[33] Contrary to Cross's account, however, SASOL was criticised for the amount of English used within the parastatal as well as for the paucity of Afrikaners employed in top technical posts, where English speakers and foreigners featured prominently. Responding to these criticisms Etienne Rousseau despaired at the lack of qualified Afrikaners while defending the necessarily cosmopolitan make-up of SASOL's staff. Rousseau was working in the context of a besieged Smutsian tradition. Writing to Minister of Economic Affairs Nico Diederichs – who had instigated investigation into the 'Afrikanernisation' of the parastatals –

[31] SAB, AES AM 7/2 A7/3, SASOL, Notes on Informal discussion about SASOL & Aksyns with Dr Norval, F. du Toit and E. Rousseau, 22 March 1954.
[32] *Hansard*, South African Parliamentary Debates, 10 April, 1951.
[33] Tim Cross, 'The Afrikaner Takeover: Nationalist Politics and the Colonization of South Africa's Parastatals, 1948 to 1960', p. 123.

Rousseau recalled that when H.J Van Eck had joined the Industrial Development Corporation 'his fellow-Afrikaners' had written him off for working for Jan Smuts. Van Eck's children attended Jan Celliers School in Johannesburg, where Van Eck served on the school committee. His decision to work for Smuts led to him being pushed off the committee by other parents. He moved his children to an English medium school and sent them to the University of Natal, such was the ostracisation which association with the Smuts government provoked. Forlornly noting that he was now subject to similar treatment, Rousseau concluded: 'one feels that 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 the country, will be criticised and even abused by the very people that he endeavours to serve.'[34]

More than ethnicity, what tied a number of SASOL's early elite team together was the fact they had worked together at SATMAR in the late 1930s; they were accustomed to working on those aspects of petrochemicals where special state support was necessary to ensure financial viability. On SASOL's establishment doubts remained about whether SASOL could avoid meeting the same fate as SATMAR, whose unravelling a number of senior SASOL figures had witnessed first-hand. Their response to this uncertainty is perhaps suggested by their repeated references during the opening years of the project to SASOL being 'tailor made for South African conditions', a reference to the comparatively cheap cost of labour (and thus of coal mining) at the time.[35] As Gabrielle Hecht and Paul Edwards have noted in their analysis of apartheid-era technological projects, these kinds of formulations present intensely

[34] SAB, MES, 218/H4/7, SASOL, E. Rousseau to N. Diederichs, 30 September, 1959.
[35] SASOL Archive, 002, Oil-from-Coal, Report of Interim Committee to establish a South African Synthetic Oil Industry, 2 September 1950.

social-political facts in depoliticised terms, as if owed to the accidents of geology, rather than political economy.[36]

World Bank officials had repeatedly queried SASOL's predicted labour costs during negotiations over a £15 million loan for the project. 'They did not seem to appreciate that the whole South African economic set-up is vastly different from that of America,' Rousseau explained. Rousseau insisted doubts about economic viability 'do not apply to South African conditions' because 'low-grade coal can be mined at a very low cost.' [37] However, 'cheap coal' only applied during 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 per cent) as decolonisation 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.[38] If labour costs were only contingently important to SASOL's economic prospects, what mattered most to the economics of the project over the long term was the role of the apartheid state in providing extraordinary financial and regulatory support for the indigenous production of fuel.

**'Artificial economics and government protection'**

For SASOL's 'founding fathers', the sudden withdrawal of state support which had hobbled SATMAR underlined the importance of oil-from-coal enjoying subsidisation which would be

[36] Gabrielle Hecht and Paul Edwards 'History and the Technopolitics of Identity: The Case of Apartheid South Africa'.
[37] SASOL Archive, 002, Oil-from-Coal, Report of Interim Committee to establish a South African Synthetic Oil Industry, 2 September 1950.
[38] Jean Leger 'Coal mining: Past Profits, Current Crisis?', in Stephen Gelb (ed.), *South Africa's Economic Crisis*, (Cape Town: David Philip, 1991), p 143.

