Oil is the one key resource which South Africa does not possess and for which it has been almost totally dependent on foreign sources. This is an alarming state of affairs for the white minority government, which aims at achieving self-sufficiency in all areas in order to reduce the threat posed by possible international trade sanctions.

Without oil the ability of South Africa’s economy to function would be considerably impaired. Far more important, without oil the minority regime would be unable to employ the tanks, police vans and airplanes on which it relies to maintain control.

Determined to reduce its vulnerability, South Africa has embarked on a major coal-to-oil conversion program. By the end of 1982, the regime expects to be meeting at least 35 percent of its projected oil needs from this process.

The Western countries, which have talked the most about their interest in helping to bring about non-violent change in South Africa, are chiefly responsible for this development. In the past, they have helped South Africa acquire and develop the technology needed to move ahead with an oil-from-coal program.

The United States, in the form of the Fluor Corporation, is now playing the key role in building the necessary facilities. Under a $4.2 billion contract, Fluor is overseeing an immense expansion of South Africa’s first, limited efforts at coal conversion. In so doing, Fluor is lending direct support to apartheid.
SOUTH AFRICA AND ENERGY

South Africa is coal-rich and oil-poor, with estimated recoverable coal reserves of 25 to 38 billion tons—enough for up to 250 years—but no domestic deposits of oil. South Africa is unique among industrialized nations in that it has developed an economy which relies on oil for less than one-quarter of its total energy needs, compared with the United States' more than 40 percent. Coal and its derivatives fill the major portion of South Africa's energy needs.

Oil consumption in South Africa is classified as "strategic information" and not disclosed. However, Bernard Rivers and Martin Bailey estimated in a report prepared for the UN Centre Against Apartheid that South Africa and Namibian consumption together (Namibia accounting for only a small portion) totalled 247,000 barrels a day in mid-1978. Rivers and Bailey estimate that another 77,000 barrels a day are exported for ships' bunkers and to neighboring countries, including Rhodesia, which depends on South Africa to fuel its war against liberation forces.

Transportation consumes 66 percent of all the oil South Africa has at its disposal. Another 17 percent is used by business and industry and a further 15 percent by households and the heavily mechanized agricultural sector.

Under a $4.2 billion contract, Fluor is providing the engineering and overseeing the construction of an immense extension of South Africa's first, limited efforts at coal conversion. In so doing, Fluor is lending direct support to apartheid.

South Africa's access to oil has been greatly reduced in recent years. All OPEC members except Iran placed oil sanctions on South Africa in 1973, due to South Africa's apartheid policies and its pro-Israeli sympathies. Following this action, Iran became South Africa's chief supplier, providing more than 90 percent of the country's imported oil.

In February 1979, after the fall of the Shah, Iran announced that it, too, was joining in the oil embargo.

South Africa responded by introducing a massive oil conservation and education campaign aimed at cutting consumption by 20 percent, while at the same time being forced to pay top dollar for whatever oil it could get through legal or illegal means. It may also have drawn on oil stockpiles—estimated at between 18 months and two years' supply—which it had been building up.

But the most important long-term action South Africa took with regard to its oil problem was to decide on a huge increase in oil-from-coal facilities.

SASOL AND THE PRODUCTION OF OIL FROM COAL

SASOL—the South African Coal, Oil and Gas Corp. Ltd.—is a state-owned company which was formed to oversee South Africa's oil-from-coal program. SASOL I, as the first oil-from-coal plant in South Africa was called, began production in 1955 using a process developed by the Germans between the World Wars and sold to a South African firm. SASOL I has an output of approximately 4,500 barrels a day.

For many years, the availability and relatively low cost of imported oil, coupled with the high cost of extracting oil from coal, prevented expansion of the SASOL program. However, in December, 1974, following OPEC's quadrupling of oil prices and its imposition of an embargo on South Africa, plans were announced for a second SASOL plant. In early 1979, it was decided to extend this second plant and to concentrate production on transport fuels.

