

450

44 MAIN STREET

OPTIMA

SEPTEMBER 1967

OPTIMA

Commemorates the
Fiftieth Anniversary of
Anglo American Corporation
September 25th, 1967



OPTIMA

Sir Ernest Oppenheimer

A portrait by his son

Page 94

The formative years

A recollection

Page 105

Crossing an horizon

Page 112

A view from the City

Page 124

Progress in gold mining over fifty years

Page 130

Pioneer of economic nationalism

An Afrikaner view

Page 147

Folio of pictures

In retrospect *Page 116*

Growth and development *Page 139*

H. F. Oppenheimer

Chairman of Anglo American Corporation

R. B. Hagart

Joint deputy-chairman of Anglo American Corporation

W. D. Wilson

Vice-chairman and managing director of Charter Consolidated

Francis Whitmore

Financial editor of the 'Daily Telegraph', London, 1939 to 1966

H. MacConachie

Technical director of Anglo American Corporation

Dr. J. E. Holloway

Secretary for Finance, 1937 to 1950, and South Africa's
High Commissioner in London, 1956 to 1958



*From a painting by Terence Cuneo,
by courtesy of Lady Oppenheimer*

Sir Ernest Oppenheimer

SIR ERNEST OPPENHEIMER

A PORTRAIT BY HIS SON

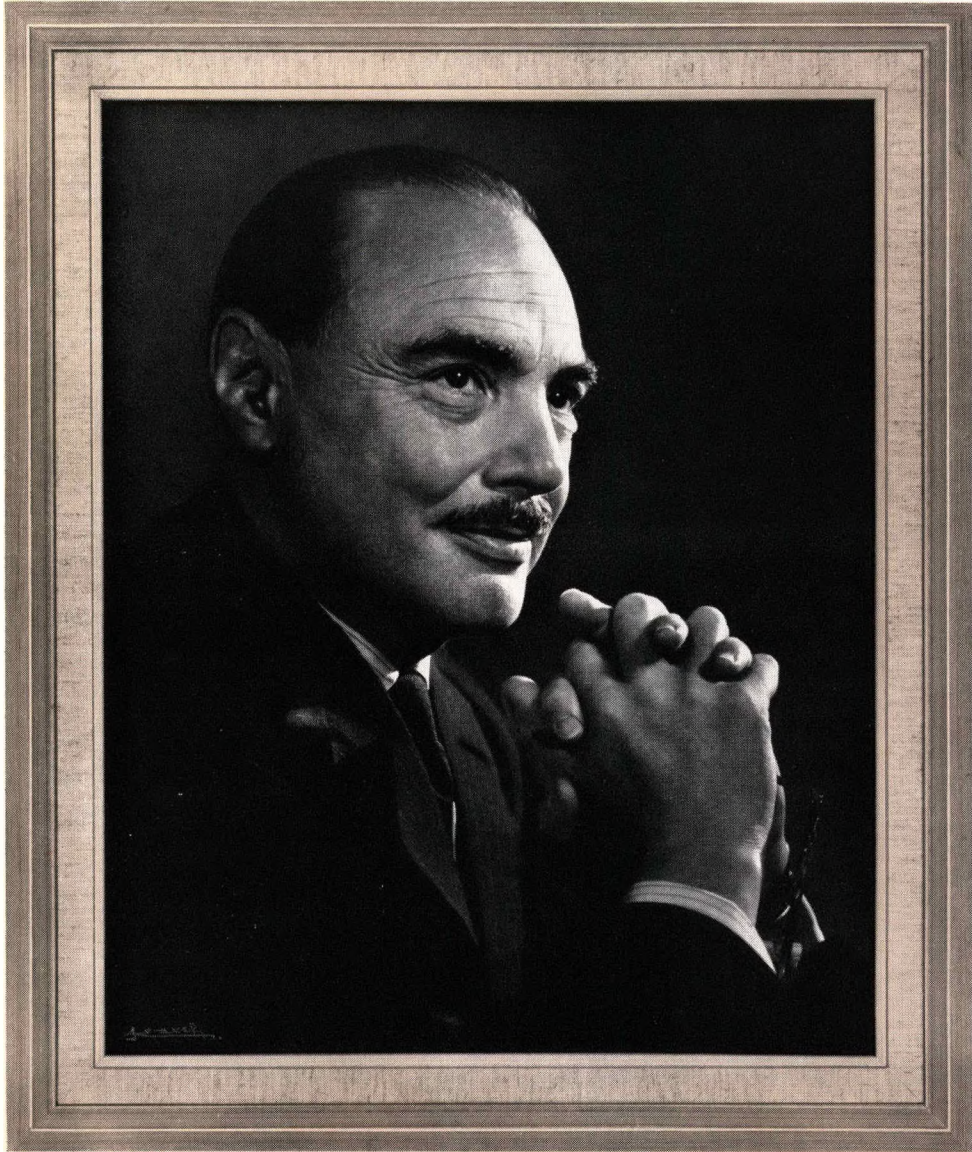
My father formed the Anglo American Corporation on the 25th September, 1917, and remained Chairman until his death forty years later. For all that time he was in full control of policy and up till the end had an astonishingly detailed grip of its affairs. The whole organization is still marked with his ideas and his personality.

Like a number of the other Johannesburg mining finance houses, Anglo American had its roots in the diamond trade. As a boy of sixteen my father came to London from Germany to join his brother Louis, who was ten years his senior, in the office of A. Dunkelsbuhler & Company, one of the smaller of the diamond firms which made up the syndicate through which the De Beers company's production was marketed. His first salary, so he told me, was 17s. 6d. per week and he used to enjoy enlarging on his humble start in business. However, his poverty at this time was, I suspect, relative only, for his family in Germany, though anything but rich, was certainly not destitute, and his brother was already well established in London.

He must very quickly have acquired an expert knowledge of diamonds and generally shown himself to be an unusually bright young man, for in 1902, the year of Rhodes' death, when he was just twenty-two years old he was sent to South Africa to take charge of the firm's office in Kimberley. The wild pioneering days were over, but Kimberley was still a cheerful, lively place. A certain Mr. Sutro had previously been in charge of the office. He appeared old to my father, as middle-aged people do when you are twenty-two. Sutro, very naturally, was put out at being superseded by an unknown youth from London and had expressed himself pretty freely on this subject to his office staff. However, when the time came he decided, since he was a kindly man, to make the best of the situation and sent my father a warmly expressed telegram of welcome when his ship docked in Cape Town. He was not best pleased to receive, as a result of the machinations of his junior staff, a reply reading: "Your telegram received; meet me at station to look after luggage". This, and many such stories of his early years in Kimberley, my father delighted to tell, laughing uproariously and infectiously at his own jokes. It must have been a pleasant time for a young man fresh from Europe. The work was certainly not arduous; the country was fascinating; the economy was recovering from the Anglo Boer war, and everywhere was hope and growth. There were many parties and my father learnt to drink champagne. Indeed, he liked it so much that he resolved that when he could afford it, he would drink nothing else. It was one of his sadnesses that by the time he could afford it he had already come to prefer whisky and soda.

These were carefree times, but my father soon began to show his quality. To begin with, after a short time in Kimberley, he decided to stay permanently in South Africa and that South Africa was to be his country. This was very unusual at the time in the circle in which he lived. He travelled to Johannesburg and the other big centres, of course, but also to Bechuanaland and Rhodesia. He was accepted as an outstanding judge of diamonds. He visited the Premier diamond mine which had just been discovered, reported on no adequate evidence that this was a major discovery and urged his firm to buy shares. He turned out to be right, and since his firm had bravely taken his advice, his reputation rose. He began, after a few years, to learn about the gold mining industry, in which his firm was interested through the Consolidated Mines Selection, one of the companies that is now merged into Charter Consolidated. He married happily and built himself a house in Kimberley. He became a partner in his firm and more and more began to take the lead in its affairs. He entered municipal politics—as he said because he had nothing else to do, but actually with the idea of training himself for public life in a wider sphere. He became Mayor of Kimberley and in that capacity rather typically brought about an amalgamation of the adjoining municipalities of Kimberley and Beaconsfield. For these services he was presented with a portrait of himself in mayoral robes, so appalling that even my deep filial piety could not persuade me to preserve it.

