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CEO OF  
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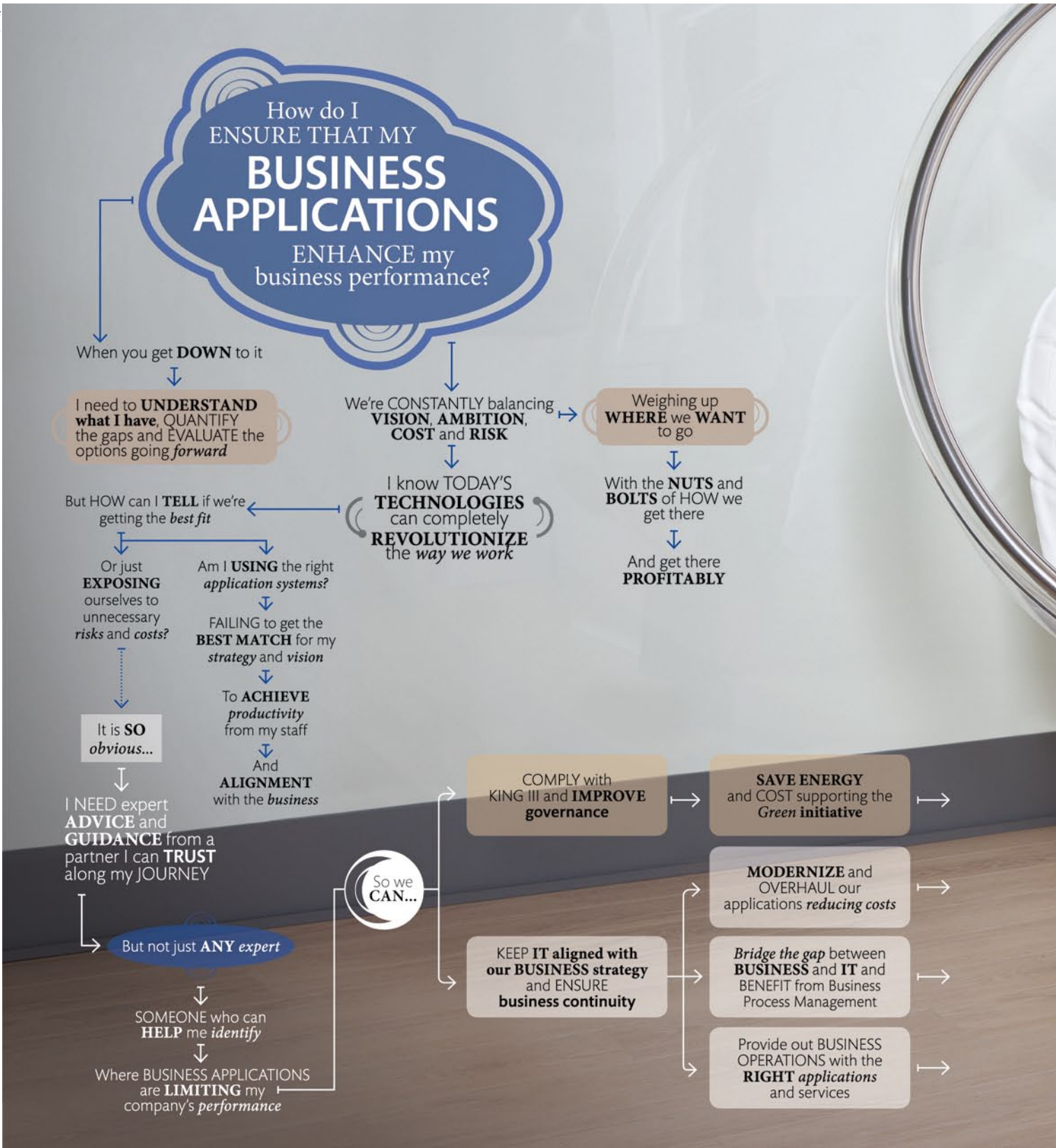
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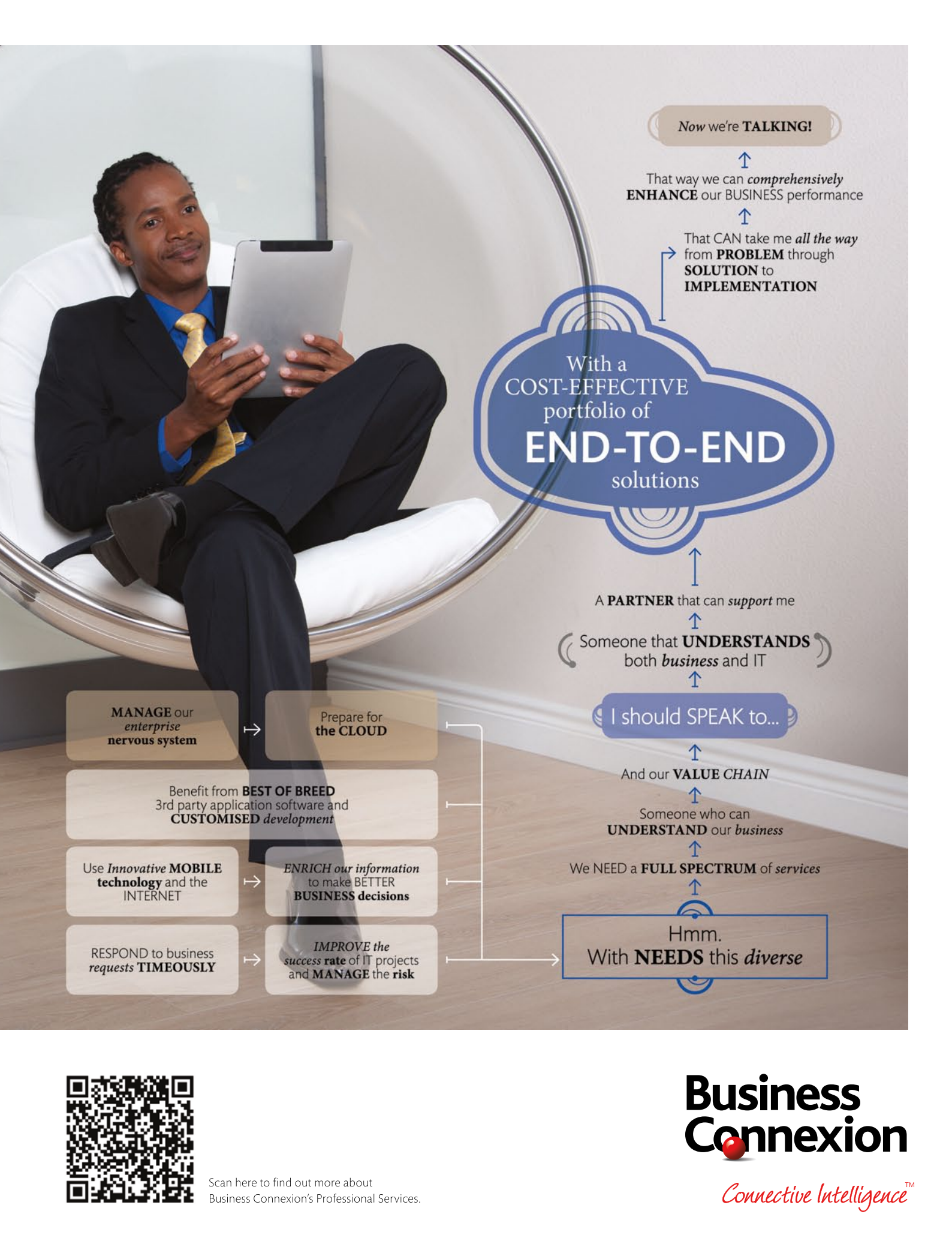
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# BBOQ

BLACK BUSINESS QUARTERLY

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## EDITOR'S NOTE

**E**ntrepreneurship is not a sexy word, not least easy to spell. The intrigue and mystery surrounding it seem to be the nemesis for those who pursue it. While often touted as a remedy for our unemployment ills, fewer fish seem to be biting.



Which is surprising, really, considering our uncharacteristically high unemployment levels – about 25% at last count.

Therefore, one would expect entrepreneurship to attract many of our talented young people who are worst affected by a lack of jobs, to embrace it as a first career choice, and not something to 'fall back on' when the chips are down. See page 152.

But that's the reality we face; our attitude toward entrepreneurship is misplaced. According to Shaun Govender of The Business Place (page 166), there are people getting into entrepreneurship for the wrong reasons. These include necessity-driven or survivalist, a sideline while looking for a job, or as a source of extra income while holding down a day job.

Such entrepreneurial activities do not necessarily create employment, which goes against the essence of the concept. Studies worldwide have shown that small and medium enterprises create more jobs than bigger businesses, hence their promotion as a solution to halving South Africa's unemployment rate – at least by 2014.

But are we really getting there? No, because many ideas die in infancy. There are numerous factors for this; talking to entrepreneurs, they are unanimous that one hurdle stands out: lack of access to funding, particularly for historically disadvantaged individuals.

So, we need a Start-Up Bank, one that will assess business ideas on their own merit, and then, based on analytical interrogation, these could be funded or otherwise. Banks do that, I hear you say. Yes, they do – but halfheartedly most of the time.

Greenfield projects need a dedicated institution that pits fresh ideas against other ideas, and which gives them a 50% chance of survival even before they are examined.

On that note, look out for our special edition coming up next, the bumper Youth and Women's Issue.

*David Mwanambuyu*

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# A giant leaps forward

The next CEO of Deloitte  
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the whole firm to follow.



**T**he appointment of Lwazi Bam as the CEO of Deloitte is, in many ways, a destiny fulfilled. For it was a representative from this company who, during a talk to learners at the school Bam attended, that lit the spark of passion for chartered accountancy.

His formal association with the Deloitte dates back to his varsity days in the early 90s – and the firm is the only formal employer he has known.

Bam says that because the appointment as CEO has been in the works for a good few years, excitement has made way for pragmatism about the challenge ahead.

“Actually, I was more excited when I was made partner in 2003,” he says. “But to get to a CEO role in a profession that you love, is a great achievement and an honour.”

Grant Gelink, the man Lwazi is to succeed as CEO, says the Deloitte partners and directors, endorsed by the Deloitte Board, voted Bam to be the next CEO because “he is ethical, confident, strong on client service and people development, and has a sound record of building high performance teams.”

Bam has been with Deloitte since 1994, while studying for his Bachelors degree at Unisa. He qualified as a Chartered Accountant in 2000 and was made partner three years later. At the time, he was a member of the Corporate Finance team. He joined the Executive Committee in 2006, and has served as Head of Corporate Finance, Head of Strategy, Head of Public Sector and the Africa Integration leader.

“Mild mannered” and “very logical” are two traits Gelink mentions when he describes the new CEO. “Lwazi always seeks the good in people and the positive in any situation. He turns challenges into advantages. High on integrity and self-esteem, he looks for these qualities in his colleagues. The result is that he leads a very confident, highly self-assured, top performance team.”

Gelink says Bam is a natural team player. “He leads by example. He has already started developing his executive team, focusing on innovation: innovation in developing the people of Deloitte; innovation in service

delivery; innovation in the development of new services to our clients; innovation in the way we consolidate the Deloitte African practices. You can tell this is one of his passions.”

Before taking up his post in June, Bam will spend two months at Harvard, completing the acclaimed Advanced Management Program (AMP).

He is also passionate about transformation and will sustain Deloitte’s momentum of transformation. Bam is the third black CEO of Deloitte, after Grant Gelink and Vassi Naidoo – an unprecedented track record among the ‘big four’ professional services firms, which have only recently appointed their first black CEO.

#### Early days

Bam (40) was born in eNgqeleni, outside Port St Johns in the Eastern Cape. His family moved to Newcastle in KwaZulu-Natal and then Tembisa, a township in Gauteng that straddles the East Rand and Midrand. He completed high school at Woodmead High, the alma mater of Bruce Fordyce, author Riaan Malan, former Miss South Africa Jacqui

Moloantoa (at Primedia), started a book-keeping business.

It serviced a handful of clients, mostly NGOs and small businesses, not the blue chip, listed clients Bam services these days. It was at this point that Bam and Mkwanazi decided to approach Deloitte to “help them service clients properly.” Deloitte provided equipment and mentoring, and opened doors for him. He was advised to start his articles while still studying, and he duly took up an articles post with Deloitte.

His professional development hit a snag when he battled to combine full-time work with part-time honours studies, and he failed the latter. In 1999, Bam made what he regards as “the best decision of my life” and returned to university full-time. He enrolled at the University of Natal, and “got by on my savings and a timely tax refund,” he recalls with a chuckle. The successful completion of his Honours degree led to more successes than when he had breezed through the board exam at first attempt.

He has since built himself a comfortable life in Kyalami with his town planner wife

**“I grew up with business, and spent weekends and holidays working at my father’s businesses”**

Mofokeng and actor Fana Mokoena.

“I grew up with business,” he says, recalling how he spent weekends and holidays working at his father’s businesses, a store in Tembisa, and a computer learning academy in Johannesburg.

While in the throes of his B.Compt degree through Unisa, he embarked on what was to become a life-changing adventure. He and two other students, Nhlanganiso Mkwanazi (now at Medu Capital) and Molefe

Angela and his children, six-year-old Kwande and four-year-old twins Nzuzo and Nikiwe. Success seems to be a family trait. He has always admired and been inspired by his mother’s passion for education. Nomonde Bam is an academic who lectures at University of Pretoria in primary healthcare. His aunt, Brigalia Bam, is the departing chairperson of the Independent Electoral Commission; and his uncle was the late Judge Fikile Bam.

#### Two-fold challenge



Lwazi Bam, CEO of Deloitte

Bam sees the challenge of heading up Deloitte as twofold: the battle for talent and the battle for clients. He joined the Deloitte Exco at the height of the economic boom in 2006, and witnessed first-hand the intensity of the battle for talent. He also knows how Deloitte has always been regarded as the 'auditor's auditor' with a 'standard of excellence', a reputation that he is required to uphold even through difficult economic times.

He says that the biggest question confronting the firm is, "How do you continue growing

in the wake of economic collapse and in an uncertain economic environment?" On the professional services side, talent concerns are not as great. The dichotomy that professional services, apparently, face is that "you need the top talent to service clients and you need good clients to attract top talent."

"Times are tough, but we are seeing a bit of recovery on the advisory side," he says cautiously. "On the auditing side of the business, however, Bam says fees are still depressed, but Deloitte is fortunate

in that it has such an impressive blue chip clientele.

The industry itself is facing renewed regulatory pressures. As was the case in the wake of the dot.com bubble at the turn of this century, and the collapse of Enron, there is renewed clamour about the way auditors conduct their business in Europe, for example, there is talk about the 'big four' auditing firms – KPMG, PWC, Deloitte and Ernst & Young – being broken up to separate the auditing side from the advisory business.



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In South Africa, the debate has seen calls for auditor firm rotation. Bam is concerned that the proposed solutions are quick fixes that might miss the essence of the problem and probably speaks for the industry when he notes that rotating auditors is “not a good idea”.

The argument against this is twofold. The first is that short-term audit rotation, of say five years, can actually do more harm than good to a company as it takes time for an auditing firm to understand the business and,

through mergers with smaller firms. Bam believes that “the true test of the sustainability of your transformation journey is being able to create a conducive environment in which your black people can excel and which retains them.”

At Deloitte, the average tenure of black partners is unparalleled, with most claiming the firm as their only employer. One of the little known facts about Deloitte is that almost 50% of its trainee accountants

says, “but will not reach critical mass if CAs are produced from a pool of about four historically white universities and Unisa.”

ABASA’s most notable intervention in this regard has been to help Fort Hare University to become an accredited University. (Universities need to be accredited by the SAICA to train chartered accountants.) This entails proper resourcing, including inducing qualified CAs to give up metropolitan area salaries and corporate perks to work in academia. That process has been so successful that it is now being replicated in the University of Limpopo.


“Another stumbling block is the quality of output of matriculants with Maths, which is in decline.” Deloitte’s next CEO says this has to be addressed if the pool of future accountants is to be deepened.

And then of course there is broader transformation of the economy through processes such as Black Economic Empowerment. The policy environment has recently been shaken up by the announcement that the government intends to criminalise the long-standing practice of fronting. Bam welcomes this move, noting that “our role (as auditors) works better in a clear policy environment” to help assess compliance with regulation.

His broader concern with BEE is how do you help people without financial means to gain access to formal ownership of the economy. The most popular method – the use of share price appreciation – has been found to be flawed. Bam argues that “we have not focused enough” on how to achieve systematic transfer with minimal risk. It is critical for the continued progress of our country that the majority of our people become meaningful participants in the economy.

Bam plans to continue the Deloitte brand of transformation, which pursues transformation because “it is the right thing to do”.

He says the firm has been on this journey even before he joined. A custodian of the values of the company, Bam seems determined to protect and enhance one of the most admired brands among professional services firms.

When asked when he thinks Deloitte will be majority black-owned, Bam smiles. “Watch this space.” 

## Bam plans to continue the Deloitte brand of transformation, which pursues transformation because “it is the right thing to do”

therefore, adequately identify the risks. Bam notes that the second reason is that with audit rotation, the incentive to perform diminishes, as a company operates with the knowledge that their services will be terminated, whatever they do.

“It is also unfortunate that firm rotation will create significant job instability. We have already seen the effects of this on the State Owned Enterprises (SOE) rotations. We have already had to reduce our intake by about 80,” he says.

Accounting firms are arguing for a partner, rather than a firm rotation.

### Transformation is a journey

Bam’s history, position and circumstances demand that he makes a contribution to the transformation of the profession.

Deloitte has a successful grooming record, and most of their partners have come through its ranks, with Bam being an extreme example as an ‘undiluted insider’.

Other large professional services firms have accelerated their proportion of black partners

are black. This will no doubt sustain this transformation trend.

Bam says the industry has made strides in transformation, noting “you always have to start by acknowledging the journey so far.” He points to Deloitte’s 28% black partnership rate, the fact that all the ‘big four’ firms are headed by black CEOs and there are a number of successful black accounting firms, from the iconic Sizwe Ntsaluba Gobodo, who have just been awarded the Transnet audit, to establishments such as Xabiso. But Lwazi Bam refuses to be content, arguing for increased effort.

Bam has served the Association for the Advancement of Black Accountants of Southern Africa (ABASA), where he has just relinquished his presidency mid-way through a two-year term because of his Deloitte appointment. He has served on the Thuthuka Education Upliftment Fund, the industry-wide fund designed to fast track transformation, run by the South African Institute for Chartered Accountants

“Industry efforts to develop black accountants are starting to bear fruit,” he



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# Building for the nation

**Indigo Kulani Design Group is a 100% black- and women-owned multidisciplinary company in the construction sector**

**S**ibongile Manganyi (32), the founder and Group Managing Director of the Indigo Kulani Group, has a vision: that hers will be the leading South African infrastructure development company by 2016.

Born in Soweto, this dynamic entrepreneur founded Indigo Kulani Architects and Urban Planners, the Group's first company, in 2006 when she was just 26 years old.

'Kulani', the XiTsonga word meaning to continue growing, ensures that the Group's primary focus is growth. "As a design-driven consulting business, we believe that people need to be continuously empowered for growth, which in turn ensures our group's success" says Manganyi.

The 100% black- and women-owned Indigo Kulani Group is a multi-disciplinary holding company that has, for the past six years, serviced clients in South Africa as well as central and western Africa in the architecture, engineering, quantity surveying, project management and construction sectors. Its in-house subsidiary companies are

Indigo Architects and Urban Planners, Indigo Kulani Properties, Ndima Quantity Surveyors, Nabila Consulting Engineers, Indigo Kulani Interior Design and Space Planning and the Indigo Kulani Group Foundation.

Indigo Architects and Urban Planners is a consulting architectural and interiors practice that provides architectural design concepts, design developments, technical documentation, contract administration and site supervision for commercial and public building projects and up-market residential developments.

Indigo Kulani Properties is a property development company. "It creates sustainable human settlement within the affordable housing market. It supplies sustained working environments for our clients by managing a wide range of the services. Our integrated service combines a comprehensive range of service skills for clients, with the convenience of a single point of reference and accountability," Manganyi explains.

Ndima Quantity Surveyors offers various services, including quantity surveying, project management, construction management and valuation, different types of properties

including residential, tourism facilities, mixed projects, industrial and retail.

"We provide services to corporates, financial institutions, government agencies, public sector entities, developers and investors. Our knowledge, expertise, experience and resources enable us to offer them a superior service," says Manganyi.

Technology resources allow Kulani to evaluate and report on multiple properties, spread over large geographic regions. "Our resources enable clients to stay up to date with current market conditions and ensures that our clients are able to make the right choice," Manganyi adds.

Nabila Consulting Engineers offers civil engineering services, water engineering and institutional framework services.

## **Visions of hope and purpose**

"We believe that a successful nation is determined by the passing of a vision from one generation to another," says Manganyi. She is commenting on the Group's establishment of the Indigo Education Foundation.

"The Foundation provides a sense of hope and purpose by offering scholarship and bursary opportunities to students from

various backgrounds, who achieve exceptional results but face financial challenges to further their studies.”

The Foundation has a mentorship programme that annually partners students with professionals and companies that fit in with their field of study. “Mentorship encourages people to prepare for their future career and their personal life,” she says.

This is what she values most about her company. “Uplifting communities is a great passion of mine. Working on school, health and housing projects is very rewarding -- each person has the basic human need for these things. To be able to contribute in these areas and see the difference that it makes is one of the Group’s and one of my own greatest achievements.”

#### Early days

Manganyi is a professionally registered senior member of the South African Council of Architectural Professions.

After matriculating from Bedfordview High School in 1999, she acquired both a National Diploma and BA degree in Architecture from the Cape Peninsula University of Technology in 2004.

This was followed by extensive experience at various prestigious architectural companies, including work on commercial, up-market residential and presidential award-winning projects.

She returned to Johannesburg in 2005 and founded Indigo Kulani Architects and Urban Planners in 2006. Her inspiration came from completing a freelance project – a church in Soweto – on which she worked after hours.

“It was very demanding, but I have always been passionate about working for myself,” she says. The freelance projects gave her the opportunity she was looking for to go it alone. She found a small office space in Sandton through an industry friend and started with housing projects, which she describes as quite difficult. “Clients have their own taste,” she says. “I have learnt how to satisfy them and complete the job on time!” Manganyi’s drive for success was inspired by her late father. “He was an



Sibongile Manganyi, founder and Group Managing Director

entrepreneur and had his children manning their own vegetable stalls at train stations. I started working for him when I was 12. I wanted to be as good, or even better, than him in running a business,” she says.

As Kulani grew, Manganyi started working with both the private and public sectors; she landed her first public sector project in Polokwane in 2008, just two years after starting up. “We have been working on different public sector projects since then and

are now working on social projects – a great personal passion,” she says.

Manganyi’s ultimate aim is to a one-stop-shop solution in the infrastructure development sector, incorporating engineering, quantity surveying, project management and property development into the Indigo Kulani Group.

Manganyi was initially involved in the design of up-market residential development projects in Kyalami Estate, with an estimated

project cost of R200-million. She was also involved in the design of an Angolan mixed-use development project, including retail, residential and a hotel. She has also worked on the design of boutique hotels in Tanzania and Nigeria.

"Extensive work in projects of this nature has taken me to many other African countries as well as Asia and Europe," she says. Travel enhances her design concepts and project delivery, using both her international and local experiences. "Travelling to unfamiliar countries is a favourite hobby. I love getting to know different cultures and discovering what make people tick," she says.

Manganyi enjoys reading, especially books about leadership, finance and spirituality. Spending time with her family and close friends is also important to her. As for her image as a business leader, one of her colleagues says, "Sibongile leads by example and is a great mentor. We respect her because she is a woman of standing and integrity. Behind every great team is an even greater leader."

This highly regarded businesswoman brings an ethos of honesty, open communication and fairness to her employees. "She is a no-nonsense mentor who firmly believes in empowering her employees," a colleague confirms. "She brings her personal best to work. She's an ethical business partner who strives to ensure her team has these qualities too."

### Forging ahead

Manganyi's vision of Indigo Kulani becoming South Africa's leading infrastructure development company by 2016 is well on its way.

Indigo Kulani Architects and Urban Planners is currently involved with a number of projects in the Serengeti National Park, iTanzania and in Abuja, Nigeria. It was also recently appointed to design a new 25 000m<sup>2</sup> shopping centre in Polokwane.

"We are very proudly the preferred architects for the design of different schools in seven provinces," says Manganyi. Indigo Kulani Architects and Urban Planners has been appointed by the Development Bank of Southern Africa, in a consortium with Aurecon, to design and provide feasibility

for 91 new schools and 279 existing schools in Gauteng.

The company's involvement in the design and project management of clinics in Limpopo was implemented by the Independent Development Trust and the Department of Public Works. It has also been appointed in a consortium to offer project management support services to the national Department of Health and national Department of Basic Education.

"Kulani will assist the department within various provinces to deliver health and education infrastructure projects efficiently and speedily and unlock the backlog nationally," Manganyi says.

The company prides itself as a master of residential architecture, and has worked with local and international residential developers "We bring vast experience on board with our dedicated residential architects," says Manganyi. The Hotazel Estate is an upmarket residential development for a mining company in Kuruman, Northern Cape. The project is set to go on-site in mid-June. "This is one of many residential developments we have been involved for mining companies."

As for the road ahead, the Group has a significant presence in seven of South Africa's provinces and continues to expand into other African countries including Angola, Tanzania, the DRC and Nigeria.

"We aim to continue on our successful growth path and at the same time, we will ensure that our service levels will remain as exceptional," says Indigo Kulani's Group MD.

The Group is currently growing its interior design division and doing ground-breaking work in the luxury vehicle, upmarket private interior design, dealer showroom and boutique hotel markets. "We have our eye on breaking further into the hospitality market providing the design and construction of the actual hotel. We foresee merging our own design elements with international trends.

"Our involvement with government projects including schools and clinics throughout South Africa, is one of our strong focus areas for the future.

"One area we are currently looking into is the development of more green initiatives by incorporating schools and clinics into mixed-used developments to uplift communities, countries and living standards," Manganyi says.

The Group is also paying great attention to its own green projects in the areas of design and construction.

### The culture of Indigo Kulani

Whilst it's certainly challenging to work in the 'cut-throat' built environment, the principles that drive the Indigo Kulani Group are founded on honesty and integrity in the marketplace.


Manganyi explains that the industry is overshadowed by broken promises and the non-delivery of services to clients.

"Our company doesn't promise anything we cannot deliver. We explain who we are, what we can do and when our client can expect us to do it. We speak with one voice, across all of our divisions," she says.

The Group also works very closely with South Africa's current top infrastructure development companies. "We are privileged to have established relationships with these companies and to work with them."

The Indigo Kulani Group has certainly found its purpose. Its vision continues to unfold as it meets and exceeds its strategic objectives.

"I give my employees the freedom they need to take ownership of their own projects," their Group MD explains. "Once they take ownership, they are driven to perform to the best of their ability for the company and our clients.

"I believe in my teams and I know what they are capable of achieving." That's why she has set a target of expanding her 20-strong team to 500 employees over the next 10 years. 

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# Colossus in motion

**Minister of Public Enterprises  
Malusi Gigaba is tackling  
the tricky balance between  
commerce and state**

**O**utspoken, confident and a definite news maker, 40-year-old Malusi Gigaba is up for the challenge of whipping South Africa's state-owned enterprises (SOEs) into shape.

Despite declaring publicly that SOEs need to pull up their socks, Gigaba is well aware that history has played a role in their being seen as a burden to the state. He provides the backstory.

"In 1992, the Nationalist government could see that its end was near, and it privatised nine key SOEs. By 1994, there were more than 300 SOEs, employing about 300 000 people. The 'big four' – Transnet, Denel, Telkom and Eskom – accounted for 91% of the assets of the top 30 SOEs and employed 77% of SOE workers. When the ANC came into power, the office that had been set up by the previous government to deal with the privatisation of state assets, was converted into the Department of Public Enterprises (DPE). Yet, it had no clear legislative mandate, and each of the various shareholders had a different focus."

To make matters worse, there had been a prolonged period when the former government did not invest in infrastructure. This lack of investment in upgrading the country's power-generating capacity, for example, contributed in no small way to the blackouts of 2008.

"We also inherited inefficient rail and port enterprises," says Gigaba. "SOEs had not received the attention they needed."

The regime change in 1994 did not radically alter this situation. "The new government was trying to 'concretise' its thinking about SOEs. It toyed with the idea of privatisation, until protest action put that plan on hold. Then it focused on the

bottom line – at the expense of the nation's interests. There was a reduction in skills, long-term planning and job creation.”

After the 2004 general elections, the government called for a rethink on the role SOEs could play as part of the shift toward a 'developmental' state. This was reinforced by growing international recognition that privatisation can be problematic if SOEs are involved in the provision of essential services.

After years of disregard, “many SOEs had become so unviable, they needed the government to breathe life back into them through heavy investment,” explains Gigaba.

### The chicken or the egg?

It is nearly 18 months since his appointment as Public Enterprises minister, and Gigaba says the department has made good strides. “It remains critical, however, to ensure all SOEs become commercially viable. It is a chicken-or-egg situation: which is more important – commercial viability or national interest? In my opinion, both are equally important and therein lies a huge challenge.

“If Transnet's balance sheet is bad, if it has weak corporate governance and is not making a profit, it will not be able to provide new infrastructure or contribute to the government's aims and policies. If Eskom is unviable, it cannot carry out the necessary energy expansion programme. The same applies to SAA [South African Airways] and Denel.

“On the other hand, if they are commercially viable but fail to deliver on national interest, what would their purpose be as state-owned entities? You might as well privatise them.”

It is up to Gigaba to ensure the correct balance between commerce and state is reached. He is against privatisation, saying SOEs must be viewed in relation to the broader impact they have on the economy and society as a whole.

At a business briefing late last year, he outlined his thinking: “Through the SOEs, the department seeks to facilitate participation and push for an increased stake in the economy for the majority of citizens – either through access to labour markets or productive activities. SOEs should correct market failures because capital markets have an

inherent bias to short-term gains in spite of their frequent claims that they prefer long-term planning.

“Our vision is to continue to provide the economic governance tied to SOEs' multiple goals, which include attracting and driving investments; enhancing efficiencies and transformation programmes of all SOEs, their customers and suppliers; creating jobs; building the industrial capacity of the economy; linking small and medium businesses to markets either through communication platforms or transport; and developing responsive skills to economic or supplier demands.”

To this end, the DPE has decided to allow SOEs not to declare commercial dividends to shareholders. “Profit must be reinvested into creating capacity for job creation and skills and infrastructure development. Not declaring a dividend means the books of the SOEs look good, and they can secure resources from domestic and international markets, rather than from the government setting aside money from the fiscus,” Gigaba explains. “One day, SOEs will be able to declare a dividend to

same, and it has been winning tenders. There is more rail and port activity. But the electricity situation remains worrying. Also, SAA must remain competitive in a tight market. We are not out of the woods yet.”

Adding to his concern is the DPE's own capacity as a department. Part of his strategy of growing SOEs is to ensure the DPE is more than a mere passive shareholder, waiting patiently for quarterly reports. “We are a shareholder-manager: more active, more responsive. In changing the focus of SOEs, it is our responsibility to manage relations with policy departments and non-governmental stakeholders, like the National Economic Development and Labour Council.

“If SOEs are to contribute to nation building, we need increased capacity in order to perform our new responsibilities. At the moment, we are overstretched.

“We have requested the government's support for additional capacity. We may not get everything we want, but we will continue to do the best with what we have,” says the minister.

**“Twitter helps me keep my finger on the pulse, and it is a good way to blow off steam”**

shareholders, and sustain and grow their core functions,” he says, citing the successes of SOEs in China, Brazil and India.

“As a shareholder, we must take a key interest in what SOEs are doing without unnecessary interference, at the same time being clear about what our expectations are.”

### Outcomes and quandaries

Despite the progress made so far, Gigaba says he does not sleep easy – yet. “I am still concerned about all the SOEs, to varying degrees. I am happy Eskom declared an increased mid-year profit. Transnet did the

Taking stock of successes during the past year, the minister lists the smooth handover from one board to the next; the appointment of a group CEO and new board for Transnet; the increased profile of the DPE as a shareholder; the successful communication of the department's vision to the nation; and the improvement in the operation of SOEs.

“We have drastically enhanced our stakeholder relations, having visited five provincial governments and met most of the relevant policy departments,” he adds.

Less pleasing was a leak to the media regarding changes to be made to the Eskom



and Denel boards. "It dented the reputation of all involved," says Gigaba. "You do not want to read on the front page of a newspaper that you are going to be retired."

Other battles must be fought. The minister is opposed to the National Planning Commission's proposal to strip him of his power to appoint parastatal CEOs. The commission, headed by Minister in the Presidency Trevor Manuel, has said the process of appointing CEOs to SOEs has been abused by the ANC and recommends that the power to appoint CEOs be given to parastatal boards.

"This is not the mandate of the Planning Commission," says Gigaba. "It is, however, only a recommendation and we will engage with the commission about this issue."

Gigaba shares Finance Minister Pravin Gordhan's concerns that the public sector wage bill is too high. "We agree there needs

to be a rethink on executive remuneration in both the private and public sectors.

"I am not shifting blame, but the private sector will have to take greater responsibility for reviewing its own packages. Private corporations are putting us under pressure. We could not fill top posts at Broadband Infraco for 12 months because of the exorbitant salaries offered by MTN and Vodacom.

"It is a global problem, exacerbated by the global economy."

During the past year, the DPE has not approved salary hikes for executives whose remuneration requires its approval. It has maintained the status quo, but is in talks with the Minister of Finance regarding salary reviews. Recommendations will be made to the Cabinet in due course.

"Remuneration is a balancing act between attracting the best skills and paying staff

competitively without overly increasing the income disparities or being insensitive to the economic situation," Gigaba says.

### 2012 and beyond

The Presidential Review Committee (PRC) is examining how to strengthen SOEs to ensure they respond to a clearly defined public mandate. The committee's recommendations could have a far-reaching impact on the Public Enterprises department.

Yet, Gigaba welcomes its work. Recommendations have been made to the PRC; while waiting for its report to be submitted to President Jacob Zuma, the Public Enterprises minister hopes that it will give clarity to the governance and shareholder management model, to SOE consolidation, and how SOEs will relate in future to development finance institutions.



"Whether or not the DPE is dissolved is immaterial, as all staff can be redeployed with the PRC's decision," he says.

His 2012 focus is to see SOEs delivering on their job creation, skills, and infrastructure development mandates, by creating funding models that encompass DFIs, the private sector and other stakeholders.

"SOEs must find more business. SAA and Denel are a concern – they are viable, but not to the extent that I can rest easy," he admits.

Gigaba's worries were reinforced by a survey released in January by the South African Institute of Race Relations (SAIRR). It found that only half of South Africa's SOEs managed to post profits in the 2009/10 financial year. Of the nine SOEs reporting to the DPE, only five produced a profit in 2009/10.

The most lucrative parastatal was Transnet, which showed a profit of R3-billion. The least

profitable for that financial year was Eskom, which posted a loss of over R9.7-billion, although it has since turned its fortunes around and posted a profit of R13-billion for 2010/11.

Jonathan Snyman, a researcher at the SAIRR, echoes Gigaba's sentiments: "South Africa's infrastructure is already under strain, and without money derived from profits to develop new projects, the prospect of alleviating pressure on infrastructure depends on finding other forms of capital for investment."

With his sleeves rolled up, the minister is determined to find ways for SOEs to forge ahead, despite their many challenges and the economic downturn. "Practices learnt during hard times can be sustained to create stronger, more enduring entities."

A member of the National Executive Committee of the ANC, Gigaba matriculated from Vryheid State High School before earning

a Bachelor of Pedagogics degree in Education and a master's degree in Social Policy, both from the University of Durban-Westville.

Not media-shy, he has made the headlines of late. A former president of the ANC Youth League, Gigaba had some harsh words in response to the League's statements on mine privatisation.

His name is being whispered in relation to the positions of ANC deputy secretary-general and chairperson. He received negative publicity over supposedly being responsible for the breakdown of a marriage.

As if that were not enough to keep his spokesperson busy, he is an avid *Twitter* participant. "Tweeting helps me keep my finger on the pulse, and it is a good way to blow off steam," he says. **BBQ**

*Cathy Grosvenor*

# ABB's strategy for Africa

In his 2012 State of the Nation Address, President Jacob Zuma announced that South Africa will intensify its focus on infrastructure development, with government planning to spend billions of Rands over the next few years on building rail, road, and other economic links in five South African regions. This infrastructure development will require considerable energy resources, with relevant parties having been given a clear mandate and vision in this regard.

South Africa will also invest further in education. This will include the building of at least two new universities.

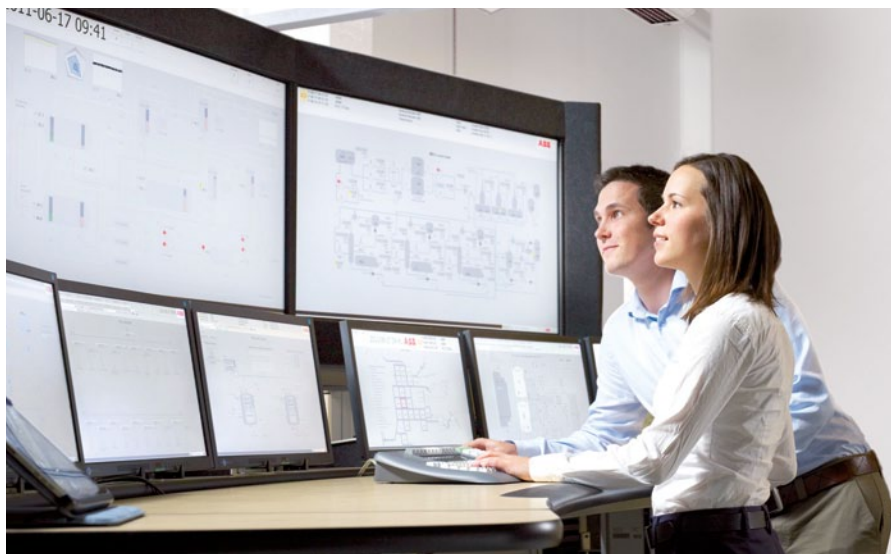
The President once again emphasised the need to strengthen the overall health system in the country, which will include the upgrading and building of hospitals and other health facilities. This triggers a key point for the Presidency. One of the country's major challenges is how to bring rural South Africa into the mainstream economy.

## Africa rising

Signs of economic growth in Africa have been visible for quite some time. The Economist, in its December 2012 edition titled "Africa rising" stated that after decades of slow growth, Africa has a real chance to follow in the footsteps of Asia".

This has not only been recognised on the back of much improved corporate governance leading to South Africa, in particular, being recognised as one of the leaders in this area by the World Economic Forum's Competitiveness Report. It is also due to the understanding by the leadership of the continent that in order to stimulate growth, considerable investment in the right infrastructure is required.

Notably, governments of many African countries have committed to this, either directly or through strategic public private partnerships. No doubt, Africa is a 'hot' place for investors and critically, financiers. This enthusiasm about Africa is shared by ABB. For ABB, a world leader in power and



**Integrated Control and Safety - ABB's System 800xA's common environment for production control, safety supervision, and production monitoring**

automation technologies, a key focus in its 20 plus years in South Africa has been to build up the power infrastructure by delivering automation and power solutions.

## Relevant value

**Shiven Sukraj**, Senior Vice President for ABB's Process Automation Division in South Africa is passionate about providing customers with products, solutions and services for Process Automation. He believes that as a leader in this area, ABB is best positioned to offer its customers the most attractive value and returns on their assets.

Nampak Corrugated, Africa's largest packaging company recently chose ABB as its partner to help improve the overall efficiency at its Rosslyn Paper Mill in Pretoria. "This partnership, said Sukraj allows us the opportunity to manage all maintenance operations at the paper mill. Our objective is to improve equipment efficiency and increase production output while reducing operating costs."

A few minutes in conversation with Sukraj leaves a clear impression of his unwavering commitment to ABB's customers. He says, "I attribute much of ABB's success to its outside-in focus. Personally, I never indulge in internal

discussion about whether something "is good for our customers". I rather encourage our team to ask customers what outcomes they are looking for. It is then our job to translate those inputs into better products and processes."

Sukraj says "Skills development is not only passing on your own experience and expertise to customers but rather about listening and working closely with them, assisting them in discovering new solutions that are best suited for their respective businesses."

Sappi in South Africa, a global leader in the production of chemical cellulose (used in the production of consumer products such as clothing, plastics, food and pharmaceutical products), recently awarded ABB a contract for the supply of electrification instruments. The contract includes the implementation of a distributed control system.

"My team and I see this contract as much more than the supply of highly specialised electrification products. For us, the significance of this major project at the Ngodwana mill near Mbombela revolves around achieving the mill's goals of increased efficiency and lower energy consumption," he says. Due to the size and complexity of the project,

ABB will have an international team of Pulp and Paper composite plant experts from South Africa, Finland and Singapore dedicated to it. "Our aim is to ensure the seamless installation and completion of the electrification and automation equipment in Sappi's challenging timeframes."

## Growth focus

According to Sukraj, ABB's involvement does not end in South Africa. As a growing continent with tremendous potential, Africa is attracting significant investment to tap into the repository of an estimated 30% of the world's mineral reserves on the continent. The newly discovered gas and oil reserves, including one of the biggest natural gas discoveries in the world located in Mozambique, positions the continent well to ramp up its infrastructure and industrialisation capacity.

"To be competitive, Africa needs to be smart and forward thinking with its technology and automation investments. We need to ensure that energy efficiency, productivity and reliability guide investment decisions," he adds. With proven expertise globally in all these areas, ABB is a supplier of choice. It can support customers from the conceptual stage, through to construction and commissioning including lifecycle service support and maintenance.

In sub-Saharan African, ABB is ready to seize growth opportunities. He explains, "For a continent with over 500 million people of a working age and an overall population that may exceed that of India and China by 2040, but one with over 590 million people without access to electricity, challenges become opportunities," adding that with Africa's electricity generation expected to double by 2035, investments in power will be substantial.

"Our strategy for Africa is growing step by step," says Sukraj. "Although we already have a strong foundation in South Africa and Egypt, our aim is to invest in local sales and service resources in sub-Saharan Africa.

## Interview

# Sustainability shake-up

"At ABB, we truly understand the overall economic impact of developing infrastructure in these key industries, but we also believe that it should be done in a sustainable manner," says Shiven Sukraj, Senior Vice-President for Process Automation. "We see our business as enabling utility and industrial customers to improve their performance while lowering the environmental impact of their operational activities."

While ABB is well-known for power products such as transformers, switchgears, circuit breakers and cables for the transmission and distribution of electricity, it also takes a leading position in the development and provisioning of alternative energy sources including wind generators and solar power solutions.

Globally, business is under considerable pressure to adopt renewable technologies. Energy efficiency remains the lowest cost route to 'producing' more energy. Businesses



**Shiven Sukraj**  
Senior Vice President, ABB in South Africa,  
Process Automation Division

that improve their energy efficiency tend to become more sustainable, not just because of the real cost savings, but because it allows them to focus their 'energy' on the other important elements: empowerment, investment in staff and skills development.

## ABB's African expansion

ABB's African expansion focus falls on the DRC, Kenya, Angola, Tanzania, Mozambique, Nigeria, Ghana, Senegal, Cameroon and the Ivory Coast. The company will use these countries as 'hubs' from which to expand further into other markets on the continent.

Its approach is to expand local engineering capabilities and work with customers in each country to develop custom-made solutions that will benefit the people.

Through a dedicated focus on sustainability including enterprise development and transformation, ABB will also accelerate its social commitment through its HIV/Aids orphans projects, further education and training for technical skills. It has a strong emphasis on raising environmental and energy efficiency awareness at schools. "Here at ABB, we live and breathe resource efficiency. Through our programmes, we endeavour to do our part in the mitigation of global climate change," concludes Sukraj.

# On the cusp of greatness

**Her sharp business acumen, sunny personality, dynamism and zest for life set Phuti Malabie apart**

**In the often tumultuous boardrooms of corporate South Africa, among the hard-nosed captains of industry, one would not easily find someone who is smart, sparkling with energy, beautiful, accomplished and a businesswoman right down to her designer shoes. That is, until you meet Phuti Malabie – the highly regarded chief executive officer (CEO) of Shanduka Group.**

A mere decade old, Shanduka was started by former trade unionist turned politician, Cyril Ramaphosa. Today, it is one of South Africa's leading black-owned and managed investment holding companies with stakes in resources, financial services, energy, property, food and beverages and various other industrial sectors.

Its key investments are in coal, Coca-Cola and McDonald's in South Africa. It was with Malabie at the helm that Shanduka snapped up the lucrative fast food chain ahead of competitors – a business that ties in neatly with the group's Coca-Cola interest. It has significant stakes in mining house, Lonmin, as well as Standard Bank.

More recently, Shanduka was in the news after acquiring a major stake in Shanduka Coal from Glencore International Plc for about R700-million, pushing Shanduka Group's holding from a minority 30% to a controlling stake of 50.1%.

"We had always intended to increase our equity in coal in line with our strategy of acquiring a significant or controlling stake in our businesses, in what has been identified as the group's core areas of operation," Malabie explains.

But why coal, when it is a sector facing pressure from many quarters? She counters that South Africa has an abundance of coal, an affordable energy resource that must be used – but with greater responsibility – until such time as the country can afford the luxury of utilising only renewable energy, which is far more expensive.

Malabie sees the demand by the ANC Youth League for nationalisation of the country's mines as an expression of anguish from the youth, since more than 50% of them are unemployed, poorly educated as well as unskilled.

Nationalisation, she says, is not the answer. But a more extensive debate is needed around these issues, and something will have to be done before the minority of employed people who pay the taxes – allowing for the majority to live off state grants – will have to carry an even bigger, untenable burden.

Then, of course, there is the other side of Shanduka's 'business': its massive investments in social transformation, focused on education and entrepreneurship through programmes such as the Adopt-a-School Foundation as well as the Shanduka Black Umbrellas initiative.

## Background

Malabie joined the group in 2004 after having previously headed up the South Africa Project Finance Unit at the Development Bank of Southern Africa. Before that, she had been vice president at investment banking firm, Fieldstone – first based in New York and later heading up its South African operation. She also ran her own renewable energy company.

Ramaphosa offered Malabie a position with Shanduka after she had already accepted a post at Standard Bank. What did Ramaphosa say that made her change her mind?

"It was not anything that Cyril said; it was just that I believed in him. It's one of those opportunities that come once in a lifetime. For me, it was really about that: having the opportunity to work with him and to create something with him. I looked up to him and was very inspired by him as a leader. That's what attracted me to Shanduka," she outlines.

"As for the business, I had no idea at the time how successful it was, but had a strong sense that there was the potential for it to succeed."

Talking to Malabie offers a window on the enigmatic Ramaphosa, his social commitment and his leadership style. From her, one learns that he is a hands-on, active leader who gets involved in all spheres of the business, providing much input to the decision making in the group. He is very much part of the business, she says.

But one gathers that he leaves ample space for others, such as Malabie, to play their roles fully.

"As the CEO of the company, I have the responsibility to make sure that all the executive functions are executed well and I also drive strategy for the business. Operations, strategic issues and executive decisions are all my day-to-day responsibilities. While Cyril is there on a daily basis, I am the one who has the responsibility of running the business."

Malabie sees her role as guiding the ship, ensuring she has a talented and effective team, and motivating the team to achieve its full potential.

"My focus is really on the team dynamics, the role of the team, making sure we have an effective team and that we have very good management communication lines. People on our team have much experience in their particular areas.

"I also focus on the strategy for the business. Where do we go from here? There's a lot of uncertainty globally and in South Africa – economically as well as politically."

Her boss and mentor is a member of the ANC's National Executive Committee. He was also the man many South Africans once thought would succeed Nelson Mandela as South Africa's president.

Therefore, with him around and having a stepmother such as Sankie Mthembu-Mahanyele, formerly a Housing minister and ANC deputy secretary-general, one would assume Malabie is 'politically connected' and, therefore, would have an interest in politics.

"No, no, not at all," she counters, laughing. "I don't have any Struggle credentials or anything like that."

For her, it is a case of sticking to what she knows best, much of which involves a passionate commitment to help educate and equip South Africa's young people and to foster and promote an entrepreneurial ethos.

Politics does not enter the workplace beyond what the case would be at any South African company, namely staying up to date with new legislation and regulations affecting business.

Growing up in a well-to-do family with her two siblings, Malabie spent most of her childhood in Soweto. Her own mother passed away early.



Phuti Malabie leads by example

Malabie attended school at McAuley House in Parktown West, Johannesburg.

In order to get exposed to a broader cultural environment and to avoid getting an apartheid tertiary education, her parents sent her overseas for her university studies.

"So when I finished Matric (I was 17) I got on a plane and went overseas and spent the next four years studying at Rutgers (State University of New Jersey) in the United States."

At Rutgers she obtained a BA in Economics in 1993, followed by an MBA from De Montford University in Leicester, United Kingdom. She completed the Kennedy School's Global Leadership and Public Policy for the 21st Century programme at Harvard University in 2008.

Malabie's experience and expertise are in project finance, public-private partnerships, privatisation, corporate mergers and acquisitions and energy assets. She has received many accolades and numerous awards for her leadership style, among other things.

*The Wall Street Journal* listed her as one of the Top 50 Women in the World to Watch in 2008.

Malabie has received the Top in Project Finance 2003 Award from the Association of Black Securities and Investment Professionals; was selected as a Global Young Leader in 2007 by the World Economic Forum; received the *CEO Magazine* Most Influential Woman in Government and Business – Financial Services Award in 2009; and, also in 2009, was nominated for Outstanding Businesswoman of the Year at the African Business Awards hosted by *African Business* magazine and the Commonwealth Business Council.

### Corporate social investment

As someone who benefited from opportunities not available to most young South Africans, Malabie is now ploughing back into the community as much as she can.

She points out that giving back and ensuring whatever the company does benefits the broader society and the communities affected by its businesses, has always been Shanduka's core philosophy and "our way of doing things". Such as the group committing itself to spending R100 million over a 10-year period up to 2014 to educate and train young people.

"It is very much informed by Cyril's vision. He never wanted a business that would only create shareholder value – although that is very important. When the plan was made in 2004 to commit R100-million over 10 years, the business was still quite small. So it was quite a bold statement and commitment to make at the time.

"But it is something that we very much believe in. In fact, every employee of Shanduka contributes to the Adopt-a-School programme. We believe no matter what you earn, whether R50 or R500 a month, there is something that you can contribute toward someone else who is not in the same position."

The group employs 15 full-time staff to run the Adopt-a-School programme, which now benefits more than 100 schools and some 170 000 young learners.