Output of SASOL II, to be completed in 1980, will be nearly 10 times that of SASOL I, or approximately 40,000 barrels a day, at a conversion exchange rate of one metric ton of coal for one barrel of oil. The SASOL II Expansion (first called SASOL III) will double production to 80,000 barrels a day. By the end of 1982, all the SASOL plants together should be producing about 85,000 barrels a day of petroleum, at least 35 percent of South Africa's projected petroleum demand.

SASOL II and SASOL II Extension together constitute the largest and most expensive project ever undertaken by the South African government. The total cost of the project, located about 80 miles southeast of Johannes- burg and slated to cover three-and-a-half square miles, is estimated at $6.7 billion. By way of comparison, the South African budget for the 1979-80 fiscal year is $13 billion.

THE ROLE OF FLUOR

Fluor, a US multinational based in Irvine, California, is one of the largest engineering and construction firms in the world, with revenues of $2.9 billion and earnings of $78.4 million in 1978. Among its current or recent projects are the building of a refinery in Saudi Arabia, work on the Alaska pipeline, and construction of an $800 million copper mine and processing plant in the Peoples Republic of China.

In recent years, Fluor has been heavily involved in the nuclear industry both in the US and abroad. It was also a member of a consortium which built a refinery in Sasolburg, South Africa for the Natref National Petroleum Refiners. Its work for the US government has included conversion of a coal research plant for the Department of the Interior in 1974 and a large-scale oil-from-coal plant for the Energy Research and Development Administration.
Fluor was awarded a contract in 1975 for engineering and construction work on SASOL II. With the announcement of the SASOL II Extension, Fluor’s contract was revised to include “management and coordination of the total project, including a major portion of the engineering, design, procurement, construction and a multitude of other supportive functions.” In addition to work on the oil-from-coal facilities themselves, Fluor is also building a town called Secunda, five miles away from the plant, to house SASOL workers.

Fluor’s total contract for both SASOL II and SASOL II Extension is valued at $4.2 billion. Details have not been released, nor is it known what percentage of the $4.2 billion will be Fluor profit.

However, Fortune magazine said in February, 1979 that “...Seldom will the (Fluor) company take chances of losing money in an inflationary situation by bidding for jobs at lump-sum guaranteed prices... As much as half the total cost of a typical project will be billed by subcontractors or suppliers directly to the client.”

Fluor is working with several other multinational corporations from West Germany, France and the US in building the SASOL facilities. US firms known to be supplying equipment or engineering and construction skills include Babcock and Wilcox, Badger Corporation (a subsidiary of Raytheon), Chicago Bridge, Honeywell, and Goodyear.

A major concern over Fluor’s involvement in the SASOL project is that Fluor operates on a “turn-key” basis: it builds a project and moves out. Then all the owner must do is “turn the key” for the new plant to operate. In building the SASOL plants, Fluor is providing the South Africans with engineering and construction technology they do not presently possess, but need, in their struggle for self-sufficiency.

FLUOR’S ASSISTANCE TO SOUTH AFRICA IN THE US

Once Fluor was involved in SASOL II, it began lobbying to loosen US Export-Import Bank restrictions on extending credit to South Africa. The South Africans were seeking $225 million in loans and $225 million in loan guarantees from Ex-Im, using jobs for American workers and large contracts for US firms as incentives. Ex-Im strictures prohibited direct loans to the South African government.

Fluor applied for the credit on SASOL’s behalf in 1975. Ex-Im was slow in moving on Fluor’s request and it wasn’t until 1976 that the campaign to eliminate the restrictions came to a head. In the final days of the Ford administration, 20 US senators, led by John Tower of Texas, gave a letter to the White House asking the President to “fundamentally re-examine our policy toward South Africa.” The letter also said that restrictions on US ties to South Africa “are contrary to our goal of normalizing relations with other countries and tend to limit our influence in South Africa.”

It is interesting to note that Tower was supported in his 1978 Senate race with a $500 donation by the Fluor Public Affairs Committee and that Fluor has considerable interest and influence in Texas due to the presence there of several of its subsidiaries.

Following public disclosure of the pressures (first reported in Africa News in February, 1976), a counter-campaign was launched and the Administration decided against lifting the ban. The Ex-Im Bank, however, decided it would extend the guarantees and circulated a defense of the decision on Capitol Hill. The day after the beginning of the Soweto uprising in June, 1976, Ex-Im rescinded its decision.

