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SIBONGILE MANGANYI
MANAGING DIRECTOR
INDIGO KULANI GROUP

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Special Interview
Insights with Norman Mbazima
new CEO of Kumba Iron Ore

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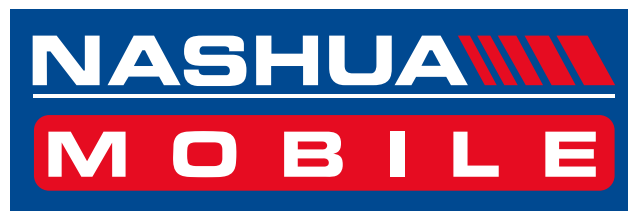
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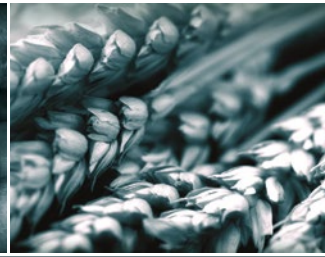
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Today, I am the bearer of good tidings. After two years of painstaking, sweat-inducing work, *BBQ* finally got some recognition on the international stage.



I say two years, simply because, I am not privy to what happened before my time here. For the first time ever, *BBQ* entered the Tabbie Awards (the Trade Association Business Publication International or TABPI, better known as the Tabbies), an annual contest for trade and business-to-business publications drawn from around the globe and hosted by the United States.

At the 2012 Awards, *BBQ* was voted one of the 25 global winners in the Best Single Issue category, the competition's most comprehensive, which comprised entries from the US, Canada, United Kingdom, Australia, New Zealand, United Arab Emirates, France, India, Singapore and South Africa.

BBQ proved its mettle by ranking 20th out of the 25 overall winners drawn from an impressive field of 500 nominations, mainly from traditional English language publishing territories.

Though we did not annex one of the three medal positions, it's heartening enough that we were rated among the best 25 publications worldwide.

What this means to everyone at *BBQ* is that we cannot let our guard down. From now on, we have to keep up with *Leadership* magazine, which happens to be our stable mate and a flag bearer in the business-to-business sphere.

What it means to you, the reader out there, is that we are living up to our promise of providing a rich source of empowering news, views and profiles. To you, (the advertiser), this means that your faith in us has not been misplaced.

To our dynamic sales team, this means those long hours spent on the phone, have borne ripe fruit. To those working behind the scenes including sub-editors, designers, client liaison officers and receptionists, it means for once your work has taken centre stage.

And to our regular contributors, you do us proud.

David Mwanambuyu



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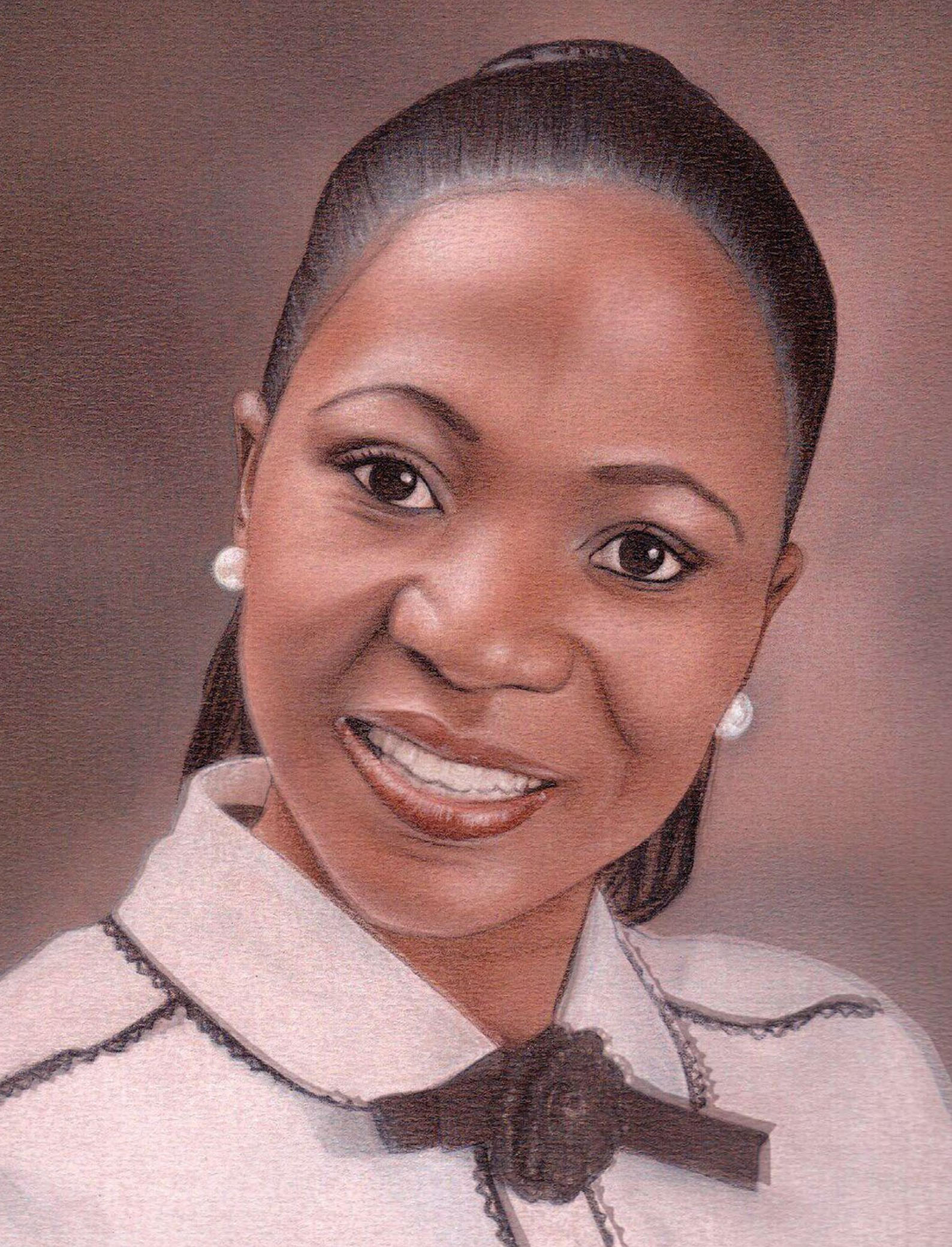
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Indigo
Kulani
Group

Changing SA's landscape

The Indigo Kulani
Group is focused on
building a new nation





"Our integrated service combines a comprehensive range of service skills for clients, with the convenience of a single point of reference and accountability"

Building an infrastructure delivery power house is no easy feat. However, Sibongile Manganyi (32), the founder and group managing director of the Indigo Kulani Group, proved it can be done. Indigo Kulani Architects and Urban Planners, the Group's first company in 2006 was founded, when Manganyi was just 26-years-old. She has the vision of ensuring that the group becomes the leading South African infrastructure development company by 2016.

Kulani, a Xitsonga word which means to continue growing, ensures that the group's primary focus of burgeoning entrepreneurship enables it 'to continue growing', and moving forward.

"As a design-driven consulting business we believe that people need to be continuously empowered for growth, which in turn ensures the resulting success of the group," Manganyi told BBQ.

The 100% black and women owned Indigo Kulani Group is a multi-disciplinary holding company that has provided exceptional service to its clients within South Africa and central and west Africa for the past six years in the architecture, engineering, quantity surveying, project management and construction industries.

Its in-house subsidiary companies are Indigo Kulani Architects and Project Managers, Indigo Kulani Properties, Ndima Quantity Surveyors, Nabila Consulting Engineers, Indigo Kulani Interior Design and Space Planning and the Indigo Kulani Group Foundation.

Indigo Kulani Architects and Project Managers is a consulting architectural practice which provides architectural design concepts, design developments, technical documentation, contract administration and site supervision management in the built environment.

It undertakes commercial, public building projects and up-market residential developments.

Indigo Kulani Properties is a property development company, adding design developments to the group's bouquet of services. "Indigo Kulani Properties, through its various housing developments, creates sustainable human settlements within the affordable housing market.

"The company supplies sustained working environments for our clients by managing a wide range of the services critical to each company and its departmental infrastructure.

"Our integrated service combines a comprehensive range of service skills for clients, with the convenience of a single point of reference and accountability," Manganyi explained.

Ndima Quantity Surveyors offers various services including quantity surveying, project management, construction management and valuation.

Under facilities management it offers the valuation of different types of properties including residential, tourism facilities, mixed projects, industrial and retail.

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

The company's technology resources enable it 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. As defining a property's market value is the first step of every investment, sale or lease decision, this ensures that our clients are able to make the right choice," she adds.

Nabila Consulting Engineers offers civil engineering services, water engineering and institutional framework services, whilst the Indigo Kulani Group has been involved in various projects, ranging from residential to retail to corporate offices.

"We believe that a successful nation is determined through the passing of a vision from one generation to another," Manganyi said,

commenting on the group's establishment of the Indigo Education Foundation.

"The foundation provides a true sense of hope and purpose by offering scholarships and bursaries to students from various backgrounds, who achieve exceptional results but face financial challenges to further their studies," she explained. The foundation also has a mentorship programme which connects students with professionals and companies which annually fit in with their field of study.

"The programme is aimed at providing mentorship to encourage people to better prepare for their future career and personal life," she said. And this is what she values most about her company.

"Working on uplifting communities and countries is a great passion of mine. Working on school, health and housing projects is very rewarding as every person has the basic human need for these things. To be able to contribute in these areas and see the difference that it makes in peoples' lives is one of the group's and one of my own greatest achievements," Manganyi said.

Humble beginnings

Manganyi is a registered senior member of the South African Council of Architectural Professions (SACAP). After matriculating from Bedfordview High School in 1999, she acquired both a National Diploma and Bachelor's degree in architecture from the Cape Peninsula University of Technology in 2004.

She went on to acquire extensive experience at various prestigious architectural companies in South Africa, which worked on commercial, up-market residential and presidential award-winning projects, before returning to Johannesburg in 2005 and founding Indigo Kulani Architects and Urban Planners in 2006.

Her inspiration came from completing a free-lance project, a church in Soweto, on which she had to work after hours.

"It was very demanding, but I have always been passionate about working for myself," she says.

The start of Manganyi's 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 initially started with housing projects, which she describes as quite difficult due to her clients' personal taste.

"I have learnt how to satisfy my clients, while at the same time being able to complete the job on time," she says.

Manganyi's drive for success was inspired by her late father. "He was a budding entrepreneur and had his children manning their own vegetable stalls, at train stations. He taught me what it is to work hard," she says.

Manganyi started working for her father when she was only 12-years-old and gained valued experience in manning her own business. "I wanted to be as good, or even better, than my father was when it came to running a business," she says.

As her business grew, Manganyi commenced working for clients in both the private and public sector and landed her first public sector project in Polokwane in 2008, a mere two years after starting her business.

"We have been working on different public sector projects since then and are now working on social projects, which is a great passion of mine," she says.

Her ultimate aim was to provide the industry with one-stop-shop solutions to meet all of their infrastructure development needs.

As such, over time, she incorporated engineering, quantity surveying, project management and property development into the Indigo Kulani Group portfolio.

"The result is a turn-key solution in the infrastructure development sector," she says.

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 designing of the Angolan mixed-use development project, which includes the design of retail, residential and a hotel property.

"Extensive experience in projects of this nature led me to travel to numerous other African countries, Asia and Europe," she says.

She also took part in the designing of boutique hotels in Tanzania and Nigeria.

Her extensive travel enhances her design concepts and project delivery using both her international and local experiences. "Travelling to unfamiliar countries is one of my greatest hobbies. I love getting to know the different cultures and lifestyles that make people tick," she says. Manganyi also enjoys reading books about leadership, finance and spirituality, and spending time with her family and close friends.

As for her image as a leader in the workplace one of her colleagues says: "She 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, and this is how I would describe her."

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 and therefore brings her own personal best to work. She's an ethical business partner who strives hard to ensure that her team has these qualities as well," according to the colleague.

The path to success

Manganyi's vision of becoming South Africa's leading infrastructure development company by 2022 is well on its way to being achieved. Indigo Kulani Architects and Project Managers brings a vast amount of local and international experience in the design and project management of hospitality projects.

It is currently involved with a number of projects in the Serengeti National Park in Tanzania and in Abuja in Nigeria.

It was also recently appointed for the design of a new 25 000m² shopping centre in Polokwane, which is set to cater for the majority of people from Seshego, the oldest township in Limpopo, and surrounding areas.

"We are very proudly the preferred architectural entity for the design of different schools in

Gauteng, Limpopo, North West, Mpumalanga and KwaZulu-Natal and are currently involved in these projects in seven of these provinces," says Manganyi. She explains that Indigo Kulani Architects and Project Managers 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 were implemented by the Independent Development Trust (IDT) and the Department of Public Works.

"Our continued pursuit of excellence ensures that we are engaged by various prestigious companies to participate in offering various services within the built environment," Manganyi says.

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.

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

The company prides itself as a master of residential architecture, and has worked with local and international residential developers to offer high quality residential architecture.

"We bring vast experience on board with our dedicated residential architects," says Manganyi.

For example, the Hotazel Estate is an upmarket residential development for a mining company in Kuruman, Northern Cape. "This project is but one of many residential developments we have been involved with when it comes to mining companies," according to Manganyi.

As for the road ahead, the Group already 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 over the coming years. At the same time, we will ensure that our service levels remain as exceptional as they currently are," she says.

The Group is currently growing its interior design division and doing ground-breaking work within the luxury vehicle, interior design



Indigo Kulani Group

Indigo Kulani Group is an integrated multi-disciplinary infrastructure development, design driven group of companies within the built environment serving both South African and International clients. The Group's primary focus is to grow through Building People Places and Spaces with a strong culture of People Empowerment in its determination to make a positive contribution to both the infrastructure and the community wherever it operates.

Services Offered

Indigo Kulani Architects and Project Managers

A consulting architectural and project management division that provides architectural design concepts, developments, technical documentations, contract administration, site supervision and project management. Indigo Kulani Architects & Project Managers offers its services to retail, commercial and residential sectors.

Indigo Kulani Properties

A property development company that creates sustainable human settlement within the affordable housing market and which supplies a sustained work environment for clients by managing a wide range of integrated skills services with the convenience of a single point of reference and accountability.

Infrastructure and Fund Managers

Indigo Kulani Group offers a full project life cycle services. From project pre- feasibility, feasibility, fund raising to project implementation management. We have been extensively involved in infrastructure development projects in South Africa and other African countries.

Nabila Consulting Engineers

Nabila Consulting Engineers is an integrated practice which offers a range of professional consulting engineering services, including; conceptualisation, planning design management, construction supervision, operations, maintenance and rehabilitation of infrastructure. These comprehensive services are available to a broad range of sectors, such as mining, urban development and advisory services and social infrastructure development.

Ndima Quantity surveyors

Ndima Quantity Surveyors is a Quantity Surveying and Construction Cost Consulting Practice which offers a range of services including, feasibility studies, budget estimates and cost planning, design and construction evaluation, value management, scrutinising and analysing tender quotes, valuation of work in progress and completed; evaluation of contractors claims for extensions of time and monetary compensation, forecasting cash flows, and reporting on actual cash flow, final accounts, insurance evaluation and advice on other design parameters.

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The principles that drive the Indigo Kulani Group are founded on honesty and integrity in the marketplace

space for upmarket private clients, dealer showrooms and boutique hotel markets.

"We have our eye on further breaking into the hospitality market when it comes to the design and construction of the actual hotel. We foresee merging our own design elements with international trends, both for our interior and exterior design elements."

"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 local communities, countries and living standards," she says.

The Group is also paying great attention to its own green projects when it comes to design and construction.

The culture of Indigo Kulani

While it is 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 that 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," she says.

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. 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," she says.

That is why she has set a target of growing her 20-strong team to 500 employees over the next ten years.

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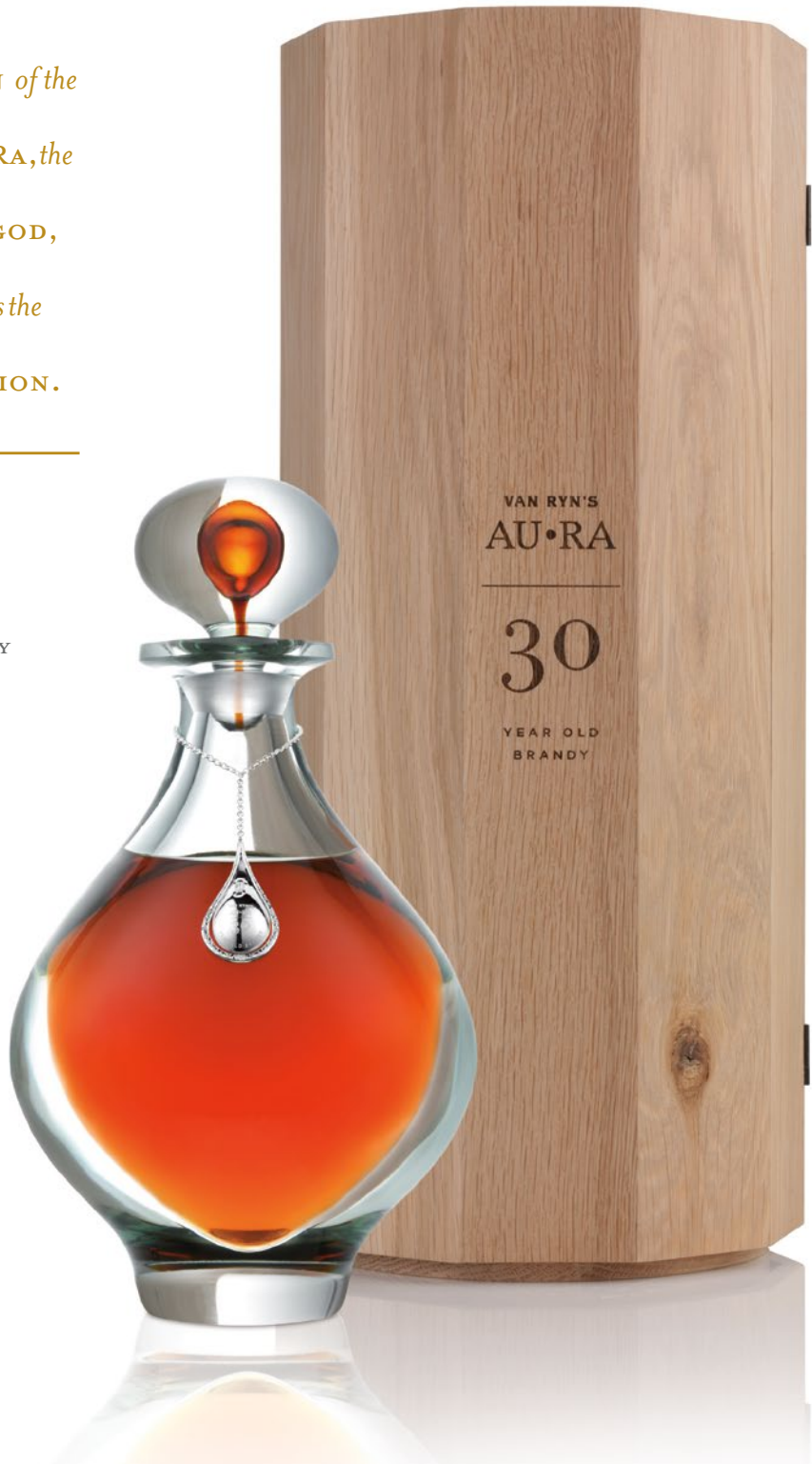
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**“Warm welcome,
Walmart”**

Walmart is set to alter the way retailers do business in South Africa

Walmart's acquisition of Massmart should be celebrated as a singular feat in South Africa's continuing integration into the global economy.

This belief by economic advisor to PricewaterhouseCoopers, Dr Roelof Botha, is echoed by economists around the country who say shoppers are already starting to enjoy the benefits of a retail shake-up.

Yumna Ebrahim and Manqoba Madinane of Econometrix contend that the merger marks the beginning of a fundamental change within the industrial organisation of the domestic retail sector.

Ebrahim and Madinane maintain that Walmart's presence is likely to make local retailers more globally competitive and will result in a fundamental change to local retailers' business operations.

"Since the arrival of Walmart, local companies have been looking for potential partners in product development and to strengthen buying power. They are also actively seeking out expertise in supply chain management and information technology.

"Recent news reports have been abuzz with activity and strategies of Massmart's competitors in South Africa. Shoprite's response was to bolster its balance sheet by raising R8 billion to fund acquisitions and accelerate expansion plans in Africa, particularly Nigeria and the Democratic Republic of the Congo.

"In addition, the retailer put some of the cash towards investing in price through the roll-out of long lasting promotions, a strategy in which Walmart is already engaged.

"We unequivocally support the arrival of Walmart and its merger with Massmart. It has a key role in unlocking economic efficiency and delivering value to consumers via everyday low prices," Ebrahim and Madinane said.

The entry of Walmart into the domestic retail sector, given the company's large economies of scale and optimised distribution networks, undoubtedly will result in downward pressure on the retail sector's cost and pricing structures, which will result in net consumer surplus for consumers, they say, adding that this is likely to be magnified at the lower end of the market, where the poor are struggling with disposable income pressures as a result of elevated Consumer Price Index (CPI) inflationary pressures.

"With pricing structures adjusting downwards, the net consumer benefit may also translate into lower headline CPI inflation in the adjustment period, which further enhances net social welfare benefits. Lower retail inflation is likely to feed positively into headline CPI during the adjustment period. By implication, policy interest rates will be beneficially affected due to a lower inflation environment, which will result in a net indirect positive impact on real domestic economic activity," they said.



Yumna Ebrahim of Econometrix (Pty) Ltd



Manqoba Madinane of Econometrix (Pty) Ltd

However, the anticipated downward adjustment in retail prices is likely to increase the need for domestic industrial consolidation in the retail sector, as lower prices threaten the economic viability of the marginal retailer.

"One anticipates an increase in mergers and acquisitions within the retail sector during the adjustment period. In the interim, larger domestic retailers are likely to bolster their net cash position in preparation for more acquisitions. This consolidation may produce further efficiency gains, which will translate into higher consumer surplus, as cost optimisation in the domestic supply chain progresses," Ebrahim and Madinane said.

Despite opposition by some workers' unions and the ministers of economic development; trade and industry; and agriculture, forestry

and fisheries, economists say that the thumbs-up given by the Competition Appeal Court (CAC) in March 2012 to Walmart's R16.5 billion acquisition of Massmart will continue to bring loads of benefits for South Africans.

The court had to decide whether the merger approval given was correctly granted, or whether public interest concerns justified more stringent conditions than those set by the Competition Tribunal, when it approved the deal in 2011.

Although the nod was given, the CAC commissioned a study into ways in which local suppliers could participate in Walmart's global value chain. Three experts were commissioned to produce the study and released their findings in two separate reports in early June. The majority report, which calls for a supplier fund

of up to R2-billion, was finalised by James Hodge and Joe Stiglitz – the former, a prominent South African economist, and the latter, a former chief economist at the World Bank.

The second report was by University of Cape Town Professor Mike Morris, who was appointed as the Walmart-Massmart representative.

While the Walmart-Massmart legal team responded to these reports within the 30-day time frame, Massmart corporate affairs executive, Brian Leroni, was unable to provide further comment before we went to print, saying only that: "The matter is currently in the hands of the CAC, who are considering the findings of the expert reports."

Congress of South African Trade Unions' (Cosatu) secretary-general, Zwelinzima Vavi

in July said the granting of approval for the merger was a serious error by the Competition Commission. He said Walmart would threaten even the existence of established retail shops such as Shoprite and Pick n Pay.

He said jobs would be lost as local retailers tried to align their operations with those of Walmart.

Walmart's low-cost philosophy is certainly shaking up the retail sector, as Massmart subsidiaries and its biggest competitors feel compelled to cut prices.

"Massmart estimates that the four extended 10-week price cut promotions implemented by Walmart in the period from June 2011 to May 2012 have saved consumers R200-million. More recently, on 22 July, we launched a fifth extended price cut promotion that will result in further savings," Leroni said.

This would be seen as vindication for Walmart. In June, Walmart's senior director of international corporate affairs, Kevin Gardner said: "We believe in Africa and our investment in Massmart is a vote of confidence in the value of the continent.

"The relationship with Massmart is expected to benefit local suppliers across Africa, by continuing Massmart's history of sourcing locally.

"We also believe that sourcing products directly from local farmers and suppliers helps them become more productive and efficient, which in turn increases their incomes. With Massmart, we foresee the opportunity to expand the business and create new jobs," he said.

He said creating jobs, expanding worker skills training, bringing affordable goods to consumers and investing in the country, Walmart believed they would facilitate a socio-economic imperative of supporting growth within the continent.

Independent economist, Vince Musewe said the entrance of Walmart is good for competition in that it would raise the bar on service and price and that the consumer would benefit.

Dr Roelof Botha believes that the pros and cons of the Walmart and Massmart deal were adequately, even painstakingly, covered during lengthy Competition Commission and Tribunal proceedings, particularly at a micro

level. "Consensus was reached by most of the parties involved in supporting or opposing the acquisition that no competition concerns existed and that consumers stood to benefit from the deepening of business rivalry in the retail sector, especially via lower prices and broader choice," he said.

The Competition Tribunal nevertheless decided to impose conditions on the merging parties, aimed at addressing certain public interest concerns.

Ebrahim and Madinane said that identified risks about the Walmart and Massmart transaction are Walmart's extensive global supply chain networks, which enable the company to cut costs by sourcing the cheapest products around the world.

"Left unchecked, indeed this would, in the long run, result in a decline in local manufacturing production. Similar market dynamics led to the rapid contraction of the domestic clothing and textile manufacturing industry and these could potentially play out if Walmart enters the retail sector without regulatory intervention. A possible net negative impact on agri-processing and farming could also culminate in a domestic food security issue.

"However, given the above-mentioned risks, coupled with persistent public interest concerns, we believe that the Tribunal's imposition of merger conditions largely diffuses these risks," they said.

Conditions

Walmart is to ensure that there are no retrenchments as a result of the merged entity's operational requirements for two years after the transaction.

The merged entity is to re-instate Massmart's 503 employees that were retrenched in 2009 and 2010. All existing labour agreements are to be honoured and Saccawu's current position as the largest representative labour union in the merged entity should not be challenged for at least three years.

A programme is to be established aimed at the development of local South African suppliers, including SMMEs, funded in a fixed R100-million fund to be contributed by the merged entity. "This programme is to be

actively monitored by the Tribunal and will likely enhance the net social benefits of the Walmart and Massmart merger transaction," Ebrahim and Madinane said.

"Regarding the issue of local procurement, it is clear that the Tribunal was satisfied with Massmart's earlier evidence that basic procurement patterns were unlikely to change materially," Dr Botha said.

According to Massmart, its patterns of procurement are primarily determined by economic considerations, including the strength of local preference for domestic brands, the magnitude of transport and storage costs, the degradation of product quality in transit, the importance of security of supply and the extent to which post sales local servicing and support are required.

"The advantages of the merger on a macro-level have received relatively scant attention, despite their significance from the perspective of raising South Africa's global profile as a foreign direct investment destination of choice.

"Walmart is, after all, the largest private sector employer in the world and boasts revenues in excess of South Africa's total GDP," Dr Botha said.

Referring to World Economic Forum information which ranks countries' global competitiveness (see attached table), Botha says that when viewed against the background of a selection of South Africa's key strengths and weaknesses in the area of global competitiveness indicators, it is clear that Walmart is prepared to accept the considerable risks that exist in the domain of a relatively narrow value chain and labour market inefficiency.

"It is clear from the table that the outstanding rankings for indicators closely associated with entrepreneurship and financial and business management stand in sharp contrast to the woeful position of key labour market indicators," he said.

Sarah Truen, an economist with DNA Economics, says when reviewing the outcome of the Walmart and Massmart merger, it is useful to go back to basics – in this case, the basic intention behind why South Africa has a competition law. This law is designed to maximise the benefits that flow from

facilitating competitive markets. When firms compete openly and honestly, prices go down, quality (on the whole) goes up, and the pace of innovation speeds up. In the Walmart and Massmart case, these basic insights and goals of competition law have been obscured by other policy goals and interest groups. Two key arguments have been advanced against the merger – that employment conditions will be adversely affected and that local suppliers will lose out to imported goods,” she said.

Walmart has had a lot of bad press for its treatment of workers. “However,” adds Truen, “South Africa has a well developed – perhaps over developed – system of labour rights protection.

“If Walmart misbehaves, simply enforcing our existing labour laws will be enough to solve the problem – we don’t need to use competition law to protect labour rights.

“As an international firm, it’s argued that Walmart will tend to import more than local retailers, and thus local suppliers will lose out.

“This argument is unlikely to be factually correct because local retailers import a lot already and there is a limit to how much Walmart will be able to import competitively.

“Fresh goods in particular are just easier to source locally,” Truen said.

She said Walmart may even facilitate the export of local goods through its supply network.

Ebrahim and Madinane agreed, saying that the merger could have a net positive impact on domestic exports. “Some of the product sourcing in Walmart’s global supply chain could be redirected to South Africa (like wines and fruit) as Walmart builds on its knowledge of the domestic business environment,” Ebrahim and Madinane said.

“While it may be tempting to use an effective regulatory system, like the competition system, to further as many regulatory goals as possible, it is also terribly inappropriate,” Truen said.

Ebrahim and Madinane said 11 February held a special significance in South Africa’s socio-economic history. “In 1990, the day marked the start of a new political era for the country, the day Nelson Mandela was released (from

Victor Verster prison near Paarl, now known as the Drakenstein Correctional Centre) and the emergence of prospects for South Africa’s participation in the global economy. In 2011, the Competition Tribunal gave the nod to Walmart’s acquisition of a 51% controlling stake in Massmart.

“While there has been much concern over the likely implications and economic impact of the merger, given Walmart’s economic clout and extensive global supply chain network, structural economic cost benefit analysis shows that the resultant industrial efficiency gains after merger will result in a net social welfare benefit for South Africa.

“This is the basis on which the Tribunal gave approval to the Walmart and Massmart merger – a position we firmly support,” Ebrahim and Madinane said.

Particular attention was paid by the Tribunal to labour unions’ concerns of a negative impact on employment after the merger, given Walmart’s record of repeated sanctions in other legal jurisdictions in which the company operates.

However, the Tribunal found that the Walmart and Massmart merger, given Massmart’s current expansion plans, would only aid expansion and help to create new jobs more quickly, given the capital base in the new entity and Walmart’s access to capital markets.

“This is a compelling finding, which should dispel any concerns of large-scale job losses,” Ebrahim and Madinane believe.

In fact, they said, research shows that the arrival of Walmart in Mexico led to Walmart becoming Mexico’s largest private employer 12 years later – evidence of the net positive impact the company has had in an emerging market. Musewe believes that the retail giant’s entry into South Africa will help combat the problem of “sluggish monopolies”.

“Monopolies have gained the advantages of scale yet have not necessarily focused on the delivery of value to clients.


“These monopolies have attained a false comfort and the arrogance of size and as a result, they believe that they control the market. Once any business believes that it

controls the market, it becomes complacent about its *raison d’être*: Which is to deliver a good service to its clients.

“South African monopolies have been protected from predators and have, therefore, become sluggish. The collusion cases uncovered by the Competition Commission confirm this sluggishness, which has resulted in anti-competitive pricing mechanisms which have cost consumers.

“The requirements that Walmart must freeze job cuts for the next two years, honour union bargaining agreements for three years and invest R100-million in a supply-chain training programme to improve the competitiveness of the local industry are commendable objectives.

However, this is a temporary respite as we must not forget that Walmart is here to make money and after three years, may do as it wishes,” Musewe said.

Dr Botha said: “Fortunately for South Africa, the Competition Tribunal did not bow to the opposition by Cosatu and its affiliated trade unions. As a result, the merger will contribute to the so-called ‘benevolent cycle’ of macro-economic effects inherent in substantial levels of foreign direct investment, including increased competition, employment gains and broad-based increases in taxation revenues.” 

Cathy Grosvenor



Walmart background

Walmart is the largest majority private employer in the United States and now in Mexico, and is also the largest grocery retailer in the US. They are based in Bentonville, Arkansas.

The company operates in 27 countries and was started in 1962 by Sam Waltons. In 2002 Walmart made it onto the Fortune 500 list. "In order to put the magnanimity of this company into perspective, one must articulate the fact that Walmart's revenue is estimated to be US\$408 billion (about R3.3-trillion), which is larger than South Africa's gross domestic product. Walmart, if it was measured as a country, would have been China's eighth largest trading partner and would have a GDP larger than 75% of countries worldwide (BusinessLive)," Ebrahim and Madinane said. Walmart's competitive edge is driven by a combination of conventional cost-cutting and sensitivity to demand conditions, and by superior technology: the company uses software-based logistics and distribution systems, and its divisions are well-integrated, the economists add.

The retailer's most-cited advantage over small retailers is probably economies of scale and access to capital markets.

Consumer goods distributor Massmart is the owner of Game, Dion Wired, Makro and others.

Kutana Investment Group

The most important investment you can make

As CEO of Kutana Group, Thoko Mokgosi-Mwantembe is in the business of investment. But it is generating returns of another kind that is close to her heart.

The passionate 51-year-old believes that the most important investment South Africans can make is in human capital. Her pay-it-forward philosophy has seen her developing into a natural mentor and has helped forge her very strong views on active citizenship.

"Citizens need to get involved in making our country the best it can be; they need to know what it is they want for South Africa's future, and must then contribute towards reaching that ideal," she says. "Be it with regard to health, safety or education, they must help shape our nation's tomorrow in an apolitical way so that it remains sustainable beyond a particular political party."

With Women's Month just having been celebrated, Mokgosi-Mwantembe looks back on her own life with a certain amount of regret, and the wish that women who are just starting their adult lives do not make the mistakes she made.

Although she says her children 'turned out just fine', Mokgosi-Mwantembe regrets that she missed much of her children's childhood. "The importance of balancing business with family is something I came to appreciate a bit too late in life. Fortunately, I had a wonderful support structure and my children received the nurturing they needed, but I short-changed myself and them."

"When growing up, my generation focused on achieving in the workplace, but did not realise that true success means doing a great job in all spheres of your life; it must be holistic."

This does not mean you are superwoman, though, capable of doing everything on your own. Mokgosi-Mwantembe firmly advocates that women outsource intelligently. "Keep what you must in-house but delegate other responsibilities, both at work and in your private life."

"Dreams are the foundation upon which great things are built. Without a dream, you will have nothing to reach for," she says.

Although there will be obstacles along the way, Mokgosi-Mwantembe says that women can achieve whatever they set their minds to. "Decode your dreams into achievable targets and work towards making them a reality, one step at a time.

"Things may not always go as planned but focus on winning the war, not the individual battles you will fight along the way. You may lose some of these, but don't lose sight of your end goal.

And although confidence is good, arrogance is foolhardy. "Be humble enough to be guided and receptive to being told when you are not doing something the right way."

Mokgosi-Mwantembe believes active citizenship is what every South African should subscribe to.

"Your actions may only make small ripples, but they come together to make waves. Remember, if your hand remains closed, people won't have place to put stuff,"



Thoko Mokgosi-Mwantembe

she explains of the philosophy she adopts when giving. Despite her position at Kutana Investments Group, Mokgosi-Mwantembe makes her own tea, puts off the lights at night and enjoys doing other day-to-day things.

“Life is a work in progress so I cannot say that I have mastered the art of living well, but I have reached a space where I better understand the basics. I am grounded. I only wish these home truths had come to me earlier.”

An experienced business leader, Mokgosi-Mwantembe has a BSc and Teaching Diploma from Swaziland and an MSc (Medicinal Chemistry) from Loughborough University in the UK. To bolster her business acumen, she went on to complete relevant executive courses through Harvard and IMD in Switzerland.

She has worked in senior positions for a number of global pharmaceutical companies, including Glaxo and Merck, before moving from test tubes to phones. Joining Telkom, first as marketing executive and then managing executive in the telecommunications giant’s consumer segment, she played a major role in the rebranding and repositioning of Telkom as a business solutions provider. Mokgosi-Mwantembe was eight months pregnant when she was hired by Telkom.

“I had a few things going against me. I was pregnant, female, black, young, didn’t speak Afrikaans – and looked like a whale. When I met with the Telkom engineers for the first time, I could not get control of the room. They just carried on their conversations. So I switched to Zulu and that got their attention. I then told them that I was going back to my office, and they should call me when they were ready.”

“Within 10 minutes I was back in the boardroom, at their request. Looking back, however, the risk I had taken was huge and had they not called me back, I would have lost their respect and would have been forced to resign. Sure,

you need to take chances, but they must be educated ones,” she continues.

After Telkom, Mokgosi-Mwantembe stayed in ICT, filling the positions of sales and marketing director at Lucent Technologies, a divisional MD of Siemens Telecommunications, the CEO at Alcatel SA and, until November 2008, the CEO of HP SA.

In 2009, she co-founded Kutana, a black women owned and led Pan African BEE investment group focused on delivering significant shareholder value through sound strategic investment practice, whilst contributing to the transformation of the economy and society at large.

Mokgosi-Mwantembe currently holds a number of non-executive board positions for leading South African companies, such as the Vodacom, Absa and Aveng groups. This depth of strategic and business experience, coupled with her ongoing contribution to the different boards that she sits on and her exposure to multi-nationals and their disciplines – both local and global – play a vital role in her understanding of the business of investment.

That she is good at what she does is clear from the accolades she has earned. Mokgosi-Mwantembe was named a finalist in the 2005 IT Personality Awards, was the Top ICT Individual for 2005 and winner of the Top ICT Business Woman in Africa Award in the same year. She was also a finalist in the ICT Sector in CEO Magazine’s SA’s Most Influential Women in Business & Government; and in 2007 was named the Businesswoman of the Year in the corporate category.

Mokgosi-Mwantembe is married to physician/gastroenterologist, Professor Obedy Mwantembe and they have three children, the oldest two of whom are completing their tertiary studies. Her youngest is 16.

“Education is all important,” says Mokgosi-Mwantembe, who puts her teaching

qualification to good use by giving extra lessons in maths and physical science at township schools whenever she can.

An avid ballroom dancer, Mokgosi-Mwantembe says that while her husband’s mind is brilliant he has two left feet and so this is one passion they do not share. With thoughts of her family in mind, she concludes with a smile, “It is possible to be a mother, a daughter, an aunt, a partner and a professional.”

Thoko’s top tips:

- Be yourself. Do not try and be someone else as this is not sustainable.
- Work hard but smartly. Do not just mindlessly slog away.
- Have integrity you owe it to yourself.
- Learn continuously. If you want to be the best you can in a given role, you must keep on top of your game. Attend conferences, study, have mentors, read and do what it takes to do what you do well.
- Be resilient. Learn from your mistakes and move on.
- Have a solid support structure. If you fail, you will have a safety net to catch you, people to guide you if you lose your way, a sounding board to grapple with challenges and a physical shoulder to lean on.
- Give. We are all in a position to give in some way. If you are successful, it is because someone gave you an opportunity. Pay this forward.
- Remember, nothing replaces hard work.

A timely jab

Anglo American boosts healthcare in rural SA by supporting the rural health capacity building project

Anglo American's dedicated corporate social investment arm, the Chairman's Fund, has significantly aided healthcare in underdeveloped and underprivileged areas in South Africa, through its contributions over the past two years towards the South African Brain Institute's (SABRI) rural health capacity building project.





Anglo American Chairman's Fund chairperson, Norman Mbazima

The Chairman's Fund contribution of R100 000 each in 2011 and 2012, will aid the rural health capacity building project's primary goal of improving minor surgery and the initial treatment of addiction in these areas by using psychotropic analgesic nitrous oxide (PAN).

Consequently, health professionals from non-governmental organisations will have training in the administration of PAN, and this will also empower primary health care centres to offer inexpensive treatments not available on site.

The latest grant will allow SABRI to improve PAN therapy capacity building in medical male circumcision sites nationally for this year and next.

Chairman's Fund chairperson, Norman Mbazima, notes that the Fund's decision to contribute towards the project is aligned with its strategic focus.

"Anglo American recognises that the most effective method to empower the previously disadvantaged communities in South Africa is to support innovative models that strengthen the healthcare system.

"Undoubtedly, the rural health capacity building project will achieve this goal, and help make a real difference to underdeveloped and rural areas, by providing much needed

primary health care services, and helping public health services save significant referral costs," Mbazima said.

The PAN treatment for addiction was pioneered and developed in South Africa, and is used locally, in Europe, and in the United States.

The treatment, which involves a low concentration of nitrous oxide being mixed with high concentrations of oxygen, allows a patient to be fully conscious and co-operative at all times, while receiving treatment.

Patients breathe in the gas, which subsequently affects the endorphin system by manipulating pleasure-pain principles in attempts to bring them into equilibrium.

This consequently reduces the need for external sources such as alcohol, drugs, and cigarettes to achieve a sense of balance.

It can also be used as a local anaesthetic for minor procedures.

Unlike other treatments currently employed, which often rely heavily on benzodiazepines (any of a class of heterocyclic organic compounds used as tranquillisers, such as Librium and Valium) which produce secondary and often intractable addiction, the gas is usually used only for one administration.

Normally, only one exposure to PAN is necessary, and people can be treated within communities without being hospitalised. The medication has rapid and lasting effects, even after a single, short exposure.

Executive director at SABRI, Professor Mark Gillman, expands on its benefits.

"Clinical experience by thousands of health practitioners in millions of cases treated in South Africa, Europe, the United States and elsewhere has shown that PAN is an ideal simple agent for relaxing patients during minor surgery.

"Subsequently, the need for expensive general anaesthetics is avoided, and patients can be treated as out-patients, which prevent costly bed-occupations," Prof. Gillman said.

However, Gillman stresses that while PAN is an excellent treatment for addictive withdrawal states, it is not a cure for addiction, and is rather used as the first essential step in the process of detoxification, which a victim of substance abuse must undergo before the process of healing can begin.

Mbazima concludes that the Fund will continue to align itself with initiatives that bring a real change to community health development.

PAN is an excellent treatment for addictive withdrawal states

"Moving forward, we will continue to seek out initiatives such as the rural health capacity building project, which are instrumental to the personal development and wellbeing of numerous people," Mbazima said.



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The IDC is the biggest supporter of tenders awarded in the Department of Energy's Renewable Energy Independent Power Producers (REIPP) programme.