Malabie says Shanduka focused on education as being the most important resource to unlock. Education has been the pivotal factor for every successful nation on earth.

Working with this programme, she and her colleagues recognised that entrepreneurship was another key issue in South Africa.

"The reality is that corporate South Africa is not in a position to absorb all the matriculants and other school-leavers. We need a culture of entrepreneurship where young people will create their own opportunities, their own futures."

Shanduka then teamed up with two Capetonians who had started the Black Umbrellas organisation, which provided an incubator for small entrepreneurs to help get them started and survive the initial difficult period of getting a business going.

With some R5.2-million in initial commitment from the Shanduka Foundation, the organisation, now called Shanduka Black Umbrellas, has grown from its original Cape Town base to having centres in several cities.

"There has been a huge uptake of what Black Umbrellas offer, which shows there is a real need in the country to support emerging entrepreneurs," notes Malabie.

Shanduka runs an internship programme for young people coming from all over South Africa and beyond. Some of them are now valued Shanduka employees.

In addition to these initiatives, there is the Cyril Ramaphosa Education Trust, started by Ramaphosa before he launched Shanduka.

"Cyril used to take the fees he earned from serving as a director on various boards to finance the school careers of many young people. When he started Shanduka, he decided to formalise this initiative and turned it into a trust. It has now been running successfully for a number of years. "The focus is largely on education and entrepreneurship for us. But we need more corporates in South Africa to get involved in doing these things, helping schools with infrastructure and equipment, training young people and so on. The government cannot do this on its own," says Malabie.

Which brings her to another point about which she feels strongly, namely transformation that will empower and benefit the masses. The name Shanduka is synonymous with transformation: it means 'change' in TshiVenda, Ramaphosa's mother tongue.

### Power to the masses

Shanduka has been at the forefront of engendering transformation – not only within the company, but also within those companies with which it does business and within those industries in which it is active.

But Malabie is adamant black-owned companies in South Africa that had benefited from enabling empowerment policies after 1994 need to do much more to empower the masses. With their financial backing, they should be focusing on aspects such as education, skills development, training, enterprise development, entrepreneurial development, employment and procurement.

What does the future hold for Shanduka? Malabie says the group is committed to growth and is looking at a number of specific opportunities, but she cannot talk about them. "We prefer to talk about things once we have done them," she reveals. But whatever it is, it is unlikely to leave her much time for her favourite leisure time activities such as reading or going to "relaxing places" such as her father's farm outside Johannesburg. **BBO**

*Stef Terblanche*



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# Lifting the veil

**BBQ guest columnist examines the Secrecy Bill and its implications for South Africa's culture of human rights**

**T**he South African Constitution represents the shift from a culture of impunity and oppression to one of human rights and dignity. In its various clauses, it is highly aspirational, representing as it does an ideal of a society in which the government is transparent and accountable to the people and in which the fundamental rights of citizens are upheld by the state. In addition, the Constitution represents a bold 'experiment', entrenching not only civil and political rights but also socio-economic rights including the right to housing, healthcare and water, among others.

Since the adoption of the Final Constitution in 1996, South African society remains highly unequal and one marked by increasing levels of poverty and unemployment.

Yet, through the hard-won right to vote and right to freedom of expression (including freedom of the press), South African society remains vibrant; civil society groupings, trade unions, social movements and other informal groupings continue to challenge the government on its failures. Society remains robust in its pursuit of the freedoms enshrined in the Constitution.

Given the high levels of inequality and other challenges, entrenching a culture of human rights has been difficult. All too often, the tenets as well as the underlying values of the Constitution are adhered to only in the breach. Thus, the kind of state that the Constitution envisages as well as the degree of interaction that the Constitution requires between citizens and the state remains somewhat aspirational.

But, progress has been made both in the understanding and entrenchment of civil and political rights as well as of socio-economic rights. Key has been citizens' right of access to information and their demands for a transparent society.

But there are threats looming on the immediate horizon which could undermine the nascent human rights culture. It is the so-called Protection of State Information Bill (POSIB), or the so-called "Secrecy Bill".

For citizens to be active and for democracy to flourish, information is needed. It is, therefore, trite to say that information is the oxygen of democracy. Without it, citizens are unable to engage with elected representatives and, more importantly, claim the rights that are theirs.

Any attempts by those in power to undermine our right to information must be treated with the suspicion it deserves and must be resisted.

South Africa's Promotion of Access to Information Act (PAIA) remains a 'gold

standard' as far as freedom of information laws are concerned across the world, yet we have seen that its implementation has been patchy at best. Given the challenges that PAIA already presents, the POSIB is an even greater cause for concern, for it represents a retrogressive step in the fight for open democracy.

The bill aims to establish a statutory framework to classify and declassify state information. Thus far, classification has happened in terms of the Minimum Information Security Standards (MISS) that are currently in use by Cabinet as a guideline for the classification of information.

The bill rightly seeks to formalise the MISS into legislation and abolish the apartheid-era secrecy legislation. In doing so, however, the bill overreaches and has the effect of fundamentally undermining the right to freedom of expression and access to information.

It is these strains within the bill that seek to entrench an authoritarian strain in the manner in which state information is classified, which is in direct conflict with openness – one of the core foundational values of the Constitution. If the bill, as yet to be costed, is passed as it stands, it will without doubt create an environment of over-weening secrecy.

The lessons of 1994 and, indeed, of our freedom of information laws were that more – not less – information is needed for citizens to

access their rights. In addition, attempts to ring-fence information create instinctive barriers to openness within the public service.

The bill will have negative consequences for all citizens requesting information about their lives. At local government level, for instance, communities could find it increasingly difficult to access information on housing lists because that information may be deemed classified.

If passed in its current form, the bill will surely lead to over-classification of information by the state, and will hinder citizens from using the right to information to unlock their socio-economic rights and to hold the government accountable.

The "Right to Know" campaign, a broad-based coalition of civil society and grassroots organisations, has been campaigning against the bill since August 2010. Despite all progressive amendments made to the bill within the ad hoc committee of Parliament, the following problems in the bill continue to be a threat to our democracy and citizens' right to know:

- Harsh prison sentences of up to 25 years for disclosing state secrets, with no protection for whistle-blowers except in the most minor offences (this is the half-hearted whistle-blower protection referred to by the bill's supporters in Parliament and the Executive). The "Espionage" and "Hostile Activities" offences may seek to punish those who leak information that could benefit a foreign state or non-state actor – but can still be used against those who leak information to serve a legitimate public good. Even those who harbour whistle-blowers may face prison sentences – effectively criminalising the families of whistle-blowers as well.
- Anyone who comes into possession of a state secret faces up to five years in prison if he/she does not hand the information to police or security services. Ordinary people can be punished for having access to information that was never their responsibility to keep secret. Effectively, this law treats ordinary citizens in the same terms it would treat foreign spies.
- Last-minute drafting by the Parliamentary ad hoc committee ensured the Secrecy Bill would trump the Promotion of Access to Information Act, which aims to promote citizens' right to know.

- The bill shuts off the state security agencies from any kind of scrutiny or accountability to the public, with even harsher prison sentences for accessing or sharing information relating to those bodies, and no protection for whistle-blowers.
- There is no independent appeals mechanism available to citizens who wish to access information that might have been classified as secret without justification. Though there is a provision for a mostly independent body to review decisions, citizens do not have access directly to it.

The battle continues in the National Council of Provinces where hearings have been held regarding this bill.

Whether those within the ANC government will listen to the voices of the people and remedy the bill appropriately, remains to be seen. If not, a Constitutional Court challenge will surely follow? **BBQ**

*Judith February*

*Head: Institute for Democracy in SA  
Political Information and Monitoring  
Service (Cape Town)*



Judith February of Idasa



# Swimming against the tide

The future of South African youths could be devastated by a lack of employable skills

**M**ore than half a million jobs in South Africa cannot be filled because the appropriate skills do not exist. This, and the growing gap caused by ill-equipped graduates emerging from tertiary institutions without basic work skills, is a situation which is having a dire impact on the economy and the prospects of young work seekers, according to Deloitte.

The figures behind the statement belying the lack of skills are more alarming when the cumulative impact of several contributing factors is considered, said Ursula Fear, Associate Director, Deloitte Human Capital, commenting on the recently published Global Talent Edge 2020 Study: Blueprints for the New Normal, by Deloitte Consulting.

"The 500 000-plus jobs that cannot be filled in South Africa exist at all levels in the economy and can potentially have a devastating effect on the country's youth."

"At the beginning of 2011, the unemployment rate was 25.3%," said Fear. "Of the 4.3 million unemployed, 1.3 million are between the ages of 15 and 24. New research has also shown that 74% of youth under the age of 24 reported that they cannot find employment."

"If the criteria regarding unemployment are restated and the reporting age is raised to 30, the percentage of unemployed increases, showing that 42% of young people are without work. In addition, in South Africa only one in eight working-age adults under the age of 25 has a job. To put South Africa's skills shortage in context, most emerging economies report that about 40% of adults under the age of 25 in their countries are unemployed," said Fear.

Transformation in the workplace had also not had the desired effect of increasing the numbers of suitable black graduates joining the ranks of the employed.

"It was acknowledged in the 10th annual Employment Commission Report that transformation in the workplace has been slow and that companies have been failing to hire skilled black youngsters," Fear said. One of the root concerns impacting on this

employment trend was the fact that a study by all 23 South African public universities had shown that "there were problems with graduates exiting tertiary institutions".

"Specifically, graduates lack basic job skills," Fear said. "Racial disparities further compound the situation. At the end of 2009, 53.4% of all young black people between the ages of 15 and 24 were unemployed – three times worse than the unemployment rate of 14.5% for young white South Africans."

Addressing the increasing challenges facing skills development in South Africa is becoming a critical concern.

"It is vital that training and development interventions for graduates consider these research observations. Bridging the gap between tertiary education and the workplace requires that innovative learning strategies be introduced. These will not only add value to the business, but also address the urgency of the skills shortage in South Africa. In crafting

effective learning strategies we need to consider our unique South African challenges and demands.

"Of critical importance, though, is ensuring that while employment challenges are being addressed, the gap between the haves and have-nots in our society is not broadened," Fear stated. **BBQ**

[www.deloitte.com](http://www.deloitte.com)



Ursula Fear: Associate Director,  
Deloitte Human Capital

# Educating the North West

## Taletso FET College kick-starts empowerment through education in the North West province

**T**aletso FET College is situated in the North West province and comprises three campuses – Lehurutshe, Lichtenburg and Mafikeng – some 80 kilometres apart. The Corporate Centre is also based in Mafikeng.

It is a public Institution, registered with the Department of Higher Education and Training, and it is compliant with ISO 9000 standards certified by SABS.

In 2011 Taletso FET College was a finalist in the North West Productivity Awards and was recognised for its outstanding achievement in productivity improvement in the Public Sector category.

### Vision and mission

Taletso FET College's vision is to be a dynamic institution committed to growing skilled people for a better future. According to its mission, it strives to be an institution of excellence, which provides high-quality, demand-led programmes to enhance skills development in South Africa.

### Programmes

The college offers programmes in Management, Information, Technology, Finance, Economics, Accounting, Office, Administration, Electrical Infrastructure Construction, Civil Engineering, Building Construction, Engineering and

Related Design, Primary Agriculture and Hospitality Tourism.

Primary Health Care will be offered from 2013

Non-refundable NSFAS bursaries are available to deserving students, covering both tuition and books. For those who have Matriculated, Taletso offers a number of National Diplomas, presented either on a full- or part-time basis (NSFAS free bursaries, which cover tuition only, are available).

Business Studies include Management Assistance, Human Resource Management, Business Management, Financial Management and Marketing Management.

Engineering Studies include Electrical, Civil and Mechanical Engineering N1 to N3 and N4 to N6.

### Simulated resources

Taletso FET College has simulated resources for some of its courses. A simulated environment allows students to have first-hand experience of what the real job market is about and helps them to prepare for it.

Taletso ensures that the simulation rooms and workshops are not only safe for students but are also sufficiently equipped for learning.

It has acquired a farm in Lichtenburg to provide much-needed hands-on experience for its Primary Agriculture students, who will learn what is required to own and run a farm successfully, from operations planning to bookkeeping.



Left: Mrs S. Gelderbloem - CEO;



Bottom left to right: Mr R. Mojafi, Programmes - DCEO; Mrs P. Daantjie, Corporate Service - DCEO



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# Leading the way for small business

**Seda is delivering on the government's mandates, thanks to its enterprising CEO**

**C**redited with turning around the Small Enterprise Development Agency (Seda), chief executive officer Hlonela Lupuwana is set on serving communities and building successful entrepreneurs.

With over 18 years' work experience to her name, Lupuwana is admired for exemplary leadership and consistently producing results.

She was appointed CEO of Seda in May 2009. In 2004, she was directly responsible for one of the flagship projects of the Department of Trade and Industry (dti); the merger of Ntsika Enterprises Promotions Agency, National Manufacturing Advisory Centre and the Community Public-Private Partnership Programme; and the establishment of Seda, which was rated one of the best-managed dti projects.

## **Mandate**

Seda's mandate is to develop and implement the government's small business strategy. The organisation also provides business development support services for small enterprises, through its national network in partnership with other role-players in the small enterprise support field.

Lupuwana oversees a staff complement of more than 596, a budget to the tune of R579

million, with nine provincial offices and a network of 42 branches and 30 technology incubators.

During her six months as acting CEO up to April 2009, she managed to achieve the following at Seda: restore the proper functioning of the institution; develop a healthy relationship between the board, management and the shareholder; and ensure proper functioning of operations including financial management.

More importantly, people management as well as internal and external communication received top priority.

Currently, issues pertaining to proper and quality service delivery, as well as building key partnerships are at the top of the agenda.

Lupuwana's career started with the completion of a Bachelor of Social Sciences degree in 1991 from the University of Cape Town (UCT). Upon graduation, she worked for First National Bank (FNB) from 1993 to 1998 as a graduate trainee and was later tasked with, among others, social investments related projects.

Her hard work and dedication led to her appointment as manager of training and development. During the same period, she acted as relationship manager for the emerging markets segment of FNB (low- to medium-income earners).

She worked toward an Associate in Management degree at the UCT Graduate School of Business, a qualification she later obtained in 1997.

In 1998, Lupuwana joined Deloitte where she consulted on a wide range of management issues such as business process re-engineering, organisation design and the balanced scorecard methodology.

## **Value of education**

Lupuwana believes in constantly investing in oneself and improving one's qualifications. She stresses the importance and value of education in today's environment.

Her love for education can also be seen in programmes initiated by Seda since she took over as CEO. The agency established a learning academy, which focuses on building skills and capacity for Seda's business advisers, service providers and partners to improve the quality of services delivered.

In 2003, Lupuwana earned a Masters in Business Administration from the University of Pretoria.

Her management experience coupled with her leadership skills stood her in good stead at the dti, where she was CEO for enterprise and industry development from October 2003 to September 2008. The division had an annual budget in excess of R1 billion and employs more than 100 professional staff responsible for about nine institutions.

Lupuwana is passionate about developing those around her. At the dti, she played an active role in skills development, nurturing

small business, co-operative and rural enterprise development, and driving women empowerment. For six months in 2007, she acted as deputy director-general for the dti's group services division.

Lupuwana was involved in other projects such as Treasury benchmarks and risk control assessment for companies. She equally conducted research, presented and published articles on topical subjects such as issuing of commercial paper and/or corporate bonds, as well as cash flow and liquidity management.

She sees her position as more than just a job, but an opportunity to understand what people require and to better serve the community. She draws strength from her mother who encouraged her to strive always to do better and who taught her that there were no limits to what she could achieve.

Lupuwana relates how she watched her mother rise from humble beginnings in the nursing profession to senior ranks, and this motivated her. She says her mother was faced with many challenges, but was determined to overcome them.

She likens small business owners to her maternal mentor: "Like my mother, SMMES [small, medium and micro enterprises] face challenging odds daily, but still focus on achieving their goals. It is this determination that inspires me."

Lupuwana believes in surrounding herself with people who add value to her life and those with a positive outlook on life.

### **Entrepreneurship**

According to Lupuwana, there is great entrepreneurial potential in South Africa – but we need to transform 'necessity' entrepreneurs into 'opportunity' entrepreneurs, where entrepreneurial thinking is not simply based on subsistence, but on properly identifying and harnessing available business gaps. Passion and business acumen are obviously important in any start-up business.

She is inspired by seeing small businesses flourish and helping young people understand what it takes to run a successful business. She is at the forefront of the Seda Small Business Stars, a national business plan competition



Hlonela Lupuwana, CEO of Seda

with a unique focus on entrepreneurial education at provincial level.

"Traditionally, business competitions receive thousands of entries, but only end up benefiting the few who take home the top prizes," she says. She elaborates that Seda's aim with the competition is to provide real value for the entire group of entrants, all of whom will receive access to free specialised training designed to strengthen their knowledge of sound business principles, which they can apply to their business plans going forward.

The competition runs from 17 October 2011 until 11 April 2012. The closing date for entries, however, was 29 February 2012. It aims to drive sustainable venture creation by providing small business owners – who often struggle to survive after launching their ventures with minimal preparation – with a more systematic approach to business planning.

"Passion and business acumen are obviously important in any start-up, but too often businesses fail because owners have not carefully thought through exactly how the business is going to operate and made inadequate preparations for potential pitfalls," says Lupuwana. "They also frequently overestimate revenue and underestimate expenses. Our guided process will help ensure start-ups are better prepared to enter the business world."

## "Like my mother, SMMES face challenging odds daily, but still focus on achieving their goals"

Her results-driven approach to business – which also informs her leadership style – has seen Seda register notable successes during the 2010/2011 financial year. It has achieved an unqualified audit opinion from the Auditor-General for the third financial year running.

Seda successfully brought economically disadvantaged people into economic activity,

and ensured its client base fairly represents the country's demographics.

At the end of 2011, Seda's client demographics stood as follows:

- Percentage of clients who have black-owned businesses – 92%
- Percentage of clients who have women-owned businesses – 50%
- Percentage of clients who have youth-owned businesses – 48%

At the end of the same financial year, Lupuwana led Seda to establish 93 operational partnerships. She believes that to be successful, either as an individual or a business, relationships are important.

The partnerships she helped establish cover a range of mutually beneficial areas. The evidence of support is further seen in the R9.63-million that partners have contributed toward small business development.

According to Lupuwana, the achievement of these strategic objectives has been attained through a concerted effort that is bound by: a focus on performance at all levels; continuously building Seda into a credible organisation; taking a management role in ensuring efficient service delivery; as well as zero tolerance toward fraud and corruption.

"Probably our most notable achievement with regard to service delivery is depicted in the number of clients satisfied with the quality of our services (93%)," she says.

"This fact is corroborated by the positive rating given by clients who were assisted by our practitioners – recorded at 96%," the CEO adds.

Lupuwana is set on ensuring Seda's 500 staff members around South Africa deliver an efficient and effective service. She believes her results-driven approach coupled with leadership abilities ensure her success.

Her vision for Seda is to focus on the development of high-impact, visible projects, appropriate product and service delivery, as well as capacity building for frontline staff.

Lupuwana's sterling leadership capabilities have earned her several board memberships. From 2004 to 2006, she served as a non-executive director at Thebe Investment Holdings. She was also a principal member representing the dti at the Swedish/South Africa Partnership Fund until 2006.


She is a current member of the International Women's Forum.

In 2006, she oversaw and managed the establishment of the United Nations Industrial Development Organization for the Southern African Development Community.

For anyone intending to start a business venture, Lupuwana encourages you to first consider starting the venture without money. According to her, launching a business will always cost you money, but there are ways of doing it that could prevent you from having to come up with a lump sum.

She says the trick is to start slowly, developing your ideas and your products in your spare time, doing your own research, selling a few products to test the market and getting feedback from customers.

She warns that many entrepreneurs are often spurred into action by New Year's resolutions, wanting to establish their own business at the dawn of a fresh year. But this enterprising spirit and a good business idea are not enough to ensure small business success; entrepreneurs must do their homework properly if they are to survive, counsels Lupuwana.

She reiterates: "Our message remains that business opportunity, not unemployment, should spur entrepreneurs because such necessity entrepreneurs are more likely to fail within their initial years." 

*Charity Ncube-Dakamela*

# Leisure and luxury

**Moloko offers you paradise – just a stone’s throw away**



**M**oloko Investment Group (MIG) is a diversified investment vehicle whose business strategy is to invest selectively in four main portfolios: hospitality and leisure; lifestyle; telecommunications, and resources.

MIG is headed by its founder and chairman, Advocate Richard Thabo Moloko, a Harvard-trained lawyer turned businessman, and run by his robust management team. The portfolios they have identified are carefully considered for their high potential and high returns. Its hospitality and lifestyle businesses hire more than 200 employees.

## Hospitality

Since its inception, MIG has grown its portfolio boldly across a broad spectrum of industries. Currently the Group prides itself in its collection of five-star boutique hotels, situated in prime locations and managed by Moloko Hotels & Resorts. They include the prestigious Moloko Strathavon Hotel with its award-winning spa; the acclaimed Athol Place Boutique Hotel in Sandton, voted one of the world’s “hippest” hotels in the American edition of *Condé Nast Traveler’s* coveted Hot List for 2009, as well as a Heavenly Hotel by British Airways; and Moloko Constantia Manor, which is set in the exquisite Constantia Kloof overlooking a historic wine farm.

MIG also owns Akani Hospitality, a management company headed by Lawrence Muzame. Akani focuses on three- and four-star properties and currently manages the world-renowned Table Mountain Lodge, a gracious Cape Town homestead nestled on the slopes of Signal Hill

with breathtaking views of Table Mountain. Included in its collection is 1 on Queens boutique guesthouse, located on the slopes of Signal Hill in the natural amphitheatre of Cape Town’s city bowl.

## Leisure and lifestyle restaurants

MIG’s investment in its lifestyle portfolio has yielded positive results remarkably quickly through its fine dining restaurants. MIG’s



*Richard Thabo Moloko: Chairman*

restaurants are of an exemplary standard and have earned a worldwide reputation for being some of the most inventive and delightful.

## Fashion

MIG’s lifestyle portfolio includes fashion, through which it seeks to target middle- to high-class markets. Its two stores have added a touch of flair to the world of fashion in Sandton and promotes the MIG brands. 312 Couture, which is owned by MIG, is located in the new Legacy Corner mall. This store is in a class of its own and offers unique fashion lines that have been carefully selected and imported from around the world. Since

its launch, various celebrities have graced the doors of this store.

Another feather in the cap of the MIG lifestyle portfolio is the Moloko fashion store, also located at the Legacy Corner mall. It specialises in bespoke clothing made from premium fabric and designed by some of the finest talent in the country. MIG seeks to expand its fashion footprint and open other, similar stores in niche markets on the continent.

## Telecommunication

MIG’s strategy in the telecommunications sector involves using progressive technology employed globally to assert itself as a leader in this field. Currently MIG controls Mobile TV, which has been awarded a licence to test broadcasting using mobile television technology. Currently Mobile TV is operational in a lot of countries including South Africa.

## Resources

MIG is involved in various mining projects through its investment in Y-IN. It owns shares in Exxaro, a diversified South African-based resources group. Currently MIG is exploring mining projects in Zimbabwe, including mining diamonds and gold and the possibility of acquiring a gold refinery.

## The Moloko Foundation

MIG recognises that South Africa, just like any other developing nation, has numerous challenges. Against this backdrop and in support of sustainable community development, Moloko Investment Group has established The Moloko Foundation, which supports sports and education and empowering young professionals from previously disadvantaged communities in various activities.

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**Dr Kim Wallmach**

*Kim completed her BA (Majors: French, German), MA (Translation) and PhD (Translation) qualifications at Wits. She has more than 15 years' experience in teaching translation and interpreting at university level, as well as over 10 years' practical experience in running a translation and interpreting agency. Her research interests include translation/ interpreting and nation-building, court interpreting, conference interpreting, corpus-based interpreting research and localisation (software and website translation).*

*Kim is the co-editor of the recently published “Corpus-Based Translation Studies: Research and applications” (Publisher: Continuum).*

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# ENGLISH FOR GLOBAL LEADERS



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# Lessons from Kenya

South Africa would do well to take a leaf or two from Kenya's ICT book

**P**ost-apartheid South Africa faces many challenges despite 18 years of democracy. Though not as apparent as inequalities in education, healthcare or social welfare, the psychological shackles that prevent the country from fully recognising itself as part of the African continent is yet another of apartheid's myriad legacies.

However, whereas the other legacies South Africans are attempting to overcome are obvious ones, this particular legacy – a result of the pride South Africans take in their birthplace – is of a more insidious nature. Interaction between South Africa and the rest of the continent is often typified by a distinct Afro-pessimism on the part of the former.

In 2010, South Africans were made aware of astounding developments in the African

technology industry when Virtual City Ltd by Kenyan innovator John Waibochi took the prize of US\$1-million (R7.57-million at the time) at the International Nokia Developer Summit, London.

This is not an isolated case. Kenya is so confident of its tech smarts that it has announced its intention to become the information and communication technology as well as business process outsourcing hub of choice for Africa by 2030.



Recently, news sources such as *ITNewsAfrica.com* have examined whether Kenya's technological abilities are something South Africa should consider as a threat. But is this the right attitude? Should this not rather be seen as a learning opportunity for South Africa?

In the previous decade, key developments in infrastructure and regulations have been undertaken by the Kenyan government to create a conducive environment for the

development of a thriving technology industry, including a reduction in cost and increased proliferation of mobile technology. While this is something the South African government has neglected in the past, it is trying its utmost to make up for lost time.

There is more than timely government intervention to Kenya's success, however.

As former South African president Thabo Mbeki famously said: "South Africa is a

country of two nations; one white and relatively prosperous and the other black and predominantly poor ... living under conditions of grossly underdeveloped economic, physical, educational, communication and other infrastructure."

Kenya's technology revolution gathers momentum from the ground up, but one of the biggest issues regarding South Africa's technology industry has been that too often –

in direct contrast to Kenya – it has catered to the economic elite rather than the less privileged.

Essentially, instead of focusing on creating services for high-end devices such as iPhones, iPads and BlackBerry's, the Kenyan technology sector realised there were economic opportunities even in the lower ends of the market and chose to focus on technology that the majority of users could access.

### M-Pesa

One of the most successful – if not the most successful – iteration of this is M-Pesa. Created in Kenya, M-Pesa is simply a money-transfer tool using the most basic of mobile phones, with no bank accounts involved. Launched in 2007, it now has 14 million users in Kenya and nine million in Tanzania. It has been exported to Afghanistan and, ironically, to South Africa.

There is a third component to Kenya's success. Unlike the first two, it is not as tangible but as crucial to the success of Kenya's technology sector.

Kenyan consumers and enterprises are far more open to new ideas. Experts in the Kenyan market continually point to this willingness to try, adopt or reject new tools and ideas as key

to the success of that country's technology sector among the wider economy.

South Africans are beginning to realise there are key opportunities across our continent when it comes to the technology sector. This was the thinking behind the recent decision by Primedia Online subsidiary, 365 Digital, to enter into a partnership with pan-African publisher, Umuntu Media. A fairly new player, Umuntu Media recently received a vote of confidence to the tune of US\$1 million (about R7.5-million), in the form of investment from European venture capitalist, eVentures Africa.

Speaking to *TheMediaOnline.co.za*, which featured the partnership in its "Big Moves" weekly feature, Primedia Online's sales director Alistair Albers had the following to say: "Umuntu Media's great potential is that it opens up premium wired inventory across the continent. Although there is extensive search and mobile inventory in Africa, most of the premium wired inventory is limited to offshore channels, implying that the scope for a domestically relevant custom-published channel is massive.

"In many respects, our vision for the partnership is an opportunity to control access

to what may develop into one of the largest reservoirs of continent-published premium wired inventory."

In a nutshell: Primedia Online could use Umuntu Media's reach and influence across Africa to make use of a vast, untapped market of inter-African trade.

The technology industry appears to be one of the most effective tools South Africa can use to find its way out of the current vicious cycle of stagnant growth.

The only way the necessary technological growth can be achieved is through the kind of approach pioneered by the Kenyans – an approach rooted in the realisation that the Apple's and Google's of this world became household names by providing what consumers wanted.

The partnership between Umuntu Media and Primedia Online is seen as a step in the right direction – the Kenyan direction. Africa is often seen as a breeding ground of horror stories, but just as often it contains lessons of hope and success. That is a lesson that Kenya can teach and which South Africa can learn. **BBQ**

*Tanja Lategan*



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 2011 Van Ryn's 10 Year Old **Gold** - Veritas | 2011 Van Ryn's 12 Year Old **Double Gold** - Veritas | 2011 Van Ryn's 15 Year Old **Gold** - Veritas  
 2011 Van Ryn's 20 Year Old **Gold** - Veritas | 2011 Van Ryn's 20 Year Old **Gold Best Brand Trophy** - Michaelangelo | 2011 Van Ryn's 15 Year Old **Gold** - Concours Mondial

\*International Wine & Spirits Competition

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# Taking South Africa's reputation to new heights

## Brand South Africa 'Plays its Part'

**A**nyone in marketing has experienced just how difficult it is to positively and effectively market a brand. There is certainly no exception when it comes to marketing an entire country, an immense challenge that falls on the shoulders of Miller Matola, the chief executive officer (CEO) of Brand South Africa, and his competent team.

Brand South Africa, previously known as the International Marketing Council of South Africa (IMC), was established in August 2002 to help create a positive and compelling brand image for South Africa, on both the domestic and international fronts.

"We recently changed our name to Brand South Africa, to more effectively describe our mandate and what it is that we actually do," says Matola, who is very excited about the new name launch which will be one of its focus areas for 2012. "We also have a very dynamic new positioning and payoff line for South Africa that we will launch this year."

Brand South Africa was born out of the need to co-ordinate marketing initiatives for the South African brand, to ensure that the rainbow nation sends out one, unified message to all stakeholders including citizens, businesses, government, the media and the international market.

"The consolidation of marketing messages – both domestically and abroad – is enabling Brand South Africa to fulfil our mandate of building

South Africa's brand to contribute towards tourism and trade investment," says Matola.

As the recipient of the Kaelo-ABSA award for achievement (2011 and 2004), the Leading Managers Award (2009), and a nominee in the SAA Travel Industry Awards for the most outstanding individual in the tourism industry (2002) Matola is certainly the right man for the job.

When Miller joined Brand South Africa as CEO in 2010, having prior been the CEO of the ICC Durban and of Tourism KZN, he set the organisation a clear objective - to have a consolidated brand image, with consistent messages in an increasingly competitive marketplace.

In 2002 the then IMC had the task of shaping South Africa's image – from an apartheid to a post-apartheid era. "We had a young democracy and therefore had to build the nation's emerging market brand from scratch. Our image was tarnished and it was a daunting challenge for those who were here at the time," says Matola. The organisation's initial mandate was to generate awareness of South Africa and the IMC played a leading role in bringing all stakeholders together to market South Africa with one voice.

In 2008, the organisation started reviewing South Africa's brand proposition, its positioning, and its payoff line. "It has been a very long process which is still being finalised, but will be launched this year," he says. In getting this right, Brand South Africa had to look at

its mandate to ensure that its focus was not only on international marketing, but domestic marketing and other emerging economies as well. "This is where we expect significant growth to come from, and our strategy thus now focuses on the Brazil, Russia, India, China and SA (Brics) economies.

Today, the organisation focuses on the local and international business communities to ensure that South Africa becomes known as a coveted business destination to ensure investment into the country. "Our messages, from all role-players, need to be consistent and coherent and we have managed to do this," he says. "We are very proud to have managed to get stakeholders to work with us over the past two years. We are a very strong stakeholder orientated organisation. We know that we can't do this job alone, we need every South African to build a strong nation brand with us."

Another of Brand South Africa's achievements was mobilising the country around 2010. It encouraged citizens to support our team and to 'Fly The Flag' for South Africa. This and other campaigns that it carried out in 2010 ensured huge traction in pulling the nation together. "We managed to galvanise a lot of South Africans to really stand behind their country, but more importantly we managed to open a window for the world to look at South Africa," he says.

Matola explains that following the World Cup people started asking a lot of questions

about South Africa in general, but also wanted to know how to go about doing business in the country as well. "We could see the ripple effect in terms of business, with people realising that South Africa is a great country and that it has the infrastructure needed to do business. Our focus going forward is therefore not only on profiling and positioning South Africa as a tourism destination, but also the ideal place to do business," he says.

Matola has his sight firmly set on achieving a competitive identity for the country, even though there are various challenges that we face as a nation. "If you look at the competitiveness index, published by the World Economic Forum, South Africa has the highest competitiveness ranking in sub-Saharan Africa and is second only to China among the Brics economies. We are ranked 50th out of 142 countries," he says.

The World Economic Forum's 2011/12 Global Competiveness Report identified various competitive advantages enjoyed by SA. SA remains a globally competitive economy and our best practices – in banking, stock market regulation and auditing and reporting in particular – have drawn favourable ratings from other world bodies.

However, the World Economic Forum global competitive report identified the need for SA to change some perceptions of its investment and economic climate and identified key areas where SA is weak. "There are valuable lessons from this which show how we can improve our rankings, and the National Development Plan gives us the direction to achieve this. It also shows that we understand our problems as a society and have a credible long-term structural plan to improve our reputation and competitiveness," he says.

The plan does not simply gloss over the issues which we face. It lists various goals, but among those which are pertinent to the conversations around a stable economic environment, improving education and training, providing quality health care, building a capable state, fighting corruption and enhancing accountability, transforming society and uniting the nation.

"SA has the means, the goodwill, the people and the resources to eliminate poverty and reduce inequality. We all need to


work together to ensure this social change by becoming active citizens."

"We need to focus on building the general skills that are required to drive the economy that we are trying to build. It is encouraging though that there are various plans including the New Growth Plan that seek to address these issues. But from a reputation management point of view, we as a country need to address these issues. If we do this, we could achieve our vision of being amongst the top 30 countries, in terms of competitiveness, by 2020. And, hopefully, be among the top 20 countries in terms of brand strength."

The 30-strong team at Brand South Africa bring with them vast knowledge and experience in the brand management, marketing and communication fields, and stakeholder management which enables the organisation

to effectively target civilians, the government, businesses and the media and bring them together with its various campaigns including Play Your Part.

Play Your Part is a national initiative by Brand South Africa, powered by the organisation ForGood, to encourage all South Africans to contribute to positive change in the country, to become involved – to simply play a part.

"The obvious benefit of this is that we create a more successful society, a country which functions at a much improved level and a better place to live. Added to this will be a greater sense of policy certainty which will improve our international competitiveness in a world of great uncertainty. This will help attract investment and improve growth," Matola says. 



Miller Matola, Chief Executive Officer

# The Social Movement for Positive Change

Play Your Part giving South Africans an active platform to improve lives



**L**et us for a moment imagine a South Africa where all citizens pro-actively improved their communities and where common interest triumphed over shared adversity. It would be a country of proud people whose active community involvement brought them into contact with fellow citizens with similar concerns and interests.

These shared bonds would build greater cohesion in our sometimes divided communities. So instead of lamenting South Africa's divided past and its occasionally fractious present it is clear that what we need to do something ourselves.

This is why Brand South Africa has initiated Play Your Part -a social movement to bring together all South Africans to start doing something positive; and to recognise and celebrate those who are already doing something - big or small. Play Your Part is aimed at all South Africans, including civil society, government, corporate and non-governmental organisations. We want to inspire South Africans to contribute their knowledge, time, money, skills and compassion -indeed whatever they can to create a better country for us all.

For instance you may have heard of Liza Rossouw and her work with troubled children in Cape Town. She is one of the directors at Leliebloem House – a residential child and

youth care centre in Cape Town. Founded by the Anglican Church in 1868, the centre is now a registered non-profit organisation that houses children and youth from troubled families.

Liza and her team have invited individuals and businesses to “adopt a room” and donate furniture, bedding, curtains and any other household items to continue the upkeep of the centre. This gives financial donors the ability to focus their contributions towards resources required to ensure that each child in the centre is helped and counselled thoroughly and confidently.

For many people the idea of playing their part can be daunting – especially because many of us are not sure where and how to start. But as US President Obama said recently while commemorating Martin Luther King's birthday, there is nobody who can't serve and nobody who can't help someone else. Until now the concept of giving back to your community and your country has been implemented most visibly by our corporate citizens and faith groups. But Brand South Africa also wants to recognise and encourage the millions of individuals and thousands of community organisations that actively contribute to their communities.

If we consider unemployment a problem, then we must also ask ourselves what are we doing about it? Nontwenhle Mchunu found an answer in making handmade premium chocolate. She's combined her passion for

chocolate with her determination to open up new employment opportunities for people in her community through her very successful business: EzulwiniChocolat. With three full-time and two part-time employees, Nontwenhle is committed to creating sustainable jobs in her community and bringing the chocolatier industry to African communities.

So clearly active citizenship is not just about making multi-million rand donations, though this certainly helps, but about being engaged with the dynamics of your community and your country. It is also about understanding the importance of pride, patriotism and active citizenship in achieving greater social cohesion.

Play Your Part is no mere feel-good campaign far removed from the 'real' business of government. Both the President and even the National Planning Commission have emphasised the importance of social cohesion and active citizenship to South Africa's future. Active citizenship and greater social cohesion has a direct impact on our global competitiveness. A country whose citizens are involved and deeply committed to improving their communities will also have a good image – it is a truly democratic one.

Improving South Africa's reputation, competitiveness and social cohesion exceeds the capacity of any single organization but is the joint responsibility of business, government and civil society. To find out more visit [www.playyourpart.co.za](http://www.playyourpart.co.za)

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When we look back at 2011 in South Africa we can proudly say 365 000 new jobs were created, which will have an enormously positive impact on job creation, education, poverty, safety and security for our country's future. If South Africa achieved this in 2011, imagine what we can achieve in 2012. Play your part - be part of South Africa's success.



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# Global riches through grace

Mosa Group is making its presence felt as far as central Africa and Europe



**M**osa Group is a South African holding company based in Midrand with a national footprint and wings growing beyond our borders.

*Mosa* means 'grace', a word that occurs in all nine of South Africa's official Bantu languages although it is spelt differently. In Sotho and Tswana, it is *mosa*; in Zulu and Venda, it is spelt *musa*, but pronounced *mosa*.

The Group's interests comprise broad-based investment assets in engineering, construction, mineral resources deposits and services, retail, and information and communication technology. The company concentrates mainly on the management of investments and the provision of support.

Group Executive Director, Chris Singo, says "From 2010, our interests have spread to central Africa and Europe. European interests, held under Mosa International Ltd, are registered in London, while our central African interests fall under Mosa Uganda Operations, registered in Kampala, Uganda."

Singo says that the Group is expanding and heading in the right direction, especially in the mining industry. As part of its business strategy, Mosa accommodates partnerships or buy-outs. "The mineral deposit unit is aggressively looking for mineral concessions on the continent, in the greenfield state or otherwise."

In its central African operations portfolio, Mosa Mineral Resources has a bentonite and limestone concessions. These require investors



*Chris Singo, Group Executive Director*

for mining and processing into cement in Uganda.

"We believe that very soon we will be bringing Ugandan cement to the local market. Our refined bentonite will be exported all over the world if we have our way."

Singo feels that the company has managed to maintain its leadership position in such a highly competitive industry due to its outstanding performance as an organisation, strategic manoeuvring and a drive to succeed.

"Our performance is guided by a clear and concise strategic statement for each of our business units and an ongoing quest for excellence within all our operational and staff functions.

"We see ourselves as a local company with a global reach."

## Local concerns

Mosa Group is concerned about local conditions. "We cannot think of a future that does not have clean drinking water, good sanitation and electricity in people's homes," says Singo.

"There will never be economic development without ease of mobility, which depends on a good road network, bridges and mechanical equipment and machinery. This is what our dedicated team of engineers aims to achieve. Our philosophy includes improving the quality of life of our people using available technology."

Mosa Group's retail division's franchised brands includes Cappello, Mike's Kitchen and The Brazen Head. Looking ahead, the division aims to expand into grocery outlets by acquiring franchised household brands in the next 12 to 18 months. The expansion programme for this division includes filling-station outlets.

The Group's aggressive growth plan is centred on establishing successful inroads further into Africa.

"We have established a base in Kampala," says Singo, "and we are working on doing the same for the west African region, to be based in either Accra, Ghana or Monrovia, Liberia."

The Group's global marketing will be centralised in the future, and a vehicle for that has been established in London. This is key to the success of Mosa Mineral Resources, a mineral deposit division of the Group that will focus on the entire mineral deposit value chain.

# Takes Health Care In Africa To A New Dimension.



Mosa Group South Africa, a wholly black owned and managed company established in 2004 takes health care for the needy and deserving to a new level.



Mr Rudzani Christopher Singo, founder and Group Executive Director spoke passionately about the need to use existing technology to better the lives of the poor in Africa and the need for indigenous Africans to be intellectually empowered and capacitated to invent affordable solutions that will address the challenges that phases our continent. The importance of migrating Africa from being a technological colony cannot be over emphasised enough.



In full appreciation that the existing problem can never be washed overnight, he emphasised on the need for SMME in the continent to invest in the projects that will begin if not assist in the betterment of the quality of lives for fellow Africans.

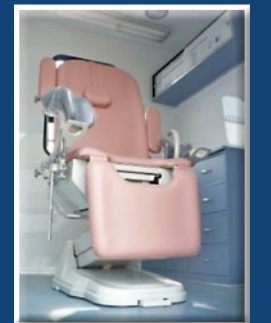
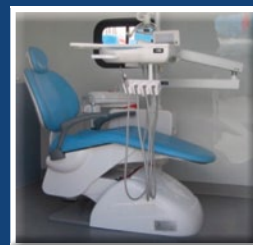


Mahatma Gandhi: 'Be the change that you wish to see in the world.' Mosa Group has partnered with Mobile Clinic International to bring Mobile Clinic International To Africa.

The operation is based in Midrand, South Africa with Business Development led by Mr John Samuel. The company has introduced affordable Dental And Health Care Mobile Clinic , Women Health Care Units , Circumcision Mobile Clinic , Medical Ambulances and Mobile Surgery Vehicles. Now one unit can service several communities in the interest of taking medical care to the needy.



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# Legacy Lifestyle

## New lifestyle programme provides never-before-seen benefits for members

**L**eading local lifestyle company, Legacy Group, on 1 February 2012 unveiled its latest innovation by way of its new luxury rewards programme, Legacy Lifestyle.

According to the company, Legacy Lifestyle has been designed to bring together the finest and most exclusive brands, in a cash-back rewards programme unlike any other available in the local market. As per the programme, members can earn and redeem Legacy Rands on all purchases from a range of quality Legacy Lifestyle partners.

"Today every client, no matter the industry, wants more than a friendly handshake and exceptional service. They want to be recognised as a valued customer and they want to be rewarded for their patronage," stated Mike Rowley, marketing manager of the Legacy Group. "They also don't want to be lured into rewards programmes from which they can only see benefits once they have reached a certain level or status – they want to be earning and redeeming rewards from day one, and this is exactly what we have set out to achieve with Legacy Lifestyle."

The company has been approaching leading brands and signing them up as Legacy Lifestyle partners. These range from partners in dining, entertainment, spas, fashion, home, art, electronics, fine jewellery, health

and beauty, hotels and resorts, as well as a range of speciality suppliers and a number of charities who can also benefit from members spending their Legacy Rands.

"The criteria to becoming a Legacy Lifestyle partner is straightforward: if your organisation feels that what it offers customers fits in with the lifestyle demands of a Legacy customer, then they immediately qualify," said Rowley.

"Our partners have been selected because they add specific value to the lifestyle of a Legacy customer: they are iconic, desirable and sought-after."

In addition to its impressive list of partners, Legacy Lifestyle has also partnered with Legacy Hotels & Resorts as its preferred accommodation supplier for South Africa, Madagascar and Namibia. Legacy Lifestyle has appointed LUX\* Island Resorts, formerly known as Naiade – the largest custodian of luxury resorts in the Indian Ocean Islands and Maldives region – as its preferred accommodation partner for these areas.

Each third-party accommodation partner will assist in covering a wider geographical reach for members looking to earn Legacy Rands, no matter where they travel.

Earning Legacy Rands is even simpler: all that is required is a mobile number and five-digit pin; even if a card has been left at home, Legacy Rands can still be earned. In addition, joining the programme is free.

"Customers earn Legacy Rands every time they visit and spend money at a partner, and Legacy Rands earned on a game drive can be spent on a luxury clothing item or vice versa," added Rowley. "The rewards are limitless and the boundaries infinite, and all our members have access to preferred rates, specials and upgrades dependent on their status."

There are no blackout dates and no onerous terms and conditions; it is the exact opposite of any loyalty programme you might have joined before.

Before its launch, the company conducted extensive research into what works and what does not when it comes to loyalty programmes and, according to Rowley, Legacy is confident it has created a programme geared toward answering one key question: What do its customers really want?

"Yes, it's free to join, but unless you can afford to shop at our partners or stay in the hotels, there is no real benefit to join. The nature of our brands and brand partners – combined with the high average basket price of the products, services and offerings – is exclusive in itself," Rowley noted. "However, if someone visits a partner store once and gets rewards as a result and then looks to keep coming back – albeit not often – versus a regular visitor or shopper, the rewards are the same ... You earn as you spend." **BBQ**

[www.legacylifestyle.co.za](http://www.legacylifestyle.co.za)



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# Transformation at work



The codes' new targets signal the beginning of a long road to a more transformed South Africa

*Top Management of National Empowerment Rating Agency (NERA) from left to right: Anton Baumann - Managing Director, Lusanda Ngubenkomo - Director Operations & Turchian Davie - Director Compliance and HR*

**T**he BEE Codes of Good Practice ("the Codes") define a balanced scorecard divided into seven elements. Each of these seven elements is divided into sub-elements. For each sub-element there is a specific compliance target and attached weighting points. If a company reaches a fraction of the compliance target, it is awarded only a fraction of the allocated weighting points. If it reaches the full compliance target, it is awarded the full weighting points allocated to that sub-element.

The sum of all achieved points will determine the final B-BBEE status level. Some of the elements have staggered targets; Employment Equity and Preferential Procurement have lower targets for year 0-5 that increase to higher targets for year 6 – 10.

When the Codes first came into effect on the 9 February 2007, it was clear that from that date on, companies would be rated against the targets as set out in the Codes.

This principle applied irrespective of the financial year under review. For example, a company that would apply for BEE verification on 10 February 2007, with the financial year under review ending 31 December 2006,

would be rated against the then existing targets as set out in the Codes.

Simple logic would imply that companies being rated on those elements for which the new year 6-10 targets have been identified, would be rated against these new targets as of 9 February 2012 – irrespective of which financial year is under review. Nonetheless, there has been some debate within the industry during the last two years regarding when and how the "new targets" would kick in. This debate ended on the 7 February 2012, as a result of the DTI finally issuing a clarification regarding this matter: companies with measurement dates after 9 February, will be

rated against the new targets; companies with measurement dates before the 9 February 2012 will be rated against the old targets.

One question remains: what exactly is the measurement date? Could the date of measurement be the date when the company applies for BEE verification? Or is it the actual on-site audit? Or could it possibly be the date when the BEE certificate is signed off? Alternatively, it could be the end of the financial year under review, or the end of any given 12-month period under review.

Without a clear definition of "measurement date" we open up the verification process to abuse. For instance, if the measurement date was any 12-month period, companies could choose to be rated on the same period a number of times, claiming transformation without actually promoting change. The date of application could also result in abuse, with companies applying for verification well in advance of the BEE audit actually taking place. The DTI has now clarified that the measurement date is the last completed financial year of a company.

This means that companies with a financial year ending 31 December 2011, who apply for B-BBEE verification in 2012, will be rated against the old targets, whereas companies with the financial year ending 10 February 2012 (or later) who apply for B-BBEE verification in 2012 will be rated against new targets.

At long last we have clarity. But how do the new targets actually affect South Africa?

The new targets apply to two specific elements: Employment Equity and Preferential Procurement. In Employment Equity we see a significant increase in the compliance target. Depending on the occupational level, this increase ranges from 12% (as per the increase from 68% to 80% for Junior Management) to 17% (from 43% to 60% for Senior Management).

While these are significant increases, the most important effect will be the increased focus on women empowerment. This is because of the so-called "gender adjustment" factor utilised in the calculations of black representation for management control, employment equity and skills development purposes. The way this

works is that the percentage of black representation is divided by two and the black female representation percentage is then added to this.

The result is the black representation as adjusted for gender. Typically, black women are underrepresented in organisations across all occupational levels. The higher targets, therefore, result in an increased focus on women empowerment, but it will remain to be seen how companies perform against these new targets. At present, there are already companies that do not meet the minimum thresholds needed to start scoring points on employment equity. Nonetheless, the higher targets are a move in the right direction. After all, it is the women that nurture this nation and the women of this nation need our support.

Studies have also shown that it is "rainbow"

past. Now the fear is that by simply increasing targets for Procurement, these issues will not be addressed.

South Africa will need a more drastic change. Even today, companies may exclude imports from their procurement calculations, which helps in increasing the score for this element, but ignores the bigger issues at hand.

The increased new targets are but a first step in driving the transformation process forward. The Codes of Good Practice have so far proven to have some positive impact on the transformation of South Africa, but we are looking forward to more significant changes in the Codes that could result in more significant transformation in general. Sometimes "more" is not better or good enough and what is needed is an in-depth look at the funda-

## "Studies have shown 'rainbow' companies tended to outperform those with a less diversified staff profile"


companies, those employing diverse staff (in respect of both race and gender), that tended to outperform companies with a less diversified staff profile.

The target increases are equally significant in the Preferential Procurement element – for example, the compliance target increases from 50% to 70% on the very first sub-element. Bear in mind that this increase will come into effect concurrently with a target increase for the supplier of any measured entity as well.

We consider the Preferential Procurement element -together with Skills Development and Enterprise Development -the most important elements of the BEE Scorecard. South Africa needs, above all, two things: more skilled South Africans and more entrepreneurs, who in turn can employ and train more fellow South Africans. These three elements have been notoriously undervalued in the

mental principles applied to addressing the problems at hand. The Codes to date have been sufficient, but as the transformation process matures we need more significant changes to the Codes.

These must include the closing of the many loopholes in existing legislation, such as the extremely narrow definition of acquisition debt and equity participation for BEE transactions, the role of imports in procurement, or what constitutes qualifying contributions in terms of Enterprise Development.

This must also be followed by a principle shift away from direct empowerment, towards skills development and indirect empowerment that targets creation and sustainability of a new generation of entrepreneurs and an expansion of the South African value chain. 