protected by law.[39] They argued that SASOL was ‘of such national importance’ that the state should make big concessions to place the industry on a healthy economic footing. Anticipating poor financial results from the outset, Frans du Toit, SASOL’s chairman, had argued that ‘the profit motive will have to be subordinated for several years’ but that he wouldn’t be ‘the slightest bit panic-stricken if it makes a little more or less profit occasionally.’[40] Oil-from-coal could not be regarded as a ‘normal undertaking’, Rousseau observed, the notion of ‘fair treatment’ – a reference to market competition – need not apply: ‘It is entitled to and must get preference.’[41] In an internal memorandum, Rousseau put this more baldly: ‘when we think of oil from coal we must think in terms of artificial economics and Government protection.’[42]

From its start-up SASOL was subsidised by a tax on consumers in the form of a fuel levy, and by tariff protection which included an Import Parity Price (IPP) arrangement which meant the company sold its petrol at the same price as the petrol of the oil multinationals. Because, *ceteris paribus*, producing a barrel of oil from coal was (and remains) more expensive than importing and refining crude oil, at times of low oil prices (i.e. pre-1973) this IPP arrangement did what such instruments are designed to do: it subsidised an indigenous infant industry. When the oil price spiked the IPP arrangement (which is still operative today) generated significant windfalls of which SASOL was obliged to pay over a portion of to the state whenever the oil price exceeded $28.50 per barrel. In 1995 this requirement was

[39] Sasolburg Public Library, Africana Room, Johannes Meintjes Collection, Commentary by E. Rousseau 20 April, 1974.
[40] 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 November, 1950; SAB, HEN, 3512/539, SASOL (General) F.J. du Toit to Eric Louw, 9 March, 1950.
[41] SASOL Archive, 303/2/19, Dortmund, E. Rousseau Memorandum, 21 November 1951.
[42] SASOL Archive, 3/4/62, General Principles, Sasol Projects, E. Rousseau Memorandum, 29 March 1962.

abolished. The windfall pay-back clause represented the Treasury's answer to the problem of how to manage SASOL's profit generation at the expense of the fiscus.

'Artificial economics' proved essential because SASOL's factory in Sasolburg suffered severe, ongoing technical problems from the moment it came online in 1954 until the end of the decade. The government weathered a storm of criticism in parliament and press over the amount of money it had committed to the project and SASOL's failure to deliver on production targets. The state gave SASOL's scientists and engineers the cover they needed to make the technology work.[43] '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.[44] A National Party representative's comments in parliament captured the leeway which SASOL enjoyed: '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.'[45]

**The market geography of oil-from-coal**

Once SASOL overcame its teething troubles the parastatal could count on the state having intervened to secure oil-from-coal's market in the interior. The site chosen for SASOL's factory was a vast coalfield close to the Vaal Dam (to meet the water needs of the factory and company town) approximately 50 miles from Johannesburg, in the northern Free State. Due to the sensitivity of the economics of oil-from-coal to transport costs proximity to coal was critical.[46] Proximity to the Witwatersrand, 'the most concentrated marketing area for petroleum and allied products' was essential too because of the necessity of keeping the cost

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[43] Interview by author with Mark Dry, Cape Town, 7 March 2009.
[44] SASOL Archive, 314/2/1, Kellogg Unit, E. Rousseau to W. Smith, 1 September, 1955.
[45] *Hansard*, South African Parliamentary Debates, 18 March 1959.

[46] SASOL Archive, 19/13/1, SATMAR, J.A. Stegmann, to R.T. Swemmer, 9 April, 1979.

of transportation of petrol down. While it would have been more economical to pump product to markets in the interior from coastal refineries, government intervention secured the inland market for SASOL, ensuring that the oil-from-coal factory was 'well protected from foreign competition because of its distance from the seaboard' where multinationals landed their product.[47] This geography underpinned the economics of the project; as far as SASOL's managers were concerned the interior was the company's 'natural market'.