In the first round of REIPP tenders, the IDC participated in twelve successful bids, and seven more in the second round. The green energy bids include wind power, concentrated solar power, photovoltaic and small hydro projects.

Over the next five years, the IDC will make available R25 billion to fund projects related to green industries.

The IDC is identifying and providing funding for many projects that will contribute to building South Africa's industrial capacity and creating jobs. Visit www.idc.co.za to find out more.

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Growing talent through

MultiChoice operates in a fast-paced innovative environment and places employee development at the centre of its business. Its employee development strategy is based on the fundamental concept of continuous learning.

The company's investment in skills development is aimed at benefiting its employees, the business and the industry at large. Its development programmes include management training, entry-level learnerships, awarding of bursaries and industry-related skills development programmes. The company is biased towards transformation with a focus on women and previously disadvantaged individuals. It follows innovative learning approaches that are customised to bridge the gap between theory and practical business requirements.

Leadership Development

MultiChoice has partnered with some of the best institutions in South Africa to ensure that it provides quality training to its employees. It currently has partnerships with Wits Business School, Gordon Institute of Business Science (GIBS), as well as other laudable institutions. Some of the programmes offered to its leaders include: the Management Development Programme, the New Managers Programme, Management Advancement Programme, and Leading Woman Programme. These programmes cover training ranging from supervisory levels to executive management. In 2012, about 222 leaders across the group attended programmes in their areas of expertise.

Learnerships

MultiChoice also provides several robust learnerships. Its focus is not just to train learners but provides opportunities for employment within the company. The learnerships and internships are geared towards developing skills, improving performance, creating work opportunities and career advancement for people who cannot secure employment due to lack of opportunity or skills. MultiChoice has placed many of the learners in permanent positions as well as in fixed-term contracts, including 34 disabled candidates. The company's learnership programmes combine vocational education and training modules towards qualifications registered on the National Qualification Framework.

These programmes also assist MultiChoice in creating a talent pipeline for scarce skills and to recruit talent into entry-level positions. In the past year, the learnerships available within the Group were:

- M-Net: 19 engineering and technical positions
- SuperSport: 42 positions for practical involvement in production areas
- MultiChoice: 554 learnerships and internship positions across the company, ranging from Customer Care and DStv Online, to Finance, Human Resources, as well as Broadcast Technology and IT.

MultiChoice's bursary policy offers further learning and growth opportunities for all employees. The company also has a dedicated focus, with separate funds, to develop women within the organisation. MultiChoice awarded 61 bursaries in 2012, bringing the total number of bursaries awarded since 2008 to 229.

In addition, the company offers a mentoring and coaching programme where its executives play an active role. This has helped the company to develop its succession pipeline. MultiChoice also offers an extensive graduate recruitment programme.



MultiChoice Leaders In Training

Innovative learning

MultiChoice offers its employees various learning environments including a well-established award winning e-learning platform. The learning technology strategy is part of the employee development strategy. Operating in a fast-paced and flexible environment requires the company to have people development processes that are innovative, efficient and of extremely high quality. Offering e-learning to all employees has enabled MultiChoice to develop employees on their competency gaps, and also help them to develop their areas of passion.

e-Learning is one way of closing the competency gaps at a reduced time and cost. The MultiChoice call centre training time has been reduced by 50%, allowing it to train more new representatives over a shorter period of time. The company recently won the Top Company Award for best business in education and training.

Industry-Related Training & Development

MultiChoice's people development investment goes far beyond its internal borders through its investment in industry related training programmes. It has invested significantly in developing local talent within the film industry through the DStv Film Talent Skills Development Programme.



skills development

The programme was first implemented in 2007, to fast-track the development of industry talent, specifically previously disadvantaged individuals. To date 90 filmmakers have graduated from the programme since 2007.

The DStv Skills Development Programme has two distinct parts: the first part focuses on the selection of 20 candidates who are already participating in the industry. A 10 month long training programme provides them with a comprehensive understanding of the industry and with relevant technical skills required by the industry. The second part focuses on six up and coming producers and directors, who are nominated by their peers and industry specialists. These candidates receive mentorship and customised training. Together with the other 20 graduates of this training programme are provided with greater access to the local film industry.

M-Net is also playing a significant role in the growth and development of talent within the industry. Through the Television Awards for Good (TAG Awards), M-Net nurtures the talent of new and seasoned filmmakers by providing opportunities to produce high quality pro-bono commercials for non-profit organisations and charities. The most creative commercials are selected and announced at the TAG awards ceremony. M-Net also provides four filmmakers with the opportunity to attend the Cannes young Lions Workshop in Cannes and a further five Bursaries are awarded to previously disadvantaged students at various Film and advertising schools.

SuperSport is playing a critical role in sports development. In 2005, SuperSport initiated an internship programme to train future Production Assistants in sport television. SuperSport has joined up with Big Fish School of Digital Filmmaking to train 10 learners who would receive a NQF4 certificate at the end of training. In addition, the students obtain experiential training at SuperSport.

In partnership with Wits Business School, SuperSport also offers senior and middle management sport administrators an innovative sport management and executive training programme. To date, 202 sport administrators from various sport organisations have completed this modular course. This programme is currently being rolled out across the continent.

Let's Play, is a flagship SuperSport initiative, encouraging participation in sport amongst primary school children. Today, Let's Play actively engages with approximately 400 000 children every week through its weekly coaching clinics supported by approximately 1000 coaches, and held at 1200 schools in nine provinces. The programme has made a demonstrable difference to the lives of thousands of children across the country.

The MultiChoice industry related programmes not only show support for industry professionals but contributes towards building specialised capacity needed by the relevant industry. It is committed to people and skills development and wants to ensure that through its programmes it is able to contribute to the broader skills development objectives of the country.



DStv Film Skills Development Participants at Work





Clear vision

IT multinational opens cutting edge digital learning centre in rural Mpumalanga

T-Systems South Africa has launched the Hazyview Digital Learning Centre (HDLC) which is an educational facility managed in partnership with the Good Work Foundation (GWF) and Hosanna Community Projects. The centre runs courses and skills training in Information Technology (IT), tourism and English to communities from Hazyview and the surrounding areas of Mpumalanga and Limpopo.

The launch was attended by National Planning minister, Trevor Manuel, a board member at Deutsche Telekom, Reinhard Clemens, and T-Systems Chief Executive Officer and T-Systems South Africa managing director, Gert Schoonbee.

T-Systems donated R3.7-million towards the start-up of the centre, construction costs and the provision of human and other resources, as well as curriculum alignment and assistance to ensure that the centre meets the highest training standards.

The HDLC will focus on people with very little schooling, or mature students.

T-Systems SA managing director Gert Schoonbee says the HDLC epitomises not only T-Systems' but the country's emphasis on uplifting those in need.

"Education forms the cornerstone of any society. The national development plan and Vision 2030 outline the need for quality education and training, particularly in those areas where there is a lack of educational facilities, and it is our hope that the HDLC will be a significant contributor in this area. We feel truly privileged to form part of this wonderful project," Schoonbee said.

Learners will get practical skills which will prepare them for the world of work, allowing them to compete in a global environment.

The HDLC is managed by the Good Work Foundation, an organisation committed to bringing positive educational interventions to rural South African communities.

"The generous support from T-Systems in South Africa has enabled the GWF to invent a new way of learning for Africa, making maximum use of modern technology and delivering world-class education to rural communities," Chairman of the GWF, Dave Varty said.

The establishment of the HDLC also falls in line with Higher Education and Training minister, Blade Nzimande's green paper on post-school education and training, which recommends expansion in all post-school institutional types, such as Further Education and Training colleges, universities, adult education facilities and sector education and training authorities.

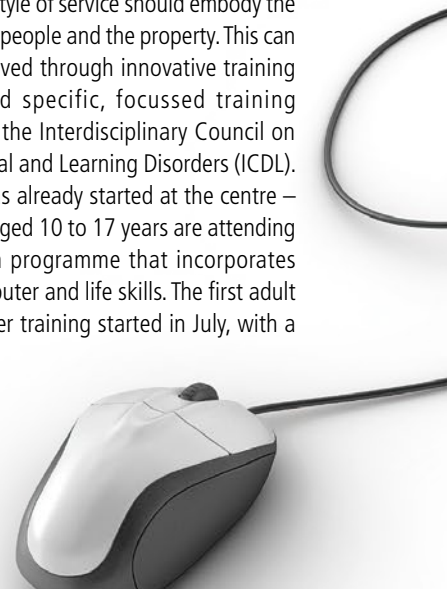
The green paper proposes an increase in FET college enrolments from 400 000 to four million in 20 years' time.

Education excellence

The centre employs, among others, retired educators who offer years of critical experience which will augment the company's commitment to educational excellence.

These educators will work with and mentor young local educators. In addition, the HDLC incorporates relevant, accredited teaching programmes such as the Independent Examinations Board (IEB), lets sell lobster (lets sell lobster offers tailor-made training material to each establishment's service requirements. They recognise that every property is unique, and that the style of service should embody the culture of the people and the property. This can only be achieved through innovative training methods and specific, focussed training courses) and the Interdisciplinary Council on Developmental and Learning Disorders (ICDL).

Teaching has already started at the centre – 60 students aged 10 to 17 years are attending an afternoon programme that incorporates English, computer and life skills. The first adult ICIDL computer training started in July, with a



class of 30 learners receiving training on fully equipped IT facilities, which are similar to the T-Systems-sponsored CIDA ICT Academy in Johannesburg. Over the next couple of months, about 300 learners are expected at the centre.

The Tourism school will open in September this year, running courses for the 'let's sell lobster' programme for the NQF4 national diploma in hospitality. An ICT academy's full curriculum will start early next year.

The facility

HDLC can accommodate 300 adults in the mornings and evenings, while 300 public school learners can take part in the parallel curriculum in the afternoons.

The learning centre features a server room and two traditional computer rooms, with 21 and 30 computers respectively.

These have been linked and are connected to the Internet.

The centre also incorporates a wireless connectivity barn, which used to be an old banana barn.

At the barn, students can connect with wireless to mobile devices such as tablets. Two breakaway rooms are also available which can hold up to 20 students.

The centre includes smart screens that are mobile for improved information distribution.

The facility also includes student bathrooms that are wheelchair-friendly.

In future, the centre will use appropriate and renewable energy resources, such as solar power to meet its daily energy requirements, as well as harvesting of water and the use of a grey water system, contributing to the overall sustainability of its operations.

"There is no doubt that the centre meets all the requirements for educational excellence. It will provide an environment that fosters learning and sets students on their way to becoming truly successful," Schoonbee said.

About the Good Work Foundation

The Good Work Foundation is a non-profit organisation which was founded in 2006 and is committed to doing good work in the community.

The Foundation provides access to world-class education in rural South Africa.





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Beauty and the art of business

Former fashion model, Thandi Sibisi, makes successful transition from the catwalk into the boardroom

Earlier this year, 25-year-old Thandi Sibisi thrust open the doors of her Melrose Arch based SIBISI Art Gallery to become the first ever black woman to own an art gallery in South Africa.

Softly spoken Sibisi embodies the blueprint of a young and successful businessperson: impeccably dressed, articulate, all with a 'can do' attitude wafting like a fragrance around her. She says she always had ambitions beyond the catwalk.

"I do not regret that each business presents a unique challenge, therefore, success depends on the owner realising the characteristic blend of his target market. She challenged young people to desist from replicating what she has done, but rather to innovate her ideas.

According to Sibisi, people in the art business tended to concentrate on the existing market and do not introduce art to a potentially new clientele.

"The fact that I am young, black, full of energy, edgy and innovative, means that the gallery will exude a certain appeal that is currently not part of the gallery scene," offers Sibisi. The first exhibitions to go on show were by renowned curator Christopher Till, director of the Apartheid Museum.

But, how did a university drop-out come to own four thriving businesses and work her

way into the record books as the first black female art gallery owner?

She notes that she was always confident as a child, starting her first business when she was just 19 years old. Sibisi says she dreamt of running her own business while studying marketing at the University of Johannesburg.

Much to her parent's chagrin, she dropped out in second year and pursued her business ambitions.

She applied for funding but never got a single response for two years. In 2010, a despondent, broke, hungry and homeless Sibisi joined the throngs of young people looking for a job.

After a week of job hunting she was called in for an interview. "I couldn't believe my luck. But my dream of becoming an entrepreneur never deserted me," she said.

The director of the company, who interviewed her, was so impressed with her passion and ambition that instead of giving her a job, he gave her a R15 000 cheque and promised to fund her business for six months.

She established her marketing company Invogue Marketing Concepts where, among other things, she sold concepts to the Federation of International Football Associations (FIFA) and the national Department of Arts and Culture.

It was at the Department of Arts and Culture where she was inspired by South African art and decided to establish SIBISI Art Gallery.

After the FIFA Soccer World Cup held in South Africa in 2010, she travelled in Europe for almost a year. It was while travelling there, mainly between Italy and France; that she came to understand the complex world of art dealing.

She says the experience was a major learning curve. Starting SIBISI Art Gallery, Sibisi made sure that the self-funded project was manned by what she describes as "the perfect team".

These are people who are passionate, driven and experienced in what they do.

She said in business it is important to surround yourself with people who are knowledgeable about your particular industry.

This is an opportunity to learn first hand as these experts build your business. This, she says, is more valuable than any business school course.

The gallery is called SIBISI, after her family name because she is a traditionalist and believes it best expresses her identity.

She hopes the gallery will be an extension of her spirited, ambitious and young personality.

Sibisi told BBQ that she visited a number of galleries all over Europe for inspiration and to meet partners and collaborators and describes SIBISI Art Gallery as a "beautiful contemplative white cube in which to immerse oneself in both modern classics and contemporary works".

"There will be exhibitions by different artists every month, while maintaining our vibrant, lively ambience, complemented by lots of colour and stories on offer," Sibisi said. Sibisi, whose parents own a farm near Estcourt in KwaZulu-Natal, remembers arriving in Johannesburg for the first time.

"The bus dropped me in Gandhi Square in Johannesburg," she recalled.

"I was 17 and had never even seen a double-storey building in my life. I looked around and it was like, 'I'm going to own this city'," she said.

Sibisi says her parents never learned to speak English. "My mother has never been to the city. She thinks the city is the devil's land. But they (my parents) believed in education so when we were young, they sent us to private schools using proceeds from the sale of cattle," Sibisi said. And she can't forget her parents' disappointment when she told them she was dropping out of varsity.

They are now her pillars. Sibisi also runs the Thandiwe Foundation, a charitable organisation she founded.

The charity raises funds to take underprivileged children to school and supports other educational causes.

She describes herself as a tough taskmaster, who expects the best from the people she works with.

She believes young people growing up in South Africa today have endless opportunities. The problem, she said, is that they are "procrastinators" and do not look beyond the obvious.

She describes herself as a visionary, one who moves with the times and is never bound to specific beliefs or ideology.

She concedes, however, that she easily gets bored and enjoys the thrill of starting something new.

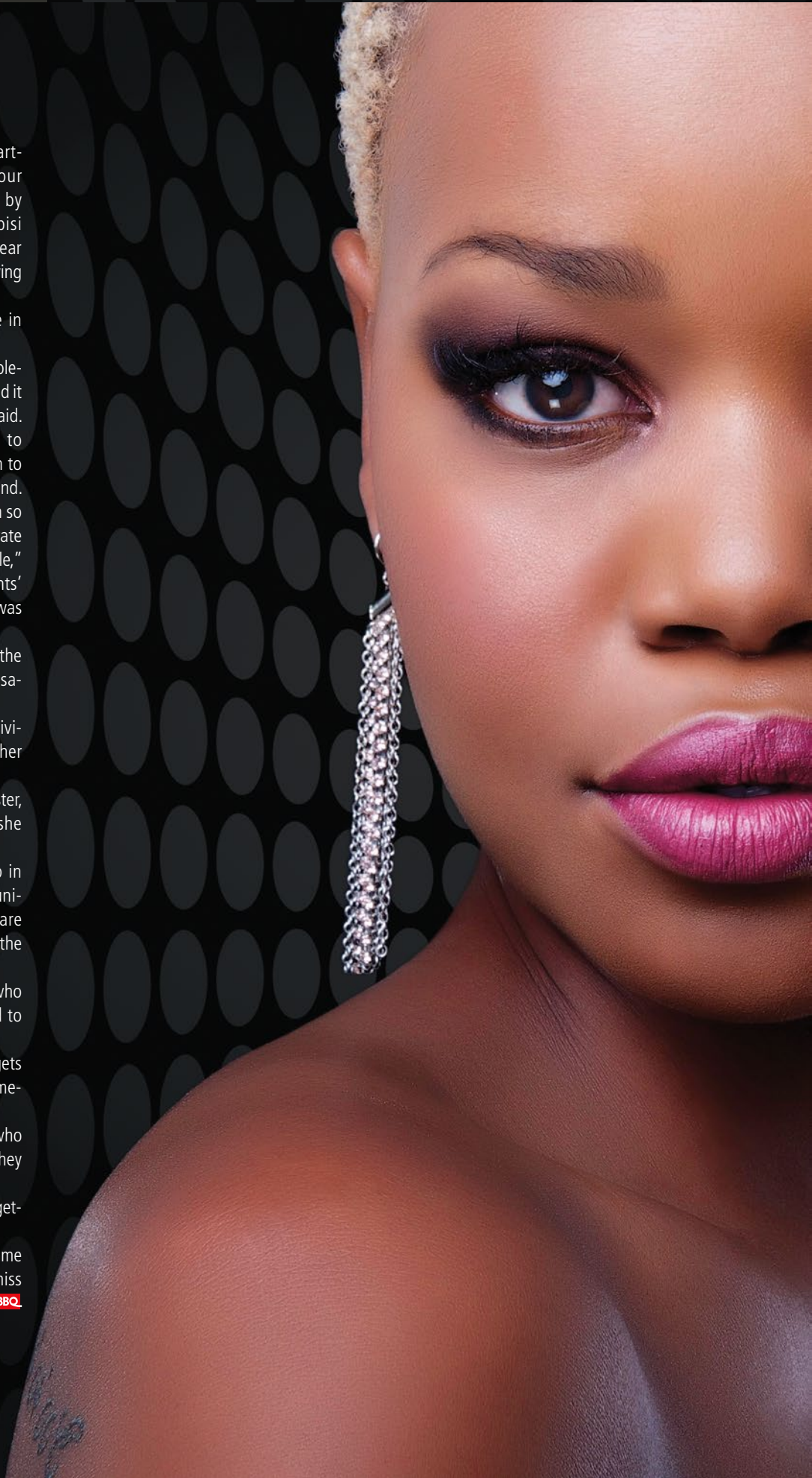
To this end, she hires the best managers who eventually take over her companies once they are off the ground.

Now, her next goal is to create her own get-away resort to be called Country Sibisi.

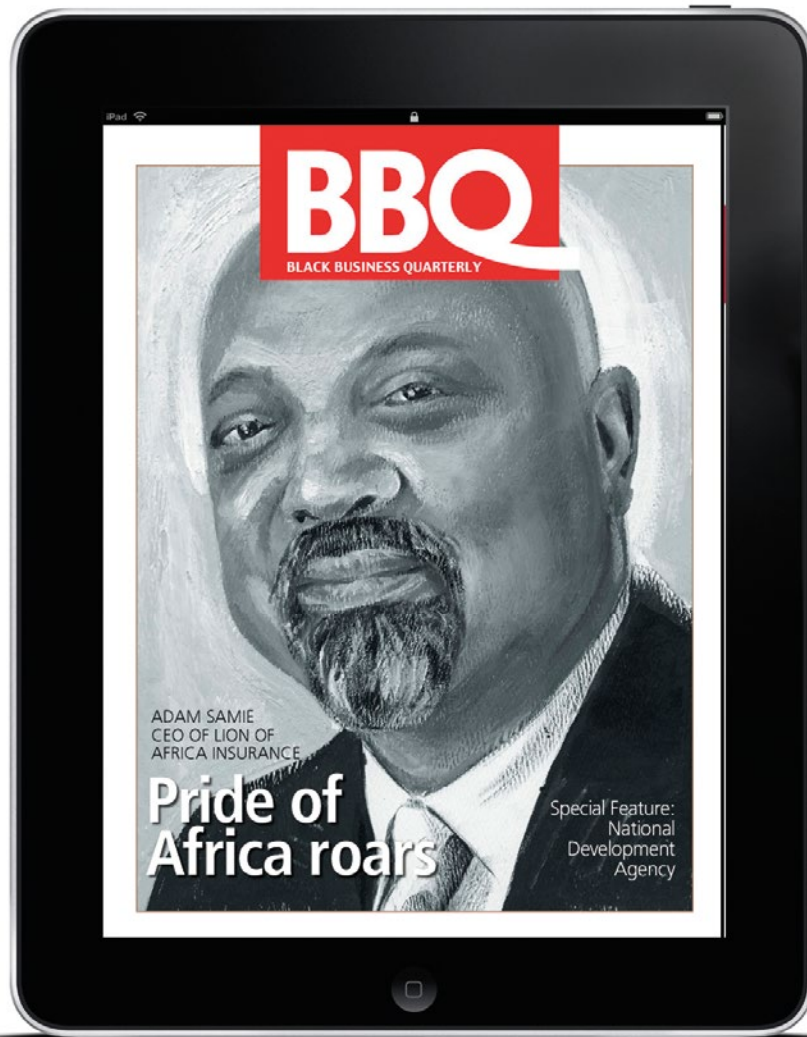
"It's going to be a retreat for city folk like me who badly need to get away. I love and miss the countryside," she said.

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IT evolution sparks novelty

Long-Term Evolution (LTE) is the next best thing to rival 3G and Africa must start preparing the landing pad

Long-Term Evolution (LTE) technology is the next step up from third generation or 3G. This all-IP network technology will give users three times the wireless throughput and increase network capacity considerably. It is much needed in South Africa as the uptake of bandwidth-hungry smart devices – smartphones, tablet Personal Computers and others – grows and the backhaul capabilities of the networks become increasingly stressed.

However, LTE technology is not compatible with 2G and 3G – it calls for a totally new technology installation and rollout.

For new players, the first investment will be high, but in the long run the cost for megabyte per second (Mbps) will make this an attractive solution. With every major network provider in South Africa trialing LTE technology and the Independent Communications Authority of

South Africa (ICASA) looking like it may soon finalise the spectrum allocation issue, 2012 may well be the year of LTE.

But conducting trials for LTE is not the same as rolling out an LTE network, or offering an LTE quality service.

Without doubt, it is the direction every network provider needs to take, but there are challenges and considerations. An evolution rather than a revolution is on the cards.

The big challenge is to exchange the Telkom copper currently used on the backhaul with Fibre Optic Cables (FOC).

While there is now a lot of FOC rolled out, primarily by the big network players, smaller players are also rolling out fibre and presenting a new open fibre model.

This model essentially opens up use of the fibre to any network provider with a need, for a fee of course.

The technology used by these smaller players is going to be an important influence, as network service providers will want

to easily integrate to and across these networks. Current trends are leaning toward use of technology from vendors who represent the entire digital echo system in their product set. Samsung offers a good example with its end devices for consumers (smart phones and tablets already equipped with LTE chip sets), as well as other carrier grade equipment and solutions.

Of course, few networks will migrate completely to LTE in the near future. While this technology is cheaper when calculated for per Mbps of capacity than the 3G technologies to install, it remains a significant investment.

It is after all not a complementary network, but an additional one. Network providers will want to sweat their existing assets, most likely deploying LTE in metropolitan areas to service the large broadband demand here, and using current Code Division Multiple Access or CDMA/Wideband current Code Division Multiple Access or WCDMA technologies for voice.

In addition, older worldwide interoperability for microwave access or Wimax technologies

could be put to good use if redeployed to rural areas. Alternatively, the reuse of Wimax frequencies (3.5Ghz) on LTE can have a very positive impact on the network, eliminating the need to pay additional frequency costs.

In this way, the networks can evolve, introducing new technologies to users of smart devices with the quality and speed of service that they desire, but also targeting new users and introducing new services and products to them as infrastructure build-out and demand allow. They will also have the providers of open fibre and specialised telcoms services to rely on to close gaps.

Smaller, new and hybrid telcoms players now on the scene may well change the traditional playing field, and offer strategic advantage to existing local and international players entering the South African market.

The picture is bleaker for Africa due to the lack of a high capacity backbone infrastructure that the Broadband solutions rely on.

Countries such as the Democratic Republic of Congo, Zambia and Ghana are moving towards

LTE technology with many other countries conducting trials with LTE. But the LTE challenge for Africa is much higher. While the landing of the Eastern Africa Submarine Cable System (EASSy), West African Cable System (Wacs) and SEACOM undersea cables means there is a huge amount more bandwidth capacity available to the continent, fibre reach to the shore to access that bandwidth is slow.

In addition, budget to acquire and install LTE is limited. Nonetheless there is huge opportunity here. The big players in South Africa have the appetite to move to LTE – indeed are being driven to this new technology as their cells fill up and gaps are left in their RF coverage.

For network providers, a hybrid technology strategy followed by the full launch of a LTE network is on the cards. My advice for consumers is to ensure any new end devices you acquire are LTE ready as LTE services are likely to be here by the second quarter of next year.

BBQ

Martin Ferreira

Glossary

- LTE – Long-term Evolution. Also known as 4G. It is the next generation technology standard for high speed wireless mobile data transfer.
- IP – Internet Protocol. The method by which information is sent between any two computers on the Internet
- Mbps – megabytes-per-second. This refers to the speed of data transfer.
- CDMA/WCDMA – Code Division Multiple Access/ Wideband Code Division Multiple Access. An air interface standard found in 3G mobile telecommunications networks. WCDMA enables operators to achieve higher speeds and support more users than the CDMA.
- WiMAX – Worldwide interoperability for microwave Access. A wireless communications standard designed to provide 30 to 40 megabyte-per-second data rates.



The new Microsoft aligned giant

Avanade South Africa, jointly owned by Accenture and Microsoft, offers deep skills and expertise in Microsoft technology



*Manoj Bhoola,
Managing Director of
Avanade South Africa*

Avanade was launched over 12 years ago and it now operates in many countries globally. In September 2011, as part of its expansion process, Avanade opened offices in South Africa.

In a Q&A with BBQ magazine, Managing Director of Avanade South Africa, Manoj Bhoola, looks back at a highly successful launch year, and highlights the company's future plans.

As the MD of the company how long have you been in the industry?

MB: I have worked in the IT industry for 25 years and have held a series of positions in multinational corporations such as Microsoft South Africa, HP and Novell, among others.

This experience has exposed me to the software as well as the hardware industry, and has also helped me gain deep insights into market trends in the technology space.

What are the main services provided by Avanade?

MB: Avanade's service offering blends insight, innovation and expertise in Microsoft technologies to help businesses derive the greatest benefit from their technology

investments. We apply a collaborative approach to working with customers—and we accelerate innovation by tapping into the skills of our worldwide network of experts and the unique insights of our founding companies, Microsoft and Accenture.

We develop solutions using proven and emerging technologies, and offer flexible deployment models: on-premise, cloud-based or outsourced.

Our services are offered through key service lines namely: Application Development, Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), Technology Infrastructure, Business Intelligence, Collaboration and Outsourcing.

Where are you based and how does the company generally operate?

MB: Globally, Avanade has more than 60 offices in 20 countries.

Locally we operate from offices in Johannesburg and Centurion.

We're looking to expand to Cape Town and Durban as the demand for our services grows.

Who is your core business target market?

MB: We work with clients from all industries, from medium to large in size, but primarily we focus on the enterprise space. South Africa

has a huge and growing base of enterprise Microsoft users.

As technology grows ever more complex and mission-critical, customers notice the lack of specialist Microsoft skills as projects overshoot deadlines and budgets, and don't deliver the promised functionality.

We felt that there was a clear gap in the market for a Microsoft specialist that understands business, and we can call on the global resources we need to solve difficult or time-sensitive problems for our customers.

How has the company managed to maintain viability through the difficult economic times?

MB: Admittedly, it has not been an easy task launching the business here but, at the same time, it was not an impossible feat.

We are deeply skilled in Microsoft technologies, combined with the business acumen, industry experience, and program management skills to get the job done right.

That's a rare combination, and it's one that customers are beginning to notice and appreciate.

By specialising in a single technology platform, our people develop and maintain a level of expertise in Microsoft technologies not offered by other global services companies. Through our close connections with Accenture,

we bring an additional layer of industry and business expertise to our customer's project, tapping Accenture's rich source of industry-specific knowledge and leading practices.

What is your partnership arrangement with Microsoft?

MB: Our company was created by some of the best minds from Microsoft and Accenture to bring together technological expertise and insights that will help our customers realise business success.

The alliance between Avanade, Microsoft and Accenture combines the strengths of each company.

Businesses purchase technology from Microsoft, Accenture develops methodologies and processes to ensure they get the best solution for their needs, and Avanade implements.

In this way, our clients get proven, fully integrated, and innovative services and a true experience of "the power of three".

Twenty percent of the company is owned by Microsoft.

Eighty percent is owned by Accenture.

What is the company's role in innovation?

MB: We are committed to innovation because it has so many benefits for us and for customers.

Our passion for technology translates into higher returns for customers. Our people work with the latest products from Microsoft, even before they hit the market, so they are already proficient when they start work on a client project.

What opportunities are available as you head into your second year of operation?

MB: Microsoft has some absolutely amazing solutions out there and our customers need to leverage the skill set of a partner like Avanade to get the most benefit out of them. Our approach helps customers accelerate the return on their investment and reduce deployment risks.

What are your future plans?

MB: When Avanade opened its doors in South Africa, our headcount was

45, today, that headcount has doubled and I am confident this number will be significantly higher in a year from now.

As demand grows we'll hire more people. A key element of our strategy is to hire the best skills that are available to us.

We are also taking the BEE requirements very seriously. We are driving our BEE score card very aggressively and have made significant progress there.

We have a long-term commitment to South Africa, and Avanade takes pride in the services it offers to the market.

Avanade is "always on"—our global community of consultants collaborates around the clock to gain insight and share ideas for addressing the toughest challenges.

We will continue to invest in innovative approaches geared towards helping customers reduce the cost and risk associated with large-scale enterprise deployments of software and realise a fast return on their technology investments.

When people think Microsoft implementation, we want them to think Avanade.

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Broad-Based BEE in motion

Anchor Industries announces its empowerment restructuring deal

Anchor Industries, a leading supplier of innovative products and services to the marine and offshore mooring, as well as lifting and rigging industries, has concluded a partnership deal with Matisis Investment Holdings.

On conclusion of the existing institutional five-year partnership with Old Mutual Investment Group South Africa (OMIGSA) and with new horizons in sight, the company commenced strategic discussions and negotiations with Matisis.

This imperative business decision resulted in a partnership for the new entity consisting of Matisis acquiring a 55% equity stake, Anchor Industries' management owning 30%, and the Anchor Industries B-BBEE Staff Share Trust holding 15% of the company's equity.

"We are exceptionally pleased to invest in Anchor Industries. Although Matisis will not be involved in the daily running of the company, we will actively add strategic value by working closely with the management team," says Yusuf Vorajee, Matisis' chief executive officer and a non-executive director at Anchor Industries. With the change in shareholding, Anchor Industries is now a 70% black and 39.69% "previously disadvantaged individual" female-owned company. Local clients benefit from the new partnership as they will be supplied and serviced by a level three B-BBEE company. International clients will gain from the vast experience and know-how of the new members of the board with the assurance that Anchor Industries continues to be managed according to the International Standardization Organization (ISO) 9001 quality management



Yusuf Vorajee, CEO of Matisis and Dale Hutcheson, MD of Anchor Industries

system. This is important for growth, and future acquisitions for the company, as our pre-eminent BEE credentials will flow to our subsidiaries as well. Additionally, the Anchor Industries Staff Trust (AIST) will continue to extract value from the company.

It remains Anchor Industries' priority to supply a diverse range of products and services, while keeping within their areas of expertise.

This year alone the company has extended their offering by adding two new products, Codipro and Field ID to their lifting and rigging range. Striving for continuous company growth, the new shareholding will see a gradual increase in resources to ensure sustainability.

We look forward to a fruitful and mutually beneficial relationship between Anchor and Matisis," says Dale Hutcheson, Managing Director of Anchor Industries. "In addition to the current partnership, we are also in

discussions regarding possible synergies and partnerships with other Matisis' investee organisations to prospectively expand Anchor into the rest of Africa," Hutcheson concludes.

About Anchor

The Anchor group of companies, supported by leading industry suppliers, offers a complete range of innovative products and services to clients in the marine and offshore mooring, lifting and rigging and a range of various other industries. Anchor ensures excellence in all aspects of the business as all equipment and services adhere to the highest South African and international industry standards.

A Det Norske Veritas approved ISO 9001 quality management system was obtained in 2000 and has a proven track record, both locally and internationally.



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Milestone

As the Land Bank observes 100 years of existence, CEO Phakamani Hadebe, the man credited with its turnaround, shares insights with BBQ



The Land Bank's history is rooted in the founding of the apartheid regime, and played a key part in the early stages of mechanisms that saw the rise of agriculture and the country's political economy.

The Land Bank was founded in 1912, followed by a series of laws imposed by the then government to formalise the exclusion of Africans from land ownership, including the most prominent of all, the Native Land Act of 1913, which gave birth to a series of similar laws which sought to make sure there was land available for white farmers, and that blacks were left disenfranchised.

From that time, all kinds of laws were promulgated to support white farmers, and to make sure the Land Bank was lending cheaply.

The Land Bank's agenda was politically driven to support the laws and Land Acts of the time. All systems implemented by the bank worked to support the political agenda of the government of the time, and to ensure growth of agricultural activity among white farmers.

The Agriculture Credit Board (ACB), for example, was structured to make sure that farmers received cheaper funding to assist

them in accessing finance, and also make sure that the Land Bank gave farmers access to affordable funding, providing cheaper loans to ensure reinstatement instead of repossessions.

This went on until the early 1980s, by then government began to adopt open market operations, where the forces of the market were allowed to have an influence on the agricultural sector.

This continued past the new political dispensation and into the late 90s. Then, all of a sudden open markets began to determine price efficiency in agriculture.

The unfortunate part of it all is that this continued even when new players entered the market, when the new government took over and during a time when emerging farmers and rural development was being prioritised.

So, when the new players, who were the emerging black farmers came into the picture, they were already excluded from this system.

This meant these black farmers struggled, because they couldn't consolidate and couldn't be part of the new 'old' team.

So, emerging farmers had the Land Bank on the one hand, which had been reliant on government, but all of a sudden did not have the backing of government and, therefore, had to obtain loans at market-related rates. This made

it even more difficult to grow the emerging market space. Five years into the new democracy, in 1999, the managing director of the Land and Agricultural Development Bank of South Africa at the time, Helena Dolny, was removed from her role to allow for the mechanisms of transformation to take place. The idea was to open opportunities for new leadership, who would drive transformation within the sector, to devise and implement strategies aimed at grooming and growing agriculture led by black farmers. Resulting from theft in some instances, wasteful expenditure in other instances and misappropriation of funds on expenses unrelated to the bank's rural development plan, not much progress was made to help groom and grow black emerging farmers.

Government spent more than R4-billion trying to keep the Land Bank afloat – and still there was no turnaround.

In 2008, then Minister of Finance, Trevor Manuel, appointed Phakamani Hadebe from Treasury, to stabilise and improve the conditions of the Land Bank.

"Our vision is to play an active part in determining the price of food and ensuring food security in South Africa and Africa," Hadebe told BBQ on the eve of the Land Bank's Centenary commemoration.



South Africa's food security is threatened by a decline in the number of commercial farmers since 1994

Rebuilding Land Bank

When Hadebe took over as CEO, the bank's strategic focus shifted.

Its mandate remained focused on growing emerging farmers and providing support for rural development, through the provision of financial assistance to farmers, and its focus moved to a more structured approach to stabilise and rebuild the Land Bank to regain its values and vision.

"Fit For Future (FFF) is where we started, and all our goals have been driven by this strategy

which we are using as a vehicle for the bank to achieve its sustainability goals.

"The implementation of the FFF model, initially focused on the review of the Bank's business and operating model. To reinstate the Land Bank's function, focus was placed on establishing a unit, dedicated to emerging farmers and to stabilise and establish a high performance, people-oriented culture, introduce standardised processes and increase sales focus to improve turnaround times. "At the time (in 2008), when we started with the

new strategy and implementation of the new growth plan, investors wanted nothing to do with the Land Bank, given their previous experiences with it. Since the Bank is not government funded and is dependent on money from the money markets, we had to work extra hard to regain investor confidence and build new relationships. We reassured investors through our control systems, credit and risk policies and developed from there.

"We recovered nonperforming loans, which were 26% of its loan book, cut those down to 11% of the now R19-billion loan book, then we could start really talking to investors.

"We are seeing improvements in the performance of black farmers. Between 1998 and 2005, the failure rate of black farmers stood at 56% and between 2007 and 2012, it dropped substantially to about 10%.

In the 2009/2010 financial year, the Land Bank recorded a profit to the tune of R354-million, a remarkable breakthrough under the circumstances.

Food security

Food security remains top of the African agenda. The Bank's vision is to become a sustainable, modern and efficient Development Finance Institution (DFI) that will make contributions towards growth of emerging farmers and rural development.

"South Africa faces the steepest increase in food inflation in comparison with countries such as Japan, China, Brazil and the United Kingdom. Our long-term goal is to play a part towards structuring of food prices," explains Hadebe.

Our long-term vision is to play an active role in the determination of food pricing, to ensure we have some form of control over matters impacting on food security.

The agricultural element in South Africa is societal and is about the provision of food and, most importantly, creating job opportunities and economic growth through exploits.

To be able to adequately grow agriculture in the country, for it to start making significant contributions in the economy, support structures from government need to be in place,



*Phakamani
Hadebe, CEO
of Land Bank*

and this is a three-way relationship between the Land Bank, government and farmers.

Looking back at the old system and how the Land Bank was supported, it is without a doubt that support by government to the Land Bank, and the farmers played a key role in the success of farmers at the time, some of whom still remain successful.

The relevant structures to ensure the success of this plan are already in place. The strategy is to foster the three-way relationship and ensure a buffer is created for today's farmers to become successful.

According to Manuel's National Development Plan Vision 2030, it is estimated that agriculture has the potential to create close to one million new jobs by 2030. T

o achieve this, government has a number of plans in place, including expansion of irrigated agriculture by substantially investing in water resource and irrigation infrastructure, creating security of tenure for communal farmers, to secure income for existing and entry level farmers.

"By introducing flexible systems of land use for different kinds of farming on communal lands, agriculture will extend beyond traditional means of farming, introducing new players to the field, thereby creating jobs and opening more opportunities for food security.

"Progress has been made, but it's not enough, we still need to review the agriculture and rural development policies.

"Government is beginning to adopt that line, and the more involved government is in agriculture, the more successful the sector becomes.

"If you look at countries like China and others in the developing world including Brazil, India, Chile among others, the one system that has worked in agriculture, is that of government playing a bigger role in providing support and a safety net for farmers.

"Through provision of trucking systems, logistics, after-care for farmers who receive loans to help them manage their finances and prioritise their needs for the business – these strategies have helped entry level farmers take off, and played a key role in growing agriculture in those countries," Hadebe said.

South Africa currently faces the steepest increase in food inflation, according to the National Agricultural Marketing Council.

In 2010, food prices increased by a mere 1% and in 2011 by 10.6 %.

This is higher than in countries such as Brazil, China and Portugal.

"If you look at these statistics, the biggest contributors to high input costs include fertiliser, farm feed (which contributes the highest towards the general running of farms) fuel and transport costs, animal health costs and crop protection, packaging material, maintenance and repairs.

"Leveraging off our relationship with government, more can be done for farmers, to help bring down some of these costs, which in turn influence food prices," Hadebe said.

"Through relevant partnerships, the re-introduction of rail transport for farming could play a significant role towards cutting down the cost of farming.

"Fertiliser can be provided to emerging farmers by government at a much cheaper cost than what most emerging farmers are currently paying. Integrated systems will go a long way in dealing with some of these issues.

"There is a need for a comprehensive rural development strategy to address these challenges and we are working on playing a part in influencing all parties to realise the importance of this approach.

"Our strategy is focused on ensuring that in the next 100 years, the Land Bank is able to actively make contributions towards food pricing, that's our long term strategy," Hadebe told BBQ.

Prosperous future

"There is a difference between what the Land Bank does and what commercial banks do. The Land Bank is not here for the bottom line. The objective of the Land Bank is food security. Along the way during the 100 years, we lost our direction, but we have regained it, and the success of the Land Bank is directly linked to attainment of food security," Hadebe said.

The bank has begun structuring services tailored for emerging farmers – with the aim of driving a more demand-driven business and

not supply-driven initiatives, to be able to grow farming for food security, not only in South Africa but Africa as a whole.

Countries that have succeeded in achieving this had the full support and backing of government.

At some point we missed the goalposts, and we are at a point where we have realised where the goalposts are, and we are aiming for them.

Monitoring of progress of its clients remains a key part of the work that the bank is focused on, to make sure the appropriate support systems to sustain emerging farmers, are in place for them to perform at their best.

"We need to create support structures for emerging farmers, and mechanisms to help reduce costs for emerging farmers. The whole value chain is important so that we provide loans to emerging farmers at reduced costs, enabling their productivity and contributions towards the economy. Our goal is to retain a high market share, have an influence on food security and price of food.

"Our focus now is to attract talent to the bank and to retain it, so that our plans are able to continue uninterrupted and drive the vision of the bank towards its anticipated growth.

"Our forecast is that by 2016, we will have a market share of 35%.

"Because we grew really fast between 2008 and now, we are currently sitting on 32% of the market share.

"Within the next two years, 35% looks more achievable. There are a couple of things that need to be done to reach that goal. We also anticipate an increase in our loan book to between R30-billion and R35-billion.

"FFF is designed to take us through to 2016. We are currently focused on elementary farming, and are working on commercial farming and the provision of better products and after-care services tailor-made for individual clients, including emerging, commercial and elementary farmers. We are now sustainable, having put together the Land Bank 2016 plan. If we can reach this level, then we can live another 100 strong years," Hadebe said. 

Ntokozo Ndlovu



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S O L U T I O N S

For all your security and logistics requirements

Venus Security Solutions is a national security services and secured logistics company. Established in December 2001, the company has grown to such an extent that it now has branches and site offices within most of the major centres of South Africa.