*Anton Baumann*



## Partner with the BANKSETA to grow your

**T**he BANKSETA has built a reputation of innovation, reliability, and results-driven skills training in the banking and microfinance sector. Successive years of unqualified audits, a streamlined and efficient work ethic provides stakeholders with the best possible outcomes for their staff, raising professional standards and making transformation in the banking sector a reality. At the helm, Max Makhubalo acknowledges his organisation's teamwork as the driving force behind achieving their mission: to support transformation and people development, and, through partnerships, enable stakeholders to advance the broader banking and microfinance industry. Leading by example, the BANKSETA encourages all employers in the larger banking and microfinance industry to make the workplace an active learning environment that will facilitate the advancement of staff who seek new skills in the industry.

A dedicated team at the BANKSETA has, over the past 11 years, achieved an outstanding record in the pursuit of increased levels of investment in training and development in the South African workplace, offering world-class services which continue to exceed customer expectations. With strong business principles as its guide and a team that is committed to improving the banking landscape, the BANKSETA is considered the go-to SETA for skills training and development; taking care of its stakeholders' needs every step of the way.

Stakeholders in the sector supported the BANKSETA's application to continue operating unchanged when the new SETA landscape was introduced in line with the National Skills Development Strategy III. This is indicative of strong alliances formed with the BANKSETA and the support from the sector as a whole. The organisation's commitment to transformation and effective change in the banking industry is the foundation on which its reputation is built. Each year the BANKSETA devises creative, vibrant and goal-oriented projects and interventions in order to meet the skills needs of the sector.

The success of these projects depends on the establishment of good partnerships with the banks, education institutions, companies and individuals that will assist learners, employees and graduates to achieve their personal goals, ultimately changing the landscape of the South African workplace. BANKSETA is also aware of the importance of the global stage, creating opportunities for groups to participate in international programmes in a number of countries including Ghana, Uganda, USA, UK, Germany and Netherlands. Key partnerships in this area have been critical to the success of these projects.

### 'A strategic partner in skills development'

Guided by the NSDS targets, the BANKSETA continues to strive for transformation in the banking and microfinance industry. High on its list of priorities is the development of youth in the country. Focusing on learners at school level is one of the ways the BANKSETA aims to improve results in Maths and Accounting, so that adequate foundations are laid for careers in the banking sector. The BANKSETA has been instrumental in increasing the diversification of post-school institutions so that courses and certifications are quality-assured.

### 'Helping our stakeholders achieve their training goals'



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## human assets

Providing assistance for SMEs in the form of vouchers and skills development is another essential way to bolster the industry, and the BANKSETA continues to work at providing suitable programmes for this market. Benchmarking, research and communication have been identified by the BANKSETA as strategic priorities in order to improve the sector's competitiveness. Study tours and conferences provide knowledge of best practice, and increase sector performance locally.

## 'Offering world-class services which exceed customer expectations'

The BANKSETA is essentially a strategic partner in skills development in the banking industry. Its core function is to play an advisory role for all stakeholders, to increase workplace performance and ensure growth of the sector. It enjoys strong support from the BANKSETA which offers assistance in numerous ways including: FAIS compliance information; how to implement learnerships; advice on accreditation of training providers; policy related information; and guidance on Recognition of Prior Learning.

The BANKSETA provides tailor-made programmes for some of the most vulnerable groups in society. The workplace is not able to offer sufficient opportunities for the disabled, the youth, the unemployed, and those who are leaving school without the prospect of jobs. The BANKSETA's skills development programmes are already impacting the workplace environment in a positive way. Employers are becoming more aware of the mutual benefits of increasing the performance levels of their staff in their existing work environments. The results-orientated programmes offered by the BANKSETA are helping to narrow the gap in the market between institutional and workplace learning.

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  - This is a programme that test bank's staff competency against FAIS compliance criteria for RE1 and RE2.

- **New Venture Creation initiatives.**
  - Training of young black entrepreneurs in Recognition of Prior Learning Advisor and Assessor training.

- **General skills development programmes offered to employees currently in the sector**
  - Career awareness programme aimed at new entrants into the sector.
  - Adult Basic Education and Training to employees with no previous higher education.
  - Free SME training through various voucher schemes.

- **Letsema & Kuyasa Learnerships**
  - This targets unemployed postmatric learners interested in the banking and microfinance sector.

- **Bridging the Gap programme**
  - This programme assists disabled learners to acquire necessary skills required to enter learnerships offered by BANKSETA.

- **Centres of Excellence**
  - BANKSETA has five of these nationwide to assist black students improve their Senior Certificate qualifications in Mathematics, English and Accounting.

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# BMW Finance

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time behind the wheel of their favourite BMW model.

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Much like the cars they choose to drive, BMW drivers are dynamic and unique, requiring BMW Financial Services to be structured to meet their personal needs. Innovation is a hallmark of the BMW brand, and the company is constantly finding new and exciting ways to harness it to take care of all the owner elements off the road, so customers can derive maximum enjoyment when on it.

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# STIHL®

## STIHL expands dealer profile

STIHL South Africa is looking to expand its dealer profile to include people who previously may not have had the opportunity to become part of this prestigious network of retail business outlets.



Right - Thulani Shabalala STIHL national sales manager with a prospective dealer in a STIHL concept store.

“We are proactively seeking traders who will help take the STIHL brand into markets and geographical areas – like Soweto, Guguletu, Edendale, Mamelodi, Mitchell's Plain, Lenasia and many others - in which we traditionally haven't had a meaningful presence,” says Thulani Shabalala STIHL national sales manager.

He adds that STIHL is constantly inundated with requests from a wide range of South Africans to find out what it takes to be a STIHL dealer.

“This is, of course, not surprising,” Shabalala says. “To be a STIHL dealer is to be part of one of the most successful network of retail business operators in the country – a network on which the phenomenal success of STIHL in South Africa is largely based.”

True words indeed! The STIHL network of dealers is fundamental to the STIHL way of doing business. It is the structure that enables STIHL users to get a dedicated, personal and professional service.

“For us, each and every customer is paramount. Our aim is to provide a world class service that satisfies our customers' needs and requirements on an individual basis. We have the best equipment that money can buy and our customer support must match this,” Shabalala says.

There is no doubt that STIHL dealers have enabled this unparalleled service ethic to become a reality. Governed by a strict code of ethics, STIHL dealers ensure that every customer gets the personal service he or she deserves.

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Cell: 082 781 2100, Tel: 033-846 3800,  
E-mail: [thulani.shabalala@stihl.co.za](mailto:thulani.shabalala@stihl.co.za)**

A close-up portrait of Kumi Naidoo, a man with dark hair and a beard, looking slightly to the right. He is wearing a vibrant, patterned shirt with green, yellow, and red floral designs. The background is a solid, bright green color.

Kumi Naidoo, executive director of Greenpeace International, was one of the active participants at COP17

# Durban Platform saves the planet

**BBQ went behind the scenes at the COP17 climate change summit to cover developments that could otherwise have gone unreported**

**D**elegates to the 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change (UNFCCC) seemed to have warmed up to actions taken by local governments and the private sector, in the absence of binding national agreements. The summit saw most criticism reserved for national government leaders from countries that appeared reluctant to commit to an agreement regarding levels of carbon emission reduction.

In a move that pleasantly surprised some, after a 60-hour negotiation, a binding resolution was reached – stating that the terms of a future treaty would be defined by 2015 and become effective in 2020. Known as the Durban Platform, the deal includes maintaining the Kyoto Protocol in the interim, though evidently not all countries will comply.

While focus was on countries that could solidify binding international agreements, regional governments and civil society undertook their own dual strategy – pressuring their national governments and signing their own agreements across industries and local authorities.

While some large companies have been criticised for vested interests in delaying agreements, COP17 saw the rise of profitable

sustainable business models, an appraisal of companies embracing carbon reductions, and a possible new development in the dynamics of public-private partnerships (PPPs), notably with a rise in the voices and commitments of local governments.

The breakdown in state-level negotiations was largely due to the United States arguing it would only commit if China did, given the latter's growing economic status. China is currently classified as a developing country and Kyoto does not require binding commitments from developing states.

As the World Climate Summit took place in parallel, business leaders gathered with the government to discuss private sector and local government responses in the absence of binding or sufficient agreements among heads of state.

"The role of business in addressing climate change challenges is of paramount importance, given that key solutions rest with business," said Joanne Yawitch, chief executive officer of South Africa's National Business Initiative (NBI), which hosted and participated in a number of parallel events alongside the World Bank, World Economic Forum and dozens of related groups.

"COP17 presents a unique focal point for South African business to showcase its interventions in this respect and also, importantly, to learn what is needed for applying new and appropriate corporate strategy and to issue messages to governments about the enabling

frameworks they require for transition into a low-carbon or green economy," she added.

The NBI, a voluntary group of leading national and multinational companies, said that as far as South Africa was concerned, it sought to serve as a bridge between business and the government.

## Star pupil

Scotland emerged as a notable case study during a plenary on non-national state approaches to carbon emissions at the World Climate Summit. The country's Transport Minister Stewart Stevenson alluded to regulatory targets creating clear signals for markets to respond via business, to meet carbon emissions target through profitable new enterprises, and the transformation of existing companies into environmentally sustainable operations.

Scotland has a target of 100% renewable energy usage by 2020, having thus far achieved 30% of the final target. Confident that the goal would be attained, Stevenson noted clearly that most funding would come from the private sector. "The concentration on renewables is creating new industries and employment," he said, adding that because of this, Scotland was two-thirds of the way toward achieving its 42% reduction in emissions by 2020.

With political leaders accountable to parliaments and their electorates, it is clear that environmental commitments translate into



political leaders and policy-makers increasingly looking to the market. The benefits have paid good dividends in regions such as Spain.

Marta Martin, head of the Basque country's delegation to Brussels in the European Union, revealed that 10% of the region's business falls firmly into the green economy that has emerged in recent years.

In emerging markets, sustainable housing and renewable energy were two developmental areas under the spotlight. Brazil's Bruno Covas, Secretary of State for the Environment in São Paulo, went as far as saying that failure to reach consensus at state level had unintended positive outcomes on the private sector: at conferences and summits around the world, concerned businesses put their heads together to work on carbon reduction.

São Paulo currently produces one-fifth of the world's ethanol, with Covas advising KwaZulu-Natal premier Zweli Mkhize that the province could do likewise, given its subtropical climate. Mkhize noted that in broader context, climate justice and ending poverty were by no means mutually exclusive, underscoring the need to bring the private sector on board.

A trend that businesses and investors would do well to address includes the shift in practice from national leadership to localised and regional climate change measures. Green industries and companies seeking to

establish sustainable low-carbon operations now operate in an environment in which PPPs and incentives may occur at municipal and provincial levels.

At the Local Government Convention, more than 500 local mayors signed an agreement to collaborate on carbon emission reductions, and to partner in knowledge-sharing and best practice. Up to 400 cities in the US alone, which were not present at the signing, pledged their commitments to green economies and renewable energy.

It is an improvement from the 205 cities that signed onto the Mexico City Pact, representing 107 voluntarily binding commitments and 91 carbon inventories created to sign and monitor reductions in greenhouse gas emissions.

That pact committed to 10 action points including the reduction of emissions, adaptation to the impacts of climate change, and fostering city-to-city co-operation.

With cities responsible for two-thirds of carbon emissions – an amount that is set to grow – the demands by signatories to voluntary agreements across regional governments are notable for business-seeking partnerships and the use of incentives to deliver sustainable goods and services to markets.

National governments, however, still remain the primary decision-makers on policy issues, particularly in areas of trade,

so limitations do exist for cities whose commitments exceed those of the countries in which they are located.

"The problem we have is not technological. It is not economics. It is just politics. So whether or not countries are willing to move forward without other countries is a political question the ministers are going to have to face," said the Climate Action Network South Asia's Srinivas Krishnaswamy.

Resource economist for KPMG, Rohit Dhawan, said "one of the tools that South Africa is exploring is the imposition of a carbon tax", explaining that "now many businesses are still dependent on Eskom for its electricity, which means that they are going to end up paying a very significant tax because of the dominance of coal."

He noted that "once renewables start entering the energy market and the emission profile of our electricity decreases, it's a real opportunity for business to reduce its impact on the environment through the purchase power from Eskom.

"What we also have is an opportunity for business to start developing renewable energy to meet its own needs or supply the national grid and other users."

Though Eskom did come under fire during protests at the summit, many demonstrators held the view that the utility did possess the potential and capacity to implement greener



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practices. The bulk of criticism on the stalling of a binding agreement was directed at governments – specifically the US and, to an increasing extent, Canada.

Greenpeace added its voice, stating that carbon-intensive industries were preventing effective climate change reforms.

At side events and meetings in and around the main negotiations, a number of companies vocally called for effective reforms.

Greenpeace International's executive director Kumi Naidoo said that despite efforts to stall binding emission cuts, there were positives. "Despite the massive odds against it, renewable energy has doubled in growth over the past decade, employing over two million people worldwide – providing more jobs than coal in the United States."

He pointed out that despite the global economic crisis, investment in renewable energy hit a record US\$243 billion in 2010 (about R1.8-trillion at the time) and is expected to exceed US\$3 trillion (R22.6-trillion) in the coming decade.

"We have the technology today to ensure transition to a greener, safer and more equitable economy," Naidoo added.

Recent data released in the run-up to the conference was in sync with his optimism. One latest global analysis contained in the Carbon Disclosure Project "Global 500 Report 2011", showed a correlation between the companies that best manage their carbon emissions and climate change strategies, and strong financial performance, according to Paul Simpson, founder and chief executive

officer of CDP, a non-profit organisation that provides primary corporate climate change information.

The initiative seeks to involve companies in the discussion on climate change.

Christiana Figueres, executive secretary of the UNFCCC and the chief negotiator during the COP17 negotiations, said visionary companies were urgently needed.

Speaking ahead of the formal negotiations during the CDP Global Forum, she explained that business leaders were in a unique position to provide policy-makers with compelling arguments for the right policies.

The South African government launched its Green Economy Accord during COP17, describing it as one of the most comprehensive social pacts on green jobs in the world.

It seeks to build a partnership for the creation of 300 000 new jobs by 2020, in economic activities ranging from energy generation to the manufacturing of products that reduce carbon emissions, through to farming activities, the provision of feedstock for bio-fuels, soil and environmental management and ecotourism.

In his opening speech at the conference, South African President Jacob Zuma referred to the accord as a key example of steps taken locally to address challenges of climate change, drawing on strong traditions of social dialogue.

The state-owned Industrial Development Corporation (IDC) is to provide up to R25 billion for investments in green economic activities over the next five years. The private sector will strengthen existing efforts by financial institutions to fund investments in the green economy and pursue investment opportunities in manufacturing linked to renewable energy initiatives. Organised labour will promote retirement fund investment in green investment vehicles that create jobs and support the broader goals of the green economy.

"Do governments and businesses understand one another enough to have successful dialogue in order to create common climate change goals and establish viable mechanisms for achieving them?" asks the CDP's Simpson.



Madam Chair: The UN's Christiana Figueres was chief negotiator during COP17.



“The answer to this question is obviously not yet and, therefore, we urgently need to ensure sustained positive engagement between business and policy makers in order to create the required understanding.”

But that understanding requires an acknowledgment that the dynamics of government decision making have changed, with regional shifts to cities where the majority of carbon emissions emanate.

### Way forward

The Durban Platform commits the 194 countries to negotiating a protocol, legal instrument or agreed outcome with legal force by 2015, with implementation effective 2020.

“The trajectory and focus of the international climate change negotiations game has changed, not necessarily unexpectedly, but sooner than many thought it would,” said Democratic Alliance Shadow Minister of Water and Environmental Affairs, Gareth Morgan.

He noted that South Africa and its emissions profile “was now well and truly in the sights of the developed world”.

“With the game changing, Parliament and relevant stakeholders need to hold government accountable for its decisions at negotiations and we have to more rigorously protect our domestic interests. With economic growth and job creation being a priority for South Africa, we need to do what is in the best interest of all South Africans,” Morgan added.

### Contribution of BEE to safeguarding the environment

In the context of sustainability, structuring a context in which equal opportunity thrives is crucial to the social and environmental goals of the South Africa government, as well as the stated aims of several companies.

Sustainability has taken on an added dimension: several black economic empowerment (BEE) companies in turn are looking at new ways to rectify what has been treated as a marginalised aspect of social justice – the environment.

A study by the latest *Financial Mail* Empowerdex Top Empowerment Companies shows a high degree of environmental sustainability practices among companies with high levels of transformation.

South African mining tycoon Patrice Motsepe is among a number of high-level business professionals putting environmentalism into business debate. He indicated that the mining industry had a huge obligation toward the environment, long before South Africa was announced as host for COP17.

During an interview on *African Business News Digital*, he noted: “As an industry and a company (African Rainbow Minerals Limited), we are committed to making our contribution. It is very important in the long term. We need a planet that provides a safe environment for hundreds of thousands of years to come.”

Nedbank was among the most committed attendees at COP17. Its Green Index has

outperformed the Johannesburg Stock Exchange All-Share Index by more than 30% since July 2008, providing an exchange traded fund (ETF) aimed at institutional and retail investors.

The Nedbank Green ETF is based on the company’s Green Index, launched in July 2010 as a benchmark for environmentally conscious investors and a means of measuring the performance of companies with environmentally sustainable business practices.

Nedbank Capital senior analyst Jacoleen Simpson said the ETF was aimed at a wide-ranging market, “from parents wanting to save money for their children’s future, to pension fund trustees wanting an alternative benchmark to invest in, to retail and institutional investors wanting an investment tool designed around high levels of sustainability and responsibility”.

“Through this specifically themed ETF, we are enabling a wide range of investors to trade based on their conviction to green sustainability,” she said, adding that it was hoped that some of the companies making up the underlying index would invest in the ETF through their own pension funds – further demonstrating their commitment to sustainability.

“The best example of a BEE company that is exceptional in reporting on greenhouse gas issues is Exxaro,” said Marco Lotz, Nedbank’s sustainability carbon specialist.

The Aveng Group is another company rated highly on the BEE scorecard as well as

environmental protection. The company provides its sustainability reports online, stating that it is committed to implementing corporate social responsibility strategies worldwide in line with internationally recognised sustainability guidelines and principles.

Aveng supports green procurement, giving preference to contractors and suppliers that adopt environmentally responsible practices. It urges all its operations to acquire ISO 14001 certification – a set of standards “applicable to any organisation that wishes to establish, implement, maintain and improve an environmental management system, to assure itself of conformity with its stated environmental policy,” according to the South African Bureau of Standards.

In terms of national policy, the IDC is to provide R5.2-billion to 12 of the 28 independent power producers chosen as preferred bidders to supply South Africa with renewable energy, *BuaNews* reported.

With small and medium enterprises being punted as key drivers of South Africa’s job creation crusade, how are current entrepreneurs faring?

Mpodumo Doubada, founding managing director of Pimp My Book, said entrepreneurs who were aware of sustainability matters realised they could leverage it as an opportunity to promote their brands or to innovate new products and services around the concept.

Doubada, whose business was a winner in the SAB KickStart competition, noted that for many entrepreneurs who are already burdened with the challenge of growing their businesses, sustaining the environment was not seen as a priority and many did not understand its importance and the opportunities that could be beneficial to their business within the green sector.

On one hand, there are entrepreneurs who are really passionate about the green sector and are well-informed, and who incorporate this into every facet of running their business, including product development.

On the other, you find entrepreneurs spending more time worrying about raising funds, paying bills and finding clients and do not care much about the green opportunities out there.

Yet, Doubada was confident new business leaders would provide green solutions once they realised opportunities within this sector.

“As more people become conscious about the environment, the market will begin to demand green products or prefer to shop from businesses that are environmentally conscious; as a result, future business leaders will be forced to come up with innovative ways of making their businesses environmentally friendly,” he added.

Doubada’s business specialises in second-hand textbooks; though the environmental aspect of reusing second-hand books was not really assessed as a competitive advantage, “students love to know that through us they can do their bit for the environment”. **BBO**

*Garreth Bloor*



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# A cut above the rest

## Nu-Fiberform Plastics SA (Pty) Ltd

**E**stablished in September 1996, Nu-Fiberform is one of the leading developers and suppliers of plastic and fiberglass products in South Africa. With dedicated members of staff and a keen, highly skilled management team, Nu-Fiberform enjoys the continued support of companies like Siyahamba Engineering, the Union Carriage Partnership and all the Transnet Rail Engineering Depots.

A company is more than simply a name on a profit sheet. With this in mind, Nu-Fiberform places great emphasis on its employees. From the senior management team of chief executive officer Eddie Coetzee and operational manager Mpho Mohale to the factory floor, all Nu-Fiberform employees play an active role in the development of a company that is committed to superior customer service.

### Employee Trust

Following a shareholders' meeting on 23 October 2007 Nu-Fiberform's majority shareholder and retired chairman, Eddie Carton, announced his decision to dispose of 64% of his interest in the company.

The main objective of this decision was to allocate shares to previously disadvantaged individuals (PDIs) within Nu-Fiberform by creating an Employee Trust for the benefit of all PDI employees. The Nu-Fiberform Plastics Employee Trust currently maintains a 20% stake in the company.



*Eddie Coetzee, Chief Executive Officer*

The Employees Trust was formed in consultation with the company's professional advisors and is in the process of being sanctioned by the Master of the High Court.

The sanctioning process is often a lengthy and involved one. Once this process is completed the share certificate confirming the transaction will be made available.

As demonstrated Mr Carton's efforts, Nu-Fibreform and its management are fully committed to broad-based black economic empowerment (BBBEE).

### Employee training and development

Nu-Fiberform Plastics provides employment to a significant number of PDIs in its factory, and exceeds the minimum Bargaining Council wage rates.

Staff are valued members of the team and management actively promotes the transfer of skills to them.

### Product outline

Nu-Fiberform Plastics utilises highly advanced production techniques, enabling the company to produce a wide range of fiberglass products including seats, monsoon ventilators, nose cones, canopies, grating, pultrusion products, window shrouds, portable modular building cubicles and ladders for its railway clients (including Union Carriage & Wagon, Transnet Rail Engineering, Siyahamba Engineering, Rolling Stock Repair Services and Metrorail) and non-railway clients (Airports Company South Africa, eThekweni Municipality, construction and mining companies, etc).

*Please go to [www.nu-fiberform.co.za](http://www.nu-fiberform.co.za) for more detailed information on Nu-Fiberform's products.*

### Empowerment

Nu-Fiberform Plastics is totally committed to the development of previously disadvantaged entrepreneurs and entities.

As part of its ongoing efforts on sustainable entrepreneurial improvement and upliftment, the company has provided a modular building to a PDI, who by tremendous courage and hard work has created a shop which provides meals and beverages to the local industrial area.

*Nu-Fiberform is committed to producing proudly South African products.*



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Now, inaccessible sites or unproductive spaces are a problem of the past. Consisting of different sized and shaped panels, the buildings can be combined in an unlimited number of configurations.

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To suit your needs and space requirements, Nu-Fiberform's Olympic modular buildings can be supplied fully assembled or in panel form for on-site erection. This can be done either by the purchaser or by Nu-Fiberform's staff, who are experienced in assembling buildings in hard-to-reach sites.

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# The rise and rise of Sbu Gule

## Incoming Norton Rose South Africa chairman is a transformation agent

**S**bu Gule, the newly appointed chairman of Norton Rose South Africa, comes from a family of achievers. His father, a medical doctor, and his mother, a nursing lecturer, were instrumental in spreading the seeds of a solid education in their home. They spared nothing to ensure their young son attended the best schools available at the time.

"Education was paramount for my parents," he confides. It is this kind of background to which Gule, who was born and raised in Pietermaritzburg, owes his recent appointment as chairman of Norton Rose South Africa.

"Early in my career I worked alongside Judge Zondo, who was a partner in the same leading black labour and employment law firm in KwaZulu-Natal. He exposed me to employment and labour law, in which I eventually specialised."

His views on transformation of the South African legal fraternity, generally, and at Norton Rose, in particular, are forthright.

"Transformation has not moved at a desired pace in South Africa," says Gule, "and private legal practice is no exception. At Norton Rose we have dealt with transformation by, among other things, training more candidate attorneys from socially and financially disadvantaged backgrounds, as well as the lateral hire of people from the same groups.

"Skills development is paramount and we provide a comprehensive training programme for young lawyers, which includes weekly

lectures and training sessions by internal and external experts.

"We have a strong scholarship and bursary programme, and also allocate funds to help undergraduate LLB students to complete an LLM. Our specialised vacation programme allows students to work alongside directors and associates. They job-shadow senior staff, attend court hearings and sit in on consultations with clients and counsel.

"Our mobility programme is a differentiator in the race to employ talented people, as we now have the ability to second our lawyers to sister offices around the world, creating professional – and life – opportunities for them."

A local initiative of which Gule is particularly fond, of the Norton Rose language programme. Staff are given a book of simple translations in five of the 11 official languages. There are 10 themes, ranging from greetings to asking for help and emergencies, in Zulu, Tswana, Xhosa, northern and southern Sotho. This fun and interactive exercise benefits all.

Norton Rose also has an International Academies initiative, which is a key part of its development programme, to help its lawyers in the Group to understand its systems and culture. It has also improved client service.

"One of our goals is to improve our retention strategy to counteract the high rate of mobility within the legal profession generally. I'm confident that the initiatives we have introduced can only stand us in good stead," says Gule. Prior to his appointment as chairman of the Norton Rose SA board,



*Tailor-made: Sbu Gule*

Gule cites the period he acted as Judge of the Labour Court of South Africa in December 2010, as another career-defining moment.

He will probably have little time to settle down in his new role, given the urgency of his business plans.

"I intend to continue growing our practice, and to ensure that its ownership spreads to individuals from disadvantaged backgrounds," he says.

The incoming chairman of Norton Rose South Africa is full of praise for the staff at the firm: "Their work ethic is outstanding and they are by far the best colleagues and employees I could ever wish for.

"They live our business principles of quality, unity and integrity." **BBQ**



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# Juggling act

Finance Minister Pravin Gordhan has announced a R1-trillion budget for 2012 – the biggest ever

**U**nder the new Budget, the state will have about R4.5-trillion on which to draw to fund key infrastructure projects. The money will be sourced using a range of financing methods over the next three years, said Finance Minister Pravin Gordhan. He revealed the figure in a media briefing shortly before he delivered his Budget Speech in Parliament.

The 2012 Budget Review lists 43 major infrastructure projects, each of which will take between seven to eight-and-a-half years to complete and will require R3.2-trillion in spending over the next few years.

In his Budget Speech, Gordhan indicated the government had approved and budgeted infrastructure plans to the value of R845-billion over the next three years. A total of R300-billion of this will be spent on the energy sector and R262-billion on transport and logistics.

According to the minister, the infrastructure mega-projects announced by President Jacob Zuma in his February State of the Nation Address will be financed using the fiscus, the balance sheets of public entities, taxes, private-sector investors and funding from multilateral finance institutions and foreign investors.

The government will further seek to improve the delivery of infrastructure through a range of measures.



Collaborative effort: Finance Minister Pravin Gordhan's 'social budget' distills future policy

The fiscus would cover the cost of public-service facilities such as schools, courtrooms, hospitals and rural roads, Gordhan said.

He revealed measures to enhance the implementation of infrastructure projects and warned government departments and municipalities to improve their poor infrastructure spending records.

Public entities such as Eskom and Transnet would finance their investments from their own surpluses and borrow from the capital

market issuing low-term bonds. "This means they have to generate sufficient revenue from tariffs and charges to repay debt over time, and cover operating and maintenance costs," Gordhan stated.

He said in some cases, a mix of tax finance and cost recovery would be appropriate, but added that the government contributed to the costs of commuter transport and electricity and water services to poor communities through allocations in the Budget.

Local and foreign investors would be key, and Gordhan said private-sector investment is already playing a substantial role in several sectors such as the airline industry and telecommunications.

The first round of renewable energy projects was recently tendered to independent power producers.

The minister pointed out that the use of construction and operating concessions – the management of industrial development zones

(IDZs), freight logistics and port operations, for example – was another way in which to rope in private investors.

The Development Bank of Southern Africa (DBSA) would play a key role in raising finance in partnership with multilateral finance institutions, foreign investors and other investment funds, Gordhan said.

Added to this, he said South Africa had deep and liquid capital markets through which long-term capital could be raised at competitive rates by the government, state enterprises and the private sector.

He said the country's development finance institutions (DFIs) were capable of raising capital and co-financing investments in the private sector, state entities and municipalities.

"These are considerable strengths – they mean that we do not have to rely on expensive external finance or complex structured arrangements," Gordhan said.

The bulk of the R3.2-trillion in mega-projects would be spent on electricity (R1.945-trillion), while R583-billion would be spent on transport, R213-billion on liquid fuels, R185-billion on new schools and R110-billion on new clinics and hospitals. The remainder – R169-billion – would be spent on housing, telecoms and water.

Of the total amount, R1.082-trillion would be spent on the concept stage, R921-billion on pre-feasibility and feasibility studies, R378-billion on construction and R328-billion to fund ongoing programmes. The remainder – R499-billion – would be spent on tendering, financing and detailed design.

The mega-projects include a Durban–Free State–Gauteng logistics corridor, a south-eastern development node and projects in the North West, Limpopo and West Coast.

### Tax relief for small businesses

Gordhan announced tax relief for small businesses, and a new small business financing agency will help fund the sector.

The tax-free threshold for small business corporations will be increased to R63 556, while the 10% rate is reduced to 7% – the threshold up to which this rate is applied is increased to R350 000. For taxable income

above R350 000, the usual 28% corporate tax rate will apply.

The payment of tax has been simplified for micro enterprises. From March 2012, qualifying micro-businesses – those that fall within the R1-million turnover limit – will be able to pay turnover tax, value-added tax and employees' tax twice a year.

"This means that the number of returns and payments a year will be reduced from 18 to just two," said the minister.

Although the capital gains tax increased from 50% to 66.6% for companies and from 25% to 33.3% for individuals, the exclusion threshold for the disposal of a small business when a person is over the age of 55 has been increased from R900 000 to R1.8-million. Additionally, the maximum market value of assets allowed for a small business disposal for business owners over 55 has been lifted from R5-million to R10-million.

Gordhan announced that the consolidation of small business financing into a new subsidiary under the Industrial Development Corporation (IDC) would benefit small firms.

President Zuma told Parliament earlier in February that the agency was expected to launch in April 2012.

### One billion rand for NHI

The government has moved one step closer to the establishment of the massive National Health Insurance (NHI) scheme, with the Finance minister announcing an allocation of R-billion for the scheme's pilot projects.

The money comes from the R121-billion health budget, which aims to improve hospital infrastructure and strengthen the public health system ahead of the introduction of NHI, which will be phased in over a period of 14 years – starting this year.

The government has said the new system will provide equitable health protection for all South Africans.

In his Budget Speech, Gordhan announced that R450-million has been put aside to upgrade about 30 nursing colleges, while a further R426-million is allocated for the initial work on rebuilding five major tertiary hospitals: Chris Hani Baragwanath in Johannesburg, King

Edward VIII in Durban, Dr George Mukhari in North West, Limpopo Academic and Nelson Mandela Academic in Mthatha.

The National Department of Health will this year complete an audit of all health facilities in the country and was working with the Council for Scientific and Industrial Research and DBSA to develop what is called a targeted response to the infrastructure needs of the sector.

Health Minister Aaron Motsoaledi acknowledged that it would take some work to finally get the NHI to where the government wants it to be. "That is why we are giving ourselves a period of 14 years, but we do acknowledge that we have to start somewhere and I must emphasise that by piloting, we are laying the bricks and getting everything ready," he said.

There were two 'preconditions' that would make NHI work in South Africa: the overhaul of the quality healthcare system, and strict regulations of the sector to make it more affordable to all South Africans.

"When we say we want to regulate pricing, it does not mean we are unfair to the private sector. What we are saying is that you can't discriminate against people based on price just because the public health system is so poor," Motsoaledi said.

In the interim, general taxes will remain the primary financing of the NHI projects, while new funding resources will be explored over the long term, depending on the progress of institutional reforms and health delivery capacity. Preliminary modelling suggests that full implementation of the system may be realised by 2025, but this will require financing to rise from 4% of gross domestic product to 6%.

A discussion paper on revenue options will be released later this year, together with other associated transitional issues including the role of medical schemes.

To accommodate the provision of HIV drugs, the Budget makes R968-million available over the next three years. The move is expected to raise the number of antiretroviral recipients from 1.5 million in 2011 to about three million by 2015. 

Source: *BuaNews*  
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# Up to Standard

As CEO of one of SA's big-four banks, Sim Tshabalala is driving expansion into Africa

**S**im Tshabalala, the chief executive of Standard Bank South Africa and one of three deputy CEOs of the Standard Bank Group (Africa's largest banking group, with assets of R1.34-trillion and earnings of R11.3-billion in 2010), is driving his organisation's Africa developmental agenda.

He has been at the helm of Standard Bank South Africa since June 2008 and was appointed group deputy CEO in April 2009.

According to its website, Standard Bank has operations in 17 countries on the African continent, with key strategic connections in emerging markets through the Industrial and Commercial Bank of China – the largest bank in the world and 20% shareholder in the bank.

Standard Bank has strategic links to Brazil, Russia, Argentina, Turkey and high-growth markets in Africa. Its presence in Africa encompasses 1 290 branches, 8 178 automated teller machines and 51 706 bank employees.

Competition in this sector is on the rise as major international banks expand into Africa. South Africa already has 13 local branches of foreign banks and 41 foreign bank representative offices, including the local operations of huge multinationals such as Barclays, China Construction Bank, Citibank, Deutsche Bank and HSBC.

#### Professional background

Born in the late 1960s in Hlabisa, KwaZulu-Natal, Tshabalala attended school at Sacred Heart College in Johannesburg. He holds a Bachelor of Arts and of Law from Rhodes University; a master of laws degree from the University of Notre Dame in Indiana, United States; a higher diploma in Taxation Law from the University of the Witwatersrand; and he completed the Advanced Management Programme at Harvard University.

His career has spanned the legal and financial industries, having worked at Bowman Gilfillan as a candidate attorney and later as a professional assistant, before moving on to Real Africa Durolink Investment Bank as executive director from 1998 to 2000. He

then joined Standard Bank where he quickly rose through the ranks, holding numerous positions within the group, including that of managing director of Standard Bank Africa from 2001 to 2006.

Tshabalala currently serves on the main board of the Banking Association of South Africa and has previously been a board member of the Financial Sector Charter Council.

He won the CNBC Africa Business Success in Africa Award 2011, which pays tribute to CEOs and leaders in business and organisations who distinguish themselves through growth and expansion in Africa. Criteria for this award stipulates that nominees must have transformed their company through their Africa expansion strategy and be leading, innovative figures in that organisation's business practices, management, production and operations.

#### Job creation and small enterprise development

Standard Bank's own contribution to job creation as an employer – and through lending to industry, infrastructure construction and small and medium enterprises (SMEs) – is at least 300 000 sustainable jobs.

"Standard Bank added R44 billion to the South African economy in 2010 and the bank's

entrepreneurship and a high-quality regulatory framework. But, arguably, even more important is the quality of business development services available to new entrepreneurs and companies," he said.

"Business owners and managers need to be given essential skills such as business planning, marketing, sales and cash flow management. They also need to be supported to develop their supplier networks and customer relations, whether these are in the supply chains of larger firms, or in serving the public directly."

Tshabalala indicated that Standard Bank was working directly with corporate South Africa, asking questions about opportunities for SMEs in their supply chains and enabling SMEs to access those opportunities with the right blend of working capital, business development support and contract management. "This way, we're helping to create the market in which SMEs, particularly emerging ones, get the chance to actively engage in the business of their dreams," he offered.

#### Growth in Africa

According to Tshabalala, Africa's growth rate has gained momentum. For instance, the continent's output has grown one-and-a-half

## SMEs flourish when there is a strong culture of entrepreneurship and a high-quality regulatory framework

lending book in this country is R550 billion. We expect to extend another R50 billion in personal and business loans in 2011 and beyond, which does not include lending to corporate, parastatals and government," said Tshabalala.

In order to create sustainable jobs and truly broad-based black economic empowerment, he thinks it is vital to support South Africa's SMEs. "SMEs flourish when there is a strong culture of

times faster than that of the rest of the world during the past decade; its share of world trade has more than doubled since 2002, and foreign direct investment inflows have surged by an average 27% per year since the turn of the century.

"The continent is already well out of the great recession and will probably continue to grow at least 5% until 2016," he forecast.

In fact, Standard Bank economists have pointed out that over the last 10 years, six of the 10 fastest growing economies were in sub-Saharan Africa – and the International Monetary Fund has predicted this will rise to seven in the next five years.

### Thoughts on BEE

During his address at a Black Management Forum meeting in Soweto on 4 August 2011, Tshabalala suggested that the recipe for rapid growth includes a population that is getting healthier and better educated; a fair distribution of income and assets; competitive and appropriately regulated domestic markets; industries that employ capital and labour efficiently to produce goods and services that are internationally competitive; innovative entrepreneurs and skilled managers; and a strong and capable state.

“Economists have been debating the details of this list for hundreds of years and I’m sure that these academic deliberations will continue for centuries to come,” he said. “But the big picture is clear: there are no examples of countries that have grown quickly and sustainably without sticking to most of the items on this list.”

Tshabalala expanded on fairness and BEE: “Our Constitution requires the government to undertake redistribution in order to advance those marginalised and disadvantaged by apartheid, and the Broad-based Black Economic Empowerment Act declares, absolutely correctly, that unless further steps are taken to increase the effective participation of the majority of South Africans in the economy, our stability and prosperity will be undermined.”

### Company growth

He outlined Standard Bank’s strategy thus: the bank will continue to build first-class on-the-ground operations across Africa, and is confident that future revenue flows will justify its investment in infrastructure in South Africa and throughout the continent.

“Over the next few years, we expect to expand both organically and through new acquisitions funded from our South African

balance sheet and from the capital released by the reduction of our holdings outside Africa,” noted Tshabalala confidently.

### On corruption

He said the Standard Bank Group sends a clear message to all staff and stakeholders throughout Africa and globally: it does not tolerate corruption in any form.

“It is sometimes argued that this can create a difficult, unspoken dilemma for staff: How can they meet their business targets without doing ‘what everyone is doing’?”

“Our experience has shown that this is a misplaced assertion, since we are absolutely clear that we don’t engage in corruption; conversations that could lead to corrupt suggestions don’t get started,” stated Tshabalala.

“I know that this stance may lose us some business, but it gains us more: better quality, lower risk and more sustainable business from honest people and companies that are looking for a partner of equal integrity.”

To this end, the bank has strategies to target corruption, including drawing on the advice of its local boards, which will often find ways of unblocking problems in legitimate ways and engaging in well-publicised corporate social investment initiatives.

### On nationalisation of banks

Tshabalala entered the debate on bank nationalisation in an opinion piece published in *Business Day* in July last year, in which he argued that the definitive barrier to the nationalisation proposal is its expense and impracticality.

“Assuming that the proposal would be executed by way of nationalisation with fair compensation, a question would then arise: How are the banks to be paid for? The total market capitalisation of South Africa’s five biggest banks comes to about R500 billion, which is more than half of the government’s total annual expenditure in 2011.

“It would be utterly inappropriate to spend public money on this gigantic scale to buy profitable, tax-paying banks when the country is struggling to provide adequate education and healthcare,” he added.

Having said this, he was quick to emphasise that the ANC Youth League’s injunctions regarding economic freedom, greater financial inclusion for poorer South Africans, and a larger contribution by the financial sector to growth and job creation are worthy of support, even if one disagrees with the contemplated method of addressing these challenges.

Tshabalala further believed it is imperative to engage in detail with ideas that explore the democratisation of finance.


“Some of their views, for instance on a possible role for the state in expanding access to retail banking, are worthy of serious consideration,” he observed. “It is also important to respect the fact that the ANCYL has entered this debate out of grave concern over persistent poverty, dangerous inequalities and unacceptably higher levels of unemployment in South Africa.”

### Growing past the financial crisis

“The financial crisis and the ongoing rebalancing of the world economy pose hard questions for bankers and other financial sector professionals. Equally, success in Africa will not be automatic. In order to convert broad strategic opportunities into real profits, we need to think very carefully about the practicalities of how to organise and grow our businesses throughout Africa,” said Tshabalala during an address at the Ernst & Young Africa Partners Conference in October 2011.

“I think that Africa’s private sector banks should have a positive attitude toward the role of the state in the economy in general, and in the financial sector in particular.

“Some sectors have not been able to compete against imported goods. As a direct result, many firms have failed and many jobs have been lost – with the best known example being that of the clothing and textile industry,” he added.

But equally, Tshabalala pointed out that many of South Africa’s industries and firms are proving very successful throughout Africa and other parts of the world. 

*Bongani Evans Mtlhavani*

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# Durban setting the pace

## eThekweni a leader in municipal governance

**e**Thekweni plans to take full advantage of the massive infrastructure spend announced by the government this year. In his State of the Nation address, President Zuma announced a number of initiatives aimed at boosting the country's economy and to create the much needed job opportunities.

Mayor James Nxumalo will be at the centre of driving the process and believes that the investment should benefit all citizens of eThekweni. Development is closer to Nxumalo's heart having had firsthand experience of the daily struggles of ordinary people.

He was born on a farm in New Hanover, in the KwaZulu Natal midlands, where his parents worked as labourers. While in high school, Nxumalo became involved in politics and worked with United Democratic Front (UDF) in the 1980s.

In 1990, he joined the ANC Youth League, ANC and South African Communist Party

(SACP). During that year he was employed as a labourer at a chicken factory. The working conditions were deplorable, so he organised workers to join trade unions as well as the ANC and SACP.

He is currently the Chairman of the SACP in KwaZulu-Natal.

Nxumalo holds several educational certificates, including Local Government Development and Management, Project Management, Conflict Resolution, Advanced Certificate in Public and Development Management, and Executive Leadership Development.

Mayor Nxumalo has vast experience in local government. He was elected Councillor and member of the Executive Committee of the then Outer West Local Council in 1996, re-elected Councillor for the eThekweni Municipality in 2000 and became Speaker of the Municipality in 2005. He was elected Mayor of eThekweni in 2011. He was recently elected Deputy Chairperson of SALGA KZN. He is SALGA's Climate Change Champion and sat on the Inter-Ministerial Committee that organised the COP 17 conference.

### City structure

eThekweni has a clear cut structure in terms of administration. The City Manager heads the Administration and is assisted by seven Deputy City Managers who are in charge of seven different Clusters. The seven Clusters provide organisational support, services and infrastructure to the residents of eThekweni and each of them have different responsibilities.

The first cluster deals with Sustainable Development and City Enterprises. It is responsible for development planning and management, economic development, city enterprises, business support, and the development and maintenance of markets around the city.

The second cluster focuses on Procurement and Infrastructure. "This is our main service delivery cluster. It is responsible for the City's infrastructure delivery and maintenance, including electricity, water and housing," Nxumalo says.

The third cluster focuses on Health and Social Services and looks after the Municipality's health services, parks, cemeteries, recreational facilities and culture.

The fourth cluster of Governance is responsible for the Administration of Council affairs, communications, community participation and community service centres. The fifth cluster, Treasury, is responsible for the City's finances, revenue collection and budget.

The sixth cluster, Corporate Human Resources, looks after the well-being of more than 23 000 employees, including skills development and labour relations.

The seventh cluster focuses on Safety and Security. It incorporates Metro Police and Disaster Management Services. "In 2011 we realigned the Council Portfolio committees to be in line with the country's developmental needs, including the five priorities of national government," says Nxumalo.

Nxumalo says the Municipality will focus its efforts on creating sustainable job opportunities and deal with service delivery backlogs, especially in the provision of housing.

"The President's State of the Nation address focused on different themes but mainly emphasised infrastructure development. We are happy that he singled out the Durban-Gauteng Logistics and Industrial Corridor as a key area," Nxumalo says.

"As a large portion of the infrastructure spend will happen in eThekweni, the City needs to play a proactive role to take advantage of this substantial infrastructure spend, in projects like the dig-out port, to maximise the local and Broad Based Black Economic Empowerment benefits.

"We must ensure that there are local benefits to these mega-projects," he adds.

Nxumalo notes that these plans also filtered through to Premier of KwaZulu-Natal, Dr Zweli Mkhize, as he outlined and emphasised the same point in his State of the Province address.

"As the Municipality, we will filter them into our planning and programmes. In the coming years, the Municipality has a number of priorities that it will pursue, which aligns to the government's focus on infrastructure development and job creation."

Nxumalo outlined certain key areas. The development of the Northern Urban



*Cllr James Nxumalo: Mayor*

Development Corridor is one of these important development aspects. This includes the development of the Cornubia mixed use project and support for development around Dube Trade Port. In the Outer-West, development will support the national Durban-Gauteng Corridor.

"This corridor is not just a logistics route and we cannot approach it simply as the transporting of goods to and from Durban and Gauteng. The more significant opportunities for us are in the development opportunities that these routes will make possible, including developments from Pinetown to Cato Ridge. We must work with the Province and other Municipalities to proactively plan and open up opportunities in this corridor," Nxumalo explains.

In the central area of the city, from the Durban Inner City to Pinetown, there will be further investments to support the inner city and entrench its role as a services centre, incorporating offices, sport and tourism uses, the civic heart and a residential community.

It is also an area that supports micro enterprises, and all of these aspects will be

strengthened, according to Nxumalo. "The planning in the back of port area will also be finalised. Pinetown is a key manufacturing node as well as an important CBD that needs to be revitalised" he says.

"In the southern part of the Durban, the new dug-out port will be prioritised as well as the development of a logistics park to support the automotive sector. The development of a dedicated freight route is also being investigated and we have a rural development programme that focuses on key rural nodes as well as agricultural projects to stimulate the economies of the rural areas."

The Municipality accessed about R700-million from National Treasury in terms of the Neighbourhood Development Partnership Grant to facilitate investments in the township areas. The programme has been progressing well, and investments have been made at Bridge City, the Mpumalanga New Town Centre, Umlazi, Clermont-KwaDabeka and KwaMashu. The municipality plans to continue supporting these initiatives.

The planning and implementation of public transport programmes in conjunction with Province and National Governments will also receive significant attention according to Nxumalo.

"The changes to the tax regime to support small business will assist the City's efforts to grow this sector, and this should be a priority area for the Municipality," he says.

The mayor believes that the investment climate will improve as a result of the procedures announced by National Government and emphasises that the City should support this by ensuring simplified and expedient local processes to support investment.

Nxumalo also acknowledges the important role played by tourism in Durban, noting that it is a vital part of the local economy and contributes significantly to employment.

"Building on the success of the 2010 FIFA World Cup, the Municipality continues to host key events aimed at supporting the tourism industry.

This includes events such as the Tourism Indaba in May and the Top Gear festival planned for June this year."



# Engines for growth

## Policy specialist Liepollo Pheko looks at SA's special economic zones policy

**C**onventional economic policy favours trade liberalisation through regional or global free-trade agreements. An alternative is selected liberalisation through free-trade zones, which include special economic zones (SEZs), industrial estates, and export processing zones (EPZs).

EPZs are distinct from other free zones, since their main objective is export promotion and

stimulation of foreign direct investment. Their main feature is the removal of import tariffs on production inputs, which otherwise serve as disincentives to export-oriented production.

Typically, an EPZ or SEZ offers export-oriented firms a site allowing full import duty exemption, often adding income tax breaks and other incentives.

In addition, many countries have adopted manufacturing-under-bond (MUB) schemes, in which the government allows 'bonded' factories located outside specific zones

duty-free import of equipment, raw materials and other production inputs.

SEZs are growth engines that can boost manufacturing, augment exports and generate employment.

The components of such an SEZ include infrastructural facilities such as roads, airports, ports and transport systems; the generation and distribution of power; telecommunications; hospitals; hotels; educational institutions; leisure and entertainment units; residential/industrial/commercial complexes; water



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supply; sanitation and sewerage systems and any other facility required for the development of the zone.

They enjoy a number of fiscal benefits including benefits under income tax, customs and excise legislation, value-added tax and service tax and hence are considered to be promising business propositions.

An EPZ is typically an enclave of units operating in a well-defined area within the geographical boundary of a country where certain economic activities are promoted by a

set of policy measures not generally applicable to the rest of the country.

These zones are known by different names: free trade zones, industrial free zones, export processing zones, bonded free zones, *maquiladoras* in Mexico and special economic zones in China – but in essence they are all the same.

**Key differences between SEZs and EPZs:**

- SEZs cover a much larger geographical area than EPZs;

- SEZs have a much larger scope of business than EPZs;
- SEZs are found in all countries, but EPZs are generally located in underdeveloped or developing countries;
- The infrastructure of SEZs consists of manufacturing units, townships, roads, hospitals, schools and other services – but EPZs are confined to manufacturing establishments;
- SEZs are purported to benefit domestic business growth, whereas the main

objective of an EPZ is to develop export businesses;

- SEZs are open to all fields of business, but EPZs focus on manufacturing;
- Tax benefits in SEZs are much greater than in EPZs;
- There is very limited export performance accountability in SEZs, but it has great influence over the business carried out in EPZs, as the penalties and duty recovery are imposed in case of shortfalls;
- Raw materials that are imported duty-free have to be consumed over a period of five years in SEZs, but the time period in EPZs is only one year;
- Laws concerning the certification of import goods are much more relaxed in SEZs than in EPZs;
- The customs department has less interference in the inspection of the premises in SEZs, but EPZs require routine customs inspections;
- In an SEZ, foreign direct investment in manufacturing does not require sanctions from the board as it does in an EPZ.

The salient features of SEZs include:

- No licence required for imports;
- Manufacturing, trading or services activities are permitted;
- Complete freedom in terms of subcontracting;
- No examination of export-import cargo by customs authorities;
- SEZ units are positive net foreign exchange earners;
- Financial incentives such as tax holidays, duty-free imports and exports;
- Single-window clearance;
- High-quality infrastructure;
- Strategic location and market access.

However, the EPZ concept has the following limitations:

- Serves a fixed geographical area;
- Not suitable for medium and large industrial units;
- Not suitable for units intending to set up plants near a source of raw material or specialised labour.

### History of EPZs

The concept of export processing zones is not a new one. According to an International Labour Organization (ILO) report, some of the earliest references to EPZs date back to 13th century Spain. The report further points out the establishment of the Free Zone Consortium of Cádiz in 1929.

In Spain, a free zone was set up before the World War 1, but only took off after the World War 2.

In recent times, the first EPZ was set up in 1959 at Shannon, Ireland while Puerto Rico established an EPZ in 1962.

India was one of the first countries in Asia to use the EPZ model to promote exports; while Angola, Namibia, Democratic Republic of Congo, Zambia and Mozambique have more recently chosen this model of export-led growth.

In the late 1990s, when various governments noted the growth of SEZs in China, they were encouraged by what they witnessed.

It must be borne in mind that the Chinese and Indian models are buttressed by huge populations, massive social divisions and resilient workforces that all serve to create the sort of expendable labour pool that SEZs and EPZs prey on.