Until 1950 South African petrol stations were multi-branded, selling the products of multiple companies, including petrol produced by SATMAR. When the 'solus system' (single or 'tied' brands) was introduced in 1951, the government warned the oil multinationals that it was 'concerned about the position of the producers of indigenous fuel oil.'[48] At this point it intervened to secure an outlet for SASOL's products. SASOL had inherited SATMAR's marketing company and its petrol pumps on the Highveld when Anglovaal sold its Fischer-Tropsch rights to the state. It took over SATMAR's pumps and the state obliged the oil multinationals to replicate their arrangement with SATMAR so as to 'uplift' SASOL's output and accommodate indigenous 'blue pumps' on their forecourts. This meant SASOL did not need to 'spend millions, just like the international oil companies, to establish a network of filling stations'.[49] The SATMAR brand disappeared from the petrol market, remaining SATMAR output petrol was mixed with SASOL's product and sold under the latter's brand.

As SASOL entered the Highveld market it was wary of the fact that the oil multinationals provided station owners with soft loans for forecourt upgrades, provided petrol pump attendants with free overalls and training. The multinationals paid station owners one penny

[47] SAB, HEN, 3512/539, SASOL (General) E. Rousseau, 'Considerations regarding the establishment of an oil from coal industry in South Africa', 22 September 1951.
[48] SASOL Archive, 15/6/1, Petrol Supplies, Importing oil Companies and SATMAR's Imported Petrol, 28 January 1958.
[49] SASOL Archive, 15/6/1, Petrol Supplies, E. Rousseau to Minister S.L. Muller, 24 November 1970.

for every gallon of petrol sold, an incentivising structure which worked against the sale of SASOL petrol so that station petrol tanks were often not filled with the parastatal's product, especially during the early years of the project.[50] While the multinationals accepted that 'they must play along with the state and SASOL' by taking on synthetic fuel output, by the end of the 1950s SASOL was still reporting "resistance" from garage owners to the installation of 'blue pumps' on their premises, or their deliberate placement of blue pumps in 'the most inconspicuous places on their premises' because of the multinationals' incentive structure.[51] And when SASOL was unable to keep pumps wet on the Highveld, product sharing between it and the multinationals was unavoidable, posing certain technical complications.[52] Just as standardisation allowed the pooling of grain in the Chicago grain market described by William Cronon, so standardisation of petrol permitted product sharing on the Highveld.[53]

By the end of the 1950s SASOL made significant strides in overcoming its technical problems, chiefly because of the efforts of its newly established research department. The continued low oil price meant the project was being spoken of as 'uneconomic' in government at the beginning of the 1960s, though for political reasons there could be no talk of closure.[54] The economic fragility of the project was underlined by SASOL's response to government pressure for it to relocate a proposed expansion to a site other than Sasolburg in conformity with Verwoerd's industrial decentralisation policy. Management warned this would do 'intolerable economic damage' to the project.[55]

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[50] SASOL Archive, 7/3/2, Monthly Reports, F. Du Toit to N. Diederichs, 10 July 1959.
[51] MES 219, H4/7/1 SASOL Algemeen; Prys van Sasolpetrol: Notas vir Samespreking met Minister op 23 November 1960.
[52] This was common enough in the global petrol retail business. See James Bamberg. *British Petroleum and Global Oil 1950-1975: The Challenge of Nationalism*, (Cambridge: Cambridge University Press, 2000) p.4.
[53] SASOL Archive, 15/6/1, Petrol Supplies. Notes on discussions with the oil companies, 5 September 1961; William Cronon, *Nature's Metropolis: Chicago and the Great West* (New York: W. W. Norton & Co., 1991) p. 116.
[54] MES 219, H4/7/1 SASOL Algemeen, Memorandum by F.Marais, 23 August 1960.
[55] MES 219, H4/7/1 SASOL Algemeen, 22 August, 1960, Uitbreidingsvoorstelle van SASOL.

**‘The possession of coal is an embarrassment, like having colonies!’**

In 1960 plans for oil-from-coal expansion were shelved because oil remained plentiful and cheap. Rousseau was reminded of South Africa’s outlier status on a 1964 visit to Europe when an industrialist told him that ‘nobody really bothers about coal, the possession of coal is an embarrassment, like having colonies!’[56] SASOL instead shifted its efforts in two new directions: spearheading South Africa’s strategic stockpiling of imported crude after Sharpeville, and the energetic diversification of its activities.