Situated in Centurion, Pretoria, Venus Security Solutions was established to be a distinct and integrated service provider for South African citizens. The company offers a wide range of safety and security services with excellent service, civility and empathy to its customers.

The philosophy of Venus Security Solutions is to analyse any needs its clients may have. This was identified as an important part of its service delivery and analysing, these pure risk factors enables the company to formulate management programmes effectively.

Venus Security Solutions offers a wide range of products and services aimed at satisfying all the security and logistics requirements of a large spectrum of clients in sectors such as retail, mining, finance, the service industry, manufacturing, national key point protection, aviation, transport of assets, surveillance and close protection, parastatals and government departments.

Executive director Peter Ntuli explained that creating value, support and wealth for the company's stakeholders was an important value. He added that forming a long-term



SABC Auckland Park – NKP Gauteng South Shoot Team 2011.

alliance with stakeholders and strategic equity partners while retaining the company's culture and identity in the process is vital for Venus Security Solutions.

It is important that shareholders are issued a minimum return on capital of at least 20% per annum after the third year of operation; and that building, developing and maintaining a widely recognised brand through providing superior service quality is essential in keeping the company's promise to its clients.

A cut above the rest

Venus Security Solutions has employed dedicated and qualified staff who enable the

company to prosper and set it apart from other companies in the same industry.

"We possess a strong operational management team, focused on delivering operational results," Ntuli said.

He added that competencies exist in guarding management, armed reaction, closed circuit television, security systems, corporate alarms and many other services provided by the company. The management team's ability to manage diverse security services contracts is commendable.

The ability of Venus Security Solutions to meet customer needs and deliver improved

standards of customer services set it apart from its competitors in the industry.

"My role as the executive director is to ensure sustainable growth and stability within the company," Ntuli added. He has maintained this role through the implementation and management of a quality control system and management of semi-skilled labour.

Giving back

Venus Security Solutions has registered a section 21 company called Venus Social Investment Foundation, which aids social investment initiatives. The company has donated necessities to day-care centres for the aged, made monthly sponsorships to soccer teams in the Western Cape, provided bursaries to medicals students, upgraded facilities at Olievenhoutbosch Schools and provided security services for special events at no charge.

The staff at Venus Security Solutions are provided with a number of opportunities to develop their skills in the industry. The company offers various bursaries, student loans and an array of training programmes such as the New Managers Programme, the Management Development Programme and the Executive Development Programme.

"At Venus Security Solutions, employee development and well-being are strong core values," Ntuli concluded.

Peter Ntuli
Executive Director



For a greener future

Collect-a-Can champions environmental preservation

The pressure is on for South African organisations to develop an environmental conscience and become accountable for the waste that they are generating.

Recycling is a great place to start, as Collect-a-Can will attest. For the past 19 years, they have been working to offset the negative impact of used cans on the environment and today ensure that 72% of all used beverage cans are reclaimed for recycling.

The challenge for South Africa's recycling industry is to overcome consumer and manufacturer apathy towards recycling, by showing them the environmental and financial benefits that can be garnered.

It is never too late to commit to making a positive change. While businesses focus on their bottom lines and compile annual reports of their financial results, there is increasing pressure to also start reporting on the company's environmental impact.

This is a great opportunity to set a resolution for your business and a green resolution at that.

There has been a steady increase over the years in companies recycling used office paper, one of their biggest waste channels, and the concept of offsetting the carbon footprint of organisations through planting trees has gained popularity. Is your business doing enough?

What green resolutions can you put in place for your business this year? Installing a multiple re-cycling system at the office is a good start.

In general, more than a third of the waste generated in offices are recyclable. Even batteries and light bulbs (including florescent bulbs and tubes) are recyclable although they require special handling. There are a number of recycling



companies in South Africa, offering recyclable waste collection from offices.

Collect-a-Can offers organisations and individuals the opportunity to recycle their used steel cans including beverage, food, paint, oil, polish and aerosol cans.

"Steel cans are 100% recyclable," says Zimasa Velaphi, Public Relations and Marketing Manager at Collect-a-Can.

"Recycling them not only allows the steel to be reused rather than going to landfill, but also reduces the amount of raw materials used to manufacture new steel thus preserving natural resources such as iron ore and coal."

Air pollution is also reduced, by reducing the amount of iron-ore and oxygen (which generates CO₂) used during manufacturing.

Less energy is required to use recovered cans than to produce steel from virgin materials and as such a reduction in energy is also realised.

"There is an economic benefit to recycling too, if the waste is collected in greater volumes. Many schools, charity organisations and individuals manage to earn additional income through selling recyclable waste to recovery organisations. Organisations like Collect-a-Can work to educate these groups and give them incentives to collect more. "We pay cash for all recovered cans," says Velaphi, "and over and above that we run a number of school competitions to give schools a chance to win cash and other prizes for their participation". Assisting schools and charity organisations with their

recycling projects is another green resolution that businesses can adopt.

Collecting volumes of waste can be challenging for these institutions and many of them also battle with the infrastructure required to sort and store the waste before it is collected.

A number of schools participating in Collect-a-Can's school competitions have benefited greatly from the support of organisations that either helped improve their infrastructure, or donated their used cans to Collect-a-Can on the schools' behalf.

Collect-a-Can offers organisations the additional opportunity to contribute by sponsoring prizes for the school competitions.

Previous generous sponsorships have enabled Collect-a-Can to reward schools with items such as books and computers, while the cash prizes have enabled some winning schools to improve their facilities or subsidise the school fees of needy learners.

A small effort can go a long way and as such Collect-a-Can would like to encourage every South African organisation to pay more attention to what they are throwing away, especially if it represents a reusable resource, and to consider helping schools or charities with their recycling efforts when deciding on a social investment project. Any cans collected can be taken to a Collect-a-Can branch, where the collector will be paid cash for them. **BBO**

www.collectacan.co.za



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Square solutions for round problems

Transformation and the codes of good practice

The broad concept of transformation is, like any real life problem, difficult to grasp. I am frequently asked whether a certain initiative falls within the concept of transformation as proclaimed by the Department of Trade and Industry (DTI) or not. As much as the concept of transformation is difficult to grasp and 'round' as such, the tool that we were given to manage and measure the transformation process, the Black Economic Empowerment (BEE) Codes of Good Practice are very 'square'.

On one hand we have real life problems; on the other we have clearly defined targets, weighting points, formulae for calculating gender adjustments, compliance levels and clearly defined points per element (seven elements: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development).

It takes no great mathematician to realise that a circle and a square will never really match. So how can we ensure that an initiative meets both – the concept of transformation and the requirements of the codes?

As companies start engaging in transformation initiatives, they will (understandably) start with compliance-driven transformation initiatives. We cannot deny that it is a business reality today that companies compete on product, price and BEE compliance. The aim is, therefore, for many to get a good BEE rating



Nera's MD, Anton Baumann

as quickly as possible, and often at the least cost to the company.

This has initially caused some companies to engage in fronting activities, a trend that continues today, but should subside with the dawn of the newly amended BEE Act.

Fronting is now not only clearly defined, but also criminalised and stiff penalties are imposed on those caught fronting, as well as on those who have knowledge thereof, but do not report it.

As much as fronting is a scourge that needs to be eliminated, because it undermines all efforts to build the 'rainbow nation', I believe that transformation activities that merely focus on compliance are equally damaging, firstly because they simply often do not make business sense and secondly, because they will occur much more often than real fronting. As more and more companies move into the upper

levels of the BEE scorecard, we need to move away from compliance-driven transformation and steer towards meaningful transformation, which will meet scorecard requirements, but will also focus more and more on unlocking the true potential of a given BEE strategy.

I firmly believe that while short-term compliance-driven transformation initiatives come at a cost to the organisation, real, meaningful transformation will also benefit the initiating organisation – often with an immediate impact on the bottom line. Global Best Practice is the answer in order to unlock the true potential of a given BEE Strategy.

Too often do we see companies that are – on face level – equally transformed, but when looking behind the scenes we see great differences. While one company thrives the other faces a BEE transaction that has gone sour, infighting at board level, a disengaged workforce, suppliers that are unwilling to comply with procurement policies and the extra 'burden' of Social Economic Development (SED) and Enterprise Development (ED) spend.

What are both companies doing differently? While the second company saw transformation as a compliance issue with which one had to comply, the first company saw transformation as an opportunity to grow and participate in a meaningful way, in the transformation of South Africa, and to grow their own business in the process.

Meaningful transformation will not come at a cost to the company, but will benefit the beneficiary, South Africa as a whole as well as the initiator, and as such is a truly win-win situation where one and one is no longer just

two, but three or five or more. But a BEE deal that is concluded in order to secure maximum points on the BEE ownership scorecard alone, will most likely be short-lived, a badly managed transformation process will cause fear and anxiety among employees and ED and SED initiatives for compliance purposes only, will be perceived as a cost and come as a cost.

If the company had followed the spirit of the codes, the result would have been quite different. The spirit of the codes of good practice is to grow the 'rainbow nation', to merge third world and first world economies into a true first world economy, and to grow new businesses and opportunities for entrepreneurs and employees in South Africa.

South Africa's policy of Black Economic Empowerment (BEE) is not simply a moral initiative to redress the wrongs of the past. It is also a growth strategy that aims to fully exploit its economic potential, by bringing the black majority into the economic mainstream. This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country.

Will we achieve this by engaging in activities that do not make business sense? Does it make business sense to go into a BEE transaction for the purpose of points on a scorecard?

Does it make business sense to hire and fire in order to achieve a better BEE rating alone?

How can we unlock the full potential of all persons across the length and breadth of this country?

The *Vitruvian Man*, a drawing by Leonardo da Vinci dated approximately 1487, could be used to explain the dilemma.

The circle and the square overlap, but there are areas where the circle does not cover the square and there are areas where the square does not cover the circle.

One could think of many initiatives that would meet the concept of meaningful transformation, but fall outside of the codes of good practice and likewise we certainly see a lot of transformation initiatives that meet the codes, but are really purely compliance-driven and often miss the concept of real, meaningful transformation.

Real, meaningful transformation will be achieved when focusing on the human in the centre. We cannot reduce an employee to a statistic on the scorecard. Nobody should belittle a BEE partner's function to ensure that scorecard requirements are met.


Enterprise development should not be seen as a cost to the company. The problem with a compliance-driven approach is that it focuses too much on the scorecard alone and not on the opportunity the codes bring. Too much focus is put on the 'what' as opposed to the 'how'. We expect the revised new codes of good practice to be released for public comment soon. We also expect these to shift the focus away from direct empowerment, more towards indirect empowerment, which is a step in the right direction.

However, we also expect the codes to be more stringent in terms of targets and requirements for the various compliance levels. The worry is that this will increase the

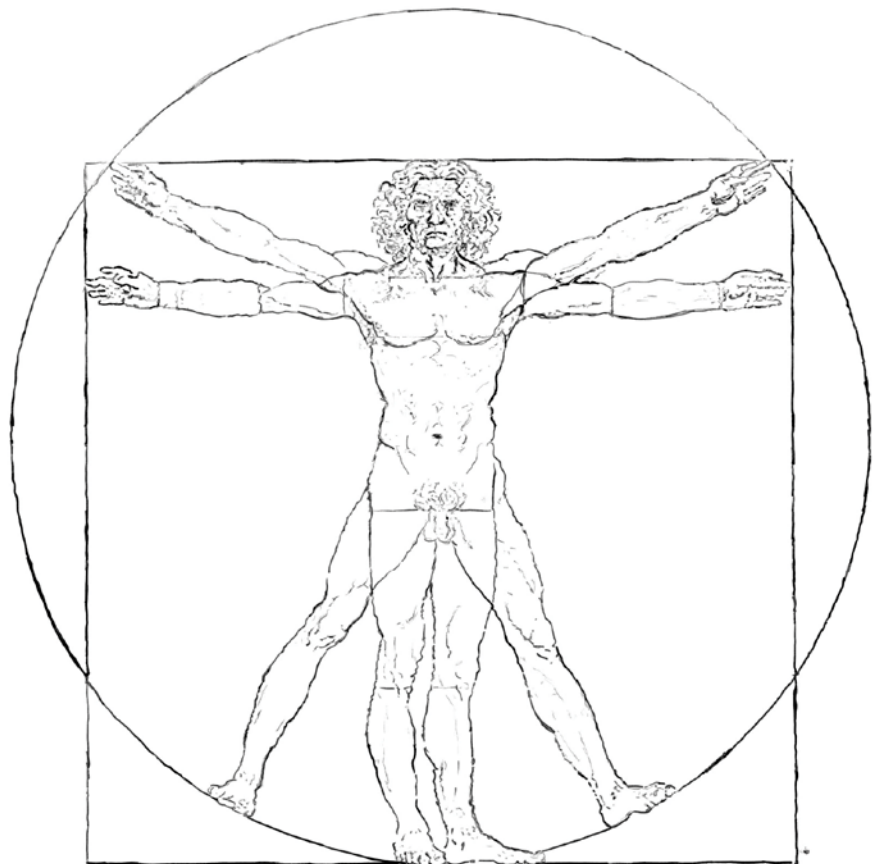
focus once again on the 'what' – compliance-driven transformation – as opposed to the 'how' – meaningful transformation.

I have argued before that South Africa needs more than higher targets.

We need to get enthusiastic about transformation; we need to unlock the true potential of what we have done to date; we need to engage in real, meaningful transformation activities; we need to actively participate in the transformation of the South African economy into a true first world economy, a vibrant, thriving economy in which all of us participate. Internationally, studies have shown that it is the rainbow companies that outperform the rest.

As a rainbow nation – who can stop us? 

Anton Baumann
Managing Director
National Empowerment Rating Agency
(Nera)



Mbeki's last days

Man of the cloth saves the flock

Reverend Frank Chikane is a brave man. If he previously had foes within the ANC, that number must have doubled upon publication of *Eight Days in September*.

This is an accurate account of developments in the presidency at the height of South Africa's major constitutional crisis since attaining democracy – the recall of former president Thabo Mbeki from office. No one could have documented that turbulent week better than the man who worked a heartbeat away from the presidential desk.

What most South Africans do not know, however, is that without Chikane's stewardship of the crisis, this country could easily have been plunged deeper into the depths of anarchy often associated with a few failed states north of here.

In his own words: "I was in the presidency's cockpit with my deputies, battling a vicious, life-threatening storm, at the centre of a crisis of change in government that the Constitution never envisaged. We must all learn from the events of that week, to ensure we are never again pushed to the brink as a nation."

Just to add some perspective. When the National Executive Committee of the ANC resolved to relieve Mbeki of his duties on 20 September 2008, no provision was made for the fallout that would ensue.

Then deputy president Phumzile Mlambo-Ngcuka, heir apparent to the presidency in case of any emergency, unexpectedly resigned in solidarity with her boss, and so did a number of ministers and deputy ministers.

What is glaringly shocking is that the Cabinet did not take charge of the situation, leaving the door open to malcontents who could easily have taken advantage.

Amidst this confusion, however, Chikane assumed full responsibility to ensure stability prevailed. During those agonisingly tense moments, he was de facto commander-in-chief.

Mbeki's resignation took effect on 24 September 2008 at midnight, while the incoming president was only set to take over the reins at 11h00 on 25 September 2008.

Surprisingly, everyone had overlooked the fact that South Africa would need an acting president in the interim. When Chikane pointed this out, he was told it would simply take a matter of hours before the new president took charge, so he needn't panic. Midnight to

Frank
Chikane

PICADOR
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'I admire the courage with which Frank Chikane engages and reflects on the crucial period in our country's history he is writing about.' – Nomboniso Gasa

**Eight
Days in
September**
The Removal of
THABO MBEKI



11h00 amounts to a good 11 hours and South Africa would have functioned without a head of state. In politics, a lot can go wrong during that time.

Chikane saw the risk in this and acted promptly. He impressed upon the cabinet, according to provisions of the Constitution, to appoint one of their own, to act as president till the new president was finally sworn in.

For me that's the highlight of this book. The downside though is that *Eight Days in September* tends to read more like a biography about Mbeki. It is too complimentary and does not highlight Mbeki's reported shortcomings regarding his alleged HIV/Aids denialism or his contentious handling of the Zimbabwe crisis. Perhaps as someone who worked closely with the former president, he knows Mbeki's strengths better than most of us who relied exclusively on newspaper reports.

Otherwise this is a great read. Chikane must sell film rights to this book. Local film producers should snap up the opportunity, before the Americans cotton onto the idea.

Published by Picador Africa, it retails for R195 and is available at leading bookstores. **BBO**

David Mwanambuyu



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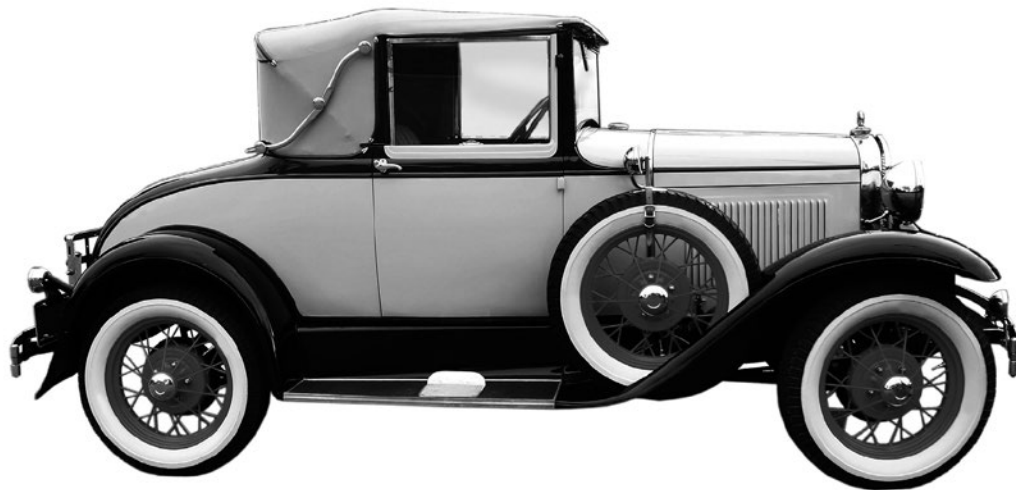
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(President of the Michigan Savings Bank advising Henry Ford's lawyer
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Mncedisi Ndlovu and Sedumedi Attorneys

PPPFA and its regulations should not be a barrier of entry for SMME development



Tshiamo Sedumedi, Director

The insistence on appointing service providers that scored the highest points for price in the procurement of services has the unintended consequence of disadvantaging small and medium enterprises (SMMEs) when they compete with already established companies.

The general tenor of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and various other policy instruments that guide procurement in South Africa, seem to unduly favour the requirement of the cheapest price in the awarding of tenders by organs of state. This challenge has been further compounded by recent court decisions that pronounced that the 80 or 90 points must only be allocated for the price when evaluating tenders in terms of the PPPFA.

Section 2(1)(f) of the PPPFA provides that: *“the contract must be awarded to the tenderer who scores the highest points unless objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to another tenderer”*.

To illustrate the unintended consequences of properly applying the above provision it would be easier to provide a typical example that confronts tender evaluation panels on a regular basis.

Example: An organ of state issues a tender to appoint a service provider for a particular service. After conducting a preliminary evaluation on functionality, some companies qualify to the second round to be evaluated on price and BBBEE compliance as required by the PPPFA and its Regulations.

Of the companies that qualify for the second round is Big Boy (Pty) Ltd, a well-established entity in the relevant industry with a level 7 BBBEE certificate. The other company is Zama Competent CC (“Zama Competent”) a small local entity with sufficient experience and expertise in the required industry and a Level 2 BBBEE contributor.

Based on the big size of its operations and its extensive network of supplier’s base, Big Boy’s price offering is far cheaper than that of Zama Competent.

Upon evaluation of the tenders, the outcome of point allocation is as follows:



ENTITY	SCORING	TOTAL
Big Boy	75 (price) + 2 (BBBEE)	77
Zama Competent	60(price) + 10 (BBBEE)	70

The scoring as reflected above is generally prevalent in many adjudication reports. Despite such SMMEs passing the functionality test with flying colours, their lack of financial muscle and inability to leverage on economies of scale prevents them from cutting down on their price offers like the established entities would do. Notwithstanding the empowerment imperatives of organs of state, a tenderer with the lowest price ends up being grudgingly appointed in strict compliance with the PPPFA and its regulations.

What constitutes objective criteria?

In deciding not to appoint Big Boy in the above example, the debate ends up being: what constitutes “objective criteria” justifying the award to Zama Competent? Our courts have made it clear that the empowerment elements which enabled entities such as Zama Competent to gain 10 points cannot be reincarnated as objective criteria justifying its appointment over Big Boy.

The latter approach (which admittedly is a correct interpretation of the PPPFA), has made it difficult for organs of state to argue for the appointment of competent local SMMEs that could not offer lower prices. More often than not the usual companies end up being perpetually and reluctantly appointed because tender evaluation panels are loath to stretch the objective criteria requirement offered by the PPPFA.

Despite the non-existence of a single answer on what constitutes “objective criteria” the following common examples in tender evaluation reports have attracted our courts’ attention:

- The desire by an organ of state to “evenly spread the work fairly” amongst service providers by appointing the tenderer that did not score highest points. This principle found favour in one of the court decisions though it was rejected in others.
- Previous poor work performance on an unrelated project by a bidder was deemed to be an objective criteria warranting a non-awarding to a bidder that scored the highest points.

The above instances, in particular the principle of evenly spreading the work to those who have not previously received work, provide a good platform for organs of state to be creative and bold enough to stretch the outer limits of section 2(1)(f) by appointing local SMME entities notwithstanding the low scores they obtained during evaluation.

More examples ought to be found that would be used as a basis to increase the size of the “objective criteria” basket as provided for in the PPPFA.

Failure by organs of state to make use of this opportunity would further marginalise SMME and other local enterprises in *“equitably benefiting from the bounty of the state to which they are*

themselves contributories”. (Sue Arrowsmith, 2005, *The Law of Public and Utilities Procurement*)

Disclosure of the Objective Criteria to the bidders

Now that it is evident that the door might be opened, to use objective criteria as a basis for the advancement of SMMEs and other local enterprises, a further issue to be considered is whether the objective criteria ought to be disclosed in the invitation to tender documents.

Once again our courts have not been consistent on this topic. Two judgements delivered in the Eastern Cape have held a view that it is not compulsory to disclose such objective criteria upfront as it would unnecessarily stifle the discretion of an organ of state.

However other court rulings in Western Cape have indicated that such objective criteria must be specified in the invitation to tender documents to enable tenderers to know which issues would be considered in the final adjudication of the tenders.

In the most recent 2012 decision in KwaZulu-Natal, the court had the following to say: *“the respondent had to clearly identify and specify those objective criteria and goals. That had to be done in a manner that left no doubt or room for debate as to whether the criteria and the assessment of the specified goals were objective in nature.*

In my view it was incumbent upon the first respondent to set out all the benchmarks up front. In other words, a tenderer must know how to achieve the pre-determined scoring.” (Toll Collect Consortium v SANRAL and Another, 88422/2011, delivered in July 2012)

Neither the Supreme Court of Appeal nor the Constitutional Court have made a ruling on the matter, however it is submitted that fairness and transparency in procurement and the desire to prevent arbitrary administrative actions on the part of organs of state, dictate that the objective criteria must be included in the invitation to tender documents issued to the bidders. This form of disclosure: *“goes a long way in ensuring fairness and transparency in government procurement procedures. It enables the contractors to prepare and submit responsive tenders and ensures organs of state do not apply criteria that are unknown to contractors.*

It creates a legitimate expectation on the part of the contractors that tenders will be evaluated and adjudicated in accordance with the criteria specified.” (Phoebe Bolton, 2006, *The Law of Government Procurement in South Africa, p190*)

For the love of the brand

Sean Shipalana and Aubrey Mkhabela are so passionate about Harley-Davidson that they opened a dealership to indulge their fancy

According to the annual **Global Entrepreneurship Monitor (GEM), one of the key reasons most start-ups fail within three years of their operation, is that – all too often – people engage in copy-cat ideas.**

The urge to start B&Bs, security, cleaning, hair salons or related businesses; is all too strong to resist. The upside to such trends, though, is the obvious advantage of dealing in a product or service that is highly sought after, notwithstanding the stiff competition.

But try selling a product, one that is entirely nonessential and priced in five digits for an entry-level model, fetching up to six digits for up-market ones. And imagine your customers bearing such expense all for the fun of it.

That is precisely the sort of environment Sean Shipalana and Aubrey Mkhabela thrive in. The first black Harley-Davidson dealers in Africa, they run the Gold Rand Dealership, in Boksburg on the East Rand.

A second black-owned Harley-Davidson dealership owned by a Nelspruit businessman, opened in July.

"Buying a Harley-Davidson motor-cycle is a discretionary spend, in that no-one really needs it," said Shipalana, in illustrating the

unique nature of the business. "As such, selling the motorbikes is not easy," he admitted.

More than anything, it was the love for the Harley-Davidson brand that drove him to acquire his first bike in 1996, more out of a desire to add value to his beloved brand by owning a dealership.

"This is an exclusive brand, so it's hard to get a dealership. However, our business case was so comprehensive that we managed to get approval and subsequently set up shop on the East Rand.

"We serve a kaleidoscope market, one requiring lots of skills on our part," said Shipalana. "We have challenges in the black market, however, in fact 98% of our clients are white. Training is essential for beginners and luckily, Harley-Davidson gives you a template to help find your footing during the early stages," assured Shipalana.

The Gold Rand Harley-Davidson dealership sells in the region of 15 to 25 units a month, employing 20 permanent staff, mostly master technicians. It stocks about 130 Harley-Davidson motorbikes at any one time, ranging from entry level models to the most sophisticated mobile machines on two wheels.

The dealership is strategically located in an area boasting the highest concentration of motorcyclists on the East Rand, but the

two business partners' market penetration is far-reaching, going beyond the confines of Gauteng, to include Middelburg and Secunda.

As rookies in such a specialised environment, how do they cope with competition?

"Healthy competition actually leads to higher standards," countered Shipalana confidently. "In addition, we have happy staff who render great service to our clients, that way, we manage to stay ahead of the curve," he added. BBQ recently met up with the two enterprising entrepreneurs during the annual Africa Bike Week in Margate, on the KwaZulu-Natal south coast, where they were marketing their dealership at what is undisputedly Africa's largest gathering of motorcyclists. About 25 000 bikers attended this year.

And, what pleasant company the two turned out to be.

"There are perceptions out there that bikers are a rebellious lot, with tattoos all over the body. Well, that's not true," assured Shipalana, as the two business partners chatted to the BBQ team, in between attending to mobs of curious onlookers at their busy stall, which was fully decked out in Harley-Davidson regalia. Theirs was one of the most popular stands, with enthusiasts eager to feast their eyes on

the two shiny custom-built Harley-Davidson bikes and other items on display.

If I may add, the two business partners were an attraction themselves, because, if my memory served me right, they were the only black (African) Harley-Davidson exhibitors at the show. And in addition to undertaking this annual ritual, Shipalana and Mkhabela,

like most members of the Harley-Davidson Owners Group (HOG), visit the United States, the ancestral home of this global motorcycle brand, at least twice a year.

Despite plans to venture into Africa, these have been put on ice momentarily. "We are not kings in our own backyard yet," scoffed Shipalana, with a discernible air of resignation.

The average price for a Harley-Davidson motorbike at the Gold Rand Dealership is R243 000, with an entry-level costing about R82 000.

"Cash flow is still a challenge," admitted Shipalana, "especially that 99% of our products are imported." Starting up was not easy. The cost of raising capital was quite substantial



Aubrey Mkhabela and Sean Shipalana at Africa Bike Week



Sean Shipalana and Aubrey Mkhabela outside their stall in Margate

given the banks' insistence on collateral. That was until Wesbank bailed them out.

Other requirements to comply with include registration with the Department of Transport, obtaining a professional learner's licence, training and safety apparel.

While most folks ride for leisure on quiet, lazy weekends, Shipalana and Mkhabela have successfully turned an expensive hobby into a livelihood – a lucrative one at that.

They are more than just Harley-Davidson merchants; they are enthusiasts so passionate about this iconic brand that they felt it necessary to educate other people about it.

"We just love the brand and thought we could introduce it to many more people by becoming dealers," reiterated Shipalana.

Previously a management consultant in the United Kingdom, Shipalana decided to give up the corporate world, to return to South Africa for life as a Harley-Davidson dealer.

"Harley-Davidson to me represents passion, freedom of expression, individuality and adventure and I thought it was time to live that sort of life," Shipalana said.

And what is his favourite part about being a Harley-Davidson dealer?

"It's watching the face of customers when they start up their bike for the very first time," retorted Shipalana.

"It's a moment that is always special and quite unique to Harley-Davidson riders."

He pointed out there was a definite culture of biking in South Africa, and it is evidently a growing sport, which bodes well for the future. But he is also blunt about the hazards of motorcycling.

"It's a dangerous sport," he admitted.

Their vision for the Gold Rand Dealership is to create a culture of great service and consistently satisfy their customers, while welcoming them into the Harley-Davidson culture.

Shipalana was quick to dispel myths about the Harley-Davidson brand.

"They are not as expensive as people think, and not many know that motorbikes start from as little as R85 000," he said.

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David Mwanambuyu



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Municipalities bleed

Local government audit maintains unqualified status

Only six new local authorities joined the ranks of municipalities with clean audits in 2012, bringing the total to 13 (5%), said the Auditor-General of South Africa (AG) Terence Nombembe.

These municipalities are in KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape. None of the municipalities in the Eastern Cape, Free State, Gauteng, Northern Cape or North West received clean audit reports.

Four municipal entities registered clean audits, a decline from 10 in 2011.

Nombembe said he was confident that with the commitment of the leadership, any size municipality could achieve clean audits, as already proven by a few determined ones.

"Where appropriate action is taken by leaders and key officials, we are beginning to see results," said Nombembe, referring to the provinces with clean audits.

"What these provinces are beginning to display is the outcome of concerted efforts on the part of political leaders and management.

"They are moving forward towards the clean audit space by consistently committing to take ownership of municipal performance practices, insisting on adequately qualified staff and effective performance management practices. The next logical step for these municipalities is to institutionalise these gains to sustain the culture of clean administration.

"This will surely uphold the public confidence that we witnessed during the presentation of the clean audit awards held at each of the municipalities," the AG said.



The Auditor-General of South Africa, Terence Nombembe

The latest audit results at national level show that close to half of the departments under audit (156 out of 343 or 45%) obtained financially unqualified audit reports, but with internal control concerns (findings).

These financially unqualified audit reports were only obtained after corrections during the audit process and with the assistance of the auditors. The other half of the municipalities received financially qualified (18%) and adverse opinions or disclaimers (19%), while 13% of municipalities had not submitted financial statements in time for auditing.

This slow progress towards clean audits in local government is underpinned by three prominent causes:

- 57% of municipalities have shown a slow response to the AG's messages and the implementation of key controls
- A lack of consequences for poor performance and transgressions at more than 70% of departments under audit
- A lack of minimum competencies of officials in key positions (most evident in the financial discipline) at 72% of departments under audit.

These factors have contributed to the poor and stagnant audit outcomes for 2010 and 2011.

"The desired progress towards clean audits is at risk if these root causes are not addressed," Nombembe said.

He noted government's interventions to address the skills gap, including co-ordination and commitment by all parties to implement legislation on minimum competency levels.

The lack of skills is further evident in the fact that numerous errors needed to be corrected by auditors during the audit, despite consultants that were brought in to assist municipalities having increased from 86% last year to 91% of municipalities in 2011.

In addition, 13% of audits in a few provinces (North West, Northern Cape and Western Cape) had not been finalised in time for the general report released on 23 July.

"We are seeing the impact of the lack of skills, the slow response of leadership to owning key controls, as well as the absence of managing poor performance and the risks that municipalities continue to face.

At the moment, these risks are beyond tolerable levels," said Nombembe, who explained that the five major risks relate to:

- Supply chain management, which is showing a growing trend of irregular expenditure;
- predetermined objectives (service delivery reporting), which show some improvement in certain provinces;
- information technology controls, which show minimal improvement in terms of internal control;
- human resource management, which shows minimal improvement, and
- significant errors in financial statements, which show no improvements at all, despite the increased use of consultants.

"We need to purify and perfect the internal controls in all these areas to improve the level of transparency and accountability in local government," the AG said.

In order to improve these, municipalities need to strengthen internal controls in the following three logical areas:

- Leadership, which is expected to set the correct tone for effective governance.
- Financial and performance management reports, that need to be subjected to management checks and balances to confirm credibility of information.
- Governance, by strengthening audit committees and internal audit functions that will complement the work of the newly established municipal public accounts committees (MPACs).

In this regard, Nombembe said that only 30% of municipalities are making good progress in addressing the internal control disciplines.

He remains concerned about 70% of municipalities where the basics of key controls have not yet been mastered.

The AG reiterated his office's commitment to assisting departments being audited, highlighting that following the launch of government's Operation Clean Audit in 2008, he had introduced regular engagements with

municipal, provincial and national political leaders to share his office's assessment of key controls in the areas mentioned above and to identify threats to clean audits.

These engagements helped create greater awareness on matters that require urgent attention to enable the realisation of clean administration in local government.

Nombembe said the benefit of these visits was to further align expectations towards clean audits, recognise champions of goodness and encourage those who still need motivation in this direction.

"We do this because we care about how auditing can lead to building public confidence and to facilitating and encourage leadership and governance practices that are exemplary," the AG said.

He singled out the importance of strengthening oversight co-ordination between public accounts and portfolio committees in all legislatures.

Presenting these results on 23 July together with the national ministries, Nombembe drew attention to the commitments that all partners had made during his roadshows. These commitments and a detailed analysis of the

audit outcomes are captured in the respective general reports tabled in the national and provincial legislatures on 23 July.

These partners, who also include the South African Local Government Association and provincial and municipal leadership (executive and oversight), have committed to initiatives that can support excellent co-ordination of their various activities and strengthen their diagnostic and monitoring instruments.

These initiatives will lead to improved support for municipalities and streamlined accountability to the municipal councils, legislatures and citizens.

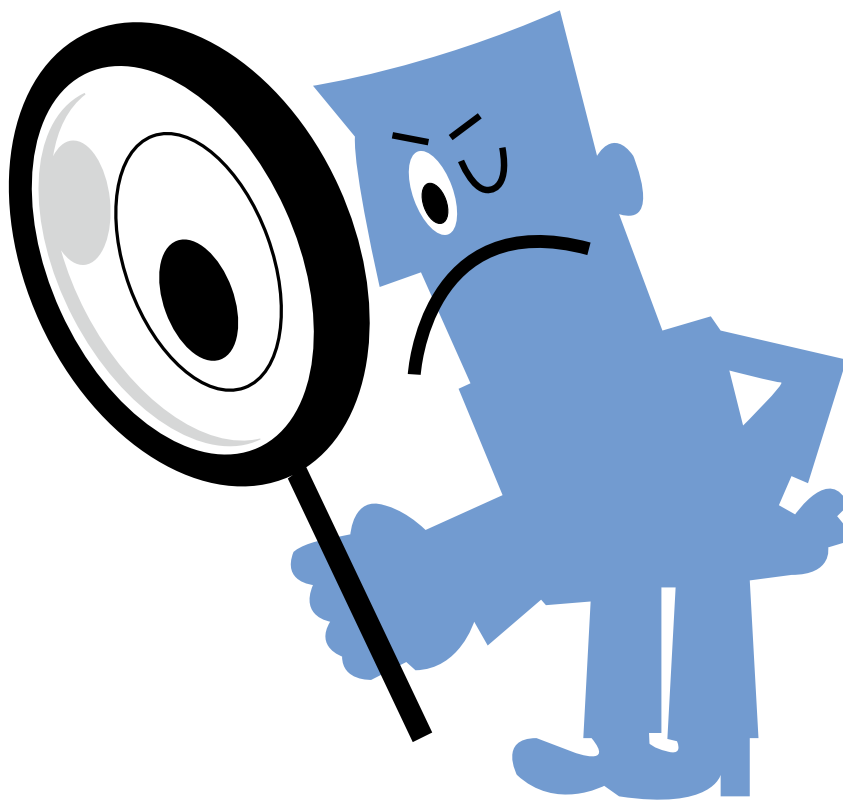
About AGSA

The Auditor-General of South Africa (AGSA) is the country's supreme audit institution and is based in Parliament.

It is the only institution that, by law, has to audit and report on how government is spending taxpayers' money. This has been the focus of the AGSA since its inception in 1911 – the organisation celebrated its 100 year public sector auditing legacy last year.



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Merchants of aid

New intermediaries are challenging the dominance of Bretton Woods institutions

Until recently, foreign aid was the business of governments, while private actors dominated other forms of financing for developing countries. Member states of the Organisation for Economic Co-operation and Development (OECD) provided foreign aid – that is to say, financing on below-market terms to governments in poor and middle-income states – either directly or through multilateral agencies such as the World Bank and regional development banks.

Private financing for developing countries, apart from migrant remittances, came in the overlapping forms of project finance, bank loans, foreign direct investment, and portfolio investment, where the private funders received market rates of return.

In matters of public spending and debt extension, the Bretton Woods institutions namely the International Monetary Fund and the World Bank, have been the most visible sources of development funding over the past 40 years.

Their prescriptions have raised the ire of economists and financial analysts, among others, who suggest the current Global Financial Architecture (GFA) is not always appropriate for the development and economic contexts of the global south. This is accompanied by concerns about the efficacy, leadership and governance of these institutions.

In turn, alternative approaches and initiatives have been mooted and created in response to

the changing face of global economics, centres of power and the emergence of multiple economic powerhouses.

The Meltdown and Global Financial Architecture

The interesting origin of the Wall Street crisis, as well as the surprising resilience and rise of emerging and developing countries in

The World Bank and the IMF were created at Bretton Woods in the USA following World War 2

the global economy, has brought to the fore the inappropriateness of the current Global Financial Architecture (GFA).

The GFA can be defined as the 'collective governance arrangements at international level for safeguarding the effective functioning

of the global monetary and financial systems (Elson, 2010:17).

The GFA is not a new topic – the inappropriateness of the GFA has been a concern at least since 1971, when the Bretton Woods system of administered exchange rates collapsed, and with that any real international economic and financial co-ordination. After the last major financial crisis, the Asian crisis of 1997/98, there was a similar intensification of the debate on how global finance should be managed, and coordinated, in a global economy.

There was little substantial progress after 1997/98, as the occurrence of the 2008 financial crisis implies. There were incremental changes to the GFA and disparate regional efforts to come to grips with the crisis – very much similar to what is now happening. After the 1997/98 Asian crisis, the incremental changes were the creation of the Financial Stability Forum (FSF), the Basel II process on the supervision and regulation of banks, and a reassessment of international aid leading to a recognition of the need to improve aid effectiveness (for e.g. the Paris and Accra declarations). Each of these areas can now be seen to have resulted basically in failure.

There were also, more notably regional efforts in the reaction to the crisis that reflected the continuing absence of global co-ordination.

For instance, the Chiang May Initiative was started in Asia. Furthermore, disillusionment with the IMF and World Bank, led to a sharp decline in their lending (as the next sub section will detail). But essentially little else changed; global financial flows continued rising, the shadow banking system and the power of

the financial sector continued to expand, and banks became leveraged to unprecedented levels.

The World Bank and the IMF were created at Bretton Woods in the USA, following the Second World War. They were designed by the dominant economic powers of the day, for a world with fixed exchange rates, where the volume of trade and financial flows were many times smaller than today, and where economic crises were only due to inappropriate government policies and/or political stability. Clearly, in a world where economic power is shifting, where exchange rates are floating, where the volume of financial flows dwarfs world output, and where the major financial crisis has been private sector led, these institutions may be past their most effective stage.

Indeed, before the current crisis, the IMF was retrenching staff, and lending patterns of both the IMF and World Bank had declined to unprecedented low levels. IMF and World Bank disbursements had totaled around US\$20-billion (about R165-billion) by 1998. It then dropped significantly: in the case of the IMF, lending declined after a temporary surge in 2002 to only US\$1-billion (R 8.2-billion) in 2007, while in the case of the World Bank, IBRD lending declined to only about two thirds of the 1990 2000 average.

Amidst this global vote of no confidence, the IMF was debating its very existence. The crisis has given the IMF and World Bank a new lease on life – despite the fact that neither predicted the crisis and that concerns about the impact of the conditionality for their loans still seemed valid. Both institutions' lending shot up during and after the crisis. The IMF got more than 50 new clients. The resurgence of the Bretton Woods institutions is largely due to the contagion effects of the crisis, as well as to the responses of the G20.

Group of 20

The G20 was seen by many as a positive outcome of the crisis, in that it is more representative than the G7, and perhaps faster and more flexible than the United Nations (UN). Before looking at the particular efforts of the G20 in reforming the World Bank and



IMF MD, Christine Lagarde

IMF, and also other initiatives below, it can be mentioned that as an opportunity to act as a more representative forum and promote the interests of the least developed countries, the G20 has not been impressive.

A relatively small proportion, only about \$50-billion (R413-billion), of the G20's

commitments has been directly allocated for the 'poorest' developing countries. This amount pales in comparison with the estimated \$8.4-trillion (almost R694-trillion) allocated in total so far for bailing out banks.

And although the G20 is a much more representative body than the G7, many had hoped

that it would become an even more broad-based forum for multilateral co-ordination to address many challenges with public good characteristics, including climate change, conflicts, international crime, illicit financial flows and so on.

These hopes have not yet materialised nor has there been any strong evidence that the G20 is considering its evolution into a more overarching multilateral co-ordination, or that its developing and emerging country members, are urgently co-ordinating or considering new modalities, helpful to the many emerging and developing countries not part of this club.

Both the World Bank and the IMF responded to the crisis, by indicating that they recognised that global economic power has been shifting, and that they needed to change the way they carried out their operations.

The IMF re-allocated 6% of its voting power to developing countries (away mainly from Europe, which is over-represented at the IMF). At present at least a reallocation of 10% to 15% was needed to reflect the position of developing and emerging economies in the world more fairly. The World Bank also reallocated 3.13%.

So the World Bank and the IMF are back in business, although with changed voting powers and promises of doing things differently from the past. Does this point to a shift in the architecture and character of Global Finance Architecture?

It is perhaps too early to evaluate, although many believe the reforms may be too late, and that G20 funding should have been conditional on far reaching reform. Stein (2010:11) concludes that these reforms seem to signal the 'appearance of change and the reallocation of voting rights to developing countries without a fundamental alteration in the agenda ...'.