The outbreak of war in 1914 brought about fundamental changes in my father's life in Kimberley. The diamond mines were temporarily closed and he began to take a bigger part in social and public work. However, the sinking of the *Lusitania* in May of 1915 sparked off anti-German riots in a number of South African towns, including Kimberley. Anyone with a German name was under attack. Threats, which in the event came to nothing, were made to burn down my father's house and he felt obliged to resign as Mayor of the town. He was at the time filled with deep depression by these events. He sent my mother with my brother and me to England where we stayed for the rest of the war, and resolved that we would never live in Kimberley again. I am inclined to believe, however, that what took place acted as a catalyst only, and was not the basic cause of his decision. Temperamentally, my father needed an emotional spur for decisive action and he would work one up for himself even when his underlying motives were really intellectually based. The fact was that the Kimberley phase of his life was over and he knew that in order to realise his ambitions he needed a new and wider field of action. This he sought in Johannesburg.



Karsh, Ottawa

Mr. H. F. Oppenheimer

During the war years he travelled frequently between England and South Africa—he was one of the survivors when the Galway Castle was torpedoed and sunk—and gradually, his ideas for the formation of a new Johannesburg mining finance house were worked out. It was a continuation of the line of development which had been followed long before by the leading diamond firms. Johannesburg Consolidated Investment Company had been formed by Barnato Brothers, the Central Mining/Rand Mines Group had been established by Wernher, Beit and Company, and his own firm, A. Dunkelsbuhler and Company, had formed Consolidated Mines Selection. In 1917 the opening up of the East Rand basin offered great opportunities for gold mining development, and for this purpose the Consolidated Mines Selection on account of its existing holdings was strategically well placed. Obviously my father first thought of expanding Consolidated Mines Selection itself to take advantage of the situation, but to this there were two objections: firstly, the majority of the board, old in age and conservative in temperament, was in no mood for adventure, and, as the chairman at the time put it, “was not prepared to monkey about with the capital of the company”; secondly, my father was convinced, being in this ahead of the thinking of his time, that the major South African mining finance houses should be managed and controlled in South Africa. Through the efforts of an American mining engineer, W. L. Honnold, financial support was obtained in the United States from J. P. Morgan and Company and the Newmont Mining Corporation and on the 25th September, 1917, the Anglo American Corporation of South Africa was launched with an initial capital of £1 million, of which half was subscribed in America and half in England and South Africa. This capital was substantial at the time and from the beginning the Corporation was planned as a major new mining house.

On the East Rand the new company found itself in sharp competition—with varying fortunes—with the J.C.I. Group. It was able to expand the Brakpan and Springs mines. It tendered, unsuccessfully in competition with J.C.I., for the new State Areas Lease. It obtained, again in competition with J.C.I., a lease over the West Springs Area—then erroneously described as “the jewel box of the Far East Rand”. It reopened, expanded and eventually, after much tribulation, made a great success of the Daggafontein mine.

This gold mining development was the immediate purpose for which the Corporation had been formed, but my father had always envisaged a leading position for his company in the diamond industry. This did not appear easy of realisation. The two important firms of Barnato Brothers and L. Breitmeyer and Co. (successors to Werhner, Beit & Company), were firmly established at the head of the diamond syndicate and exercised a large measure of control over De Beers. The diamond syndicate was not always a very happy association and my father certainly felt that A. Dunkelsbuhler & Co., a comparatively small firm, was pushed around and its share of the business unfairly limited by its larger and richer partners. No doubt there were two sides to this question, and I can quite imagine that an extremely active, able, pushing young man, as my father certainly was at this stage, may well have been a



H. C. Hull, Minister of Finance in the first government of the Union of South Africa, who in later years helped Sir Ernest Oppenheimer to bring about the formation of the Consolidated Diamond Mines of South-West Africa, under the general control of Anglo American Corporation

bit abrasive in his relations with his older, better established, more comfortable associates. In this situation it was obvious to my father that the key to securing and expanding his interest in the diamond syndicate was to obtain control of a major diamond producer. In 1919 his chance came. H. C. Hull (who had been Minister of Finance in the first government of the Union of South Africa) approached him to ask whether Anglo American would be interested in securing control of an undisclosed diamond producer. My father knew that if he did so it would be likely to infuriate his partners in the diamond syndicate. He therefore replied that he would be interested if the diamond producer in question were big enough. Hull said that, potentially, it was very big indeed, and this could only mean that he was referring to the diamond fields of South West Africa. In South West Africa before the war there had been a considerable number of independent German diamond producers whose assets had been taken over during the war by the Custodian for Enemy Property. It was clear that for technical as well as marketing reasons, an amalgamation of these interests ought to be brought about. The De Beers company was, of course, aware of this situation, but De Beers in those days had become a very sleepy organization. Very complicated negotiations were involved with the South



This photograph of the directors of De Beers was taken on December 20, 1929, the day on which Sir Ernest was elected chairman of the company

Front row W. Pickering, Sir Ernest, Sir David Harris, F. Hirschhorn, H. P. Rudd

Back row C. E. Hertog, A. V. Drake, Alpheus F. Williams, R. F. P. Philipson-Stow, A. G. W. Compton

African government as well as with the German owners of the mining rights. Hull had been working quietly in this matter with Sir David Graaff and these two, together with my father, eventually succeeded in bringing all these German interests together to form the Consolidated Diamond Mines of South-West Africa, under the general control of the Anglo American Corporation. C.D.M. is now the largest producer of gem diamonds in the world, and even though in those days the rich beach terraces stretching north from the Orange River had not been discovered, it was a large scale producer and as a result of this transaction Anglo American's position as an important factor in the diamond industry had been firmly established.

In Kimberley the aura of Rhodes still lingers on; forty years ago it was all pervading. It was natural, therefore, that my father should have been pleased to extend his activities to Rhodesia. This came about through the Bwana Mkubwa Company, which is now merged into the Rhokana Corporation. Sir Edmund Davis was chairman of this company and later became a director of the British South Africa Company. He had assisted my father in connection with certain foreign

diamond contracts and asked, in turn, for help with Bwana Mkubwa. Anglo American provided a comparatively small amount of finance for the company and was appointed to act as consulting engineers. This was the beginning of Anglo American's interest in Zambia. From it came widespread prospecting activities in terms of agreements with the British South Africa Company and this, in turn, led to Anglo American taking a leading part in the development of the Copperbelt.

My father, to begin with anyhow—he may have modified his views at the time of Federation—looked on Northern Rhodesia in quite a different way from South Africa and Southern Rhodesia. He used to think that white men could not settle permanently to the north of the Zambezi and for that reason he regretted that on the Copperbelt we had, as he put it, drifted into an organisation of labour similar to that to which we were accustomed on the Witwatersrand. White men should, he thought, have been employed in Northern Rhodesia on contract only in supervisory capacities or for skilled work for which competent Africans were not available. Since he did not believe that white men would make Northern

Rhodesia their permanent home, he thought that the employment of Europeans on a daily paid basis was entirely inappropriate. Today in Zambia we have moved close to the system he envisaged. I remember walking with him through the gardens in Cape Town where there is a statue of Rhodes pointing to the north with the inscription "Your hinterland is there". He said there should be a similar statue on the Zambezi, only that in this case Rhodes should be pointing south because the Zambezi was the boundary between two different systems. He may well prove to have been right.