While oil-from-coal production treaded water during the 1960s, SASOL moved aggressively into chemical production and the provision of gas. This was not unexpected: because the oil-from-coal process generated high amounts of methane, managers envisioned ‘a gas grid of the type which has been widely developed in the United States, England and Germany’ for the distribution of gas from Sasolburg to the Witwatersrand.[57] The South African Gas Distribution Corporation (GASCOR) was established in 1964 as a subsidiary distributing gas via high-pressure pipeline from Sasolburg to dozens of industries in the southern Transvaal. Chemical expansion was driven by the realisation that the chemicals derived from the Fischer-Tropsch process were economically more valuable than the petrol produced by the same process.[58]

Diversification owed a great deal to the energetic management provided by Etienne Rousseau, an acute observer of the move among corporations towards ‘economies of scale’.[59]

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[56] SASOL Archive, 15/17/2, Oil-from-Coal, J.W. van der Merwe to H.N. Hepker, 17 July, 1964.
[57] SASOL Archive, 19/6/1, Oil-from-Coal, E. Rousseau to D. De Villiers, 26 May 1958.
[58] SAB AES AM 7/2 A7/3, SASOL, ‘Co-operation with other companies and a scheme for an integrated chemical undertaking in SA’ 14 January, 1959.
[59] See Alfred D. Chandler, Jr., (with the assistance of Takashi Hikino), *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, Mass., Belknap Press of Harvard University Press, 1990) p. 17.

The most obvious development in this direction in South Africa's post-war chemical industry would have been a partnership between Anglo Explosives and Chemical Industries (AECI) and SASOL. AECI was, however, regarded with suspicion in Afrikaner nationalist circles because of its association with monopolistic practices.[60] Rousseau was impatient with such preoccupations. Speaking at the 1964 anniversary of the 1939 *Volkskongress* he urged Afrikaners to put small-minded pettiness behind them and embrace the Managerial Revolution.[61] Rousseau argued that parastatals stood to benefit from working with 'monopolies', so long as they were 'careful not to fall into their grasp.'[62] A merger with AECI was not on the cards but the company (owned by Anglo-American Corporation) set up a factory in Sasolburg to produce plastics and cyanide (for the mines) using by-products from SASOL's factory. This did not prevent Rousseau facilitating the development in 1967 of a 'loose consortium' of AECI's rivals, named Sentrachem.[63] SASOL's leadership of the consortium would ensure it the position as key supplier of feedstock to the group. Sentrachem and SASOL jointly challenged AECI's dominance of the chemical industry in the coming decades. SASOL entered into nitrogen production for fertiliser - partly at the behest of the state - challenging AECI's dominance which was channelled mainly towards explosives production for the mines rather than for agriculture; in doing so, SASOL entered a market where fertiliser use was increasing massively.[64] Managers described SASOL as a 'trusted instrument of the state in opposing monopolistic conditions' in the petrochemical industry and state intervention as essential to preventing the retarded development of the sector. The

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[60] SAB AES AM 7/2 A7/3, SASOL, 'Co-operation with other companies and a scheme for an integrated chemical undertaking in SA' 14 January, 1959.
[61] 'Die Nywerheidswese en die jong Afrikaner', unknown newspaper, 5 October1964.
[62] SASOL Archive, 3/6, Staatsondernemings en SASOL, Etienne Rousseau Memorandum to Minister of Economic Affairs, 19 March, 1955.
[63] SASOL Archive, 18/1/15, Long Term Planning Committee, Memorandum, 20 June 1964.
[64] SAB, MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to N. Diedrichs, 2 August, 1960.

protectionist logic underpinning oil-from-coal was therefore extended to SASOL's chemical expansions.[65]