EPZs in developing countries emerged in East Asia during the late 1960s, pioneered by newly industrialising countries such as Taiwan and South Korea in their historic efforts to engender export-led economic growth. The strategy spread, notably to other Asian countries including Malaysia, Singapore, the Philippines and finally China in the late 1970s and 1980s.

It is reported that there are over 3 000 of these zones across the world.

According to a 1995 article by Hooshang Amirahmadi and Weiping Wu, titled "Export Processing Zones in Asia", even the early Asian success stories were characterised by unimpressive levels of employment generation and questionable long-term commitment to the host economy.

Since the zones offered duty-free component access, strong backward supply linkages with the local economy rarely developed.

Nevertheless, similar export-oriented industrialisation strategies have been pursued in Latin America, the Caribbean and in the former socialist countries of eastern Europe in the 1990s.

Even Cuba implemented EPZs in 1997, with few results.

Employment expansion in EPZs and MUB platforms in Asia, Latin America and elsewhere validates that a similar strategy could encourage export-oriented development in sub-Saharan Africa. Yet, critics often charge that the investments are short-term, or 'footloose'.

The World Bank, which exerts major influence over economic policy in sub-Saharan Africa, gives only tepid and limited support to the approach. In general, the Bank's official position emphasises overall liberalisation for a country and EPZs are a second choice at best – blurring liberal and protective policy.

In a comprehensive 1998 review of the subject, titled "A Review of the Role and Impact of Export Processing Zones", economist Dorsati Madani concludes: "The World Bank should be very selective and cautious in its support of EPZ projects."

Four types of incentive remain common features of African EPZs, although they differ across countries: corporate income tax holidays, infrastructure quality, local sales allowance and no location (zone) restrictions.

### Incentives in the context of African EPZs

These subsidies, incentives and exemptions have made EPZs a controversial policy instrument because it is not clear whether countries receive net benefits from their promotion.

Most recent empirical studies suggest that EPZs have attracted foreign investment, increased export earnings and generated jobs.

Yet, other more recent empirical studies find that firms inside EPZs predominantly offer low-skilled jobs with wages that are not significantly different from the salaries paid at equivalent firms outside EPZs. Additionally, critics point out, due to weak or absent labour

regulations, working conditions at EPZs tend to be harsher; with lower job security, longer working hours, intense demands for higher productivity and stronger opposition to unions.

Remarkably, despite the increasing interest in examining the contribution SEZs make to the well-being of developing countries, scholars have paid little attention to the environmental protection practices of firms located inside EPZs and SEZs.

The ultimate purpose of SEZs must be to raise people's standards of living and to further economic development.

EPZs can potentially contribute to this goal directly or indirectly. The direct channel is through backward linkages generated when EPZ firms raise demand for output in the rest of the economy, and through technological spillovers that come as skills attained in EPZ-based production are passed on to the rest of the economy.

Despite the presence of EPZs – for over 30 years in some cases – there are very few cases where these zones have played an important role in accomplishing these direct developmental goals.

And even in the cases where they have – Korea, Taiwan, Mauritius, Madagascar and more recently China – there is considerable debate over the other economic, demographic and political factors that combine with EPZs to spur development.

With EPZs now operating in 130 countries, this list of successes does not represent a large percentage. Researchers have found that the non-East Asian successes are at great risk – due in particular to competition from China – of losing a significant share of world export markets.

For many countries, the performance of the zones has been patchy and many find that, in practice, EPZs fall short of their goals.

The benefits are often limited, for the following reasons:

- Most production is low-tech and low-skill, limiting the transfer of technologies and skill between zones and domestic firms.
- Net foreign exchange earnings are often low and may not cover a country's

investment in the zone or concessions granted to investors.

- Investments may be short-term. Foreign companies setting up in the zones can often relocate with relative ease, particularly when labour legislation is weak or not enforced.
- Firms often import materials and source little from local markets.
- Inadequate social and environmental safeguards lead to environmental pollution, poor health and safety, and labour rights abuses.

The very concept of EPZs, where products often imported duty-free from outside the country are assembled for re-export, means they have limited impact on the host country. Customs duties represent 35% of the revenue

must be judged by the extent to which firms operating in the zones provide decent working conditions and show respect for trade unions.

For zones to be successful, governments will have to pursue strategies to encourage quality foreign investment and higher value products and services.

Integral to this approach is social dialogue, upgrading skills and improving working conditions. An increasing number of governments and some employers recognise the dangers of 'a race to the bottom' in terms of wages and labour standards.

The clothing industries of many countries have been threatened by the ending of textiles quotas from 2005, prompting some manufacturers to examine how improved human resource management and better labour relations could enhance productivity in the sector.

## Special economic zones are considered growth engines that can boost manufacturing

of African countries and the exemption of companies in the EPZs, therefore, constitutes a considerable loss.

Furthermore, since the companies in the zones operate independently, the transfer of technology or skills to local companies is difficult. The problems are aggravated by the fact that most governments do not have the strategies nor the agencies required to promote links between local and international companies. Some countries have, therefore, invested heavily in setting up, maintaining and promoting EPZs, but are unable to reap major benefits from them.

The value of EPZs and SEZs to their host nations, particularly in the long term, is unclear. They are costly in terms of the infrastructure they require, use few local inputs, and provide little or no tax revenue for their host countries. But there are other criteria for assessing the success of EPZs. They

The suspension of national labour laws as an incentive for investors became reality in Zimbabwe and Namibia, when these countries passed their national EPZ laws in 1994 and 1995 respectively. The exclusion of the provisions of the national Labour Acts drew immediate criticism from the labour movements.

As South Africa considers this development model, lessons from the Dominican Republic, Namibia, Mexico and Ethiopia require attention.

Any model of growth that potentially exacerbates social inequality as evidenced in China, increases wage gaps and ultimately creates silos of export-led growth not embedded in social and long-term domestic growth indicators is a cause for concern. **BBQ**

*Liepollo Pheko  
Senior policy specialist  
Gender and Trade Network in Africa*

# Crossroads balancing the supply chain

**T**he financial benefits of supply chain optimisation can be massive, yet opportunities to improve profitability and the balance sheet are often missed by CFOs.

The business environment is changing at a fast pace. Economic cycles are increasingly unpredictable. Financial systems are changing. Demand cycles are in a constant state of flux. Improving an organisations' profitability and de-risking the business is becoming ever more challenging.

In the quest to balance service with cost, many business leaders fail to see the supply chain as a potential area of improvement in their organisation's operations – much less a source of competitive advantage.

In the relatively stable economic climate of the last 50 years, it made sense for companies to invest in fixed assets such as warehouses and fleets. But even with the advent of outsourced transportation, value could only be derived from traditional supply chains by decreasing transportation costs. How times have changed!

Today, optimisation of the supply chain can have a tremendous impact on your income statement and balance sheet. It can also fundamentally decrease risk profiles. A logistics partner with the expertise to re-engineer the supply chain can substantially reduce the amount of capital required to sustain operations, improve profitability and service levels and mitigate risk.

85% of potential logistics savings come from integrating the supply chain, but optimisation also positively affects cash-to-cash cycles, customer service and loyalty, sales and inventory levels and costs. The savings can be dramatic,



*Gerhard van der Horst, CEO*

and can enable more competitive pricing, or greater levels of profitability. Outsourcing logistics functions also helps to reduce operational risk considerably. Fixed overheads become variable costs and fixed assets become cash, and as importantly, the ability to scale or reduce logistics operations in order to react to changes of demand become entrenched.

Ultimately, an efficient and continually improving supply chain increases return ratios, lowers the cost of capital, raises shareholder value and improves market ratings.

## How is it all possible?

In his book *Rock the Boat*, Barry M Saxton says, "To be a senior financial manager today and not have knowledge and understanding of the financial potential of supply chain management puts the financial position of the company at the mercy of the supply chain. Modern financial systems need to be structured to take advantage of supply chain opportunities that arise from their alignment with business strategy." Supply chain engineers at logistics solutions company

Crossroads design, adapt and evolve bundled sets of high-quality but cost-effective solutions. The aim is to help clients leverage competitive advantage and have a positive impact on the bottom line.

"Our cost-effective solutions dramatically improve operating costs," says Crossroads CEO Gerhard van der Horst. "Write-offs of obsolete stock are reduced. Inventory holding costs can be slashed between 15% and 20%. Direct distribution costs can also be cut by up to 20%. Downtime is minimised. The depreciation costs of supply chain assets are eliminated, and the capital associated with these assets is recovered. Crossroads has one of Southern Africa's most impressive (and BBBEE Level 3-certified) distribution networks. This invested distribution network today is a major component of the company's ability to offer flexible, cost-effective solutions, reduce lead times and increase responsiveness.

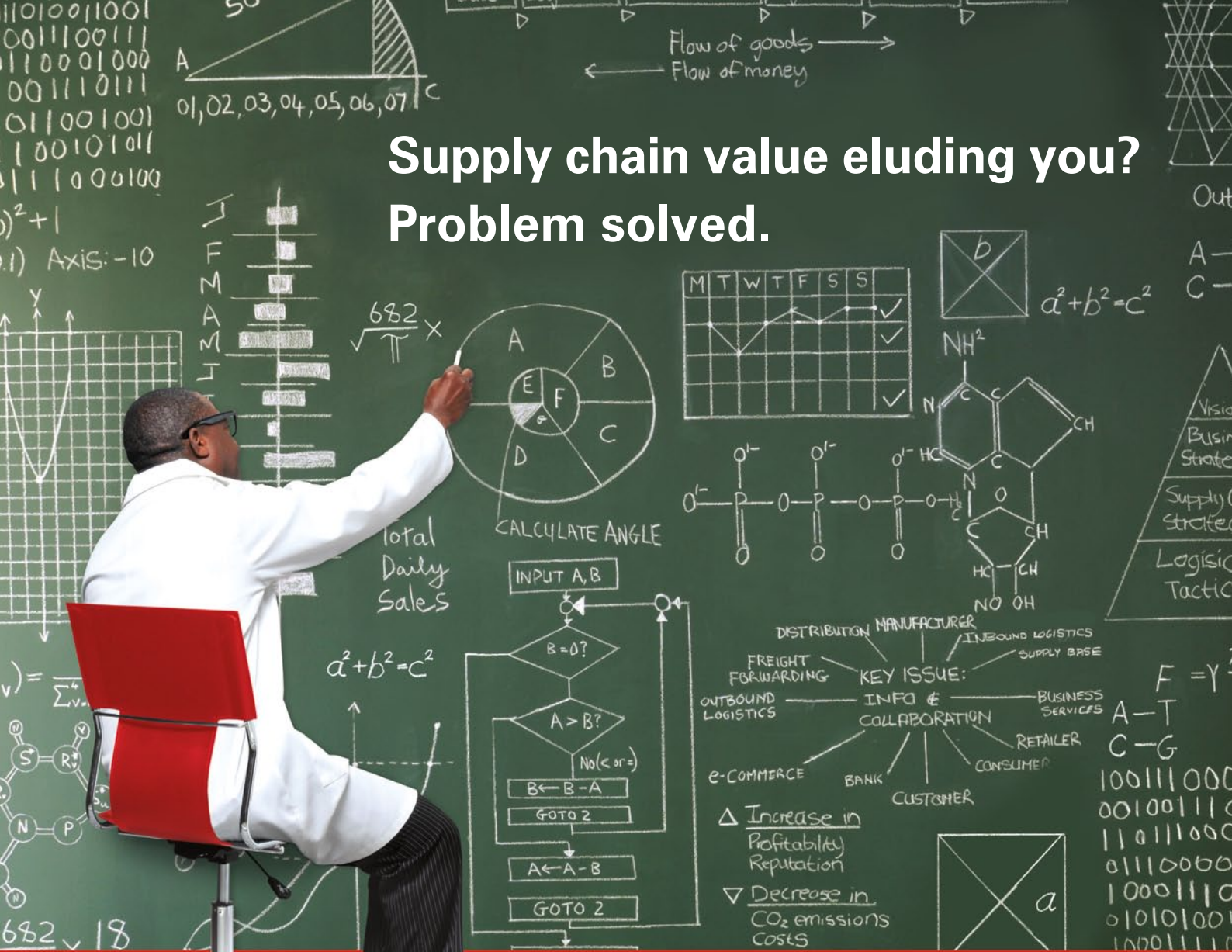
## The bottom line

Only a comprehensive audit – either performed internally or tasked to professional supply chain engineers – can determine where savings can be generated and efficiencies increased. Outsourcing part or all of the logistics functions to Crossroads enables its supply chain experts to become a virtual extension of an organisation's team, and continually optimise the supply chain.

While it's clear that the fully optimised supply chain is increasingly a factor of competitive advantage, the business environment continues to change at pace. Strategically partnering with a logistics expert enables organisations to realise the full potential of supply chain value on an ongoing basis.

*By Ken Light, Executive Head, SkyNet*

# Supply chain value eluding you? Problem solved.



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# In sourcing is the new outsourcing

Take control by embracing your logistics service providers in three easy steps

**F**ew organisations today will contest the results that outsourcing can achieve, both from a capital- and cost-reduction perspective. Implementing the outsource model rarely comes without challenges, however. Gaps in communication, incompatible technologies, contractual restrictions: these can all interfere with the quality of your service.

Over the last five to seven decades, the argument for outsourcing has taken a firm hold of logistics experts. But research over the past five years has shown a failure among organisations to fully integrate their logistics functions – both those that are outsourced and those that are managed directly or internally. The result is a high degree of unhappiness about the outsourcing of warehouse and transport functions.

While many organisations have incorporated outsourcing as part of their logistics strategy at decision-making levels, they are frustrated by a perceived lack of control. It is with this problem in mind that Cargo Carriers has created new meaning for the term insourcing. And such a model is not difficult to embrace, if one changes one's approach by taking three simple steps.

## 1) Build closer relationships

"Strategic relationships are key to success," says Cargo Carriers marketing director, Andre Jansen van Vuuren. "The marketplace demands that organisations need to inject

greater flexibility and competitiveness into their supply chain system. Developing closer relationships with their outsourced service providers gives them much more visibility and the flexibility that high service levels require." A glass pipeline is, after all, only as good as the information it conveys up and down stream.

As a leading supply chain solutions provider, Cargo Carriers in some instances even establishes offices at their clients' premises to adopt their culture and circumvent potential communication breakdowns. "Closing the information loop through insourced relationships can enhance the typical benefits of outsourcing," Jansen van Vuuren says. "With greater strategic alignment the costs can be reduced further for our clients. As their control increases so does their visibility, flexibility and responsiveness – all contributing to better service levels."

## 2) Create a virtual team

To build sustainable success into the integrated insourced model, collaboration from both sides is vital. It enables improved planning and forecasting, coping with increased volumes and, importantly, eradicating the organisation's skills shortage.

Research shows that companies endowed with superior supply chain management skills enjoy greater success in terms of their ability to service the market. The same research tells us that these companies are pursuing strategic relationships with their logistics service providers – augmenting their own skills base by tapping into their partners' expertise on a variable cost basis.

## 3) Forget the crystal ball

With the global supply chain environment changing at an ever-faster pace, the ability to predict demand cycles with certainty is becoming increasingly difficult. In a marketplace where customer needs are continually evolving and lead times are shrinking, it is visibility and flexibility that enable the kind of responsiveness that leads to competitive advantage.

The only way to satisfy customer expectations is having the ability to respond quickly to changes in demand. This agility is enabled through tight-knit teams (whether outsourced or not) who collaborate for improved communication and higher levels of organisational control.

## It's how you do it:

Cargo Carrier's approach towards insourced relationships is simple. A unit comprising representatives from the client and from the logistics solutions specialist is first established. An optimised and integrated supply chain model is conceived, engineered and designed. This model is implemented in line with a cost-effective proposal and within an agreed time frame.

The true value we offer lies in our ethos of continually improving supply chain efficiencies for competitive advantage. The environment never stops evolving, so why should your solutions? **BBQ**

[www.cargocarriers.co.za](http://www.cargocarriers.co.za)



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# The smoke that thunders

Scenes so lovely must have been gazed upon by angels in their flight

**M**ore than 160 years ago, an intrepid Scottish explorer took to a canoe to find a phenomenon the Africans accompanying him referred to as “the smoke that thunders”.

David Livingstone, the first European ever to set eyes on one of nature’s greatest treasures, had no idea what he was about to witness, or that we would come to know this phenomenon as the Victoria Falls. In his notes, he wrote probably the most extraordinary description

of these magnificent falls: “scenes so lovely must have been gazed upon by angels in their flight.”

A true natural wonder of the world, the Victoria Falls is one of Africa’s greatest masterpieces of nature. At a staggering 1 708 metres wide, it is the largest curtain of water in the world. The tremendous volume of water plunging over its edge falls 110m into the Zambezi Gorge.

These figures are difficult to understand on paper, and better experienced with one’s own eyes.

With over 550 000m<sup>3</sup> of water plummeting over its edge every minute, the falls extend a spray that resembles smoke; first-time visitors would perhaps mistake it for a veld fire in the distance. This same spray of water is the reason for the falls’ native name, *Mosi-oa-Tunya*, a Kololo word meaning “the smoke that thunders”.

The fact that Livingstone completed this journey on nothing more than a canoe in November 1855 is itself remarkable, since the speed at which the sheer volume of water pushes the water forward is astronomical.



The roar of the water is deafening, invigorating and terrifying all at once.

Visitors to the falls often say there is an inexplicable magic in the air. The towering columns of spray that far extend the upper pinnacle of the gorge, mask a death-defying abyss below. But travel a short distance downstream and one finds only calm water harbouring the resident hippos and crocodiles.

No wonder the Victoria Falls have been declared a national park and World Heritage Site; they are thus protected by stringent conservation criteria.

Notably, the falls were only later studied and documented by Livingstone in a return journey in the 1860s. Other visitors who came to the vicinity later included Portuguese explorer Alexandre de Serpa Pinto and Czech explorer Emil Holub, who was reported to be the first person to make a detailed plan of the falls, which was first published in 1880.

The first artist to capture its power was British painter Thomas Baines, who accompanied Livingstone on an 1858 expedition.

The area around the falls was mostly uninhabitable, and access was by canoe or

foot until 1905 when a railway was built, bringing the first European tourists with it.

One of the best times to visit, if only to see the falls in their full force, is February to May – during the Zambezi’s annual flood season, which comes to a head in April. At this time of the year, the spray has been reported to rise over 400m, with locals having seen it extend to a staggering 800m when in full flood.

#### **Majestic spectacle**

But one does not need to stand right next to the falls to understand their power – the

spray can be seen up to 50 kilometres away. The only drawback of the flood season is that it masks the foot of the falls and almost the entire face, and shrouds in mist the many little walkways carved into the cliffs.

Standing in the spray is not quite like standing in a soft Irish drizzle; the water droplets create

## Airports

Livingstone International Airport  
Victoria Falls Airport

## Airlines

South African Airways  
British Airways  
Air Zimbabwe  
Air Namibia  
Iberia Airlines

## Tour operators & package tours

- Safari Par Excellence
- The Zambezi Safari and Travel Company
- Shear Water Adventure
- Regal Tours and Safaris
- Wild Horizons
- Rhino Africa
- Victoria Falls Safaris
- Wildlife Africa
- The Zambezi Safari and Travel Company

## Fast facts

- The falls are the world's largest curtain of falling water.
- The Victoria Falls Bridge was the dream of Cecil John Rhodes, who died before its completion.
- Queen Victoria visited the falls in 1847 and stayed in the royal suite of the Victoria Falls Hotel.
- The falling waters are constantly eroding the bottom of the falls, which means the height is now greater than 110 metres.

a sort of inverted rain – its impact on your skin can feel like stinging rain.

But, just like Africa, the Victoria Falls has many faces and in the dry season the little islets formed on the summit multiply and become wider – creating a treasure trove for the local bird life. At this time of the year, usually between September and January, you will be able to see the entire rocky face of the falls as the water flow diminishes, revealing a view of the bottom of the first gorge.

According to local guides, the minimum flow in November is a mere tenth of the flow experienced at the height of flood season.

The falls themselves were formed as a result of the Zambezi River plummeting into a narrow chasm, only about 120m wide. The waters have, as a consequence, carved the falls through a fracture zone in the Earth's crust. Unfortunately, centuries of erosion have taken their toll and the falls are reported to be receding upstream, causing them to break up and plunge into a number of areas or chasms along its course.

In addition, they create a gateway between Zimbabwe and Zambia, straddling the borders of both countries. On the Zimbabwean side is the town of Victoria Falls, situated on the southern bank of the Zambezi and at the eastern end of the falls. Since the area is a tourist's delight, Victoria Falls Airport is a mere 18km south of the small town and accommodates international flights from Johannesburg, South Africa and Namibia.

On the Zambian side, lying approximately 10km to the south of the great Zambezi, is the town of Livingstone. Named after its European discoverer, it is a small border town with its own airport that also accommodates international flights as well as a running rail link and a series of road connections to the Zimbabwean side.

Both towns offer a wealth of accommodation options from exclusive five-star hotels to backpacker and camping facilities.

As the falls continue to attract tourists from around the globe, they provide valuable revenue to the emerging economies of Zambia and Zimbabwe and, as a result, are well looked after by the governments of both countries.

In the northwest of Zimbabwe one finds the Victoria Falls National Park. Open to visitors all-year round, the park is the bastion of the south and east bank of the river. It covers 23.4km, from the larger Zambezi National Park to an area approximately 6km above and 12km below the falls.

The Victoria Falls National Park is best known for its wonderful rainforest, created as a direct result of an abundance of water from the Zambezi. It can be seen in the spray of the falls and is home to some of the most magnificent ferns and vines including Liana vines and palms. A number of hardwood trees grow underneath the Eden of the spray; here you will be able to see a host of mahogany trees and species unlike anywhere else.

Above the falls and on the Zambian side lies the Mosi-oa-Tunya National Park, which has been classified as a United Nations Educational, Scientific and Cultural Organization (Unesco) World Heritage Site and directly neighbours the Zimbabwean Victoria Falls National Park. Extending from below the falls from the northwest, the park covers over 66km<sup>2</sup>, making its way along 20km of the riverbank on the Zambian border.

The park is a wildlife sanctuary and has an abundance of indigenous animal species. Visitors will be treated to sightings of elephant, buffalo, giraffe, zebra and thousands of local antelope. Its well-kept borders offer a peak into the Africa – which inspired Livingstone to spend the rest of his years on the continent – and a romantic nuance of a world unspoilt by human development.

But the falls are not just about beauty and majesty; there are a number of activities for visitors from all walks of life. The more adrenalin-focused individual can take a micro-lighting trip right through the giant sprays, in the "Flight of Angels". You will dip down into the spray and breathe in its heady vapours.

Other popular activities include rafting on the wild rapids below the falls, kayaking, canoeing in the spirit of Livingstone, fishing, safari walks, horseback riding or lunch on Livingstone Island. A firm favourite among visitors is game viewing by boat or a trip through the parks on one of the many open-top



4X4 vehicles, all operated by experienced game rangers.

A favourite tourist pastime is "Hanging Over the Falls". Attempted only by the very brave, and performed only when the water levels are at their safest, visitors swim through the naturally formed Devil's Swimming Pool to the edge of the falls. The pool can only be accessed from Livingstone Island and the natural formation of the rock wall ensures you are not swept over the edge by the current. This should only be attempted between September

and December, since in other months the push of the waters will be too strong.

One of the most magnificent sights one can experience at the falls is the Lunar Rainbow. Occurring for three full days every month between January and October, this natural marvel is created by a combination of heavy spray from the falls and the position of the moon's rays. It is typically seen during full moon; a fitting counterpart to its more well-known sibling, the Daylight Rainbow – its colour scheme, shape and curvature are all the same.

With nothing else like it on Earth, the Victoria Falls is a valuable addition to everyone's bucket list. Its mysterious rumblings and gargantuan size make it a sight to behold. While taking in this spectacle, you can escape to a world of fantasy upon which angels truly have gazed in flight. **BBQ**

*Charlene Carroll*  
Editor of "Legacy Inspires", the official magazine for the Legacy Hotel Group  
[www.legacyhotels.co.za](http://www.legacyhotels.co.za)

# *A Journey of Discovery... with Air Mauritius*

*Dear Reader,*

*Did you know that Air Mauritius serves 26 destinations world-wide? The overview below will provide you with an exciting update of Air Mauritius the company, Mauritius the destination and the benefits you will receive when joining us on a journey of discovery.*

Air Mauritius is the largest company in Mauritius, contributing to the economic development of the island.

The corporate policies of the airline are carried out with high levels of integrity and transparency, reflecting best practice in governance and operating standards, comparable on an international level. Dedicated to serving the customer with a professional and caring attitude, and offering them a unique travel experience in genuine Mauritian style, is what sets Air Mauritius apart from other airlines. This, however, is not the only factor that differentiates it from the rest: the airline also has a generous family-orientated loyalty programme, Kestrelflyer, which rewards its frequent customers.

Currently, the airline serves 26 destinations with a fleet of 12 aircraft (mostly Airbus), connecting Mauritius with other Indian Ocean islands, Africa, Australia, the Far East, India and Europe. Air Mauritius travels via their hub, Mauritius, and the island is only four hours away from Johannesburg versus other hubs in the world where a six to eight hour trip is required in order to connect onto the final destination.

Air Mauritius travels daily to Mauritius, thereafter connecting to its beyond destinations. There are destinations where seamless connections are available and should the traveller be required to spend an evening in order to connect, a free stopover is included in the Air Mauritius Corporate rates, whether the stopover is on the way to the final destination or returning from it.

Air Mauritius has been able to keep an excellent safety record with a professional, well-trained and safety-conscious crew. The airline works closely with its partners in the travel industry, offering wonderful benefits and fares for travel to the idyllic island all-year round.

Air Mauritius offers business class upgrades to any economy class passenger at time of check-in on flights to Mauritius from Johannesburg, Cape Town and Durban (subject to availability at only R1 500 per person). In addition, it offers fully reclined business class seats on all its wide-bodied aircraft.

The island of Mauritius prides itself on its natural beauty and multicultural heritage.



*Carla da Silva  
Regional Manager  
Southern Africa and Latin America*

Recently Air Mauritius announced its direct operations to Shanghai, People's Republic of China. Shanghai will be the 26th destination of the national airline and its fourth in East Asia. Air Mauritius already flies to Singapore, Malaysia and Hong Kong. The flight will fly via Kuala Lumpur and will offer connections from and to Reunion, Antananarivo, and of course South Africa.

Air Mauritius has taken hospitality and comfort levels to new heights. Flying to major cities in Australia, Europe, Asia, Africa and regional destinations, Air Mauritius promises an in-flight service and gastronomy to delight your senses and make your travel experience truly unique, just like the island of Mauritius itself. Whether you're flying business or economy class, you will experience the same exquisite attention to detail and service excellence that the airline is known for.

We hope to serve you on Air Mauritius soon, our island in the sky.

Warm Regards,  
Carla



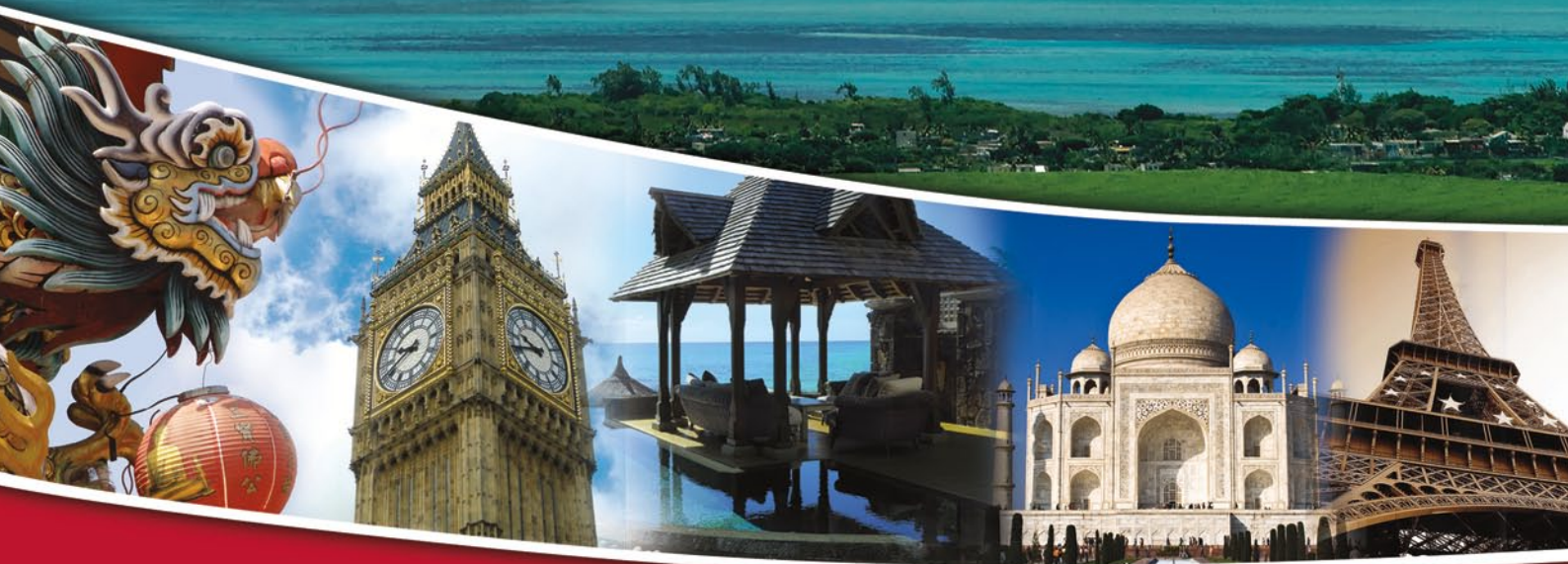
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Due to the escalating crime rate, there is a growing need in South Africa for close protection security. "Fly by night" operators with the "gift of the gab" often secure contracts at greatly reduced rates. In order to remain financially viable, these operators neglect training and underpay their under qualified personnel. This type of scenario is typical of the private security companies in South Africa and has resulted in the industry as a whole being regarded with suspicion.

### **Security Guarding Service**

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are placed where they are best suited and their strengths can be maximised. Officers, who are not suited to your needs will never be placed on a detail.

### **Intensive Specialised Training**

Rigorous, intensive, specialised training provides the skills required for your security staff to properly react in any situation. TSU Protection Services trains you according to the best police, military and private security industry's best practices methodology. With our sophisticated, state-of-the-art approach, a security training course from TSU will ensure you benefit from the industry's best practices tailored to meet your security needs.

### **Riot Control**

**Responsive in critical situations, TSU Asset Protection Teams (APT)** is the undisputed leader in the field of labour disruption security. Our capabilities include business interruption contingency planning and consulting, security personnel and services, logistics support and pre - and post-crisis counselling. TSU recruits security personnel exclusively from law enforcement and military backgrounds.

**Agents Professionally Trained  
Providing Safe Environments**





# The Godfather of empowerment

**A man with a bent for entrepreneurship and a passion for enabling black business**

**Inculcating an entrepreneurial spirit and prioritising it as the foremost item on South Africa's economic growth agenda is black empowerment pioneer Don Mkhwanazi's strategy for creating a sustainable economy.**

This is certainly unsurprising, given his background in issues related to business.

Mkhwanazi's accolades from SA's business world reads like an inventory of success: foreign scholarships including a Harvard Fellowship; business awards and recognitions; speaking invitations at high-profile business events; notes from individuals thanking Mkhwanazi for inspiring them as well as eThekweni Municipality's Living Legends Award "for a selfless, unparalleled contribution to society in general and business in particular."

Acquainting oneself with this high achiever's character, one can discern a sense of humility and a passion for the economic empowerment of black people.

His tone is consistently forthright and unapologetic on the latter; no wonder he is often referred to as the father of black economic empowerment (BEE).

It is rumoured that he actually coined the term "BEE" long before the advent of democracy in 1994.

## **Black business and BBBEE**

How regrettable, though, that the current state of BEE is displeasing for Mkhwanazi and for many in general. The initiative, which was originally created to benefit historically disadvantaged communities, ended up empowering a handful of politically connected individuals, while the average black citizen became further disadvantaged.

He does not mince his words in stating his position on this issue: "When we talk about BEE, we talk about full participation for our people in the mainstream of the economy in all sectors at all levels. Full stop."

Mkhwanazi says that the private sector mistakenly views BEE as a series of boxes it must tick. He adds that "some of these new black millionaires are gatekeepers, worse than those guarding Fort Knox." This is an indication that BEE, despite revisions that made it more broad-based, is still a long way from achieving its intended objectives.

In recent times, the black business environment has been ensnared in uncertainty and frustration due to a lack of clear direction. Speaking at the Black Business Summit attended by industry stalwarts Patrice Motsepe, Sandile Zungu and Danisa Baloyi late in 2011, Mkhwanazi – in his signature forthright style – challenged delegates on the lack of cohesion within the sector due to the absence of an agenda.

"I often ask myself, what is the black business agenda in our beloved country? I'm sorry to say (that) as a collective, we do not have such an agenda," he told them. "As black business we need to constantly hammer home the *raison d'être* for socioeconomic transformation, with democratisation of the economy central, underpinned by employment equity and BBBEE."

He added that without such a foundation, the agenda "becomes diffused and muddled, and others tell us what we should or should not do."

## **BMF and transformation**

In the same vein, Mkhwanazi speaks with disillusionment about transformation in the private sector and its lackadaisical attitude toward the cause. The struggle continues, he says.

"The attitude of intransigence, arrogance and hostility of corporate South Africa has unfortunately not changed. They don't realise that economic transformation and democratisation of the economy is in their long-term interest.

"The economic struggle has become very sophisticated and it is against this backdrop that the BMF [Black Management Forum] of today must be understood. They are doing a very good job challenging the corporate environment. Strategy and tactics need to be

reviewed and fine-tuned all the time because divide and rule is at its height.”

### Background

This trailblazer made his foray into the politics of business as the founding president of the BMF – a watchdog organisation established in the 1980s to address the lack of support given to rookie black managers in the predominantly white male corporate world. Under Mkhwanazi’s leadership, the BMF in 1987 went to great lengths to pin down this problem and actually met with the banned ANC leadership in Zambia and London to try and highlight how imperative it is to transform the corporate environment.

Some of the BMF’s milestones include working jointly with the government and the private sector in devising strategies and policies for affirmative action and employment equity imperatives.

The organisation has since evolved into a non-racial entity.

Mkhwanazi says an ideal manager is transformative and should believe in thriving to grow in the position, while at the same time developing subordinates to succeed him or her.

“The most critical task of a manager is to identify talent and get the best out of it,” he notes. “The talent you develop must be better than you ... When we interview a candidate for a senior job, it must emerge clearly that the candidate is not only interested in the job they have applied for, but my position as well.”

Mkhwanazi adds that a manager should empower him or herself by being keen to learn beyond academics and job description.

### Entrepreneurship

The subject of entrepreneurship is close to his heart. A bona fide entrepreneur, his diverse business interests range from shipbuilding and ship repair (he is the chairperson of Southern African Shipyards, the largest shipbuilder in southern Africa) to cement engineering, event management and communications, as well as cemetery development (a private cemetery in Hillcrest, Durban) and management consulting.



Don Mkhwanazi: Entrepreneur extraordinaire

"We help identify suitable partners for our emerging business clients from established businesses. This also works vice versa. We look beyond structure, strategy and systems," he says.

Mkhwanazi is clearly disappointed with the apparent lack of understanding of the criticality of entrepreneurship for South Africa's economic growth strategy. "When one looks at the BBBEE Act and its guidelines, the missing link is entrepreneurship. Even in the seven pillars of BBBEE – ownership, management control, preferential procurement, skills development, enterprise development, employment equity, corporate social investment and development – entrepreneurship is missing, yet it's so critical for the economy."

He believes entrepreneurship is a necessary risk that our people must be prepared to take, because it creates jobs and therefore reduces the poverty which breeds crime.

Mkhwanazi expresses disenchantment at the National Development Plan's (NDP) myopic view on entrepreneurship as expressed in its Vision 2030 plan: "What is most disturbing is that the NDP's Vision 2030 lacks any mention of entrepreneurship as a vital part of the economy, yet it talks about creating 11 million jobs by 2030. It talks about reducing the unemployment rate from 26% today to 14% by 2020 and 6% by 2030.

"It also says 'too much of what is happening in South Africa is not promoting either economic growth or jobs,' but totally ignores entrepreneurship as central to job creation and sustainable economic growth."

### National unity

On the subject of national unity, Mkhwanazi believes the apartheid legacy has unfortunately scarred the business environment, which is now marred by a distrust rooted in racial bias. Business unity remains a major issue despite the formation of Business Unity South Africa (Busa) a few years ago to try and foster camaraderie in the sector.

Mkhwanazi believes there is a lack of common vision between black and white members of the organisation: "Traditional white business would prefer a laissez-faire

arrangement where little or no rules apply to business ... Black business, on the other hand, sees economic transformation as a panacea for the incurable evils of our economic past."

He rebukes the motivation for the formation of Busa which, he says, was a call to appease the government of the day. As a consequence, no proper channels were followed to ensure everyone was on the same page when it came to a common vision. He affirms it was imperative that, given their historically divergent racial backgrounds, thorough consultations should have been conducted to clear the air.

Despite all the above, Mkhwanazi is unequivocal in his support for national unity. He advocates a vision of South Africa devoid of ethnic connotations and promotes a patriotism that will inextricably filter into the business world.

His ideal of national unity is encapsulated by the famous "I have a dream" speech by late United States civil rights activist Martin Luther King Jr, which promotes an ideal scenario where people are judged on the basis of their character rather than racial bias.

To support his view, Mkhwanazi cites post-apartheid children who attend multiracial schools as an example: "My 12 year-old son's best friend is white. His other friends include a Japanese boy, an Angolan, an Indian and several other blacks. They come to our home and I see them playing and interacting – no clue about colour, but human beings driven by friendship and humanity. This is my hope for South Africa's national unity."

### Nationalisation of mines

Mkhwanazi appears to support the nationalisation of mines and other natural resources. His position is that those who are too concerned about the nationalisation debate should ask themselves why it is being proposed 17 years into our democracy. "There must be something wrong with our inequitable society," he asserts.

"The problem is that nationalisation is a dirty word to a segment of our population who can be described as haves; to the have-nots,

it is an emotive word that captures their craving and quest for economic liberation."

### Principles, wisdom and role models

Ask some of Mkhwanazi's children and close associates about his character and they concur his iconic legacy is principled yet humble.

His eldest daughter, Thobile, had this to say to her beloved father about the wisdom she acquired from him: "I have learnt the art of generosity from you, *kakhulu* (Zulu for "great deal"), and also a lot about integrity, honour, good values and courage. You taught me to be honest and real and to face fear, to confront truth head-on and not to be scared of anybody."

Mkhwanazi attributes his powerful character to his mother, a strong woman who "taught me what love, affection and caring were all about." His father died when he was just six years old.

Not surprisingly, his role models are mostly individuals of note in today's society, such as Dr Sam Motsuenyane, a revered business leader, "for his gallant efforts through selflessness and humility."

Others include his school teachers; ANC pioneers Dr JL Dube, Moses Kotane and Moses Mabhida for their exemplary contributions to society as well as Dr Mahathir Mohamad, the former prime minister of Malaysia who shaped his country via his strong political will. "He knew what his people wanted and acted accordingly without being afraid of the West or its propaganda," says Mkhwanazi.

### Corruption

On the subject of the corruption that has engulfed our beloved country, he is concerned that the media has focused exclusively on government corruption. He points out that the private sector is just as corrupt everywhere else in the world, including developed countries. He does, however, encourage South Africa to be vigilant and applauds the public protector, Thuli Madonsela, for doing a sterling job in this regard: "Even her successors must continue on the same path." **BBQ**

*Siza Mtimkulu*

# Electrical engineering redefined

**African Olive is sharing their expertise in electrical engineering**

**In less than five years since its establishment the fully black-owned company, African Olive has managed to grow a national footprint for its range of expert electrical engineering solutions.**

African Olive specialises in high voltage electrical engineering projects including the testing and commissioning of power system protection, DC and metering as well as the application and design of control plant. African Olive also provides consulting services: investigations; preliminary and final designs and committee approvals for high voltage electrical projects.

When managing director Siyabonga Mntungwa created African Olive, to put his knowledge gained as an Eskom employee to good use in the private sector, he recruited one trainee. Now the company has 15 employees, of which nine are technicians trained by the company. Those working under Mntungwa benefit from the 16 years of experience he has gained in the protection field, including a stint as a senior Technologist specialising in applications and design.

"We support government's initiative of building capacity, especially within the electrical engineering field, and want to play our part in developing future generations for the country," says support services director Lesley Mntungwa.



*Siyabonga and Lesley Mntungwa, directors of African Olive*

"We are very committed to capacity building and mentoring, which is one of the reasons for the rapid growth we have experienced." African Olive's director, Lesley Mntungwa, was awarded the Entrepreneur of the Year for the Gauteng Region accolade by the Business Woman's Association at a prestigious event held at Gallagher Estate. This award confirms the commitment African Olive has to building its skills base while continuing to work in excellence and integrity.

African Olive is fast establishing a national base and already boasts big clients such as Eskom and Rand Water. Currently, the company is replacing protection relays for

Rand Water at the company's Zuikerbosch pumping station.

There are also projects in KwaZulu-Natal and North West Province and design work has been completed for substations in Limpopo and Mpumalanga.

The work in KZN includes the installation of four 500MVA transformer marshalling kiosks and the testing and commissioning of a brand new substation, Dlangezwa in Empangeni.

"Our vision is to dominate the South African market and get a foothold that will position African Olive to move into the rest of Africa," Siyabonga Mntungwa says.

African Olive recently proved its versatility when it supplied low voltage cables to the Ekurhuleni metropolitan municipality. Although this falls outside the company's specialisation, it quickly adapted to the situation and gave the municipality the best possible service.

African Olive has also done work for City Power and other municipalities in Gauteng, including the West Rand District Municipality.

With its supply of expertise and commitment to customer satisfaction, there is little doubt that African Olive will continue to enlarge its national footprint and its already substantial base of satisfied customers.

"Our vision is to dominate and, ultimately, become a global company of note," MD Siyabonga Mntungwa was quoted as saying.

**AFRICAN** ⚡ **LIVE**

# Going beyond handouts

**Transnet's employee volunteerism programme is a unique concept that transforms corporate social investment into a sustainable professional activity**

**E**mployee volunteerism (defined as any formal provision of resources that enables employees to volunteer in the community) has been on the rise in South Africa. It comes in many forms; companies and other types of organisations customise it to suit their own environment and processes.

According to Angela Parker in "A call for volunteers", part of the September-October 2011 International Association of Business Communicators (IABC) newsletter, examples are company-sponsored volunteer events, financial matching programmes and the institution of rewards and recognition for volunteer work.

"Driving Business Results through Continuous Engagement", a 2008–2009 study by Work USA, claims that companies with employees who participate in volunteerism experience higher performance, employee motivation, lower staff turnover and better overall results than those that do not encourage volunteerism.

## **Transnet leads the pack**

South Africa's transport and logistics utility, Transnet, is one of the first companies in the country to start conceptualising and

planning its own employee volunteerism programme (EVP) – also referred to as the Volunteers for Villages EVP programme – just over two years ago. The idea was first mooted within the corridors of the Transnet Foundation, the company's corporate social investment (CSI) arm; after much internal deliberation, motivation and planning, it was finally launched in late 2011 by the organisation's chief executive officer Brian Molefe, supported by Transnet staff.

The series of launches took place at three different 'villages', each located in a different South African province.

'Village', in the terminology of the programme, refers to a demarcated municipal zone. It is a notion that was inspired by the African proverb: "It takes a village to raise a child." This same proverb inspired former United States First Lady and current Secretary of State, Hillary Rodham Clinton, who wrote an eponymous 2006 book, after helping to develop the much-publicised (Bill) Clinton Health Care Plan during her husband's incumbency, even though the plan was never approved by the US Congress at the time.

## **Aiming to make a difference**

"In order to apply the famous African proverb to our South African situation and make it resonate with our aims", explained Cynthia

Mgijima, Transnet Foundation's CEO, "we asked two important questions. The first was: 'What does it take to raise a village?' and the second was: 'Who lends a helping hand to the village?'"

"We also wanted to ensure our EVP is built around real community challenges and not ones that we imagine in order to simply serve our public relations purposes."

## **Enabling ownership by Transnet employees**

Transnet's Volunteers for Villages EVP seeks to use skills, expertise and employee interests (including extra-professional hobbies) that are already available in the company to improve the lives of others – people who reside in the selected beneficiary villages.

Given that the developmental needs of many underprivileged communities in South Africa span broad areas of possible interventions, from education through health, infrastructure and business development to sport and recreation, the company thought it sensible to structure the EVP in a manner that would allow a broad range of contributions by employees.

While some employees, such as accountants, finance personnel and engineers, may want to assist in areas of professional training, others may be more interested in volunteering in areas that match their extra-professional interests

and capabilities. Someone who is good at do-it-yourself skills such as landscaping or furniture assembly, for example, may be more inclined to share his/her ideas and expertise in those areas.

However, nothing stops an employee from volunteering in the two sets of areas, as it was expected there would be crossovers. Volunteers will be able to undertake their community duties during working hours and on any day, from Wednesday to Friday, for three hours at a time. They will be encouraged to devote 24 hours a year to voluntary work; this will amount to the equivalent of three working days. Transnet believes the result will be a substantial investment in CSI, both in monetary terms and time.

Asked how the three initial villages were selected, Mgijima was thorough in her explanation: "First we invited suggestions from people inside and outside the company. Initially, we looked at Gauteng, KwaZulu-Natal and the Eastern Cape. About five areas were short-listed in each province before the final villages were selected on the basis of set criteria. It should also be noted that these villages are located in each of the three cities where a Transnet Operating Division exists.

"We aim to ensure meaningful contribution in the areas where we have operational presence, as these are the places from where we draw the bulk of our employees and where their families are located. As the saying goes: Charity begins at home."

She explained that the Transnet Foundation undertook comprehensive environmental analyses of selected villages with specific focus on demographics, poverty and employment levels, existing community institutions and structures and other unique characteristics. These studies formed the baseline against which the EVP was planned, is being implemented and will be measured when the performance evaluation time comes.

Mgijima proudly describes the Transnet Volunteers for Villages EVP as offering a fully integrated approach to small, medium and micro enterprise (SMME) development, as it has been designed to contribute toward each participating village's economy and result in the

economic upliftment of the local community through social development.

The range of Transnet specialists geared to make high-level contributions is made up of legal professionals, capital project specialists, rail engineering specialists, administrators, financial experts and human resources practitioners.

Added to these areas of specialisation, each of these Transnet professionals has an opportunity to volunteer in other, non-professional areas of interest. Specific areas to be targeted for volunteer work include waste management, solar power projects, adult education, second-hand stores, the drafting of business plans, sports coaching,



Hands-on: Transnet Foundation CEO, Cynthia Mgijima



computer literacy, food gardens and several other empowerment interventions.

**SMME development**

Existing community-based SMMEs stand to benefit in particular, while the development of new business ideas and opportunities will be actively encouraged and facilitated. A partnership with the University of Cape Town’s Centre for Innovation and Entrepreneurship will buttress the foundations that anchor the Transnet EVP programme by means of studies drawn from other parts of the world.

Transnet’s involvement in each village will be limited to three years, during which time all interventions must have reached sustainable levels so that the various projects will be able to fend for themselves with progressively reduced outside assistance.

Decisions on projects that have not reached sufficiently self-sustainable levels by the end of the three-year period will be made on a project-to-project basis, taking into account all reasons for the delay. This is to ensure projects that may be behind schedule, but still have potential to reach self-sufficiency, are not simply discarded without additional support, if it can be shown this extra help,

closely monitored, stands a chance to make a meaningful difference.

Following this first project cycle, a new one will be implemented in a new set of villages, which will have been selected using the same process used at the start of the first cycle, with improvements made where necessary.

It cannot be denied, Mgijima agrees, that good employee volunteerism programmes are those that create better companies, better employees and better communities by taking four essential principles into account: motivation, space, movement and structure.

No EVP will be a success without motivated employees who are willing to contribute their time and know-how to it. Each volunteering employee has to be able to look back at the end of a period and see the results of his/her contribution, a reflection of their own capabilities and community involvement.

“Human beings thrive when appreciated,” said Mgijima. “Being recognised adds to motivation, self-esteem and the desire to keep giving, in order to make a positive difference in the lives of others.”

In terms of space, each volunteer has to be made to feel comfortable in his/her allocated village. In other words, he/she has to visit

once or twice before embarking on voluntary work, first familiarising themselves with the village and its people, in order to find a niche for themselves; an area in which they will feel comfortable being part of the community and contributing time and energy. Once integrated, the volunteer will progressively understand local dynamics and, ultimately, feel sufficiently comfortable to take lead positions in his/her field of project involvement.

Project co-ordinators and recipient communities play a role in determining movement. This refers to a sense, on the part of the volunteers, that there is progress or forward motion in what they are doing; in other words, that the time they spend teaching others a task or skill, or doing things on their behalf (such as preparing food or feeding the elderly or disabled in a special care institution) is not wasted and that it could be better spent elsewhere. To provide this sense of movement, Parker says project co-ordinators have to arrange regular project briefings to motivate participants, emphasising the value of their contribution and the difference it makes in the lives of beneficiary communities.

Successful and well-managed EVPs have to have a realistic and sustainable structure,



developed in the programme design process, taking into account elements such as time-off incentives, risk policies and partnership parameters aimed at ensuring volunteers operate within a predictable environment, governed by rules of engagement. This is an important consideration because in order to be sustainable, a good EVP must be measurable against pre-determined performance criteria in order to justify the investment for company shareholders.

“Our Volunteers for Villages EVP takes all these elements into consideration,” concluded Mgijima.

“I am confident that our association with the University of Cape Town’s Centre for Innovation and Entrepreneurship will ensure we do things right, carefully receiving guidance and expert input from its researchers and academics who will, in turn, use our EVP as a case study in their own research.

“We leave room open for other experts – local and international – to partner us in improving the programme, as we go along benchmarking it against the best of its kind here and elsewhere in the world.” **BBQ**

Solly Moeng

*Transnet staff lend a helping hand at a Field Day for a worthy cause*





Ellis Mnyandu, "Business Report" editor

# Readership statistics say it all

The *Business Report* appeals to a wide audience

**Business Report is South Africa's national financial daily. It is a contemporary publication that strives to provide value-added reporting and analysis of current events and the stories behind the news.**

The focus of *Business Report* is anchored by four pillars: business and corporate news; governance; economics; and markets and opinion. For news, analysis and insight, make *Business Report* your constant companion.