In 1924 he was elected Member of Parliament for Kimberley, and from the beginning he sat on the front bench. He remained a Member until 1938, though for the last four or five years he rarely spoke in Parliament and had half withdrawn from politics. As a speaker he was courteous, lucid and persuasive and always very carefully prepared. He had a charm in private conversation which came through also when he spoke in public. His weaknesses were a certain lack of power—which contrasted with his forcefulness in business negotiations—a perhaps excessive attention to detail and an unwillingness to move outside an important but specialized field. His contributions to financial debates and on mining and industrial subjects held the House and his influence was increased by his skill in negotiations behind the scenes. Though he limited his public statements to economic subjects of which he had special knowledge, he felt strongly about the issues of race and colour which are the basic stuff of South African politics. He regarded himself as a liberal and, indeed, when he entered Parliament he had obtained from his leader, General Smuts, a special dispensation to express himself, if necessary, in a liberal sense which went beyond the official party line. Yet his views were certainly not in accordance with what a great many people mean by "liberalism" in this context today. He saw South Africa as a multi-racial country and thought that this fact must determine national policy. He would however have regarded the phrase "a non-racial policy", if he ever heard it, as absurd, because it seemed plain to him that racial differences exist, are extremely important and must be taken into account. He would certainly not have contemplated transferring political power to the African majority. Indeed, in relation to the Africans, what he called "a liberal policy" did not imply any belief that they were then ripe for self-government. On the contrary, it was because he was convinced that they could not be allowed to exercise power that he felt a special moral duty lay on the whites to govern them wisely, justly, humanely and unselfishly. And in this duty he thought white South Africa was failing. He was never doctrinaire and always open to new ideas. He was, in particular, conscious that races and communities are made up of individuals who may not conform with the standards of their environment, and the idea that any man should be shut off by his race from educational opportunities or the chance of exercising his natural talents to the full was utterly repugnant to him. In individual contacts he was quite devoid of race prejudice and felt it to be of great importance that people of different races, especially young people, should get to know one another as individuals. Rigid adherence to political doctrine he regarded as arrogance, and where it

involved human suffering as a crime.

During the 'twenties, Anglo American grew in strength and through much storm and stress, my father's leading position in the diamond industry was built and consolidated. Anglo American bought De Beers' shares in the market until it had become the largest individual shareholder. The diamond syndicate in a series of changes which involved bitter quarrels between old business associates was reconstituted with my father's group, together with Barnato Brothers, in the lead. In 1929 my father, who had become a director of De Beers in 1926, became chairman and so attained what had, since his youth, been a major business ambition. All seemed set fair when the Wall Street crash and the great depression that followed involved the diamond industry, and my father personally, in an unforeseen ordeal of exceptional severity. The diamond industry was in no way prepared for this disaster. Major new discoveries had recently been made in Lichtenburg and in Namaqualand. In 1927 alone, the syndicate had bought about £7 million of diamonds in Lichtenburg, the equivalent today of at least £35 million, in order to protect the market, and of these a great part were still unsold. Huge quantities of Namaqualand diamonds were also in stock. The Nationalist government in South Africa, which for historical reasons was then antagonistic to De Beers—regarded as an imperialist creation of the arch-enemy Rhodes—seized the opportunity of establishing a State Diamond Diggings in Namaqualand, and with the main object of encouraging the growth of a South African diamond cutting industry, sold the production outside

The development of the Orange Free State goldfields was an important event in the history of both the country and Anglo American Corporation. At the opening of the railway line in December, 1949, Sir Ernest is shown with Mrs. Dönges, Mr. H. F. Oppenheimer, then a Member of Parliament for Kimberley, and Dr. T. E. Dönges who was then Minister of the Interior and is now State President Designate





Sir Ernest throws the switch at the ceremonial opening of Western Holdings gold mine in 1953. This was the second Anglo American gold mine in the Orange Free State to be opened and four years later it became the first of the Corporation's mines there to mill 100,000 tons of ore a month

the syndicate in a manner which further disorganised a deeply depressed market. Nor were De Beers, and still less the diamond syndicate, adequately financed to protect the trade. Our Group, in particular, in its rapid assumption of leadership had bitten off a great deal more than it could comfortably chew. Diamond sales fell to a level which, after making due allowance for the change in the value of money, was still by present standards virtually negligible. All the diamond mines in South Africa had to be closed down, but the major producers outside South Africa continued to produce and sell normally since long-term contracts existed with the Diamond Corporation (which had taken over the business of the old syndicate), in terms of which substantial minimum annual purchases had to be made without regard to the state of the market. The financing of these obligations was no easy matter. It was at this time that I started in business and I used to study anxiously the weekly statement of the assets and liabilities of the Diamond Corporation. The only "asset" which seemed of value was the un-

expired portion of £750,000 of overdraft facilities.

My father bore the brunt of this economic blizzard. Desperately worried for money to finance the huge accumulation of diamond stocks and carry out the Diamond Corporation's contractual obligations, he stood virtually alone. Many of his colleagues had lost faith and talked of the diamond mining industry going the same way as ostrich farming. Men who had opposed his rapid assumption of leadership now openly attacked him or murmured that they had always known how it would be. The government harassed him, since they believed or affected to believe that he had closed the South African mines for the advantage of the foreign producers who were able to continue with their normal operations. All this he endured with unflinching patience and unbroken faith in the outcome, meeting each problem as it came along with infinite ingenuity and resource. In the end, out of much tribulation, the diamond industry attained a new stature and strength. The co-operation of the government was at length obtained, and the Diamond



An old friend and supporter of General J. C. Smuts, Sir Ernest was asked to make the ceremonial address at a banquet in Johannesburg to celebrate Smuts's 80th birthday on May 24, 1950

Producers' Association formed. This organization has stood the test of time and still directs the policy of the trade. All the major producers in Southern Africa were brought under the direct control of De Beers. The sales organization was remodelled on a co-operative basis and gradually the stocks which had been financed with such difficulty and risk were sold at a large profit and the finances of the industry established on a solid and conservative basis such as it had never known before. My father's work for the diamond industry during these black depression years was, in my opinion, his greatest business achievement, and by his success here he made possible Anglo American's spectacular growth in the years that followed.

It was in 1931 that I joined my father in business and began to follow in intimate detail the struggles of these years. Technically, I was quite untrained for business, but I had heard a great deal from him over a long period about the Anglo American Corporation and De Beers. When I was a child my father used to take me for walks and tell me stories which a good many years later I recognized to have been suitably edited extracts from Voltaire's "Zadig" and "Candide". Soon, however, as I grew a little older, he took to telling me in very considerable detail of his business problems and ambitions. He was fascinating to children and young people and in the last years of his life the old magic was directed with undiminished power to my own children. He loved to talk to them as he had to me a generation before, developing and clarifying his own ideas as he went along. I, myself, as a boy and a young man was certainly outrageously spoiled and I really do not remember my father ever saying "No" to me. He would say that it was impossible to spoil anyone who was, as he put it, "naturally any good", and if I was not "naturally any good" it did not seem important to him whether I was spoiled or not. He

imposed no positive discipline on me whatsoever but the tacit underlying assumption that, for no other reason than that I was his son, I must be reasonably intelligent, hard-working and responsible, amounted to a pretty effective moral suasion. He not only did not encourage, but actually discouraged me from acquiring any technical business training, something that I have often regretted. He realized very well, of course, that detailed knowledge of business methods and procedures was necessary down the line but not, so he thought, in top positions. Major decisions were, he thought, best taken by some intuitive process, though he realized that these intuitions came only after you had been deeply immersed in the stream of affairs and had worked hard to understand them. He was, of course, rationalising from his own experience and while there is no doubt some sense in what he said, there is a great deal more nonsense. His business judgments often looked like pure intuitions to others, just as Sherlock Holmes' judgments looked to Dr. Watson, because the reasoning that led up to them was not disclosed. Businessmen, like all men of action, must be prepared to act on incomplete evidence and on what appears to them to be the balance of probabilities. This, it seems to me, is what distinguishes the man of action from the scientist. What my father called intuition was really an ability to make up his mind quickly about the probabilities of a case and to act unhesitatingly on his judgment. He liked to say, "If the wise man thinks too long, the fool does some thinking too".

Gradually the worst of the economic storm of the early 'thirties blew itself out. The diamond industry, though far from prosperous, had passed and survived the crisis. In December, 1932, South Africa tardily followed the British in abandoning the old gold standard, and in doing so sparked off a new gold mining boom on the Far East Rand in which Anglo American took an important part. It was at this time that my father was struck by a series of grievous domestic misfortunes. My mother died suddenly early in 1934 and before the end of the year my uncle, Leslie Pollak, who was deputy chairman of Anglo American and my father's closest collaborator, was also dead. The following year my brother Frank was drowned bathing while on holiday in Madeira. My father was deeply affected by these tragedies. It was fortunate that he was able to find happiness and encouragement in a second marriage. My stepmother, Ina Oppenheimer, was beautiful and talented, as indeed she still is, and my father was devoted to her and very proud of her. She gave him the strength and the will to continue with his work and to realise the possibilities that had been opened up by his success in meeting the challenge of the depression years.