Third World Network (2009a) points out that the contents of the IMF agreements are still 'business as usual' as strict conditionality is still the basic approach, with borrowing countries being required in the midst of a global downturn, to implement strong pro cyclical policies.

And at the G20 meeting in Seoul in November 2010, European countries indicated their resistance to more governance reform of

the IMF, indicating that they are not willing to relinquish the privilege of appointing the managing director of the IMF.

These problems in international markets reflect the absence of appropriate co-ordination mechanisms ever since the Bretton Woods system of administrative exchange rates collapsed in 1971. The subsequent system has even been described as a 'non system'. So far the G20 and other international processes, including at the level of the UN and the IMF/World Bank, have made little progress in tackling these issues, apart from creation of the Financial Stability Board (FSB) out of the previous (ineffective) Financial Stability Forum (FSF) and the minor changes to IMF and World Bank voting rights discussed.

Perhaps for the short-term, the specter of currency wars (trade wars) with related possibility of rising protectionism; is the greatest threat to international trade. Surplus countries, not only China but also Germany and Japan, need to increase consumption (and imports) and deficit countries (such as the US) need to reduce consumption (and imports).

Alternatives

An emerging set of financial instruments aim to improve the effectiveness of development finance, rather than create new revenue streams for development. This includes local currency lending, 'countercyclical loans', sovereign insurance pools and performance-based aid.

Several development banks – and in particular regional ones – have begun to issue local currency bonds to fund country operations. Between 1995 and 2008, development banks raised US\$52-billion (about R429-billion) through local currency bond issues, the aim of which is to reduce currency risks in beneficiary countries and support local currency on-lending (World Bank 2009).

Meanwhile, countercyclical loans piloted by the Agence Française de Développement (AFD), allow for adjustments in repayment terms and maturities in response to external shocks.

External debt service is adapted to the ability of the borrower to meet those obligations and

help governments manage macroeconomic vulnerabilities.

Sovereign insurance pools provide more affordable access to insurance, against extreme weather events or other catastrophes (such as loss of livestock), by helping governments transfer part of the fiscal risk associated with such events to the private sector.

One of the most important examples of such initiatives is the Caribbean Catastrophe Risk Insurance Facility (CCRIF), aimed at reducing the economic impact of natural catastrophes, by providing immediate liquidity to the region's governments, through a range of sovereign insurance products.

Output-Based Aid (OBA) – a form of public-private partnership – involves contracting arrangements with the private sector, which tie the disbursement of public funds or subsidies to the achievement of specified results.

The World Bank has identified 159 OBA projects. These focus mainly on water and energy sectors, as well as health and social services (World Bank 2009).

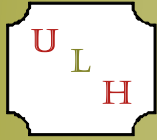
Private international finance for individual and small business recipients seeking to improve development outcomes is particularly in vogue, and a bewildering variety of intermediaries have emerged to channel the growing capital flows. Some of these intermediaries work much like conventional charities, collecting and transmitting private donations for private recipients advancing development – defined to include both private sector growth and institutional reform.

Others work like conventional financial institutions, where creditors expect to get their money back and a return on their investment.

However, some of the new intermediaries operate in a less well-defined space that lies somewhere between the traditional domains of charities, development agencies, and financial institutions. Many of these collect funds from individual members of the general public in high-income countries, for ultimate transfer to individuals in poor and middle-income countries, but neither as pure donations nor as market-rate investments.

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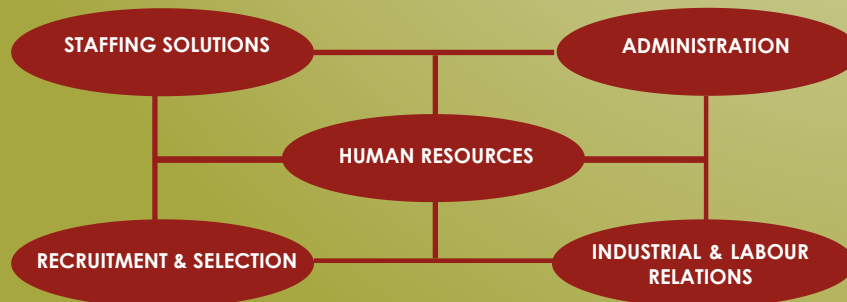
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Road to Mangaung

The period between now and December, when the ANC holds its elective conference, will be a time of great political suspense

The ANC policy conference in June was meant to provide a pretty clear indication of any forth-coming policy shifts the governing party is contemplating.

The policy conference, convened every five years ahead of the elective conference (taking place in Mangaung in December this year) brought together ANC branch members, representatives of the Leagues and also the alliance partners.

It is a key moment for the ANC as it discusses possible policy shifts.

Any resolutions taken at this conference can only have force and effect after they are ratified at the elective conference.

So, both conferences are key parts of the puzzle as regards the future of both the ANC and, by implication, the country.

Given the ANC's tradition of not contesting the leadership, it would seem as if President Jacob Zuma is set for yet another term as ANC president and, therefore, President of the Republic.

Zuma, the master strategist, skillfully ensured that the ANC Youth League became less of a threat to organisational unity and Zuma's own position, ahead of both the policy and elective conferences.

In the shadows is deputy president of the ANC and the country, Kgalema Motlanthe who has some backing, it seems, to run against Zuma in December. This would be a bold step

and rather out of kilter with the ANC tradition of no contests.

Thus far, Motlanthe has chosen the path of stealth, making comments regarding questions of corruption within the ANC which may well be an oblique reference to concerns many, both inside and outside the ANC have raised regarding allegations of nepotism and corruption, which surface regularly against Zuma.

But whether Motlanthe has sufficient backing for a proper presidential bid remains to be seen.

In addition, Zuma has the benefits of incumbency and thus possibly a greater ability to consolidate support as the Mangaung elective conference nears.

But what is the process employed in electing the ANC's leadership?

In short, the National Conference in December will consist of; 90% will be delegates from branch members, elected at properly constituted branch meetings:

- The number of delegates per branch will be in proportion to its paid-up membership. The number of delegates allocated to each province is fixed in proportion, again, to its paid-up membership.
- The remaining 10% will be made up of the provincial executive committees (PEC) and the leagues, which are: the veterans, youth and women's leagues. It appears as if at branch level, the ANC Youth League has been the most active, which naturally, has an effect on voting. Of course the league

remains divided after the disciplinary action taken against its former president, Julius Malema.

- At the elective conference delegates will vote for the national executive committee, the highest decision-making body in the ANC and consists of the top six (elected separately, known as the National Working Committee or NWC) and 80 additional members. Members of the leagues and PEC are ex-officio members of the NEC and the NEC may also co-opt five additional members at any point.
- Theoretically, according to the constitution of the ANC, provinces will nominate individuals for the top six positions, but individuals can be nominated from the floor by a delegate and placed on the ballot, if the nomination is seconded by at least 25% of the floor.
- The same process is in place for the NEC members' election. For the purposes of the election process, the leagues, importantly, are viewed as provinces and so can nominate individuals too.

At the start of the elective conference in Polokwane in 2007, there was a great deal of controversy regarding this issue and whether the delegates present were, in fact, from properly constituted branches.

So, the integrity of the process in Mangaung will depend, to a large extent on the integrity of what happens at branch level. The recent

policy conference provides interesting pointers on the road to the Mangaung scenario. On balance, Zuma's position was strengthened. There was also no shift in what the ANC call their "strategy and tactics", and hence, no shift to a new second transition approach to policy and government.

In addition, the issue of land was high on the agenda.

On the crucial question of land reform, again, the moderates appear to have prevailed, against the move from the right towards a more radical stance on land ownership.

Everyone accepts that the willing buyer, willing seller approach – which has been at the heart of government policy since 1994 – is not working well enough. The question is what will replace it.

Equally, there is an understanding now that the current constitutional framework is fine – that Section 25 does permit expropriation of land by the state, provided that there is proper compensation.

The main debate at the policy conference was about the rate of change, the process, and how to balance transformation of ownership with

the need to protect the integrity and efficacy of the agricultural sector. Land has almost replaced nationalisation as a rallying point, for those who would want more radical economic policies.

Zuma, however, dealt fairly firmly with the issue of nationalisation of mines right at the start. Although Malema has virtually departed the scene, his demand for economic transformation remains an appealing idea for many within the ANC, and also for ordinary citizens trapped by poverty and under-development.

Interestingly, on the economic policy front, there was nothing substantially new to report.

As expected, there was a great deal of emphasis on the importance of job creation, and the need for both broad measures to make the economy more competitive and specific sectoral interventions.

There was also some good analysis of the problems facing the bureaucracy at present, such as political considerations being too dominant, instability with too much mobility between positions, policy instability, that is too many policy changes, and an absence of mid-level managers and skilled staff.

What the policy conference indicates is that on the crucial questions of policy, big changes are not looming in the near future.

It also probably bodes well for President Zuma as he prepares for Mangaung in December.

Of course the ANC remains divided and so Zuma's challenge, should he retain his position, will be to maintain unity amid the factionalism which has come to dominate the ANCs internal politics specifically since 2007 and the ANCs divisive conference in Polokwane.

Whether he is able to navigate those choppy waters remains to be seen.

What we can expect between now and December is speculation both within the ANC and outside regarding the leadership contest, such as it is, once again providing an unhelpful distraction to the challenges which face both the ANC and the country.

BBQ

Judith February

February is the Programme Manager for the Political Information and Monitoring Service at Idasa.



Judith February

Transnet Foundation

Building a sustainable, healthy and empowered society

Steadfast, confident and vibrant business leader Cynthia Mgijima (55) heads up Transnet's strategic corporate social investment (CSI) arm, the Transnet Foundation, ensuring that the implementation of its sustainable development programmes impact positively on beneficiaries to improve lives.

The world's leaders committed to the Millennium Development Goals in 2000, which aim to address issues of extreme poverty, hunger, disease, lack of adequate shelter,

"Transnet is a company that cares and is thus part of this vision," says Mgijima who along with her employees, works tirelessly to transform the lives of the people who live in the communities in which the company operates.

State-owned Transnet is the custodian of freight rail, ports and pipelines in South Africa, and is responsible for enabling the competitiveness, growth and development of the economy through the delivery of reliable freight transport and the handling of services that satisfy customer demand.

Mgijima ensures that the Transnet Foundation's programmes, including its Employee Volunteer and Container Assistance

why Transnet is investing over R160 million in CSI, with the Transnet Foundation alone accounting for R140 million," she says.

Healthcare is a key priority for the Foundation. The Phelophepa Healthcare Train, renowned as the 'train of hope', is a fully functional mobile hospital which provides primary healthcare to far-flung rural communities.

It travels over 20 000km each year and is already 17 years old. The programme is getting even bigger, with the addition of a second train. "More than 5.5-million people, including students, have already benefitted from it," says Mgijima.

Volunteers and students are all integral members of the train's team, with over 500 volunteers and 1300 students on board each year. "Being on the train is a privilege and helped me gain confidence in my skills and abilities. My time on Phelophepa made me realise why it's called the 'miracle train'," says student Claudie Munyai.

"Going out into communities has awakened my spirit of 'ubuntu' and encouraged me to want to make more of a difference," adds student Asisipho Petela.

Chané Du Toit, a counselling student. "Apart from learning new skills, I realised I had something to teach the community. The basic skills we facilitate are new to many within the rural communities."

"The Foundation's efforts haven't gone unnoticed by the international community, which has ensured that we have received a handful of awards for Phelophepa," Mgijima confirms.

Transnet is responsible for enabling the competitiveness, growth and development of the economy through the delivery of reliable freight transport

education and gender equality. In South Africa, in December 2010, the Economic Development Ministry released its New Growth Plan which aims to reduce unemployment by 10% by 2020, through activities that maximise the creation of decent employment opportunities.

programmes, and others across health, education and the sport development sectors make a difference.

"When I think of the Transnet Foundation, three things immediately come to mind: caring, improving lives and making a difference. That's

Education is another firm priority for the Foundation. "Good education forms the foundation of a great nation. This is the driving force behind our commitment to developing our communities' teachers and learners," says Mjijima.

That is why the foundation launched a three-year development programme involving 350 Grade 10 to 12 mathematics, science and English teachers. "Effective education requires good quality teachers, hence our 'Teach the Teachers' initiative. This will empower teachers with content knowledge, enabling them to deliver and complete the curriculum and enhance their learners' performance."

The Foundation's Education Portfolio extends far beyond learners and teachers. Other projects include infrastructure development, after-care learner support services, and a special interaction programme which helps to develop the bonds between learners and their parents.

The Transnet Foundation's Employee Volunteer Programme (EVP) harnesses the energy and compassion of the Transnet family into a broad range of volunteering opportunities in selected villages. The programme is driven entirely by Transnet employees, who share their skills, knowledge and expertise with others. "We are able to make a sustainable contribution to these villages with internal staff knowledge, expertise and logistics rather than simply with cash," says Mjijima.

The Foundation's Sports Development Programme covers six regions and has benefited over 412 000 learners, whilst training and accrediting over 400 teachers as coaches, umpires and referees.

The Transnet National Rural and Farm Schools Sport tournament is part of this programme. It brings together 1000 participants from 100 rural and farm schools every year to compete in seven regional tournaments and local competitions. Each school is supported by the sport portfolio with equipment, kits and training for managers and coaches.

"The programme's legacy is community building, life skills and the pride it spreads. It makes a profound impact on the lives of the young athletes," says Mjijima.

"We also established the SAFA Transnet Football School of Excellence, through which holistic programmes in football, education, integrated social and life skills are implemented to positively touch the lives of young South Africans," she adds.

It was South Africa's President, Jacob Zuma, who said, "Regional and continental infrastructure development is of fundamental



Cynthia Mjijima

importance to the realisation of Africa's economic growth and development imperatives."

The Transnet Foundation has heeded this call through the development of its Container Assistance Programme (CAP), which transforms old freight containers into custom-made secure buildings to meet the needs of under-resourced communities. CAP has already benefited more than 120 000 people, with the construction of over 30 structures.

"Not only are the containers recycled and given new life, but people no longer have to travel great distances to find secure

infrastructure. Resourcefulness can mean the difference between living with hope or despair, and between contentment or the lack thereof," says Mjijima.

The Foundation's partnership with the South African Police Service to erect satellite police stations in areas critically impacted by crime, or where security services are lacking, has made a significant difference in these communities. As have the containers utilised in rural areas to address social and health needs, which have created a stable community environment where the youth can dream of a brighter future.

"We have invested over R27 million into the programme since 2001 and have built 19 satellite police stations and 14 multi-purpose centres. Added to this, 27 000 jobs have been created. We aim to meet the needs of the present, without compromising the ability of future generations to meet their own needs," Mjijima explains.

Prior to joining the Transnet Foundation, Mjijima held the post of chief director of development and research at the Gauteng Provincial Government's Department of Social Development. She is a member of the South African Board of Dietetics and the South African Nutrition Society, and represented the Department of Education on the South African National Aids Council.

Mjijima holds a Diploma in Home Economics from the University of Botswana and Swaziland and a Bachelor of Science: Clinical Dietetics from the University of Maryland, USA. She also underwent a three-month internship on nutrition for developing countries at the University of California's School of Public Health; holds a Master of Public Health: Community Nutrition from the Tulane School of Public Health and Tropical Medicine in Louisiana, USA; and a Certificate in Nutritional Anthropology and Communication from the University of Indonesia.

"Whilst problems and challenges don't go away simply by investing money in them, working with communities and other partners in the CSI space can result in community empowerment and sustainable solutions," Mjijima concludes.

A cut above the rest

Nu-Fiberform Plastics SA (Pty) Ltd

Established 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 (PDI) 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-Fiberform 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 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.



NU-FIBERFORM

A BLACK ECONOMIC EMPOWERMENT COMPANY

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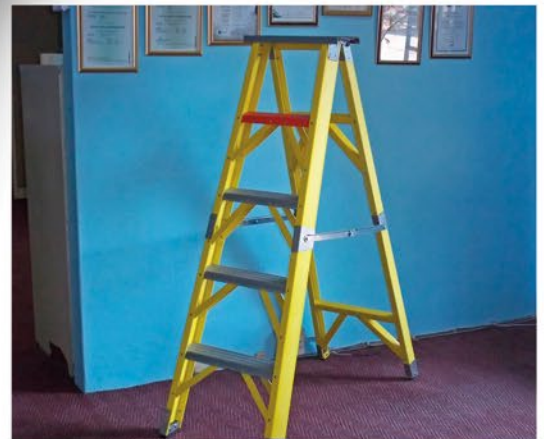
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In the eye of the storm

Airline CEO Blacky Komani knows his views on transformation are controversial, so he tries to qualify them with justification

For a black man to crack it as a chief executive officer of a thriving airline is well, nigh impossible in South Africa.

Oh no, not so for newly appointed 1time Airline chief Blacky Komani.

When Komani took over the reins as CEO in April he barely had a history in the airline business. This also happened at a time when the industry was going through a crisis of rising fuel prices. To add to the company's woes, two senior executives and founding members resigned soon after his appointment.

Komani admits that his views about Black Economic Empowerment (BEE) might not be in line with the mainstream, because his views are influenced by his stay overseas between 1996 and 2006.

Nevertheless, he maintains that BEE is a good policy. "It is to South Africa what Americans called Equal Employment Opportunity or EEO, but I think at the same time it destroyed the entrepreneur's spirit that this country needs. I am not in favour of handouts and I think that many people who, otherwise, wouldn't have been in business took advantage of BEE. This has led to greed, and a dependency on government tenders, instead of improving the lives of all South Africans," Komani said.

Komani's take on women empowerment at 1time and in the aviation industry in general is refreshing: "When our company, Mtha Aviation bought 25% of 1time (Holdings) over a year ago, the company did not have black senior executives. We now have a black CEO, a female HR director and chief operations officer and the first black airport manager," he said.

He says they are working on transforming the company to be reflective of the demographics of the country.

Komani is optimistic about the future of entrepreneurship in South Africa.

However, he is concerned about the lack of support for emerging entrepreneurs.

"There is no shortage of the entrepreneurial spirit in this country. What we don't have enough of is funding for entrepreneurs; funding for people who have the 'can do' spirit and are prepared to take risks," he said.

Most young people are unemployed. Komani says this is a ticking time bomb in South Africa.

"I think skills development is one of the solutions. We don't offer enough internships in this country. As a result, by the time students finish college they have no work experience. This country needs plumbers, electricians, artisans and builders," Komani said.

Komani says if he were to be the President of South Africa, he would put more emphasis

on good education as a strategy to rebuild the country's economy.

"I think the root cause of our problems is lack of education. This is what Zimbabwe got right in the early days. I would also spend more on youth development programmes. The last thing I would do is to create more leadership training institutions. The big problem that we face is not a lack of resources, but management of these resources and this is a problem all over Africa," he said.





1time Airline CEO,
Blacky Komani

Corruption watch

"The major problem with corruption is that it drives away foreign investment, in addition to undermining our values as South Africans. The sad thing is that a majority of South Africans are hard working people who want to see this country prosper for generations to come.

"We are fortunate that we have independent institutions that are not influenced by politics. The media has played their role in exposing corrupt officials. These institutions together with strong opposition parties ensure that there are checks and balances in our political system. I applaud the work done by our public protector," Komani said.

Phew! If this is something to go by, then Komani has one very high mountain to scale ahead of him. Amazingly, though, he is unfazed by this seemingly daunting task.

With a background of surviving an upbringing of virtually no resources whatsoever, and then growing up to make it in a first world city such as New York, Komani grew up in the rural village of Kwelegha, outside East London in the Eastern Cape.

The environment was fraught with abject poverty so much so that it was a case of survival of the fittest, as he remembers it: "My parents had very little in the form of material things, but showered us with lots of love".

Such a foundation is what gives this professed servant of the people strength and hope to implement the turnaround that 1time Airline sorely needs.

Prior to joining the aviation industry, Komani spent 10 years in the United States working, at one point, as the head of SA Tourism in New York, and then as the managing director of Karell Tours in Miami, Florida.

He has also worked for American Express in South Africa, as a foreign exchange dealer where he headed up a portfolio that encompassed sales, marketing, human resources and strategy. The airline recently put its money where its mouth is, and hosted a group of 30 students from a local high school for a job-shadowing visit.

They spent the whole day observing employees going through their work routines, including the CEO.

"By providing real life exposure to our everyday work environment, we hope that we have contributed to the career interests of these young men," Komani said.

The vulnerable financial position of the company makes it unimaginable that Komani would have other business interests to focus on. He says running an airline is a 24 hour seven days a week job. Komani is also a shareholder and non-executive director of June Communication. This is a family business run by his wife and "rock", Pam Komani.

He chuckles when he points out that the business is the only one where he has a real boss. "I am a non-executive director of American Express Foreign Exchange. I also serve on the board of Mtha Aviation, a company that owns 25% of 1time Holdings," he said.

Komani says Mtha Aviation is considering increasing its shareholding in 1time Airline to 49%. Unfortunately, 1time Airline has to contend with the reality of competing with Mango Airline, which is owned by South African Airways, a parastatal.

Komani says the company is consulting with its attorneys about engaging the Competition Commission to check if Mango is not infringing any competition regulations.

As a pillar of support, he counts on a strong human resources team that he spends 80% of his time with, as well as his hands-on style of leadership. Komani said the airline has a staff complement of 1 100. During March and April last year the airline's on time performance was 40%, which he deems pathetic. This year the success rate improved to 96%.

"We still operate the same fleet, work with the same people and are achieving much better load factors," Komani said.

Passenger compensation decreased to R625 000 this year, compared to R3.3-million in the first quarter of 2011, showing an improvement in inefficiencies such as delays.

Komani attributes this progress to change in leadership focus.

"Our strategy is to get the basics right. This includes cutting costs and generating revenue," he said.

When Komani took over the business there were three CEOs and three financial directors

but now there is one of each. In a media interview following his appointment, Komani presented his turnaround strategy as a three-year plan, where the first year was to contain high costs, year two for breaking even and the third year to become profitable.

So far things are looking up in the maintenance business, after a dismal performance last year which cost the company R24-million.

"For the interim period to June this year (2012) we almost broke even, with a loss of R1.4-million and, from now until the end of February next year the maintenance business is fully booked with third party work.

"By the end of the year it will break even, and by the next financial year it will be profitable," Komani said.

Other revenue streams 1time Airline is considering pursuing include a mobile text service to notify travellers about flight information at an additional cost.

"We are looking to partner with service providers to facilitate the booking of cars, hotels and holidays on our website. These can all generate revenue. We also intend selling foreign currency online," Komani said.

Komani says he is more of a leader than a manager. "Managers manage processes, leaders lead people," Komani said.

His advice to managers is that they should view leadership as a privilege and not a right and to keep in mind that they are at the top to make a difference in other people's lives.

"I model myself after my father who taught me the value of being honest to oneself. I admire Ray Ackerman (founder of Pick n Pay) for his passion for customer care and putting people first," Komani said. "I truly enjoy dealing with people and I like coaching young leaders. I believe in getting things done! So, my management style is that of 'show me results' type. That's what America taught me. Don't tell me about labour pains; show me the baby," Komani said.

Komani says he foresees 1time Airline moving into Africa, just as other industries (locally and globally) are scrambling to win the market on the continent.



Siza Mtimkulu

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Uncertainty for SMME brokers

New stringent compliance regulations could put 10 000 SMME brokers out of business

South Africa's Small, Medium and Micro Enterprise (SMME) brokers are under threat due to the compliance hoops they must jump through. Industry experts say thousands of jobs could be lost if support structures are not put in place to assist them.

Maze of compliance

Writing in a recent article in Cover Magazine, Michael Savant makes the case that given the plethora of laws and regulations, there is not a single small broker out there who will pass muster.

Small brokers need substantial resources to ensure that they can meet all the compliance requirements.

These include the Companies Act, labour legislation, Financial Advisory and Intermediary Services (FAIS), the Insurance Act, the Competition Act, the Occupational Health and Safety Act, and the Consumer Protection Act.

Less markets and more competition

Low economic growth and the fact that companies are continually exploring new markets, using different strategies such as

intensifying direct marketing, mean that the small brokers' traditional market niches are fast being eroded. Traditionally, the so-called micro insurance products have been the domain of small brokers, but larger companies are also fast moving into this space.

With more complicated compliance requirements (viewed more broadly than just FAIS), the small brokers who do not comply will lose customers and are unlikely to get them back, even if they become compliant later.

Small fish most at risk

Insurance Sector Education and Training Authority (inseta) chief executive officer, Sandra Dunn, says that enterprises that fail to innovate are not going to survive.

"Small brokers simply lack the resources and know-how to innovate fast enough in order to stay ahead of the business development curve. Any business needs to be adequate resources to be able to innovate, tap new markets and manage its operations efficiently," she said.


Time to take action

The answer is not straightforward, but it is clear that the solution to each and every challenge that the SMME brokers face includes

access to talent. "Fresh talent is a valuable resource unto itself, and allows for new ideas and innovation. Further, new entrants to the sector are not as daunted by the compliance exams, and therefore every effort should be made to encourage new blood into the sector," Dunn said.

In the more immediate term, Dunn says: "Whether the issue is compliance, product innovation, marketing, management and administration or finance, SMME brokers need competent people and support. However, while developing the skills of the brokers will make a difference, much more needs to be done."

To this end, inseta's national skills development network believes it is imperative that the key players in the insurance industry need to get together with government to brainstorm a national programme with a co-ordinated approach to combat the challenges that SMME brokers are facing.

"Government and the insurance industry need to align their transformation goals in a concise and strategic manner. Anything less than a decisive plan of action is bound to be hopelessly inadequate," Dunn said. 

John Scharges



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Letter from the CEO

Low-cost airline 1time has applied for business rescue after experiencing turbulent trading conditions

Dear Travel Partner,

As you are no doubt aware, 1time has applied for business rescue. As this decision has far reaching implications that extend beyond the parameters of just 1time, it deserves some explanation to all our valued stakeholders.

Business rescue in South Africa is similar to the process of Chapter 11 in the United States and is aimed at assisting with the rehabilitation of a company in financial distress.

It provides temporary moratorium from creditors under legal supervision in clearly defined terms.

The decision to apply for business rescue was not taken lightly. 1time has been in negotiations with its creditors and potential funders for many months, developing a "scheme of arrangements" under Section 155 of the Companies Act, which was an informal process.

This process is continuing, and business rescue is an additional step that management has taken in order to prudently discharge its duties.

As a partner in travel, you are aware of the elements which have caused our turbulent situation.

We have immediate issues to address, chiefly that of reassuring that we will emerge from this process better and more competitive than before.

With your support, I am optimistic in our efforts. In fact, 1time Airline's positive outlook would not be made possible if it wasn't for loyal tour operators and agents such as yourself and your clients.

If you have any feedback with regards to our service or business rescue plans, please feel free to mail your suggestions to me at blacky@1time.co.za.

I look forward to hearing from you. Your partner in low cost aviation

Blacky Komani
1time CEO





BEE that actually delivers

Cargo Carriers delivers a shining example of how BEE can positively change South Africa with their broad-based empowerment company—Buhle Betfu Carriers

Back in 2002, Cargo Carriers, a JSE-listed logistics company, approached a small group of sugar cane growers in the Malelane/Komatipoort region and established a broad-based empowerment transport company called Buhle Betfu.

Initially, Cargo Carriers injected five vehicles into the Buhle Betfu Carriers fleet, with a plan for the empowered company to buy back 60% of company shares over five years. Today, Buhle Betfu Carriers is the majority shareholder, owns a fleet of over 60 vehicles and employs over 200 people.

And of course, now, they own 60% of the business due to genuine broad-based empowerment involving job creation, skills transfer and increased standards. Now this is real empowerment.

"The key to our success was that Cargo Carriers integrated itself into our business from the very beginning," says Rocky Smith, Managing Director of Buhle Betfu Carriers. "In five years the Buhle Betfu Trust was able to pay

back R7.5-million to Cargo Carriers in order to become a majority shareholder. We are grateful for what Cargo Carriers has done for us, for without them, the dream would still remain a dream."

Buhle Betfu Carriers has now established itself as a reliable, competitive and professional service provider in the Mpumalanga province. It humbly began in the sugar industry, attached to small-scale growers, and in 2006, expanded into the timber industry by providing transportation for Sappi with an initial fleet of 15 vehicles. The Buhle Betfu timber division has now extended its fleet size to a fully-functional 48 vehicle operation – operating across the province from various Sappi branches.

"The most exciting part about this whole initiative is that there are more than 600 small-scale farmers involved in the Buhle Betfu Trust. Because of Cargo Carriers' and our clients' commitment, we are now in the position to buy the remaining 40% of the shares to become completely independent."

In the spirit of empowerment and giving back, Buhle Betfu Carriers, as a B-BBEE company itself, drives various social responsibility

projects in Mpumalanga. In 2011, the company contributed over R150,000 to schools and social upliftment projects, improving the lives of surrounding communities.

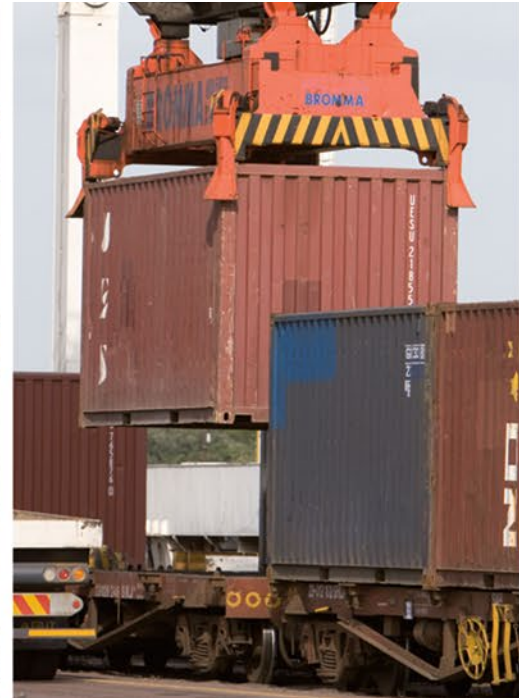
"We need to be humble. Cargo Carriers have been good to us and so has Sappi," says Rocky Smith. "There is a desperate need in South Africa for corporates who really want to make transformation happen on the ground."

The company has won various awards, including Sappi's 2010 Most Innovative Contractor and 2011 Contractor of the Year. In 2006 Buhle Betfu also won the Logistics Achiever Award's highest honour – The Platinum Award – the most prestigious award in South African logistics.

"As transformation and economic empowerment remain big issues in South Africa, it is important to find out what works and what doesn't," says Murray Bolton, Joint CEO of Cargo Carriers. "Buhle Betfu is a great example of how empowerment can work and how big business can perpetuate small business growth across the board."

www.cargocarriers.co.za

Moving Freight Reliably



Transnet Freight Rail (TFR) under the leadership of Chief Executive Siyabonga Gama is the largest operating division of Transnet Limited, a State Owned Company (SOC) under the auspices of The Department of Public Enterprise.

TFR owns and maintains a network of 20 500 route km (22 000 track km) connected to ports and the rail networks of neighbouring countries. The company services a wide range of industries including, but not limited to; mining, coal, iron ore, manganese, steel, chrome, cement, granite manufacturing, agriculture, automotive, petroleum and chemicals.

In spite of the company facing a number of operational challenges such as, ageing rolling stock, derailments and productivity related inefficiencies, TFR is rising above these challenges through various capital investment plans and employee engagement processes which cover amongst other things, productivity, employee training and safety.

Capital programme implementation capability from spending of R2 billion per annum in 2005 to R14 billion per annum in 2011.

For this financial year 2012/13 top implementation initiatives include:

- Preparation & approval of business cases for 66 key projects per schedule
- TFR Capital Plan aligned with TRE budget & capability (TRE capacity agreed in budget alignment sign off)
- Responsive & effective capital procurement and localisation strategy
- Execution of 2012/13 capital programme projects per rollout philosophy
- Develop lean construction excellence & sophisticated supplier contractor management (also addressing counter party risks)

The expected contribution to the economy is:

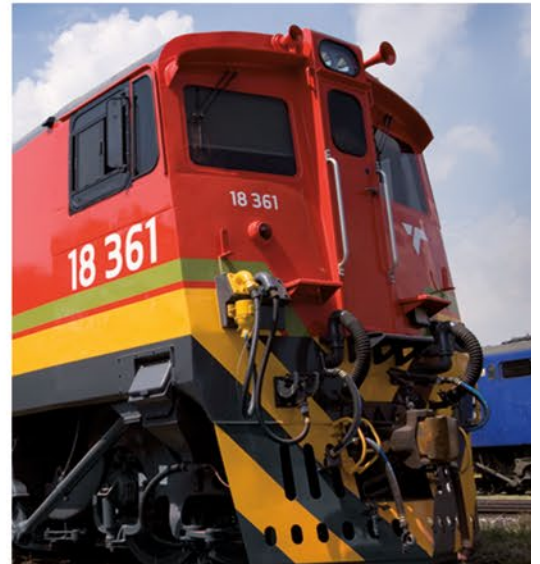
- 6 200 truck reduction per annum
- 3.9mt less CO₂ emissions per annum or 28million tons over the 7 year period
- Reducing the total logistics costs by between 4 and 7% and by 0.5% as a % of GDP (from 13.5% to 13%)

Transnet Freight Rail will continue to invest heavily in order to meet the growing demand of South and Southern African industries.



delivering freight *reliably*

freight rail



In November 2011 TRANSNET Freight Rail launched the implementation of its scheduled railway services. The schedule specifies the path that each train takes and the arrival and departure times of each train on every node of the specified rail path. This initiative will build on the efficiency improvements that have been brought about by deploying the new EMD and GE Diesel locomotives, working in partnership with key customers and supply chain partners. A scheduled railway means that all the activities on the supply chain must be optimised.

TFR will thus rely heavily on customers loading and offloading according to agreed time norms and Cargo handling Terminals doing the same so that appropriate benchmarks of wagon turnaround times and locomotive efficiency can be achieved. Through the supply chain optimisation process, collaboration on stockpile management, shipping schedules and loading rates will continue to be key.

In April this year Transnet Freight Rail changed its operations structure from the previous three regions to at least six smaller units. This will enable a much more detailed focus on operations. The six business units are confirmed as:

- Agriculture and Bulk Liquids
- Coal business
- Container and Automotive
- Iron Ore and Manganese
- Mineral Mining and Chrome business, and
- Steel and Cement

These new “Business Units” will be accountable for specific customer groupings and control allocated geographical areas for operational purposes. Allocations of these areas will be based on activity levels related to the customer groupings the units are accountable for. Operations will still be centrally controlled and the central operational structures are being re-aligned to optimise operations across the newly established business units.

For more information on how Transnet Freight Rail can be of service to your organisation, contact us.

Make hay while the sun shines

The transformation juggernaut is in full gear, crashing change laggards in its wake

We are all familiar with the journey of transformation. South Africans have lived, breathed, debated, argued and finally accepted that change is necessary for our country and indeed our economy to survive.

While some remain doggedly stuck in the past with increasing accusations of racism towards black South Africans and from black South Africans, the time has come for us not to turn on each other, but rather remind ourselves of the bigger picture.

Change is brewing and it is time for us to consider what this will mean for us as South Africans. Eighteen years into our democratic journey, we live in a society that is plagued by continuing challenges.

The average poor South African is now equal only in one area – how poor he is in relation to his neighbour.

Unemployment is still rife and in fact appears to be worse in that, what should be growth industries for our economy such as ICT, banking, mining and manufacture; are in fact shrinking, and job increases appear to be propped up by government expenditure which comes from the same ultimate source – a sorely inadequate tax base that is increasingly burdened by the need to provide for the majority.

However, in the midst of all of this doom and gloom, a faint flicker of hope is emerging in the form of our transformation goals, which appear to be finally starting to push towards a bigger picture of some sort.

Whereas, the early BEE legislation was implemented with a very narrow focus on visible black ownership, we now see a fundamental shift towards transformation objectives that prioritise the development of qualified individuals, quality suppliers and legacy projects to achieve change in our opportunity-laden and growth-limiting economy.

However, in achieving this, it is imperative for all South Africans to take heed of the relevance of change. Globally, models for transformation have been a key focus over the past 10 years. Korea, Singapore, India, at least half of the SADC nations, Australia, China the United States, and many more have all adopted some form of localisation policy.

This is a term that we should all be familiar with. Localisation essentially includes buying local, employing local and developing local. Local means within South Africa and is captured in the Industrial Policy Action Plan (IPAP II) directed by the Department of Trade and Industry.

If you are delivering infrastructure projects, local may also mean within the district of the infrastructure project.

It makes sense that if a rural community witnesses a power station being built in Lephalale, as is the case with the new Medupi plant by Eskom, they should feel the resultant benefit of job creation and supply chain opportunities.

Eskom has done well in this area. The catering contract provided by Tsebo Outsourcing Group has seen more than 150 emerging SMMEs developed in the past 18 months, to supply

everything, from uniforms to chickens, for the thousands of workers who have flocked to the area. The ability to source locally makes commercial sense for Tsebo, which adopts this development model as a key business strategy.

The second key point of relevance is job creation. Eighteen years after our democracy and many more years after we implemented our affirmative action policy, South Africa remains plagued by severe skills shortages and unemployment. The question of whether skills are indeed in short supply is, in my opinion, redundant. The often repeated point is that because of lack of delivery from our education system, too many young people study the wrong subjects.

We have failed to create an aspirational sense among all South Africans to further their education. We are not in a position to accommodate all university entrants and the cost of education remains a prohibiting factor for the majority of our school pupils.

The lack of growth in our economy has limited the number of new entrant opportunities, in highly specialised industries and the practice of head-hunting black skills, instead of investment in retention and development, has created a black professional class that is expensive to source and highly mobile, which reduces their own ability to mentor and become an aspirational guide within organisations to emerging talent.

We cannot report our employment statistics any longer based on people who are still looking for work and ignore those would-be job seekers who have given up hope. We need

to strive for majority employment. We continue to see foreign firms import skills under the pretext that our labour costs are too high. We need to stop blaming the lack of skills and put our development strategies in place as a key investment and a risk strategy to support the future of our economy.

For those of us in business today – this is the greatest impact we have on the future of our children tomorrow. We must take up this challenge.

The third thrust is capacity building. How are we collaborating with our suppliers, our employees, our government, our unions, our customers to develop capacity in South Africa?

Building capacity within our employees, building the capacity of our suppliers and building the capacity of our government is our responsibility. We need the nuclear, rail and renewable energy experts – that is our current reality.

We shouldn't shun international participation, we should encourage participation but in such a way that skill is transferred into government, suppliers and our employees.

In that way, we create an environment that supports growth, a competence and confidence to manage ourselves and our own developmental objectives in the long-term and most importantly; the ability to sustain ourselves as a nation.

It is anticipated that the new codes of good practice will be released in due course.

Ten sector charters are in the process of, or have recently been finalised. The IPAP II is in full force, the new growth path is committed to key infrastructure projects with development in mind, the Employment Equity (EE) Act, the national skills development strategy, the Companies Act, King III report, and many policies exist now to spearhead transformation.

What does this mean? It relates to localisation, job creation and capacity-building.

Doing business in such a way that it conforms to global standards but with local relevance.

We see a definitive shift in our public sector clients, towards adopting a more broad-based approach to transformation.

The draft BEE Amendment Bill published last December, the review of transformation within



state owned enterprises and public enterprises by the Presidential Review Commission, the tabled adaptation to the Preferential Procurement Policy Framework Act are all headed in the same direction – towards a more focused, responsible model for change in South Africa.

However, in the midst of the strong policy shifts, there remains much noise from both sides in an ongoing tirade of accusations, mudslinging and lobbying.

The question we need to ask ourselves is: "What are you doing to support the global agenda for an inclusive environment that supports its local community first?"

The issue is not a South African agenda, it is a global phenomenon – in order for economies all over the world to survive; they need to grow the number of opportunities for their people to contribute meaningfully in society.

Those people who are still resisting the inclusion of black South Africans into the mainstream economy, need to wake up.

Bad BEE deals are not the fault of BEE – they are the fault of poor advisors, poor governance and bad strategies. Lack of transformation is not always indicative of resistance – it is just as much indicative of an economy that is not robust enough to achieve change as aggressively as we would like.

If eight million people pay taxes – be they black or white – it is 42 million people short of the number we need to make this country great. Those people who suggest that the solution is to take aggressive action to take assets or opportunities from white South Africans are

also misguided. Redistribution of assets is not entrepreneurship. The future lies in our ability to create new markets and bolster and grow our economy.

According to research, it is the European companies that are pushing for growth in Africa and not South African companies – we are so centred on ourselves and fighting over the internal issues that it seems we are missing the opportunities for growth that exist in front of us.

The solution to transformation in the next 20 years is growth.

That single factor, above all others, will determine our success or our failure.

Are we still fighting over the same pieces of the pie, or are we finally going to wake up and realise the pie needs to be substantially bigger.

We need to increase the value of contracts, the opportunities globally, the number of jobs, the growth in our small enterprises, the competence of our existing suppliers, the quality of all that we do and most importantly our ability to implement our own beautiful strategies.

Growth and not squabbling over the same crumbs is now the important need for us to achieve meaningful transformation.

South Africa belongs to all South Africans. Our future depends on us getting this right.

In years to come, it will be our generation of parents, business people and citizens that will shape the future for generations to come. What are we doing with that opportunity?

BBQ

Dionne Kerr

Executive Director: Siyakra Consulting

The Sebata Group

From humble beginnings to greatness

Born and raised in Tzaneen's Ga-Motupa rural village in Modjadji in an 'uneducated but enterprising' family, Matome Modipa (48) beat the odds to become a truly successful entrepreneur. He established the Sebata Group of Companies and heads it up as the South African and Group chief executive officer.

Attending rural schools and having to complete his Matric via correspondence did not deter Modipa from going on to obtain a Master of Science Degree in Leadership and Innovation, a B.Com degree from the University of KwaZulu-Natal, and a Post Graduate Diploma in Business Administration from the University of Herriot-Watt in Scotland. He also holds several development certificates from various institutions.

Despite receiving a bursary to further his education in the field of accounting, Modipa firmly believed that it was not the right career choice for him. He lost the bursary as a result, but his enterprising nature ensured that he was one of the first students to convince the KwaZulu-Natal University to provide him with a study loan directly. "I get bored easily, so I like to juggle various projects simultaneously and accounting was thus definitely not for me," he says.