**'The government's instrument in the oil domain'**

As anti-apartheid sanctions became a growing threat after Sharpeville, SASOL moved increasingly to the centre of the state's oil strategy, functioning as 'the government's instrument in the oil domain'.[66] The contribution of oil-from-coal to the country's overall petrol supplies remained comparatively small (approximately 30% well into the post-apartheid era) but SASOL's managers advised the state on oil strategy, managed the strategic oil reserve and facilitated oil procurement as sanctions pressures increased. After Sharpeville it was Rousseau who advised the state to buy cheap petroleum on the spot market in bulk for stockpiling rather than proceeding with further 'uneconomic' oil-from-coal expansion.[67] It was Rousseau's recommendation that the government establish the Strategic Fuel Fund in 1964, the agency tasked with acquiring oil for the strategic reserve which also assumed responsibility for oil procurement (via the multinationals but also from dubious oil traders) in response to growing anti-apartheid sanction threats. SASOL administered the Fund and oil procurement until 1983.[68]

So inauspicious were conditions for oil-from-coal expansion before 1973 that, in the mid-1960s, the state began investigating the establishment of a conventional oil refinery in the

[65] SAB, MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to N. Diedrichs, 9 March, 1962; SASOL Archive, 15/6/1, Petrol Supplies, Etienne Rousseau to Minister SL Muller, 24 November 1970.
[66] SAB, MES 219, H4/7/1 SASOL Algemeen, Etienne Rousseau to Minister of Econ Affairs, 10 December, 1969; See also SASOL Archive, 15/14/1, Strategic Oil Supplies, J. Stegmann to J.C Heunis, 1 December 1976.
[67] SAB, MES 219, H4/7/1 SASOL Algemeen, Etienne Rousseau Memorandum 'Oil Supply in Times of Crisis', 18 July, 1960.

[68] SAB, MES 219, H4/7/1 SASOL Algemeen, S.I. Muller, Min of Econ Affairs to Dr H. Muller, Minister of Foreign Affairs, 26 August 1971.

interior rather than on the coast. The idea was that this refinery would supply a concentrated interior market (SASOL's 'natural market') while enjoying protection from competition from coastal refineries.[69] The multinationals had originally proposed building a pipeline from their coastal refineries in Durban to the Witwatersrand for the transportation of refined products. SASOL instead pushed the state to establish a pipeline for transporting crude oil to an inland refinery.[70] SASOL managers convinced government that any inland refinery needed to be under state control to defend their market from the possibility of the multinationals increasing production in an interior refinery under their control.[71] Rousseau invoked SATMAR's fate when he warned government that allowing the multinationals to establish an inland refinery would allow them to turn SASOL into the '*bywoner* of the oil business.'[72] In 1967 SASOL entered a partnership with the local subsidiary of the French company TOTAL – the least threatening of the multinationals, possessing no local refining capacity – and the National Iranian Oil Company to establish a refinery in Sasolburg to handle Iranian crude. The South African Railways and Harbours built the pipeline from Durban which would transport crude to Sasolburg free of charge. A tariff structure ('Natref at the sea') ensured that the refinery was no worse off than it would have been had it been sited on the coast. Disposing of output from NATREF, though, still required the co-operation of the multinationals, as with oil-from-coal output from Sasolburg.[73]

The massive spike in global oil prices in 1973 created new economic conditions favourable to synthetic production. In response, the South African government commissioned SASOL 2, the parastatal's second oil-from-coal plant, to be built in a new town called Secunda, on

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[69] SAB MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to N. Diedrichs, 20 February, 1962.
[70] SAB MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to N. Diedrichs, 20 March 1963.
[71] SAB MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to N. Diedrichs, 20 February, 1962.
[72] SAB MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to Minister of Econ Affairs, 10 December, 1969.
[73] SAB MES 219, H4/7/1 SASOL Algemeen, Etienne Rousseau Memo on SASOL & Oil Supply in the future, 14 March, 1962.

coalfields in the Eastern Transvaal. The oil crisis proved less disruptive than it might otherwise have been because the multinationals helped secure alternative sources of oil to keep their refineries in production. While Prime Minister B.J. Vorster supported the idea of bringing an increasing percentage of the oil interests under state control, SASOL managers and Vorster himself recognised that the multinationals had to be kept happy; they remained essential to South Africa's oil strategy[74] and so were compensated for taking on SASOL's output on the Highveld.

