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Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## **THE NATIONAL ASSEMBLY**

### **QUESTION FOR ORAL REPLY**

#### **QUESTION NO. 265**

##### **Mr F J Mulder (FF Plus) to ask the Minister of Trade and Industry**

In the light of the detrimental effect that the lockdown regulations have had on the economy of the Republic in general and more specifically on trade and industry, and the continuous calls by the Government for a more inclusive economy and more intensified continuous drive for broad-based black economic empowerment, how does he foresee the creation of a new and more inclusive trade post Covid-19 without (a) the continuous exclusion of undesignated groups and (b) creating new inequalities?  
NO1598E

#### **REPLY**

The Covid-pandemic and the measures needed to deal with it, have imposed significant costs on the economy. The pandemic has also exposed the glaring inequalities in the society, and the costs have disproportionately been borne by the most vulnerable. For this reason, the focus on transformation is not simply a policy of the pre-Covid period, but will also inform Government policies in the reconstruction of the economy.

Transformation of the economy refers 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).

Government policy measures are not only available to designated groups and indeed there are many persons who do not fall within such groups, who are and do access public resources. At the same time, building a more sustainable and inclusive economy requires that Government and the private sector promote transformation policies and practices, which will ultimately benefit all South Africans.

A range of policies are deployed to deepen inclusive growth, including trade policies (dealing with international trade) and industrial policies (focused on domestic production of goods and services for both the local and global markets).

To illustrate the wide remit of transformation policies, I provided information recently to Parliament on Competition Act provisions that has facilitated a number of agreements with companies during mergers and acquisitions.

These included:

- Development funds be set aside to promote SMEs and local entrepreneurs
- Equity arrangements to enable black South Africans and workers in the firms concerned, 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.

The following examples show the practical measures to address transformation, that can bring wider benefits to the economy and to all South Africans.

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.

The transformation measures that have been put in place since 1994 have contributed to bring new entrepreneurs and industrialists into the economy, drawn from the 'designated groups' who have been historically excluded. But even with the undoubted progress made, the ownership, senior management and technical skills base of the economy has not yet drawn in a sufficient number of young or female or black South Africans, and the economy was not able to sustain the levels of growth and job creation that is required. Transformation policies have as their purpose the widening of the productive base of the economy, including by drawing in larger numbers of women, youth and black South Africans as owners of enterprises and industrialists. This broadening base of the economy, together with well-executed efforts to promote entrepreneurship and other complementary economic policies, are core elements of an economy that can grow faster and create more jobs.

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