Modipa started his career at Unilever, before joining Eskom where he held various senior management positions throughout his eight years with the state-owned enterprise. "Eskom provided me with the freedom to meet my responsibilities and its education programme for managers gave me the grounding and perspective that I needed to

ensure the success of the Sebata Group," says the recently married Modipa.

He left Eskom when the Royal Bafokeng Economic Board, an economic development agency of the Royal Bafokeng Nation, invited

him to join them to develop the SME sector, community skills, creative arts, and sports and recreation in the greater Phokeng and Rustenburg areas. "The king of Bafokeng and I became good friends when we studied at



*Sebata Group CEO
Matome Modipa*

university together, and he approached me to help him to ensure the economic well-being of his people by assisting them to achieve their ambitions," Modipa explains.

He took on the mammoth task from scratch and came up with a concept of how to identify community members with different interests – from economic aspirations to the arts and sports. "We came up with six streams to ensure that we could develop entrepreneurs and skills, sports, artists and even social responsibility concerns," he says.

It took four years, but at the end of 2005 Modipa realised that he had not only been successful, but that he could take that same model and enterprise it in South Africa and internationally. "That's how I got the Sebata Group off the ground in 2006," says Modipa.

Modipa's Midrand-based Sebata Group provides strategic business consulting, assurance, risk and project management, and training targeted to projects in the engineering, leisure and entertainment and investment sectors.

Numerous companies fall under the Group. Its engineering division consists of the Sebata Engineering, Sebata SHERQ Solutions, Sebata Institute of Consulting and Development, Sebata Technology Solutions and the Sebata Academy of Excellence.

Its leisure and entertainment division includes Sebata Legends, Sebata Hotel Management, Sebata Properties and the Sebata Academy of Excellence; whilst its investment division comprises Sebata Equity and Sebata International.

"The entire model is run from an entrepreneur's point of view, but is supported by the technical knowledge, skills and capacity brought in by my management team and employees," he says.

"The idea was to create a holistic and integrated business that offers value to our clients. In business, problems are often interconnected.

"If you are solving a technical problem, for example, you have to look at the entire chain in the system to ensure that you don't create another problem whilst solving the first. Quality measures have to be put in place to ensure this," he says. Through its diverse range of highly skilled professionals, Sebata provides a

wide range of strategic business products and services that improve productivity, safety and profitability in sectors including engineering, SHERQ, technology, business improvement and turnaround management, and human capital development and business performance solutions.

"We enhance people, processes, systems, finances and the environment, focussing on the holistic and integrated performance of organisations through people development, business optimisation and the implementation of business enablers, and assurance, monitoring and evaluation," says Modipa.

Sebata Engineering provides optimisation and assurance to its clients by offering consulting and development services in engineering, procurement and contract management, and operations and maintenance. It also offers engineering projects management support, co-ordinating services such as quality surveys, SHERQ, technologies, business performance solutions, and training, coaching and mentoring services.

Milestones

The Group has achieved various milestones since its inception, including being able to build capacity by recruiting highly experienced professionals.

"It's a truly humbling experience that many of our employees have left cushy jobs to join the Sebata Group," says Modipa.

That's not surprising since the Group's turnover moved its playing field from inside the SMME sector to that of a significant player, with a turnover of R44-million, within a mere 18 months.

"Business is all about adding value and extracting value, and we are getting it right," says Modipa, who has his sights firmly set on achieving the R1-billion turnover mark, employing over 1000 professionals, and listing the Sebata Group on the Johannesburg Stock Exchange by 2015.

"We are well respected within the industry, and we have what it takes to deliver," he adds. The Group's fast growth brought its own challenges. "Two years ago we were a

Level 2 BEE contributor, with a firm focus on client delivery and employing highly experienced professionals to ensure that we could deliver. With our fast growth we suddenly found ourselves out of the SMME sector within 18 months of operation. This pushed our B-BBEE back to a Level 4 when evaluated on all seven elements, and left us with numerous government obligations that we needed to fulfil in a short space of time. We are fighting back to retain our initial level or even better it to a Level 1," Modipa explains.

Whilst he views assisting his clients to achieve ISO9001 and ISO14000 certification as one of the Group's greatest achievements, his long-term dream is to ensure its sustainability.

"One day I want to look back at the Sebata Group and be proud that it has become a respected player in Africa and across the globe, due to the value it offers to the environment," he says. Modipa has ensured the Sebata Group is firmly founded on the principles of Letsema and Ubuntu.

"Ubuntu ensures that we do business with soul and feel the impact that we have on people, whilst Letsema brings out our philosophy that two heads are always better than one and that we need to share our knowledge with each other if we are to deliver real value to our customers and the people we impact," he explains.

For Modipa, 'work is my joy'. He thrives on juggling more than one project at a time and not taking life too seriously, even though he enjoys the occasional debate. A keen golfer and runner of the Comrades Marathon in 1994, Modipa far prefers watching people to reading. Driven by making a difference in people's lives, giving them hope and providing them with a firm foundation from which to succeed, Modipa was recently paid the highest compliment by a business connection who said, 'watching you is like watching another Mandela in the making'.

"I want to prove to the world just how possible it is to truly make a success of your life, even if you start with absolutely nothing," he concludes.

Investing: looking beyond the numbers

As an investment driven business, we fully appreciate that good investment performance is all that matters for our investors in the long term. At Prudential, we are proud of how our long-term performance track record (which is just shy of almost two decades) has helped to build the savings pools of our investors.

Despite our good long term track record, we would be the first to caution investors to not rely excessively on past performance in assessing investment skill. Michael Mauboussin, Chief Strategist at Legg Mason Capital Management, and behavioural finance expert, provides an apt, albeit slightly cynical, description of the dilemma of using past performance as a guide to future performance when he says “Past performance is not even a good guide to the quality of decisions that went into past performance”. This certainly rings true over the shorter term and is indeed a sobering call for investors to look ‘beyond the numbers’.

So what does ‘looking beyond the numbers’ mean in practice?

There has been a shift by investors, particularly larger institutional clients, to a more comprehensive and robust investment selection process. This aims to lessen the influence of past performance as the main criteria for such significant decisions and increase the chances of finding an investment manager with a better-than-average chance of future outperformance.

Various frameworks, such as the so-called ‘4 P’s approach’ and derivatives thereof, have become popular techniques for analysing and finding potential asset manager skill. Within these frameworks, asset managers are analysed on their performance, philosophy, process and people amongst other things.

Performance

Looking beyond the numbers does not mean you ignore past performance entirely. However, we do suggest that investors keep the following in mind when they assess short term performance track records.

Skilful managers experience short or even extended periods of underperformance.

James Montier, a leading behavioural finance expert, illustrated this with an experiment where he showed that over a 50-year period nearly 70% of managers with proven skill encountered three or more years of underperformance! A couple even experienced eight years of consecutive underperformance. It is also important to note that the reverse of this is also true: A manager with no skill can experience short or even extended periods of outperformance. Investors selecting such managers that have succeeded over the shorter term in spite of their lack of skill do so at their peril, and this highlights the need to dig deeper than just returns.

The combination of luck and skill that is part of any investment performance record makes it tenuous at best to make investment decisions based on past performance alone. It is inevitable that good investment decisions will sometimes result in bad outcomes and vice versa. What is certain is that a performance track record that is built

predominantly on skill is more repeatable and enduring. Luck or some short-term anomaly can equally easily turn into a source of underperformance.

Philosophy

Investment philosophy articulates what the investment manager believes about investment markets. In particular, how markets price assets and how and why they get this pricing wrong on occasion – thereby creating exploitable mispricing opportunities for the manager to buy assets for less than their intrinsic worth. A sound investment philosophy provides the foundation for finding mispricing opportunities on a repeatable basis.

Process

The investment process provides the steps that investment managers take to implement or execute their philosophy. It is important for investors to confirm whether there is consistency between a manager’s investment philosophy and process. As an extreme example, one would not expect a so-called long-term value manager to be following an investment process that relies on momentum-based trading strategies.

People

The cliché ‘it’s all about the people’ is very true in the investment management industry. Investors tend to focus on the key individuals, their qualifications, their experience and ages, the size of the team

and even the manager's remuneration policies. However, it is becoming increasingly difficult to differentiate managers based on these factors. Well-qualified, experienced, and well-paid portfolio managers are the norm in our industry.

Asset Consulting firm, Towers Watson, suggests that the following factors indicate evidence of a "good manager":

- They are passionate about investing, almost to the point of being obsessive.
- They have experience of different market conditions, economic cycles and 'herd' behaviours.

- They are good at gathering and using information from many diverse sources and bouncing their ideas off other people.
- They have a clear guiding philosophy, though some may be unable to articulate it well.
- They are confident, but not arrogant, with a healthy balance of cynicism and self-doubt.

Our strong team follows a sound philosophy, disciplined process and has a proven ability to perform

At Prudential, we are proud of our long-term performance track record, which has been built on the disciplined execution of

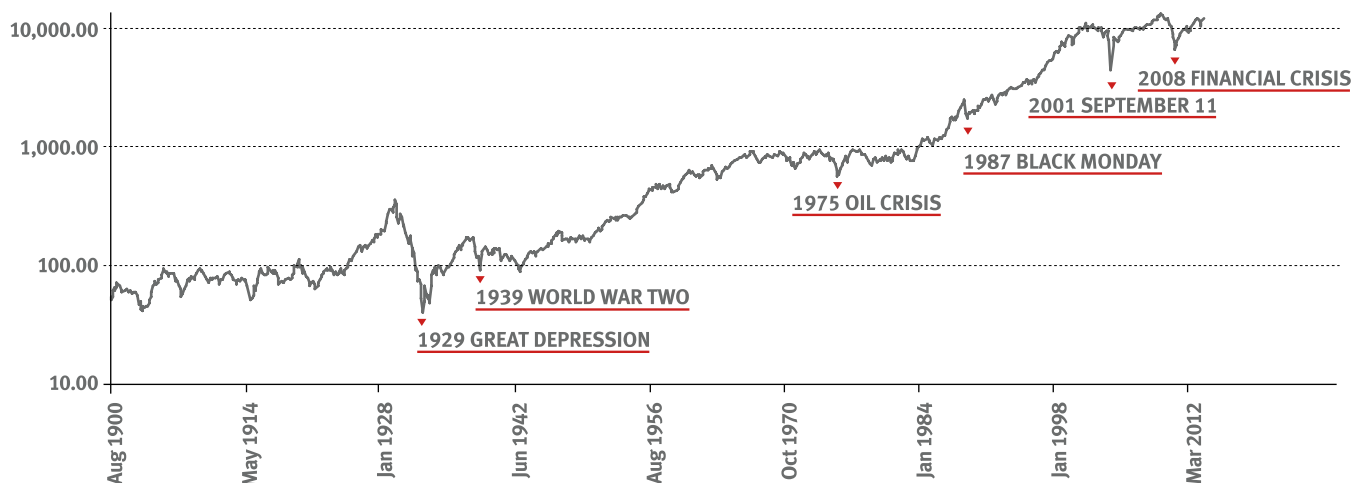
our investment philosophy and process. We therefore welcome an approach that looks 'beyond the numbers'. While we are wedded to our investment approach, we remain aware that we make no claim to having the perfect philosophy and process or the smartest team. We do strongly believe, however, that a sound investment philosophy, executed through a disciplined process by a team that has proven performance and a long history of working together is essential for long-term investment success.

The more things change, the more our results stay the same.

We understand that the world turns. And markets will go up and down. Precisely why you need an investment manager with proven success in allocating capital, actively seeking out value opportunities to ensure that even uncertainty presents opportunity.

Prudential's considered investment philosophy is successfully growing the wealth of more than 25 million people around the world.

Maybe it's time you changed to Prudential.



*Semi-Logarithmic graph of the Dow Jones Industrial Average Index (DJIA), at month-end data points from 1900 to February 2012

All things considered.



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Raising the fashion stakes

The Cape Town Fashion Council is committed to nurturing future designers

Although they are regional, the Cape Town Fashion Council is the only established fashion council in South Africa, and ranks number three in the world.

Since it was formed six years ago, the Cape Town Fashion Council (CTFC), headed by the charismatic Bryan Ramkilawan, has been blazing the fashion trail, leaping to greater heights with each project they have taken on.

The idea came about on realisation that there was no organisation dedicated to representing young and upcoming designers, one that could facilitate projects for budding designers and assist them to overcome shortcomings.

According to Ramkilawan, CTFC gets most of its funds from the provincial government of the Western Cape and the City of Cape Town.

The council was a timely intervention by the Western Cape provincial government and its partners, at a time when it was most needed.

While many aspirant designers show a lot of promise and creativity in their quest to produce products to match international standards, they lacked the business acumen to market and manage their enterprises.

The council's core function, according to Ramkilawan, is entrepreneurial development.

"We bring in the experts to address shortcomings faced by designers on a daily basis. "Whatever we do, focus is always placed on building and growing brands and helping designers grow their business," said

Ramkilawan. By the time the CTFC and these young designers part company, the latter are equipped with knowledge on how to establish, identify and recognise markets and how to remain relevant.

In addition to assisting designers, the CTFC offers what they call "trend seminars" every quarter, where they keep designers abreast with monthly updates on developments.

In describing CTFCs progress, Ramkilawan says they started out with a membership of 300, which rapidly grew to 950 within the first year.

The organisation's fan pages are a useful resource for those interested in CTFCs work.

"We've gone from 600 followers in 2011 to 2 100 within a year, growing at the rate of about 8-10 people a month. In terms of marketing exposure for the designers, the CTFC newsletter reaches approximately 1 600 industry stakeholders nationally.

They also facilitate linkages with key Industry players to invest in emerging talent, as well as networking and marketing to increase industry visibility and lastly, advocacy and policy evaluation and development.

Besides being involved in programmes like designer development, Fashion Week, Design Indaba, CTFC also hosts about 28 workshops a year.

A South African Fashion Council (SAFC) is on the cards, reveals Ramkilawan. The CTFC has managed to set up three other regional councils in Kwazulu-Natal, Johannesburg and Bloemfontein.

"That will help rationalise the overlap of the number of fashion shows happening and avoid repetition of programmes, especially as this pertains to Cape Town and Johannesburg," Ramkilawan said.

The CTFC is exploring avenues to expand their knowledge and expertise of the fashion and design industries. The intention is to use design as a socially unifying and economically uplifting tool.

According to the CTFC, development programmes are allocated according to the levels of the designers, for example new ones go through a programme called "how to get started", dealing with positioning designs, prototyping and production.

Emerging designers have access to Business 101, which includes:

- Project management
- Strategic and operational marketing
- Mastering the retail environment
- Sales-offline and online negotiations
- Distribution and
- Merchandising.

Established designers are placed on a programme called 'meeting international production standards', which focuses on manufacturing and expanding production, fabric sourcing and quality control on a higher level.

"We are big supporters of 'hand-up' rather than 'hand-down' in the way we approach

business. In that manner, we teach the skill rather than giving designers money.

"We don't want to look like a charity. For everything we do, designers need to give input, they have to invest some of their own money into it so they can have a sense of ownership of what they do," Ramkilawan said.

"We are not interested in the politics, our main concern is making sure we create jobs. We want to change the way people approach things. Instead of offering charity we say; you are a business person, run your own enterprise," he said.

South Africa has become synonymous with making a success of hosting big international events, such as the 2010 Fifa Soccer World.


Following this rich tradition, it was not surprising that Cape Town won rights to the 2014 World Design Capital in October last year.

The World Design Capital title is awarded in advance, allowing winning cities sufficient time to plan, develop and promote a year-long programme of World Design Capital-themed events for their designated year.

The Mother City has been recognised by the International Council for Societies of Industrial Design (ICSID) for its accomplishments in using design as a catalyst for development and reinvention, as well as possessing the ability to improve its social, cultural and economic environments.

"The value of an event such as World Design Capital not only exposes our creative design talents to the world, but in turn develops our local industry into an asset to be treasured for decades to come," City of Cape Town executive mayor Patricia De Lille said.

An excited Ramkilawan cautions, however, that people shouldn't read too much into 2014, as it is more of a "switching-on of the lights".

The Cape Town Fashion Council is also supported by Elle South Africa, Cape Peninsula University of Technology, the Independent Development Corporation, Northlink College, Woolworths, Foschini, the Department of Trade and Industry, Design Indaba as well as the African Fashion International. 

Nthabiseng Kish Ntsondwa



Bryan Ramkilawan

Agri boost

Funding plus basic training does not equal success

The Agriculture sector is undergoing a transformation, whereby a new era of opportunity is being created for both farmers and investors. The Land Bank has committed to making approximately R75-million available for black small-scale farmers, The National Agricultural Marketing Council will receive R99.2-million, the Land and Agricultural Development Bank of SA R99.8-million, and the Government has guaranteed that by 2013, over 2000 farmers will be trained in cost-effective farming methods, as well as assisting in planning for economic growth and job creation.

While new measures to kick-start the development of cooperatives through capacity building and responsible financial support measures will be undertaken, the dichotomy is that even with the latest funding and ground level training, there is a dire shortage of managerial capacity, knowledge, skill, expertise, poor executive decisions, weak governance and accountability. All these factors translate into poor business practices.

In order for this multi-million rand industry to flourish, be sustainable and continue creating jobs, it is common knowledge that the catalyst to survival, growth and the creation of healthy organisations that are well positioned to compete in any industry is strong management and competent leadership. This alone can



convert the disorganised resources of people, money, materials and machinery into a productive enterprise.

While some underestimate the importance of management in business, the latest research has shown that it is certainly not the case. The input of the labour, capital and raw materials can never become production without the enabler - management. Management is a dynamic life-giving element in any organisation, and in its absence, the resources of production remain underutilised and can never become production.

In the absence of management, an organisation is merely a collection of people, money, materials and machinery.

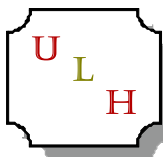
A company can only go as far as the long term vision that is set for it by the managing team, who are responsible for ensuring the company has a sustainable business model that can last for 20 to 30 years into the future.

Management is responsible for seizing opportunities that may exist in a market and positioning a business to capitalise on these opportunities. An exceptional management team is proactive and responds quickly to change, thus giving an organisation an advantage over competitors.

Effective management creates teamwork and team spirit in an organisation, by developing a sound organisational structure. It brings the human and material resources together and motivates the people for the achievement of goals. The available resources of production are put to use in such a way that all sorts of wastages and inefficiencies are reduced to a minimum. If managers are not considerate and good at their job, nothing worthwhile can be expected of the subordinates. The motivation level of the employees is directly related to good management. Management creates and maintains an environment conducive to higher efficiency and performance.

While funding and grassroots training will definitely assist and improve the agricultural sector; without solid management teams in place, the money and resources will be wasted and there will be an influx of unemployed people throughout the country. This is something that has to be avoided at all costs.

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Time to rethink brandy

At Oude Molen in the Elgin valley, special things are happening in giant pot stills that will change your impression of brandy forever

Brandy is not sexy. It is what you drink in the parking lot before the rugby game, or as a last round at your friend's wedding. Only guys drink brandy; it causes fights. If you drink it neat, you probably had too much already.

And then there is cognac, a discerning drink. Something to be savoured, swirled in a big balloon glass, tilted to the light and admired. You are probably sitting deep in a leather armchair and wearing a suit when you drink cognac. An expensive suit. Or a cocktail dress. Because cognac is sexy.

Sound familiar? This stereotype has plagued the image of brandy in South Africa for decades, yet it could not be further from the truth. Both spirits are produced using the same method and the same base ingredient – the humble grape; the French-oak barrels used for ageing the drink are the same, and so is the maturation time. At the heart of it, the only difference between brandy and cognac is a French copyright law prohibiting cognac made outside the Cognac region, in western France.

All this does not concern the folks at Oude Molen, who have made it their mission to

change the way brandy is perceived. In fact, given the chance to use the term 'cognac', they would probably decline.

Too pretentious. Why hide behind a name when your product speaks for itself, constantly outperforming its international rivals on the world stage?

It is no surprise that Oude Molen brandies are so good – the founding principles that govern their production date back more than a century, when a Dutch chemical engineer called René Santhagens established the original distillery at the foot of Papegaaiberg in Stellenbosch.

Santhagens sailed from Europe with skills honed at the top wineries in Bordeaux and with a copper Cognac still in tow, determined to carve a niche in South Africa's burgeoning spirits industry.

He ended up doing more than produce a sublimely smooth, double-distilled brandy; he laid down the ground rules for brandy production in South Africa that are still followed today.

Six years ago, due to urban expansion at the original site and a desire to constantly improve the product, the Oude Molen distillery was moved to its present site near Grabouw in the Elgin valley. According to cellar master Dave

Acker, to make good brandy you need to start with good wine, Colombard and Chenin Blanc specifically, which he sources 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 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. The purer the distillate, the longer it can be matured.

Only carefully chosen French oak barrels are used during the maturation process and these are 'toasted' to caramelise the sugar content in the wood. This is what gives Oude Molen brandies their characteristic flavour.

So, next time you are offered a cognac, rather ask for one of Oude Molen's premium brandies like Solera Grand Reserve or René Single Cask, the deliciously smooth results of Santhagens' vision, Acker's artistry and the moderating passage of time.

Do not rush. Delight in the flavour notes of sherry, raisins, chocolate and oak. Take a sip and your impression of brandy will change forever. Guaranteed.

A breath of **FRESH AIR**

Zimbabwe introduces low-cost flight operator in grand style

BBQ was invited to the launch of a new Zimbabwean airline: a joint venture between 1time Holdings (South Africa) and Nu-Aero (Pvt) Ltd (Zimbabwe), trading as Fresh Air.

The first Zimbabwean low-cost airline was launched during a weekend of ceremony and high emotion. The ululations at Harare International Airport were indicative of the joyous mood that prevailed in the aviation industry and among other stakeholders (including the government and citizens of Zimbabwe) as the inaugural flight from Johannesburg touched down on 3 August.



The group of 1time officials and South African journalists disembarking at Harare International Airport



"Scenes so lovely must
have been gazed upon
by angels in their flight"

David Livingstone

Photo: Jason Worrall

I was fortunate to be part of the delegation which travelled from South Africa to experience firsthand the inaugural flight from Johannesburg to Harare, then on to Victoria Falls, over a weekend that showcased what the future Zimbabwe promises.

Very few positive reports have emerged from the politically embattled nation in recent times, and even fewer optimistic and tangible regional business partnerships have developed from within the southern African region. The joint venture between 1time Holdings and

Nu-Aero (Pvt) Ltd, therefore, is a welcome development that gives the region a much-needed boost and which could open up both Zimbabwe and South Africa – and, indeed, the region – to more strategic business arrangements that could be socially and economically beneficial in the long run.

1time has 49% ownership of Fresh Air, while Nu-Aero owns 51% of the company.

The airline will begin offering flights this month – initially to Victoria Falls. As part of the initial agreement, 1time will stop operating

its current Livingstone route in favour of flights between Johannesburg and Victoria Falls, which will subsequently become a Fresh Air operation. The joint venture will encompass 1time utilising its fleet of aircraft to serve the route, with Fresh Air providing the licences to operate in Zimbabwe.

Both airlines will co-operate in a wide range of operational and commercial facets including supplying the crew, as well as administrative functions such as revenue management and revenue accounting. Fresh Air and 1time



and infrastructure in the aviation industry, while Fresh Air launches Zimbabwe's first low-cost carrier, with licences to operate the under-serviced domestic market and various regional routes to be announced in the near future. In doing so, Fresh Air is creating jobs and building a foundation for a sustainable business," Komani said.

Fresh Air board chairman Professor Chakanyuka Karase said the airline's entry into the market and strategic partnership with 1time would provide a real opportunity to stimulate domestic and regional air travel ahead of the United Nations World Tourism Organization's general assembly in August next year, which will be hosted jointly by Zambia and Zimbabwe at Victoria Falls.

"The entry of a low-cost carrier in Zimbabwe has great potential, and we are proud to have launched into this partnership with 1time, which already has palpable successes in the no-frills market. We have absolutely no doubt that this business model will succeed, as it is exactly what our emerging economy needs to maintain sustainability, and is an efficient way to connect families, businesses and tourist destinations," he said.

1time will have a short-term dispensation to operate aircraft on the South African Aircraft Register, while executing a migration to the Zimbabwean registered and crewed operation.

This process will take a year to complete. Komani said the agreement would further growth and development in Africa.

"Our joint venture not only demonstrates that we foster successful cross-border partnerships, but that together we contribute to regional growth in Africa by providing people with additional travel options at affordable prices," Komani said.

The launch was conducted at Harare International Airport, where delegates gathered at a conference centre (a small distance from town), which had been prepared for the ceremony.

After the three-hour event, the delegation boarded the inaugural flight to Victoria Falls.

On arrival, we were welcomed by dancers portraying African warriors, who performed the traditional African spear dance.

Karase, Komani and Vusi Mavimbela, South African ambassador in Zimbabwe, among other dignitaries and media, were present at the press conference that followed.

Komani described his mood after the launch as "bullish", noting that "it was the culmination of a lot of work invested in trying to ensure the airline would take off".

After the press conference, guests checked into the plush Elephant Hills Resort, with a golf course, lush lawns, swimming pools, unlimited Wi-Fi and conference facilities.

The resort also features an artificial waterfall and wild game on the east side, where one could easily spot warthogs and gazelles among other wildlife.

Dinner was served at the Boma restaurant, with a wide array of exotic African cuisine (which included venison; buffalo steak and crocodile tail).

The following day, guests had the privilege of visiting the world-famous and breathtaking Victoria Falls.

David Livingstone's first remark after setting his eyes on the falls does full justice to this splendour of nature: "... scenes so lovely must have been gazed upon by angels in their flight".

With a width of 1 708m and a height of about 108m, the falls form the largest sheet of falling water in the world.

Numbers on paper are impressive, but the sight of the falls is simply astounding. In the late afternoon, we went for a sunset cruise along the mighty Zambezi River, easily spotting elephants and hippopotamuses along the riverbank and in the water, while gazing at the beautiful Zimbabwean sunset.

My last night was spent at the Zambezi River Lodge, which is situated right along the famous river.

It is a modern, well-built affair with world-class luxury facilities.

For a country known for its rogue government and being dysfunctional, the accommodation facilities and friendly staff in the tourist town impress. We rounded off the weekend crossing over to Zambia from Victoria Falls and left Livingstone Airport, flying back

completed the South African Civil Aviation Authority regulatory demonstration flight from OR Tambo International Airport in Johannesburg to Harare, before flying to Victoria Falls and back to Johannesburg.

1time Holdings Group chief executive officer, Blacky Komani, said the agreement with Fresh Air gave both companies a chance to take advantage, because Africa is the only continent where low-cost carriers don't fly to regional destinations. "Our partnership with Fresh Air is simple: we share our experience



At dusk we went for a sunset cruise along the mighty Zambezi River



Photo: Jason Worrall

Evans Manyonga enjoying a drum session at Boma Restaurant, Victoria Falls

to Johannesburg after a unique and utterly pleasant airline launch weekend.

History of Nu-Aero (Pvt) Ltd

Nu-Aero (Pvt) Ltd was founded and incorporated, trading as Fresh Air, in Zimbabwe in May of 2008. Fresh Air was granted an air service permit by the Zimbabwean transport ministry in March, and issued an air operator's certificate by the Civil Aviation Authority of Zimbabwe. Nine days later, on 25 May, Fresh Air was assigned a three-letter code (FZW) and

a call sign: 'Fresh Express' by the International Civil Aviation Organization.

History of 1time Holdings

The airline was founded by Gavin Harrison, Glenn Orsmond, Rodney James, Sven Petersen and Michael Kaminski – five entrepreneurs with a wealth of experience in the aviation industry.

Ticket sales officially opened in January 2004 via the Internet, the airline's service centre, as well as through ticket sales counters at

Johannesburg and Cape Town International Airports. 1time commenced operations in February 2004, with three return flights a day on the Johannesburg–Cape Town route.

The airline flew its millionth passenger on 19 October 2005. Since 2007, it has been listed on the Johannesburg Stock Exchange AltX board and was listed on the main stock exchange in July 2010.

Since its inception, 1time has won 24 Airports Company of South Africa Feather Awards for Best Low-Cost Airline in Johannesburg, Durban, Cape Town, Port Elizabeth and George, as well as Best Airline in East London.

1time also won the World Travel Awards Best Airline in Africa for three consecutive years from 2009 to 2011.

BBQ

Evans Manyonga

1time facts

- The airline has 13 McDonnell Douglas 80 aircrafts.
- The airline has 250 flights per week out of season, which increases to 500 per week in peak season.
- Having been the first airline to introduce all-inclusive air costs into its quoted prices, 1time has grown to capture approximately 15% of the domestic market, which equates to about two million passengers a year.
- 1time's route schedule includes flights from Johannesburg to Cape Town, Durban, East London, Port Elizabeth, and George, and from Cape Town to Johannesburg, Durban, Port Elizabeth and East London. The airline offers regional flights, with direct flights from OR Tambo International to the island of Zanzibar, Mombasa in Kenya and to Livingstone in Zambia.
- 1time has been revolutionary in the technological space, introducing online elements such as home e-Check-in and online voucher purchases. Furthermore, 1time was the first airline in Africa, and second in the world, to use the iPad as an electronic flight bag – an information management device for flight crew to handle flight management tasks more efficiently.



Solutions for Development

The BKS Group is a leading, dynamic multi-disciplinary empowered consulting engineering and project management firm. With more than 47 years experience and some 850 staff operating from 21 offices throughout Africa, the company provides services in the areas of infrastructure, planning, design and construction management, offering services in the following main fields:

- > Transportation
- > Water & Sanitation
- > Geographic Information Systems (GIS)
- > Facilities Management
- > Geotechnical
- > Freight & Rail
- > Electrical
- > Buildings & Structures
- > Petrochemical Pipelines
- > Harbours
- > Environmental Management
- > Project Management
- > Power
- > Mining

BKS has, since its inception, been delivering quality projects from our dedicated offices to the community. The company is firmly committed to the principle of employment equity, empowerment, technology transfer and capacity building of historically disadvantaged individuals. All the South African offices and the Mozambican office have ISO 9001 Certification. The BKS Group of companies is committed to upholding the standards and guidelines of Consulting Engineering South Africa (CESA) by maintaining a stringent system of quality management across all company processes.

Proud Level 2 B-BBEE Contributor

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Engineering Excellence Routed in South African Soil

BKS is dynamic and ensures that its specialists are available to work on projects either individually, or as part of an integrated team that comprises specialist technical knowledge in the engineering and/or management fields deemed necessary by client project requirements.

With countless industry accolades for innovative, successful project implementation, strong and dynamic leadership, a team of highly specialised engineers, technicians, project managers and support staff, we have proven our ability to take on challenging projects and delivering successfully within time and on budget.



Medupi Power Plant (Lephalale, South Africa)

Medupi Power Plant is a 6 unit dry-cooled coal-fired Power Station located in the Limpopo Province. Rated at a total installed capacity of 4788 MW, Medupi will be the second largest dry-cooled coal-fired power station in the world after Kusile Power Plant. BKS was appointed as the civil designer and part structural designer for the Boiler Island (Hitachi) and Turbine Generator Island (Alstom) Contracts, the two largest contracts on the site.

BKS' scope ranged across several disciplines including geotechnical work, stormwater, civil and structural design.



Nellmapius Overpass Bridge (Gauteng, South Africa)

The Nellmapius Bridge, a signature bridge façade, was commissioned by the South African National Roads Agency, to act as a gateway to the new Gauteng Freeway Improvement Project. It spans over the N1 Highway, one of the busiest highways in Africa, which connects Pretoria to Johannesburg. The Bridge also spans the Gautrain Railway Line which is the new high speed train running parallel to the highway. The construction of Nellmapius Bridge formed part of the responsibilities allocated to BKS. With regards to the architectural façade panels, BKS had the following responsibilities: Structural Design, Project Management, Site Supervision and Quality Assurance.



Khartoum Water Treatment Works (Omdurman, Nr. Khartoum, Sudan)

The Omdurman water supply scheme and optimisation project, is the design of the 200 Mℓ/day Al Manara Water Treatment works, including structural steel intake pump station with moveable pump platforms (8 pumps), conventional treatment works with additional pre sedimentation unit process, compact design due to size of site, admin building and sludge handling system.

The project entails 22 km of ductile iron pipelines varying in diameter between 1400 mm (raw water - 1km), 700 mm (7 km) and 400 mm (3 km). BKS project scope is for process, civil, mechanical and preliminary electrical design, including water quality aspects, durability, hydraulics, earthworks, structural design, pavement design, seismic design and associated elements.



United Manganese Kalahari Mine (Northern Cape Province, South Africa)

BKS has been involved with the mine since June 2008. The scope of work for this project included the design and tender documentation for all the infrastructure requirements for a new Manganese Mine at Mamatwane, near Hotazel in the Northern Cape Province, including the bulk earthworks, water connection and storage, sewerage treatment plant, railway sidings, storm-water reticulation, haul roads and roads to the plant area including the contaminated and clean storm-water reticulation and storage facilities.



Azezo - Metema Road (Amhara, Ethiopia)

The 185 km Azezo - Metema road is located in the Amhara Regional State (Gondar Administrative Zone) in the North - Western part of Ethiopia. This road section is part of the Trans - Africa Highway and links Ethiopia with the Sudan. The road is important for promoting trade and investment between the two countries. The functional classification of this road is a Class III, Main Access Road but the condition of the existing gravel road was poor. Following the completion of design by BKS, the company was further appointed for the contract management and construction supervision of the two construction contracts.

South Africa Inc

South Africa's lethargic economy struggles driverless

Entrepreneurship by individuals within established organisations is seen as a driving force for innovation. South Africa is behind in the 'intrapreneurship' stakes, research shows, and it could be holding back the economy.

According to the latest Global Entrepreneurship Monitor (GEM), published by the UCT Graduate School of Business (GSB), South Africa lags behind most of the 52 countries that participated in the Entrepreneurial Employee Activity (EEA) survey. Only 0.32% of South Africa's working adult population is involved in entrepreneurial activities within their organisations.

This contrasts with Sweden, the highest ranked country, with 13.5%; the lowest was Bangladesh with 0.09%.

South Africa is also the lowest among its participating BRICS counterparts, with China having an EEA rate of 1.73%, Brazil and Russia with a rate of 0.84% and 0.44% respectively, (India did not participate in the survey).

"Intrapreneurship is important because it may be the path to a better standard of living for South Africa's poorest. If we are to raise the quality of life for average South Africans, the economy should be driven by goals of innovation, rather than by goals of adequacy," says GEM team leader Dr Mike Herrington.

"Established businesses have the greatest impact on employment, as well as generally offering better employee benefits and more job security than start-up businesses," he says. The latest research suggests that entrepreneurship among employees is a key way to achieve this. Intrapreneurship encourages

employees to develop ideas and innovations that benefit the companies they work for, whether it is process development or ideas for new products and services.

The connection between high EEA rates and productivity and competitiveness is made clear in the research; the four highest rated economies are Sweden (13.5%), Denmark (9.18%), Belgium (8.55%) and Finland (8%).

They are also among the highest scoring economies in the Global Competitiveness

Index. There is a direct negative correlation between an economy's EEA rate and its Total Early-Stage Entrepreneurial Activity (TEA) rate, that is: economies with high EEA rates have low TEA rates, and economies with low EEA rates have high TEA rates. According to Dr Herrington, this suggests that in innovation-driven economies, entrepreneurship within organisations replaces, to some extent, independent entrepreneurship as an alternative means for pursuing entrepreneurial opportunity.

National experts who were surveyed as part of the research believe that low levels of internal corporate support for entrepreneurial employee behaviour—top-down decision-making domination within organisations—negatively impacts EEA

Index: Sweden is third out of 143 economies, Finland is fourth, Denmark is eighth, and Belgium is 15th. South Africa is at number 50. The research shows that there

is a direct negative correlation between an economy's EEA rate and its Total Early-Stage Entrepreneurial Activity (TEA) rate, that is: economies with high EEA rates have low TEA rates, and economies with low EEA rates have high TEA rates. According to Dr Herrington, this suggests that in innovation-driven economies, entrepreneurship within organisations replaces, to some extent, independent entrepreneurship as an alternative means for pursuing entrepreneurial opportunity.

Although South Africa's TEA rate has grown slightly, holding steady at 9.1% in 2011 compared to a statistically similar 8.9% in 2010, which actually shows an increase of 60%. According to Dr Herrington, this is not overly encouraging because since South Africa started participating in GEM in early 2000, it has had a TEA rate that has constantly been below the medium for the rest of the world.

"In 2010, however, prior to the World Cup, the country's TEA rate rose significantly only to drop again the following year, pointing to the fact that the country is recovering from the recession slower than the rest of the world," he says.

"The low TEA rate is due to poor education, lower than average perception of capabilities and opportunities, as well as a lack of well-managed small business support; it could also be influenced by a substantial social welfare system," Dr Herrington said.

"The low EEA rate could also be due to education in South Africa. While much of EEA seems to occur in top management, it is possible that South Africa's education system is not encouraging many of our managers to be entrepreneurial within their places of work."

According to Dr Herrington, there are two requirements for developing a strong innovation capacity within an economy, these are health and education.

Innovation-driven economies generally rank higher in the Global Competitive Index, with respect to both health and education.

"Higher job levels offer more autonomy to employees and provide better opportunities to develop social networks, which are both conducive to entrepreneurial employee activity," he said. The GEM report shows that employees in South Africa with higher levels of education, are more likely to be involved in entrepreneurial employee activity.

But, 14.3% of South Africa's population has only a primary education, and 40.7% has an incomplete secondary education – that means 55% of the people in the country do not have a matric qualification. South Africa ranks 131 out of 143 economies on the Global Competitive Index in terms of education.



GEM team leader, Dr Mike Herrington

"The country's EEA and TEA levels are likely to remain low until improvements in the quality of education are made, and higher levels of education are made accessible to more of the population," Dr Herrington said.

National experts who were surveyed as part of the research believe that low levels of internal corporate support for entrepreneurial employee behaviour, top-down decision-making domination within organisations, negatively impact EEA.

These experts believe that factors positively impacting on EEA rates are: external factors such as employee protection and an increased access to social security, and internal factors such as employer encouragement.

"Employers should consider creating a culture of inclusivity and creativity, and show

strong encouragement for new ideas from all employees, as it may help to expose those who are inherently entrepreneurial and have the potential to add value to organisations in which they work," Dr Herrington said.

"Creating value for the organisation creates value for the economy, and intrapreneurship is the way to achieve this," he said.

The GEM project is widely recognised as the most comprehensive and authoritative study of entrepreneurship around the world.

South Africa has been a participant in the project since 2001.

The research is done by a team based at the UCT Centre for Innovation and Entrepreneurship (CIE) which is housed at the GSB. Intrapreneurship was a special focus in this year's GEM report.



Astrid Ludin,
New CIPC
Commissioner

CIPC turns the corner

In spite of an image makeover, the Companies and Intellectual Property Commission has a lot to do to rid itself of the legacy left by its infamous predecessor

One of the basic fundamentals of a vibrant economy is a regulatory environment that is conducive to business promotion, by providing streamlined compliance processes, as well as maximum service efficiency in delivering on this objective.

The Doing Business 2012 chapter of the World Bank pegs the South African economy at position 35 out of 183, on the Ease of Doing Business index. This aggregate ranking is based upon benchmark regulations applying to domestic small-to-medium-sized enterprises; highlighting the ease or difficulty for entrepreneurs to start and run a business against regulatory or compliance issues.

The body responsible for ensuring such a supportive milieu in this country is the Companies and Intellectual Property Commission (CIPC), a newly formed legislative body established from the amalgamation of the Office of Companies and Intellectual Property Enforcement (OCIPE), and the now defunct Companies and Intellectual Property Registration Office (Cipro). Its mandate, as governed by the Companies Act of 2008, is to undertake and augment the functions of the OCIPE, including those falling under Cipro's charge, chief among which are the registration of companies, co-operatives and intellectual property rights and the promotion of compliance and subsequent enforcement with relevant legislation.

The CIPC has been beleaguered with challenges since inception in May 2011, having inherited most of these from Cipro, leading to

industry fears with many questioning whether the CIPC would not merely be Cipro under a new façade.

During its tenure, Cipro was embattled with massive backlogs for company applications, riddled with accusations of maladministration, inadequate systems for filing annual returns, as revealed by a report from the Auditor General.

Other hiccups included its use of Microsoft Excel for its reporting, a legacy IT system dating back over a decade as well as reported incidences of fraud, ranging from tax malpractice to blatant company hijacking, or corporate identity theft conducted on the Cipro database.

From the onset, CIPC, for the most part experienced underperformance in business registration, with impossibly long delays and backlogs in the process. These lengthy time frames have been a huge deterrent for new businesses, particularly for small and medium enterprises and entrepreneurs, resulting in stilted economic activity and such entities being unable to conduct integral business processes, such as the opening of bank accounts and essential day-to-day running of the business or trade.

Such red tape also increases the cost of doing business for small firms and affects the attractiveness of South Africa, as an investment destination. When start-ups are frustrated in this manner, it becomes difficult to address the state of unemployment in the country, currently sitting at a staggering 24%, as entrepreneurial activities are hindered from being agents for job creation.

Fourteen months down the line and efforts to assert the Commission as a credible,

independent and transparent regulator, on par with the best in the world.

As per its mandate, it can be described as having been tenuous at best.

By the end of August 2011, the number of backlogs had fallen to 6 700 pending cases, from the 50 000 reported in mid July of the year under review.

However, new CIPC commissioner, Astrid Ludin, offers an official version: "The CIPC currently does not have any registration backlogs. We are able to process manual applications well within the service delivery standards of 25 days, and electronic applications within five days."

That is a commendable feat and definitely a massive step in the right direction.

It has been suggested that South Africa could take a page out of Rwanda's book, which is the best performer in terms of the number of procedures required; having scaled down from nine to two procedures in the past five years, and taking only three days to complete the registration process.

Ludin highlights the fact that the registration process in Rwanda is electronic, and in comparison to the 20 000 companies per month being registered in South Africa, adding to the 1.4-million companies and close corporations on this country's database, while Rwanda's register has only 6 000, making the two countries incomparable.

Ludin intimates that although the South African Companies Act of 2008 provided for a reduced regulatory burden, particularly for small businesses, the challenge for the Commission has been to ensure proper

translation of the spirit of the Act into its regulations and procedures.

Implementation of the electronic system has seen a shift towards more electronic transactions and in this way it can reduce turnaround times. At infancy, the CIPC website was plagued by hitches such as difficult navigation, time-out errors and unavailability of the service. The CIPC has since improved its network and security configuration, which has resulted in improved network performance, although, admittedly it is not yet at a desired level.