The years up to 1939 saw the consolidation of the East Rand gold developments, the beginning of the opening up of the West Witwatersrand line in which Anglo American participated under the leadership of the New Consolidated Gold Fields, the flotation of the Western Reefs mine and the start of the prospecting that was to result eventually in the establishment of the Orange Free State goldfields. The outbreak of war naturally brought most of these activities temporarily to a stop. My father gave his house for use as a hospital and devoted



Above Attending the last public function of his life, Sir Ernest presses a button to set in motion the pre-grouting drills, prior to shaft-sinking, at Western Deep Levels gold mine on the Far West Rand in June, 1957



Left Sir Ernest and Lady Oppenheimer strolling on their beautiful farm, "Bluebird", at Hekpoort in the Magaliesberg mountains, Western Transvaal, in 1952

much of his time to working for the Red Cross and other charitable organizations connected with the war effort. Nevertheless, it was during the war that the first step towards securing Anglo American's leading position in the Free State gold developments was taken through the purchase of a controlling interest in the South African Townships, Mining and Finance Corporation from the Abe Bailey estate. This secured for Anglo American a position in what were to become the St. Helena and Western Holdings mines. South African Townships were also substantial shareholders in the African and European company which, in turn, controlled the key area where the Welkom and President Brand and President Steyn mines are now situated. The purchase of control of South African Townships thus marked the beginning of the series of transactions which culminated in the purchase by Anglo American from the Marks family of a controlling holding in African and European. Later, a deal with the Blinkpoort Gold Syndicate secured control for Anglo American of the area of the Free State Geduld mine.

My father took a close personal interest in all these trans-

actions and was active in devising the corporate structures and securing the funds for opening the new mines. He insisted on the most rapid possible development of the field as a whole when others would have favoured a more cautious policy. He arranged—in spite of much criticism at the time—for the De Beers company to participate substantially in the financing of the Free State mines. Criticism of this action is not heard nowadays and it is generally realised that his policy of diversification of De Beers—a revival really of the policy of Rhodes—has proved itself worth while in practice. In the Orange Free State Anglo American set standards of town planning, of housing for African employees and of health and recreation services which were new in South Africa at the time. There were many mistakes, but by and large a great step forward was made which did much to change and improve South African thinking in these fields. It had been intended to house a substantial number of African employees with their wives in villages on the mine properties, but the government, for reasons of policy, drastically reduced the scope of these plans. In all this work my father was actively concerned, and without his support and encouragement it would not have gone forward.

Age did not reduce his enterprise, his willingness to take risks or his power of innovation. All these qualities were demonstrated when towards the close of his life he founded South Africa's first merchant bank, Union Acceptances, and later its first discount house. These were pioneering ventures of considerable significance in the country's advance towards a sophisticated economy. My father saw the need for a broadly based money market that could speedily and efficiently mobilise the short-term funds which, up to that time, could be deposited only with the National Finance Corporation. His sense of timing was excellent, for both these specialised institutions became an immediate success, and were followed by others.

The last major mining project with which he was concerned was the establishment of the Western Deep Levels mine. The opening of a new mine at depths of 10,000 feet and more below the surface was something new in mining history and Western Deepes was planned, from the start, on an exceptional scale. It was a project which involved risks from which many younger people in our organization re-

coiled. But my father, in his early seventies, became chairman of the new company, occupied himself with the details of the financial planning involved and looked to the future of the mine with complete confidence and tremendous enthusiasm. He did not, alas, live to see this last and largest of the gold mining ventures he launched reach the production stage.

When my father died in November, 1957, he was in his 78th year. He had been a remarkably strong man, with unusual powers of endurance. Physically, over the last years of his life he had become progressively frailer, but his intellectual vigour did not diminish. I have written of his charm and he was certainly able to command the affection, admiration and devotion of those he worked with. He had a vitality, zest for life and courage which delighted and inspired. He was very perceptive and had few illusions about human character or motives, and yet he was full of affection, liking people for what they were with all their faults and frailties. He was entirely without self-consciousness, speaking what was in his mind with a freedom which was sometimes startling and, on occasions, perhaps ill-timed. He was not witty, but he was wise and he was gay. He had an essential youthfulness of spirit which remained with him till the end, so that it was difficult for those who knew him well to think of him as an old man. He achieved great success and he enjoyed success. He enjoyed money—both making it and spending it—but primarily he enjoyed it as a symbol and measure of achievement. He was often written of as an "international financier", but this was quite wrong. There was nothing international in his thought or outlook, and he saw his financial success as a by-product of his part in building up South Africa. The South Africa he thought of did not, however, stand alone but was a member of the Commonwealth, as the Commonwealth used to be but can never be again. I have often wondered how he would have felt about the Commonwealth and Africa today. I do not think that in his old age he would easily have adapted himself to the changes that have come about, and it may be that he was fortunate in his death as in his life. He had successfully met the problems of his times and he left behind him, in Anglo American, an organization deeply imbued with his spirit, with the strength and flexibility to work and build and serve in circumstances he could not foresee. And that surely is as great a share of immortality as a modest man should ask for on earth.

Harry Oppenheimer

THE FORMATIVE YEARS

A RECOLLECTION

R. B. Hagart

When I joined Anglo American Corporation in 1927 it was just ten years old and had issued its tenth annual report—for the year ended 31st December, 1926. Its issued capital was then R7,436,906 and its profit for the year had been R2,057,887. It had a reserve fund of R2,000,000. The Group then consisted of two finance companies, Rand Selection Corporation and New Era Consolidated, two prosperous gold mines (Brakpan and Springs), one developing gold mine (West Springs), one dormant gold mine (Daggafontein), the improving diamond company, Consolidated Diamond Mines of South-West Africa, its immense riches still unrevealed, and some copper prospects in Northern Rhodesia, whose remarkable value had not yet come under the eagle eye of Dr. Joe Bancroft, appointed in 1927 as the Group's consulting geologist in that promising territory.

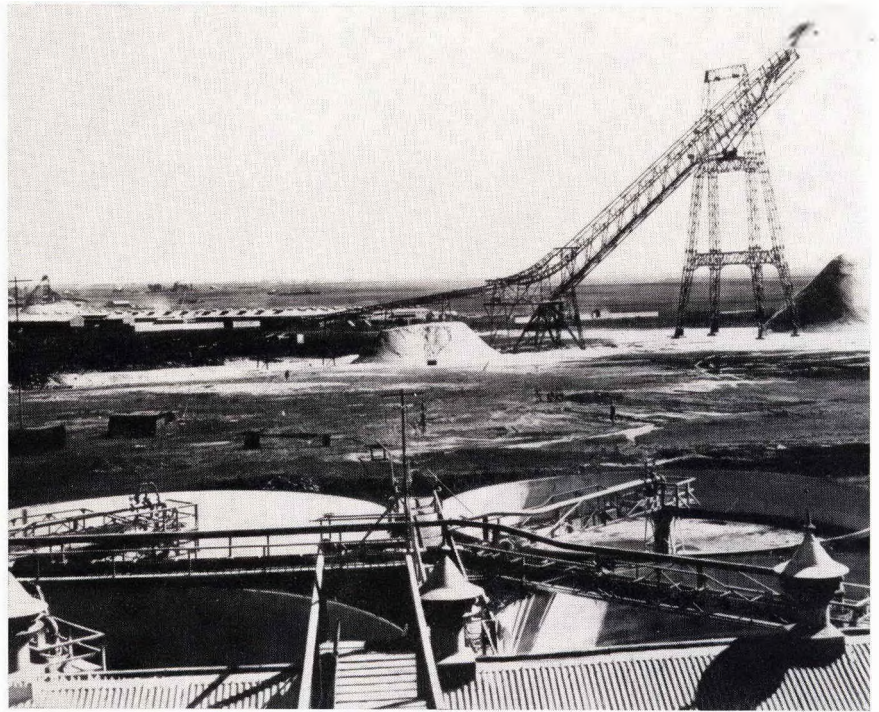
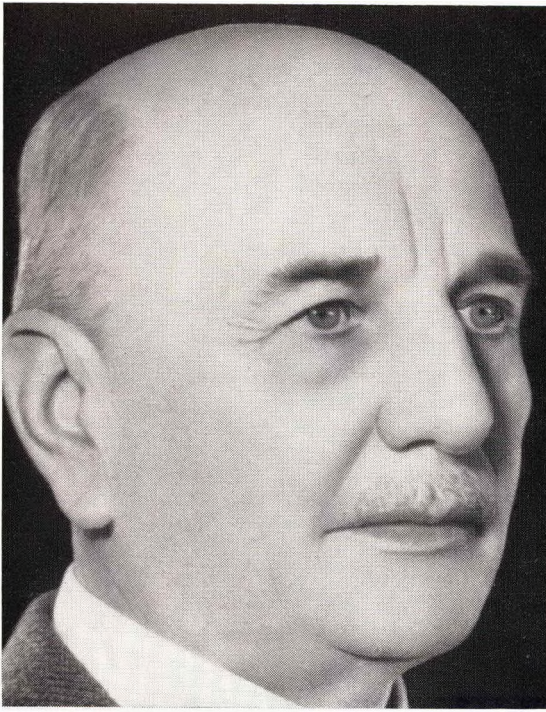
Today, in the year 1967, the fiftieth annual report of the Corporation shows an issued capital of R17,567,000, a share premium of R70,416,000, revenue reserves of R129,666,000, profits of R31,032,000, and investments having a market value of R451,595,000 for those having a stock exchange quotation and in addition a book value of R38,509,000 for those unquoted. The Group consists of more than 150 companies administered by the Corporation and it has close associations with De Beers Consolidated Mines in South Africa and Charter Consolidated in the United Kingdom. The Group operates in five continents and in at least 15 different countries; its activities have extended from mining into both heavy and manufacturing industry, into construction and engineering, into property and real estate, into merchant banking and investment trusts; and the total valuation of the mining and industrial companies for which the Corporation provides administrative and technical services amounts to more than R1,250,000,000.

