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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 372

Mrs Y N Yako (EFF) to ask the Minister of Trade and Industry
What has he found to be the impact on the transformation of the Republic's economy after certain South African owned and controlled companies (names furnished) were taken over by multinational companies? NW550E

REPLY

Transformation of the economy can refer to economic structure (such as greater levels of dynamism, industrial diversification and capital formation) as well as equity (such as ownership spread, entrepreneurial opportunity for young people and employment levels).

A balanced economy has an appropriate mix of domestic and foreign-owned enterprises. The value of domestic ownership of an enterprise includes the dividend flow that is retained in the country and the greater propensity to have research and development benefits in the country concerned. Foreign ownership can bring new technologies, market knowhow and access as well capital for development.

In receent mergers referred to, considerable focus was placed by Government to identify and maximise the local benefit, including measures such as

- Commitments that the African headquarters be based in South Africa
- Development funds be set aside to promote SMEs and local entrepreneurs
- Equity arrangements to enable black South Africans to have an ownership stake in the company
- Local procurement commitments to deepen the industrialisation impact
- Job creation or retention targets and undertakings and
- Capital and investment spending commitments to support expansion of enterprises and growth

The Competition Act (as amended) now expressly provides that the competition authorities consider the impact of a merger on increasing levels of ownership by historically disadvantaged persons and workers in firms in the market. Thus for instance, when AB Inbev's acquisition of South African Breweries was approved in 2016, that was subject to amongst others, the following conditions –

- The creation of a share scheme to facilitate ownership and participation by blacks South Africans in the merged firm;
- Requiring the increase of procurement of inputs such as wheat and barley from local farmers;
- Creating a fund of over R600 million to assist in the development of black emerging farmers and incorporating them into the merged firm's supply chain.
- Creation of a R200 million enterprise development fund to incubate and develop small and new suppliers

Similarly, when the Coca Cola Company's acquisition of local Coca Cola bottlers in South Africa was approved in 2017, some of the conditions imposed required that –

- An employee share ownership programme is implemented to give workers a meaningful stake in the merged entity
- the level of BEE share ownership in the merged entity be increased from 11% to 30%.

More recently, in March 2020, PepsiCo's acquisition of Pioneer Foods was approved subject to, amongst others, the following conditions –

- worker ownership and participation in the local entity of at least 12.9%;
- that the merged entity maintain existing sale and distribution agreements with firms controlled by black South Africans and small businesses; and
- a R600 million investment in developing emerging (back) farmers, scholarships and bursaries for black students and incubating small businesses.

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