- *Business Report* has 1 222 000 readers daily:
- *The Star Business Report*: 660 000
- *Cape Times Business Report*: 172 000
- *Pretoria News Business Report*: 122 000
- *The Mercury Business Report*: 204 000
- 80% of *Business Report* readers have Matric or better

- 24% of readers are in LSM 8-10, while 58% fall within the extended LSM 11-14

#### Income

- Average income 2½ times higher than the national average:
- Household income: R20 946
- Personal income: R10 938

#### Work status

- 61% work full-time or part-time
- 16% are self-employed
- 79% of readers have a personal bank account
- 113 000 have mutual funds or unit trusts
- 181 000 make use of Internet banking facilities
- 184 000 have a retirement annuity or personal pension policy
- 86 000 have an endowment policy
- 311 000 accessed the Internet yesterday

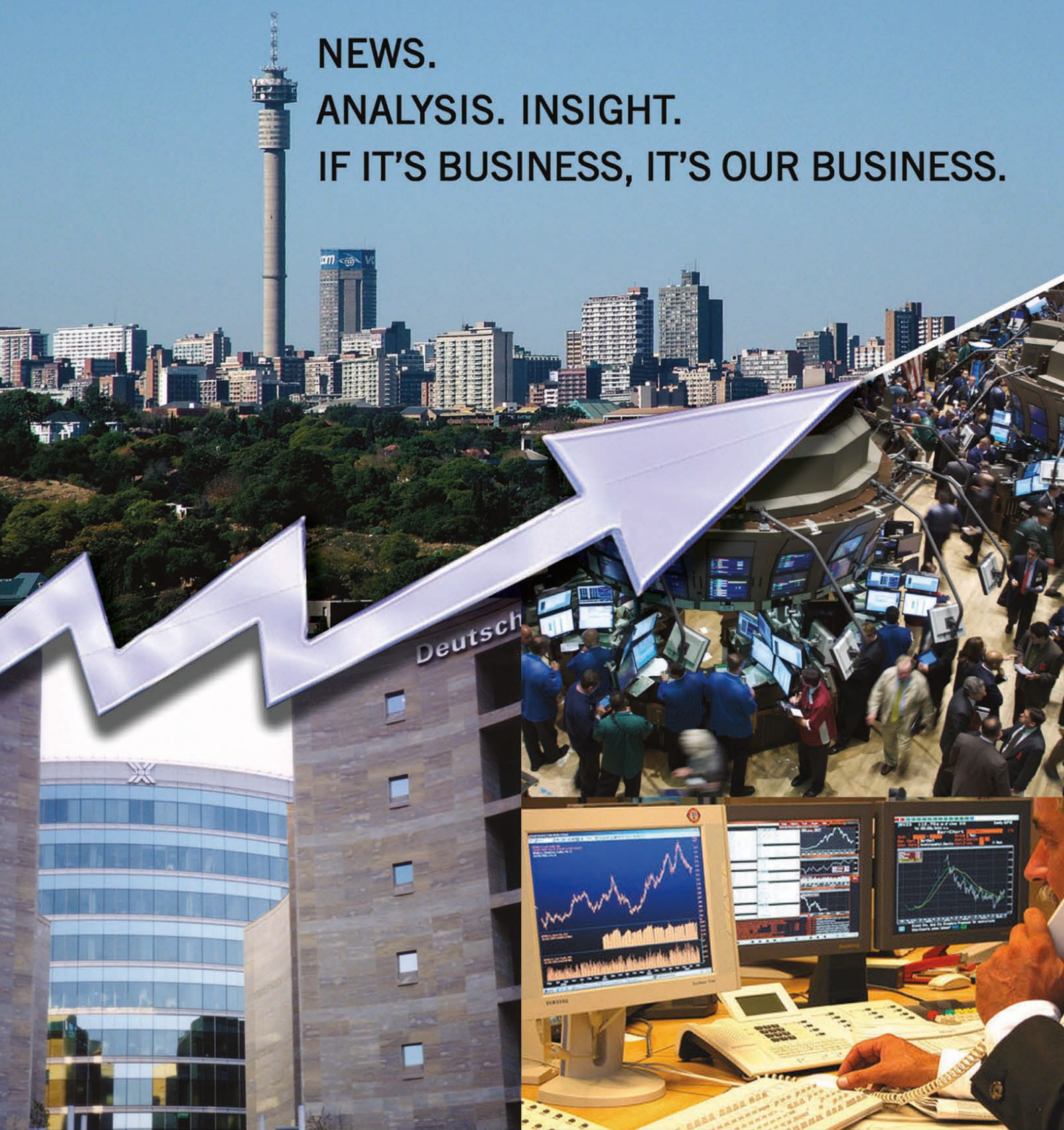
- 384 000 have life cover
- 359 000 are members of a medical aid scheme
- In excess of 46% of readers own a motor vehicle, while 30% regularly travel by air inside South Africa

TGI research reveals that *Business Report* readers agree with the following statements:

- I read the financial pages of my newspaper (44%)
- I rely on newspapers to keep me informed (45%)
- I look forward to reading the newspaper (49%)
- I set aside time each day so I can read the newspaper (53%)

*"Business Report" data is current as of April 2011.*

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# Newcomer steals the show

## Sabera: Helping South African companies reach BBEE targets



**T**he South African Black Empowerment Rating Agency (Sabera) is a 100% black female-owned black economic empowerment verification agency. It was founded in 2008 by Miss Kavisha Timmal, a marketing graduate. The company's mission is to provide support to both the public and private sector in accelerating broad based economic empowerment initiatives in South Africa.

Sabera aims to make a meaningful contribution to the growth and productivity of the economy by encouraging business to implement transformation through the effective and factual auditing of their BBEE credentials. They offer training on the seven elements of BBEE and provide efficient BEE verification throughout South Africa.

From their head office in Tongaat in KwaZulu-Natal, Sabera is capable of conducting audits around the country. Sabera was founded in 2008 and has conducted BBEE verifications for satisfied clients nationally.

This young company with its vibrant staff and dynamic leadership aims to partner with businesses to ensure that their BEE scorecards are valid and accurate so that these can be used as marketing tools.

A key element of their success has been the stringent processes they created to meet the strict requirements of the South African



*Ms Kavisha Timmal, Founder*

National Accreditation System – the organisation responsible for the accreditation of South African BEE verification agencies.

While BEE legislation has been in place for five years now, the BEE landscape is due to change very soon. The amendments to the Preferential Procurement Policy Framework Act became enforceable on 7 December 2011. The new requirements state that companies that tender to government will need to have a valid BEE certificate if they wish to earn the "preferential procurement" points in any tender. This is likely to spark a demand for BEE compliance certificates among companies throughout the supply chain (whether or not they tender

for business) since BEE requirements have become more stringent.

A further change is that the targets set for BEE (for both qualifying small enterprises and generic companies) are being increased for certain elements as of 9 February 2012. The original targets set by the Department of Trade and Industry (dti) were to be in place for five years from the date of inception of the Codes of Good Practice (9 February 2007).

These targets were relatively low so as to give businesses time, where necessary, to strategise, plan and implement the requisite actions to achieve compliance. However, that five year period is now over and the higher targets will be imposed as of the new year.

Of the seven elements of BBEE, employment equity and preferential procurement are the two which are due to change - and these changes are significant. For example, a generic company (annual turnover in excess of R35 million) will currently be awarded the full 12 points available if they are able to prove that at least 50% of their total discretionary purchasing is from BEE compliant companies. As of 9 February 2012 (and for the five years thereafter), this target has been raised to 70%.

What this means is that, unless companies are alert to this change, and have been actively ensuring that the bulk of their purchasing is from compliant suppliers, they might score fewer points for preferential procurement in their next audit and this

could result in an overall lower BEE. This is not desirable as clients are becoming more demanding – they need their suppliers to improve their rating levels, not slide backwards!

#### What should companies do?

Firstly, do not wait until the week before the expiry of your certificate to start gathering documentation and information! Almost inevitably, this will lead to you omitting some

details which could secure your points. BEE (and the next verification) should be part of your company's strategy and be monitored on a monthly basis so that the necessary adjustments can be made should you discover that you are falling behind in an area.

Key to a successful verification is the collation of the correct documentation. This often becomes the task of junior staff who are told to collect information. They often however have little understanding of the

information's impact. Employees should understand BEE and, more importantly, the impact that compliance versus non-compliance can have on the very existence of the business.

BEE compliance is not difficult; it is about planning and careful administration.

*Should you have any BEE questions or require a BEE certificate, give the Sabera team a call on 086 172 2372.*

## BEE CERTIFICATES



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# CARLMAN MOYO,

*REGIONAL DIRECTOR OF DUPONT SUB-SAHARAN AFRICA*



According to Carlman Moyo, Regional Director of DuPont Sub-Saharan Africa, true and proficient leadership encompasses more than just providing strategic direction and a clear view of the future state for an organisation. Charged with leading one of the global science company's key growth markets (Sub-Saharan Africa), Moyo believes that the foundation of any successful business – particularly an African one – is its people, operating in an environment that fosters a culture of learning and ensures they realise their highest potential.

Moyo, who also currently holds directorships in DuPont de Nemours International South Africa, DuPont Protein Technologies and DuPont Freeworld JV South Africa, began his career working for fuel giant, BP, based in Cape Town. Within 18 months he was identified as 'high potential' and seconded to BP Australia for 3 years, before returning to Africa. Over the 10 years spent at BP, he consistently accumulated accolades, among others, Top Business Manager in both Australia and South Africa. During this time, Moyo embraced new challenges and cultures from across different continents in multiple roles. Through consistent learning and a passion to champion change and build winning teams, his free thinking and intrepid approach has contributed to business excellence in Africa.

"Achieving excellence in everything you undertake is important. However, having the willingness to do so is the first step. I was a willing student, surrounded by remarkable mentors, who guided me on my journey and handed me responsibilities that I did not dream I could undertake." "Building a winning team, who buy into the vision and are actively engaged and focused on attaining the set objectives, is fundamental to success," he says.

In 2006, Moyo was headhunted by DuPont, the global science and innovation powerhouse that operates across numerous industries, to head up business development in emerging markets based in Switzerland.

With the company having very little presence in Africa, Moyo was soon relocated to Johannesburg and tasked with growing the company's footprint across Africa; and raising the company's profile amongst key target segments in these new geographies. "A key highlight of my career to date has been building the DuPont organisation and attaining success not only from a revenue and operational perspective, but also receiving peer recognition as a company that offers and contributes innovative scientific solutions that address Africa's biggest challenges."

Moyo says that beyond its boundless potential, South Africa has many key challenges to address in order to rise above other emerging economies and truly compete. "We first and foremost must focus on the appropriate education of our people, so they develop skills that are relevant to current market needs. Thereafter, we need to focus on defining the areas that South Africa can excel at and perfect them, instead of trying to be everything to everyone." To build on that, Moyo says that South Africa, in select sectors of the economy, has competitive and comparative advantages – these should be exploited to increase the country's competitiveness and build its export base. "To address some of South Africa's greatest challenges, it's also essential to increase use of science and technology." He says that this mind-set will transform South Africa into a society where a larger percentage of our growing population will play a part in contributing to economic growth. "We also need to consistently benchmark our per-capita productivity to other emerging markets and seek to improve our score, in-line with the best in class."

His vision for Africa is to champion collaboration between government, academia and business, in ways that address some of Africa's most pressing challenges, such as energy deficiency, food security and sustainability of the environment.

One of his passions in life is mentoring young people and seeking to provide them with a personal vision for a successful future, in which they attain things they feel are physically and mentally impossible today. "Throughout my career, my mentors had faith in me before I did, which enabled me to challenge myself further and compelled me to envision a future full of opportunities and hope – this is what I hope to give to those that dream of running and leading a business someday."

He points to flexibility as an important managerial trait. "It's a key component to managing people - it's necessary

to ensure employees are not only willing and able, but also feel allowed to take some risks to address opportunities, once they've bought into the vision."

"A company that expects dynamic solutions requires a diverse team from different backgrounds. I stand by saying that if everyone is thinking the same, then somebody isn't thinking. Fresh ideas are traits of a winning team."

With a strong belief in 'today's successes can be tomorrow's failures', Moyo thrives on continuously raising the bar and expectations of team performance; and is a strong believer in leading through vision. His global business acumen enables him to quickly respond to changes in the competitive environment that can impact his organisation's strategy and objectives.

Moyo believes that an organisation achieves success by encouraging its employees to create their own space and define their own path towards achieving the organisational objectives. He is also passionate about the advancement of science education in South Africa and strives to create a platform to foster sustainable innovation throughout Africa, working in collaboration with various institutions and partners.

Last year, Moyo, along with a select group of other senior global executives, visited Buckingham Palace at the invitation of Prince Charles to exchange ideas and best practice on sustainability. "We live in a time of unprecedented instability, resource constraints and climate change - these and other closely connected pressures challenge the sustainability of our organisations. Sharing ideas with other global leaders about what we can do to address these challenges is always stimulating and motivating; and I am working towards sharing my knowledge and using my experience to contribute towards sustainability initiatives across Africa", says Moyo.

Speaking at the Africa Economic Forum and Gordon Institute of Business, among others, Moyo regularly imparts knowledge with industry and future leaders.

In his downtime, Moyo is happily married with three kids and is as available as a father and husband as he is a business leader. Coming from a Christian background, he believes that a leader should display integrity and treat each area of their life with the same values. "You not only have to talk the talk, but you have to live up to the expectations you create".

# Retrenchment is not only option

## Surviving the current economic climate with the help of labour law

**S**ince the subprime lending bubble burst in 2008, the subsequent decline in the economy and the spin-off of the world-wide recession, a global loss of faith in our financial institutions has been created, and as a result thousands of businesses around the world – both large and small – have been affected, with many being forced to liquidate and thus hundreds of thousands of employees losing their jobs.

As the financial crisis has shown little evidence of improving in most sectors, there has been a significant increase in the number of businesses being forced to reduce overheads, with owners and managers having to return to the drawing board in order to streamline their business in an attempt to stave off liquidation.

To compound the problem, it is now 2012 and global economic uncertainty seems set to continue, with mixed forecasts as to what the future holds. Thus a business cannot rely on a sudden upturn in the market to help keep it afloat, and as a result more and more businesses are compelled to take active measures to ensure their survival.

One of the first solutions most business owners consider is retrenching employees which, when done properly, can be an effective measure – but it is not the only option.

By examining the nature of retrenchments, the procedures that need to be followed according to current legislation, as well as possible alternatives, some light begins to

appear at the end of the tunnel. Our labour legislation may be highly regulated but, on the other side of the coin, this allows it to be used to the advantage of the business and its employees in infinite ways.

First and foremost, by ensuring one's business has the correct policies and procedures in place, one can avoid a minefield of expensive mistakes and pitfalls; while proper management of staff and using policies and procedures correctly can streamline the effective running of the enterprise and provide viable alternatives to retrenchment in times of financial stress.

Retrenchment is often seen as a means of cutting operational costs in an attempt to save a financially ailing business establishment from eventual collapse, and thus many people take the view that retrenchments are only an option when a business is doing badly – this is not the case.

Retrenchments are afforded expression by the Labour Relations Act 66 of 1995 (LRA) and allow that a business may retrench employees for operational requirement, which may include a desire by the owner or shareholder to lower the overhead costs of the business and thus increase profit margins; a need or desire to restructure the business plan or organogram; a position becoming redundant due to the advent and introduction of new technologies; or any combination of the above. However, more often than not, retrenchments occur due to a business encountering financial difficulties.

Before considering retrenchments as a solution, one must first understand its basis

in the law, how it has been structured to work both for the employer and the employee, when operational stress demands a mutually agreeable parting of ways, and why so many facts are taken into account before a retrenchment can be considered a fair solution.

Due to the fact that retrenchments do not arise from any misconduct or fault on the part of the employee, it is known as a 'no-fault dismissal'; as with all dismissals in South African law, retrenchments are still subject to the constitutionally guaranteed right of 'fair labour practice', which means the retrenchment must be both procedurally fair (done in accordance with the proscribed letter of the legislation) and substantively fair (the business must have a valid reason for the retrenchments).

It was this constitutionally guaranteed right to 'fair labour practice' on the one hand, and the right of the employer to dismiss employees on the other hand, which led to the codification of the retrenchment process in the LRA through section 189 and 189A, which sets out the process and requirements that must be adhered to in order to ensure a retrenchment is procedurally fair.

A core aspect of any retrenchment is to ensure employees and their representatives are involved with the business from the outset in a 'joint, meaningful consensus-seeking process'.

What this means is that prior to determining whether the business will be retrenching employees, the staff are issued with a notice regarding the potential retrenchments, whereby they and their representatives are

invited to consult on various aspects of the possible retrenchment in the form of a joint problem-solving exercise in an attempt to reach a possible agreement.

The notice must contain the reasons the business is contemplating retrenchment, any alternatives to retrenchment that the business can offer, the number of employees who may be affected, as well as the selection criteria that the business is considering using in order to determine which of the affected employees may be retrenched (for example, LIFO – Last In First Out – and thus the selection criteria is based on years of service); when the business would like the proposed retrenchments to be concluded; and the possible severance pay should the retrenchments proceed, which must be a minimum of one week's pay for every completed year of service (this is the minimum – however, it may be higher depending on sector determinations).

It will further include any assistance the company can offer an employee who may be retrenched, the possibility of re-employment, the number of staff employed by the business, as well as the total number of employees dismissed for operational requirements in the 12 months preceding the notice.

In many cases, it is hard for a business owner to consider losing valued staff due to commercial pressures; at the very least it is considered a laborious and difficult process by most, which is why it is worthwhile considering the alternatives provided for within the law.

### Alternatives

One of the core requirements of the law in the case of a proposed retrenchment is to explore all appropriate measures to avoid dismissals, in other words to look at the possible alternatives to retrenchment that can be agreed upon by the parties during the consultation process.

There are numerous ways to make the law work for you and each case is different, but to describe some of the more common alternatives:

'Bumping' is effectively the re-deployment of potentially affected employees to alternative positions within the business,

including positions that have a lower salary, or which may be deemed to be a lower level position.

Another option would be to place a moratorium on overtime work, reduce night shifts or decrease or eliminate contractors or casual labourers by using current employees to fulfil the roles that were previously filled by casual labourers or contractors.



*Timothy Germond of Robyn Hey & Associates*

The business can look at offering voluntary severance packages or voluntary early retirement packages.

An option not widely known would be to place a moratorium on recruitment and allow the total number of employees to drop from natural attrition (resignations, dismissals and retirements etc.); this solution means a business is able to train up its current employees to meet its business needs, which in itself benefits the business in the long run.

Where possible, depending on the business, the company could look at implementing short time, whereby the salaries of employees are reduced, as are their hours of work; it may be possible, in smaller businesses, for all staff to agree to a salary reduction in order to avoid the retrenchment of fellow employees.

Finally, one may temporarily implement layoffs, meaning some employees are placed on unpaid leave for a specific period of time in the hope that during the period of leave, the business' financial situation will have

improved, thus alleviating the need for the proposed retrenchments.

The business could offer to outsource a function performed by the employees to a company formed and staffed by employees, who may be affected by the possible retrenchment.

Before even entering into the retrenchment consultation process, the company should look at minimising costs and streamlining the business. Ensure your business has proper policies, procedures, job descriptions and key performance indicators in place to properly manage employees. Instead of a business having to retrench staff members, these numbers could be reduced by removing the employees who commit misconduct or are not performing to the required standard, while helping to raise the standard of work in the business.

The business could enforce the retirement of employees who are beyond the age of retirement and that all discretionary bonus could be deferred, limited or cancelled until further notice.

Another wise move is to ensure one is using labour law to one's advantage, for example, ensure the maximum sector education and training authority levy refunds have been applied for and received, looking into any and all discretionary grants or state subsidies that may be applicable to one's business.

It must be kept in mind that every business is unique and, as such, every considered retrenchment would have its own issues that need to be dealt with and pitfalls that need to be avoided.

Should the correct procedure not be followed, the retrenched employee may take the business owner to the Commission for Conciliation, Mediation and Arbitration – an independent arbitrator – or even the Labour Court, where the business will, in all likelihood, be forced to pay the retrenched employee a large settlement as compensation for unfair labour practice.

If you are currently contemplating retrenchment, it is highly advisable to have a legal consultant assist you with the process and ensure the retrenchment process is both procedurally and substantially fair. **BBQ**

*Timothy Germond  
Robyn Hey & Associates*

# Labour watch

What happens if you, as an employer, fail to comply with an arbitration award?  
Brink Cohen Le Roux has the answer

**F**ound to have been unfairly dismissed in terms of South African law, a former employee receives an arbitration award in the employee's favour. As the employer you fail, however, to comply with the award. What next?

You consult your labour lawyer. Section 143(1) of the Labour Relations Act, 1995 (LRA), states that an arbitration award issued by a commissioner is final and binding. It may be enforced as if it were an order of the Labour Court. Section 143 (1) must be read with 143(3) of the LRA, which provides that an award may be enforced only in terms of Section 143(1) if the Director of the CCMA (or another person to whom this function has been delegated) certifies that the award "is an award contemplated in subsection (1)."

Section 143(1) of the LRA also states that if a party fails to comply with an award that orders the performance of an act other than the payment of a sum of money, the award may be enforced by way of contempt proceedings instituted in the Labour Court.

This means it is not necessary to approach the Labour Court for an award to be made an order of court. A prescribed form should be completed and submitted to the CCMA – that's all.

The director (or relevant official to whom the function has been delegated) is not required to investigate the merits of the award. The official needs to certify the award is final and binding, be satisfied that it is genuine, not forged, and was issued by the arbitrator.



*Bridgette Mokoetle: Senior Associate*

## Opposing arbitration awards

An employer cannot oppose the certification of the award on the basis that it has instituted review proceedings or is reviewable by law. Once the award has been certified, it can be enforced as if it were a Labour Court order.

If the employer seeks to have the award reviewed and set aside and the employee insists on enforcing it, the employer will have to approach the Labour Court urgently, to request the award be stayed, pending the outcome of the review proceedings.

The manner in which an award can be enforced will depend on the nature of the award made by the arbitrator.

If the award states that a sum of money must be paid to the employee, a writ of execution can be issued in terms of which a sheriff of the High Court will be directed to attach immovable property belonging to the employer and to sell it in order to satisfy the award.

The writ will be issued by the Registrar of the Labour Court on application by the employee.

## Reinstate or be guilty of contempt

If the award states that the employer is obliged to reinstate or re-employ the employee, the employee must make application to the Labour Court for the employer to be found guilty of contempt of court.

When deciding whether or not to commit the employer for contempt of court, the Labour Court will adopt the same general approach used by the ordinary courts (such as the High Court) when hearing similar applications.

If an imprisonment order is imposed upon the employer, the order is often coupled with an order suspending the operation of the imprisonment for a specified period, to allow the employer to take advantage of a final opportunity to remedy the breach.

If the employee seeks to have a body corporate (in other words, a company or close corporation) committed for contempt of court, the acts and intentions of its directors and employees are deemed to be its own.

All the directors may be committed in their representative capacity, and the body corporate will be held liable and ordered to pay a fine (Section 332(2)(c) of the Criminal Procedure Act, 1955).



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# Priced to go

## Cape Flats real estate queen shows no sign of letting up after 17 years in the property business

**S**haron Gerbach, proprietor of the eponymous real estate agency, is a typical entrepreneur: she exudes tons of confidence, is effervescent, driven and as passionate about her craft as can be.

Established in 1998, Sharon Gerbach Properties CC, ideally located in Lansdowne, Cape Town, has been servicing the southern suburbs in the Mother City for 17 years, having initially concentrated activities in Mitchells Plain on the Cape Flats.

"I enjoyed educating clients there about the process of buying and selling," she reminisced fondly. "The joy on their faces when the property transfer materialised was palpable; it was so pleasing to realise that they had just become proud owners of their own home.

"I continue to assist them going forward with selling and buying in more affluent areas," said Gerbach. "The education and satisfaction of rendering great service kept me elevated, and led to establishing personal relationships with my clients."

A veteran of 15 years in the life assurance industry, she honed her salesmanship while working for Southern Life Association as a pension funds consultant.

No one illustrates the importance of hard work bringing about success better than Sharon Gerbach.

"While in the employ of Southern Life, I was afforded an opportunity to dabble in real estate as a part-time consultant in 1996, which meant I had to juggle two jobs for two years," she confided.

Sharon Gerbach CC, which specialises in buying, selling and renting residential and commercial properties as well as vacant land, is one of the few black female-owned and managed agencies servicing Cape Town's prized southern suburbs.

The company's portfolio includes houses, flats, townhouses and apartments.

With her disarming smile, love for people and sunny personality, Gerbach embodies essential qualities needed to run a successful real estate agency.

The mother of two adult male children (one of whom recently graduated with a degree in Sports Management while the other is completing his third year in Psychology), who has been married for 28 years, knows better than to sit on her laurels, in view of the competitive nature of the industry in which she plies her trade.

But she has found a niche market. "I prefer the low to mid/high markets, as I find it more satisfactory and beneficial to service," she indicated.

The property industry has often been labelled racist in the extreme.

As a woman of colour, does this affect her in any way?

"Not at all," Gerbach declared confidently. "I have never allowed race to determine my destiny. I take every opportunity given to me, race notwithstanding.

"Prejudice just drives me to perform beyond expectations or, indeed, those thought to be our medium. It's quite normal to find that in more affluent areas of Cape Town, there are pockets of resistance to colour as is the exception in Cape Town.

"But notwithstanding those obstacles, the real estate business has tremendous potential for growth, depending on the amount of time and effort one is prepared to sacrifice," she explained.

As in other sectors, the property business has unique challenges. Gerbach elaborated: "There is too much red tape and bureaucracy in this business, with banks being the major stumbling blocks, owing to their restrictiveness in granting home loans."

### Compliance

The real estate industry is heavily regulated. One has to undergo various training options available, in addition to getting accreditation to industry bodies, prior to practising as an estate agent.

One year of internship is recommended for all aspirant agents, in addition to obtaining the NQ4 qualification and completing board exams. The NQ5 is a principal level requirement, whereas a National Diploma in Real Estate and

a valuer's course will assist in acquiring the relevant qualifications required.

Gerbach, who describes herself as an opportunity entrepreneur, has a staff complement of three consultants (herself included), one administrator and still counting.

Rewards for those who work harder in this field are quite satisfactory, at times even exceeding expectations.

"Since my involvement in this business, I have acquired properties (vacant land and freehold), which I bought and sold, not to mention acquiring cars – which is not of paramount importance, though. But liabilities are restricted," she noted.

Asked whether her industry was regulated enough to avoid the kind of controversy generated recently by a prominent estate agent, Gerach opined: "I heard that the individual in question siphoned cash from her trust account to fund her lavish lifestyle, leading to a shortfall in business accounts. The yearly audits are enough safeguards against such malpractice, in that they are intended to check on the management of these trust accounts.

"Whereas there is enough regulation in place, one cannot rule out the likelihood of one or two rogue agents failing to conform to industry norms and ethics," she added.

"The (Attorneys) Fidelity Fund was established to protect consumers against such fraud, and as a result many estate agents are utilising the fund to protect client funds," explained Gerbach.

In a sea of estate agents competing in a tight market, value proposition becomes paramount. So what does Sharon Gerbach Properties offer?

"Our value proposition is based on branding, which we have built over the past years, focused on provision of professional services with integrity and honesty, protecting the legal and moral interests of both buyer and seller. We built up referral bases after five years of our existence," said Gerbach.

"But all in all, I owe this to God's grace," she added. **BBQ**

*David Mwanambuyu*



Midas touch: Sharon Gerbach runs a successful real estate agency in Cape Town

# Fighting cancer

## Medical minds gather to discuss challenges of oncology

**T**he rising cost of cancer care was under the spotlight during the annual Independent Clinical Oncology Network (ICON) conference held from 16 to 17 March 2012 at the Cape Town International Conference Centre. First held in 2010, the conference aims to interrogate the economics of healthcare in South Africa along with other cancer-related clinical issues.

ICON is a nationwide network of oncology specialists who are committed to widening access to quality cancer care in South Africa.

The focus of this year's event was on strengthening and refining current ICON treatment protocols – an innovative set of guidelines developed by doctors in the network to help determine appropriate care for patients.

Speaking at the opening of the event, Deputy Minister of Health Dr Gwen Ramokgopa spoke about the progress the department was making in improving the health system, and the need for better relationships to be formed between stakeholders – particularly when it comes to chronic diseases such as cancer.

“Over the past decade, South Africa has taken great strides in fighting diseases, and as the commitment to a national health insurance (NHI) should indicate, we are taking steps to make healthcare affordable and accessible,” she said. “As we focus on oncology at this conference, we need to focus on the whole system: as to how people gain access to important, high-quality healthcare.”

Ramokgopa said the proposed NHI would improve the quality of healthcare and widen access to it, providing a constitutional service to all citizens. She mentioned that the department

would start piloting programmes in 10 districts this year, to assess what will be required for expansion of NHI.

“Access to healthcare in this country is still compromised and existing centres aren't all functional for many reasons. This is unacceptable. From an economic context, you cannot accord health, specifically cancer, the status of a commodity, the availability of which is left to free-market forces,” the deputy minister said. “Health is a public good. We need to collaborate, pool our resources and expertise, and improve the relationships between private and public entities within the health sector. But we also need to foster relationships across sectors because we know that health is inextricably linked with other issues.”

Moremi Nkosi, director of health insurance at the Department of Health, who spoke after Ramokgopa, outlined three major challenges



facing the health sector in South Africa. He said the funding pool was fragmented and, therefore, had split the well-off and the poor in terms of access to healthcare.

He acknowledged the issue of weak management in the public sector, but also emphasised that the private sector was experiencing the same problem.

Nkosi added that the health sector had been – and remained – “hospital-centric”, with more focus falling on curative care than on prevention.

“We cannot wish our problems away, so we must get up, roll up our sleeves and take action. We recognise there are problems. We are doing things about them,” he said.

He outlined the guiding principles for the NHI, namely: the right to access to healthcare, social solidarity, equity, effectiveness, efficiency, appropriateness and affordability.

Among those invited to speak over the duration of the conference were Professor Richard Sullivan (director of the Institute of Cancer Policy MHS and professor at Kings College, London), and Dr Bruce Hillner (eminent university scholar and professor of Medicine at Virginia Commonwealth University).

The issues discussed, among others, were rising costs and diminishing absolute benefits in oncology, bending the cost curve in cancer care, and a South African perspective on pharma-economics.

“These issues are of great importance, especially in South Africa, where the cost of cancer care excludes the majority of patients, while placing others under an extreme financial burden,” said Dr Ernst Marais, ICON national network and relationship manager.

The conference was not only a platform for robust debate about issues around oncology, but

also provided an opportunity for stakeholders in oncology to network.

“It will also be a forum for all our network doctors, and other stakeholders, to interact – building mutually beneficial relationships. We encourage and welcome delegates from all realms of healthcare in South Africa to attend,” said Marais.

More than 80% of South Africa’s oncologists and radiation oncologists are part of the ICON movement, and most major medical schemes have accepted the model.

Marais said that by pooling resources, and by adhering to ICON’s treatment protocols, those involved in the oncology sector would effectively increase access to high-quality cancer care for those who traditionally have been excluded from it. **BBQ**

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# Change for Africa

The winds of prosperity that catapulted China into the world's second biggest economy are slowly changing course and blowing in Africa's direction

**A**frica's economic landscape is set to change over the next two decades. While exports will remain the backbone of the continent's economy, the region is to become more and more consumer-driven. This will further result in millions of African households being lifted out of poverty, predicts Julius Steyn, president of World Trade Center Africa (WTCA).

"The African continent is predicted to follow nations like China. This country, while still relying heavily on the export of goods and products, is moving increasingly toward a consumer-driven economy," he says.

A 2011 report by business strategy advisory firm, Boston Consulting Group (BCG), confirms Steyn's statements regarding China. The report, among other things, suggests that the world's largest exporter of goods will become the world's second largest consumer market after the United States in the next three to five years. If the BCG is right, the Chinese will collectively consume 14% of the world's total goods and products by the year 2015.

This is a massive change from a couple of decades ago. Back then, China's economy was not doing too well and poverty was widespread. To give an idea: some 30 years ago, 65% of the Chinese population (1.008-billion people at the time) lived under the country's extreme poverty line of 1 274 yuan per year (\$195, or almost R1 500).

The economic reforms that were kick-started in the early 1980s brought some much-needed change.

Between 1981 and 2007, World Bank figures show, China managed to lift over half a billion people out of poverty by providing urban jobs and increasing their spending power – pushing large chunks of the population toward consumerism. The result? In 2007, only 4% of the Chinese lived in extreme poverty.

Economic reform and urbanisation have nevertheless been key role-players in China's poverty reduction strategy. As manufacturing flourished, jobs were created in the cities, and as a result more people moved away from

the countryside into urban areas. As their spending power increased, a new market of consumers slowly came into being.

Now back to Africa. According to Steyn, a similar trend will follow on this continent, where urbanisation rates are the highest in the world. Statistics from the United Nations show that the African urban population between now and 2030 will climb to 373.4-million people – double the 2007 figure.

Urbanisation stimulates consumerism, of which the levels in Africa are rather low. With the majority of the population living below the poverty line and having no access to necessities such as running water and electricity, the consumption levels are some of the lowest in the world.

According to the Worldwatch Institute, an independent research organisation, Africa's population of just over one billion people accounts for a mere 3.2% of the world's private consumption spending. In that respect, export of goods, products and natural resources forms the backbone of the continent's economy. In 2009, this segment accounted for 87% of Africa's total gross domestic product.

"While exports will remain important, there will be a rise in consumerism. This is due to

plagued by poverty, conflict and a plethora of social and political injustices; but it is also a land of untapped opportunities, including vast natural resources and plenty agricultural land.

"These increased trade inflows, too, will trigger overall economic growth in Africa," Steyn stresses. "Africa now has a collective GDP of \$1.8-trillion (about R13.7-trillion). This is expected to grow to \$2.6-trillion (R19.7-trillion) by 2020. That is an increase of nearly 50%. We foresee that this will stimulate consumerism in Africa, too, thus the economy."

The continent's predicted growth path will be everything but a walk in the park, as there are some pressing challenges and constraints that need to be addressed urgently.

Hard infrastructure is one of them. "Africa lags behind when it comes to hard infrastructure such as roads, railways as well as harbour and airport facilities," Steyn explains. "It makes it difficult to trade with Africa. The continent's hard infrastructure needs to meet international standards."

Global organisations often have expressed their concern regarding the state of Africa's infrastructure.

As in previous years, the 2011 edition of the "Africa Competitiveness Report" has shown

## "Africa lags behind when it comes to hard infrastructure"

urbanisation, but also as a result of increased foreign trade inflows to Africa from Europe, China and other overseas regions," Steyn continues, explaining that this will grow the overall economy, create jobs and increase people's spending power.

International research by acclaimed agencies such as KPMG and McKinsey has predicted that foreign trade to Africa will increase by 1% between now and 2015. Africa may be

inadequate infrastructure is the third most deterring factor when it comes to doing business in sub-Saharan Africa – after access to financing and corruption.

"The biggest gaps in relation to the (most industrialised) countries belonging to the Organisation of Economic Co-operation and Development (OECD) – even compared with the best-performing countries in the African region – relate to the quality of infrastructure

and the level of technological readiness," states the report, a joint initiative by the World Economic Forum, the World Bank and the African Development Bank.

"Developing infrastructure ... is crucial for attracting FDI [foreign direct investment] that would generate positive spillovers for domestic economies. In other words, more competitive economies will tend to attract more FDI," it continues.

Hard infrastructure goes beyond roads, railroads, ports and communication, Steyn stresses: "Africa is also facing electricity issues.

### World Trade Center Africa and its mission

When thinking of the World Trade Centre, most people think about the Twin Towers in New York. Fact of the matter is that there are 33 World Trade Centres all across the globe, representing more than 90 different countries. Up until recently, not one of them was operating in sub-Saharan Africa.

In 2007, however, Steyn – chief executive of Mochron Investments – started a process to acquire the rights to establish a WTC in sub-Saharan Africa. Those licences were granted in December 2010. WTC Africa was launched in Cape Town, and a second South African office was opened in Johannesburg not too long afterward. Other offices will open or are in the process of opening in Botswana, Angola, Democratic Republic of Congo, Kenya, Mozambique, Namibia, Rwanda, Tanzania, Uganda, Zambia and Djibouti.

While the organisation's main objective is to stimulate international trade, it does not dismiss the importance of regional integration of African trade.

In May this year, World Trade Centre Africa will host its first WTC Europe, Middle East and Africa regional meeting. The event is scheduled to take place in Cape Town, from 30 May to 1 June 2012.

The continent is in dire need of new smelters, refineries and power plants to electrify the private sector."

According to the 2010 "World Energy Outlook" by the International Energy Association, over half of the population in sub-Saharan Africa (585 million people) do not have access to electricity. While Africa is home to one-sixth of the global population, it accounts for only 4% of the world's total electricity output – Africa remains the 'Dark Continent'.

"There are soft infrastructure constraints, too, involving legislation and the ability and capacity to enforce legal requirements," Steyn stresses. "Africa in this respect has to meet these international standards, too. It has to ensure goods arriving in ports are cleared quicker. At the moment, this takes way too much time and is affecting the continent's competitiveness and economic potential."

The fight against corruption and fraud is another soft infrastructure issue that needs to be tackled: the "2011 Africa Competitiveness Report" states that corruption in the whole of Africa is a massive problem.

"Corruption is without a doubt an obstacle, although the situation has improved significantly compared to say, 10 years ago," Steyn points out. "You cannot compare Africa today

to that of a decade ago. Various presidents have become very driven when it comes to economic reform; they do not tolerate corruption and bribery. But these policies do not always trickle down to all ranks of government."

Countries that have improved their corruption situation the most include Tanzania, Burundi and Rwanda. "Rwanda's President Paul Kagame is brilliant," Steyn declares. "He is an incredible businessman."

While increased trade flows from abroad into Africa are crucial in boosting its economy, promoting and stimulating trade among African countries is equally important.

"We need to find a way to overcome and break down the various trade barriers and other issues that are hampering trade among African countries," says Steyn: "The political will among some nations to remove the barriers between the different trade blocs is there, but it will take time to put that will into practice and to align the different countries' opinions regarding this.

"The cost of regional integration is high. While removing trade barriers is good for the exporting country, it means the importing party misses out financially." **BBO**

*Miriam Mannak*

### China's poverty under the microscope

While China undoubtedly did a great job in reducing poverty, the statistics need to be put into perspective. After all, 4% of China's population in 2007 (1.321-billion people) equals 52 million. That is more or less the size of South Africa's population, and is by no means a small number.

China's poverty problem, therefore, is far from solved, particularly when noting that the country's 2007 extreme poverty line was much lower than the World Bank's standard (\$1.25 – about R9.50 – a day, or \$456 – almost R3 466 – a year).

This means that, when working with the latter and internationally accepted standard, the number of 52 million extremely poor Chinese is on the low side.

China's decision to raise its poverty line for it to be more or less on par with the World Bank proves this. When the government lifted this standard by 80% in November 2011, an extra 100 million mainly rural people qualified as 'extremely poor' and, therefore, were allowed to apply for state support.

# Recruiting talent

## Express Employment Professionals South Africa



**F**or more than 14 years, Express Employment Professionals has been helping businesses in South Africa find the people and human resource services they need. This mission is accomplished through the firm's network of over 550 locations in the United States, Canada, Australia and South Africa.

Each Express office is locally owned and operated, and backed by the expertise and support of a local and international headquarters. We are focused on providing customised staffing solutions and assisting companies to realise their human resource resolutions.

Simply put, Express is large enough to meet your needs and small enough to care. Today, Express is the largest privately owned staffing company in the world. Full training, backup and support are provided by the local team. Selected international specialists also assist the local team to ensure franchise success.

The current economic climate is truly challenging and, from employees to employers, the past year has been hard on everyone. Express Employment Professionals South Africa is proud to be billing approximately 300 clients a week and is delighted that our financials show a 41.8% growth over the past two years.

We at Express Employment Professionals are further exceedingly proud of our initiative to aid skills development by giving individuals the opportunity to gain critical and worthwhile skills that will assist them in generating an income.

During 2011, disabled learnership programmes were initiated, as well as an amount of R520 000 allocated to learnerships in the motor component manufacturing sector. Two percent of our net profit was donated to orphanages and disadvantaged communities.

Carolyn Diaz, managing director of Express Employment Professionals South Africa, joined the firm as a franchisee in 2006. Prior to teaming with Express, she had 15 years' staffing industry experience in KwaZulu-Natal and owned a very successful independent staffing firm in Pietermaritzburg where she won the 2006 Nedbank PCB Entrepreneur of the Year Award.

She sits on the executive committees of the Association of Personnel Service Organisations and the Confederation of Associations in the Private Employment Sector, and has been actively involved with the Franchise Association of South Africa.

Since taking over the leadership role and becoming a partner and shareholder, Express South Africa has earned the highest profit ever. Through the efforts of Diaz and her team, Express is quickly becoming a name to be recognised in the staffing industry: encouraging entrepreneurship, empowerment, job placements and better working conditions and benefits to all our workers.

In the 2011 PMR.africa Annual National Survey on outsourced staffing solutions companies, Express Employment Professionals was awarded a Bronze Arrow, equivalent to "outstanding". Companies were rated across a range of 22 attributes. The awards represent competitiveness, effectiveness, excellence, leadership, resilience as well as customer service and customer satisfaction.

One of our KZN franchisees was recently chosen through the Readers Choice Awards as the best service provider in the staffing industry.

### Franchised staffing business model

As the largest franchised staffing firm in South Africa, Express offers many entrepreneurs just the right mix of support and independence. By investing in an Express



Carolyn Diaz, Managing Director

franchise model, you are giving yourself a promotion to ownership. Express provides the training, operational expertise, business model and systems the business owner needs to succeed, allowing the franchisee to focus on the business fundamentals. The franchise business model merges the strengths of the franchisor (headquarters) and the franchisee (business owner) to form a unique partnership, with both parties working together to achieve success.

### Benefits to owning a franchise include:

- Pre-opening support
- Ongoing training
- Marketing and advertising support
- Payroll and accounting support
- Increased brand awareness
- Consistent quality
- A network of fellow franchisees

For more information on franchising and the services offered by Express Employment Professionals, visit [www.expresspros.co.za](http://www.expresspros.co.za) or call 0861 166 853.

## Setting sustainable trends within the construction industry.

Umso Construction (Umso) specialises in general Civil Engineering services, including but not limited to, roadworks, water and sewer reticulation, concrete structures, bridges and box culverts. Founded in 1996 as a Black Economic Empowerment (BEE) company, in 2004 Umso transformed into a prominent Historically Disadvantaged Company (HDC).

With its head office based in East London within the Eastern Cape Province, the company, through successive execution of quality work, has expanded its client base throughout the entire country.

Umso's regional offices throughout the country are within the following regions: Eastern Cape, Kwa-Zulu Natal and Gauteng Provinces. Umso's client base includes both the public and private sector culminating in projects such as Gautrain, Gauteng Freeway Improvement Project, Coega Development Corporation IDZ, including the Multi-Purpose Pipeline (Durban to Johannesburg).

With such breadth of achievement by a growing company, a natural question arises—how is this achieved? Quite simply, Umso invests in its people and service delivery.

### Investing in what works

The philosophy underpinning the company's sustained growth over the past 15 years reveals that initial investment in human capital spawned results beyond expectation thus, a current significant compliment of managers and technical personnel who were groomed and nurtured inhouse to execute their duties diligently at all times.

The investment in training remains paramount and continues, the rationale behind this is that the company needs to develop its own skills base and avoid dependency on the general industry skills pool.





# 15 YEARS OF EXCELLENCE

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ROAD WORKS. EARTH WORKS. HAULAGE. WATER SUPPLY & SEWER SANITATION. BRIDGES





# Boost for Coega

**Construction of a multimillion-rand Chinese vehicle-manufacturing plant taking shape**

**It's all systems go for the construction of a multimillion-rand Chinese vehicle-manufacturing plant in the Eastern Cape.**

In March, officials from China's leading auto manufacturer, First Automobile Works (FAW), signed a contract with the Coega Industrial Development Zone (IDZ) to mark the beginning of construction on the company's US\$100-million (roughly R759-million) truck and passenger car plant.

"FAW's decision to build the plant in South Africa is significant, as it will be one of the biggest manufacturing investments by China in the country so far," said Coega Development Corporation (CDC) spokesperson, Ayanda Vilakazi.

"FAW's arrival in the Eastern Cape adds to the existing list of automobile manufacturers

already in the province, including Volkswagen, General Motors and Mercedes-Benz."

The plant's initial construction is set to cost R200-million and will be built on 400 000 square metres of land in the IDZ's Zone 2.

It is expected to produce 5 000 trucks annually, as well as light commercial vehicles and passenger cars.

In its first phase, the plant is expected to create 500 permanent jobs for people in the Eastern Cape.

Once completed, the truck assembly facility is expected to create a further 500 to 800 jobs, with more jobs being created when the company starts producing an additional 30 000 passenger vehicles annually.

"We welcome the private sector's investment of billions of rands that will provide desperately needed job opportunities, while helping to address poverty and inequality in the

province," said Eastern Cape Premier Noxolo Kiviet, during the sod-turning ceremony.

She said the national government's efforts to develop infrastructure in the province was pivotal in securing FAW's investment.

Vilakazi said FAW's decision to invest in the province was prompted by Coega's location, the proximity of the Port of Ngqura, the logistical solutions available, the availability of skills in the Nelson Mandela Bay Metropolitan area and support mechanisms offered by Coega.

Since entering the market in 1984, FAW has produced 16 million vehicles and has consistently been a Fortune 500 company.

FAW is China's leading exporter of vehicles and has joint venture operations with many of the world's leading vehicle manufacturers including Volkswagen, Toyota and Mazda. **BBO**

*BuaNews (www.buanews.gov.za)*

# NOW MAKES 15% MORE CONCRETE.



## 15% MORE CONCRETE

The new PPC Cement products have extra strength to bring your vision to life, Surebuild 32,5 R is now Surebuild 42,5 N and OPC 42,5 N is now OPC 52,5 N. Each bag of the new PPC Surebuild and OPC Cement now makes 15% more concrete than before, making more of your vision possible. Whether you are a builder or operating in the precast or ready-mix industries, the benefits are enormous.

## BUILDERS

In business every little bit helps. However, 15% more makes a huge difference. PPC's new Surebuild Cement 42,5 N with extra strength makes 15% more concrete than regular 32,5 general purpose cements. This means less cement per cubic metre of concrete and therefore reduced cement costs.

In addition to better strength development, setting time has also improved, allowing formwork to be stripped sooner than usual. Quicker floating is another aspect that will improve productivity and overall profitability. Our new formulations will increase the quality of workmanship and, ultimately, result in good referrals and more jobs. As any builder knows, you're only as good as your last job.

## SMALL BRICK & BLOCK PRODUCERS

With the new PPC Surebuild Cement 42,5 N with extra strength, you can make at least 15% more bricks than regular 32,5 general purpose cements. This means you require less cement per brick, resulting in more bricks per bag. Shorter curing time will also increase productivity,

while our improved early strength development sets new standards and reduces breakages. The result: better quality, quicker stock rotation, less yard space required and good referrals resulting in more sales.

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Increased strength of OPC means less cement per cubic metre of concrete, thereby reducing cost and risk. So, if better quality, higher compressive strength and improved process control are what you're after, perhaps it's time to consider our new, more competitive OPC Cement 52,5 N.

Whatever your project or business, if you can think it, you can build it with PPC Cement. For more information call our toll-free line on 0800 023 470 or visit [www.ppc.co.za](http://www.ppc.co.za)

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## OUR STRENGTH, YOUR VISION.

# The man with the spirit of ubuntu

## From humble beginnings to unprecedented heights

**D**itau tsa go tlhoka seboka di sitoa ke nare e tlhotsa is a Tsonga saying meaning, “An uncooperative pride of lions will fail to bring down a limping buffalo.”

While many look back and attribute their poor upbringing to their unfortunate circumstances in life, Dr Reuel Khoza told Leadership magazine that he attributes his present achievements to the humane lessons he learnt as a result of his humble beginnings. “One of the core values I have carried from a young age is industriousness as a virtue. I have learnt the importance of sharing, caring, cohabitation on a large scale, and taking care of others.”

Reuel J. Khoza grew up in an extended family setting in Acornhoek, which is part of the Mpumalanga rural area. Subsistence farming, tending to livestock and waking up at dawn characterised his early years. “It was a rural existence in an atmosphere of love, caring,

sharing and hospitality – even to travellers and strangers,” recalls Khoza fondly. “We would farm groundnuts, pumpkins, maize and beans, among other crops, and we would rest only when all the work was completed.”

It was by no means an easy life but, interestingly, he only critically reflects on the positive aspects of his early life: the lessons learnt and how these lessons have contributed toward making him the individual he is today.

Khoza is an accomplished academic with qualifications from Harvard University, a doctorate from Warwick University and many other reputable institutions.

He is currently the chancellor of Limpopo University, the chairperson of Aka Capital Investment, the Nedbank Group Ltd and the Nepad (New Partnership for Africa’s Development) Business Foundation. He is also the former chairperson of Eskom.

He is an accomplished author with three books to his name. His latest publication is titled *Attuned Leadership: African Humanism as Compass*.

With so many spheres of interest in his life and a vast array of accomplishments under his belt in both the business and academic world, one wonders where Khoza’s core interest between business and academia lies, and how he balances – or rather juggles – the two.

“Business management and leadership are my labours of love, and academic pursuit and lecturing are my irresistible hobbies,” he remarks. “Together, these constitute the bulk of my wakeful life outside of the family. Balancing these provides the healthy tension that keeps me going.”

Khoza feels that his study of psychology sharpened and accentuated his keen interest in observing human behaviour which, in turn, was channelled through his writing. “My authorship is essentially a record of these observations using hermeneutics as a method with a particular focus on leadership.”

His love for writing, particularly on leadership, is evidenced by the title of his latest book, dedicated to his late son, Muchavaveri Martin Khoza. It is clear that his death is still



Reuel J. Khoza

a subject of heartache. "My late son was the embodiment of my sublimation, a personification of what I fancied I could realise, were I to live in the generation after mine. His death at an age so supple struck a blow I cannot

win without making one's contestants look bad. Being at other people's service is edifying.

"Later on in life, Dr Conrad Strauss influenced me positively in business. Strauss was the former chairperson of Standard Bank, who

in contemporary leadership thinking as more scholars, leaders and authors are putting it into practice and advocating for it as an intellectual framework of reference.