Because Iran was the key source of the country's imported crude oil, the fall of the Shah, Mohammad Reza Pahlavi in the Iranian Revolution of 1979 represented a major crisis for South Africa's oil strategy. The special relationship with pre-revolutionary Iran had been carefully nurtured by SASOL.[75] The Revolution ended the National Iranian Oil Company's involvement in NATREF and, almost overnight, the state commissioned SASOL 3, a third oil-from-coal plant which was an exact replica of SASOL 2 and built adjacent to the second plant. Like the first SASOL plant the new plants would enjoy tariff protection, and were funded by fuel levies imposed on motorists. When SASOL 2 and 3 began operating in 1982, the multinational oil companies agreed to mothball 30 per cent of their production capacity so that they could absorb output from SASOL's new plants, in exchange for compensation. It was the challenge of funding two massive new oil-from-coal plants in the difficult post-Oil Shock economic climate that precipitated SASOL's turn to the private markets for additional financing over and above what it received from state coffers - the first step in the parastatal's privatisation.

[74] SASOL Archive, 15/6/1, Petrol Supplies, E. Rousseau to S.L Muller, 24 November 1970.
[75] SASOL Archive, 15/14/1, Strategic Oil Supplies, H.R Wiggett, Samesprekings in die kantoor van die Minister van Ekonomiese Sake, Minister Heunis op 26 November 1976 and SASOL Archive, 15/14/1, Strategic Oil Supplies, J Stegmann to JC Heunis, 1 December 1976.

**'The legitimate aspirations of the state corporations'**

SASOL managers were initially unapologetic about their dependence on state support, which they worked hard to secure.[76] Managers and government officials could cite a general trend of 'state involvement in oil industries' in newly independent African states as well as metropolitan precedent in the British government's decision to buy into the Anglo-Persian Oil Company, which later became British Petroleum.[77] Certainly, from early on, key figures in the project had entertained the possibility that SASOL might one day 'cease being under government control'.[78] Evaluating anti-monopoly legislation proposed by the government in 1952, Rousseau warned that it might foreclose 'things which SASOL might very easily have to do in the course of its natural development', including investing in or partnering with private enterprise.[79] Particular emphasis had been placed at key moments on the importance of developing and maintaining a measure of independence from the Industrial Development Corporation and the state more generally.[80] On a number of occasions during the 1960s and 1970s managers expressed frustration at perceived interference by the state and the restrictions being placed on them.[81] Many of these tensions centred on SASOL's desire to dispose of profits as it pleased; officials in the Treasury were not always willing to give SASOL free reign in this area, prompting Rousseau to complain on one occasion in the early 1970s of hostility within government towards what he characterised as the 'legitimate

[76] SAB, MES 219, H4/7/1 SASOL Algemeen, E. Rousseau to N. Diedrichs, 9 March, 1962.
[77] SASOL Archive, 9/7/1, Raad van Handel en Nywerheid se ondersoek na die Chemiese Nywerheid, E.Rousseau Memorandum.
[78] SAB, HEN, 7/5/50, P.A. 11/2, Vorm en Finasiering van olie-uit-steenkool Maatskappy, F. du Toit to Min of Economic Affairs, 17 November, 1950.
[79] SASOL Archive, 05/1 (105); Oil-from-Coal, Etienne Rousseau Memorandum to Board 21 January, 1952, Re: Anti-monopoly legislation.

[80] SASOL Archive, 05/1 (105); Oil-from-Coal, D. de Villiers to Chairman, Liquid Fuel and Oil Industry Advisory Board, 28th September, 1951; SASOL Archive, 05/1 (105); Oil-from-Coal, E. Rousseau to F. du Toit, 12 January, 1951.
[81] SAB MES, 218/H4/7, SASOL, E. Rousseau to N. Diedrichs, 11 March 1964; MES SASOL Algemeen, H 4/7/1, N. Diedrichs to SL Muller, Min of Econ Affairs, 4 November, 1971; SAB, RHN, Vol 963, 92/12/1, N. Diedrichs to S.L. Muller, 28 April, 1971.

aspirations of the state corporations.'[82] Needless to say the legitimacy of these aspirations were an ongoing source of contestation in government and wider public debate.