There has been procurement of additional bandwidth from several service providers and implementation is currently ongoing, and although the bulk of these problems have been addressed, Ludin acknowledges that the IT system is constantly being improved to ensure better service delivery.

Another burden for most small businesses and entrepreneurs is the costs associated with doing business with the CIPC, generally considered to be much too high. Ludin concedes that the CIPC is still not as easy to trade with as they would like it to be.

"We are encouraging customers to trade with us electronically, as manual transactions take longer, are prone to capturing errors by our staff and documents are sometimes mislaid. With electronic transactions we are able to eliminate these risks and delays for clients," she states.

It is not a secret that the CIPC inherited a legacy IT system dating back over a decade, and Ludin states that the current ICT infrastructure is not always reliable and stable, especially as they experience more electronic transactions.

The focus is on upgrading the infrastructure this year, with a view to providing better e-services soon.

Under the new Companies Act, every corporation must file a report on annual returns or be removed from the register.

There have been reports by companies that they are unable to use the CIPC's systems to file annual returns, resulting in frustrations at this conundrum which could lead them to being removed from the register for not complying with the rules.

Ludin, however, says the estimated compliance rate on annual returns is 70% and despite occasional system glitches companies should be able to complete the task.

"A substantial number of businesses were deregistered in July 2010 and in February 2011. We have not deregistered any entities since then, but will need to embark on another such exercise this year. The restoration process has been simple, involving the payment of unpaid annual return fees and the lodging of annual returns. We will be reviewing this process in the current year, in conjunction with major creditors, to enable us to limit the number of restorations. Companies which have been deregistered for a year or more, will probably not be restored," she notes.

Cipro left a legacy of fraud and its database was abused for tax malpractice and company hijacking or corporate identity theft.

Ludin has confirmed that corporate identity theft was becoming an international trend, with 50 to 100 cases reported in the United Kingdom every month.

Ludin said the CIPC has reviewed and implemented limits to user access for its staff.

They are also investigating each and every complaint they receive and these are carried out by the OCIPE, the enforcement division and by external forensic investigators.

"This is an area in which we need to remain vigilant. We will begin scrutinising the conduct of intermediaries more closely this year, and already have conducted investigations that implicate individual agents. We are very serious about having these matters prosecuted and have liaised with the South African Police Services in this regard," she adds.

Service delivery by the department has also come under fire due to the underperformance by its call centre staff, resulting in waiting periods of up to 45 minutes sometimes, with a bulk of the calls left unattended.

Ludin concedes that the call centre remains an area of major concern to the CIPC.

"We implemented a different approach in March this year, but are not seeing many benefits in terms of the call/answer rate. We do, however, believe that we are achieving greater call resolution. We will continue to explore and

implement different options this year, as we address our ICT infrastructural constraints," she said.

When asked about measures the CIPC was undertaking, in order to make the business registration system more accommodating and less frustrating, she responded: "At present, CIPC is focusing on providing a consistent, reliable and predictable service to entrepreneurs. We are not allowing anyone to jump the queue for reasons of fairness. It is important that we do this to cut down on the possibility of corruption. We do have a tracking system in place and entrepreneurs can view it.

"We agree that we should not be declining as many applications as is currently the case and are looking to put in place systems to prevent incomplete applications from being lodged. We recognise that there are still a lot of errors in the system and are working to eliminate them.

"Our focus is also on providing a faster electronic service to businesses, and we are exploring an integrated service offering with banks. A pilot project has been designed and will be launched later in the year," Ludin said.

Ludin reiterated that although much still needs to be done, the CIPC is undergoing rapid transformation and results of improved service delivery are visible.

The goal is now to create a sustainable platform for improved service delivery, the results of which remain to be seen in the coming months.

The improved service seems to have been noticed by Ideal Business Registrations' business consultant, Tshifhiwa Munyai based in Benoni, Gauteng.

His recommendations for improved service delivery are for the CIPC to allow for corrections on declined applications as opposed to their current system of requesting all declined applications to be resubmitted from scratch. Munyai also suggests that the CIPC should host training workshops to assess company registration agents on its systems, and give business consultants a public platform to engage with.

BBO

Tafara Mavingire

THE HOUSE OF THE FUTURE DOESN'T EXIST.

Could you conceive of a house that is energy self-sufficient? How about one that generates 18 000 kWh per year from its solar panels and drastically cuts down water usage with its water harvesting and reuse systems? This is exactly the kind of house that leading architect, Sean Rodrigues, had in mind when he first set to work on the Nett Zero Energy House Project in Waterfall Estate. PPC shares his vision, and our support of sustainable construction and life-cycle thinking is the reason we're supplying all the cement and aggregate for the project. Concrete is low maintenance, boasting a lifespan of at least fifty years with minimum upkeep. The thermal mass effect of the concrete means it absorbs heat from the sun in the day and releases it at night, further reducing the home's dependency on grid-energy for heating in winter. Concrete contains almost no levels of volatile organic compounds, so emissions into the air, water and soil are low. Considering you get 15% more concrete from every bag of PPC Cement, you really can see how this vision is coming together. As you can tell, **THE HOUSE OF THE FUTURE DOES EXIST**. It's just that as far as the environment is concerned, it doesn't.

For more information, call our toll-free line on 0800 023 470 or visit www.ppc.co.za



OUR STRENGTH, YOUR VISION.

PPC's way of life

Transformation is the route to empowerment

Broad-based black economic empowerment ("B-BBEE") signifies transformation on various levels of society, including political, social and economic changes.

Empowerment is a business reality, which aims to fight poverty in our country while helping to establish a healthy, prosperous nation. Pretoria Portland Cement (PPC) is firmly committed to the transformation process in South Africa and recognises the meaningful participation by black people in the mainstream economy, which is essential to sustain the country's socio-economic objectives.

This is evident in PPC's recently-announced B-BBEE transaction. In July 2012, PPC entered into the second phase of its B-BBEE transaction which entails the placing of an additional 39.3 million ordinary shares or 6.5% of PPC's increased share capital under black ownership.

It will also result in the increase of direct black ownership of the PPC Group to 20.8%. The first phase of the B-BBEE transaction for 15.3% was concluded in 2008.

Taking into account the 80/20 revenue split between the Group's South African and international businesses, the transaction resulted in an effective 26% ownership of PPC's South African operations and enabled the company to meet the South African mining rights conversions requirements as set out by the Department of Mineral Resources in the mining charter.

The transaction value of approximately R1.1-billion is estimated based on the 30 day volume weighted average price of PPC shares as at Monday 9 July, of R27.39 per share.

Of the additional shares being issued, 68% of shares will be issued to the employees of PPC's South African businesses. 27% of shares will be issued to PPC's existing strategic black partners ("SBPs") and 5% to a newly created trust that will focus on Black women groups in areas where the company operates. Paul Stuiver, CEO of PPC, said, "This transaction was structured for the benefit of those parties closest to our business. We were particularly keen for our 2400 South African employees to participate at a significant level and this transaction will result in them owning approximately 7% of the PPC group."



PPC



Paul Stuiver, CEO

An employee trust has been established to hold the employee shares. All permanent employees of PPC in South Africa will participate. A portion of shares has been set aside for new employees joining the company during the next three years.

Strategic black partners

Existing strategic black partners (SBP) and new Black women's groups will be allocated a sum of R345-million.

The SBPs are the same as those which participated in the first phase B-BBEE transaction during 2008 being Peu, Nozala, Portland Consortium

and Palama Cement Consortium (formerly Capital Edge) who have contributed to the company on a number of fronts during the past four years.

PPC has established the Bafati Investment Trust for the purpose of holding shares for black women groups in the vicinity of its operations. The board of trustees for this trust will comprise a majority of women.

Scorecard

According to Executive director, organisational performance and transformation, Sello Helepi, in the past five years, the cement giant progressed from a level seven BEE rating to a level two rating in 2012, with a 26% black ownership of PPC South Africa. This achievement can be attributed to PPC's commitment to transformation and roadmap initiatives.

"PPC appointed over eight Senior Black Executives into management with special focus on black female representation.

At PPC, we spend a substantial portion of money into skills development and training of our people. There has been an increased participation of black females and people with disabilities," added Helepi.

"This is with a continued focus on middle management and their upskill with particular focus to black women in managerial positions," he concluded.

PPC's commitment to SLPs

Executive for Transformation at PPC, Nolwandle Mantashe, said that as part of PPC's five year strategy, from 2008 – 2012, the company committed to an investment of R60-million in the communities in which PPC operates.

"We identified various Local Economic Development (LED) projects across four basic pillars, job creation/enterprise development, poverty alleviation, education and healthcare," she added.

The projects conducted in host and major labour sending communities were identified in conjunction with municipalities and were approved by the Department of Mineral Resources for implementation. To date, over R35 million was spent on completion of 13



PPC's LED project in Riebeeck West, Western Cape

projects in nine municipalities across six provinces.

Four projects are currently in progress with completion planned for 2013.

"In the last five years, 454 direct jobs have been created during the implementation of these projects supporting over 1 800 members of the community," remarked Mantashe.

In addition, there are two projects on the cards to be handed over later this year.

These include the Diepsloot Waste Buy-Back Centre which cost in excess of R3-million and the Mooiplaas Skills Centre, a centre for skills development and training in conjunction with the Tshwane University of Technology (TUT) that cost over R6.5-million.

PPC's commitment

Stuiver comments, "This transaction demonstrates our on-going commitment to transformation and broad-based empowerment in the spirit of the Mining Charter. Additionally, it will further enhance our B-BBEE credentials."

The transaction will also allow PPC to streamline its corporate structure by creating separate South African and international operating entities, thereby aligning the company's

structure with its strategy to expand its footprint on the African continent. At the same time the holding company, Pretoria Portland Cement Company Limited will be renamed to PPC Limited.

"Aligning our corporate structure with our strategy will result in greater efficiency and better risk management.

"We were unable to do this prior to converting our South African mining rights," concludes Stuiver.

PPC, established in 1892, celebrated its centenary as the Johannesburg Stock Exchange (JSE) listed company in 2010. Today, PPC is the leading supplier of cement in Southern Africa. With eight manufacturing facilities and three mining depots in South Africa, Botswana and Zimbabwe, producing almost eight million tons of cement products each year. PPC also produces aggregates, metallurgical-grade lime, burnt dolomite and limestone. In addition to serving its domestic markets, cement and lime are also exported to other African countries.



LOCAL IS LEKKER!!!

As a South African there is so much to be excited about and every reason for our blood to pump green and gold. We watch and cheer our sporting stars as they excel in their own disciplines so it's time to take a look at other key players in South Africa and commend their achievements.

Safal Steel is one of these players and has built its business on the following key pillars:

- Economy
- Environment
- Society

ECONOMY

Safal Steel is a local aluminium zinc coating mill based in Cato Ridge. With over 150 000 MT of aluminium zinc coated steel produced since the Metal Coating line was commissioned we have covered in excess of 45 000km of steel.

At Safal Steel's official opening on the 5th of March 2012, Minister Davies identified the Steel industry as one of the largest contributors to the manufacturing sector. The Safal Group together with the DTI, IDC and others demonstrated commitment to this Industry with the substantial investment in Safal Steel.

Safal Steel has contributed enormously to the local economy through the following support industries:

1. Harbour; we move approximately 10 000 tons of steel via imports and exports through the harbour monthly.
2. Transport; at full production the company will have on average 25 heavy duty vehicles moving through the premises daily.
3. Other support industries include, gas, electricity, cleaning, maintenance of equipment, material supply and hospitality

(hosting of International and local guests and delegates).

ENVIRONMENT

Safal Steel is a Greenfields operation, the facility is a fully self-contained coating operation which commences with the Pickling and Oiling of Hot Rolled Coil, to Cold Reducing the metal to base metal thickness, to the Metal Coating Line; which coats the steel with aluminium zinc and a pre-painted line which paints the material with a modified polyester paint system if required. The operation is self-contained as far as waste and emissions are concerned and underwent a stringent environmental impact assessment prior to construction.

Our brands ZincAL® and COLORPLUS® are environmentally friendly due to the following:

- Superior thermal attributes
- Increase in service life
- Eco friendly

Superior thermal attributes:

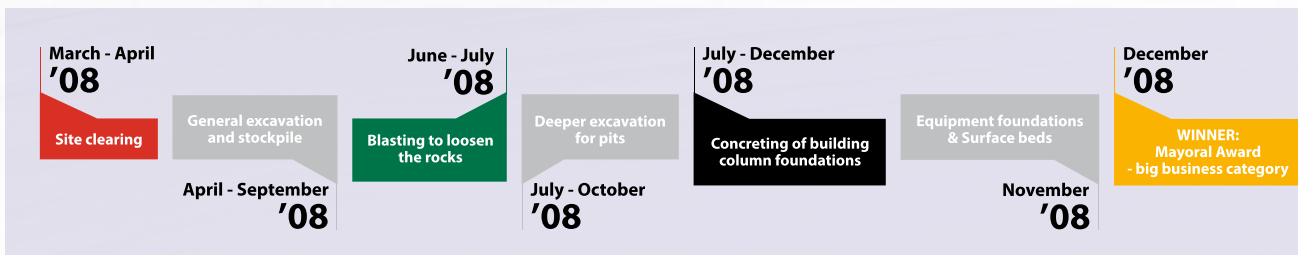
The matte finish and small uniform spangle of ZincAL® provides maximum heat reflectivity which keeps the interior of a building cooler in summer months and significantly warmer in winter months. The addition of paint will aid in further reflectivity ratings. Based on the lightest colour in our palette Sea Spray this paint system has a SRI (Solar reflective index) of 65%.

Increase in service life:

The technique of coating steel with an alloy of aluminium zinc (55% aluminium 43.5% Zinc and 1.5% Silicon) has been



5 march Opening ceremony - Safal Steel opened by Minister Rob Davies





SAFAL
STEEL (PTY) LTD
PROUDLY SOUTH AFRICAN MANUFACTURERS



SARDA – Donation of roof material for outdoor arena

extensively researched and the proven performance surpasses that of traditional galvanised steel. Weathering stations have been set up worldwide through the license authority BIEC revealing a superior performance of aluminium zinc compared to galvanised steel. Internal tests have also been conducted revealing the same results

Eco-friendly:

The input material prior to coating - Hot Rolled Coil is 100% recyclable and is the most recycled material globally by volume with no down cycling therefore ensuring that the steel substrate is of premium quality prior to coating.

Safal Steel as a facility has installed support lines to the production processes to ensure

that the emission output is controlled and minimal. Lines such as ARP (acid regeneration plant), ETP (effluent treatment plant) and the RTO (regenerative thermal oxidiser) have been commissioned to assist in our goal of becoming a fully contained site.

SOCIETY

Safal Steel employs over 350 staff from local communities incorporating Durban and Pietermaritzburg.

Since start up Safal has engaged in various Corporate Social activities focusing on KZN as our primary community our aim is to uplift the community in which we live.

- Project lap desk: Two schools in the Kwa Ximba community

Mabhila Combined School and Asizenzele Primary School received lap desks in 2009

- Social welfare: donation of snacks and soft drinks to the Mzunduze clinic at the open day for the clinic 2009
- AIDS awareness: Safal Steel brands the entrance at our factory and offers free testing to staff. Annually
- SANBS: the blood bank hosts a donation day at Safal Steel every 8 weeks.
- Donations: East Coast Radio Toy Story Campaign R10 000 - 2011 and 200 soccer balls - 2011
- Roof replacement to the Montrose house; Mpophomeni municipal office Pietermaritzburg - 2010
- Roof material for an outdoor arena for SARDA - 2011
- Roof material to the TB clinic at King George V Hospital - 2011
- 12m container donated to Asizenzele primary School



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June '09

Machine installation

CRM: Start of Hot Run

May '10

MCL: Start of Hot Run

June '10

CCL: Start of Hot run

September '11

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In recognition of the reality that people are what make the business, we strive to conduct our day-to-day business dealings and communication with integrity and in a professional, courteous and honest manner. With nearly 2 000 employees, our people are the core of our business. To this end, we strive to create a rewarding experience for our employees through the adoption of various employee benefit programmes. We place strong emphasis on a health and safety culture with stringent rules and regulations which are as effective at home and on the roads as they are in the workplace. In return, our employees have shown commitment through a strong work ethic over the years.

Planet

We assume a responsible attitude towards the impact of our actions on the community and environment and utilise natural resources in a deliberated way, thereby sustaining life for future generations. We adopt a proactive approach in engaging with communities residing in areas within which we operate. In this regard we have a clearly defined mission which guides our community involvement initiatives:

To understand the needs of society and communities in areas where we do business to make meaningful and sustainable contributions to their upliftment.

Concentrating our efforts where we believe we can be most effective, we focus on Education and Conservation for our Corporate Social Responsibility (CSR) resources. Projects within these areas are selected in such a way that results will, over time, be sustained by efforts from the groups involved themselves. AfriSam has a long-standing record of consciously pursuing an environmentally responsible programme. We published our first Environmental Policy in 1994, based on the 16 principles of the

Business Charter for Sustainable Development issued by the International Chamber of Commerce. This policy is reviewed and updated annually to cater for legal and ISO 14001 requirements.

We conduct our operations in such a way that minimises any potential adverse effects of the cement, aggregate, readymix and slagment processes and products on the community and the environment. There are four main pillars of our environmental policy for which principles have been assigned to guide progress:

- Management systems – we are committed to environmental management systems that comply with the requirement of ISO 14001;
- Resource utilisation – we promote eco-efficiency, conservation of non-renewable resources and recycling of secondary materials;
- Environmental impacts – we measure our performance and assess our impacts on

the community and environment and continuously improve and promote best practice in the industry; and

- Stakeholder relations – we engage stakeholders and report to them on compliance, performance and progress.

With the increasing environmental awareness of our customers, we not only offer quality products but customer peace of mind through our commitment to sound environmental stewardship.

Performance

We are uncompromising in our professionalism and strive to be the best in everything that we do. We utilise our time, energy and resources to make a valuable contribution to our customers, colleagues and business partners.

Our commitment to superior performance gives customers the peace of mind that comes with guaranteed technical excellence, top quality products and continuous innovation.

All our production processes and materials as well as final products are put through rigorous and on-going stringent quality assurance tests to ensure nothing short of the best for our customers.





Airport facelift

GIBB engineers upgrading East London Airport runways and taxiways

GIBB, a leading consulting engineering company, is currently undertaking the construction of the R185-million East London airport runways and taxiways rehabilitation project for Airports Company South Africa (ACSA), which began in January 2012.

The main focus of the project is the structural rehabilitation of two runways and seven taxiways. Ancillary items, such as associated sub-surface drainage, electrical works and landscaping of surrounding areas are also part of the contract.

GIBB Senior Associate and Project Leader, Simon Tetley, says the design stage of the project commenced in March 2011 and, even

though there were numerous challenges, the design and documentation was completed ahead of schedule, with the construction tender being awarded to Power Construction (Pty) Ltd in December 2011.

The project was initiated by ACSA to optimise airport operations and passenger safety.

"We have identified and are implementing innovative technologies that will provide the East London airport with a long-term, minimum maintenance, runway and taxiway infrastructure.

"The asphalt surfacing has been 'engineered' to ensure sustainable compliance with required standards.

"One of the constraints was the limited time per shift available to undertake the work. All the work is being carried out at night (during

hours that the airport is closed) to ensure that airport operations are not disrupted or compromised," he said.

Tetley confirmed that construction work will be carried out on the taxiways first, followed by the secondary runway and, finally, the main runway will be rehabilitated.

The project has not been short of setbacks, with the national bitumen shortage being a constant cause for concern, this notwithstanding; thanks to proactive measures being put in place by GIBB and Power Construction, only one shift from a possible 45, thus far has been lost due to a lack of bitumen.

The project is due to be completed by April 2013. **BBO**

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Doing business in Africa and other emerging markets is not for the faint-hearted. Those wanting to export their services beyond the safety of South Africa's borders, however, do not have to do it alone.

Established 10 years ago, the Export Credit Insurance Corporation of South Africa Soc Limited (ECIC) is passionate about helping South Africa grow its exports, while promoting inclusive economic growth both at home and across the continent.

Underwriting both political and commercial risk, the ECIC brings valuable experience to the table, having facilitated mining, infrastructure development and other ventures in numerous

Chief operating officer and acting chief executive officer Mandisi Nkuhlu speaks with quiet determination when outlining the ECIC's vision for the next few years. Forward thinking and innovative, the ECIC team not only plans to continue facilitating exports by providing political risk insurance products to unlock and crowd in private sector financing for the continent-wide infrastructure drive, but to help South African businesses get a foothold in new export markets.

These activities will help promote economic activity and job creation, in line with government's New Growth Path. SMMEs and B-BBEE players also stand to benefit from ECIC initiatives.

"Africa has always been the focus of the ECIC, and now the continent is growing even

increasing intra-African trade and cross-border investment abound," says Nkuhlu.

The EU sovereign debt crisis means that alternative trading partners have to be found, and with the positive growth it has shown, Africa home to seven of the 10 fastest-growing economies in the world is often the natural choice.

In addition, there are massive projects unfolding across the continent to build new ports, roads, rail and other infrastructure. "The role of the ECIC is to assist South African business to move in and seize these opportunities."

According to Nkuhlu, South Africa has developed great technological and engineering capabilities that compare well globally, and is ideally positioned to tap into these developmental opportunities.

Given that these are long-term, big budget projects, and that many areas in Africa do not have a clean slate when it comes to political stability, long-term, reputable political risk coverage is critical. The ECIC offers 100% political risk insurance for approved projects. This protects South African exporters against the loss of goods or investments, and local financial institutions are protected with regard to loans granted to foreign entities.

The cover protects clients against certain political acts or events in the host country, including nationalisation or expropriation, civil unrest or an undisputed payment default by a government or state-owned company.

Cover is provided to the exporter against non-payment for up to 85% in respect of commercial risk. "The financier who provides the liquidity must also share some of the risk here," says Nkuhlu, adding that only economically viable transactions are supported, after

In its 10 years of existence, the ECIC has approved export credit and investment transactions to the value of R19.6-billion

countries. Despite being state-owned, the corporation, which follows normal company policies and procedures in its operations, has an excellent reputation for being sustainable, and a proven track record when it comes to the paying out of claims.

more attractive to investors," says Nkuhlu. The European Union (EU) remains South Africa's biggest trading bloc partner, despite the sharp growth in trade between South Africa and other BRICS (Brazil, Russia, India and China) countries. "However, opportunities for

risks analysis is done, and that monitoring is undertaken on an ongoing basis.

In its 10 years of existence, the ECIC has approved export credit and investment transactions to the value of R19.6-billion and made an estimated tax revenue contribution of R6.3-billion to the national fiscus. As a result of ECIC support programmes, 137 598 potential job opportunities were created in South Africa.

“Companies need to understand that while they may be nervous about doing business outside of South Africa, the ECIC can mitigate political risks.”

Nkuhlu is applying what he learnt as director of export finance at Standard Bank of South Africa at the ECIC. “As a non-lending export credit agency, our major clients are the banks and development finance institutions such as the Industrial Development Corporation (IDC) and Development Bank of southern Africa (DBSA).

At an investment bank, there is a strong focus on innovative deal structuring, competitiveness on price and speed of execution. The nature of ECIC business lends itself to huge capital projects in politically challenged areas. As a result, deal selection, effective structuring and mitigation of project risks are critical to the success of what we do.

“In our pursuit of more projects, more exports and more jobs, we have to pursue a financially sustainable business model that enables us to replicate our successful transactions, generate repeat business and minimise failure.

“In an investment banking environment, client centricity is very important in decision making and we need to reinforce this client-centred approach at the ECIC. In our case, our ability to fulfil our mandate of facilitating exports and employment creation is intricately tied to our capacity to serve our clients. We have to see them as partners and work together in structuring innovative export credit solutions that assist South African companies to be competitive when bidding for international contracts.

“Another major area of focus is to ensure that the ECIC deploys its balance sheet in projects and transactions that will have strong



Mandisi Nkuhlu,
Chief operating officer and
acting chief executive officer

economic impacts and benefits for South Africa and the host economy.”

A skilled, capable staff structure is vital to the ECIC, says Nkuhlu. “We are the ultimate risk taker, and must be able to take informed, responsible decisions if we are to remain viable.”

Nkuhlu says that Dr Nkosazana Dlamini-Zuma becoming the new Chairperson of the African Union Commission is heartening news. “It is critical that we have good relations with other African countries, both when it comes to

finalising transactions, and in the event that something goes wrong.”

There is a move by the continent to attract investment and it is vital that all SADC member countries collaborate to change investor perception. “Despite the work being done on the continent to alter mindsets, many areas remain fragile. Investors must think hard about going it alone.”

“As the ECIC, we take independent decisions and calculated risk in support of South African investors. We are leaders, not followers.

"A case in point is MTN's operations in Iran, where we mitigated the political risks in a country where the risks are very real. This has been a significant project in our portfolio and generated good annuity revenue for the ECIC since we first issued the cover (equity investment in excess of US\$500 million) (R4.1-billion) in 2007."

The ECIC's flagship project is Mozal, the largest aluminium producer in Mozambique. Built 10 years ago for \$1.3 billion (R10.6-billion),

Trade between South Africa and other BRICS countries increased by 31.8% year-on-year in 2010/11.

Another positive development, notes Nkuhlu, is the North-South infrastructure corridor, championed by President Jacob Zuma, which will focus on reviving rail and road infrastructure to link the regional economies of southern Africa.

With Africa better positioned for foreign investment, Nkuhlu says South African companies must not be disadvantaged. The Interest

manager before leaving in 2008. He returned to the fold in February 2011.

Mandisi holds a B Luris and the LLB degree from the University of the Western Cape and is an admitted attorney. He furthered his studies at Wits Business School – Management Advancement Programme, and at the UCT Graduate School of Business – Executive Leadership Programme.

Looking ahead, the ECIC wants to help SMMEs which find that they have grown enough to start considering the export market. At the moment, sub-contractors benefit from capital intensive projects supported by the corporation. But an initiative is in place to further assist smaller enterprises. While a condition of ECIC cover is that exporters must meet the minimum requirement of 50% South African content for goods or services exported, this condition is waived for projects in Africa for exporters who meet specified B-BBEE requirements.

"Looking at the bigger picture, it is in our interest as a country to help the rest of Africa thrive."

Another ECIC product helping to boost the economy is the small and medium transaction cover which provides 100% commercial risk, as well as full political risk cover, for transactions below US\$20 million (R164.1-million). "There was a slow uptake but banks are starting to warm to the product," says Nkuhlu.

Government's Industrial Policy Action Plan, which aims to build South Africa's industrial base in critical sectors of production and value-added manufacturing while addressing unemployment, has seen a specific product being developed for boat builders in the export market. THE ECIC provides a guarantee to the buyer while the boat is under construction, and provides working capital insurance of up to 90%.

Something Nkuhlu is toying with is underwriting working capital for other exporters in future.

"We have to make ourselves as relevant as possible. Once we have helped open doors for an exporter, how do we leverage that success?"

"As the ECIC we must do more to foster economic prosperity in South Africa, but we must achieve this while keeping the integrity of our balance sheet intact."

"Looking at the bigger picture, it is in our interest as a country to help the rest of Africa thrive"

Mozal helped turn the Mozambican economy around and positively impacted investor perception. The Kayelekera mining project in Malawi, supported by the ECIC, has also had huge spin-offs for that country, as has a shopping centre with South African anchor tenants.

Although the ECIC has reduced its exposure to Iran and Mozambique substantially, concentration risk remains a concern. "We need to grow our portfolio to ensure increased diversification," says Nkuhlu. Significant new commitments in Zimbabwe, Ghana, Nigeria, Turkey, Tanzania, Russia and Sierra Leone have diversified the portfolio.

The ECIC was active in Russia long before South Africa became a member of BRICS. "We are now looking at how we can promote the entrance of more South African companies into Brazil, China and India.

"South Africa's inclusion in BRICS means that member states will forge a partnership that will benefit both host and investor countries. Investment in Africa by these countries will be done more responsibly and in a more sustainable manner, something that South Africa as an African leader must help ensure."

Make-Up Scheme, backed by the South African treasury, assists South African exporters to borrow at competitive rates and levels the field for local financiers, who are competing against Euros and American dollars.

The ECIC will be working on delivering a quick turn-around time to help sharpen South African exporters' edge. "This will be complemented by a focus on deal selection, due diligence of risk, deal structuring, risk mitigation, risk sharing (with investors), ongoing monitoring and salvage strategies in the event of a transaction going into distress."

A member of the Department of Trade and Industry, ECIC is regulated by the Financial Services Board and is a member of Berne Union, the leading association for export credit and investment insurance worldwide.

Mandisi spent five years at the DBSA, during which time he was seconded to Masons in London, a law firm specialising in public private partnerships. He was a senior account manager at the IDC and a director at Standard Bank. Mandisi first joined the ECIC in 2003. He became the general counsel of the corporation and was later appointed senior general



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In the driving seat

The automotive sector is the engine that drives the Eastern Cape economy

The automotive industry has formed an integral part of wealth creation in the Eastern Cape. This is both good and bad. It is fantastic in the sense of showing world markets and South Africans that local manufacturers can compete internationally. The danger is when job seekers, suppliers to the industry and service providers pin all their hopes for employment and turnover on the automotive sector.

A recent study released by the Eastern Cape Socio Economic Council (ECSECC), indicates that the province produces half of all motor vehicles made in South Africa. There are 40 000 people employed in the automotive value chain in the Eastern Cape alone. There is no doubt that the automotive sector is a highly strategic sector for the province's economy.

Before the sector gets ahead of itself, consider the sobering thought posed by Eastern Cape Economic Development, Environment and Tourism MEC, Mcebisi Jonas: "South Africa's automotive sector currently operates outside of the key global automotive sector markets, accounting for just over 0.5% of global production volumes."

The automotive sector makes a significant contribution to the Eastern Cape's coffers.

Despite challenging trading conditions, automotive manufacturers; Volkswagen SA, Ford Motor Company of Southern Africa, General Motors South Africa (GMSA) and

Mercedes-Benz South Africa (MBSA) remain among the biggest employers in the Eastern Cape province of South Africa.

GMSA confirms that they employ 2 000 people, while Ford Motor Company of Southern Africa employs 500 staff at its engine factory in Port Elizabeth.

East London based MBSA employs a staggering 6 034 people and contributes R2-billion in taxes. VWSA employs 4 700 staff with more than 20 000 people indirectly employed at suppliers. The province hosts many automotive component producers.

Department manager at the Automotive Industry Development Centre (AIDC) Lance Schultz says the challenge is to preserve jobs in the automotive sector.

Schultz acknowledges the industry's ability to remain resilient.

"Government has realised the contribution that the sector makes to GDP and to gross value-add," he states.

Schultz refers to six sigma as the preferred approach internationally.

It is a business management strategy developed by Motorola in 1986 and requires that 99.99966% of products manufactured are statistically expected to be free of defects (3.4 defects per million). These are the quality standards that a South African automotive sector is up against.

Diversify to sustain and grow jobs

The automotive sector's status as the biggest employer in the Eastern Cape, is

being challenged by contenders within that province's economy, a development that is long overdue.

Dynamic Commodities, an exporter producing niche products in the food sector, employs 1 400 people, providing employment in poverty stricken areas, which reminds us that if the Eastern Cape is to alleviate poverty and become an economic powerhouse, it must diversify its product offering.

Diversifying is a strategy that should make sense for the automotive sector. However, the industry has been notoriously slow to act to calls to diversify and to form an alliance to contain costs in competing against world markets.

"We should look at BRICS (the BRICS group of developing nations includes Brazil, Russia, India, China and now South Africa) for potential, but also look at sustainable job creation for the South African market," suggests Schultz.

VWSA confirms Schultz's sentiment about local opportunities. VWSA general manager for communications, Matt Gennrich says the local market continues to grow in 2012 after enjoying a 19% growth in 2011 – overall year-on-year growth is still forecast to exceed 10%.

Transformation through supplier diversity

Other role players have entered the automotive arena and complement the work being done by the AIDC. The South African Supplier Diversity Council (SASDC) is the first of its kind in South Africa. Based in Johannesburg, it is rolling out business linkage events in the Eastern Cape.





CEO of SASDC, Gary Joseph

SASDC members include leading private sector companies, state owned enterprises (Transnet) and universities.

Black suppliers on the SASDC database are accredited. Criteria include black ownership, management and control, paying tax, affiliation to a regulatory body and being transaction ready.

Recruiting Eastern Cape-based corporate members in the automotive sector will serve a dual purpose: growing procurement and enhancing development opportunities for black-owned suppliers.

Yet, at a SASDC presentation held in Port Elizabeth recently, car manufacturers were conspicuous by their absence. This is despite an invitation sent by the National Association for Component Manufacturers (NAACAM).

On a positive note, Gary Joseph, CEO of SASDC, acknowledges that since the introduction of broad-based score cards, the issue of transformation has moved to the boardroom table. Joseph emphasises a business case for integrating supplier diversity into corporate supply chain strategy. The council recommends moving supply chain to a core function of procurement. "As human beings we concentrate on our differences when we should be looking at how we can be different".

Joseph urges Eastern Cape companies to deliberately include black suppliers in their supply chain and invest in their development.

This contributes to the financial viability of black suppliers who are competitive – while mitigating risk for the company.

Automotive cluster

Despite calls for an automotive cluster 10 years ago, it was only earlier in 2012 that it was formalised.

"The province needs to become more proactive especially when engaging with government. It needs to take away the notion of a silo mentality," says Schultz, who chairs the cluster.

He also says he would like to see more attention being given to supplier development, logistics and skills.

ECSECC reports that the province's logistics system has not sufficiently addressed connectivity of the region to the national economy.



Volkswagen SA General Manager for Communications, Matt Gennrich

This poses a threat to competitiveness and to attracting local investment.

The cluster plans to improve and sustain the competitiveness of the Eastern Cape Province as an important vehicle-manufacturing hub. It is a partnership between the assemblers, component suppliers, trade unions and government.

Eastern Cape MEC for Economic Development and Environmental Affairs, Mcebisi Jonas, outlines key challenges: "The shift to the East, in terms of global volumes has been accompanied by a contingent of new Original Equipment Manufacturers (OEMs) and suppliers who are fast driving down costs, which will create significant challenges for our local supply chain.

At the same time a new incentive regime, the APDP, is being introduced, with a shift

away from export support to volume and production incentives."

The Nelson Mandela Bay Logistics Park, managed by the Coega Development Corporation, provides economies of scale for the automotive manufacturing industry, through centralising different functions and reducing costs, by shortening and improving the supply chain.

Enterprise development changing lives

The automotive sector has started giving enterprise development increased attention. Lance Schultz is heartened by initiatives such as that of Ford Motor Company SA.

"They have six incubatees and are seeking to replicate the model at Nissan," he confirms.

VWSA is playing its part in supporting small business. Gennrich confirms that VWSA has entered into a partnership with private sector small business incubator company, Raizcorp.

This will boost the development of small businesses in Nelson Mandela Bay.

Gennrich explains: "Volkswagen's investment in this project is a strategic one – contributing to enterprise and local economic development. Its investment of R5 million per annum over an initial three-year period, will provide comprehensive training of up to 16 local entrepreneurs."

The underlying philosophy is that, on average, successful entrepreneurial businesses create between five and 20 new jobs per business over a five-year period.

"This will help reduce the high unemployment rate in Nelson Mandela Bay, where good jobs are desperately needed," Gennrich said.

Entrepreneur Kishore Makan has benefited from the Raizcorp programme.

Makan owned a successful retail store, before the unthinkable happened. In 2008, at the height of the recession, he was behind in his payments (by two days) and was liquidated – despite a 10 year track record of being among the top 15 stores nationally.

Makan showed character in relating this unfortunate experience to the Raizcorp panel, which up to that point thought he was over-qualified for entry into the programme.

However, sharing his experience won them over. With a year of the Raizcorp programme under his belt, Makan has proved his mettle. "The consistent support, input and guidance has resulted in his (transport) business stabilising and becoming more profitable. He has added another dimension by opening a second business, Exclusive Car Wash. He has shown consistent growth of over 20% growth in turnover, and has recently increased his employment by 140% (from 7-17)," Gennrich said.

Supplier development

MBSA initially provided basic support to BEE automotive component manufacturer, Yenza Manufacturing. MBSA encouraged managing director, Themba Mtati, to invest in a new press. MBSA divisional manager for purchasing, Owen Smith says he took that risk.

"We gave him a 'request for quotation' and sent samples to Germany for rigorous testing, which they passed," he said.

Fourteen years later, Yenza Manufacturing, supplies components to MBSA for export.

"There have been challenges, but it has been worth it. Being a black supplier does not make things easier."

"The challenge is negotiating prices," Mtati said. "People think BEE is plain sailing, but there is no preferential treatment, competitiveness is important," Mtati said.

There are few black suppliers to OEM in the Eastern Cape.

"There needs to be more of a supplier development focus. This started about a year ago, but you need gains much quicker than is happening," Lance Schultz recommends.

Roger Pitot, executive director of NAACAM confirmed that most BEE component manufacturers are dedicated to and reliant on one OEM. Pitot emphasised the presence of some BEE companies in the Eastern Cape.

This includes Acoustex (100% black-owned), together with companies where black ownership exceeds 25%.

Local content

Schultz has observed some complacency in increasing local content, although this is

changing. "OEMs are obligated in terms of preferential procurement to increase local content to 70%," Schultz explains. "However, there is a high barrier to entry for suppliers as there is a high level of price compliance."

MBSA recognises that supplier development enhances efficiency, cost effectiveness and regional economic growth.

To this end, MBSA has partnered with SAIBL to develop black owned start-up suppliers. Four suppliers are assisted with business management and production processes.

In conjunction with the AIDC, a programme is assisting MBSA suppliers with lean manufacturing.

Ford Motor Company of Southern Africa aims to increase local content of vehicles manufactured from 35% to 70%.

President and CEO of Ford Motor Company of Southern Africa, Jeff Nemeth says: "We have entered into supply relationships with global suppliers and encouraged them to establish facilities in South Africa which they have done."

The AIDC has contributed its fair share towards development, saving 15 Eastern Cape suppliers R20-million in under two years. Roger Pitout of NAACAM observes: "It's notable that with each new model introduced recently, there have been a number of new suppliers awarded local content."

Chinese investors

In February 2012, China's FAW Group signed a lease agreement to invest R600-million in the Coega Industrial Development Zone. FAW will build a truck factory to assemble and sell vehicles to South Africa, Africa and beyond.

Eastern Cape Premier, Noxolo Kiviet, wants FAW to eventually move from assembling completely knocked-down vehicles to manufacturing in Nelson Mandela Bay, using components with high levels of local content.

Whether this will be realised, only time will tell. Initial construction of the plant will create 500 permanent jobs.

Corporate Social Investment

The automotive sector is uplifting communities.

Jeff Remeth confirms: "Ford Struandale Engine Plant boasts a wide range of community upliftment and corporate social investment projects ... Ford has received numerous accolades for its integrated Employee Wellness Programme, including being acknowledged with an award for being a global leader in the area of HIV/Aids at the Global Business Coalition's Business Action on Health Awards in New York in June 2011."

At VWSA the emphasis is on empowerment rather than on creating dependency.

Gennrich explains: "VWSA interventions become merely a stepping stone for communities, opening doors to greater opportunities... empowering them with the skills to continue on their journey to success on their own. The end result is a restoration of dignity and self-worth, and a renewed sense of power."

VWSA contributed R26.7-million to CSI in 2011. Over the past five years, GMSA has, through the GM South Africa Foundation, invested more than R26-million in housing and education projects and donated almost 5 000 lap desks to learners without desks.


MBSA has received numerous awards for HIV/Aids investment including an international business award.

It also received an environmental accolade for being the top green organisation.

Prospects

VWSA is upbeat about industry prospects. Matt Gennrich explained: "The motor industry is able to operate within a very fair and stable legislative environment, the MIDP which has been around since the mid 90s and the APDP, which comes into effect in 2013, encourage exports and investment while providing fair incentives.

"This allows for long-term planning and hence the manufacturing industry has been able to secure large export orders. The current world economic uncertainty will impact on the volumes, but not the orders as such."

It is debatable whether all OEM are in such a positive space...one hopes that a change in strategy can turn the tables in their favour. 

Samantha Barnes

Still exceeding expectations

Regulating the estate agency profession

The Estate Agency Affairs Board (EAAB), which has been reporting to the Minister of Trade and industry since 1976, was transferred to the Department of Human Settlements on 17 May 2012 by Proclamation of the President of the Republic of South Africa. The EAAB wishes to thank the Minister of Trade and Industry and the Department of Trade and Industry for a healthy and constructive relationship that we enjoyed over the years.

The EAAB welcomes the new relationship with the Minister of Human Settlements and the Department of Human Settlements. The EAAB looks forward to a mutual and harmonious development of a strong and beneficial

working relationship with its new Executive Authority.

The EAAB look forward to effective oversight, strategic support and enhanced governance that will steer the EAAB on a continued growth path through further development phases as the EAAB plays a vital role in South Africa's new democracy.

The mandate of the EAAB is built on five key regulatory pillars, namely Registration, Education, Inspection and Investigation, Disciplinary and Claims and its industry supervisory role in terms of the Finance Intelligence Centre Act. The core function of the EAAB is to enforce industry compliance through effective regulation. The EAAB is therefore responsible for ensuring that all qualifying estate agents are issued with a valid Fidelity Fund Certificate (FFC) on time in order for them to trade legally,

The EAAB is also responsible for the professionalisation of the industry by ensuring that every person trading as an estate agent acquires the right qualifications as prescribed in the legislation that came into effect on 15 July 2008.

The highly publicised cases relating to the misconduct of certain estate agents, managing agents and auctioning houses has increased the awareness in the estate agents profession for increased compliance with the Estate Agency Affairs Act.

To ensure full compliance with the Act, the EAAB continues to conduct regular inspections of all registered estate agents. Failure to comply with the regulatory requirements will cause the EAAB to take appropriate steps against that estate agent that may vary from disciplinary steps, to the appointment of a

curator depending on the sanction that is required for the offence.