Khoza highlights that by invoking the philosophy of African humanism as a special contribution to the universal paradigm of leadership, he does not excuse the many shortcomings of African leadership. "It is a source of great pain to acknowledge Africa's miserable governance (in many countries, but not everywhere). Both corporate governance and political leadership are undermined by the exploitative behaviour of foreign companies, as also by the practices of neopatrimonialism." Which he describes as "the corruption of traditional patrimonial values by politicians and businesspeople who use their resources to secure loyalty and enrich themselves, soaking up millions and spreading vice wherever they lay their hands".

He views ethical leadership as the key to efficient management within the African perspective. "The ultimate responsibility of leadership is to ensure the organisation is permeated by humanness. Management is a systems function which, in the final analysis, makes it morally neutral – not primarily concerned with rightness, but with efficient performance."

Khoza argues that management can only be moral if the leadership directs it towards a moral course. "Ubuntu is essentially transformative, since it directs organisations toward an ethics of care."

He continues: "The humane style of leadership generated by African humanism puts people first, though I hasten to add that it is not soft on performance. By encouraging people, empowering them, and requiring collective alignment, it promises to be more, not less, effective." In essence, he feels that the ubuntu philosophy can add to eradicating some of the problems that are riddling the resource-rich African continent if applied fully and not simply partially.

Khoza believes cultures move forward through borrowing from each other. The key, according to him, is not cultural assimilation, but rather borrowing the elements that are

## Khoza notes that the biggest influence and motivation in his life was his father

recover from – anniversary after anniversary wrenches that wound open. Dedicating the book to him helps render the pain bearable."

However, Dr Khoza thanks God that his wife Mumsy, and two daughters, Nkatekho and Munene, provide bountiful solace and the delight that only a family can. "The annual family holidays are something to look forward to, as we spend time as a family travelling locally and abroad." This is the time when the family bonds and Khoza takes a break from his hectic work schedule.

He notes that the biggest influence and motivation in his life was his father, and attributes his methods of support as the main catalysts in instilling the drive and hunger to succeed. "My father had a Pygmalion effect on me. He loved me and expected me to excel in all I did, and gave me abundant psychological rewards, reinforcing my good performance at every turn. He shared my achievements with kith and kin."

He further notes the achievements of J. Russel Saoli, who was the principal of Arthurseat Nazarene Mission School (where he was a scholar from Grade 1 to Matric), as a perennial source of inspiration and a luminous beacon of aspiration. "Growing up, I have learnt that nothing is for free. Good things are earned."

Khoza believes it is essential to work hard and even more important to work smart and go the extra mile. "One achieves much through co-operation. One can compete and

introduced me into corporate governance by appointing me to the Standard Bank board as early as 1984," he relates.

Khoza is one of the leading advocates of ubuntu. In *Attuned Leadership*, he critically assesses the role of ubuntu in the modern-day era and how it can be adopted into the co-operate and political systems of leadership. He argues against those who believe that ubuntu is not strong enough as an intellectual framework.

He feels that the current global leadership predicated on individualism is virtually bankrupt of values. Leadership needs to reform international relations, lessen conflict, eradicate poverty, and create the conditions for a sustainable future for humanity. "We need leaders who recognise that we are one, interdependent human community on a fragile planet. Only by means of wisely led co-operation can we save the planet from destruction and ourselves from mutual annihilation.

"This is ubuntu-based leadership. Such leadership comes about through a value system that emphasises sharing, communally agreed use of resources and, above all, respect for human dignity," Khoza adds.

He is strongly opposed to individualism, noting that it is so focused on self and preoccupied with the zero-sum game that it accentuates success at the expense of others. He feels it is this kind of greed that has plunged humanity into the current global crisis. Ubuntu is gaining ascendancy

beneficial. "Africans, like some others, are products of two socialisation processes: enculturation, which is assimilation of patterns of behaviour and design for dealing with life's challenges from their native culture; and acculturation, which is assimilation of cultural practices from foreign cultures. It behoves Africans to configure that which works optimally for them without losing their essence such as the core values of ubuntu," he explains.

He has been fortunate to interact on a personal level with leaders such as Nelson Mandela. "Mandela's influence dates back to my university days when a friend smuggled his collection of speeches, *No Easy Road to Freedom*, in my dormitory."

Reading Madiba's then banned speeches and later working with him as Eskom chairperson had an indelible lasting influence on Khoza. "Mandela had a clarity of vision, unwavering commitment in pursuit of his liberatory mission, dedication to being of service to the nation, and his unmistakable moral authority."

He argues that leaders such as Mandela and Mahatma Gandhi are in a class of their own, as they had clarity of vision and articulated it compellingly. They were dedicated to serving their nations based on sound human and humane values, beckoned by a sense of destiny.

Above all, Khoza feels the moral authority of these leaders was informed by ethical conviction while not alienating their followers. They had a full appreciation of the needs and aspirations of those they led.

With such a rich professional life, it is difficult for him to pinpoint a specific highlight in his professional or academic life. However, highlights include the completion of his doctorate at Warwick University and having the LLD honoris causa bestowed on him by Rhodes University.

"Career-wise, the appointment to the chairmanship of Eskom – Africa's largest energy utility, and at the time (1997) the fourth largest utility in the 'free' world – was a major highlight. This is only rivalled by my appointment as group chairperson of Nedbank in 2006 and being elected as president of the Institute of

Directors at the turn of the century," Khoza says humbly.

In business management, he advocates Koestenbaum's core principles, which are objectivity, credibility and effectiveness. (Peter Koestenbaum is founder and chairperson of PIB and the Koestenbaum Institute of Leadership.)

Khoza feels, however, that these principles are not comprehensive enough and adds insight, inspiration, commitment, probity and efficacy as the other core values of leadership. He argues that there is no distinction between political and business leadership.

"Both call for clarity of vision, a deep sense of purpose, strategic thinking, ethical values and a deep sense of destiny that should manifest in good governance. That is leadership in practice."

Within the global sphere, Khoza believes the South African banking sector emerged relatively unscathed from the global recession,

accepting that their plight and their future are in their hands."

He cautions that not all developed countries are sincere in their dealings with African countries. "A classical case of the developed countries' stance on Africa is what France, Britain and the US did in helping to liberate Libya from Muammar Gaddafi: they distorted a United Nations' resolution to serve their own selfish interest of regime change and to gain fresh access to oil."

Khoza feels that the country's membership into the BRICS (Brazil, Russia, India, China, South Africa) bloc is a good form of progress, but also calls for caution. "It's a blessing and a welcome development, but South Africa must realise that she is punching above her weight, and proceed to identify her leverage points and exploit these to good effect."

His recipe for success has four key points: Firstly, reflection, which is geared toward

## "Business management and leadership are my labours of love, and academic pursuit and lecturing are my irresistible hobbies"


largely thanks to the National Credit Act and banking regulations.

He points out, however, that "the real economy" – as in export-import – could not escape the global contagion. "The world is now a neighbourhood; no political economy can escape a global meltdown."

Khoza argues that the greatest handicap of some African countries that still find themselves in the doldrums of poverty, despite being well-endowed with resources, is the lack of intellectual capital and the tendency to externalise blame. "Some leaders blamed the elements of slavery, colonialism and apartheid, and now they blame globalisation – instead of

introspection and knowing yourself. Secondly, identifying your personal vision and mission in life and articulating these clearly to yourself. Thirdly, equipping yourself with knowledge and skill, in essence being competent. Fourthly, imbuing yourself with a sense of efficacy.

"I believe you should pursue your goal unwaveringly, work hard, smart and go the extra mile," Khoza advises.

As his favourite personal quote states, "If you aim at nothing, you are sure to hit it." A set goal, therefore, is the master of motivation. 

Evans Manyonga



ACBO Services

# A client-focused approach

## ACBO Engineering Services offers the highest quality services

ACBO Engineering Services is a black majority shareholding company, established in September 1995 with 100% black ownership. It operates as a project management and consultancy firm specialising in the civil and engineering industry providing consultancy and project management services in South Africa and internationally.

ACBO Services is a truly South African business that has enabled its directors to seize the opportunity and create a sustainable venture to address this niche market need.

ACBO Services understood the need for businesses to invest in the community through job creation and empowerment. The company is fully black economic empowerment (BEE) compliant and endeavours to fill a gap in the market to provide project management and engineering consultancy services to clientele locally and globally.

Clients are firmly positioned at the centre of the ACBO Services operations, as the company has a client-focused team combined with a good variety of professional and industry experienced services that ensure a client-centric approach.

## Expert range of services

### Project Orientated Services

- Project Management
- Contracts Administration
- Project / Contracts Planning
- Project Co-ordination
- Commissioning Management

## Construction Services

### Engineering

- Civil
- Mechanical
- Administration Services

## Customer base

ACBO Services has a customer base of large organisation in the Power Plant and Petro-chemical environment respectively, i.e Eskom, Sasol ,Rotek etc.

## Business Approach

It is our goal to provide top quality service and personnel – as and when required by our client. Time and cost consideration demand quick determination of requirements and resources needed by each client.

Experienced management and supervision skills ensure optimum utilisation of our workforce.

Based on our individual staff member skills and experience combined with pro-active leadership, we firmly believe it will enable us to add value to the core processes of client companies, thereby enhancing and strengthening their competitiveness.

Since our firm is a generic broad-based BEE (level 4) entity, we commit ourselves to the training and development of black skills.

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# Beneficiation poser

**There are compelling arguments on either side of this debate; however, it remains to be seen which way the pendulum finally swings**

**S**outh Africa has announced a strategy to maximise the socio-economic beneficiation in the supply chain industries, extraction and processing, application and downstream industries, as well as related industries with multiplier effects across other sectors of the economy in order to create 140 000 additional jobs and extract added benefit before the minerals are exported, said Minister of Mineral Resources Susan Shabangu.

She said South Africa has vast mineral wealth from which little added benefit is extracted before it is exported.

"We need to build a beneficiation strategy that is fit for the demands of modern South Africa. We also have to curb the outflows of significant investment in the prospecting sectors, and ensure South Africa has the capacity to undertake this kind of scientific work," Shabangu added.

The beneficiation strategy would provide various added benefits to the economy. These include policy interventions in the supply-chain industries, leading to the creation of more semi-skilled and skilled jobs that create new infrastructure for the beneficiation of minerals – benefiting far more people than the beneficiation industry alone.

The country has an estimated mineral wealth of about \$2.5-trillion (about R19 trillion), comprising nearly 54 different minerals – excluding energy commodities such as coal, gas and oil.

However, most of the minerals are exported as raw ores, alloys or metal ingots, rather than beneficiated products.

"Beneficiating these raw materials and transforming them into finished products is the key to unlocking social and economic development for our people," Shabangu was reported in

*Engineering News* (November 2011). "We need to beneficiate and add to local job creation, local value generation, as well as expand the local skills base."

### Paradise lost

South Africa has a long history of beneficiation, including the establishment of a steel industry in the country as early as 1913. A ferrochrome industry was established in 1960 in eMalahleni, formerly Witbank, while petrochemicals industries such as Sasol were also established and developed.

More recently, platinum-group metals were being beneficiated into auto catalysts from the 1990s, and monolith manufacturing from 1999.

Despite this history of beneficiation, up to 89% of all the potential value of South Africa's raw minerals were lost through premature exports.

Shabangu said that in 2008, South Africa earned R300 billion from all the minerals unearthed within its borders, of which only 11% were further processed to create an additional R86 billion in added value.

This represents a significant missed opportunity to unlock the wealth of the country's minerals, and create employment for the country's people.

Although South Africa has steadily improved its ratio of beneficiated primary products exported since the 1970s, the ratios are still well below the potential suggested by the quality and quantity of its mineral resources.

### A brief history of beneficiation

Siyabonga Ndabezitha, chief director of mineral promotion in the Department of Mineral Resources (DMR), outlined the basis for mineral beneficiation during a parliamentary briefing in 2011.

He said the White Paper on Minerals and Mining Policy of 1998 showed that employment in the mining sector had declined from three-quarters of a million people to half a million since 1994.

This led to the Mineral and Petroleum Resources Development Act (MPRDA) 2002, where, under Section 26, the minister may

prescribe the levels of beneficiation in the industry in an attempt to stimulate its ability to create jobs.

The current New Growth Path was seeking to generate 140 000 jobs in the next 10 years, and the mining and beneficiation of products had been identified as job drivers, therefore the minerals beneficiation strategy was seeking to increase the ratio of minerals beneficiated.

The strategy had begun as an initial research study undertaken by Mintek. Pilot value chains were then selected and a draft beneficiation strategy was developed by a dedicated inter-departmental task team.

External stakeholders were consulted and the strategy approved by Cabinet in June last year.

It was anticipated that the developing countries would be at the forefront of a new growth phase, therefore there would be an increased demand for iron ore for infrastructure development, with developing countries being the major markets.

As previously mentioned, South Africa – according to a Citibank report commissioned last year – had \$2.5-trillion (about R19 trillion) worth of minerals – excluding coal, uranium and thorium. It had 90% of the platinum metal group, 80% of the manganese and 70% of the chromium in the world – giving it a comparative advantage.

The beneficiation strategy was seeking to convert that into a competitive advantage. It would do so using policy instruments such as the MPRDA, working with the Platinum Beneficiation Committee, and using international trade agreements and bilateral agreements with countries to facilitate beneficiation, said Ndabezitha.

### Constraints

The DMR had identified as constraints, the limited access to raw materials for local manufacturers due to existing agreements.

It was currently amending the MPRDA so that new entrants could have access to raw materials, for example 10% of diamonds had to be made available to the state diamond trader for future use by new entrants.

There was a shortage of critical infrastructure namely electricity, water and railways. The DMR was working with Transnet so that future industry plans could be factored into the latter's infrastructure plans.

In addition, there was limited expertise to do research and development (R&D). More institutions should focus on R&D, said the DMR. It was already working with the Department of Science and Technology on a 10-year plan to work on research dedicated to promote beneficiation.

On account of inadequate work skills, the DMR was partnering with sector education and training authorities as well as the Department of Higher Education and Training to generate the quality and the quantity of skills required.

On account of inadequate work skills, the DMR was partnering with sector education and training authorities as well as the Department of Higher Education and Training to generate the quality and the quantity of skills required.

Mike Teke, chief executive officer of Optimum Coal Holdings, said if there were any constraints or concerns, it would relate to ensuring there is an integrated strategic approach to make sure this process is well understood.

Issues such as the raising of capital (attracting investments), availability of infrastructure and skills shortages must be dealt with effectively, he said.

"I have no reservations, but would like to see a proper strategic approach to beneficiation. Again, are we referring to beneficiation or manufacturing beneficiation," Teke told *BBQ*.

### Global economic perspective

Developing countries are increasingly playing a bigger role in global economic growth, according to a strategy document by the DMR.

The International Monetary Fund predicts the growth of developing countries to lift world economic growth significantly, wherein the aggregated GDP growth for such countries is projected to exceed 6.5% in 2012 against a global forecast of 4%.

During the global economic and financial crisis of 2008, the growth in developing countries confirmed assertions the world has entered a new growth phase that will precipitate a long-term high demand for natural resources, goods and services.

Individually, the Chinese and Indian economies led the pack with 2009 economic growth rates of 8.7% and 7.4%, respectively, at the depth of the crisis.

Per capita consumption of base metals and steel generally tends to rise with income.

Countries in their early stages of development use long steel for infrastructure and construction purposes, while more developed economies use flat steel for manufacturing.

The combined population sizes of both India and China represent three times the population requirements of the Organisation for Economic Co-operation and Development, and possibly three times the resource needs.

It is, therefore, projected that the next commodities boom will be underpinned by the insatiable appetite for steel from the developing countries.

Chinese GDP has grown at a staggering average of 9.5% in the last two decades, which has coincided with levels of capital formation to the tune of 40% of GDP.

Synchronously, there has been intense industrialisation and urbanisation, both of which drove China's consumption of mineral commodities at an unprecedented rate (for example, 30% of world steel – which is more than what is consumed by the United States and the European Union combined).

It is significant that China has committed to increase investment in South Africa's beneficiation programme in order to take advantage of proximity to mineral sources of production, as outlined in the comprehensive strategic partnership with South Africa in 2010.

The increasing regional and continent-wide geopolitical stability presents prospects for additional (and proximal) market access for South Africa's beneficiated products.

### **Beneficiation value proposition for South Africa**

The concept of beneficiation is not new in South Africa. For example, the bulk of the country's electricity is generated from coal power stations, which consume more than 50% of the nation's annual production of coal. Consequently, South Africa's economic growth was sustained over an extended period, as a

result of the globally cost-competitive form of electricity fuelling the economic growth and creating jobs, according to the DMR.

Currently, new forms of beneficiation opportunities are sought to complement the conventional electricity generation in the country, which will underpin the much-needed economic growth.

Beneficiating the minerals to finished consumer goods not only increases the revenue gained from the exploitation of the mineral resource, but also significantly increases the labour-absorptive capacity of the industry.

### **The Nordic example**

Comparative studies on beneficiation show it is possible to industrialise by leveraging on a country's natural resources, with the government driving the beneficiation initiative as it was done in the Nordic countries.

The 2008 Nobel Prize recipient for economics, Paul Krugman, supports value addition of commodities from producer countries, and proposes that comparative advantage can be readily translated into competitive advantage, if managed in a co-ordinated manner.

This can be achieved through the optimisation of linkages, which will in turn derive optimal benefit for the source countries, as indicated by the experience of the Nordic countries, said the DMR.

### **Ten commodities**

The beneficiation strategy centres on 10 commodities and five value chains.

The 10 selected commodities are gold, platinum, diamonds, iron ore, chromium, manganese, vanadium, nickel and titanium, with coal and uranium bracketed together; the five value chains are energy, steel and stainless steel, pigment production, auto catalyst and diesel particulate filters, diamond processing and jewellery.

Side-stream beneficiation is recognised, but downstream value addition is emphasised, embracing capital-intensive smelting and refining and including labour-intensive craft jewellery and metal fabrication.

"The new policy presents exciting opportunities for long-term investment for both

local and foreign investors, into beneficiation and manufacturing sector of the South African economy," the Cabinet said. "This will leverage optimal benefit from enhanced value of exports, increasing sources for consumption of local content and contribute toward the creation of sustainable jobs."

### **Chamber of Mines expresses reservations**

In May 2011, Xolani Mkhwanazi, Chamber of Mines president, told *Sake24.com* that mining countries do not beneficiate their own minerals.

"South Africans need to be educated about beneficiation", he said. "Most mining countries do not beneficiate, nor do most of them serve as markets for their own mines' production. Australia does not beneficiate, Canada does not beneficiate and Chile does not beneficiate either.

"One has to process mining products close to their markets, such as Europe and Asia," added Mkhwanazi, who also chairs BHP Billiton South Africa.

He said an emphasis on beneficiation was misplaced. The shortage of electricity in South Africa left the country in no position to beneficiate.

In 2010, in the run-up to the review of the Mining Charter, there was considerable rapprochement between the government and the mining industry.

Mkhwanazi said agreement had been reached with the government on South Africa's need for a beneficiation strategy. This did not imply an obligation on mining houses to beneficiate, but rather that they should facilitate it.

The National Planning Commission (NPC) warned in 2011 that the further processing of minerals (or beneficiation) was so capital- and energy-intensive that it would take place at the expense of job creation.

The NPC is not convinced that mining and the beneficiation of extracted raw materials could be a major job creator.

According to the Commission, the role of mining is primarily to generate export earnings – and it is only a modest potential creator of jobs.

In general, the beneficiation of raw materials contributes little to job creation, declares the National Development Plan (NDP).

Much more attention needs to be given to the role that the mining sector can play in stimulating other industries.

Examples would be industries that provide the services and goods used by mines. These include, in particular, machinery, chemicals and engineering services, which are closely associated with growth in mining and are more labour-intensive than mineral processing.

Job creation in the mining sector can be expanded by using local inputs as much as possible, as well as by providing these to international companies.

The plan is in keeping with the view of the mining sector.

The NDP states that electricity supply is the biggest stumbling block, as most beneficiation activities are highly energy-intensive, as reported by *Sake24.com* (August 2011).

Judging from the progress in building the Medupi Power Station, there is probably too little electricity for all the mining projects envisaged, never mind plants to beneficiate their products.

The NDP does state, however, that beneficiation can improve the value of mineral exports.

Care needs to be taken to identify sophisticated resource-based products, which South Africa can manufacture. This is especially the case for platinum and chrome ore, and an export duty on these minerals has been proposed to retard the exporting of these unprocessed raw materials.

According to the NDP, South Africa has a natural monopoly on platinum and chrome, as well as manganese – an advantage that it can better exploit into the future.

It has also been proposed that the country promote research to find alternative uses for platinum, in particular.

#### Cost of unskilled labour

Hein Kruger, chief executive of Kruger International, says his concerns are that South Africa has never been able to implement a

beneficiation strategy – there have been many over the past 50 years. It is nothing new.

“But we are not competitive with foreign manufacturers because of the high cost of our unskilled labourers and system, including the lack of skills.”

The job-creation potential of the beneficiation strategy could be insignificant if the South African education system does not create skilled workers who can beneficiate.

are properly administered to expedite issues such as customs.

“South Africa’s industrial development zones don’t come close to those of India and China,” he adds.

#### A final word

But should beneficiation as policy simply be dismissed due to shortcomings, challenges and restraints?

## “South Africans need to be educated about beneficiation”

“Our education system does not only lack the training of skilled people, but we are sliding further away from it,” says Kruger.

“The strategy cannot be implemented without the manufactured product. The product cannot be manufactured because there are no skills.”

Roger Baxter, who stepped down in 2011 as the Chamber of Mines chief economist, says many jobs are already created directly or indirectly from mining, both in downstream industries (everything from ferroalloys to aluminium, plastics, polymers and cement) and activities such as financial services.

“But when you move to jewellery fabrication or catalytic converters, it is beyond the competence of the mining sector,” he is quoted in *Business Day* (23 October 2011). “We believe downstream manufacturing is industrial policy, which is very different from mining policy.”

Baxter says that in jewellery making and catalytic converters, South Africa is competing with countries that do not necessarily have its natural resources, but which have established special economic zones. These offer tax incentives, are duty-free and VAT-free, have specialised skills programmes and

Nomaxabiso Majokweni, CEO of Business Unity South Africa, warns against simply dumping beneficiation.


The policy should be refined and embraced, she adds.

“Beneficiation is important for transforming the economy from one that is over-reliant on primary commodities to one anchored on value-added products.

“The truth of the matter is that mining is a finite industry – and the sooner South Africa develops its beneficiation capability, the better,” Majokweni says.

“Moving up the value chain also increases the value of the products, thereby increasing the revenue derived from trading in such products.

“Value addition is critical for industrialisation, which South Africa badly needs,” she adds.

“Without addressing the key barriers to a successful beneficiation strategy, such as the pricing mechanisms (import parity pricing), input costs, skills availability, infrastructure limitations, technology and research and development – beneficiation will remain a pipe dream.” 

Fanie Heyns

# Opening new frontiers

## Tshipi é Ntle Manganese Mining

**It took a mere four and a half years for Tshipi é Ntle Manganese Mining to commence constructing a new R1.7-billion open-pit manganese mine from the date that the prospecting rights were awarded.**

"This can only be done with vision, leadership, a dedicated team, supportive shareholders and a commitment to make a difference to South Africa," says chairperson, Saki Macozoma. "Of course, Mother Nature also played her part by providing Tshipi with truly world-class mineral resources."

The Tshipi é Ntle Borwa mine, a Tswana name meaning "beautiful steel", was conceived in 2002 when nine black economic empowerment groups formed Ntsimbintle Mining (Pty) Ltd. Safika Resources and Nkojane Economic Prospecting and Investments jointly led, and initially financed, the process of applying for certain manganese prospecting rights in the Northern Cape. The prospecting rights to certain properties were eventually awarded to Ntsimbintle in late 2006, and so the process for the creation of South Africa's newest manganese mine began.

After being awarded the prospecting rights, Ntsimbintle required funds to complete the costly exercise of geological exploration and evaluation. It funded this by entering into an agreement with the Pallinghurst Co-Investors – a diverse group of local and international investors led by Brian Gilbertson.

The Pallinghurst Co-Investors earned their 49.9% stake in the prospecting rights by making an option payment, completing the necessary geological drilling and studies and the funding of a bankable feasibility study. To ensure the company was properly structured, according to the agreed percentage the prospecting rights were transferred from

Ntsimbintle to a new company called Tshipi é Ntle Manganese Mining (Pty) Ltd (Tshipi).

The year 2010 brought with it several corporate changes to the ownership of Tshipi. Firstly, Pallinghurst Co-Investors merged its interest in Tshipi with an associate entity, the Australian Securities Exchange-listed Jupiter Mines. In the same year, OM Holdings (OMH) invested into Ntsimbintle, providing it with a portion of the capital that would later be so crucial to construct Tshipi Borwa.

OMH, also listed on the ASX, is an integrated mine-to-market business with manganese mining operations at Bootu Creek (Australia), alloy-producing operation in Qinzhou (China) and a trading operation in Singapore. The OMH acquisition resulted in it owning an indirect 13% stake in Tshipi.

Jupiter Mines raised A\$150 million (nearly R1.2-billion) in capital during early 2011. After this and the OMH transaction, the Tshipi shareholders had secured all the capital necessary to commence construction of the Tshipi Borwa mine; the final decision to proceed was taken in February 2011 and activities commenced shortly thereafter.

Macozoma, whose vision and leadership have managed to steer the Tshipi boat towards this important period, is a significant shareholder in Safika Holdings and so an indirect shareholder in Ntsimbintle, which owns 50.1% of Tshipi.

He studied political science, economics and journalism at the University of South Africa and Boston University in the United States.

Macozoma's history reflects a long and varied background that has developed and refined his leadership qualities. In 1976, he was arrested for leading a student protest march and was sentenced to five years imprisonment on Robben Island. "It was here that I met Nelson Mandela, who mentored and

encouraged me to take highly principled views on moral issues," he says.

In 1991, he was elected to the ANC's most important body, the National Executive Committee – a position he held until 2009. He became a member of parliament in 1994, and was elected as chairperson of the Parliamentary Portfolio Committee on Communications.

In April 1996, Macozoma resigned from parliament to become the managing director of Transnet, a company whose assets were then worth R40 billion. In this role, he tackled an R8-billion pension fund drain that had hampered the company's performance, and spearheaded a policy of affirmative action and black empowerment.

Today, he serves as the chairman of financial institutions Stanlib and Liberty Life, deputy chairperson of Standard Bank of South Africa, a director of the Liberty Group and of Volkswagen South Africa, and chairperson of Tshipi.

Macozoma describes Tshipi's greatest challenge as access to sufficient cost-effective transportation (predominantly rail transportation) for its product, which is exported in bulk form. "Despite the enormous risk of not having suitable clarity on access to South Africa's constrained rail transportation network, the shareholders took a calculated decision and resolved to commit the R1.7-billion capital to the project and commence construction of the Borwa mine," he says.

"Sitting back on these world-class mineral assets and throwing our hands into the air in desperation was not an option for us. We had to take ownership and responsibility for our own destination," he adds.

The taking of this calculated risk paid off in early February 2012, when President Jacob Zuma announced Transnet would commence with the manganese export expansion of rail and port capacity to Ngqura port.

“Tshipi, by having a completed open-pit mine, will be ideally suited to make use of this new rail and port capacity. Furthermore, the open-pit operation can easily be expanded to produce more tonnage,” says Macozoma.

Access to cost-effective and efficient rail transportation is crucial for South African manganese exporters to become, and then remain, globally competitive. “There are a host of new international manganese producers with which South Africa is competing and prices are at a 3 year low; remaining cost-effective is crucial to our survival,” he adds.

Tshipi remains black-controlled and is completely unencumbered, including the portion that is owned by the broad-based local black shareholders. “We do not have any obligations to any funders, which means that a portion of the land’s mineral wealth will find its way back to the people who have inhabited the land for decades. Tshipi will make a significant difference to the lives of many historically disadvantaged South Africans in the Northern Cape,” says Cynthia Mogodi, chairperson of the John Taolo Gaetsewe Development Trust, a significant shareholder in Ntsimbintle Mining.

As part of the awarding of the mining right, Tshipi undertook to adhere to a significant social and labour plan. The aspects of the plan include local economic development, the support of local communities and the provision of education. “This five-year programme is presently being rolled out and Tshipi will employ a full-time staff member who will be tasked with ensuring we comply with it,” he says.

To date, Tshipi has undertaken to develop a training centre together with its main mining contractor, Moolmans. The training centre, which is not an obligation of its social and labour plan, aims to train mine machinery operators who are in short supply in the Northern Cape. On the softer issues, Tshipi has funded innovative research into secretary birds, whose numbers are rapidly declining.

“These two small activities reflect how Tshipi is taking an holistic approach to its activities in the Northern Cape,” Nkonjane chairman, Sabelo Macingwane, concludes.



*Saki Macozoma, chairperson of Tshipi é Ntle Manganese Mining*



# Green is the new gold

## Zimbabwe's Green Fuel project is a ray of hope for southern Africa

**The world today is riddled with problems needing immediate attention – leaving these unattended, endangers the human race and the ecosystem as a whole. Carbon gas emissions have captured global attention, as scientists warn of the devastating consequences thereof if not addressed immediately.**

In the absence of adequate resources, developing nations should use the little at their disposal to devise meaningful projects that could reduce emissions. Zimbabwe has emerged with one such greenfield project, the largest in Africa.

Known as the Green Fuel project, the US\$600-million (about R4.5-billion) facility is located at Chisumbanje in Chipinge district, Manicaland province. The project produces anhydrous ethanol fuel on 7 500 hectares, and a further 5 000ha are expected to be under sugar cane irrigation.

The product comprises 10% green fuel and 90% normal fuel. According to the producers, it has strong benefits, is cheaper than normal fuel and, most importantly, is partly produced from a crop grown locally.

Currently, fuel prices in Zimbabwe are very high. Ethanol costs US\$1.36 (about R10.36) and normal fuel is currently pegged at US\$1.45 (R11.04) per litre.

According to the project's general manager Graeme Smith, the ethanol plant was imported from Brazil, but replicated by setting up a new plant in Zimbabwe. Brazil experienced similar economic hardships as those presently plaguing Zimbabwe, until this project rescued its economy.

These types of projects, if supported meaningfully, have the capacity to not only resuscitate the economy, but also to positively contribute to curbing emissions.

The Green Fuel project is not a completely new phenomenon in Zimbabwe, with the country having experimented with it during the 1970s, but prohibitive production costs led to its consequent abandonment and the government went back to importing fuel.

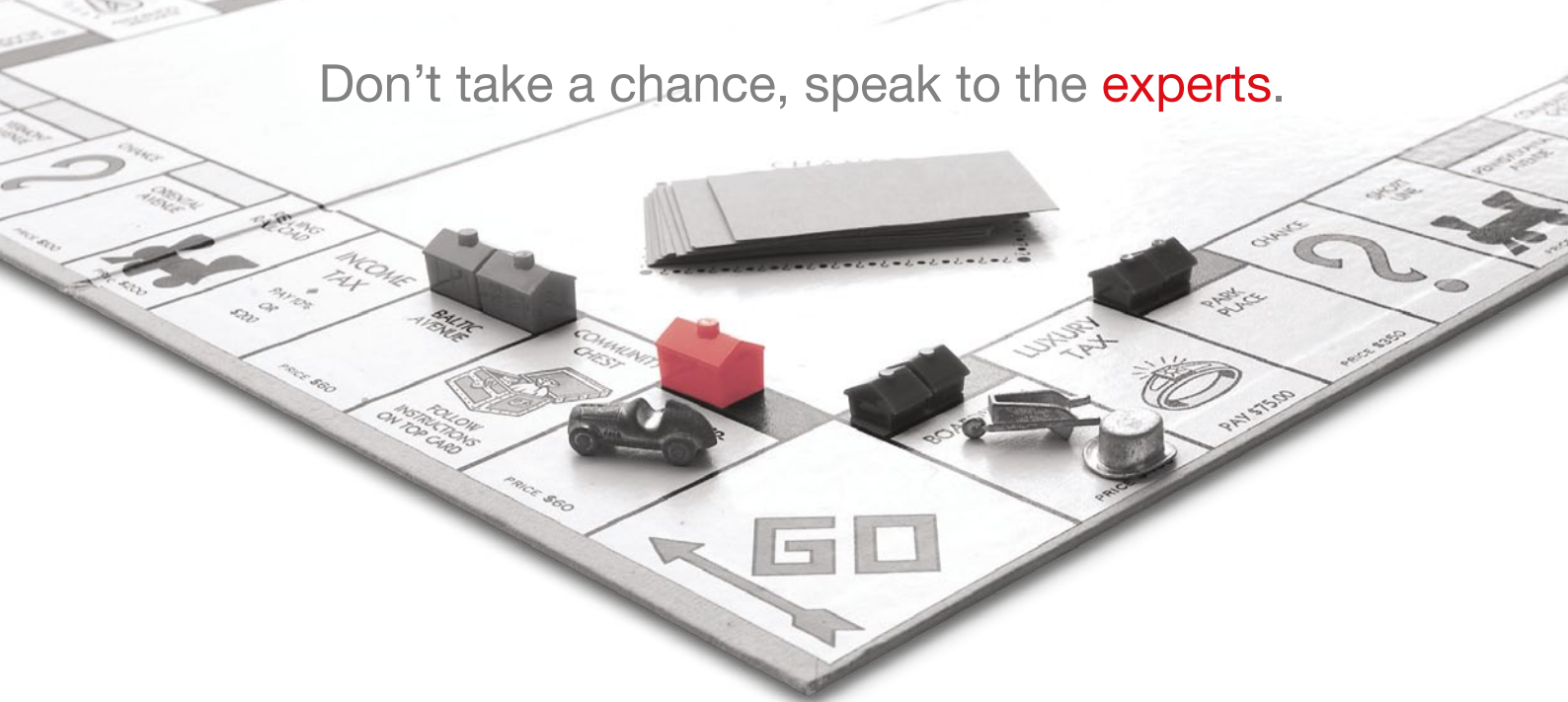
Green fuel is environmentally friendly and produces less emissions. Various solutions have been suggested to reduce these emissions, though they are yet to be implemented. This was one of the hotly debated issues during the COP17 climate change summit in Durban in November last year.

Smith has given reassurances about the fuel's safety to the environment and vehicles, based on findings made in Brazil. Most current car models dating from 2005 can use anhydrous ethanol fuel.

Raw materials for green fuel are easily available within the southern African region. Sugar cane is abundant in Zimbabwe and Zambia, whereas Mozambique has a jatropha plant, while South Africa produces sorghum. These crops can be grown commercially and by the local communities.

The only challenge to the success of this initiative may be drought-related, as it reduces water levels in the dams.

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The project has been making use of land provided by the local council, which was initially used by the local community for farming activities, with its intended future use in mind. When the project was launched, however, a fraction of the land was ceded to the community for farming.

The Green Fuel project will have positive spin-offs for the Chisumbanje community, as it has potential to reduce levels of unemployment in that area: some sections of the community could engage in farming, irrespective of their education or skill levels. Skilled personnel could be sought in more technical fields.

The project taps into the local labour force, as well as from other parts of Zimbabwe and abroad. Its workforce is 4 500-strong, of

whom 12 are expatriates. Some of them are Zimbabweans who have previously worked abroad, gained international experience and have since returned home.

This figure is expected to grow as the project expands.

Related economic activities have emanated from this project, such as stock farming necessitated by the availability of high-protein sugar and the sugar refinery end product, which is a basic nutritional need.

Like any greenfield activity, however, the Green Fuel project has faced challenges along the way. Chief among these has been pessimism from the community, who was against the idea of their land being utilised for commercial purposes. Another hiccup was the cost of refurbishing and rehabilitating the

entire farming area, which had lain fallow for a lengthy period of time.

In Zimbabwe, rural citizens depend heavily on subsistence farming, and global warming could negatively affect agricultural activities. More projects of this nature, if implemented speedily, could rescue these local farmers. This project deserves accolades for incorporating the community into its development.

The community benefits in two ways: through use of the project's irrigation facilities, and selling its produce to a ready market. This has created a stable and sustainable way of helping the community and the entire country.

Local community members who were interviewed indicated the project was yielding positive results. Due to the irrigation facilities established, they are able to grow and sell the



same crop twice a year – contributing positively to their financial well-being.

Recently, South African President Jacob Zuma and United Nations Secretary-General Ban Ki-moon advised that more funds needed to be made available for projects such as Green Fuel, as these positively contribute to reduction of environmental degradation.

Recent statistics from the Green Fuel project show it produces 130 000 litres of fuel per day – 15% of Zimbabwe's fuel daily needs. In two years, the figure is expected to soar up to 850 000 litres daily. Such high levels of production could ensure the country's future fuel needs are met.

Energy, in the form of electricity, is another concern in Zimbabwe. The Green Fuel project generates its own electricity: six megawatts are currently produced, which could rise to 50MW in two years. This could partly pull Zimbabwe out of its electricity crisis, highlighting further positive spin-offs of this project.

Some of the electricity will be channelled into the national grid, to ensure a large number of economic activities benefit from one project.

In six years, the project is expected to produce 85% of Zimbabwe's fuel needs and generate

2% of electricity. These figures, according to Smith, are expected to offset between US\$1.2 million and US\$1.8-million of the much-needed foreign currency in that country.

Gas emission levels in developed nations are higher compared to developing countries, mainly as a result of higher economic activities in the former. It goes without saying, therefore, that the world's top emitters are China, the United States, Russia, Japan and India.

Though subsidy on a commodity reduces its price, it stretches government budget. Recently, Nigeria removed a government subsidy on fuel, resulting in prices on imported fuel skyrocketing – leading to a stirring of civil unrest in Africa's most populous country.

Though Nigeria is rich in crude oil, it does not refine it for domestic end-users. Homegrown solutions such as the project initiated in Zimbabwe, may be the answer to some of the challenges these countries face.

If this greenfield project in Zimbabwe operates to full capacity, it will benefit southern Africa by bringing down fuel prices. Neighbouring states could save costs and cut back on delivery time by importing from closer to home.

### More in the pipeline

In Africa, several countries are already undertaking similar projects, though most of them are still in their infancy, given the lack of financial assistance and expertise for such grandiose projects.

The Craddock bioethanol fuel project in South Africa has been launched and is expected to start production by 2014, with grain sorghum the crop being used. It is expected to produce 100 million litres of biofuel per year.

The Green Fuel project in Zimbabwe expects to operate at full capacity within seven years.

Negotiators at COP17 agreed on new climate deals, with binding terms from 2015 to be effected by 2020. The Green Fuel project is throwing new light on its economy and highlighting Zimbabwe's level of commitment to curbing carbon emissions.

If the agreed-upon measures are honestly implemented, and resources such as a Green Climate Fund are established, it would go a long way toward mitigating the worst effects of global warming. **BBQ**

*Evans Manyonga  
Bernard Chiguvare*

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# Flexing its mettle

**Cato Ridge-based Safal Steel competes with the big boys as South Africa's only local producer of aluminium zinc-coated coil**

**S**afal Steel is an aluminium zinc-coating mill based in Cato Ridge, Durban – the only mill of its kind in South Africa. It is part of the Safal Group, a privately owned company that operates in many African countries. The Safal Group has two other aluminium zinc coating mills in Kenya and Tanzania as well as roll-forming operations throughout southern Africa.

"We provide aluminium zinc-coated steel coil to our customers, who then form the product into its end use," says Ronnie Graham, chief operations officer of Safal. "Our coating mills are the only ones in Africa to use the patented aluminium zinc technology."

According to Graham, a 30-year veteran of the local steel industry, South Africa has

only had one major steel coating producer: ArcelorMittal. "Safal Steel attempts to fill this gap by offering the customer a premium local brand," he says.

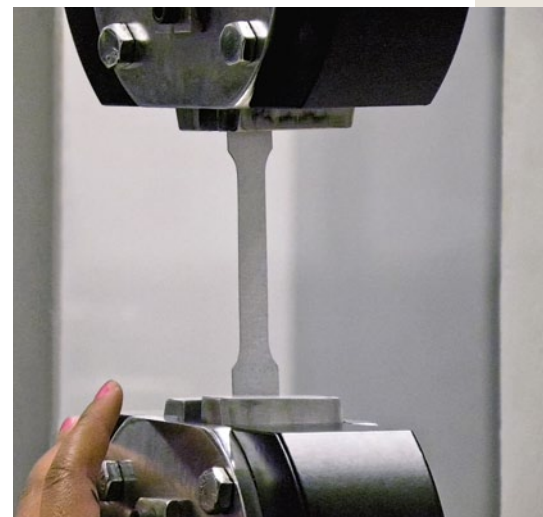
Safal has operated in the coating industry in many African countries and has done so for over 50 years. Graham feels this gives his company a strong foundation when dealing with clients, allowing them to access Safal's highly experienced technical employees.

Heavy industrial concerns such as steel mills can be a burden to the local environment, and companies such as Safal constantly have to evaluate the environmental sustainability of their roles.

"We are a greenfield project, so we follow a very strict environmental document. Our production facility has support lines to ensure maximum efficiency and minimum emissions," Graham explains.



Ronnie Graham, chief operations officer



Though the building sector in South Africa has taken quite a knock due to the economic slump, Safal has managed to establish itself firmly as a local producer. Graham believes this is due to the trust Safal's customer base places in its patented aluminium zinc technology and the demand for local competition in the South African industry.

Among the innovative solutions that Safal utilises, is its use of kaizen principles (practices that focus on continuous improvement of processes) to enhance its services. "Management holds regular 'tool box' meetings where employees are encouraged to contribute," Graham says. "Ideas are shared freely – and if they offer value, they are implemented. This allows us to maintain our equipment and ensure our employees are functioning at their full potential while keeping costs as low as possible."

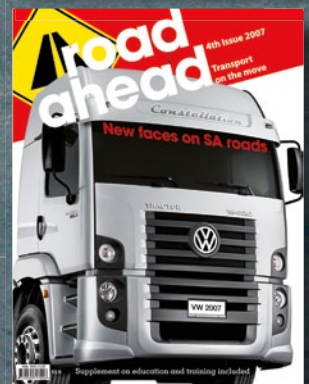
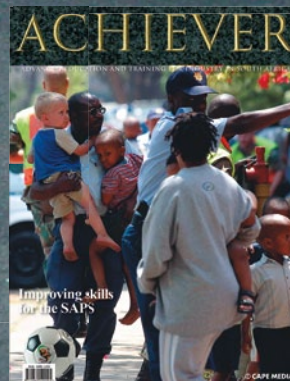
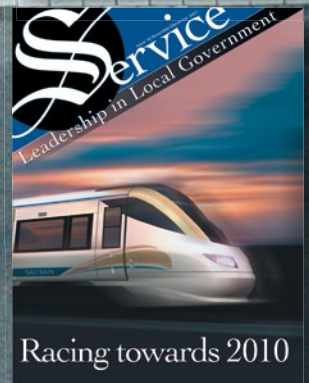
As part of the company's corporate social responsibility (CSR) programme, Safal group has instituted wellness initiatives, healthcare centres and technical institutes that increase awareness about HIV/Aids and the prevention of chronic diseases. It assists the KwaZulu-Natal community through various ad hoc initiatives, with education and healthcare being the focus areas. "Safal offers on-the-job training through a skills development programme that we are currently trying to extend to the local community," Graham adds.

The company is eager to face the many challenges that lie ahead as Africa's premier supplier of metal roofing and allied building solutions. "Currently, our biggest hurdle is the cheap, inferior imports that are flooding the country," says Graham. "Associated difficulties are the increase in power and fuel costs and the exorbitant costs of road freight."

Despite these obstacles, Safal is confident in the quality of its service. Its proximity to efficient port operations in Durban means its "export and import operations run very efficiently, allowing us to compete internationally", Graham says. It is, however, its status as a local producer of coated steel that is its major drawing point.



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# Catch them young

**Equipping teens with entrepreneurial skills augurs well for the future, experts told *Black Business Quarterly***

**S**outh Africa's unemployment figures have remained stubbornly high for more than a decade. Statistics South Africa pegs the country's current unemployment rate at 25%, a figure akin to that experienced by America during the Great Depression of the 1930s – painting a staggeringly grim picture of our country.

This is even more so due to the imminent threat of an economic meltdown due to the Eurozone debt crisis, which has the potential to exacerbate the situation – potentially

leading to thousands more joining the jobless pool.

What is most startling, however, is the number of unemployed youths in this country. According to the South African Institute of Race Relations, the unemployment rate among 15- to 24-year-olds is 51% – over half the national average.

This is of particular concern as the youth make up a higher proportion of the total population of South Africa, and this highlights the importance of finding alternative ways for the youth to participate in the economy, as unemployment and poverty in any society often lead to anti-social behaviour, giving rise

to an increase in incidents of crime and thereby eroding the social fabric. To date, the burden of job generation has been placed solely on the government's shoulders; and although it has implemented policies and programmes to try and address this issue, many have pointed out that the numerous fragmented, small-scale and often short-term interventions have not yielded sustainable results.

In many cases, these programmes have been over-funded, but in the end have underperformed; the Umsobomvu Youth Fund was a classical example or rather a spectacular failure. According to the recently released National Development Plan, the government

aims to generate over 11 million additional jobs by 2030 – a highly ambitious figure but optimistic at that. It seeks to do so by implementing a host of programmes; paramount among these are small business development and entrepreneurship. However, with the average job created by the government lasting 46 days, according to Stats SA, it becomes untenable for the state to remain the largest employer in the country.

### Solution

Entrepreneurship has been touted as an alternative route for job creation, starting at grassroots level among high school learners who are still in their teens.

Linda McClure, managing director of Junior Achievement (JA) South Africa says: “Despite government’s regular pronouncements of their intentions to create so many jobs by specific dates, the reality is that given the economic climate, both in South Africa and globally, the creation of such jobs is simply not possible.

In addition, an attitude of waiting for government to generate jobs is not conducive to generating economic activity. Encouraging entrepreneurial activity is the only feasible option to South Africa’s youth unemployment crisis. It is quite disheartening that South Africa has a very entrenched culture of promoting formal employment, at the expense of alternative employment creation avenues.”

According to the Global Entrepreneurship Monitor (GEM) South African report of May 2011, this country currently ranks below average in all entrepreneurial activity indicators: coming in at 27 out of the 59 countries that participated, with a total entrepreneurial activity (TEA) rate of only 8.9% – well below the average of 11.7%. The prevalence of early stage entrepreneurship among the 18-24 age group – although in line with general GEM trends of being relatively low – is disconcerting in the South African context, due to the higher proportion of youth in the population.

A shift in perception is evidently the key to addressing this unemployment crisis and according to McClure, introducing and encouraging entrepreneurship at the age of 18 or older is too late. This has to be done at

a much younger age – at least from Grade 4 or age 10, which will ultimately guarantee a more positive outlook toward entrepreneurship as a career choice by school-leavers, and not something to resort to out of sheer desperation.

The majority of school-leavers in this country do not pursue tertiary studies largely due to financial constraints or socio-economic challenges, making it unlikely they will ever participate in formal or informal employment. Those who are privileged enough to do so, find themselves in a catch-22 situation, as the number of unemployed graduates in SA continues to rise.

This situation is exacerbated for most by unpaid study loans, which continue to accumulate interest – with no way of ever being repaid fully. Billionaire businessman Richard Branson has echoed similar sentiments, stating that university education is not for everyone; and with rising varsity debt posing a risk to the global economy, entrepreneurial education must be offered to students early on in life. He even goes as far as to suggest incorporating

because although basic mathematics and computer skills are important, these are often not enough. A lack of adequate literacy and numeracy skills in schools resulted in school-leavers with inadequate technical, managerial and marketing skills – all crucial elements to starting and running a business. Currently, about 60.2% of the unemployed do not even possess a Matric qualification.

According to GEM, almost two-thirds of early-stage entrepreneurial activity in South Africa is in the consumer services sector due to the low levels of skills and education in the population.

However, due to the over-traded and highly competitive nature of the sector, coupled with low profit margins, this business model is unsustainable at best. Education is key in equipping teens and youth alike with the skills needed to come up with innovative, unique and lucrative business models. McClure highlights the importance of education, citing research showing that successful entrepreneurs have often studied

## Entrepreneurship should be introduced at a much younger age – at least from Grade 4 or age 10

entrepreneurship into the school curriculum, in order to give school-leavers options outside the clichéd formal employment sector. She does, however, acknowledge a university education can be useful, as does Dr Taddy Blecher, chairperson of the Entrepreneurship, Education and Job Creation Task Team at the Human Resource Development Council (HRDC) of South Africa, and co-founder of the Branson School of Entrepreneurship.

Dr Blecher believes entrepreneurship and education go hand in hand, as education is vital; and the more one studied the more likely one was to succeed in a business venture,

further, with only a few “school dropouts” having gone on to become highly successful. She calls on the government to prioritise viable educational alternatives to university education, such as well-functioning Further Education and Training colleges for those who cannot enter universities.

According to Dr Blecher, the HRDC in conjunction with the Department of Education is currently running an initiative aimed at analysing the school curriculum starting from Grade 1 to Grade 12, in an effort to map out or identify the gaps in the education system; in terms of promoting entrepreneurship from an early



Lydia Zingoni:  
Director of SA Teen  
Entrepreneurship Foundation

age and try to shift the mindset of learners to a more entrepreneurial one. They will also be looking at countries such as Brazil and China in an effort to learn from them which tools, curriculum and methodology have worked for these countries and to try and adapt that into the South African context.

Discounting the problem of prevalent negative perceptions, there are several other contributing factors as to why South African youth do not participate in entrepreneurial activity among which is access to finance. The majority of youth starting their own businesses do so while in formal employment. However, aspirant teen entrepreneurs with no income, no credit history to speak of or assets to offer as collateral, face an uphill task of securing start-up funds.

Although there are government programmes in place to assist this type of entrepreneur, GEM cites poor marketing and ineffective management as obstacles.

McClure, however, is quick to point out that more often than not, funding is cited as the reason for not starting an entrepreneurial venture, but this is a waning excuse, as there are ways to obtain finance such as approaching reputable micro-finance institutions or finding ways to generate the required income.

Dr Blecher emphasises that it is not always true that one needs a huge injection of money to start up a business, as many ingenious business ideas require very little finance and one can always gradually build up a capital base. Teen entrepreneurship has become somewhat of a worldwide phenomenon that is set to continue thriving.

'Parallel pathing, whereby teenagers are able to focus on receiving an education while advancing their entrepreneurial ideas has become the fad, as the old 'archaic' thinking of getting an education first before all else is being shelved.

Overseas, social media, primarily the Internet, has been attributed to the success of most of these teen entrepreneurs, as it provides a medium where teenagers can carry out their ideas easily and conveniently.

Social media has been seen to fast-track the success of these entrepreneurs due to the vast resources of networks into which they have been able to tap without succumbing to the restrictions of geographical location. Unfortunately, in the South African context, access to the Internet is limited due to prohibitive costs, particularly in the population groups most in need of this service, such as the unemployed and those without disposable income.