Over time SASOL managers became increasingly defensive about their dependence on state support. Some of this first exhibited itself in the context of early public criticism in parliament and the press about the fact that SASOL's petrol was not cheaper than imported petrol. Responding to one such bout of criticism Rousseau insisted that '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.'[83] Rousseau wrote repeatedly to the editors of publications complaining about articles which had questioned the economic viability of the project under normal circumstances, dismissing one as a 'write up for African Explosives and a scathing attack on the achievements of SASOL.'[84] In one instance, an article portraying the parastatal as a beneficiary of 'socialist economics' – a common term of opprobrium – prompted an instruction to SASOL's Public Relations department to 'see that this does not gain ground.'[85]

While Rousseau described himself as a rare breed of Afrikaner willing to forego more lucrative opportunities in the private sector for service in the public sector, he undoubtedly saw himself as essentially a businessman. In 1958 he rejected proposals for increased parliamentary oversight of parastatals on the grounds that centuries of experience had taught that 'shareholders money is most effectively protected by a Board consisting of capable directors', insisting that the country's parastatals had 'been a success because from a

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[82] SAB, MES 219, H4/7/1, SASOL, E. Rousseau to Minister of Econ Affairs, 12 April, 1971.
[83] SAB, HEN, 3513, 539/3, SASOL: Manufacture and Sale of Products Customs and Excise Duties, E. Rousseau Memo, 'The price of SASOL Petrol and the AA', 11 August, 1954.
[84] SASOL Archive, 19/6/4, Publicity, E. Rousseau to L.B Gerber, 27th May, 1964. Article in Chemische Industrie International of March, 1964.
[85] SASOL Archive, 19/6/4, Publicity: E. Rousseau Memorandum, September 28, 1964.

managerial side of things, they have been allowed to function like private undertakings.'[86] When SASOL was awarded the the *Rand Daily Mail* Business Achievement prize in 1975 – a symbolically important moment – the comments by Rousseau's successor, David de Villiers, reflected the desire of SASOL managers to underplay the effect of dependence and protection by the state:

> There is so much talk in South Africa about the dangers of creeping socialism. It is usually said if an organisation 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.[87]

**Conclusion**

In 1979, in an important symbolic move, SASOL relocated its headquarters from Sasolburg to Rosebank in Johannesburg. This coincided with the decision to proceed with a public share offering on the Johannesburg Stock Exchange. While the involvement of private shareholders had been explicitly rejected as strategically unwise at the project's outset, in the closing years of the 1970s senior figures in government - such as economic advisor P.J. Riekert - actively advocated share offering and both government ministers and SASOL managers were evidently assuming the desirability of such a step.[88] The putative discipline of the market was

[86] SASOL Archive, 7/3/5, E. Rousseau to Chairman & Directors of SASOL, 2 December, 1958, re Report of the Commission of Enquiry into Policy Relating to the Protection of Industries.
[87] SASOL Archive, 4/1/4, Publicity: *Rand Daily Mail* Business Achievement Award of 1975 acceptance speech by D.P. de Villiers, 24 November, 1975.

[88] 'Riekert backs state handover to industry', unknown, 1978; SASOL Archive, 15/14/1, Strategic Oil Supplies, SASOL en die land se oliebehoeftes, J.C. Heunis to J. Stegmann, 10 January 1977.

both a sore point for SASOL managers and possessed a certain lustre. It was the Iranian Revolution and resultant panic leading to the decision to proceed with the SASOL 3 plant in addition to the already approved SASOL 2, which precipitated the share offering.[89] SASOL embarked on a two-fold massive oil-from-coal expansion in the name of securing the apartheid state's strategic interests, which aimed to exploit the fact that the oil price had skyrocketed after both the 1973 Oil Shock and the Iranian Revolution. The cutting off of Iranian sources of imported crude oil because of the Revolution was the straw that broke the camel's back, so to speak: massive oil-from-coal expansion was not only now economically viable because of the oil price but was strategically essential. A share offering was financially necessary; it would not have been possible for the public purse to carry the full cost of the two new plants in Secunda. Crucial private investment would supplement the new fuel levy and loans from the Industrial Development Corporation which the state would use to help fund the expansion. This made SASOL the first South African parastatal to be listed on the stock exchange.