The EAAB is empowered by the Act to protect consumers against unscrupulous estate agents and those estate agents who generally do not abide by the code of conduct. In achieving this, the EAAB has entered into strategic alliances with other public regulatory entities. This ensures that the regulatory mandate of the EAAB is extended beyond its own mandate and expands the consumer protection mandate concluded. The strategic alliance includes MOUs and alliances with the Independent Regulatory Board for Auditors, National Consumer Commission, Banking Association of South Africa and the Financial Intelligence Centre to name a few.

Furthermore, it is incumbent on the EAAB to ensure that all estate agents and estate agency enterprises comply with the provisions of both the Estate Agency Affairs Act as well as the Financial Intelligence Centre - since immovable property has been empirically identified as one of the major mechanisms presently being utilised for money laundering purposes in South Africa.

The EAAB has therefore, in accordance with its established inspections policy, undertaken to ensure that a minimum of 200 routine inspections are conducted countrywide per month.

Furthermore, the EAAB has also carefully considered and duly implemented innovative policies and procedures that have been specially designed to accommodate the real needs of stakeholders with specific reference to such matters as the facilitation of the timeous issue of fidelity fund certificates to applicants, the enhancement of the range of services provided by the call centre and simply ensuring that the EAAB is made more 'user friendly' and accessible to its many sector role players.

The EAAB is confident that these policies and procedures will achieve their stated objectives.

It may, as a result, be concluded that the housing sector will continue to experience

low nominal price growth. Further housing price deflation, in real terms, can also not be ruled out.

The expected result of the interaction of these factors, then, is that housing affordability will continue to remain favourable for consumers during 2012. While it is axiomatic that South Africa will probably always have an enormous need for the provision of housing, sight should not be lost of the fact that in many instances the housing focus seems gradually to have shifted, for reasons of both security and affordability, to smaller sized homes as well as to higher-density flats and townhouses.

It is apparent that the continuing demand for housing has already exerted a positive, and much welcomed impetus on the property and estate agency sectors as a whole. This trend is reflected in the increased number of fidelity fund certificates for both estate agents and firms that have thus far been issued by the EAAB during 2012. During 2011 a total of 49 980 fidelity fund certificates were issued by the EAAB to estate agents while, to date, some 52 304 fidelity fund certificates have similarly been issued.

It is common knowledge that government is presently contemplating the implementation of yet another large, infrastructural expansion programme

This R850 billion programme, which is being led primarily by state owned enterprises, will stimulate industrial development, create jobs and accelerate growth. Such an expansion programme has the potential to further encourage and invigorate not only economic growth in general but also household incomes in particular and is, as such, likely positively to impact both the property and building sectors to the benefit of all practicing estate agents irrespective of the differentiated sphere within which they may operate.

An ongoing concern, and one that cannot be ignored in framing this positive scenario, remains the fact that a large number of consumers will, for the foreseeable future, not be

able to take advantage of the more affordable housing environment.

Many consumers remain heavily encumbered by the high levels of debt, and consequent impaired credit records, which directly resulted from the adverse economic effects of the 2009 recession. This fact, unfortunately, militates against those consumers being granted the mortgage finance that they require for the purchase of their own homes.

Many more people remain unemployed. Under these circumstances both households and the financial institutions cannot be blamed for being cautious and for adopting a rather careful approach.

A corollary to this is that the affordable housing market should not be overlooked by stakeholders active in the sector as being a key growth area. It should also be recalled that the construction and property sectors are essentially cyclical in nature and that they are now just emerging from a particularly long and brutal period of decline and contraction.

In conclusion, the EAAB remains committed to fulfilling its statutory regulatory mandate in the most effective and efficient manner possible and that it offers services of the highest possible standard to all stakeholders.

It is incumbent on the EAAB to ensure that while consumers are fully protected in their dealings with professional estate agents the legitimate interests of those estate agents are not neglected but, indeed, are afforded the necessary care and attention that they deserve.

*Bryan Chaplog
Acting Chief Executive Officer*



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Marikana bloodbath

Guest columnist, Letepe Maisela, relives the day a nation lost its virginity – at just 18

August 16 will permanently be etched on the South African psyche, as the day the new democratic state lost its innocence. This country has thus far stood on the moral high ground of having attained liberation through a negotiated settlement and not through the barrel of a gun.

The new State was born, espousing democratic ideals that the outside world can only marvel

at. But the mowing down by South African police of protesting miners armed with sticks and spears, signified a new era of dealing with violent protests by the government, which brought back unpleasant memories of the apartheid days. What happened in Marikana (a town in Rustenburg local Municipality in the North West province) is a big blot on our new democracy, which was founded largely on the principles of respect for protest and human life. It is, however, the aftermath of the tragedy that makes even more tragic reading.

The new Police Commissioner after being briefed by her top brass soon ruled that the police acted in self-defence when faced with a charging and heavily-armed mob of protesting miners. The veracity of this assessment is still to be verified through a commission of inquiry appointed by President Jacob Zuma.

Zuma had to rush to quell the situation in Marikana as it had created a leadership vacuum, with mining officials, trade union leadership and local politicians all conspicuous by their absence at the peak of the crisis.

This provided an ideal opportunity for people like erstwhile ANC Youth League President, Julius Malema, to fill this void and assume a leadership role. It is a gesture that was wildly embraced by the grieving and angry miners, while equally receiving mixed reactions from broader society.

In the aftermath of the Marikana incident, the big question to ask in hindsight is: Could the events which led to the killing of 44 people in Marikana have been averted?

The history of mine protests in South Africa dates back to 1922, when white striking miners brought Johannesburg to a standstill, and had to be subdued by shelling and bombing, by the government of General Jan Smuts. (The Rand Rebellion of 1922 was an armed uprising that is also referred to as the Rand Revolt or Red Revolt). So this violent reaction by the State is nothing new. Black miners jumped on the bandwagon of mining protests much later, on 5 December 1982, when the National Union of Mineworkers (NUM) was formed.

The union soon entrenched itself as the largest collective bargaining agent. It subsequently became a thorn in the flesh of the government of President PW Botha, which persistently harassed and imprisoned the union's top leadership.

Ironically, the first general secretary of NUM is none other than Cyril Ramaphosa, who is a shareholder and director of Lonmin; (the owners of the mine where the Marikana tragedy occurred).

NUMs manifesto clearly stated that it was involved in a class struggle, one embedded in the inherent contradictions that exist between capital and labour. Since inception, NUM has led many strikes aimed at, among other things, reducing fatalities in the mining industry and general improvement of the socio-economic lot of its members.

So, what has changed since then? Fast-forward to Lonmin-Marikana 2012, and the same miners are still involved in a class struggle. And the struggle is still in black and white. The colonial and apartheid era mindsets,

that relegated black miners to a mere source of cheap expendable labour, still persists.

These miners risk life and limb every day, digging for the precious metal that fetches good prices in foreign currency at the London and New York stock markets, have nothing to show for their efforts, in terms of improved living standards.

They wearily emerge from the bowels of the earth and trudge home, in most instances, to nothing but a corrugated shack in an informal settlement mired in squalor and poverty. This is in stark contrast to their mine bosses, who retreat to their air-conditioned suburban dwellings, riding in the comfort of their luxury SUVs.

The apartheid regime was at least sincere, in its belief that black workers were temporary sojourners in white urban areas, and that their presence there was at the prerogative of their white bosses. It was for this reason that the regime could not accord black workers any form of permanence in those designated areas.

Urban black dwellers were thus not allowed to own houses, but were awarded government housing in areas aptly called 'locations' – very similar to film locations in Hollywood, which are erected just for the duration of shooting a movie.

It would seem that this ideology of non-permanence of black workers in the mining industry of the new South Africa, still persists.

With the price of gold and platinum riding the crest of the wave, why do some mining companies, such as Lonmin, not consider providing decent housing and recreational facilities for black employees? It can thus be concluded that a combination of these socio-economic factors fuelled the tension between the miners and management. When the disgruntled miners embarked on a "wildcat" strike a week prior to 16 August, mine management's reaction was predictable.

They summoned the police. In hindsight, one must understand why the macabre outcome was inevitable. Pitting semi-literate angry miners, armed with sticks and spears, against the ill-trained and ill-prepared police,

equally armed to the teeth with powerful automatic rifles, could only have one consequence – massacre!

In the absence of effective leadership on both sides of the dispute, this was akin to lighting a fuse in an armoury.

What lessons can South Africa learn? The prompt appointment of a Commission of Inquiry is to be applauded. However, this was soon undone by the arrest and charging of some of the protesting miners.

It appears that in the higher echelons of government, the left hand seldom knows what the right one is doing.

I do not see how a commission of inquiry can run its inquisition, parallel to a prosecution of the same parties.

My layman's knowledge of law tells me, this would surely compromise the subjudice principle.

As for the South African Police Service, they need to revise their training methods to bring them up to par with civilised models of effective crowd control.

During the austerity protests in Spain and Greece recently, police were seen armed only with batons and shields, while facing and controlling mobs who were throwing petrol bombs at them, without firing a single shot.

Our police should be exorcised of the apartheid era syndrome, of always trying to show some form of *kragdigheid* (raw power), even when the situation does not warrant it.

As for our government, this country needs to be rescued from the precipice by resolute and caring leadership.

From our political principals, we expect an exhibition of statesmanship and not pandering to sectarian political whims of parties caught up in a pre-Mangaung paralysis.

This country is hurting and is in need of a national catharsis.

BBQ

*Letepe Maisela
Management Consultant and published author of The Empowered Native, 2005.*



MEC Clifford Motsepe was recently awarded the PMR Award for best Pro-Active Political Leader

A better life for all

Serving the community brick by brick

The Limpopo Department of Co-operative Governance, Human Settlement and Traditional Affairs (CoGHSTSA) launched a Disaster Management Campaign during the Easter weekend earlier this year, communicating and raising awareness on disaster prevention and mitigation. CoGHSTSA organised a National Youth Build in Molemole, where hundreds of youth volunteers built 76 quality houses in three weeks.

Keeping to the spirit of serving the community the department formed the Kgatla Commission to resolve issues involving over 500 headmen and senior traditional leaders in the province.

Since 2009, CoGHSTSA has scooped over twenty awards, both provincially and nationally – including Department of the Year provincially three years running.

The department still holds the 2008 Govan Mbeki Human Settlements Award trophy, and is the only CoGHSTA department that nationally received a clean audit and has been recognised by Auditor-General Terence Nombembe. Recently the department and the MEC, Clifford Motsepe –was honoured with yet another award, when they received the Public Sector Visionary award at Van Ryn's 10th anniversary BBQ Awards,

Where tribute is paid to those who spear-headed our economic transformation while highlighting the progression of South Africa's leaders.

BBQ spoke to Mr Motsepe to get a better idea of what the department plans to do to make their visions a reality.

The Department of Co-operative Governance, Human Settlements and Traditional Affairs (CoGHSTA) has been a beacon of excellence. Please share your leadership insights with our readers.

When given a responsibility to lead, it is important to familiarise yourself with relevant covenants applicable to the organisation. This will not only help in carrying out every responsibility within the four corners of the law, but will also ensure that you are ahead of your peers.

Furthermore, if the system is working, you should not tamper with it. When I joined the department in 2009, I found men and women who were dedicated to their work. Part of what we did was just to acknowledge the work they were doing. We motivated them, recharged their energies and made them take ownership of leading the department. The rest is history.

What is your vision for the department going forward?

Our ultimate vision is to implement clean, accountable, transparent, responsive, effective and efficient local Government, with all 30 of our municipalities getting clean audit opinions by 2014. Most importantly, municipalities must live up to their core mandates (number one being service delivery) in the most effective and efficient manner.

This vision is only achievable if leadership at municipal level is up to the task at hand. One of our weaknesses in local Government is the inability to implement sustainable forward planning. The day forward planning is entrenched in the municipal system, half of our problems will be solved. This is the only way in which we can turn the 10 identified provincial growth points (e.g. Lephalale, Tubatse, Makhado-Musina Corridor, etc.) into cities.

From a provincial perspective, how are you faring in terms of meeting targets for provision of decent housing, measured against demand?

In the last two financial years we have built approximately 46 000 low cost quality houses, acquired strategically located land in Lephalale and are in the process of completing the first Community Residential Units in Seshego, among other accomplishments.

We have joined hands with the private sector and other social partners to realise integrated sustainable Human Settlements. In partnership with Anglo Platinum, we will be building 8 000 decent houses for mine workers in Thabazimbi. We have a seamless process of identifying development areas well in advance for the next financial years. This was made possible by our Multi-Year Housing Development Plan. Admittedly, the apartheid spatial footprints are very stubborn, but our work is visible on the ground, and the Freedom Charter remains our guiding beacon.

What preventative measures does your department apply in the sphere of quality control in provision of housing?

Housing units are enrolled with the National Home Building Regulatory Council (NHBC), which is the custodian of quality control in the built environment. We are duty-bound to deliver quality service and nothing else, therefore we have a deliberate intervention to enhance quality through the engagement of joint inspections – a departmental project manager, municipal project manager and NHBC inspector who certify the quality of all our housing products. As a demonstration of how serious we are in ensuring that quality remains a thread in our management value chain, we have blacklisted 24 contractors who have done shoddy work; we are still a leading department nationally in this regard. Quality workmanship is now part of our culture in the department.

How do Limpopo's migration patterns affect the the pressure on your department to provide management?

Planning and delivery of housing or human settlements in general involve an imagined journey into the future, where outcomes are uncertain and opportunity and peril co-exist. In its most elementary form, 'migration' is the result of certain push and pull factors. From the 2001 Census and the 2007 Community Survey, Limpopo has experienced a negative net-migration of 141 000 people to other provinces since 2006. The migration out of the province could possibly be from rural areas with lack of opportunities, whereas migration into the province could be to destinations such as growth point areas, and specifically Lephalale, Polokwane, Tubatse and Musina. However, we endeavour to address the internal migration patterns, and to that end the department has employed other housing typologies, like Garena Institutional Housing and Community Residential Units in Polokwane, which is the economic hub of our province.

What does your 2030 vision entail?

Our vision as Human Settlements is to build the very first democratic cities in locations such as

Lephalale, Tubatse and Musina. We want to see the total eradication of the housing backlog in the province and the creation of integrated community settlements encompassing facilities and amenities like schools and hospitals, and most importantly commercial and industrial areas within reasonable distances from residential areas. The other thing that we would like to do is to encourage and facilitate the People's Housing process, where residents can construct their own houses, thereby making them less dependent on government. Ours is a developmental and not a welfare state. It is therefore important to solicit greater buy-in from the corporate sector as a partner, including labour and community stakeholders in campaigns such as the "Each-One-Settle-One" launched by the National Minister of Human Settlements, Tokyo Sexwale. There is a lot that needs to be done, and government cannot do this alone.

Could you please elaborate on your 10 Growth Municipalities Plan?

The Provincial Growth Points Municipalities Programme (PGPM) is a strategic intention to implement the Limpopo Spatial Development Framework (SDF) and the key elements of the National Spatial Development Framework (NSDF), which both affirm that a maximisation of the economic space should underpin integrated planning and development. Each of these municipalities has established urban nodes and industrial clusters that should be harnessed to support sustainable urban development and economic development as per the Limpopo Employment Growth and Development Plan.

To what degree has your department empowered SMMEs on the ground with regard to adherence to the 30-day payment window?

This department is committed to local economic empowerment, as we demonstrated through our eight payment days in a monthly cycle, which provided an opportunity for our service providers, including SMMEs, to be paid within four days of submitting an invoice. Since the province was placed under Section

100 of the Constitution of RSA, the payment cycle has been reduced to two times a month: this effectively means that we are paying service providers within 15 days of receipt of an invoice, a standard that still surpasses the country norm of a 30 day payment window.

What measures are in place to ensure that reputable service providers are being used?

The appointment of our contractors and service providers is done on the basis of assessment and evaluation of proposals which contain their full particulars and related compliance documents (tax clearance certificates, registrations with professional bodies, list of previous clients for reference purposes). We also ensure that our contracts are signed by the legitimate company's directors and managing members, and that their identity numbers appear on the face of the contracts.

In 2011 the department took a stance and blacklisted 24 contractors (together with their directors, shareholders and managing members). These companies will not do business with Government for the next 10 years. Furthermore, the information has been submitted to the Special Investigative Unit (SIU) for crossbill criminal prosecution.

What is your department's approach to Public/Private Partnerships?

The government cannot do everything alone. The provincial department has forged a partnership with Anglo Platinum to construct 8 000 houses for the gap market in Northam, under the jurisdiction of Thabazimbi Local Municipality. We have in the past three years built 36 houses for poor people from the province in partnership with SABC and Capricorn FM, through the "Celebrity Build A House" programme. All these houses were fully furnished and handed over to beneficiaries courtesy of public and private partnership.

For more information, contact Dieketseng Diale, Chief Information Officer.

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Lie of the land

Despite the best of intentions, land redistribution remains a work in progress



The complex land restitution issue in South Africa has once again come under the spotlight after the ANC replaced the willing buyer, willing seller policy with expropriation, at the ruling party's policy conference held in Midrand in June.

The decision comes amid fears by opposition parties and agricultural groups, that government would amend the property clause, to remove the right to compensation.

The new policy is based on section 25 of the Constitution, which states that expropriation of land must be accompanied by reasonable compensation.

Minister of Agriculture, Forestry and Fisheries Tina Joemat-Pettersson said at the conference that the valuer general would decide on the price of land to be expropriated.

It was also decided that expropriation without compensation, would only happen when land was acquired illegally.

Controversy and criticism have plagued the land reform and restitution programme since

it was first launched in 1998, to address the forced removal of people from land through the 1913 Land Act and other apartheid statutes.

Recently, the deputy president of the ANC Youth League, Ronald Lamola, called for the Constitution to be changed to allow land expropriation without compensation.

The league also warned of Zimbabwe-style land grabs, unless whites surrendered their land. The fact that Minister of Rural Development and Land Reform, Gugile Nkwinti, admitted in his 2012 budget vote speech that government had only achieved a quarter of its target to

redistribute 30% of South Africa's agricultural land by 2014, probably also did not do much for the preservation of the willing buyer, willing seller policy.

And neither did allegations of price distortions for land paid for by government, which prompted Nkwinti's department to set up a joint task team to look into claims that farmers are charging government above market value rates for land. But AgriSA's – which promotes the development, profitability, stability and sustainability of commercial agriculture in South Africa for its members – president Johannes Möller has said that the willing buyer, willing seller dispensation is often misunderstood and wrongly cited as the reason for excessive prices being paid for land by government.

While agreeing that the process of acquiring land should be questioned if higher than market-related prices are paid, Möller says role players between farmers and the state; should shoulder blame for excessive prices, rather than farmers.

He says the willing buyer, willing seller policy is a well-known concept used for taxation and accounting purposes and depicts transactions taking place on an arms-length basis between unrelated parties.

Willing buyer, willing seller is thus a notional concept of how transactions in a market-related economy should take place.

Any deviation from this can, therefore, not be regarded as an integral characteristic of the concept but should be attributed to factors like fraud, excessive market power by certain parties, the market for land not being transparent, valuations not properly done or an artificial demand having been created by government involvement, for instance. The African Farmers Association of South Africa (AFASA), a representative and unitary body committed to driving the establishment of competent and successful commercial African farmers, has lauded the ANC for taking "decisive and radical" steps to turn around the current state of land reform.

The organisation conceded that the willing buyer, willing seller approach has not been effective for transformation purposes and that it has led to the exploitation of black farmers.

AFASA president Mike Mlengana welcomed the establishment of a valuer general and said this would be to the advantage of both buyer and seller, as selling and buying would be dictated according to prices regulated by the market.

He said this is not happening at the moment. Mlengana says the top three challenges facing black smallholder farmers are a lack of access to land, a lack of finance and a lack of access to markets, as generally big established farmers tended to dictate market prices.

He says AFASA is currently in talks with the Land Bank and big commercial banks, to get them to assist smallholder farmers with finance.

"We have also, in partnership with government, secured an agreement with Walmart and Makro to support emerging farmers by sourcing goods from them.

"This would encourage farmers to increase their (growth) capacity and would put to bed the issue of food security, as they would start producing on a bigger scale," Mlengana said.

President Jacob Zuma, in his speech at the ANC policy conference, reassured the nation that a comprehensive audit of state owned land and surveys of state owned land must be completed by December.

The conference proposed for the state to scale up the recapitalisation and development programme and the Comprehensive Agricultural Support Programme (CASP), to include communal areas, and recommended against ownership of South African land by foreigners in principle.

Recommendations made at the policy conference would be taken back to ANC branches for further discussion and input.

They would be presented at the ANC's national conference in Mangaung in December, where they would be adopted as official policy. This would then inform government legislation and policies.

Progress

According to a government mid-term review report released in June, Minister in the Presidency for Performance Monitoring and Evaluation, Collins Chabane, South Africa

transferred over 6.8 million hectares of land to people dispossessed in the past.

This represents 27% of government's target of transferring 24.5 million hectares by 2014.

The report reviews the progress made by the current administration at the November 2011 mid-point of its 2009/2014 electoral term.

It indicates that from 2009 to December 2011, about 823 300 hectares of land were acquired and allocated to 20 290 beneficiaries, an improvement over previous years that "indicates that our systems are improving".

In addition, 76 368 land claims relating to 2.9 million hectares of land under the Land Restitution Programme, were settled.

A total of 712 of these claims, for 292 995 hectares, were settled between 2009 and December 2011, against a target of 1 845 claims for the period.

Challenges

The report also points to some of the realities associated with the complex land issue in South Africa.

"The process of acquiring and distributing a particular piece of land is often lengthy, and this escalates the cost of redistribution, because the former owner stops investing in the land," the report states.

"Many of the farms are, therefore, in a poor state of repair at the point of acquisition."

In addition, the report finds, there is often a decline in productivity on redistributed farms.

This led to the adoption, in November 2010, of a recapitalisation programme aimed at increasing food production and job creation through the commercialisation of small farmers.

By December 2011, 595 farms were in the process of being rehabilitated. However, the report notes, the focus of rehabilitation has been on rebuilding infrastructure, and there is a risk that, without adequate farmer support and development, the farms could again decline in future.

Also, some of the beneficiaries have indicated that the policy of allocating land to them on a 99-year leasehold basis was an impediment to investment in the land, and that they would prefer full ownership.

"However, this could result in beneficiaries selling the land.

"There is a need for this challenge to be investigated further to ascertain the degree to which it is limiting the success of the transferred farms," the report says.

Better post-settlement support needed

Inadequate post-settlement support and lack of suitable markets; mean that few land reform beneficiaries are progressing into sustainable farming enterprises.

Less than one in 20 land reform beneficiaries have benefited from either CASP grants or Micro-Agricultural Finance Institutions of South Africa (MAFISA) loans.

Officials also note that 11 000 new smallholder farmers have been established since 2009, out of a target of 50 000.

Although support has been provided to both new and long-established farmers through programmes such as CASP, Letsema Circle, the Recapitalisation and Development Programme and MAFISA, only a marginal number of 5 381 smallholders are involved in agribusinesses and a mere 3 910 are linked to markets.



Minister of Rural Development and Land Reform, Gugile Nkwinti

"To achieve success, smallholder farmers require a comprehensive agribusiness support package, including favourable commodity pricing, access to finance, provision of technical expertise and mentorship and contracted markets," the report states.

"However, no convincing support package is yet in place; government initiatives tend to cause dependency, and the sector is struggling.

Government should consider providing better incentives for commercial farmers who are willing and capable of mentoring smallholder farmers.

"More support is needed for farms in distress and incentives are needed for interventions to strengthen [existing] services and to encourage the adoption of new production and processing models," the report said.

Investment in agriculture and agro-processing is central to food security in South Africa, as farmers' incomes and agricultural job creation, are highly dependent on global economic conditions and global markets, the report notes.

This, combined with challenges such as climate change and uncertainty around land reform, has resulted in a decrease in the number of commercial farmers, a decrease in total production levels, a higher volume of food imports and higher food prices.

The report suggests that this has discouraged new entrants into the sector, which in turn is prejudicing its contribution to job creation. **BBQ**

Daniel Bugan



CEO of Kumba Iron Ore,
Norman Mbazima

Leading with an iron fist

Norman Mbazima steers Kumba into the future

With Norman Mbazima's (54) appointment as the new chief executive officer (CEO) of Kumba Iron Ore Limited (Kumba) on 1 September 2012 the company is set to continue its successful journey into the future, as the Zambian-born family and businessman is not only passionate about the mining industry, but is driven to ensure Kumba's continued success.

The Anglo American stalwart joined the group in 2001, and his positions within it have included global CFO for Anglo Coal (as it was known then), and executive director of finance at Anglo American Platinum Limited in 2006. He later stepped in as joint acting CEO.

Mbazima was appointed as CEO of Scaw Metals in 2008 and, until recently, was the CEO of Anglo American Thermal Coal. "I thoroughly enjoyed my three years at the helm of Anglo American's Thermal Coal business, and am particularly proud of the contribution that we made to securing South Africa's electricity needs, through our successful collaboration with Eskom," he says.

Mbazima brings a wealth of experience to Kumba, across a number of mining businesses, from copper and platinum to coal. He has intimate knowledge of the South African mining landscape and of Kumba's key logistics partners, which will help him to build on the company's success.

"Kumba is a South African success story and offers exceptional value. I look forward

to continuing to drive the company's growth strategy for the benefit of all stakeholders including our shareholders, government, employees and the communities in which we operate. I want to continue this trend and make an impact by providing added value through passionate leadership and a perspective honed through my experience in Africa," he says.

Mbazima regards his appointment as CEO of Kumba as one of the highlights of his 32-year mining career, which includes the privatisation of the mining industry in Zambia; negotiating Anglo American's exit from Zambia; restructuring Anglo Coal following its substantial

the community," he says. Mbazima has been married to Lillian for 27 years and has three children in their 20s. "I am most definitely married, and every single member of family, including extended family, is very dear to me," he says.

The Hurlingham, Johannesburg, resident comes from a very large family of 20, and Lillian has 10 siblings. "I am used to being part of a big team of people who lean on each other. I think that's why being part of team – a successful team – in my work life is so important to me," he says.

As with his family, all people are very

"You can achieve a lot with very little as long as you have the support of your family and the community"

growth as a result of buying assets from Shell; negotiating and concluding the Anglo Platinum empowerment deals; commissioning the new Zibulo mine; and leading Thermal Coal to its highest profits ever.

The family man has made great strides since his impoverished childhood in rural Zambia. "You can achieve a lot with very little as long as you have the support of your family and

important to Mbazima. "The success of any organisation begins and ends with its people. I will be getting to know the people that I am working with to ensure that we can all put in our best effort for Kumba. Team work is extremely important and I will ensure that our teams continue to be productive and work effectively to produce good results for the benefit of all stakeholders."



The massive P&H 560 in the middle section pit at Sishen mine

Kumba, a member of the Anglo American plc group, was formed in November 2006 when the iron ore assets of Kumba Resources Limited were unbundled and listed separately on the JSE Limited. It is now a leading value-adding supplier of high quality iron ore to the global steel industry.

Anglo American is one of the world's largest mining companies, and its portfolio of high-quality mining assets and natural resources spans bulk commodities – iron ore and manganese, metallurgical coal and thermal coal; base metals – copper and nickel; and precious metals and minerals – in which it is a global leader in both platinum and diamonds.

It operates in Africa, Europe, South and North America, Australia and Asia.

Sishen Iron Ore Company, Kumba's operating company, is fully empowered in terms

of the 2014 equity ownership requirements, as set out in the South African Mining Charter, and its shareholders include Exxaro (20%), Community Trust (3%) and employees below management (3%).

Just as Kumba adds value to the ore it supplies, it adds weight to the meaning of the words quality, reliability and consistency.

"These three words epitomise our approach to business – an approach that is as unique as our product. We prefer to prioritise quality rather than quantity, a commitment that allows us to focus on anticipating the needs of a select range of customers.

"The physical properties of our African iron ore have enabled us to create niche products that enhance operational efficiencies for our steelmaking customers. This focus on sustainable partnerships drives all our initiatives so

that Kumba can evolve from simply being an efficient miner of iron ore to becoming a value-adding strategic supplier of iron ore," Mbazima adds.

Not all iron ore is created equal. The highest quality and most important iron ores for steelmaking are magnetite (Fe_3O_4) and hematite (Fe_2O_3). Hematite is the more sought-after ore and the preferred raw material in the steelmaking process. Kumba accounts for approximately 95% of South Africa's iron ore production. Overall, Kumba's iron ore reserves are graded at 65.2% of iron but it produces two unique lump ore products graded at 66% and 64% of iron.

Kumba's Sishen mine is the only hematite ore producer in the world that beneficiate its product. This is made possible through dense medium separation (DMS) and jig technology.



At Sishen Mine there are two processing plants, the jig plant which uses pulsating technology to separate iron-bearing material from waste material, a R5.1-billion investment that helped expand production capacity by 13 Mtpa in 2010; and the DMS plant.

Kumba's mines

The bulk of Kumba's iron ore production comes from Sishen mine, located in the Northern Cape Province near the mining town of Kathu.

Opened in 1947, Sishen mine is Kumba's flagship operation and one of the largest open-pit mines in the world. It operates 24 hours a day, seven days a week and in 2011 produced 38.9 million tonnes (Mtpa) of iron ore.

Sishen mine has sufficient resources to sustain 21 years of production. Most of its iron ore is exported, and around 5.1Mt of

its production was supplied to South African ArcelorMittal in 2011.

All mining is done by open-cast methods, with ore transported to the beneficiation plant where it is crushed, screened and beneficiated. Iron ore products, conforming to different chemical and physical specifications, are produced.

"The start of Bokamoso, the asset optimisation programme that seeks to improve operational efficiencies and enhance revenue, was the first step towards Kumba's goal of Sishen mine becoming one of the best mines in the world.

"The project was completed five months ahead of schedule, on budget and with zero harm in 2011," says Mbazima, who sites this as one of Kumba's most significant achievements. The mine will ramp up to design capacity of 9Mtpa of direct-shipping ore for export in 2013," says Mbazima.

Thabazimbi mine has been operating since 1931 and produces primarily high-grade haematite ore (more than 62% iron (Fe) content). It is situated approximately 250km north of Johannesburg in the Limpopo Province.

Current mining activities take place in three pits, using conventional opencast methods (including blasting, drilling, loading and hauling), and ore is processed through a single processing facility.

Post-2016, Kumba's Project Phoenix will come on-stream at Thabazimbi as a new commercial mine to replace production from the current mine.

Kumba launched Project Phoenix, to implement the best way to extract and beneficiate the project's ore resources.

"We believe this can result in a new commercial operation producing around 3.4Mtpa," Mbazima explains.

Thabazimbi mine's product is currently sold exclusively to ArcelorMittal South Africa.

Total iron ore production was 0.9Mt for 2011, in line with the progression towards the end of life of mine and reduced off-take from ArcelorMittal. Kolomela mine is one of Anglo American's Big Four expansion projects alongside Barro Alto in Brazil (nickel), Minas Rio in Brazil (iron ore) and Los Bronces in Chile

(copper). The mine is situated in Postmasburg in the Northern Cape.

Kumba's ore is a superior product that promises operational efficiencies and demands a highly efficient logistics environment to meet customers' production timelines. While Kumba does not own the full rail line from mine to port, the company is increasingly involved in the logistics value chain to ensure that it delivers on its stated aim of being a value-adding iron ore supplier to its customers.

The port of Saldanha Bay is the only dedicated iron ore export facility in South Africa and is larger than the country's other four major ports combined. "Its rail link to Sishen and Kolomela mines makes it the gateway of choice for exporting seaborne iron ore to Kumba's international customers," says Mbazima.

"The philosophy that drives us is supported by quality, reliability and consistency. Kumba is an accredited ISO9001 producer, with a laboratory that is ISO17025 accredited. The company also has ISO18000 and ISO14001 environmental accreditation," he adds.

Strategic focus

Following an intensive strategic review in 2011, Kumba reaffirmed its commitment to the four pillars of its strategy, namely optimising value of its current operations; capturing value across the value chain; delivering on growth projects, and organisational responsibility and capability. The company optimises the value chain of its operations by pursuing a value-maximising product portfolio that seeks the best fit between market demand and its resources.

"We contain unit costs, and improve productivity and operational efficiencies through our asset optimisation programme," Mbazima explains.

The group also uses technical expertise and resources to drive a technology strategy that achieves the competitive advantage by increasing the exploitation of lower-grade ore resources and securing growth from South African and future African resources.

Kumba captures value across the value chain by exploiting the physical properties of its ore



to develop niche lump-sized products, pursuing an optimal iron ore pricing mechanism, and securing a balanced geographical spread of customers to maximise profits and minimise risk. "The group's Ocean Freight Management strategy will create value and protect free-on-board margins through the use of various long-term freight instruments and potential investment in ships and through port stockpiles. Kumba will investigate blending opportunities at its current operations, ports of origin and/or destinations to enhance ore utilisation and achieve optimum product value," says Mbazima.

The third leg of its strategy, delivering on growth projects through their successful execution, ensures that Kumba will pursue greenfields and brownfields growth targets in South Africa, use its existing lower-grade resources, and secure and protect its requisite logistical capacity in the short-, medium- and long-term at economical tariffs. "The group will seek value-enhancing volume growth in Africa, with a particular focus on west and central Africa, in partnership with Anglo American plc," says Mbazima.

In line with this strategy Kumba together with Anglo American recently announced a greenfields exploration tie-up with Liberia-based

Jonah Capital, which will partner with Kumba in two exploration ventures at Liberia's Gbarnga and Kalasi. "We continue to look at and assess a broad spectrum of options, ranging from near-development projects to early-stage green-fields opportunities in several target countries in central and West Africa. We are not forced to make any decisions in a hurry and we will not bet the company on an African expansion – we will wait for the right opportunity," says Mbazima.

The fourth leg of Kumba's strategy is to ensure organisational responsibility and capability.

Kumba will seek to create and leave a positive legacy in the communities in which it operates, and through its commitment to safety and health, environmental management and corporate social investment, become the partner of choice for the broadest range of stakeholders.

"Kumba's structure, resources and competencies will be aligned to ensure delivery of its current and emerging strategy of being a leading African growth company," Mbazima explains.

Sustainable and effective social and community development (SCD) is an integral part of Kumba's business model at all stages of the

life of a project, from prefeasibility through to operation and closure.

"Our approach to SCD is holistic and multi-pronged, identifying and addressing real needs through interventions in support of improving local infrastructure, facilitating the establishment of small and medium enterprises, improving education and health services, increasing community safety and alleviating poverty," Mbazima explains.

The way in which Kumba executes its social and labour plans results in it automatically complying with the Mining Charter. "Our programmes and projects are based on good research and are suitable and necessary for the people and areas for which they are intended."

The man, who firmly believes in values and integrity, is the chairman of the Anglo American Chairman's Fund and director of Zimele, Anglo's Empowerment Initiative. "The communities are a large part of us and I hope to continue to work with them in my individual capacity, but also as part of Kumba.

"We should aim to add value to the communities in which we work by not only assisting them in achieving sustainable livelihoods but also in managing acquired wealth in a sustainable fashion," says Mbazima, who enjoys working with and supporting the community.

R2 665 BILLION TOWARDS CHANGING THOUSANDS OF LIVES



IT IS ALWAYS WONDERFUL TO HELP FULFILL THE HOPES AND DREAMS OF PEOPLE CLOSE TO YOU. WHICH IS WHY AT KUMBA IRON ORE, A BUSINESS UNIT OF ANGLO AMERICAN, WE WERE PROUD TO SHARE R2 665 BILLION AMONGST OUR 6 209 PERMANENT EMPLOYEES IN DECEMBER 2011, THROUGH THE ENVISION EMPLOYEE SHARE PARTICIPATION SCHEME.

THIS SCHEME FOR NON-MANAGERIAL STAFF BENEFITS PEOPLE LIKE PATRICK MOAMELA, AN OPERATOR AT OUR THABAZIMBI MINE, WHOSE FAMILY WAS RELIEVED FROM THE BURDEN OF DEBT. HE IS USING THE REMAINDER OF HIS PAYOUT TO TURN THE FOUR BEDROOMED HOUSE HE HAS JUST BUILT INTO A HOME.

FROM ALL OF US AT KUMBA IRON ORE, WE WOULD LIKE TO THANK OUR EMPLOYEES FOR PARTNERING WITH US THESE PAST FIVE YEARS, AND WISH PATRICK AND THE THOUSANDS OF OTHERS WHO WORK WITH US, WELL FOR THE NEXT FIVE.

FIND OUT MORE AT
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PATRICK MOAMELA AND HIS FAMILY
Thabazimbi Mine



A group-level SCD department guides stakeholder engagement and reporting and the implementation of Kumba's SCD strategy specifically related to enterprise development initiatives, particularly at a local level with the support of Anglo American plc's Zimele programme.

Its education projects are aligned with national education priorities, and it places a great emphasis on early childhood development, Grade R and primary school education, while simultaneously assisting with support for essential infrastructure and teacher development.

"We are also focussed on skills development, including capacity-building programmes for school leavers who cannot afford tertiary education, and the provision of relevant training in local communities," says Mbazima.

Kumba also has health and welfare projects, in partnership with or in support of government initiatives, to improve community access to quality health care by investing in health infrastructure (clinics, mobile clinics and hospitals); primary infrastructure projects which create environments that are beneficial to its employees and communities, as well as a number of local economic development and socio-economic projects.

In 2011, Kumba's total SCD expenditure amounted to about R185 million (2010: R134-million). Of this, R43 million went to covering Kumba's social labour plan commitments. Together with the company's inter-Anglo American contribution, this amount adds up to R191-million.

Kumba's Interim Results

Kumba's interim results for the six months ended 30 June 2012 showed record export sales and revenue in an increasingly challenging market.

Kumba's solid focus on operations and strategy delivered another strong set of first-half results. This is ongoing proof that we are executing our strategy and continuing our excellent track record of delivering superior shareholder returns – R16 billion since 2007.

Kumba has continued its strategic investment in the business to support its long-term growth initiatives, which has had an anticipated impact on costs. It was especially pleased with Kolomela which is ramping up well - ahead of guidance, ahead of the investment proposal and with a record safety performance. The mine produced 3.3Mt during the first half, more than double the 1.5Mt in the fourth quarter of 2011.

Kumba's balance sheet remains strong and continues to provide a buffer against a volatile global economic environment. In addition, Kumba has maintained a world-class safety performance, with no loss of life since 2010.

As for the future, the planned increase in waste mining at Sishen mine is expected to continue, which will support an improvement in production rates at the mine during the second half of 2012. Production at Sishen mine for the full year is anticipated to be in line with 2011 levels.

Should Kolomela continue with its current ramp-up performance, the mine should exceed guidance and produce at least 6Mt in 2012.

Export sales volumes in 2012 are expected to grow by between 3Mt and 4Mt from those achieved in 2011 as volumes from Kolomela ramp-up will be offset by lower stock volumes at Sishen.

Kumba's growth target of achieving 70Mt in South Africa by 2019 remains intact, with studies in progress to establish a second mining footprint in West Africa.

The group's total revenue (including shipping operations - R1.7-billion) of R25.2-billion was 5% higher than in 2011. This was principally the result of an increase of 13% in export sales volumes achieved and a weaker Rand/US Dollar exchange rate, offset by a year-on-year weighted average decrease of 21% in export iron ore prices. Kumba achieved a 45% growth in turnover from shipping operations to R1.7-billion.

The group generated R13.8-billion during the six months. At 30 June 2012 it had a net debt position of R0.7-billion (R1.6-billion net cash at the end of 2011).

On the back of record export sales – 19.5Mt of Kumba's ore was shipped in the first half of 2012 - Kumba realised strong prices in the first half of 2012.

Mbazima not only comes across as a quietly confident businessman, his absolute surety about the company and its approach to doing business leaves a lasting impression.

When he is not working you will find him strutting his stuff on the golf course or absorbed in wildlife. "I love wildlife and everything to do with it from conservation to photography and paintings," he says.

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Farmlands to lease

Is it ethical to allow foreign investment in local farmlands to ensure global food security?

Michael van Wyk, Consumer Business Leader at Deloitte in the Western Cape, believes agriculture plays a primary role in starting the overall road map for development in Africa, as a contributor to global food security, but feels that there are far greater moral and ethical concerns that need to be considered.

"It is not a simple case of economics," he said. "Africa is one of the few places on earth with seriously underutilised potential in almost every sector, but the first thing that strikes you as you move around the continent is how much land seems to be lying fallow. Land ownership is, however, a hugely controversial and emotive subject in Africa," added van Wyk.

Farmsecure CEO, Jerome Yazbek, agreed that land was one of the most important commodities.

"All the resources that we need to sustain ourselves as a human race are either mined or farmed, making these the two most relevant industries of our time," van Wyk said.

Van Wyk pointed out that the danger lies in the power and capacity placed in the hands of big commercial farmers by the global pressure for food production. These large-scale enterprises buy up immense tracts of land, but often have little or no regard for those living on and working that same land and the long-term sustainability of the surrounding communities.

The most recent example was in South Sudan, where subsistence farmers were ultimately pushed off the land altogether.

This again raises the question: Is it ethical to allow foreign investment in farmland to secure global food sources?

The dramatic increase in food prices is driving demand for land acquisition around the world.

In the last decade alone, China has shown enthusiasm for acquiring land in Africa and other countries. Recently, many more countries have followed the Chinese example explicitly to help meet their own food needs.

The Chinese, it seems, remain uncomfortable relying upon the globally traded markets for their food needs. Their solution for food security is to control access to land and water, thereby making land acquisition in other countries the obvious answer.

According to the United Nations Food and Agriculture Organisation, nearly 20 million hectares of farmland, almost half the size of all arable land in Europe, was sold or had been negotiated for sale or lease in Africa by 2010.

A World Bank report published in September last year found that almost 30% of land deals in Africa were still awaiting approval from various governments.

Barely one in five had resulted in actual farming. Those farms that have managed to initiate commercial activity have mostly done so on a far smaller scale than initially intended.

This is partly because they are still in the trial phase, testing whether the land is suitable for large-scale agriculture. For the rural poor in Africa, land is considered the most fundamental resource and is essential to enabling them to lift themselves out of poverty. Presently, more than 60% of the active population in Africa is dependent on land for their

livelihood. When the big commercial farmers move in, those working the land are often left with no choices other than to accept casual work for minimal wages or to vacate the land.

In recent years Mozambique has transferred millions of hectares to investors, half of whom were foreign. But most remain uncultivated, so the farmers who were thrown off their land have not received the jobs they were promised. This sparked riots over bread prices in September 2010 in which six people were killed. Van Wyk said that examples like these boil down to a serious lack of experience and expertise, especially when farms are set up by companies with no local knowledge of agriculture in the countries they wish to operate in – there is no "one size fits all".