However, Fluor’s involvement in SASOL II was not affected by the failure to abolish Ex-Im limitation. Export credits eventually were obtained in Europe.

Fluor and Fluor officials also have been active politically in other ways which have been of direct or indirect benefit to South Africa. J. Robert Fluor, chairman, president, and chief executive officer of Fluor, sits on the board of the Heritage Foundation, a conservative organization which has distributed material sympathetic to South Africa. Fluor is also a member of the well-funded Business-Industry Political Action Committee, many of whose contributions have gone to conservative candidates who are sympathetic to South Africa.

Fluor’s own political fund, Fluor-PAC, has contributed
to a number of conservative politicians with pro-South African views. In 1978, it gave $1,000 to Roger Jepsen, the Iowa Republican who defeated Senator Dick Clark. Clark, who served as head of the Senate Subcommittee on African Affairs, is said by South Africa’s former Information Secretary Eschel Rhoodie to have been the target of a South African campaign to unseat him.

**SASOL, FLUOR, AND THE INDIVIDUAL WORKERS**

SASOL II and SASOL II Extension will employ about 20,000 on-site workers at the height of construction, approximately 7,500 of whom are expected to remain when the plants are in full operation.

There has been a shortage of trained skilled labor at the site because it is remote and a relatively unattractive place to work. Blacks, however, having few choices of jobs, have been willing to go there, particularly since they have been promised decent wages and training.

There are indications, however, that Fluor has proven itself to be less than a model employer. For example, while some training of Africans is going on—in large part because of a shortage of skilled whites—the numbers do not appear substantial. Of the 4,500 African workers hired for the first part of the project, SASOL II, some 3,200 are to be engaged in mining coal—one of the lowest paid and most exploited positions for blacks in South Africa.3

"Historically, the Company has always abided by the laws, regulations and social customs of the country in which it works, and the management intends for the Company to continue in this manner."

—Fluor Corporation statement

Fluor has committed itself publicly to paying equal wages for equal work through its endorsement of the Sullivan Principles, a code of conduct signed by a large number of US firms. However, according to the Johannesburg *Sunday Times*, African welders at the SASOL plant were up in arms early in 1979 over the fact that after being promised $3.45 an hour plus a daily bonus, they were being paid only $2.20 an hour and no bonus. Other race groups, meanwhile, were getting $4.00 an hour plus bonus, or about double, for the same work. When the black workers took their complaints to Fluor, the paper quoted a black employee as saying, they were told the matter would be looked into. Four months later, nothing had changed.23

Information elsewhere in the story indicates that in fact Fluor appears unwilling to challenge local officials. The same worker is quoted as saying that when the employees approached a SASOL official, the official "dis

missed their grievances and told them they were being paid at rates laid down by the State last year."

When the issue was raised at the Fluor annual meeting in 1979, William McKay, president of Fluor Constructors International, said, "The blacks are not getting equal pay to the whites. This is not saying they do not get equal pay for equal work. You cannot produce a journeyman worker overnight." He added, "...we do not have too much control over the actual wages paid, because they are controlled by forces beyond our control."

However revealing such examples as these may be, it is important to remember that wages and living accommodations are not the crux of the debate over whether US companies, including Fluor, should continue to operate in South Africa. The issue is whether they are assisting in the perpetuation of a system which denies basic human and political rights to black South Africans. In the case of Fluor, one has only to consider what would happen to the current regime if it were to be denied all access to oil to recognize the importance of Fluor's activities.

**SELLING THE U.S. ON SASOL TECHNOLOGY**

While Fluor is making money building SASOL facilities in South Africa, it is also trying to parlay its South African experience into additional business elsewhere in the world, in the form of contracts for plants using the SASOL process. In the US, Fluor has already advanced a major step toward this goal in the form of an April, 1979 announcement by the Department of Energy that it had obtained State Department clearance to offer to buy the SASOL I data bank from any private corporation that can arrange a deal with SASOL officials. The Department of Energy doesn't want to buy the data directly because of the negotiations it would entail with South African authorities. The data bank consists of SASOL's improvements on the Fisher-Tropsch coal-to-oil process.