The heavily oversubscribed listing on the JSE occurred 'on terms very favourable to investors' because the state remained committed to ongoing subsidisation via fuel levies, the IPP and the provision of continued 'soft loans' through the IDC.[90] SASOL's special strategic status meant minimal risk and guaranteed profitability for private investors. Despite public proclamations about SASOL shares being readily available to the 'man on the street' –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

[89] 'Sasol funding in a fix' *Sunday Times*, 8 April 1979.
[90] '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. Accessed at http://www.treasury.gov.za/publications/other/windfall/Liquid%20Fuel%20Windfall%20Profits%20Final%20Report%20-%20%209%20February%202007.pdf.

South African conglomerates.[91] This initial privatisation and its subsequent phases were featherbedded by continued state support, the majority of which was only belatedly removed in the post-apartheid era.[92]

SASOL's hybrid identity as a company with private shareholders enjoying public subsidies proved immediately controversial. In January of 1981 a member of a parliamentary committee asked:

> It is not clear in my mind what the method is that is adopted to ensure that the money which comes from the taxpayer toward the SASOL II project does not indirectly result in additional profits for the investor. SASOL now has private shareholders who benefit from the success of SASOL, but to some extent SASOL has been directly and indirectly financed by taxpayers money... I want to be quite sure that there is a distinction made between the two sets of funds and that the taxpayer gets his due in the same way that the shareholder will get his.[93]

SASOL's history, as a parastatal funded by taxpayers' money and an official regulatory regime heavily skewed to its advantage, has proven hard for the company to shake off. As it has increasingly turned its attention to global expansion and the New York Stock Exchange, it has been repeatedly reprimanded for engaging in anti-competitive practices which unfairly leveraged advantages derived from apartheid-era state support.[94] More than moral complicity with apartheid, it is SASOL's historic dependence on significant financial support from the state which most often has the company on the back foot today.

[91] 'Once bitten, twice shy', *Financial Mail*, 2 November, 1979 and 'Possible reforms to the fiscal regime applicable to windfall profits in South Africa's liquid fuel energy sector', p 74.

[92] 'Sasol funding in a fix' *Sunday Times*, 8 April 1979.

[93] SASOL Archive, 1/3/1, Telegram from DG, Industry, Trade and Tourism, to Sasol Managing Director, 28 January 1981. See also 'More in the pipeline' *Financial Mail*, 5 August, 1979.

[94] Competition Commission v Sasol Chemical Industries, 5 June, 2014. Available at http://www.comptrib.co.za/cases/complaint/retrieve_case/1722.

In 2007 a task team appointed by Trevor Manuel, then Minister of Finance, recommended that the government institute a windfall tax on SASOL because of 'excessive profits' which SASOL had accumulated by leveraging the historic regulatory advantages it enjoyed under apartheid.[95] It received a last minute reprieve, with the Ministry deciding against implementing the task team's recommendations. The Import Parity Pricing mechanism which ensures SASOL's petrol retails at the same price as the imported refined product of oil multinationals still functions today, and it remains an ongoing source of contention. In August 2013, Jeremy Cronin, Deputy General Secretary of the South African Communist Party addressed the South African Clothing and Textile Workers Union (SACTWU) congress. After providing a thumbnail sketch of SASOL's history of state support, Cronin directly invoked the fact that SASOL 'sells at the pump at the import parity price' despite the fact that the global price of oil was, at the time of his speech, above $100 per barrel. 'This means we are all subsidising super profits for what is now a privatised SASOL'.[96] The alleged disciplining effects of the market remain elusive.

STEPHEN SPARKS
Department of Historical Studies, University of Johannesburg, PO Box 524, Auckland Park, South Africa, 2006. Email: sjwsparks@uj.ac.za

[95] '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.
[96] Jeremy Cronin, 'Address to the SACTWU 12th National Congress' Address to the SACTWU 12th National Congress, 22 August 2013. Accessed at http://www.sacp.org.za/main.php?ID=4071