On 19 January 2012, *Times Live* reported that a survey conducted by World Wide Worx had established a distinct correlation between small and medium enterprises (SMEs) having an online presence and being profitable. At least 79% of SMEs with a website reported being profitable as opposed to only 59% of those without one.

The government has realised the power of this medium and has identified a need; according to Dr Blecher, that is why there has been a partnership between the private sector and government involving Google, the Department of Trade and Industry, Vodacom and the HRDC in launching *Woza Online*, a



Dr Taddy Blecher of HRDC

platform where South African business can create an online presence expeditiously and at no cost.

Dr Blecher indicated that over 200 000 SMEs in South Africa do not have any Web content at the moment, and this initiative is pivotal in addressing this problem.


Another challenge facing South African youth is the lack of ideal role models and mentors to give them practical guidance and advice. This was one of the findings by the "Young Upstarts Report", a research study commissioned by the Branson Centre of Entrepreneurship into South African youth and their attitudes toward entrepreneurship.

According to the report; after finance, skills development and mentorship were paramount to entrepreneurial success in the eyes of the youth.

Lydia Zingoni, founder and director of the SA Teen Entrepreneur Foundation, notes that: "Every business needs a mentor, and we need to develop a pool of these for the new crop of young entrepreneurs ... The accountability that is built between a coach and the person or business being coached has been instrumental in the success of these enterprises".

There are currently several organisations in South Africa making an effort to promote entrepreneurship among teens and eradicate youth unemployment, some of which are the SA Teen Entrepreneurship Foundation and the Branson Centre of Entrepreneurship, among others.

But perhaps none are as perfectly placed to aid the government in the fight against unemployment as JA SA.

It has a unique offering of entrepreneurial programmes for learners from as young as 10 years old and recently developed a programme for out-of-school youths in order to support them outside the school environment. It mainly relies on support from the private sector, but it is evident its work would have a much more phenomenal impact once the government got involved. JA SA is the only organisation doing this sort of work with learners and boasts a proven track record in this area. 

Tafara Mavingire

# Africa means business

There are opportunities on our continent for those who are quick off the mark

**S**outh African enterprises must move quickly to grab business opportunities in rapid growth markets in Africa, before the existing window of opportunity narrows and they get pipped to the post by overseas competition.

This is the view of Nils Flaatten, chief executive of the Western Cape Investment and Trade Promotion Agency (Wesgro). He spoke at the Wesgro 'Eye on Africa: Economic Outlook, Trends and Opportunities' seminar held in Cape Town on 6 March 2012.

Keynote speaker Michael Lalor, leader of the Ernst & Young (E&Y) Africa Business Centre in Cape Town, was joined by Wesgro economist and African trade specialist Julius Okiror as well as Charl Rudman, managing member of Blue Africa Trading – a Western Cape-based trade and marketing company that specialises in African markets.

"Many African economies are looking at growth rates of 7% plus, while Europe is facing zero to 2% over the next few years. As I see it, we have a three- to five-year window of opportunity to grab the best business opportunities now presenting themselves in Africa, before the rest of the world catches on," said Flaatten.

"We will face competition not only from the usual suspects like China, India and France, but also from the likes of Brazil and Argentina.

"The point is that the longer you take as a business to form an Africa strategy, the more competition there will be to face," he stated.

Flaatten added that Wesgro was "passionate about business opportunities on the African continent" and was leading a number of trade missions to countries in Africa to open up trade channels for local businesses.

Wesgro led similar trade missions for local companies across various sectors to Ghana and Côte d'Ivoire during March 2012, and a number of African trade missions are planned for later this year.

Flaatten said Wesgro had a team of experts who were available to help local business-people with trade information and contacts, and encouraged prospective exporters to join its Export Development Programme, which is presented in three phases: from basic to advanced.

Wesgro's recently upgraded website is set up as a trade portal, where buyers and sellers can register and speak to one another. Even big multinationals used it to look for business opportunities.

"We need to push our goods, services and capital into Africa. About 74% of South Africa's foreign direct investment (FDI) into Africa comes from the Western Cape, mainly in the form of business infrastructure, but there is a lot more scope for FDI into Africa from the Western Cape – and South Africa," Flaatten said.

Lalor said E&Y, a global firm with many offices across Africa, has identified 25 'rapid growth markets' around the world. Four of the 25 were in Africa: South Africa, Nigeria, Ghana and Egypt.

He said E&Y surveyed 50 global business executives and investors and discovered that many historic perceptions of Africa persisted, especially from the 1980s and mid-1990s, about famine, child soldiers and genocide.

Things have changed for the better, however, and more than 30 African countries have had peaceful transfer of power since 1990, and many have successfully democratised.

"Many people would be surprised to know that sub-Saharan Africa had been growing faster than East Asia in the past eight years and that it will be the second fastest growing region in the world in the next 10 years. By 2015, seven of the fastest growing economies in the world will be from Africa," Lalor revealed.

He said although Africa had much going for it, the continent still attracted less than 5% of global FDI – thus less than India – most likely because of the lingering perception gap about Africa.

FDI into Africa has undergone a marked shift from traditional partners toward India, China and the Middle East. Surprisingly, the single largest investor into Africa over the past five years was the United Arab Emirates.

Lalor said intra-African investment was increasing and was by far the biggest grower of all investment on the continent. However,

it needed to be accelerated to address decades of underinvestment.

"The most promising development is probably the proposed free trade area between three African trading blocs: the Southern African Development Community (SSADC), the East African Community and the Common Market for Eastern and Southern Africa. This free trade area will include 26 countries, between 500 million and 700 million consumers and 52% of total African GDP [gross domestic product]. The bloc would only be rivalled by China and India in terms of market size and would be the 15th largest economy in the world," he explained.

One of the biggest challenges for business and growth on the continent, however, was poor infrastructure.

Unpacking South Africa's exports to the rest of Africa, Okiror said 73% (R60-billion) went to SADC, spelling growth of 16% in 2011 from 2010; 13% (R11-billion) went to West Africa, growth of 17% in 2011; East Africa received 10% (R9-billion), growth negative of -5% in 2011; and Northern Africa received 2% (R3.2-billion) of exports, signalling negative growth of -32% in 2011 due to the political turmoil in that region.

Middle Africa received 1% (R1.4-billion) of exports from South Africa – growth of -3% in 2011.

Okiror said in 2010, Angola was the Western Cape's biggest African market for beverages, spirits and vinegar, while Benin was the biggest market for edible fruits and nuts, with Mozambique the largest market for mineral fuels, oils and distillation products as well as machinery and equipment.

### Living the African dream

Rudman spoke more on the practical side of doing business in Africa, having lived in seven other African countries and trading on the continent for 20 years.

"There is a common perception that only the big companies in South Africa are going into Africa, because it takes lots of money. I can tell you that this is not true. There are many small and medium enterprises going there, too," he said.

Challenging perceptions, Rudman said Africa was home to 15% of the world's population, its most widely spoken language was Arabic, it had 118 million Internet users, 30 million Facebook subscribers, and a billionaire from Nigeria, Aliko Dangote, was the only African on the Forbes richest 100 list. Well-known South Africans, Nicky Oppenheimer and the Rupert family, were ranked 163 and 219 respectively on the same list.

"But is it all about the numbers? Yes, numbers are important, but it's not all about that: It's about the potential of Africa. You have to be practical," said Rudman.

He advised the best approach to business in Africa was a measured combination of a few tactics: the gung-ho cowboy approach, the cautious approach of going in with trade visits, trade shows, the Department and Trade and Industry and Wesgro, which was valuable but taught traders less about business practicalities; working through often expensive but knowledgeable consultants; and using brokers with local knowledge. It was important to work with export companies with local knowledge.

Rudman said it was crucial to work out all the details of the deal beforehand with a memorandum of understanding, including payment terms, the specific products that will be sold,

labelling and other details, to avoid a blame game later with an African trading partner.

"Be prepared to be frustrated sometimes. Delays will cost you, so be mentally and financially ready for that," he advised. "Also know that you can't understand a market if you've never seen it. You must get firsthand information about your market."

Rudman said "trademark protection is an absolutely critical factor in doing business in Africa" and using reputable trademark attorneys was crucial. It looks chaotic doing business in Africa, but there are legal systems in place. People often avoid the legal systems to get things done quicker – but don't do it. You can limit your risk by being prepared. Work with people who know what they are doing. If you change your mindset about the negatives, you can do business in Africa." **BBQ**

[www.wesgro.co.za](http://www.wesgro.co.za)

*Wesgro is the official investment and trade promotion agency for the Western Cape, located in Cape Town. It is the first point of contact for foreign importers, local exporters and investors wishing to take advantage of the unlimited business potential in the region.*



Julius Okiror: Wesgro economist



Nils Flaatten: Wesgro CEO

# Tapping into talent

## Exposing disadvantaged learners to the sciences – and future careers – is Sci-Bono Discovery Centre's inspiration

**E**ducation, particularly subjects such as science, mathematics and technology, has become increasingly problematic over the years. One of the reasons is the attitude of learners, whose qualms about these subjects have caused a leaning away from, rather than toward, the sciences. This, in turn, leads to a lack of interest in careers that require science-based expertise. Ultimately, our economy could suffer.

In 2004 the Gauteng Department of Education collaborated with the private sector to establish the Sci-Bono Discovery Centre in Newtown, Johannesburg. The aim was to create awareness and interest about science

daily lives," explains Sci-Bono chief executive officer, David Kramer. "Secondly, we want to make a contribution toward improving the quality of education in maths and science at school level in order to develop a much stronger pool of people who are technologically skilled. We want to stimulate interest in the technical sectors of the economy." While most of the funding comes from the Department of Education, the private sector also contributes to the centre and the running of courses in line with these subjects.

While Sci-Bono works mostly with the Gauteng community, its target market is learners from disadvantaged backgrounds because it is more difficult for them to gain access to science education, than other learners who come from more affluent backgrounds.

it, we're going to perpetuate a national crime of wasted talent and opportunities among most of our people," says Kramer.

"We start by promoting the awareness of opportunities, but then you have to help people to take advantage of those opportunities. So we do more than just provide information: we provide a range of services that assist people to get into those tertiary institutions, take those training opportunities, and find those jobs. We don't believe in simply providing information – we have to be active in helping people to develop themselves."

Sci-Bono has a working relationship with the South African Agency for Science and Technology Advancement (Saasta), which helps science centre networks to receive support in order to undertake various projects that the government has decided is necessary in the areas of science and technology. Kramer emphasises the level of interest Sci-Bono has received from other African countries and elsewhere in the developing world.

### Challenges of a different kind

Sci-Bono Discovery Centre is not only the largest of its kind in southern Africa, but it is also one of the few science centres to have a strong relationship with the provincial Department of Education. "We don't have the same kind of funding problems that most NGOs [non-governmental organisations] and other science centres have in South Africa," says Kramer.

The centre is well connected internationally and in the corporate world of South Africa. "We have many partnerships with the private sector, with international science centres, with foreign governments and various

**"People can be inventive, they can be innovative, they can take on these challenges – but we need to change the political will in the provinces."**

and maths, while also improving the attitudes of both students and parents.

"We're aiming to make South Africans scientifically aware and help them to understand how science and technology impact their

"Our purpose is to provide the learners with access and opportunities that they may not otherwise have. We believe that there is a lot of talent in those disadvantaged communities; and unless we can find that talent and develop

embassies," says Kramer. "Because we're large and secure, we are able to do many more things and tend to become the point of contact with other role-players. We are not working just for Sci-Bono's benefit, but also for all science centres in South Africa."

It, however, has its challenges.

"Firstly, one of the biggest challenges is that many people don't understand what a science centre is. Some think it's a museum, others a research institute .... Just getting across the message of what we do is a hurdle," Kramer says.

"Secondly, the standard of maths, science and technology education in our schools has been a constant challenge for many years. Improving the capacity and the morale of teachers in maths and the sciences is always going to be a major challenge.

"The third challenge is introducing science to the most disadvantaged communities. They are the least aware of science and they find it much more difficult to understand the issues of science and technology in daily life. Understandably, the largest sector of the population is not that interested in science because they have so many other serious problems to deal with," he explains.

Of course, there are not any resources such as laboratories for students in rural areas. "But I don't think that's as much of a problem as we make out," says Kramer.

"About 20 to 30 years ago, you couldn't study science if you didn't have a laboratory. These days, that's nonsense. There are micro-science kits that are the size of an average briefcase; you can take them anywhere in the country." He continues, "Attitudes are a hurdle. People can be inventive, they can be innovative, they can take on these challenges – but we need to change the political will in the provinces. Ultimately, I see the lack of equipment as a symptom of a problem; it's not the problem itself."

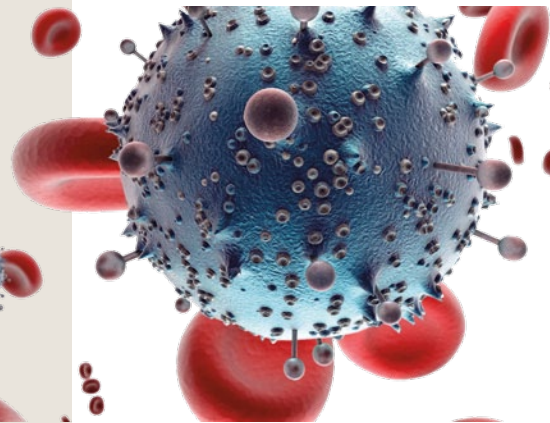
The relationship between the science centre and education departments works in parallel to mainstream education. It is a mutually beneficial relationship – a new working model that benefits the learners, teachers and parent alike.



David Kramer, chief executive officer, Sci-Bono Discovery Centre

# Business of science

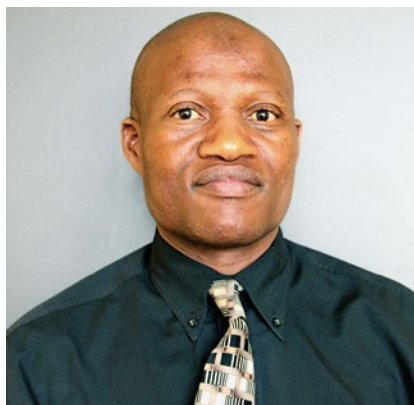
## Nanotechnology is the face of the future – are we prepared for it?



**A**s if by stealth, the field of nanotechnology has taken root in South Africa. In the public mind, nanotech – as it is colloquially known – is often seen as a laboratory-bound, esoteric science concerned with the manipulation of matter at molecular and atomic levels. In reality we could soon find this exciting technology pervading our daily lives. It is therefore essential to raise public awareness of this key science.

According to the Director of Emerging Research Areas at the Department of Science and Technology (DST), Matlho Molapisi, South Africa's nanotech is being promoted to the public by the Nanotechnology Public Engagement Programme (NPEP), an initiative of the DST that is implemented by the South African Agency for Science and Technology Advancement (SAASTA), itself a business unit of the National Research Foundation (NRF).

SAASTA is tasked with raising the profile of science and technology in South Africa and increasing public engagement with these



*Matlho Molapisi, Director: Emerging Research Areas at the Department of Science and Technology*

disciplines. The agency, headquartered in Pretoria's Didacta Building, takes a particular interest in the promotion of public engagement with nanotech.

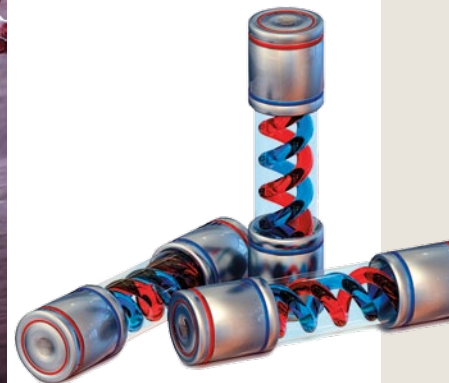
According to South Africa's National Nanotechnology Strategy (NNS), there are two reasons to develop nanotech: social and economic development. It can assist social development in the areas of health, water

and energy. As for economic development, the technology is being developed for application in the mining and minerals; advanced materials and manufacturing; and chemical and bioprocessing industries.

It is not as if the playing field is level. "Nanotech is pretty expensive," Molapisi said, "therefore the level of funding governs who can access the technology or advance its development. We simply cannot compete with the amount of funding developed countries put into their research and development programmes. We have to put the necessary infrastructure in place if we want to advance, and this requires funding."

Developing countries like South Africa are lagging behind in the nanotech race - with the notable exception of India, who are leaders in the field. To help us bridge the gap, the DST has established two Nanotechnology Innovation Centres (NICs): one at the Council for Scientific and Industrial Research (CSIR) in Pretoria and the other at Mintek in Randburg.

"These centers have developed a number of significant nanotech-based innovations," Molapisi said, "A fire-resistant paint has



been developed by the CSIR facility, for example. Another project attempts to develop a more efficient drug delivery system for tuberculosis drugs. Its aim is to encapsulate existing TB drugs in a biodegradable nanopolymer, enabling them to release slowly in the body and reduce the amount and frequency of drug intake."

Nanotechnology is also a potential boon for the agricultural sector. Its applications include precision farming, animal production and pesticide delivery systems. In July 2011 Minister of Science and Technology Naledi Pandor travelled to Argentina to sign an agreement creating a binational nanotechnology centre. It is hoped that the Argentines will share some of their advanced agricultural knowledge, which includes the use of nanotechnology to increase crop production for the same amount of arable land.

Among the most exciting of nanotech's potential applications is in HIV/Aids research. "There is no research aimed at producing new medication," Molapisi said, "but we are trying to use nanotechnology

to develop better drug delivery systems." Nanotechnology can reduce the dosage and frequency of drug treatments, which will increase the efficiency of anti-retrovirals.

Nanotechnology can uplift society in a number of ways. In rural villages, people often depend on water from boreholes. A project run by North-West University recently installed a nanotechnology-based water filtration system. This system has effectively purified very hard borehole water. A pilot plant for this system has been commissioned in a rural village in the North West province.

"It is imperative that big business gets involved in the development of nanotechnology to enhance their uptake of the technology once it matures," Molapisi said. The DST has therefore put in place a public-private partnership aimed at encouraging and facilitating

business involvement in nanotech. Emerging businesses are also encouraged to work with NICs to improve the quality of their products and services.

The NNS requires nanotech development and application to accord with international best practice. To this end the DST is establishing a health, safety and environmental research platform to identify and mitigate risks associated with nanotechnology.

Nanotech can positively transform South African society. If we do not participate in this exciting field we will suffer a technology deficit as the advanced economies utilise nanotech to further their development potential. Surely we have a duty to do the same?

*For more information, please visit [www.npep.co.za](http://www.npep.co.za) or [www.saasta.ac.za](http://www.saasta.ac.za)*



**science & technology**  
Department:  
Science and Technology  
**REPUBLIC OF SOUTH AFRICA**



**SAASTA**  
South African Agency for Science  
and Technology Advancement

# Leadership lessons

## African business and political leadership in the 21st century

**I am because they are, and they are because I am," says Reuel Khoza on African humanism and ubuntu.**

Unique, captivating and a sombre read. That is how I would describe Reuel J Khoza's latest book *Attuned Leadership: African Humanism as Compass*.

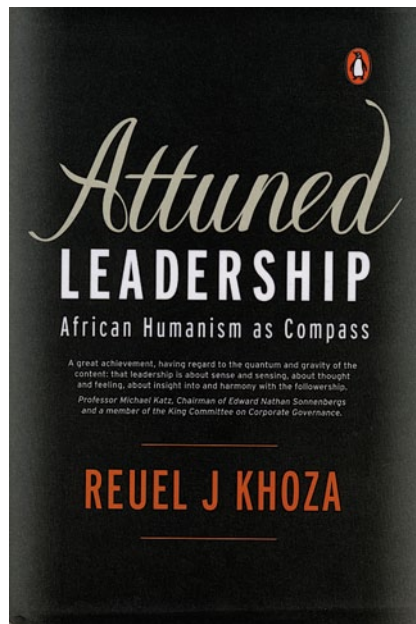
As suggested by the title, the book critically assesses the subject of leadership. Its uniqueness stems from the fact that it tackles the subject from an African perspective, as Khoza advocates for ubuntu as an intellectual framework of reference in leadership.

The book is structured in a rather passive and observational manner, yet every page carries so much power and insight. One feels like a reader placed right in the middle of a packed lecture theatre surrounded by brilliant minds that are all hypnotised by an even more brilliant and eloquent orator.

Perhaps the most exciting element of the book comes from its ability to juxtapose political and business leadership, while flawlessly giving life to the concept of ubuntu-based leadership.

Khoza presents leadership as a lifestyle. He sheds new light on the popular belief that true leaders are born and not bred. For him, leadership qualities are not only inherited or inherent, but rather enhanced and developed through a learning process. "Leadership needs to be seen as a process within society rather than a personality trait in individuals," he writes.

*Attuned Leadership* is a must-read for all aspiring leaders, both corporate and political, and to any individuals who thirst for knowledge and a stronger insight into what is happening in our African societies, from a corporate and political point of view.



Khoza travels with the reader across the globe, providing glances of the Western-oriented manner of reasoning against the ubuntu African humanist perspective.

Various leaders are put under scrutiny as he analyses their shortcomings and triumphs from an African humanist perspective.

A fearless leader and intellectual, Khoza puts to the sword those leaders who have deviated from their core mandates and failed through brief case studies. Among these are Zimbabwean president Robert Mugabe, "Mugabe deserves a prime place in the pantheon of misleadership that is already well stocked with African dictators," Khoza writes. "In the Zimbabwe situation, misleadership has been matched by mis-followership within the country and misplaced support outside of it," he adds.

He gives credit where it is due, highlighting his admiration for leaders such as Nelson Mandela and Mahatma Gandhi. "Mandela has shown that humility, forbearance and human understanding can and must go together with boldness, faith in humankind, and a determination to seek freedom as the highest value," Khoza notes.

*Attuned Leadership* critically reflects on both good and bad elements of leadership, briefly analysing some aspects of the leadership tenures of former African leaders such as Thabo Mbeki and Nkwame Nkrumah, among many others.

The only weak point of the book seems to be the dragging out of some concepts that are explained in detail and at times feel repetitive. It could be a difficult read for those who like their material written in simple self-explanatory words. You may just need a dictionary next to you and your thinking cap on as you delve deeper into this powerful book.

Very few authors have managed to tackle the concept of ubuntu and explain it in such a profound manner. I recommend this as a textbook for those in any leadership positions and particularly those who do not understand the African humanism philosophy. It will definitely give you a more informed understanding of what ubuntu entails from an African humanist perspective.

As Khoza notes: "Ubuntu is a tolerant way of being, not a political creed or dogmatic faith. It is an orientation and not an ideology. Ubuntu can be interpreted as a philosophy of good governance, which is how ethical leadership expresses itself through organisation".

*Attuned Leadership; Humanity as Compass* is published by Penguin books and is available at most leading bookstores. **BBO**

Evans Manyonga

# Lighting up Africa

**The Minister of Energy outlines the energy situation as it currently stands in South Africa**

**D**ipuo Peters, Minister of Energy and member of parliament, has a long and impressive career in politics, but her passion for her current portfolio is remarkable and contagious. While listening to the plans her department has in terms of creating greater energy resources and greener energy supply, one realises that as citizens we are often negative about the energy situation in South Africa and the possible changes initiated by our government – without knowing the real facts and without visualising the bright future it can bring.

It is important to pay as much attention to the small issues as to the big ones.

Access to energy promotes economic growth and greater social equity, allowing the world to thrive. Energy poverty creates societies that are condemned to darkness and ill-health, stunted education and missed opportunities resulting in a lack of prosperity.

As remarked by the Department of Energy's Deputy Minister Barbara Thompson at the recent Electrification Indaba in Durban, "development is not possible without energy,

and sustainable development is not possible without sustainable energy."

As many as 1.4 billion people across the globe have no access to electricity, of which 90% live in rural areas. This drives people to move to the city where they end up living in squalor, creating a major housing crisis. Our problem is not unique, but our solutions will not only benefit our own country, but the entire continent.

March 2012 is energy month and an Electricity Indaba was held with various stakeholders. The United Nations declared 2012 the year of universal access.

According to the White Paper on Energy Policy for South Africa (1998), "Government commits itself to implementing reasonable legislative and other measures, within its available resources, to progressively realise universal household access to electricity."

About 82% of formal housing, constituting 75% of all households, has been electrified to date. This equates to 5.4 million new household grid connections and 46 000 non-grid connections in two decades – a significant achievement in the face of a fast-growing population. Yet, the government is still faced with various challenges such as increased electrification targets and costs as well as delivery capacity. In order to achieve its goals,

all resources will be explored: traditional and new, whether nuclear, coal, gas, solar, hydro, biofuel, wind or hybrid energy.

An astonishing 90% of South Africa's electricity is still being produced by coal, while nuclear constitutes only 5% of our total electricity output. The country also supplies two-thirds of Africa's electricity, including electricity supplied to ourselves.

Although Africa is rich in reserves to produce energy (think of coal, water, gas, uranium, etc.), energy is still mainly produced by South Africa. The reason is that our country is one of the major industrial countries on the continent, making it a logical energy hub.

## **A plan for the future**

According to our government's Integrated Resource Plan (IRP) for Electricity of 25 March 2011, 42% of all energy should be renewable energy. The IRP shows a commitment to the security of supply through a clear path (2010 to 2030) into achieving these objectives.

"It is a major step toward building local industry clusters and assists in fulfilling South Africa's commitments to mitigating climate change as expressed at the Copenhagen climate change summit," reads the report.

The policy indicates a plan for 17,8-giga-watts of renewable energy compared to

9.6-gigawatts nuclear and 6.3-gigawatts coal. A total of 8.9-gigawatts will come from other generation sources. Nuclear, for one, will produce 23% of electricity compared to the current 5% – quite a drastic change from the present.

While Eskom currently produces 90% of the country's electricity, the government's plan is to allow for 30% production by independent power producers (IPPs). These could include local as well as international investors and producers.

Most South Africans are concerned about the price of electricity. The government has recently negotiated a lower increase in electricity prices than expected. One can easily imagine that foreign investors would prefer higher energy prices to ensure revenue from their investments. Minister Peters assures: "Investors are not only motivated by prices. Besides a return on investment, they are also attracted to a stable environment and opportunities."

South Africa is a developing country, creating good opportunities for investment. Commercial

be a deterrent in establishing or growing a successful business.

### Renewable energy

So what renewable energy can we be looking forward to, and who will invest in these expensive projects?

The government is currently in talks with the sugar industry regarding the production of biofuels. Sugar, soya and maize and other crop products can all be used in the production process. Since maize is a staple food, however, it has been scrapped as an option for biofuel production.

One of the government's plans is for a solar park in Upington to produce 5 000 megawatts of solar energy in 10 years' time. Land has been identified and a pre-feasibility study has been done on the environmental impact of such a project.

Land will be leased to small and large IPPs, with the emphasis on giving preference to local technologies which, in turn, will promote job creation in our country. The project opens up new and exciting possibilities for indus-

With the solar water heating systems, the aim is to encourage people not to use their free basic electricity for water heating – saving not only electricity, but money as well.

"People who already have renewable energy are the best advocates for it," Peters says. She tells a story of a lady who was one of the first recipients of solar water heating panels subsidised by the government. When the minister visited the lady's home, the lady joyfully exclaimed: "*Hierdie ketel op my dak!*" (This kettle on my roof!)

As in other sectors of energy production, however, the government has discovered that training is vital with new projects. With this Peters refers to the installation of solar water heating systems. Plumbers and electricians had to be trained in order to successfully install the systems. "Just because you are an electrician, doesn't mean that you are able to work on everything from solar heaters to nuclear. We want to train our artisans so that we can provide opportunities for local skills."

She is excited about diversification of energy. South Africans should stop thinking about household energy as electricity alone. If different types of energy can be used in conjunction with each other, it will not only relieve the electricity production load, but also encourage greater use of renewable energies which, in turn, would stimulate economy. For instance, as with many households, we use a combination of conventional electricity produced by coal or nuclear as well as gas (perhaps a gas stove or a gas heater). Our country lends itself to effective use of solar power for all households.

In the government's 20-year plan for renewable energy, it aims to achieve energy production consisting of 8 400GW wind, 8 400GW solar and 100GW concentrated solar power energies.

So far, 20 bidders have qualified and investors have shown a growing interest.

The government is in negotiations with the Democratic Republic of Congo to establish a hydroplant in that country, which in turn has the potential to create a further 39 000MW of electricity.

## An astonishing 90% of South Africa's electricity is still being produced by coal, while nuclear constitutes only 5% of output

agreements will be long-term, ensuring these companies will reap the benefits of their investments.

Another motivation for the lower electricity price increase, is that small, medium and micro enterprises are good job creators in our country. Most of the time they rely on municipal electricity, where a surcharge has already been added onto the electricity prices. In order to keep these businesses afloat, the government has to ensure electricity remains affordable to them as well. The cost of electricity should not

trial development. Various countries such as Denmark and the United Kingdom have shown interest in investing – unlocking much-needed funding into these developments.

Whether or not leases will be granted to local or foreign investors, it is guaranteed to create thousands of new jobs for unemployed South Africans.

The government has installed home solar systems (not to be confused with solar water heating systems) at a rate of approximately 10 000 per year.

Although Africa is rich in uranium, coal, gas, liquid fuel, water and oil, it remains an energy-poor continent.

The minister says with a laugh: "With all that's available to us, we can light up this Dark Continent."

Many rural areas have no access to electricity and rely solely on alternative energy sources. To acquire this, they often need to travel great distances. In aid of this, a total of seven integrated energy centres (IECs) have been established. These centres mostly supply liquid energy, for instance paraffin for cooking and diesel for tractors and transport. At some of these centres, residents are able to buy municipal electricity vouchers for prepaid meters. IECs then start playing a major role in the sustainability of businesses and farms in their areas.

Not only do these centres deal in an efficient and direct manner with energy poverty, many of them also become hubs for other activities.

One example of this is in former president Nelson Mandela's hometown, Xunu, where the IEC sports a library and a computer centre. This enables local residents to purchase energy, exchange reading material and check emails at one central point.

Some of these IECs also comprise bakeries and utility shops.

IECs are managed as business concerns by community co-operatives. These are members elected by the community to run the facilities concerned.

Peters recognised that a lack of skills was causing these promising concerns not to perform to their potential. The Small Enterprise Development Agency is now providing business training to those involved in running these IECs and greater success has been achieved as a result.

### Nuclear energy

To reach the planned 23% production of nuclear energy, South Africa will have to build more nuclear power stations. This will require an investment of approximately R400 billion. As is the case with Koeberg, all nuclear power stations will adhere to international nuclear protocols.



*Dipuo Peters, Minister of Energy*

"To make this project succeed, we need to demystify nuclear," Peter says. "Many people are still anti-nuclear due to its association with explosives and related dangers.

"For instance", she says, "few people know that South Africa is a world leader in radioisotopes."

With nuclear medicine, radiation is used to provide diagnostic information about a patient as well as the treatment thereof. For instance, it can be used to detect and treat cancer. Our country is currently doing research into producing antiretrovirals from nuclear.

The need for public and professional education saw the establishment of the Nuclear Education Centre of South Africa in 2009. Through its website, it provides valuable information about nuclear as well as the latest information on training courses.

"That", says the minister, "is of utmost importance in the nuclear industry. You may be a highly qualified and experienced electrician, but to work in nuclear is completely different. Artisans need to be specially trained in this discipline, becoming experts in order to secure valuable jobs in this vibrant developing industry".

In addition, the Nuclear Industry Association of South Africa was established to represent all entities involved in nuclear technology

(industrial and non-industrial) in South Africa, whether individual or industrial.

Dealing with nuclear waste is a high priority to our government, as it cannot afford to make irresponsible decisions. All disposal of nuclear waste has to happen in accordance with the guidelines and regulations as set out by the National Radioactive Waste Institute.

After the Fukushima disaster, the Department of Energy called upon the International Atomic Energy Agency, which forms part of the United Nations, to do a safety inquiry into Koeberg in order to ensure South Africa is not at risk, should a similar disaster take place. Although the report is due only at the end of March, feedback so far has been positive.

### Fracking in the Karoo

While gas, on-shore as well as off-shore, has the potential to contribute enormously to our renewable energy resources, government has temporarily halted the proposed project in the Karoo due to major public resistance.

"I am conflicted about this," says Peters. "As much as I feel the same about the Karoo as those opposed to the project, the same way I am excited about the potential of producing the much-needed energy and the economic growth it can bring."

The government has appointed a task team to do a feasibility study which it examines the potential impact on water and the environment, as well as the possible impact chemicals may have on the area. A sustainability study will also be done on the initiative.

The Department of Science and Technology could provide alternative technologies to preserve fauna, flora, water and people.

### Reality

Unfortunately, most of the public education has been initiated by the government. Minister Peters hopes that the private sector will join the education drive to promote energy saving as well as the safe use of energy, whether it is paraffin, electricity or even a candle.

"To save energy, is to save money. And, to save money is to save lives," she concludes. **BBQ**

# Road to entrepreneurship

**For the difference between people who start businesses and those who ceaselessly talk about starting one, continue reading**

**T**here are 5.6-million business owners in South Africa, 3.8-million of whom do not employ anyone, while 1.5-million of them employ fewer than five people and a mere 300 000 employ more than five people, according to the latest FinScope South Africa Small Business Survey.

In comparison to countries such as Brazil where small, medium and micro enterprises (SMMEs) contribute about 80% of gross domestic product and job markets, in South Africa the SMME sector contributes only 45% (informal and formal markets combined) to GDP and job markets.

"Low skills levels, fear of failure, and a lack of entrepreneurial culture are some of the factors that have largely contributed to a lack of interest in entrepreneurship in South Africa, thereby contributing toward the low levels of entrepreneurship," says Shaun Govender, chief executive of The Business Place.

"Red tape, bureaucracy, stringent labour law policies and high taxes have stifled entrepreneurship to a point where entrepreneurs cannot create jobs, as it is expensive to employ people under current policies," says Leon Louw, executive director at the Free Market Foundation and chairperson of the National

African Federated Chamber of Commerce Regulation Board.

"Lack of financial management skills and inability to read the market have contributed toward failure of most small businesses in South Africa," says David Mashamba, CEO of Business Skills for South Africa.

Govender adds: "The other thing is that most people get into entrepreneurship for non-entrepreneurial reasons including a necessity-driven survivalist mentality; others get into it as a sideline when looking for a job; others simply do it as a source of extra cash while working.

"This approach to entrepreneurship is not sustainable; people with this mindset cannot create jobs or create sustainable opportunities, as they have no vested interest in the performance of the enterprise, as their interests lie in making enough money for themselves so when the right job comes along, they close shop."

Having worked extensively with the Municipality of Barcelona to adapt the city's entrepreneurship ecosystem in South Africa, Govender says: "South Africa can learn from countries where government policies have played a key role in driving entrepreneurship and providing an enabling environment to grow entrepreneurship."

Barcelona has a population of just over 1.6-million and a metropolitan area of about

4.9-million inhabitants, with eight universities. Nearly 83.1% of the workforce in the city is employed in the services sector and only 16.9% of its residents are unemployed – a decrease from 21% unemployment in 1986.

Some 13% of jobs are in the creative sector, and the city attracts at least 12.8-million tourists annually, according to the Barcelona Tourism Board.

Knowledge transfer and standardisation of services to support entrepreneurship and business growth have been the key driving forces to improving unemployment levels, and entrepreneurship is largely driven by the city's digital culture, human capital and strategic sectors, food markets, retail, consumer goods, tourism, energy, medical technologies, information and communication technology, energy and the city's innovative environments.

"Investment in education and high levels of education and lenient labour policies have contributed to increased sustainability and growth of entrepreneurship in Barcelona, enabling SMMEs to contribute toward employment creation," says Govender.

The "2011 Global Entrepreneurship Monitor (GEM) Report" showed consumer-orientated businesses and manufacturing dominate entrepreneurship in emerging and developing markets; in addition to emerging economies



Empowering: Shaun Govender,  
CEO of The Business Place

having four times as many entrepreneurs than the mature economies, being involved in knowledge-intensive business services sector.

In South Africa, entrepreneurship is based on three main business activities: selling of products in the same form bought, with 49% of entrepreneurs involved in this activity; 30% sell value-added products, and only 21% render services.

"Yet, South Africa is rated among the highest entrepreneurial opportunity environments in the world. The problem is that South African entrepreneurs lack innovation and take very measured risks, and so they have not opened themselves up to realise opportunities available in the country. For example, government has set aside a big budget for infrastructure development and, in the next five to 10 years, there will be so much opportunity in that sector," stated the report.

GEM highlighted South Africa, along with Spain and other countries, as being at the

forefront of the design of innovative products, yet this market still has not been utilised as it should be. The manufacturing and green economy sectors are other areas to which entrepreneurs can look in setting up businesses, yet there are very few entrepreneurs in these spheres.

This country is yet to see entrepreneurship really begin to play a significant role in job creation and increased contributions to GDP.

Louw says: "Government's approach toward entrepreneurship and empowerment has been the same; on one hand they feed, while on the other they impede and throttle entrepreneurship and broad-based black economic empowerment (BBBEE). In actual fact, more control is being imposed on small business owners.

"To make entrepreneurship sustainable, government needs to make their stance on BBBEE very clear, and how they want to implement it. Then they have to review labour laws to ensure policies enable entrepreneurs to thrive.

"An entrepreneur really does not need capital to start something; they start first and then seek support later, and in an enabling environment they will flourish," he adds.

Louw says since an entrepreneur is one who identifies an opportunity, pursues it and makes a success of it, he/she usually needs very little, if at all any support, to set up the business, as entrepreneurs are creative, innovative and determined to succeed.

The government needs to stop stifling entrepreneurship and giving the impression it is helping or empowering entrepreneurs when it does the opposite.

Since President Jacob Zuma's 2011 State of the Nation Address, in which he promised a review of some policies to make it easier for entrepreneurs to operate, nothing has been done. If anything, the environment seems to be getting harsher and more controlled.

Considerations need to be made based on the impact of apartheid, and the government

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needs to be careful in approaching issues around its new zoning policy. For example, black business owners (street vendors) contribute to reduction of unemployment, since they are self-employed. But the new zoning policy criminalises their activities when state apparatus confiscate their wares. Yet, the same is not done with café and restaurant owners who set up tables on the pavements – only black businesses are affected.

If people are not being disruptive or interruptive, and are selling legal products, they need to be left alone as taking away their goods deprives them of a source of income, adding to the long unemployment queues.

“Government needs to work closely with business to build relationships with the SMME sector and use it to help create sustainable jobs, and establish ways that would make their work more impactful,” says Louw. “Government has to monitor and evaluate current regulatory policies because there are areas (in which) the regulatory environment just does not always work.”

Govender supports this view, saying: “Entrepreneurship has not progressed in South Africa; jobs are not being created fast enough to halve unemployment by 2020, partly because government has not done much to drive entrepreneurship to the forefront of its agenda, and (due to) the lack of an entrepreneurial culture in the South African labour market.

“The support environment is still doing the same thing, and nothing has been reviewed to establish success or failure of interventions. In the last three years, there has not been any improvements in the SMME sector; the challenges that entrepreneurs faced three years ago still exist today,” he states.

In 2010, the Department of Trade and Industry (dti) committed to reviewing the National Small Business Act 2004, and clearly define the SMME support role for provincial and local governments. It also committed to reviewing ways in which the government could reduce the burden of existing regulation and simplify access procedures and requirements for entrepreneurs – yet nothing has been done.

Mashamba notes that although much needs to be done from a policy point of view,

entrepreneurs need to upskill themselves in order to run sustainable businesses.

“In addition to policy structures, one of the biggest challenges we face is that most entrepreneurs run businesses without financial management skills or an informed understanding of their market. Some of these entrepreneurs start a business with an inflated view of the market, only to realise that there were other service providers in the same market, which leads to failure for lack of adequate market research,” he explains.

“We have entrepreneurs who use business finances for personal use and vice versa, and this is not professional regardless of how small the business is; entrepreneurs need to be more accountable and disciplined in their financial management.

“Entrepreneurs with a survivalist mentality are prone to this approach, and we need to start investing in those who make a difference in communities. Such entrepreneurs need to be trained in starting a business in a very realistic way, then guiding them throughout their growth phase,” Mashamba adds.

Serious entrepreneurs can be differentiated from survivalists by the way they approach their craft. For example, committed entrepreneurs get going whether or not they have funding, yet others want free training, access to finance and grants – and still misdirect funding toward personal expenditure.

The government must not create total dependency; instead, it needs to meet entrepreneurs halfway by ensuring they make some form of contribution in order to value services rendered. Currently, there are very few entrepreneurs who voluntarily want to pay for training that costs as little as R100, to assist them in better managing their businesses. Unfortunately, they have expectations of getting free training – this applies even to companies that could easily afford the fee.

Furthermore, the government needs to start looking into supporting businesses that create jobs in order to reduce unemployment and dependency on social grants.

Support does not necessarily mean giving small businesses grants and loans. The government needs to review its payment and

procurement processes so that SMEs are paid on time.

“Another thing is that small businesses don’t trust tender processes because of perceptions of corruption. Therefore, government needs to start providing feedback on tender procedures for (small business) to learn from past mistakes and ascertain what areas need improvement, before filing their next tender documents. Currently, no reasons are given for failure to win a tender,” observes Mashamba.

“Preferential procurement can play a developmental role if there’s mentoring and support that goes into it.”

With at least 3.1-million unemployed youths in the country making up 72% of the total unemployment rate, entrepreneurship needs addressing seriously, including offering entrepreneurship courses at most universities and colleges in South Africa.

Mashamba believes the other challenge in growing entrepreneurship is that it is innovative, saying: “Most entrepreneurs are into retail, and the market is flooded with people buying and reselling goods, yet there are so many other opportunities out there.”

It is clear that there are a number of gaps in the SMME sector, and key issues that need to be addressed. The centre of the discussion is improving policies to make them it more conducive for entrepreneurs to operate. Upskilling, education and national policy reviews will contribute to a healthy environment for entrepreneurship to create jobs and make significant contributions to GDP.

On 13 September 2012, South Africa hosts the 37th International Small Business Congress (ISBC) on the theme, “Fostering small business in new and high-potential industries worldwide”. This is the first African country to host the event.

Deputy CEO of Business Skills for South Africa and ISBC committee member, Elize Bezuidenhout, says: “The congress will be used as a platform to address pertinent issues relating to SMME development. It will explore whether new policies need to be developed to foster full SMME participation in the market.” 

*Ntokozo Ndlovu*

A photograph of an underground mining tunnel. The walls are dark, textured rock. A vertical pipe with red bands runs down the center. A yellow light beam is visible on the left wall. The floor is wet and reflective.

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# IMMEDIATE SOLUTION ON ACID MINE DRAINAGE: SATISFACTORY PROGRESS

The Trans-Caledon Tunnel Authority (TCTA) is pleased to report satisfactory progress in the implementation of the Immediate Solution of the Acid Mine Drainage project (AMD).

In the previous status update released in November 2011, we reported that an emergency (immediate) solution had been developed solely for the Western Basin to address the current surface decant of untreated release of AMD into the Tweeloopiespruit. We also reported that TCTA had entered into a strategic partnership with Rand Uranium to implement the immediate solution. Through this partnership, the current Rand Uranium Treatment plant will be upgraded to a level where it is able to treat up to 36 Ml/d instead of the current 12 Ml/d. To date, almost all the mechanical structures have been built and the civil works are in progress. Despite experiencing some delay in the delivery of mechanical and electrical equipment, the plant is expected to be in operation in March 2012, as envisaged in the previous status update.

In addition to the immediate solution, a short-term solution will be commissioned to fully respond to the AMD problems within the Western Basin. The two plans will operate in parallel until the environmental critical level has been reached. Thereafter, the short-term solution will continue to operate. Similar short-term solutions will be implemented for the Central and Eastern Basins to prevent underground mine water levels from reaching the environmental critical levels.

Following the completion of the designs for the construction of the short-term solutions, a tender for construction

was issued on 31st October 2011. Due to a request for extension by bidding construction companies, the closing date for tender submission was extended by a month to 16th January, 2012. TCTA has commenced with the evaluation of the tenders and plans to award in February. Construction is expected to commence in March 2012.

As reported previously, National Treasury has allocated R225 million rand for the implementation of Phase 1 based on the initial estimate to Cabinet. A funding estimate of R924million based on a due diligence review was subsequently submitted to National Treasury. To date, a further R208million has been allocated for the period until 31st March 2012. The Department of Water Affairs awaits the

## **TCTA appreciates that AMD has attracted public interest.**

publication of the Estimate of National Expenditure to determine if additional funds have been made available. Final costs of the short-term solution will be determined upon evaluation of tenders, currently in progress as reported above.

TCTA has appointed Digby Wells as the independent environmental assessment practitioner for the Environmental Impact Assessment (EIA) process. Because of the emergency nature of the project and to prevent an environmental catastrophe, TCTA consulted with the Department of Environmental Affairs to determine the appropriate environmental authorisation process to be followed. The EIA process has been initiated. Advertisements announcing the commencement of a public consultation process were placed in newspapers in December 2012. A

Background Information Document on the solutions to be implemented for the short-term solution to AMD was distributed. Good progress has been made towards concluding the necessary land access agreements. As at the end of October 2011, a legal advisor had been appointed to assist in finalising all necessary agreements with the mines as they relate to Surface Rights Permits, Mining Rights and Servitudes.

TCTA appreciates that AMD has attracted public interest within and outside the borders of our country. We are therefore committed to our quest to deliver the project within an acceptable risk framework and in the most cost-effective manner that will benefit Gauteng residents. We are confident of the progress made to date. We will proceed with due professionalism and a sense of national duty as we implement the remaining stages of the project. We have developed an integrated stakeholder engagement programme to ensure that all relevant stakeholders are informed of developments at all times.

TCTA is a state owned entity under the Department of Water Affairs. The entity was established in 1986 to manage the South African portion of the Lesotho Highlands Water Project (Delivery tunnel North). Since then, TCTA has been successfully implementing multiple bulk raw water infrastructure projects for the country.

Our products and services -

- Bulk raw water infrastructure
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- Structuring and raising project finance
- Knowledge management
- Risk management
- Operation and maintenance (LHWP: Ash River outfall tunnel north)
- Local economic development
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EXPANDING OUR HORIZONS



**water affairs**

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# Transformation Audit

## SA's rainbow economy shows its real colours

**T**he South African economy requires major structural reform if the country is to achieve its most basic developmental targets.

The inability of the current model to adapt to changing domestic and international economic realities has made poor South Africans more vulnerable to economic fluctuations than at any time since the country's political transition in 1994.

Educated and affluent citizens, on the other hand, have been the major beneficiaries of a skills-biased economy.

As a result, social inequality has grown, with public opinion data showing that most South Africans today perceive the gap between rich and poor as being the country's most divisive fault line.

These are some of the key findings of the latest Transformation Audit, which is conducted annually by the Institute for Justice and Reconciliation (IJR). The audit was made public at a press conference in Cape Town on 15 February 2012.

The audit, an output of IJR's Inclusive Economies Project, assesses South Africa's progress toward creation of a more dignified life

for all who live in it, and encourages pragmatic thinking about inclusive development.

Drawing on the insights of some of the country's leading thinkers, the edited publication pays particular attention to four focal areas, namely macro-economic governance, skills and education, the labour market, and poverty and inequality. This latest edition of the audit contains an additional chapter with fascinating insights on public perceptions of economic security, which draws on public opinion data from IJR's annual national South African Reconciliation Barometer Survey.

In the chapter on the labour market, the overview by Saliem Patel, executive director of the Labour Research Service, finds that the complexion and character of the labour market has not changed much since 1994, despite many legislative gains for workers' rights.

He warns that mass retrenchments could become the catalyst for violent action, which unions would not be able to contain, and he urges all stakeholders to work together to search for solutions to unemployment.

Employment has increased among higher income groups, while rising numbers of the country's lowest earners have lost their jobs, say Arden Finn, Murray Leibbrant and Eva Wegner in the chapter on poverty and

inequality. Inequality has worsened to the extent that South Africa is now, arguably, the most unequal developing state.

The country's economy is very exposed to the fluctuations in the global economy, and has been seriously affected by South Africa's brief recession in 2009.

The South African Reconciliation Barometer Survey, on which the audit reports, includes the following findings:

- At least 39% of respondents felt they were likely to be unemployed at some point this year.
- Only one in three able-bodied South Africans is working, if the broad definition of unemployment – which includes discouraged work-seekers – is used.
- About 48% of respondents – the largest category – felt it was better to have a low-paying job than no job at all.

Just over a third of respondents polled (34%) said income inequality has become the most divisive aspect of South African society, while a fifth (20%) attributed it to the unresolved issue of race. "These findings must be read keeping in mind the strong overlap between race and poverty," say the authors of the chapter on the survey, Jan Hofmeyr and Lucia Tiscornia.



The big picture: Professor Vusi Gumede, co-author of Transformation Audit 2011

“Nevertheless, it is significant that more South Africans point to the class divisions than to race as the greatest divide.”

Most of the survey respondents felt that “national government does not care about people like me”; however, black South Africans were the most likely to report an improvement in their living conditions in recent years, and the least likely to report deterioration.

In the overview article on the economy, Neva Makgetla, deputy director-general of economic policy at the Department of Economic Development, who wrote in her personal capacity, says policy stability has been a positive hallmark of the country’s economic management, but the economy’s vulnerability is due to continued dependence on mining and the exponential growth of the financial sector, neither of which has been creating jobs.

The chapter on poverty and inequality finds there has been slow progress toward broadening

access to quality education. The performance of some formerly disadvantaged schools has declined, while the gap between the results of those schools in privileged areas have increased.

The authors of this chapter – Finn, Leibbrant and Wegner – question whether education has been a primary priority of the government.

Government spending has focused on present needs rather than investment in improving people’s futures, such as education, job creation and healthcare, says Hofmeyr in the introduction to the audit. This, “by definition, is what unsustainability means”.

“In times like these, populist pressure to throw caution to the wind is always likely to arise, hence it is critical to anchor forward-looking policy within a national planning framework,” he adds.

“The bold option would be to make strategic but difficult choices now to avoid delaying accelerating development any longer.

“Economic growth and development cannot be solely the responsibility of policy-makers. In South Africa, with its indefensible high levels of poverty and inequality, there is an onus on well-off South Africans and South African businesses, as well as government, to help bring about a more equitable society,” he says.

“Given this domestic and global context, publications like the Transformation Audit become even more vital for us to get a sense of where we are, and where we want to go.” **BBQ**

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Macro economic governance  
Skills & Education  
Labour Market  
Poverty & Inequality

# SITA punts service excellence

## Transforming the organisation and promoting growth



state information technology agency

**W**hen reflecting on the organisation's growth and evolution towards maturity, the next level of development within the turnaround framework is the certification of SITA as a Prime System Integrator (PSI). Although the organisational turnaround journey has advanced substantially, much needs to be done in order to ensure a successful, unified transformation.