These are remarkable facts and figures. They are the more remarkable in that for six years in the 'thirties the Corporation received no revenue by dividend from its very large investments in De Beers and other diamond companies and no revenue by dividend from its heavy investments in Northern Rhodesian copper until 1936. The Corporation's own profits fell as low as R226,606 in 1931 and R239,408 in 1932 and, apart from there being no dividends on the Corporation's ordinary shares from 1931 to 1933, the reserves that had been built up with much care and purpose for the future had to be sacrificed to the extent of over R4 million in the years 1930 and 1931. Furthermore there were six years of war, which severely limited development, and the setbacks that arose from political and racial disturbances in 1960 and thereafter.

What have been the secrets of this story of success? The superficial observer might be excused if he attributed it all to

the luck of the Oppenheims. Certainly, there has been a good deal of luck. I have often heard it said that Ernest Oppenheimer made his fortune—and, incidentally, benefited his fellow shareholders—by “backing his hunches”. If that is taken to mean having a wild gamble, then I can only say that, in my knowledge and experience over 30 years of very close association with Sir Ernest, the element of gambling in his success was so small as to be insignificant. But if it is taken to mean pursuing with courage, determination and perseverance policies and ideas that had been carefully and logically considered and finally decided upon, then indeed it is true that Sir Ernest built up the great organization of which he was the architect by backing his hunches.

I have already mentioned that for six years the Corporation received no dividends from its very large investments in the diamond industry. This was because the discoveries of immensely rich alluvial diamond deposits in the late 'twenties flooded the limited diamond market which became virtually non-existent with the onset of the depression in America in the early 'thirties. But Ernest Oppenheimer, after his early training in a London diamond merchant's offices and his years of experience as a diamond buyer in Kimberley, had the deepest conviction that, if the right policy were pursued in the diamond industry, the industry could be placed upon a very sound footing and could become a most profitable one. He determined to convince the directors of De Beers and the South African government that there must be control of production and he bent all his energies in that direction. At the same time he continued to back his conviction by steadily acquiring more and more diamond interests. I recall that, on joining the Corporation in 1927, one of my first jobs was to become secretary to the H.M. Association. This was a private partnership owning certain discoverers' claims on the beach on government ground a few miles south of the Orange River in north-west Namaqualand. Dr. Hans Merensky had purchased the claims in 1926 from two solicitors in the town of Springbok, who had unsuccessfully prospected for diamonds there. He had tried to persuade the solicitors to retain a percentage interest in the claims but they wanted cash (R35,000). Dr. Merensky was an outstanding geologist who, in addition to discovering large-scale deposits of platinum, chrome, vermiculite and phosphate in South Africa, established the link between diamonds and oyster fossils. He had become interested in the solicitors' claims because one of his prospectors had found there some fossilized oyster shells. After the claims had been sold to him, Merensky told his workers to dig trenches along the line where he had noticed a faint trail of oyster shells. About a week later eight magnificent



Dr. Hans Merensky

Right The start of the sand dump and the cantilever disposal unit at Brakpan mine on the Far East Rand

diamonds were found, and in just over a month 12,549 carats of diamonds, valued at more than R300,000, had been recovered. Sir Ernest Oppenheimer, a friend of Merensky's, heard of this discovery, sent his geologist, Dr. P. F. W. Beetz, to report on the area and shortly afterwards bought an interest in the H.M. Association, which had been formed to finance the prospecting operations. That was when I became secretary to the association. It was not long before the Anglo American Corporation bought out the other partners in the H.M. Association, Dr. Merensky himself receiving R2 million for his share in the syndicate. As Merensky, who had won and lost a fortune in his earlier career, left the office after completing this transaction, Sir Ernest remarked, with his sympathetic humour: "it is not often a man comes to a meeting without sixpence in his pocket and leaves it owning a million." The diamonds eventually recovered from the discoverers' claims exceeded R10 million in value. The remaining part of the area became State alluvial diggings, and these and other alluvial diggings that were almost simultaneously discovered in the Western Transvaal became embarrassing to the industry and the trade—and, in particular, to Sir Ernest himself. By this time Sir Ernest had so convinced the De Beers directors that his policy of control was correct that he was elected chairman of De Beers; but it seemed then to be only a pyrrhic victory, because of the almost total collapse of the diamond market.

This was assuredly the sternest test of any man's character, for the diamond industry seemed to be in ruins and this disaster threatened even to undermine the Anglo American

Corporation itself, with its immense but apparently near-worthless investments in that industry. But, to his everlasting credit, Ernest Oppenheimer never wavered in his conviction and in his determination to weather the storm. With the greatest courage he mustered all the financial resources he could command or persuade and used the money to buy in diamonds and thus take the pressure off the trade. I remember that at one time he had pledged even his own home in Johannesburg in order to find additional funds; and later he would recall, with some amusement, that one of the banks he had approached for further facilities had turned him down. But in spite of these pressures and arguments that it was essential to sell the Corporation's diamond investments—or at least, some of them—Sir Ernest insisted with almost passionate emphasis that these interests should be maintained intact.

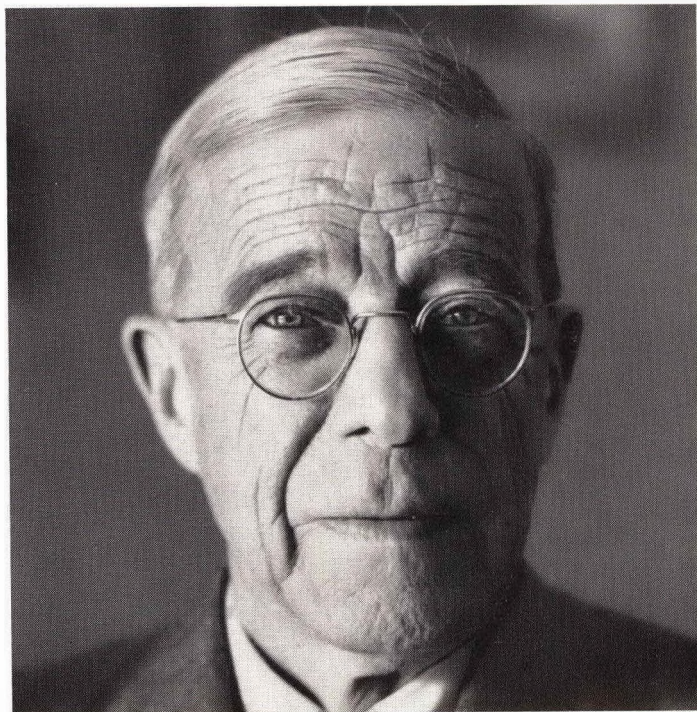
The foresight and wisdom of this decision was soon to be vindicated, when, with the revival of prosperity in America in the later 'thirties, the diamond market recovered and grew—until demand exceeded current production. The Corporation's diamond investments contributed enormously to the success and development of the Group as a whole; and, of course, the recovery of the diamond market brought great wealth and prosperity to the De Beers company and to the diamond industry generally. The importance of Sir Ernest Oppenheimer's great triumph in establishing the diamond industry on a firm and thriving basis was to be far-reaching, for many years later, when the resources of Anglo American Corporation were stretched to the limit in establishing and developing the great

new goldfield in the Orange Free State, the De Beers company was able to provide many millions of rand to assist and expedite its exploitation.