The Department of Energy's move was widely heralded in South Africa. The *Rand Daily Mail* reported that "The United States dramatically brushed aside scruples [in deciding] to allow American firms to seek vitally needed oil from coal technology from South Africa."

One of those who lobbied hard for the favorable decision was Congressman William Moorhead of Pittsburgh, whose district includes the headquarters of Allegheny Ludlum Steel, an active proponent of continued business ties with South Africa, and borders on large coal reserves. Coal and oil companies have been interested in oil-from-coal conversion from many years and SASOL has cooperated by testing various types of coal in its plant.

The question is not whether the SASOL process could be used in the US but whether it is worth the cost, both in money terms and in terms of the level of dependence on South Africa that it would entail. Dr. John Deutsch, acting Assistant Secretary of Energy, told a House Sub-
committee on Economic Stabilization hearing, "I would not characterize [South African technology] as being more advanced than ours. What I would characterize is that because it is in operation, it has the benefit of practical experience." A report by the Engineering Societies Commission on Energy supports the idea that several processes are more economical, and the Department of Energy itself is funding several small plants using more advanced technologies. Meanwhile, the Rand Corporation has warned in a recent report that all synthetic fuel programs are likely to be far more expensive than currently estimated and that "if we go too fast one way, we forego the opportunity to develop other technologies later."

**ACTION ON FLUOR**

Little has been done to date to challenge Fluor's activities in South Africa, and Fluor itself has been unwilling to give out much information. At its 1979 annual meeting, Fluor said it had endorsed the Sullivan Principles—more than two years after the 12 original signers—but it has not to date been included in any survey of conditions at signatory companies.

A shareholder resolution introduced jointly at the 1979 Fluor annual meeting by the American Friends Service Committee and the Maryknoll Sisters of St. Dominic stated that "... as investors we believe that the US business investment and strategic contacts in South..."
Africa, including Fluor’s, provide significant economic support, international credibility and moral legitimacy to South Africa’s apartheid government” and resolved that Fluor “make no further investments in or contracts with the government of the Republic of South Africa.”

In response, the company cited its signing of the Sullivan Principles. Making clear, however, its intention not to cause any problems with the white government, it added, “Historically, the Company has always abided by the laws, regulations and social customs of the country in which it works, and the management intends for the Company to continue in this manner.”

The resolution obtained 4.1 percent of the vote. While this means the resolution can be reintroduced, the fact is that shareholder resolutions opposed by management have virtually no chance of being passed regardless of the merits of the issue in question.

If shareholder actions are thus a relatively ineffective way to attack Fluor’s activities in South Africa, the same can be said for pressing Fluor to adhere to the Sullivan Principles. Even if it were possible to effectively monitor the company’s performance, which it is not, and even if Fluor were to make a good faith effort to abide by the Principles, Fluor’s contribution to the strengthening of apartheid is so great as to dwarf any small improvements the company might make in the lives of South African black workers.

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### FOOTNOTES
2. Martin Bailey and Bernard Rivers, “Oil Sanctions Against South Africa,” Notes and Documents, United Nations Centre Against Apartheid (June 1978) p. 11, Table 1A.
4. Bailey and Rivers, p. 11, Table 1A.
7. Ruth Smith, Fluor Corporate Relations, telephone interview.
9. Ibid.
13. Fluor Corporation 1978 Annual Report says that the SASOL II contract is worth $2.2 billion. The Fluor Corporation 1978 Annual Report states that the SASOL II Extension contract is worth $2 billion.
22. Files: Fluor and SASOL, Interfaith Center on Corporate Responsibility (New York)
25. Fluor Proxy Statement 1979
26. Fluor Proxy Statement 1979
27. Fluor File: Interfaith Center on Corporate Responsibility
28. Corporate Data Exchange (New York). For additional information contact Mike Locker or Jim Salois.
29. The Ohio Attorney General filed suit against Fluor, Manufacturers Hanover and a New York brokerage house in 1976. The suit alleges that the three parties conspired to cover up the SASOL deal so Manufacturers could buy Fluor stock before the price went up after the contract was announced. Wall Street Journal (May 13, 1976)