SITA's journey of transformation began in earnestness in 2009. A comprehensive turnaround strategy was compiled after intense stakeholder consultations and approved by the Cabinet and SITA's board of directors. This strategy focuses on re-engineering the organisation to become the proficient leader in the ICT arena, and in so doing will enhance public sector service delivery.

The realisation of this core vision depends on achieving a number strategic outcomes:

- Ensuring effective and integrated public sector ICT Supply Chain Management (SCM)
- Establishing competitive pricing and financial sustainability

- Becoming an effective ICT Regulator
- Applying sound governance and monitoring
- Becoming an employer of choice

### SITA inspires growth and development

SITA's turnaround strategy specifically identifies the certification as a PSI as a strategic milestone. This achievement will contribute fundamentally to organisational growth towards maturity. SITA is on course to transform and maximise its impact as the leading ICT agency that plays a strategic role in stimulating ICT growth and development in the country.

The PSI role is about enablement. SITA's journey towards PSI implies a shift from a structure-based 'silo' approach to service delivery in favour of a more integrated, collaborative, capability-based working environment. This certification will, in turn, formally position SITA to carry out its responsibility of providing system integration services to the government in accordance with the ICT House of Value as well as operational support and maintenance of systems.

This is essentially core to the government's achievement of e-government, an integrated provision of service and the notion of a

single public service or improved, seamless governance.

This exciting prospect heralds the birth of a new SITA that not only delivers a value proposition that is aligned to the government's national priority, but also boasts an important complementary business and operational environment.

### At a glance

The transformation process comprises three phases:

- Phase 1 serves as a conceptualisation phase for the PSI
- Phase 2 includes a focus on self-assessments
- Phase 3 will ultimately deal with PSI assessments.

A number of critical achievements have already been reached and some of these include the re-alignment of various organisational models:

- The Business model, which focuses on revenue generation
- The Operating model, which deals with organisational configuration
- The Capability model, which matches competencies with organisational functionality. The next stage of this model entails recruitment and placement of

# Success is a journey, not a destination



## SITA Today, Tomorrow, to the Future

SITA has embarked on a turnaround journey that seeks to re-engineer the company into a leading organisation that provides optimal and efficient ICT services to the public sector. This transformational trajectory will reposition the organisation to reclaim its strategic position as an enabler and integrator of ICT goods, systems, infrastructure and related services for the public sector.

We are well on our way to becoming a prime systems integrator for government that is capable of optimal performance and an invaluable partner for the South African government. This is our mission and through this journey, we'll ensure that SITA has the capacity to be a provider and facilitator of ICT goods and services; but more importantly to be a regulator that sets the benchmark for security and interoperability. We're also committed to acting as a developer of government information systems convergence strategy and the maintenance of the IT inventory - whilst establishing ourselves as government's procurement arm for ICT goods and services.

This is a tough journey but one that will reaffirm SITA's vision of becoming a high-performing and customer-centric organisation; improving public service delivery through ICT.

## Delivering ICT Value



human capital with requisite capabilities into the new structure.

Frameworks, toolkits and methods, which enable a standardised and integrated way of organisational operation, have also been finalised. These include: industry and partnership models; cost recovering and pricing model; accreditation and certification, and the development and implementation capability toolkits.

### **Radically improved performance**

SITA has taken a giant step in the right direction as the organisation transforms into a service-oriented entity in line with the expectations of its internal and external stakeholders.

The government stands to benefit enormously from SITA's endeavour to become a PSI. The organisation's radically improved performance will impact on many areas:

- Improve service delivery and operational excellence, which will increase overall productivity
- Optimise overlaps in service and product coverage (central service portfolio management)
- Generate a holistic view of product development
- Integration across all points of contact in both sales and service delivery
- Enabling availability and access of shared resources
- Control the release of service and technology into the customer environment
- Effective management of customer demands and service delivery capabilities
- Provide balanced project prioritisation towards implementation success and customer value
- Clearly define functions that will be centralised and decentralised as well as roles and responsibilities of central and decentralised capabilities
- Determine the capabilities required to operationalise the model
- Determine the organisational structure and talent required to execute the processes and functions.

SITA is committed to support the government's transformation agenda that sees entrepreneurship flourish and job creation grow in the country. The organisation will continuously create an enabling environment that produces business opportunities to ensure the ICT industry benefits all.

Central to SITA's transformation and its strategic mandate is the recognition and promotion

of cross-cutting collaboration and of key role-players in ICT growth and deployment.

SITA's success in promoting ICT as a cost-effective and efficient enabler of improved service delivery and a key driver of economic development in the country depends to a large extent on the level of engagement and partnerships created among the various ICT stakeholders..



Blake Mosley-Lefatola, CEO

# Hayibo!

## White corporate fraudsters slam racist media for ignoring them

**S**outh Africa's white corporate psychopaths say they deserve more media coverage than Julius Malema, blaming the lack of headlines on racism. "Why does Julius get all the kudos for being a money-grubbing conman?" demanded a spokesperson. "We sell organs, destroy the lives of pensioners, assassinate whistle-blowers, but all we read is 'Julius Julius Julius'! Is it because we are white?"

Speaking to the press this morning from the 17th fairway at the Al Capone Memorial Golf Course in northern Johannesburg, spokesperson Travis Whitecollar-Pillage said it was a "disgrace" the efforts of white criminal masterminds were being overlooked by the South African media, purely because they were white.

Citing research that shows that private-sector corruption costs the country far more every year than government corruption, he said that white fraudsters were becoming deeply disillusioned about the future of the country.

"Can you name me any one of the executives accused of stealing R1-billion of Alexander Forbes clients' money?" said a depressed Whitecollar-Pillage. "No? How about the name of a Netcare doctor accused of selling organs to the highest bidder? Anything? Of course not! Because those talented, hard-working psychos get shafted by our media because they are white!"

He said that it was disgusting that "small-time used-car salesmen" like Julius Malema and the Travelgate MPs should "hog the headlines".

"How many pensioners have committed suicide because of Julius?" demanded



Whitecollar-Pillage. "Zero! Compare that to the 16 old folks who killed themselves after Koos Jonker, Johannes Winckler and Nicolaas Brits wiped out their pensions in the Masterbond scam. Sixteen! Those guys are players! Julius is nobody!"

He said that as a result of racist reporting, white psychopaths were having to work twice as hard as their black counterparts to get the respect they deserved.

"I mean, for God's sake, Barry Tannenbaum had to steal R10-billion before he became a household name!" said Whitecollar-Pillage.

Meanwhile, the media has denied that it focuses more heavily on corrupt black politicians and gives white fraudsters an easy ride.

"It's not about race, it's about terror," explained Media24 spokesperson, Japie Broeder-Bond. "News24's business model is based on making whites so afraid to leave their homes that they stay locked in the panic-room-cum-log-bar, flicking between the rugby and

the News24 channel, confirming all their worst suspicions and evolving a whole lot of new ones. If it bleeds, it leads."

Management at the *Sowetan* newspaper agreed. "Race is not a factor when it comes to news-gathering," confirmed deputy editor, Paparazzo Dlamini-Guterpresse. "In fact, neither is news."

He described "real journalism" as being free of racial bias.

"We don't care what colour the cops are whom we show having sex on our front page," Dlamini-Guterpresse said. "And we proved our non-racialism by having Eric Miyeni, a black writer, call for the necklacing of Ferial Haffajee, a black editor.

"As for reporting on whites doing white-collar crime—if there's space after the horoscopes, we might stick in half a column." **BBQ**

For more hilarious 'news updates', go to [www.hayibo.com](http://www.hayibo.com).

# Biggest energy-saving drive

The enlightening world of light-emitting diodes is the future of electrification



**A**s electricity bills continue to soar and South Africa's power supply situation remains in a dire state, saving energy has become a necessary evil. Scores of consumers and business owners, in an attempt to destress the grid and their wallets, have switched to energy-saving lamps and turning off lights whenever and wherever possible. There is, however, more one can do.

Light-emitting diodes (LEDs) are the answer. While most people have heard about this complicated sounding technology, not everyone seems to be aware why these lamps are part of a sustainable solution for South Africa's ongoing energy problems. Lighting accounts for almost one-fifth of our total power consumption.

Firstly, LEDs guzzle considerably less power than filament bulbs (incandescent lights) and energy-saving lights (compact fluorescent lights, CFLs) – while giving the same amount of light.

In terms of light output, a 60-watt incandescent bulb can be compared to a 15-watt CFL and an 8-watt LED. This makes the latter over eight times more energy-efficient than the old-fashioned bulb.

Secondly, unlike the other forms of lighting, LEDs cannot burn out because they are not

fitted with a filament. It is for this reason LEDs do not get hot, meaning they will not scorch your fingers or cause a fire. In the meantime, this characteristic maximises their life span: while a 60W incandescent bulb and a 15W CFL respectively last 1 200 and 8 000 hours, an 8W LED burns a minimum of 50 000 hours.

LEDs are, therefore, referred to as the lighting solution of the future. Interestingly enough, this futuristic sounding invention is nothing new. As a matter of fact, LED technology has roots way back in the second decade of the previous century.

It is believed a Russian by the name of Oleg Vladimirovich Losev created the world's first LED in 1927. Despite his revolutionary finding, the world was not particularly interested in the discovery. This was due to, among other things, the price tag of his lighting device, and the geopolitical situation at the time.

As a result, Losev's research ended on the shelf gathering dust. Unfortunately, the genius never managed to put his invention into practice: he allegedly died of hunger during the 1942 Leningrad blockade.

Decades later, in 1961, American experimenting duo, Robert Biard and Gary Pittman, revived Losev's brainchild, and eventually applied for and received a patent for the infrared LED lamp.

It nevertheless took a while before the first LEDs made their way into households and businesses around the globe. And even now, LEDs are scarce. One of the main reasons is the application's affordability. While the prices have come down over the past decades, a single 10W LED bulb will still set you back between R200 and R300.

The main culprit is the costly and labour-intensive production process. Apart from the fact that components of LED lights are often assembled by hand, some of the materials, for instance the circuit board, do not come cheap. This translates into a high price tag in the shop.

"When compared to conventional lighting, LEDs indeed are more expensive, but only in the short term. In the long run, these lights win because of all the energy and money they save the user," says Wandile Setlhodi, segment manager at Phillips South Africa's professional indoor and outdoor lighting division.

"Based on calculations, a 10W LED has the potential to save 280 kilowatt-hours of electricity annually when compared to an average CFL. This equals to R200 per lamp per year," she adds. "This means you have earned your money back after one year, after which you will start saving."

Eskom seems to be aware of the role LEDs can play in reducing South Africa's overall

electricity consumption. Together with Phillips, the parastatal will distribute 200 000 of such lamps among commercial users such as hotels, banks, office blocks and retailers.

"As part of the deal, we will – in the second quarter of this year – replace 200 000 halogens and CFLs with 7W and 10W LED lights," says John Westermeyer, marketing manager at Phillips South Africa. "The bulbs will be distributed by Karebo Systems at discounted prices throughout South Africa. It is Africa's biggest power saving campaign thus far."

### Some enlightening facts

- Unlike CFLs, LEDs do not contain mercury, hence they can be disposed of more safely.
- LEDs reach their full brightness practically instantly, unlike CFLs. The latter can take over a minute to reach maximum output. This adds to the efficiency of LEDs.
- If one would replace half of all Christmas lights in the United States with LEDs, America's collective annual energy bills would shrink by \$17-billion (R130-billion).
- The American state of Kentucky switched 77 000 traffic signal modules from incandescent lamps to LEDs. Authorities there stand to save an annual \$1.7-million (about R13-million) in energy and \$1.5-million (R11.4-million) in reduced maintenance and life-cycle costs.
- South Africa plans to become the first African country to phase out incandescent lamps as from now. These bulbs will be banned before 2016.
- Brazil and Venezuela started to phase in old-fashioned light bulbs in 2005; and the European Union, Switzerland and Australia banned them two years ago.
- Eskom has distributed 43.5 million free CFLs to members of the public between 2004 and 2011.

The savings of the deal are estimated at 58GWh, 60 000 tonnes of carbon dioxide and R41 million per year. "Every four lamps installed will save the equivalent of three trees in terms of CO<sub>2</sub> absorption. And the changeover just involves a simple switch of a bulb – nothing more and nothing less," Westermeyer notes, adding that Phillips was the initiating party.

"A while back, we met with Eskom to showcase our latest lighting technology. They were interested, mainly due to increasing pressure from the media and civil society with regard to South Africa's energy situation and rising power prices," he recalls. "Eskom says it wants to do more to persuade people to save electricity. They, however, feel that the rollout

### How do LEDs work?

While an incandescent lamp produces light when electricity flows and heats a filament in a gas-sealed lamp, a CFL emits light when electrodes transmit voltage. These allow electrons to excite phosphors as they pass from one end of a tube vacuum to the other, whereas LEDs work completely differently. The process is called 'electroluminescence', which revolves around converting a semi-conductor material into a conducting material. A semi-conductor is a substance that does not conduct electricity under normal conditions, but can be manipulated in order to become a conductor. It is basically made of a positively charged and a negatively charged component. The positive layer has 'holes', openings for electrons, and the negative layer has free electrons floating around in it.

When an electric charge strikes the semiconductor, it activates the flow of electrons from the negative to the positive layer. Those excited electrons emit light as they flow into the positively charged holes.

Source:  
<http://science.howstuffworks.com>

of energy-saving CFLs among consumers has reached a saturation point. That is why they want to focus on the private sector, which is the biggest user of power."

Westermeyer stresses that the 200 000 lamps are a start of something much bigger: "More lamps will be changed in the course of this year, meaning more electricity will be saved."

According to Andrew Etzinger, Eskom's senior general manager for integrated demand management programme, the partnership with Phillips forms part of its policy to reduce electricity consumption and destress the grid.

"Although we are investing in new power stations to generate enough electricity to meet the medium- to long-term demand, improved efficiency is the most practical solution to secure our electricity supply in the short term," he says in a press statement prior to the campaign's launch.

"Eskom is committed to using tried-and-tested technology such as LEDs. It is in line with our energy-efficiency drive and a low-carbon future.

"As an added benefit, a reduction in electricity consumption brings commercial and industrial consumers' savings on their cost of doing business, reduces their impact on the environment and ensures the country is not confronted with a situation in which demand exceeds supply," Etzinger adds.

Hotels and petrol stations will be among the commercial users that will benefit most from the LED rollout, explains Westermeyer. "Petrol stations have to keep their canopy lighting on at night, whether they are open for business or not. It is a safety precaution. LEDs will help them save on their energy bills," he notes.

The same goes for hotels. They, too, have to keep their lights burning 24/7. One hotel owner told *BBQ* that he replaces 30 chandelier lights a week, which costs him a fortune. Once replaced with LEDs, his chandelier lamps will have to be changed only once a year or so – saving him heaps of money on his electricity bill. **BBQ**

Miriam Mannak



## TSHWANE INTERNATIONAL TRADE AND INFRASTRUCTURE INVESTMENT CONFERENCE

As part of its annual Business Month activities, the City of Tshwane's Economic Development Department will host the fourth Tshwane International Trade and Infrastructure Investment Conference (TITIIC) at the CSIR International Convention Centre from 23 to 25 May 2012.

The three-day event is aimed at attracting domestic and foreign investment, facilitating strategic economic development partnerships resulting in growth, competitiveness and job creation, and highlighting the inherent potential of Tshwane to export local niche products and services. TITIIC 2012 is envisaged to cement the achievements of the preceding conferences, enhancing the favourable investment profile of Tshwane and attracting large-scale, long-term investments.

### OBJECTIVES OF TITIIC

The objectives of the conference are to –

- increase the rand value of exports from Tshwane;
- highlight development opportunities of economically important sectors in Tshwane;
- inform potential investors and/or business communities of incentives in Tshwane for business retention and expansion, and attract new investments;
- sell bankable projects and strategic land parcels in the city to attract new investments;
- facilitate business-to-business linkages; and
- showcase Tshwane's value-added goods and services.

### BENEFITS OF PARTICIPATING IN THE CONFERENCE

In addition to being able to network with various stakeholders, conference participants will enjoy the following benefits:

- Access to information on investment and funding opportunities;
- Access to a database of local producers, service providers and small enterprises that operate in the city; and
- Exposure and access to Tshwane tourism facilities and related opportunities.



For information on the programme, sponsorship opportunities, and conference and exhibition fees, visit [www.titiic.co.za](http://www.titiic.co.za) or please direct your enquiries to:

Mr Dylan James  
Conference Director, Tshwane International Trade and  
Infrastructure Investment Conference  
087 150 3003  
[titiic@tshwane.gov.za](mailto:titiic@tshwane.gov.za)

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# Catalysts for delivery

## With more than 500 state-owned enterprises SA is oversubscribed in this regard

**U**nder the burgeoning pressure of service delivery, state-owned enterprises (SOEs) are being asked to lead the way in committing to drive South Africa's developmental objectives.

To understand this request, we need to consider that the government's obsession with SOEs became popular after World War 2, to provide a mechanism for governments all over the world to ensure they could provide security, manage the risk of securing national assets and provide essential services to their people.

In addition, an SOE is intended to provide a source of income that will supplement tax revenue. This would imply that SOEs should be profitable and sustainable.

South Africa has more than 500 SOEs, with very few being commercial entities that have any realistic commercial viability.

The issues don't necessarily have to be mutually exclusive however. South Africa's key challenge is simplifying its wish list. As with any organisation, we need to prioritise a few things that we can do exceptionally well; that have a trigger effect on other things that may be a secondary goal.

For example, education is key. Whether you are in government with thousands of unfilled vacancies or a small manufacturing concern whose lack of basic skills is crippling productivity, everyone realises that we need education to get our people to work.

We have Sector Education and Training Authorities that need to be well-managed, accountable and transparent and which report results not just their mundane activities.

Eskom needs to meet the commitment made in the Millennium Development Goals, to provide electricity for all South Africans by 2014, so that learners can study at home at night.

technical, specialist and trade apprenticeships to increase our access to skills becomes more viable. If SOEs have any role in the process of education, it would be to deliver their essential services and, as a substantial employer, to engage with and demand from the Education Department that it demonstrates how it plans to meet the skills requirements of the SOEs.

This is about holding each other accountable. Addressing job shortages requires commitment from the government, but does it require a presidential fund or another national strategy, or rather a commitment to collaborate with the private sector and communities to identify the key challenges and reduce restrictions and limitations to enable growth and development?

If the organs of state were managed effectively, the trickle-down effect would be greater than what any fund could possibly hope to achieve; the administration and cost in administering, accounting for and scrutinising fund activities simply creates another platform for corruption.

Richards Bay is a classic example, where Transnet is said to be updating the freight rail infrastructure extensively. While this is absolutely necessary, it cannot achieve its ultimate objective without a substantial upgrade of the coal terminal. The Chamber of Business in the area recently appealed to government to understand the challenges and limitations that the current infrastructure provides for growth and employment.

The largest private sector entities supported this, quoting their real challenges in competing globally when the coal terminal could not support the requirements for their products. This has a direct impact on their competitiveness and, ultimately, on job creation.

## Eskom needs to meet the commitment made in the Millennium Development Goals

This is more than double the number in a country like China. In South Africa, if we position the objectives of SOEs as vehicles to achieve our developmental goals, what indeed is the role of the government and how do we realistically fund service delivery with an increasing obligation to provide for South Africa's social and developmental needs?

Universal Service Agency of South Africa needs to provide technology for all so that we can deliver learning through cellular, satellite or digital technology where school infrastructure does not exist.

If each of these entities simply delivered on its mandate to provide essential services, the notion of driving skills and supporting relevant

Twenty-one days' turnaround was quoted in some instances and international customers brought their own experts into the port due to poorly run port operations. This compared to markets such as Singapore whose port operations turn around in eight hours, and Beira in Mozambique, which achieves this at less than half the price.

One of the mining houses recently made a decision not to upgrade local operations due to delays in port operations, which cost South Africa 1 000 jobs we can ill-afford to lose. Business in the area knows what it needs and the government has forward-thinking strategies to catapult the area into a competitive industrial zone: one couldn't help wonder whether the two plans may run parallel as opposed to coming together.

When the decision was taken to focus on high-volume freight – the forestry industry, a key employer was hard hit.

The forestry industry bemoans high tariffs and crippling inefficiencies due to the lack of access to transport. Whereas beneficiaries of Land Bank loans for land restitution argue that repayment terms on their loans are so onerous that they cannot meet their obligations in such a tight economic market.

There is lack of collaboration. The government feels that it needs to prove itself by coming to the table to announce its successes, instead of initiating dialogue with its constituents first in order to understand their needs, to encourage people to be a part of the solution, and to garner the participation of the private sector, unions and communities.

Perhaps this problem has been created due to the inordinate amount of criticism the government constantly receives as it tackles the myriad issues.

As with many troubled entities, we have forgotten to have a simple plan, communicate it well, and make sure everyone knows what their role is in delivering that plan. It is imperative that the responsibilities are defined, accountabilities are communicated and the right people are put in place to achieve real results, and then provide an environment within which people can perform and celebrate the quick wins and successes.

Stable leadership cascades into implementation. The ever shifting political environment makes it difficult for us to ever implement our plans. We need to ask ourselves if we are creating an environment for people to succeed.

The developmental strategy should prioritise what stimulates growth, investment, competitiveness and, ultimately, jobs.

Better services create a more efficient environment, and a better platform for investment and growth creates more jobs, which lead to more taxes, that, in turn necessitate better services. It cannot be achieved in isolation. This starts with clarity of purpose and not

distracting the SOEs from the need for them to provide essential services.

If we stand any chance of getting development right, we need to simplify the issues. Let us do the top five things really well, before taking on the other 300 things on the list.

Communication and collaboration; strong and effective leadership; focus on the same drivers of business namely People, Planet and Prosperity; and then pursuing results ruthlessly, will create an enabling environment for us to succeed. **BBQ**

*Dionne Kerr*

*Executive director: Siyakha Consulting*



Dionne Kerr of Siyakha Consulting

# Passion and patience

## The story of Oude Molen

**T**he story of Oude Molen is a tale of brandy-making in South Africa and of the man who perfected the craft – a Belgian chemical engineer called René Santhagens.

Santhagens studied wine and brandy making in France before he set sail to South Africa in 1897, with a French-made copper cognac still in tow, lured to the boomtown of Johannesburg. The gold rush had made regular men millionaires overnight, and fine spirits were in high demand.

Six years later, on a quest to find a better site to work his magic, Santhagens made the long journey to the Cape province and bought a property in Stellenbosch, at the foot of a hill called Papegaaiberg. He used money loaned from a new friend – mining magnate Sir Lionel Philips.

By 1910 everything was up and running at the Oude Molen estate and Santhagens set to work producing South Africa's first Cognac-style brandy. Double distilled and aged in

French oak barrels, his product was so smooth it established the strict standard that still governs brandy production in South Africa today.

Santhagens was so devoted to his product that a door led directly from the manor house, where he lived with his wife Laure Jeanne, to the distillery and maturation cellar. One wonders if Mrs Santhagens had any say in the matter!

Widely regarded as the father of brandy production in South Africa, Santhagens passed away in 1937 but his legacy lived on – the Stellenbosch distillery was in operation for nearly 70 more years.

In late 2006, due to a combination of factors including urban development around the Papegaaiberg site, the distillery moved to its current location – a 12,6-hectare property near Grabouw in the Elgin Valley, where the cool, misty climate on the other side of the Hottentots-Holland mountains is better suited to brandy production in any event.

Today, it's cellar master Dave Acker who follows in Santhagens' footsteps. To make good brandy, you need to start with good

wine – Colombard and Chenin Blanc specifically – which is sourced from key vineyards in the Little Karoo.

Once the wine has been procured, the stars of the show come into play: three enormous copper pot stills, affectionately named after heavy artillery pieces – Long Tom, Big Bertha and Long Cecil. The size of Acker's "big guns" is important: a bigger still allows for greater condensation of alcohol vapours and improves the purity of the distillate. After all, the purer the distillate, the longer it can be matured.

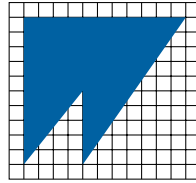
Only French oak barrels are used during the maturation process. The barrels are "toasted" to caramelize the sugar content in the wood, a technique that gives Oude Molen brandies their distinctive colour and flavour.

Yes, making brandy is a patient process and Acker takes great pride in it. His pot-still brandies are matured for a minimum of eight years – some batches up to 14 years – and in certain cases even longer.

If you find yourself in the Elgin Valley, take a turn past Oude Molen. Visitors are welcome at the distillery and tours are popular. Grab a bite to eat at the bistro and browse the visitors centre before you set off to see Big Bertha and Long Tom in action.

And what tour would be complete without a tasting? Once you've seen the maturation cellar, you'll be taken on a sensory journey through Oude Molen's range of premium brandies. While they all exhibit subtly different flavour notes – chocolate, sweet tobacco, pear and vanilla – they're all characteristically balanced and smooth, thanks to Santhagens' vision, Acker's attention to detail and the powerful passage of time. **BBQ**





**WESGRO**

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# EYE ON AFRICA



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# Economics of Cape rugby



**The die is cast:  
Newlands or Cape  
Town Stadium?**



**The announcement by Cape Town Mayor Patricia De Lille in March, that the Western Province Rugby Union (WPRU) and the City of Cape Town were entering formal talks for Cape Town Stadium in Green Point to become WP Rugby's new home, is promising due to its capacity to hold an additional 20 000 spectators compared to Newlands.**

"In terms of growth of rugby as a sport in the province, the Newlands Stadium is beginning to constrain the WP Rugby team," said Gillian Saunders, head of Advisory Services at Grant Thornton Johannesburg.

"In the buildup to the FIFA World Cup™ in 2010, research indicated there could be demand for an extra 50% more spectators at some rugby games, which the Newlands Stadium could not accommodate."

The Western Province Rugby body, which owns Newlands Stadium, possesses additional properties in the same neighbourhood.

"WP Rugby could make a considerable profit on the sale of that land, which would help boost union coffers," Saunders added.

Should Newlands Stadium be sold, the Stormers Super 15 team would need to consider moving across to Cape Town Stadium.

However, Saunders agreed with the Western Province Rugby Football Union (WPRFU) head Tobie Titus, who stated that the move would take many years of negotiations and planning.

"There is a huge emotional attachment Cape Town rugby supporters have toward Newlands – many generations have supported the rugby team at the WP Rugby home grounds," added Saunders.

"The City of Cape Town is effectively the landlord of the Green Point stadium, and it will have to be realistic to ensure the move to Green Point is attractive in all aspects. Getting buy-in from the community plays a vital role here."

But she emphasised that consideration should be made regarding reduced suite capacity in Green Point, with approximately 100 corporate suites available – compared to Newlands Stadium's 315 suites.

"Executive and corporate suites are an important revenue source for the union, and it would not make business sense to lose profit from more than 200 suites," continued Saunders.

A cost-effective option to prevent further construction costs in building extra suites, would be to consider the new 'business club seating' option. This provides for a large group of seats to be exclusively available for


corporate sponsorship, which is then serviced by a central hospitality offering.

Saunders added that Cape Town Stadium was fairly well utilised already, but that the move by WP Rugby to that stadium would significantly improve this, making it highly utilised, operating at break-even levels and probably at a profit.

"The Green Point stadium has done very well since the FIFA World Cup, with many high-profile concerts and additional corporate usage linked to the (Cape Town) International Convention Centre, but the public's opinion that stadia should be used more than three or four times a month is unrealistic," she said.

"Even top United Kingdom football stadia don't experience utilisation statistics that are that impressive."

Saunders believed that if Cape Town Stadium experienced two or three reasonable capacity utilisations per month, the venue would be self-sustaining.

"While there is much more negotiation to take place before this move was formally agreed, we do believe the solution is beneficial to the team, Cape Town supporters, the union, as well as the city to ensure good utilisation levels of this asset," she stated. 

[www.gt.co.za](http://www.gt.co.za)

# BUSINESSES EMBRACE ENERGY SAVINGS AND SAVE MONEY

More than 30 big businesses have pledged support for 49M, saving power, the planet and their own pockets in the process. Through their support of the 49M power saving initiative, supported by Eskom and endorsed by government, these corporate partners are helping South Africans to embrace energy savings as a national culture.

Under their own roofs, these leading South African businesses are demonstrating their own capacity to save electricity and reduce operating costs.

**49M  
PARTNERS  
WHO HAVE  
SAVED**



FNB introduced energy efficient lighting solutions and installed variable-speed drives at its head office. These simple changes meant the bank saved

R800 000 on air-conditioning and R1.4 million on lighting.



The SABC embarked on a 5-year energy saving drive 3 years ago. At that point, 45% of their electricity was consumed by air-conditioning. By introducing modern, energy efficient equipment the organization has been able to save R500 000 a month.



Lighting makes up a large portion of the

retailer's energy bill. By using fluorescent fittings with electronic ballast units instead of magnetic ballasts, in over 97 stores, Pick 'n Pay is saving 568 MWh per month. This is a saving of 20%, or R1.5 million a year.



The healthcare group introduced a number of energy efficient lighting and heating measures, saving an average of R1.2 million per year. These savings covered the initial cost of the energy savings measures within two years.



## POWER SAVING TIPS

### KITCHEN TIPS

- Only boil as much water as you need
- Time your oven and keep it clean
- Fill up your freezer
- Only use the dishwasher when it's filled up
- Check that new appliances are A-rated or energy efficient before you buy them

### SHOWER TIPS

- Don't shower for longer than 7 minutes
- Install a low-flow showerhead

### STANDBY POWER TIP

- Always unplug unnecessary appliances at the wall socket

### LIGHT BULB TIP

- Replace incandescent light bulbs with energy efficient fluorescent light bulbs

### GEYSER TIPS

- Install a geyser blanket.

## QUESTIONS & ANSWERS

Through their efforts, these businesses are showing what can be achieved when people take active steps to reduce electricity use. If everyone, as individuals and businesses, do their bit, no matter how small, we can make a big difference in the long run.



### WHAT IS 49M?

49M is an Eskom initiative, endorsed by government and business partners. It wants South Africans to embrace energy saving as a national culture to create a more sustainable future.

### WHERE DOES THE 49M MOVEMENT GET ITS NAME FROM?

49M stands for 49 million South Africans, because every single one of us has a part to play in saving electricity.

### WHY IS IT BEING LAUNCHED NOW?

South Africa's power system, as in many other countries, is under growing pressure as the population grows. 49M wants to ensure sustainability in the long-term.

### WHEN WAS IT LAUNCHED?

On 18 March 2011.

### HOW LONG WILL IT BE IN PLACE?

The 49M campaign is a long-term movement, envisaged to run for five years. It will be adapted over time and grow as required to meet specific challenges and demands.

### WHAT WILL 49M'S CENTRAL THEME BE?

49M will mobilise and partner with South Africans, creating awareness, providing solutions, and establishing a platform through which South African's can talk about saving power.

### HOW WILL PEOPLE BECOME INVOLVED?

South Africans are encouraged to think about their power consumption and to remind one another that every little bit of electricity each of us saves makes a big difference collectively.

### HOW WILL THE MEDIA BECOME INVOLVED?

49M calls on media partners to engage with the campaign and to help drive interaction.

### HOW WILL BUSINESSES BECOME INVOLVED?

Corporate and retail partners can activate the 49M campaign amongst staff, suppliers and customers, becoming role models and spokespersons to keep the conversation alive.



# Calling intrepid entrepreneurs

**Sanlam and Business Partners launch competition to boost entrepreneurship**

**In an effort to boost the level of entrepreneurship in South Africa, Sanlam and Business Partners have announced the launch of the 2012 Sanlam/Business Partners Entrepreneur of the Year® competition.**

This initiative, widely considered to be the pre-eminent competition of its kind in South Africa, has served as a springboard for past finalists and winners. "Besides the chance to win prizes worth a total value of R1 345 000,

which includes cash prizes of R200 000, finalists and winners are able to expand their networks and receive invaluable exposure for their businesses," says Nimo Naidoo, project manager at Sanlam/Business Partners Entrepreneur of the Year®.

"For example, one of our 2011 winners has won new business worth more than R1-million per annum, as a direct result of having participated in last year's competition."

She says one of the key aims of the competition is profiling the success and significant job creation achievements of entrepreneurs

from across South Africa. "We believe that this plays a crucial role in elevating the standard of entrepreneurial activity, as well as fostering a national entrepreneurial spirit that directly translates into job creation," adds Naidoo.

She says recent studies show that South Africa is lagging behind many of its competitors when it comes to entrepreneurship.

According to the 2010 Global Entrepreneurship Monitor, South Africa ranked 27th out of 59 countries on entrepreneurial activity, with its total entrepreneurial activity rate of 8.9%

being below the average (11.9%) of all participating countries.

“Despite these worrying statistics, South Africa’s entrepreneurial status has, in fact, improved year-on-year and there are some truly innovative small- to medium-sized business owners that are playing their part in stimulating our economy,” says Naidoo. “However, both government and the private sector need to do more when it comes to funding and fostering an entrepreneurial culture in our country, in order to address our unemployment cycle.”

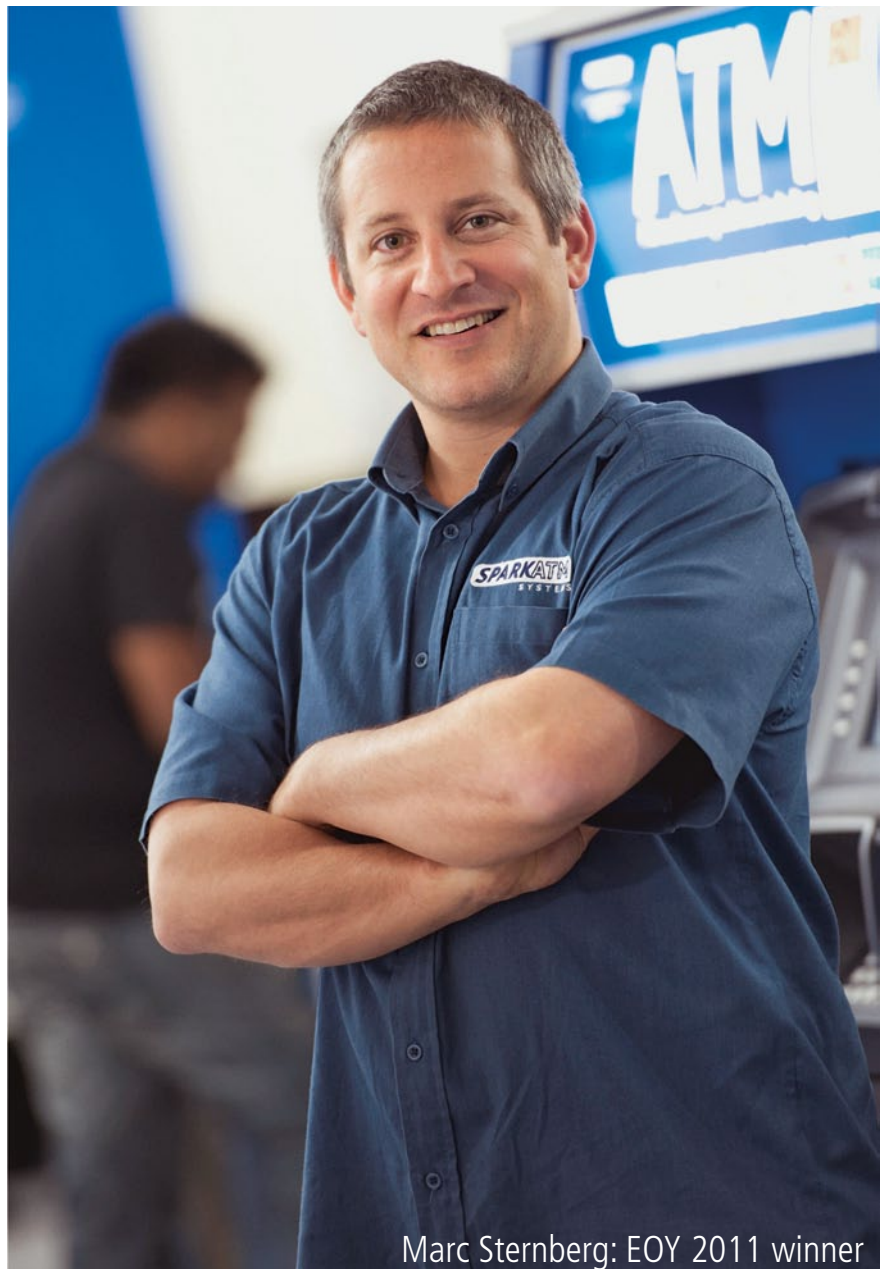
The competition is open to entrepreneurs from all industries and for businesses of any size. The 2012 competition will feature a series of 14 national workshops in six of South Africa’s provinces, where crucial entrepreneurial skills will be provided to attending business owners.

The Sanlam/Business Partners Entrepreneur of the Year® Competition aims to honour, benefit and uplift South African small and medium enterprises. Now in its 24th year, the competition celebrates excellence in entrepreneurship, serving as an inspiration to others to succeed in the world of business.

Entrepreneurs interested in entering can download entry forms online at [www.eoy.co.za](http://www.eoy.co.za) as well as interact with fellow entrepreneurs and entrants on the 2012 Sanlam / Business Partners Entrepreneur of the Year® Competition social media platforms [twitter.com/#!/EOY\\_SA](https://twitter.com/#!/EOY_SA) and [www.facebook.com/pages/EOY/330219423683690](https://www.facebook.com/pages/EOY/330219423683690). 

*The closing date for entries is  
16 June 2012.*

[www.eoy.co.za](http://www.eoy.co.za)



Marc Sternberg: EOY 2011 winner



# Ben 10: Destroy All Aliens

Cartoon Network's Ben 10 set to hero up in his first CGI movie

**C**artoon Network proudly announced that its alien-morphing boy hero, Ben 10, is set to star in his first CGI animated television movie: *Ben 10: Destroy All Aliens* aired on African screens at 09h00 on 17 March 2012.

*Ben 10: Destroy All Aliens* turns the clock back to 10-year-old Ben Tennyson, struggling with teachers, detention, school bullies and the dreadful fate of missing out on his weekend fishing trip with Grandpa Max, when grounded by his parents. Desperate times call for desperate measures, as Ben jumps at the

chance to escape from it all at the Total Alien Immersion training programme on the far side of the galaxy.

Little does Ben realise the irreversible consequences of the programme, which sends him crashing back to Earth – stuck in his alien form, battling an all-new evil alien, Mechamorph Warrior.

"Ben 10's enduring popularity with kids is undeniable and this movie brings the hugely successful franchise to an exciting new level.

"Ben 10: Destroy All Aliens is set to entertain its legions of fans with the 2012's TV movie event of the year and its never-seen-before

CGI effects," said Alan Musa, vice president and general manager of Turner Broadcasting Middle East, Africa and Pan-Europe.

*Ben 10: Destroy All Aliens* was written by Marty Isenberg and directed by Victor Cook (best known for producing and developing the television series *The Spectacular Spider-Man* and *Scooby Doo! Mystery Incorporated*) and features the original voice actors from the *Ben 10* animated series.

The repeat of this movie aired on Friday, 23 March 2012.

[www.bletchleypark.co.za](http://www.bletchleypark.co.za)



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CLOSING DATE FOR ENTRIES 31 MAY 2012

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# Zest for life

Our resident car enthusiast pays the sleek Mercedes CLS the ultimate compliment

**The original CLS created the entire four-door coupé segment – a phrase that saw many a veteran car journalist breaking out in a cold sweat at the very idea. Despite protests about the concept, the car itself received a lot of praise and was imitated by a list of Mercedes-Benz’s distinguished competition.**

It was only a matter of time before Stuttgart fired a return salvo; both to put the pretenders in their place and let it be known that Mercedes-Benz did not simply come up with the idea of a four-door coupé – it also executes it better than anyone else.

The original CLS was a revelation: a beautiful, sensual wave of a car that never failed to attract attention. There was a delicacy to its features that misled one into thinking it was a singularly luxury experience – a car for the lazy Sunday drive. Once behind the wheel, however, the CLS quickly proved itself to be both speedy and comfortable.

The new CLS is not quite as deceptive in appearance, relaying a much more aggressive persona. There is a 1970s muscle car quality to the nose that smooths out on the flanks. The side silhouette echoes its forebears’ bevelled lines, locking the design DNA in place.

There is no doubt that this car has the show, but does it have the go? Yes, and how...

The new CLS, across the available range – 350, 500 and class-leading AMG – is monstrously fun to drive. It simply depends how much monster you are willing to handle. While it does have a more aggressive stance than the earlier model, its speed and handling still comes as a surprise.

The AMG version weighs in at around two tonnes, but the 5.5-litre twin-turbocharged V8 engine seems blissfully unaware of that fact, accelerating the car from zero to 100 in a senses-arresting 4.4 seconds.

And the smaller engined derivatives are no slouches either, both offering impressively robust performance.

The features list is equally impressive: Mercedes-Benz’s COMAND system comes with a 40-gigabyte hard drive, GPS navigation, Bluetooth, 14-speaker Harman Kardon sound system and much, much more.

If there is one downside to the CLS, it is the headroom in the rear. If you are a man of Kobus Wiese proportions, try to ride shotgun; sitting in the back will lead to a crick in the neck.

That minor criticism aside, I cannot recommend the CLS more highly. It is my favourite car of the year. **BBQ**

Zaid Kriel



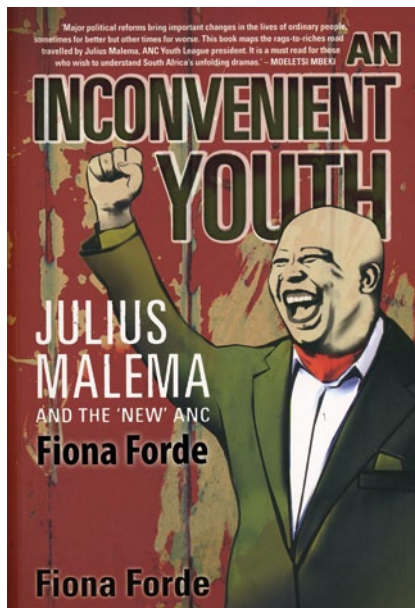
# Julius Malema the enigma

**In his previous life, he wielded so much power he could pronounce death on puppet regimes in the neighbourhood. Now the erstwhile firebrand of the ANC Youth League has fallen – face down – on his sword**

**L**ove him or hate him, Julius Malema was, until recently, South Africa's second most popular politician, after President Jacob Zuma. This fact must have given his detractors reason to celebrate his five-year suspension from the ANC after the ruling party's National Disciplinary Committee for Appeals, headed by Cyril Ramaphosa, upheld the conviction and sentence passed by Derek Hanekom's National Disciplinary Committee.

Well this book, *An Inconvenient Youth*, by Irish journalist Fiona Forde, was written way before the recent drama unfolded. Had the author gazed into her crystal ball, she would have added an explosive chapter to the enigma that is Julius Malema, once a powerful young man who oozed tones of crude confidence and ambition. Barring his recent five-year banishment from the ANC fold, he was destined for greater things within the ruling party and beyond.

It was not far-fetched to imagine such an eventuality given "his growing political power base", as the book correctly alludes to. But how did this young man, with so much promise self-destruct?



Fiona Forde, who was granted and enjoyed unprecedented access to Malema over a lengthy period of time, could have added an extra chapter to this book had she foreseen Malema's downfall. Notwithstanding, during the period she shadowed the erstwhile ANCYL president and tracked his public engagements, she got a rare glimpse into the man.

This journey took the Cape Town-based writer to Seshego, a little-known dusty township in

Limpopo, where Julius Malema's story began on 3 March 1981. And what a story!

Born into a dirt-poor family, little Julius had no childhood to speak of, for at the tender age of nine, he was already suckling from the Well of ANC politics under the wings of comrade Freddie Ramaphakela, then a member of Umkhonto We Sizwe (MK), the armed wing of the ANC.

Malema and friends received their first lessons in political education from the University of Freddie Ramaphakela, on the streets of Seshego. From there, he graduated to the ranks of the Congress of South African Students (Cosas) where he cut and sharpened his political teeth.

*An Inconvenient Youth* is well researched, giving readers a rare insight into Julius Malema's other side and subsequent rise to the Breittling class.

What stands out poignantly for me is that, whatever becomes of him, Malema was a self-made man in every sense of the word, one who shrewdly surrounded himself with people old enough to be his father. And perhaps that has been his masterstroke all his life, as evidently the lessons he drew from that fountain of wisdom made him the man he is. **BBQ**

*David Mwanambuyu*

# Inter-Active Technologies expands

The firm has teamed up with mobile and payment solutions provider, Celpay Limited, to create a new customer services venture in Zambia

**L** eading call centre and customer interaction expert, Inter-Active Technologies, continues to show signs of measurable growth and success across Africa, following the establishment of a new joint venture with Celpay Limited – known as Inter-Active Zambia – in October 2011.

Inter-Active Technologies, a specialist in multi-channel customer service solutions, services large blue-chip companies in South Africa; Celpay Limited is widely recognised as a pioneer and leader in the mobile banking and payments sector, and is one of the first mobile payment solutions providers in the world to have created and maintained a profitable business model.

Inter-Active Zambia's director Jacqui van Staaden points out that Inter-Active Zambia has been established to ensure professional and efficient customer service across multiple market segments in Zambia, and she is confident the new business will provide unrivalled turnkey business solutions based on the needs of local clients.

"Inter-Active Technologies and Celpay Limited have the vision and commitment to create a flagship call centre in Zambia, thereby enabling clients to benefit from combined

years of experience in the call centre environment. By combining forces, our service offering to clients will be low-risk and will assist to minimise costs, maximise time and improve overall efficiency," she explains.

"This exciting venture will allow both companies to provide their respective strengths and work seamlessly toward greater market presence and improved customer offerings through synergies in product, technological innovation and market penetration."

Celpay chief executive officer Lazarus Muchenje points out that Celpay is an established mobile services operation in Zambia, and he believes the company's expertise, combined with Inter-Active Technologies' customer services delivery channels, will place Inter-Africa Zambia in the ideal position to create value-added service provisions across Africa in the mobile services arena, which is recognised as a key growth area for mobile operators.

Despite continued threats of another international economic downturn, Van Staaden remains confident that 2012 will be a year of significant growth for Inter-Africa Zambia.

"We are looking forward to launching at least three new customer service centres in Zambia in 2012, along with the development of new products and services aimed at mobile markets locally. Our partnership with Celpay



*Jacqui van Staaden, Inter-Active Zambia Director*

and selected financial service providers positions us to increase our revenue, by providing services to a larger customer base."

She concludes by adding that penetration of the African customer service markets is essential for Inter-Active Technologies in 2012.

"Inter-Africa Zambia is our launch pad for increased market penetration in Africa, as it will allow us to increase revenue channels, in addition to expanding our expertise into the continent. This will ultimately enhance the return on investment for Inter-Active Technologies as a key service provider to Inter-Africa Zambia." **BBQ**

[www.inter-active.co.za](http://www.inter-active.co.za)

# Driving capacity building in Africa



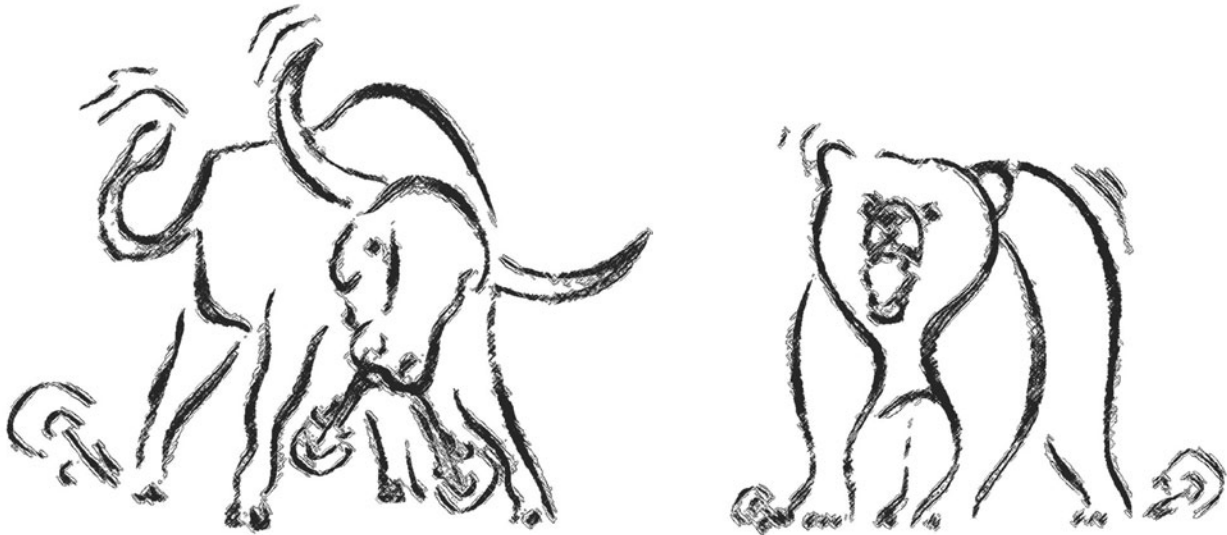
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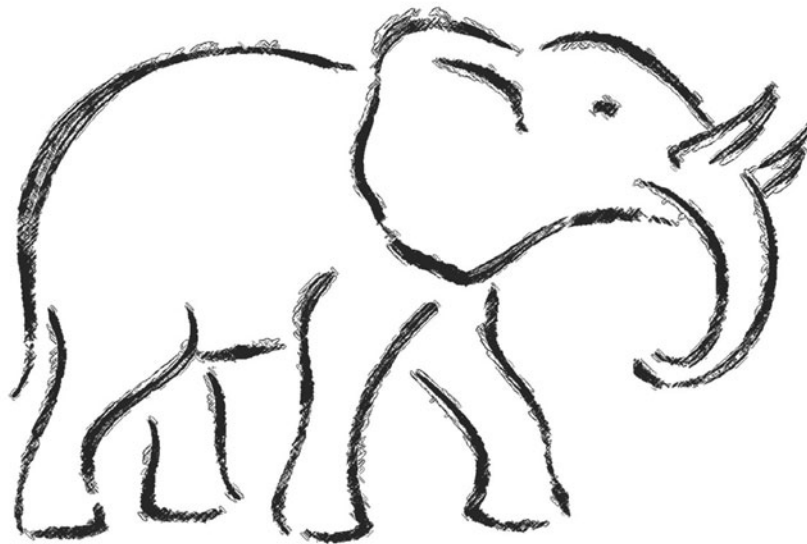
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