It is often remarked that, although for more years than I care to remember the Corporation has been spending up to R2 million annually on prospecting for new goldfields or other new mining projects, it has never yet found an entirely new field—as, for instance, the Gold Fields group did along the West Wits line, or as the Union Corporation has in the Evander area. This, incidentally, may be a somewhat different aspect of the “luck” of the Anglo American Corporation. Nevertheless, this remark does not reflect the facts at all fairly.

When Sir Ernest Oppenheimer formed the Anglo American Corporation in 1917 he had two objectives: first, to develop the Far East Rand goldfield, where he acquired control of two struggling mines and a third, Daggafontein, that had remained dormant without having reached the production stage and with a large burden of debt; and secondly, to establish the Consolidated Diamond Mines of South-West Africa. Time and again Sir Ernest expressed to me his conviction that the Witwatersrand goldfield would be found to extend far beyond its then known limits and he determined to prove that the Far East Rand would be successful. He saw to it that the Corporation tendered for new mining areas on the Far East Rand and took in hand the revival of Daggafontein. In 1930, when Sir Ernest was deeply committed in sustaining the diamond industry and the whole country was going through a difficult financial crisis, with money very scarce, Daggafontein needed another R100,000 to equip itself for production. Sir Ernest asked me to see the bank and try to borrow the money for three months. I saw both the large banks but neither was able to help us. Hard-pressed as he was, Sir Ernest found the money required. Within three months the Daggafontein mine was making a monthly profit in excess of R100,000.

Although the Far East Rand mines of the Group have been wonderfully successful and it could be said that Sir Ernest succeeded, with others, in proving that goldfield against the opinion of many who thought it likely to be a failure, it was on the extensions of the Witwatersrand to the west that Sir Ernest became increasingly insistent. When Consolidated Gold Fields established the West Witwatersrand Areas company in 1932 to explore the possibilities of finding gold beyond the then known western limits of the goldfield, Anglo American Corporation, despite its other heavy commitments, was one of only two other major mining groups to accept the Gold Fields' offer of a participation. Under Sir Ernest's continuing influence the Corporation increased its already substantial holding in the West Wits company by market purchases. Several good drilling results were obtained by West Wits—or, at least, so it seemed to Dr. Bancroft and so it seemed to me after “Uncle Joe” had discussed their significance with me. But, strangely enough, the market did not give the same importance to them, which meant, of course, that other investors had not studied the indications as carefully as we had. Anyhow, I sent a cable to Sir Ernest who was then in London with Mr. F. A. Unger, our chief consulting engineer of those days, suggesting that we should buy even more West Wits shares. At the



Dr. J. A. Bancroft

suggestion of Unger, Jules Wetzlar, then our London manager, went round to the London office of Gold Fields and asked if they were willing to sell us a block of shares; he came back having bought 50,000 shares at just under R4 each. Before very long the shares were worth nearly R20 each. It must be appreciated that at about this time money was scarce and, like other mining groups, Gold Fields were needing money for their considerable commitments.

Sir Ernest always believed that Group companies should hold cash in reserve and that there should be considerable liquidity, so that at any time funds could be mustered within the Group for new business. The experience of the depression reinforced Sir Ernest's belief that it was essential to maintain the greatest practicable measure of liquidity. This policy is a running refrain through his annual chairman's statements; and it explains to a large extent how it was possible for him to undertake very large deals which were probably beyond the resources of others. The insistence on cash reserves had very great significance in relation to Sir Ernest's confident belief that the West Wits line was not the end of the extensions of the gold deposits of this part of South Africa.

Klerksdorp had been known as a gold area just before Johannesburg and the pioneers there included the father of Mr. Jack Scott, who is well known in the gold mining world. But the mines in the Klerksdorp area had all been shallow and had exploited gold reefs that were not then correlated with the reefs exploited along the Witwatersrand and which were being explored along the West Wits line. Sir Ernest, following his belief in the extension of the Witwatersrand reefs, formed the



Above Sir Abe Bailey

Sir Ernest and Mr. F. A. Unger, the Corporation's chief consulting engineer, at the turning of the first sod at the No. 2 shaft of Welkom mine, in 1947

company known as Western Reefs to apply the new techniques of deep drilling to the Klerksdorp area, and the success achieved there led to the opening up of the new deep-level Klerksdorp goldfield. At Western Reefs very good gold values were found near the Vaal River. This convinced Sir Ernest and his advisers that, where gold existed at depth, a shallow river would not break continuity; and, accordingly, the Corporation took under option a large number of farms south of the Vaal River extending roughly south from the Western Reefs property. A very large drilling programme failed to reveal any payable gold. But Sir Ernest held firm to his belief, as subsequent events were to show.

While Anglo American Corporation were drilling fruitlessly on their farms south of the Vaal, Sir Abe Bailey decided to go even further south and set his group, the South African Townships, Mining and Finance Corporation, to drilling operations there. A little later Bailey died and a board of trustees was appointed to administer the estate, which included a controlling shareholding in South African Townships. I was asked to accompany Sir Ernest to Cape Town to discuss with the trustees—Mr. Gerald Orpen, Mr. John Martin, chairman of Rand Mines, and Mr. Clive Corder—the purchase of the Bailey interests in South African Townships. Sir Ernest wasted little time in buying the shareholding of the Bailey estate and the Corporation took over the management of the company. One of the Bailey trustees, Mr. Martin, then pressed Sir Ernest to make an offer for a company called Eastern Transvaal Consolidated Mines, which was administered by South African

Townships. We knew a good deal about this company already and Sir Ernest's reply was "No." The trustees then offered us an option on the shares, some 3.6 million out of the nearly four million issued. The option was free and, not wishing to appear totally unhelpful, we accepted it. Soon after our return to Johannesburg a few days later we received a completely unsought offer for our option, which we sold immediately at a profit of one shilling a share. Over about 18 months all the shares were taken up, with the result that the cost to the Corporation of the purchase of the South African Townships shares was reduced by about one half.

The drilling operations by South African Townships in the area immediately south of the little Orange Free State town of Odendaalsrus had not prospered owing to shortage of cash, and the company had accordingly made arrangements for Union Corporation to take over the prospecting on the basis that, if a mine came to be established, Union Corporation would have the management, and South African Townships would have the right to 37½ per cent of the working capital of any gold mining company formed. This earlier arrangement was disappointing to us, as we naturally wanted the management of any gold mines established on our affiliated companies' ground. Shortly afterwards the Union Corporation decided to establish the St. Helena Gold Mines on South African Townships' ground not far from Odendaalsrus where good values had been found, and before the flotation of this company the Union Corporation asked Sir Ernest to agree to make over some shares so that a public offer could be made as an essential

condition for a stock exchange quotation for the St. Helena shares. Our group owned virtually 50 per cent of the St. Helena shares and it seemed to Sir Ernest that in the anomalous position that had arisen there should be some *quid pro quo*. After some discussion, an agreement was reached whereby Anglo American Corporation would have the management of the next mine that came to be established as a result of prospecting on the ground held by South African Townships, and the Union Corporation took over some St. Helena shares from our Group. Only a short time after this agreement the Western Holdings company was formed under the management of Anglo American Corporation, and drilling on the boundary between this company's lease area and the Free State Geduld lease area gave the sensational borehole result of 23,037 inch-dwt. Nevertheless, the St. Helena mine has been an extremely successful mine under the highly efficient management of Union Corporation.

At about the same time as Anglo American Corporation was prospecting its farms south of the Vaal River and South African Townships was drilling south of Odendaalsrus, another well-known and long-established group, almost exclusively interested in collieries and estates, the African and European Investment Company, had taken up options over ground adjoining that of South African Townships, and began drilling there. This drilling disclosed a very valuable area of gold deposits. We entered into discussions with the directors of the African and European group and, of course, pointed out the advantages for all concerned that would derive from the concentration of their ground in the hands of a group with larger financial resources and extensive experience of gold mining practice and technique. The main directors of the African and European group were the brothers Marks, who had a company in London (Lewis and Marks) which held their shares in African and European. In London during the war an excess profits tax of 100 per cent was imposed and the brothers Marks found that they could not make any profit on certain shares in African and European which they had purchased. An agreement was reached whereby Anglo American Corporation purchased the shares of the brothers in Lewis and Marks Limited and, in this way, the African and European company came under the control of the Anglo American Corporation. I was appointed chairman of African and European and retained that position for only a short time—until I discovered to my amazement that I had no fewer than 130 directorships. The necessary reorganization followed.

It was as a result of these two deals involving South African Townships and African and European and other similar arrangements, that Anglo American Corporation came to control a consolidated area on which five separate gold mines were established—five mines that have been highly profitable and have brought great rewards to the Corporation and to their shareholders generally. And so Sir Ernest's belief that the gold deposits of the Witwatersrand would be found extending far beyond the limits known in 1927, when I joined the Corporation, has been triumphantly vindicated. And in the process the Group has gained the strength and power to extend its enterprises into many different fields and into distant lands.

But, of course, gold and diamonds have not been the only sources of the Group's strength. Copper and other base metals have played a big part too. Earlier, I referred to the appointment in 1927 of Dr. Bancroft as the Group's consulting geologist in Northern Rhodesia. By this time the Corporation had acquired interests not only in the Bwana Mkubwa copper mine and the Rhodesia Broken Hill lead/zinc mine, but also in a number of concession companies. It was typical of Sir Ernest's dynamism and thoroughness that he looked across the seas to the most famous geologist in the Americas in those days to come to Africa to help find the copper.

Bancroft had an enormous reputation—and justifiably so. Sir Ernest decided to back Bancroft and give him all the funds he needed. And so it came about that Bancroft brought to Northern Rhodesia a large team of young but well-trained geologists to explore vast concession areas systematically on a grid basis. Some drilling started on the site of what later became the Nkana mine, and encouraging results were obtained and published. But in those days Northern Rhodesia was the veriest darkest Africa to people in England and there was a good deal of speculation as to whether the reports of important copper deposits had much substance. "The Times" decided to send a special correspondent to Northern Rhodesia to see for himself. He came first to Johannesburg, where we met him and then sent him up to see Dr. Bancroft in his camp at Nkana. Dr. Bancroft greeted the somewhat cynical newspaperman with the words: "You have arrived at the right time, as I expect one of my boreholes to intersect the reef at any moment—in fact it may have intersected it during the night. Let's go into the bush and see what is happening."

"The Times" correspondent was immediately on guard; he had, of course, no knowledge or experience of the great accuracy Bancroft brought to his geological calculations and to his estimates of drilling progress. But Bancroft and the journalist set out together for the borehole and when Bancroft saw the driller and asked what was happening, the driller replied that he was pulling up the rods and that he expected the reef would have been intersected. Sure enough, the core came up within a matter of minutes and Bancroft, beaming with delight, washed it and showed it to the representative of "The Times", saying he thought it would have good copper values. The journalist looked quizzically at Dr. Bancroft and said: "How do I know you didn't put that core in the hole before I came here and just hoisted it up for me to see?" Without speaking, Bancroft drove the newspaperman back to camp, passed him over to a subordinate and refused to speak to him again. I think "The Times" was lucky not to have lost a representative in the man-eating lion country around the drilling site.

This story serves to illustrate how, again and again in the history of our Group, we have been fortunate in following with courage and determination a well-conceived and carefully considered policy. The copper values that Dr. Bancroft's systematic exploration revealed were indeed wonderful and, perhaps, justified a little caution on the part of newspaper reporters; but it was to be a long time before the price of copper, reduced to astonishingly low levels by the depression

of the 'thirties, rose sufficiently to bring to our Group the just rewards of its long perseverance in holding on, through thick and thin, to its very large investments in Northern Rhodesian copper.

Gold mining remains the main source of the Group's strength, but it is worth remarking how fundamental it is to the Group's success and development that there is this combination of gold mining, copper mining and diamonds, each subject to the somewhat different effects of fluctuating economic conditions in the world and each lending strength and stability, sometimes in unison, sometimes separately.

Memories of my service with the Corporation are, of course, dominated by the 30 years' association I had with Sir Ernest Oppenheimer, of whom I have the pleasantest recollections. When I was in the bank some years before 1927, I was asked by the bank chairman to prepare some notes on central banking and was told these were for Sir Ernest, who wanted to talk on this subject in the House of Assembly. My notes were sent to Sir Ernest but I never met him until, some time later, I joined the Corporation. One of the first things he did then was to thank me for those notes. Many years later Sir Ernest discussed with me an idea that we should form a finance company to deal with the amounts of money which the Group had available so that affiliated companies could receive interest on a day-to-day basis and money could be invested on a short term basis. Before he formed the proposed company he decided to discuss this matter with Mr. Havenga, then Minister of Finance. The Minister called Dr. de Kock, then Governor of the Reserve Bank, into the discussion. After Sir Ernest had explained the scheme, Mr. Havenga said it was extremely interesting and that the government too had been thinking along these lines. Mr. Havenga asked Sir Ernest to wait as he wanted to form a public company and, within a relatively short time, an Act establishing the National Finance Corporation of South Africa was passed by Parliament. The formation of that corporation has proved of great value in South Africa; it was virtually the forerunner of the subsequent development of an economic money market, in which Sir Ernest played a leading part through the establishment of Union Acceptances, the merchant bank, and The Discount House of South Africa.

Ernest Oppenheimer was a man of immense imagination in the context of business and finance. The stories I have told about the gold developments on the Far East Rand, the Far West Rand and the Orange Free State point to his imaginative grasp of the potentialities of these areas—at times before even the experts in gold mining had fully appreciated the significance of the prospecting and borehole results. But he was a master also of the techniques of exploiting these potentialities. From his imagination would spring overnight schemes for establishing and financing companies for developing new mines. Many a time he would come into my office as soon as he arrived in the morning and begin with the familiar "Hagart, I've been thinking . . .", and then would follow the outline of an idea or scheme relating to the most recent opportunity that had come our way. He would expect me to comment immediately, testing the feasibility of the scheme against my knowledge and experience of detailed company practice and the limitations

that company law placed upon forms of finance. It happened quite often that I had to raise this or that objection to his scheme. He would listen intently, there would be a pause while he would look at me with that curious mixture of appraisal and appreciation that was so characteristic of him, and then he would suggest a way in which my objection could be overcome. He had a wonderfully quick and penetrating mind and difficulties seemed to stimulate his imagination to evolve a scheme that was "right" in every respect. But there were times, of course, when Sir Ernest would leave my office saying he would have to think again; and the next day he would call for me and propose either an entirely new technique or a modified scheme which would reveal his astonishing resourcefulness. His tenacity of purpose would inspire idea after idea to achieve his main objective; seldom indeed would he accept defeat.

My function in these fascinating discussions with Ernest Oppenheimer was both onerous and stimulating, for they involved a rapid understanding of what would often be complex and intricate financial transactions. Sir Ernest's memory for figures was astonishing; in developing the outline of a scheme he could quote an immense range of figures without conscious effort. And he would expect those he talked to to have a sufficient knowledge of the facts to be both critical and constructive.

Mr. R. B. Hagart opening the Anglo American Corporation pavilion at this year's Rand Easter Show in Johannesburg



His own flair was in the use of money; indeed, the whole history of the Anglo American Corporation Group carries the theme of the successful use of money in company finance. Although he had had no training in a bank, Sir Ernest worked out for himself techniques of raising capital that were in advance of the practice of his day. What is described today as the “gearing” of capital was to Sir Ernest a basic technique, and the ratio of equity to loan or other forms of capital was something he took into his calculations automatically and without any realisation that he was somewhat of a pioneer in these things.

It was through making the maximum use of available money that the Anglo American Corporation version of the group system evolved. It also explains to some considerable extent the rapid growth of the Group. Sir Ernest realised that one of the lessons of the depression for the Corporation was that a parent company had to spread the mining risk. This was one of the reasons why he devised the system of a “middle tier” of associated finance companies, each holding investments in a particular group of operating mines or companies. These finance companies, in addition to ploughing back a large part of their investment income, were able to raise substantial sums, by way of loan as well as equity capital, from investors who preferred to spread their own risk over a number of mines rather than hold shares in a particular mine. So Anglo American Investment Trust was formed and this was followed by West Rand Investment Trust, Orange Free State Investment Trust and, more recently, by Anglo American Industrial Corporation. An important consequential advantage of the formation of these separate but associated finance companies has been that it released resources for other enterprise, which automatically enabled the group to build up and expand very fast.

In all these developments I took my part as one of those to whom Ernest Oppenheimer looked to carry out whatever schemes or ideas were finally determined upon after they had passed through the fires of criticism and the tests of feasibility. Association with Ernest Oppenheimer would teach any man, as I have sought to show, that he must be able to understand quickly and react positively and constructively. If any form of personal philosophy has emerged for me out of this long association it is that to succeed in business it is essential to be hard upon yourself. In my early career in a bank I realised that there were “things to learn”, and I eagerly sought to find out what the other man was doing. As a result I acquired a good general knowledge of banking—much more than others who had started in larger branches of the bank and who had not studied banking department by department. It was hard work: it meant long hours of study and concentration. And so when I joined the Corporation I had the same determination to know and do my own job thoroughly and to broaden my knowledge. This is how you become equipped for the higher levels of business life. University training and business colleges are helpful, but are no substitute for self-equipment.

In the process of my thirty years of close association with Sir Ernest Oppenheimer it was inevitable that I should come to think and talk with him along similar lines. You either accept



Sir Ernest, Mr. R. B. Hagart and Mr. H. F. Oppenheimer at the opening of the Corporation's first uranium plant at Daggafontein mine in 1953

and absorb the philosophy of a great man or you get out—at least, that is what I have felt. And so I came to acknowledge Sir Ernest's credo as my own—and I cannot think of a better one for any businessman. It is simply this: that we were in business to make profits but that in starting new ventures or expanding existing ones we also had a duty to our own employees and to our country. I think it can safely be said that our Group has continued to follow this policy.

On the personal side I remember with gratitude the kindness and courtesy, the urbanity, which animated all Sir Ernest's relationships with me. He had an essential gentleness in his human relations and he had an unassailable faith in human nature. I remember one little incident that occurred soon after I joined the Corporation. I received from Kleinzee (in Namaqualand) a parcel of Cape coast diamonds worth some R100,000. Sir Ernest asked me to get Mr. Harvey, chief diamond sorter of the Premier mine near Pretoria, to come to his office, because he wanted the diamonds cleaned and acidized. When Harvey was about to take the parcel of diamonds away with him, I asked for a receipt. Sir Ernest put his hand on my shoulder and, smiling, said: “Hagart, when you are dealing with people you know in the diamond trade, you trust each other. No receipt is necessary. If Harvey wants to do you down, he can give you back the same weight in diamonds that are worth very much less than R100,000.”

It is rare indeed that a man so brilliant as Sir Ernest has a son of equal calibre. My associations with Harry Oppenheimer have been as happy and cordial as were my experiences with Sir Ernest. The Corporation and the Group are fortunate in their present chairman, who has, with signal success, carried on and developed enormously the businesses his father established and who has, on his own account, found new opportunities for far-reaching enterprise based on the solid foundations of the many great organizations constituting the Anglo American Corporation Group.

CROSSING AN HORIZON

W. D. Wilson

The decision to encourage the merger that established Charter Consolidated two years ago was in character with an attitude of mind conspicuous in both Sir Ernest and Mr. H. F. Oppenheimer, which, more than anything else, has led to the extraordinary growth in the strength and standing of the Anglo American Corporation Group during the 50 years of its existence. It involved crossing an horizon after careful preparation and assessment of what lay beyond, followed by a bold and imaginative acceptance of the risks that were certain to be met.

The Anglo American Group had gone through a long period of growth in Southern Africa, during which it had developed a taste for the complexities of starting new mines remote from established communities, with the fascinating problems—financial, technical, administrative and social—that surround such undertakings. Prospecting had failed to locate major new targets in Southern Africa. Penetration into the industrial field had begun, but this was neither a full substitute for new mining enterprises nor a complete outlet for the skills and experience built up in the mining field. For some years the thought of moving beyond Southern Africa had been prominent, and with the acquisition of an important interest in Hudson Bay Mining and Smelting a start had been made; but it was apparent from other experiences that foreign exchange would not be available from South Africa on a sufficiently large scale to make possible a major programme of expansion and investment beyond Anglo American's traditional field of operations.

Companies of the Anglo American Group already had a large stake in the British South Africa Company, Central Mining, and Consolidated Mines Selection. There were many points at which the interests, experience, approach and problems of these three companies, and of the Anglo American Group, crossed. As is well known, both the British South Africa Company and Central Mining had played roles of great importance in the economic development of Southern Africa. The British South Africa Company had major investments in the Anglo American Group, important business responsibilities in Rhodesia and Zambia, and substantial United Kingdom and North American assets. Central Mining, apart from its South African responsibilities, had acquired a number of industrial companies in the United Kingdom, and had taken a position in the Canadian oil and gas industry through Western Decalta. Consolidated Mines Selection was chiefly interested in Anglo American Group companies but was also the largest individual shareholder in the Baffinland Iron Mines company, and had other significant holdings in North American companies. People in the offices knew each other.

The Anglo American Group needed a close association with a major company outside Southern Africa that could use the initiative, skills, connections and opportunities the Group could make available. The merger of the three companies would create an entity disposing of substantial and valuable assets, considerable cash resources and the capacity to generate more, and a combined staff of high calibre; all of this based in London, a traditional centre of international finance and initiative. What was not foreseen—and this illustrates the risks associated with business—was that the United Kingdom would within a short time adopt measures designed actively to discourage investment overseas. Perhaps it should have been foreseen, but it still seems unnatural to seek to destroy a national skill rather than to take full advantage of it. There is little point in speculating on this question, however, as the arguments for the merger were so powerful that it would have been undertaken even if the change in government policy had been foreseen, and the individual companies would undoubtedly have been worse off had they remained separate.

At the time of the merger it was clearly visualised that Charter would have two main roles: the first to develop its own business interests independently under its own board of directors and executive committee; the second to provide services for the Anglo American Group in London. As the type of work and specialities involved in fulfilling these two roles are often identical, and almost always contain common ingredients, the administration for both is carried out by a single integrated staff employed by Charter Consolidated Services, a London based, fee-earning, wholly-owned subsidiary of Charter Consolidated. The range of services provided is wide. We are organised into three main divisions: banking, finance and investment; prospecting and mining; and industrial and metal sales; and a number of functional departments: secretarial, accounts, public relations, personnel and recruitment, taxation, economic intelligence, buying and shipping. Technical services for both Charter and the Anglo American Group in London are provided by Anglo American International (U.K.) a wholly-owned, London based, fee-earning subsidiary of the Anglo American Corporation. Metal sales and trading, historically Anglo American Group business—though Charter has a financial interest in it—are handled by Anmercosa Sales and Anglo Chemical. Policy is determined by the boards of the several companies, with the executive committee of Charter Consolidated acting in a co-ordinating capacity as a clearing house for policy in London as a whole.

Great advantages accrue to both Charter and the Anglo American Group from having their affairs handled by an integrated staff, for it enables the experience and connections

Collection Number: A1132

Collection Name: Patrick LEWIS Papers, 1949-1987

PUBLISHER:

Publisher: Historical Papers Research Archive, University of the Witwatersrand, Johannesburg, South Africa

Location: Johannesburg

©2016

LEGAL NOTICES:

Copyright Notice: All materials on the Historical Papers website are protected by South African copyright law and may not be reproduced, distributed, transmitted, displayed, or otherwise published in any format, without the prior written permission of the copyright owner.

Disclaimer and Terms of Use: Provided that you maintain all copyright and other notices contained therein, you may download material (one machine readable copy and one print copy per page) for your personal and/or educational non-commercial use only.

This collection forms part of a collection, held at the Historical Papers Research Archive, University of the Witwatersrand, Johannesburg, South Africa.