The result is a process that can take several years to produce commercially viable harvests and, is not without risk for investors (especially if the land deal is seen as being heavily weighted in the outside investor's favour).

If projects fail to deliver on the promises made, there is the very real danger that host countries could re-nationalise farms, unilaterally cancel contracts or block food exports.

To avoid similar issues, instead of buying or leasing land, van Wyk suggests foreign countries should rather consider empowerment programmes, which involve contract farming deals.

This kind of farming is employed globally in many countries with great success and can remove the emotional side of foreign land ownership.

Under these arrangements, investors partner with a farm or a group of small farms to

produce the required crops. It needs to be, first and foremost, a partnership between the local landowners and the “corporate farmers”.


The local farmers do not have to sell their land and are able to gain access to the latest farming expertise while incorporating local knowledge into the process.

He believes this strategy will result in a successful foreign penetration into Africa to ensure they protect their own food security, but at the same time ensuring they bring development benefits in the form of skills and technology transfer, employment creation and much needed upstream and downstream linkages.

“To answer the question of whether it is ethical to allow foreign investment in local farmlands to ensure global food security, the answer is yes, but it must be done within very strict parameters that protect the local economy and population. Mutually beneficial collaborative deals and programmes will not only grow the economy by providing much needed employment and other opportunities, but also provide foreign governments with much needed local knowledge and support to protect their long-term food security.

This can only be achieved by working with the people as opposed to being against them,” said van Wyk. The Deloitte Agricultural Business Unit, which specialises in assisting and supporting foreign investors to formulate and develop collaborative deals, has seen a significant increase in recent years.

“Deloitte is committed to imparting our substantial local knowledge and understanding of the agricultural industry in Africa, to ensure mutually beneficial deals that will safeguard food security for all,” he said.

The importance of sustainable global agricultural growth is explained by Yazbek: “The 21st Century has been defined by an ever increasing global population and the struggle to manage the planet’s resources to sustain the human race’s growth. The population faces three core challenges today which are: food, water and job creation. All of these factors highlight the importance and the need for sustainable and profitable agricultural enterprises globally.” 

www.deloitte.com

Fast facts

- Food production will need to nearly double by 2050 in developing countries.
- About 40% of the world’s arable land is degraded to some degree and will be further affected by climate change.
- There are about 500 million small farms in developing countries, supporting approximately two billion people.
- GDP growth generated by agriculture is up to four times more effective in reducing poverty than growth generated by other sectors.

Farmsecure

Privately owned, Farmsecure was founded in 2004, following years of change in the South African agricultural sector. Farmsecure’s vision is to be a meaningful contributor to securing the world’s food supply by creating sustainable and profitable agricultural enterprises, where the process is optimised from ‘farm to shelf’.

By being represented across the entire agricultural value chain, Farmsecure and its family of companies ensure that its farmer partners and farming operations are truly sustainable and profitable, achieving its vision to contribute to world food security.



Michael van Wyk, Consumer Business Leader at Deloitte

The modest tycoon

Sandile 'Gwabs' Zungu is a product of our times; a man who has combined his immense talents with favourable government policies and struck gold



Few black South African businessmen have had so much written about them over the years than media-shy Sandile Zungu.

Even fewer have demonstrated the stoicism to be selective in deciding what is worth responding to in the media and what is not. Zungu is either a consummate self-image manager or he receives some very good advice to make even the likes of Tiger Woods look like public relations amateurs!

Often described as a politically connected President Jacob Zuma fundraiser or a politically influential business high flyer and rabble rouser, Umlazi born Zungu often prefers to ignore these labels and focus his energy on what he does best: making money and contributing to the development of others, "groups and individuals," he specified to BBQ.

"My passion up to now has been to use the opportunities that I've had not only to make money, but to also contribute meaningfully to the lives of others. I do not run to the media to boast about these things because that is not my aim," Zungu said.

Zungu's early days were spent in Umlazi township, outside Durban, where he was born on 10 February 1967.

He did his primary schooling in KwaZulu-Natal, where he later attended the prestigious and, arguably, most expensive boarding school in South Africa, Hilton College.

Afterwards, he moved to Cape Town to enrol at the University of Cape Town, graduating in 1988 with a bachelor's degree in mechanical engineering.

Following various engineering jobs at Richards Bay Minerals, Engen Refinery, National Sorghum Breweries and South African Breweries, between 1989 and 1994,

he decided to change course to go into business, first returning to the UCT for a Master in Business Administration degree, which he completed in 1995.

This move added crucial business management skills to his engineering qualifications, and prepared him for his first steps as an independent businessman.

Given the nature of business, Zungu's movements within the South African business arena have not been without challenges.

A few years ago, he was awarded a R60-million – R70-million out-of-court settlement from Transnet after five years of a court battle against the state owned enterprise.

He was subsequently quoted in the weekly newspaper, City Press, to have said: "The fight was inspired by my total conviction that I had justice to fight for. I was prepared to stand my ground every step of the way."

He then concluded at the time: "The past five years have weakened my ability to participate more meaningfully in that [business] space.

"There were people who were uncomfortable doing business with me because I was viewed as suing government."

More recently, he and a group of black businessmen and women staged a dramatic walkout from Business Unity South Africa (BUSA) to revive the Black Business Council (BBC). This followed several years of reported frustrations on the part of black business that its continued presence in BUSA, failed to have a real transformative impact on the business umbrella body. They feared that white business, which dominated Busa, set the agenda and determined the manner and pace of transformation.

Writing in the Sunday Times of 29 July this year, Letepe Maisela, a management consultant and author of the book *The Empowered Native*, had this to say: "The launch of the BBC represented a depressing giant step backwards.

"For here was the elite of black business under one roof, not to celebrate strides made towards economic freedom, but to bemoan the fact that economic transformation has not happened under a black majority government." The recent election of Jabu Mabuza as



Sandile Zungu

new BUSA president seems to have somewhat softened Zungu's stance towards it.

His nuanced response to Mabuza's election was pointed: "[We] have a lot of respect for Mabuza and can proudly say that he is a product of black business, but we are quite clear [that] where he is now, he is not representing the interests of black business."

Zungu had grown his first company, Sarhwi Investment Holdings (SIH) from a zero asset base to more than R400-million within a very short space of time, before founding Zungu Investments Company (ZICO), in 2002.

He has also sat on boards of directors of major South African companies such as GRINDROD.

"I'm very careful in choosing businesses on whose boards I agree to sit," he explained. "Where I sit; I have to add tangible value and also learn something," he added.

Asked for his views on South Africa's economic and political direction, Zungu was surprisingly frank and positive.

"Given that we're still a relatively young democracy, unlike many of the developed nations some tend to compare us to, we have come a long way as a nation and have, in less than twenty years, managed to build robust and independent institutions of democracy. In particular, our Chapter 9 Institutions have proven over and over again that they can

withstand attempts to undermine, abuse or topple them.

"The Office of the Public Protector – especially with the current incumbent at the helm – has proven to be particularly effective in bringing many errant government officials and other organs of State to heel. Our courts have also shown over the years, despite all known and published challenges, that they are strong. South African civil society movements have also stood their ground on many issues that they consider important, often making the government retreat on some of its attempts to tread on hard won civil rights and liberties.

"So, I truly believe that we have little to worry about in as far as the health of our democracy is concerned.

"We must all continue playing our roles and keep watchful eyes for any attempts at infringement of our rights as human beings and citizens," Zungu said.

On the reported schisms between black and white businesses, Zungu believes there is more that is positive than negative in this perennial debate.

Despite his role in the re-launch of BBC, Zungu is quick to admit he still has many dealings with either white business entities, or structures that are dominated by white business.

He doesn't see any contradiction in any of it because he regards himself as, essentially, a bridge builder.

However, he admits: "There has to come a time in the history of this country when reference to race should be a matter of history, where South Africans, rather than 'black or white South Africans', do things together and where there will no longer be need for bodies such as the Black Business Council, Black Lawyers Association and others.

"We are not there yet because much of the economic wealth, and opportunities for wealth creation still remain under white control." Zungu is adamant that there is a role to be played by all businesses in growing South Africa's economy and strengthening this country's democracy.

White business, he asserts, is generally more established and supported by long held groups



or family wealth; it, therefore, has a vested interest in being more open to change and determining the nature of transformation that should happen.

For the benefit of our country's future stability, people should decide whether they want forced or legislated transformation or one that is self-driven.

Furthermore, Zungu believes firmly that business shouldn't just criticise when things seem to go wrong; it should also encourage government when it makes the right decisions and contribute meaningfully to the country's development.

Business should be a dependable development partner to government.

Black business must also assume a developmental role in society.

"Encouragingly, I have seen a growing social conscience on the part of Black business; an increasing number of black-owned companies invest resources in bursaries and other corporate social investment initiatives, aimed at making a positive difference in the lives of others.

"While these are, comparatively speaking, still few, the trend seems to be going in the

right direction and should be strongly encouraged by all.

"Black business people who succeed through own efforts, should increasingly, play their part in growing skills and helping to combat poverty and joblessness in South Africa. We shall all succeed as a country, if those of us who have the means contribute to the general good," he said.

Concerned that he might be seen as failing to practice what he recommends, Zungu went on to share his own role in all of this; he revealed that he has helped a lot of young people seeking all sorts of opportunities, and that he intends to continue doing so for as long as he can.

"My life in business thus far has been about growing as a person, and making money in order to have a comfortable life and to be in a position to help others," he said.

Asked what he would do if he were made President of South Africa for just one year, Zungu was quick to explain, almost as though his answer had been rehearsed prior to the *BBQ* interview, that he would invest in small businesses. "Government has recognised that small businesses might be the key to unlocking

millions of job opportunities; but government's actions do not seem to sufficiently match what it preaches.

"A lot of government action seems more geared at investing in big business, and creating legislation aimed at making it easier for big business to increase its profits, than it is aimed at helping small businesses to be sustainable and grow. This has to change," he said, with a concerned tone in his voice.

On whether he is keen on entering politics, Zungu also seemed to be well guarded.

"Not now," he responded. "I intend doing what I'm busy with for another 10 years or so, when I turn 55.

"By then I hope to have sufficiently secured my material wellbeing and that of my family to start thinking of entering politics, without relying on my government salary for survival."

If Zungu has done his homework as well as he seems to have – that coupled with a master plan and an even greater team – perhaps he could emerge as the new generation of President this country could produce in the not-so-distant future.

BBQ

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INTRO

Siyeza Surveys is a well up to date Construction Engineering, Topographical and G.P.S. Surveys company which aims and focuses on maintaining the quality and the standards of surveying and to satisfy the client's needs. The company started operating in September 2006 after procuring surveying equipment. Siyeza Surveys is a wholly black owned enterprise. It has shown growth in a short space of time, and is continuously growing, therefore employing more surveyors and survey assistants

VISION

The company's vision is to make a contribution to the industry by providing comprehensive and accurate survey data in South Africa.

MISSION

The company combines human expertise with state of the art equipment in order to identify individual client needs. Siyeza values its employees because they believe they are important assets and with this in mind they consistently train and grow their employees to acquire more skills in the surveying field. Making sure that they fully understand their clients needs, and comply with the work specifications supplied by the client. Siyeza applies a suitable approach in consulting with the experts so to ensure clients projects are well managed at all stages.

VALUES

Credibility, Professionalism, Quality, Respect.

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Engineering Survey: Setting out of the road profiles and pipe profiles, levelling, earthworks and layer works. Calculations of quantities and volumes for payments certificates are done, for consultants, contractors and municipalities.

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G.P.S. Surveys: Large scale thatchey surveys, survey control and staking out of power line/ telephone lines, water reticulation and storm water.

Eskom Line Design: Designing Low and Medium Voltage (LV and MV, respectively). Electrification of big projects and System Strengthening of MV lines.

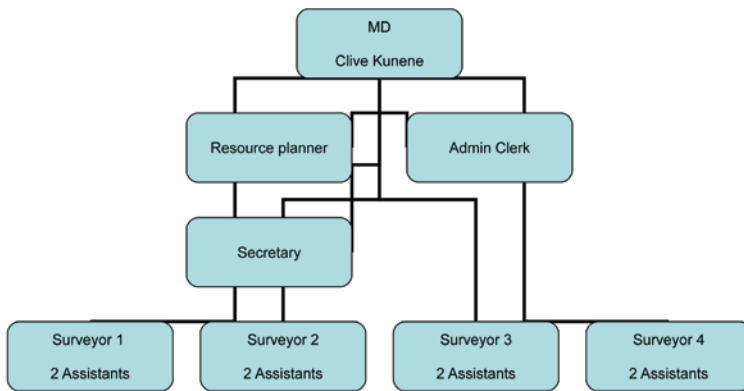
OWNERSHIP

This Company is owned by a young black man who is 100% Previously Disadvantaged Individual (HDI). It is a BEE Company.



ORGANISATIONAL STRUCTURE

Siyeza Surveys has a staff complement of 18 employees. From time to time Siyeza Surveys employs student surveyors so that they can get an exposure on the construction sites and acquire working experience.



SURVEY PROJECTS COMPLETED

The managing director has had lots of experience on construction work, (i.e. worked on P68, P100, P732, P728 and developing area in Chesterville and lots of Topographical Surveys, the department of transport). The company has started by sub-contracting work from other surveyors, who include Konke Civil and Surveys. Mr Wiseman Sikhakhane is the contact person (083 986 3919).

Siyeza Surveys was awarded a new Phase III as a consulting surveyor on the P399 project, in November 2006. There are other projects that Siyeza Surveys has been appointed on, P36/2 by Mzala Consulting (which is now called IBhongo Consulting Engineers). The other surveyor is doing small jobs for different clients like, Stedone Civils, Erbacon Construction, and for small contractors. We have also been involved in the construction of the King Shaka Airport. Siyeza Surveys has been awarded a contract with Eskom, for doing Power Line Designs.

We have designed plenty of Low Voltage and Medium Voltage lines at Mkhondeni and Mpangeni Area offices in KZN Region. We worked on INFILLS and assisted on a few Electrifications.

The company has registered on different data bases, such as the Umsunduzi Municipal, KZN Provincial Treasury.



Rural renewal

Doing business with rural-based entities could spur a rural revolution

How can African economies restrain the rise in the unemployment rate, irrespective of direct external support from developed nations?

South Africa's National Development Plan has a target of reducing our unemployment rate

from about 25% (now) to 6% by 2030. Is this a realistic objective? Helen Bimbassis, formerly of Deloitte RecruitTalent, who worked as a human resource consultant for eleven years, has an answer: Rural sourcing.

She said this concept is about companies and industries establishing operations in rural areas. "Rural and onshore outsourcing relies

on two simple premises: Smaller towns need jobs and offer a cheaper cost of living than urban centres.

At least 43% of South Africa's population live in rural areas. Three quarters live below the poverty line, due to apartheid laws which denied them ownership of fertile land. A major cause for poverty is unemployment. Rural



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Asi Mathaba the executive producer of Asi-B Films is a self-made film director with an unwavering passion for the moving image, which has led him to achieve excellence in all the projects he produces.

Mathaba's debut into the world of film was made with his feature film entitled "Internationally made Films – Storming Ernest", International Documentaries – "Solly Story" garnered award Berlin Film Festival.

He then went on to make "Homesick" which showed at FESPACO: A Chinese-South African film collaboration.

Asi has also worked in countries such as Zimbabwe and Hong Kong. Currently "Rivoningo" (a popular South African Kids edutainment show on SABC 2) has achieved local and international accolades; "I Had It All" was made for SABC 2. Factual is another project Asi-B Films have produced to critical acclaim.

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South Africans eke out a living ploughing the little land they have and by self-reliant projects like co-operatives

The question is, how can the 43% (of the population living in rural areas) make a decent living? Can they also contribute to their communities and the economy at large without necessarily uprooting from their rural homesteads?

According to Bimbassis, companies could establish factories in these rural areas, thereby tapping into relevant skills at a cheaper premium.

"It is a win-win situation for all involved, specifically as people in rural areas would not have to migrate to cities looking for jobs," she explains.

This concept, says Bimbassis, arrests the brain drain that over the years has deprived smaller towns of rare skills, leading to the mushrooming of ghost towns.

Bimbassis said Africa is losing an estimated 300 000 professionals, while employing 150 000 expatriates who cost the continent \$4-billion (R32,9-billion) a year. These startling figures can be reversed if respective governments embraced rural sourcing.

This concept, if implemented properly, encompasses nearly every industry, from manufacturing to design, software development, financial control, logistics management, customer support and sales.

"Companies or businesses willing to venture into the hinterland could enjoy considerable benefits, ranging from stable a workforce and lower attrition – turnover rates are around 5%," she said.

Business initiatives will bring about developmental projects in the form of better infrastructure, hospitals, schools and improved sanitation facilities.

The Grayson and Fannin counties in Texas in the United States have benefited from rural and onshore sourcing.

The success of this concept has been attributed to several economic incentives to attract business such as offering a relocation expense subsidy, availability of training grants for their workforce and, rent and lease breaks. For companies looking to set up in remote towns,

telecommunications systems and other public infrastructure are essential. Where will rural-based companies draw the much-needed expertise, in terms of labour?

Colleges and universities will have to operate as feeders to these towns.

Companies will have to attract local graduates and other professionals.

Companies, once established, needed to expand their businesses.

In some cases, space is a deterrent. Grayson had the necessary infrastructure for this.

Bimbassis has few hints that could help organisations to successfully implement this concept:

- Find out what skills the population possess
- Partner with local educational institutions to address skills inadequacies
- Talk to existing communication companies about their strategies and time frames
- Understand which other stakeholders are involved and what their focus areas are
- Utilise partnerships, collaborations and co-operation to network and organise interest groups with similar objectives

In addition to Bimbassis, it is inherent for companies to understand the political environment; find out whether it is conducive for business to operate there; quality of life and availability of any outdoor activities and recreational facilities.

Rural South Africa is characterised by smaller towns. Do they possess capacity to serve as a source for private sector procurement?

Grahamstown

Grahamstown is a beautiful rural town in the Eastern Cape, with a population of about 75 000. The town has what it takes to be a hub for rural sourcing, according to Bimbassis.

Historically, the area is a melting pot of cultures, with Khoi, Xhosa, Boer and British ancestry dominant, and that heritage still exists, which makes this town an attractive tourist attraction.

This bodes well for businesses in this university town, enhancing employment opportunities in the process. The town is a kaleidoscope of colour and a magnet for the

artistically gifted. Currently, it is home to the annual Grahamstown National Arts Festival, which attracts people from all walks of life, enhancing chances for business to thrive there.

Euphemistically known as the City of Saints, Grahamstown boasts world-renowned higher educational institutions, notably Rhodes University.

The above is a perfect backdrop for the town to meet required standards of an ideal rural sourcing centre.

Hiring graduates or other professionals from local institutions becomes comparatively cheaper. The town has a number of prestigious schools such as Graeme College, The Eastcape Midlands FET College in Uitenhage, which cater for non university programmes, helping to provide a steady flow of trained people into the local economy and beyond.

Grahamstown has established communication networks and has access by road and air charters within South Africa and neighbouring states. Though rural sourcing is a sustainable idea, companies have to brace themselves for unforeseen challenges, such as finding financial resources to help establish themselves in rural areas and inexperienced employees.

"For initiatives such as these to succeed, infrastructure in the form of stable telecommunication network, fully functional schools, universities and small businesses, needs to be in existence," Bimbassis said.

Where these projects have succeeded, there are notable impacts on the community, notably there should be incentives which are meant to attract the youth to participate, so that they stay and work in their hometowns and contribute to their local community and so reduce urban influx.

What is the way forward then? "Empower our rural areas in terms of skills development, education and assist businesses to consider innovative approaches in making such projects a success.

"Government needs to remove red tape and assist these initiatives, if we are to achieve the aggressive targets set out in the National Development plan," Bimbassis said.

BBQ

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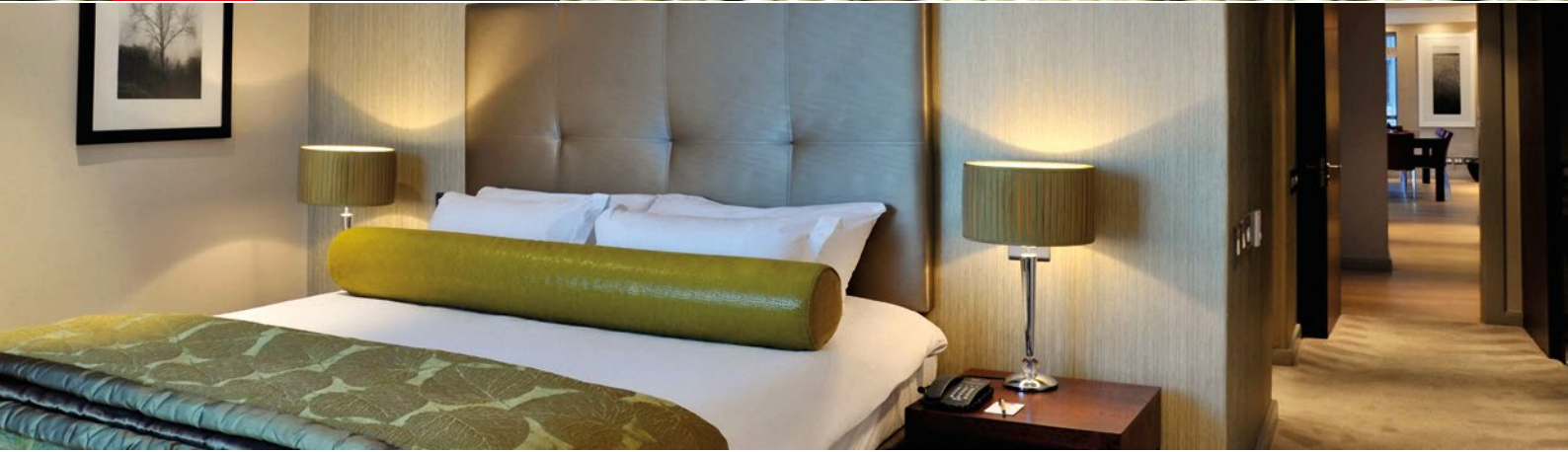
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Room and to spare

For greater convenience and personalised service, Mandela Rhodes Place is tops

Stepping into the lobby at **Mandela Rhodes Place Hotel** is a calming experience. So much so that you are instantly filled with newfound appreciation of architectural genius, as characterised by the opulence and magnificence of its exquisite interiors.

From the outside, it looks every inch ordinary – even dusty – from all the renovations taking place almost everywhere you look.

But as you walk through its majestic doors, a different picture begins to emerge.

The reception area is so spacious it looks more like a lifestyle centre, than a place to check in and out. The proximity of an indoor coffee shop and champagne bar complement this romanticism. Ideally located on the corner of Wale and Burg Streets, the hotel is great comfort for guests – business or leisure.

Most of its apartments offer a bird's eye view of the sprawling metropolis surrounding it.

It is an architectural feat of grand proportions, significant in its simplicity yet universal in appeal. Meticulous planning must have gone into converting this hitherto old city office block into livable apartments.

It adorns the best fixtures, furnishing, furniture and décor, giving it that regal feel deserving of its revered namesake.

The imperial-looking 93-apartment four-star hotel clustered in Cape Town's architectural hub; prides itself on rendering best personal service.

And that's the mantra that defines your stay at this hotel. This hospitality followed me to my breakfast table the next day. At the spacious Shandiz restaurant, perched on the seventh floor of the hotel, Jay Adonis, the manager, struck a familiar rapport.

He was pleasant, chatty and courteous; qualities that rubbed off onto his staff.

I learnt more about this hotel from Adonis than all the literature I had picked up in my room. The rest of the restaurant staff were all smiles. An added attraction as you nibble on your breakfast is the hotel swimming pool, adjacent to the restaurant.

There is no fresher way to start your day than taking a dip in the sparkling blue waters to wash off your fatigue.

My one bedroom accommodation had all the comforts of home and more.

The kitchen tops my list of Mandela Rhodes Place wonders; (for long-term tenants, the

corporate suites and apartments offer fully appointed, five-star kitchens).

Fully-fitted with a double-deck refrigerator, a stove, a microwave, a washing machine, a kettle and other kitchen utensils to boot, it symbolises the very essence of divine elegance.

This palatial kitchen makes you wish you had the culinary skills of Gordon Ramsay.

According to the general manager, the Rhodes Mandela Place caters to a niche market. Their rack rate starts at R1 260 per room nightly, including breakfast.

Its central location eliminates most discomforts associated with long hotel stays.

This inner city hotel is a hop away from Long Street, Cape Town's club capital.

And within walking distance to restaurants, banks, houses of parliament, Cape Town Station, shops and an array of tourist amenities, including St George's Cathedral, Iziko Museum, The Company's Gardens, the National Library and the Central Library.

The V&A Waterfront is a stone's throw away. Mandela Rhodes Place is a great venue; I left with wistful thoughts gnawing at the back of my mind.

BBQ

David Mwanambuyu



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Failure to meet Millennium Development Goals (MDGs) by 2015, could retard Africa's prospects. In a two-part series, we assess South Africa's progress

Eighteen years after its all-race elections, South Africa still has the highest income inequality in the world, analysts say, adding this makes it hard for the country to meet the number one Millennium Development Goal (MDG) of halving or eradicating poverty in 2015.

South Africa's huge variations in income will continue to increase the incidence of poverty and the country will continue to have high poverty levels in the majority of the population, analysts say.

Real gross domestic product (GDP) growth in South Africa averaged 3.6% between 2000 and 2011. Despite gains in economic growth,

the country has the most unequal income distribution in the world with a Gini Index of 63.6% in 2011, relatively unchanged from 63.5% in 2000.

The Gini index is the standard economic measure of income inequality varying between 0% (perfect equality) and 100% (perfect inequality).

An Hodgson, an income and expenditure manager at Euromonitor International, a research organisation, says rising income inequality is a key challenge for South Africa, adversely impacting economic development and socio-political stability.

"It also impedes the progress of health and education," says Hodgson.

"Wide income disparities can limit the growth potential of the middle class ..."

Admittedly, the South African government is actively involved in poverty reduction programmes in an effort to reduce income inequalities.

In 2008, the government launched the War on Poverty campaign that led to the establishment of anti-poverty "war rooms" in all nine provinces, with the aim of alleviating poverty in South Africa's most deprived communities by 2014.

It also launched the Vision 2014 programme, also aimed at halving poverty and unemployment by 2014.

But, according to Hodgson, the rising unemployment rates will continue to have an adverse impact on the country's economic development.

Hodgson says the unemployment rate in South Africa is forecast to reach 20.6% by 2020, from 24.9% in 2011. South Africa's unemployment rate is understood to rank among the highest in the world.

In addition, the World Bank believes income and other inequalities are threatening economic growth in the country, with children born into poor families unlikely ever to escape poverty or reap the rewards of living in Africa's largest economy.

According to the World Bank, South Africa, the continent's largest economy by far and the continent's only G20 member, is displaying strikingly high and persistent inequality and marginalisation for an upper middle-income country.

The wealthiest 10% of South Africans account for 58% of the nation's income, while the bottom 10% accounts for only 0.5%, the World Bank says.

The bottom half earns less than 8% of the nation's income.

The bank says South Africa will struggle to grow the economy until its riches are spread more evenly.

Sharp economic and social inequalities are especially visible along racial lines, with whites largely shielded from economic hardships and boosted by privileges inherited from the old apartheid regime.

Sandeep Mahajan, a World Bank analyst, says peering past the first world living conditions of urban South Africa, it is not too difficult to see the downcast situation of townships, informal settlements and former homelands.

"Our results show that a South African child not only has to work harder to overcome the disadvantages at birth due to circumstances, but having done so, finds that these re-emerge when seeking employment as an adult," Mahajan states.

This means South Africa's President, Jacob Zuma, will have to adopt more radical economic policies and deal with South Africans' mounting unhappiness, to ensure his political survival at the forthcoming 53rd ANC conference in December.

Zuma has admitted he spends "sleepless nights" over a wave of anger and frustration due to government's failure to deliver on grandiose promises of job creation, poverty eradication and plugging the gap in wealth ownership.

It is estimated that 29% of black South Africans are unemployed compared to only 5.9% whites.

These estimates also claim that white people have an average income of nearly seven times that of blacks.

Nearly 49% of South Africa's youths are roaming the streets in search of employment.

No matter what programmes are embarked upon, this is a very huge hurdle to overcome in a space of a little more than two years.

Zuma's government faces mounting criticism of ineffective leadership in tackling chronic unemployment and widespread poverty.

Be that as it may, is South Africa on track to meeting all the eight MDG targets in 2015?

The United Nations Development Programme (UNDP) says South Africa is lagging in the attainment of targets of some MDGs but it is

ahead of schedule in others. For the purposes of this article, we are going to look only at the top three MDGs and the others will be tackled in the December edition of BBQ.

Halving or eradicating poverty

Given the comments by analysts, the verdict here is that South Africa may not achieve the goal of halving or eradicating poverty in 2015.

The deadline is too tight given the challenges the country is facing in this regard.

In 2004, the government undertook to halve or eradicate poverty and unemployment by 2014. In its 2010 country report, the UNDP, says in relation to strengthening global partnerships, South Africa has rapidly opened up trade. And South Africa's trade and imports from both the least developed countries (LDCs) and developing countries have increased.

South Africa is also seen as a country characterised by a remarkably stable macro-economic framework.

But its major challenge is to increase its economic growth potential.

The UNDP says failure to do so will limit its ability to address many of the goals set by the MDG process, major among them, the creation of jobs and drastic improvements in the quality of especially technical education.

Universal education

South Africa has done well in this regard, with the UNDP saying the country's primary education is characterised by very high rates of enrolment and retention.

It says these rates show strong gender equity, and where small differences do exist, they are in the girl child's favour.

Universal primary education is already effectively a reality in South Africa, it adds.

Almost the same proportion of boys and girls of school-going age are in school in South Africa.

Completion rates of primary education have also improved. These completion rates are also accompanied by improving literacy.

The UNDP also states that South Africa has in effect achieved the goal of universal primary education before deadline (2015), and

its education system can now be recognised as having attained near universal access.

Gender equality

Again, South Africa has outperformed here. The UNDP says factors that have facilitated South Africa's improved performance towards gender equality include the ANC's quota in respect of political representation of women, as well as a widespread recognition since 1994 that South Africa has an obligation to address gender inequalities alongside those relating to race.

This recognition is firmly grounded in the constitution and reflected in a wide range of laws, policies, programmes and practices.

The UNDP says the constitutional mandate on gender equality is clear and the legislative process is providing the building blocks for a gender equitable society.

It says eliminating violence is essential for achieving gender equality and the empowerment of women.

Eliminating violence against women is a prerequisite for gender equality and empowerment of women.

The follow-up by mothers and fathers on school and extracurricular activities of their children reinforces the family ties, favours socialisation at home and reduces the risk of violence and/or aggression in the streets.

Does South Africa have the capacity to meet all its MDGs in 2015?

According to the Corporate Governance Research Institute (CGRI), in its simplest terms – the worse this country's image becomes to the investors, so despondency begins to set in among its people, the country's supply chain and their respective confidence levels.

This causes 'rot' to occur with direct implications upon the country's ability to produce and grow its economy.

At a quick glance, South Africa has been battling for years to achieve the respectable GDP growth figures. It had forecasted 4.3% GDP growth for 2012. But its Indian and Chinese counterparts of the BRICS group (Brazil, Russia, India, China, South Africa) have respectively achieved 8.9% and 9.6% in recent years.

"Whilst our real GDP has improved over the periods 2009-2011 (1.7% to 3%), these marginal growth rates, realistically speaking, are just not enough if South Africa intends to meet its MDG goals," the research institute said in a recent report.

"In order for African countries to achieve their primary MDG goals to halve poverty, reduce child mortality by two thirds and achieve universal access to primary education by 2015, at least 7% year-on-year GDP is required."

According to the institute, at its current rates of development, South Africa will battle to achieve the MDGs and in some cases, at "least 150 years" will still be required for some sub-Saharan African countries to achieve them.

With the backdrop of these sober facts, notwithstanding the government's and Cosatu's best intentions to root out corruption, such as the recent formation of corruption watch, South Africa will first need to address its more pressing problems.

For example, before South Africa can realistically address its MDGs, it will need to address the bankruptcy of some of its provinces and municipalities, which has been caused mostly through corruption, maladministration, tenderpreneurship, nepotism and cronyism.

Clearly, all these matters pose serious threats to South Africa's democracy and the basic rights of all its citizens.

"Considering these conditions, and given the poor state of affairs our country currently finds itself in, if there is not a serious and committed effort on behalf of the government to remedy this rapidly declining socio-economic situation, the very fibre of our society will have been diminished as the scourge of corruption continues to decay our values," the research group says.

Regrettably, while there may be a political will by some to effect positive change, far too often the instruments of law to cause such change are not sufficient, nor consistently applied.

The net result of poor performance in these matters may ultimately see South Africa declining further in its international ranking, where the country would be regarded as a high risk and poor 'investment of choice' destination. Understandably, it is very disconcerting

and problematic to imagine how the MDGs can be achieved in South Africa when corruption is on the increase.

Once again, the Transparency International's (TI) corruption perception index research, warns that the failure by governments to address corruption, directly threatens the fulfillment of the MDGs.

TI calls on governments, donors and non-governmental organisations to adopt anti-corruption measures in all their MDG action plans, in order to reach the goals in the next few years and sustain progress beyond the 2015 timeline.

Expectedly, the worst hit victims of the consequences of corruption remain the poor and those who cannot afford to pay for the greed of a few.

These are the people who rely on South Africa and its leadership to achieve its MDGs, and some state of normality.

"Achieving the MDGs is not only about having enough money.

"It is also about finding solutions and bringing an end to the blatant corruptive business practices and greed.

"Furthermore, hard line criminal sanctions are seriously wanting with moral and ethical conflicts making it virtually impossible to run a business ethically, or even perform the simplest of tasks such as taking an exam and passing it, without having to pay a bribe," the research group says.

"In short, success in achieving the MDG's is mostly, it seems, about politics and the need to devise political solutions to the underlying causes which plague many governments where corruption is endemic.

"Of course, getting rid of this corruption and cancerous behaviour involves more than merely providing money.

"It most certainly also requires a mental shift, being cognisant that corruption silently destroys and undermines the core values of a society's honesty and integrity.

"Accordingly, ethics and a value system are also paramount to achieving the MDGs," the report said.

BBQ

Elvis Ndungwane

HR pros step up strategy

Higher employee turnover a wake-up call for HR practitioners to integrate operations with strategic business goals

In 1996 management guru David Ulrich coined the term “HR business partner”, saying that Human Resources (HR) must assume more strategic roles within organisations, so it can implement programmes that support the goals of the business. Since then there have been an increasing awareness about HR departments’ need to realign their goals with those of the larger organisation in order to remain relevant.

The 2012 Human Resource Competency Study – HRSCS – (The HRCS is the largest global study on HR with over 60 000 ratings over 25 years and one of the most referenced HR studies in the world) which is conducted by the RBL Group (RBL Group is a global professional services firm) and the University of Michigan, shows that strategic positioning is now considered the most important trait in order for HR to have a meaningful impact on business performance.

But in Mercer’s (Mercer is the global leader for trusted HR and related financial advice, products and services) latest HR Transformation Survey, only 15% of activities carried out by HR departments across Europe, Middle East and Africa are related to pure strategic interventions,

according to 500 HR directors surveyed across these regions.

The report also highlighted that, despite this, 65% of HR departments perceive themselves as a strategic partner to their business.

While respondents sought to increase their future strategic input to more than 25%, the difference between perception and reality highlighted that HR departments still have a long way to go in their efforts to transform themselves into more accountable and measurable strategic business partners.

Closing this gap is considered critical because there is a direct link between strategic alignment and retention of top talent which in turn affects the companies overall performance.

According to Samantha Crous, country manager of the CRF Institute (CRF Institute is a joint initiative of academics, business journalists, trade associations, researchers and international publishers who offer independent HR assessments and acknowledgement) which identifies choice employers through international HR policy and practice research, the latest best employers index shows that more and more companies are turning their attention to engaging employees and have grasped the fact that engagement is about more than simply sticking a few posters on the wall, in order to draw attention to certain aspects of an employee proposition.

“It is about getting people to believe in the vision of the company and how it makes a difference in South Africa and the world,” Crous said.

Programme director of ‘HR as a Strategic Business Partner’ at the UCT Graduate School of Business (GSB), Erna Oldenboom, says that turnover among top talent is expected to increase this year, and that this demands a response from HR.

“Globalisation is requiring stronger HR capabilities and demographic shifts across the world are dramatically affecting the availability of qualified personnel. This means that HR needs to step up its game and take the traditional roles of HR and look at how they are affecting the business – there is an urgent need for HR to integrate more fully into the strategic goals of the business,” she said.

Oldenboom says HR leaders are increasingly aware of this, but at the same time, not enough is being done to put it into practice.

She says that “those who want to remain relevant must focus on strategically supporting their organisations and the customers they serve”.

Oldenboom believes that many HR leaders are more than willing to be in partnership with the business, but given the unique situation of each individual company, among other factors, they have little in the way of concrete guidance about how to fulfill that role.

“Successful organisations are becoming more adaptive, resilient, quick to change direction and customer-centered.

“Within this context, the HR professional, who is considered essential by managers and executives, needs to be aware of the impact that strategic alignment of HR into their business’ goals can reap,” Oldenboom said.

According to Brad McCaw, a Principal at Mercer and co-author of the Mercer report, the gap between perception and activities in the HR domain can be addressed by “investing in the skills and training of HR staff, while also increasing awareness and people management skills among line management, to ensure their activities encompass not only the day-to-day work that needs to be done, but also support the strategic direction of the business. Measurement and analysis are also vital.”

“Even in what appears to be routine HR responsibilities, you can inject the business perspective, simply by asking whether what you are doing is going to enhance the flow of the business or impede it with friction,” Oldenboom said.

She says she believes that the inclusion of human resources into the strategic role is a two-party game, between the business and the HR leaders, that the more aligned their objectives, interests and capabilities, the tighter their effectiveness. She says if the human resources role in an organisation is not transforming itself to align with forward-thinking practices, executive leadership must ask HR leaders some tough questions.

“Today’s organisations cannot afford to have a human resources department that fails to contribute to and even lead, modern thinking,” Oldenboom said.



*Erna Oldenboom
Programme Director: HR as a Strategic
Business Partner [http://www.gsb.uct.
ac.za/e.asp?c=737](http://www.gsb.uct.ac.za/e.asp?c=737)*



Erna Oldenboom,
Programme Director

The sun is up

Solar energy is cheaper to produce, cleaner and abundantly accessible. It's time South Africa harnessed its potential

If South Africa played its cards right, the sun – and not coal – could generate the bulk of our electricity. Apart from being a powerful and a much cleaner energy source, the star hovering at the centre of our solar system boasts an enormous investment and job creation potential.

When it comes to sunshine, South Africa is a land of plenty. Per annum, we enjoy some 2 500 hours of sunlight. This equates to four months per year – including the hours after nightfall.

Apart from quantity, our country's sunshine happens to be reliable and exceptionally constant, experts claim.

"The variable is around 3%. That means that solar radiation in South Africa is 100% on good days and 97% on bad days. These conditions are extraordinary," says Dick Berlijn, managing director of Subsolar Energy, a solar electricity development firm in Pretoria.

"The sun in South Africa is for instance more predictable than the wind, making solar energy more economically viable than power generated from the wind," he adds.

"After all, when there is no wind, no electricity can be generated.

"When it storms, turbines have to be shut down otherwise they'll break. This does not apply to the sun. The number of solar hours in South Africa remains constant through the years, and so does the quality of the radiation," Berlijn said.

Solar could provide all of our electricity

All of this makes the rainbow nation the world's third best solar power location, right after the Sahara desert and parts of Australia.

But there is more to South Africa's superior solar energy status: We have ample space, a crucial ingredient in the construction of solar plants.

"In the north of the country, there are hundreds of square kilometres of land which is not

being used, which are perfect for solar plants," explains Edwin Koot, CEO of SolarPlaza – an international think-tank for the Photovoltaic (PV) industry.

Studies have shown that one hectare of solar panels can generate 1 megawatt of power

"Based on this and the quality of the solar radiation, South Africa could generate all of its electricity from the sun," Koot stresses.

PV – 'Photo' meaning light and 'voltaic' meaning electricity – is one of the methods used to generate power from the sun.

This technology uses solar cells, made out of semi-conducting material such as silicon, to convert sunlight directly into electricity.

Others would dismiss Koot's prophecies as too pessimistic.

Earlier this year, the media were abuzz with statements made by Paul Gauché, director of the Solar Thermal Energy Research Group at the Department of Mechanical and Mechatronic (the combination of mechanical

engineering, computing, and electronics, as used in the design and development of new manufacturing techniques) Engineering at Stellenbosch University.

Referring to a method called concentrated solar power (CSP), he stated in an interview with News24 how “a hundred square miles (258 km²) in the Sahara would actually be enough to power the whole world. It’s not total insanity.”

CSP uses a special system of mirrors and lenses; this technology concentrates sunlight onto a small area. This energy is then converted into heat and used to drive heat engines and steam turbines. A CSP plant is in fact similar to a coal-fired power plant, with the steam turbine and a cooling system, but does not require the coal – which is replaced by concentrated sunlight.

451.8 tons of CO₂ per year

Despite the potential of solar power, its usage and production in South Africa to date remain very minimal. Apart from hot water installations

on people’s rooftops and three Eskom initiated pilot projects – at the Lethabo power station near Vereeniging in Gauteng, the Kendal plant in Mpumalanga and at Eskom’s head office in Johannesburg – the footprint of solar energy is next to nothing. This should be much bigger, environmental experts claim while pointing at our gigantic carbon footprint. Statistics from the International Energy Agency (IEA) show that South Africa emitted 451.8 million tons of carbon dioxide in 2010.

That is more than France (362.5 million tons), Italy (407.9 million tons), and fellow BRICS member Brazil (419.5 million tons).

The main sticking point is that the bulk of our electricity is generated from coal.

International research firm Frost & Sullivan estimates that coal provides about 80% of South Africa’s primary energy needs, supports 90% of the electricity generation, and is a crucial feedstock for our synthetic fuels manufacturing industry.

“Coal-fired power generating plants are estimated to be the source of approximately 70%

carbon dioxide, sulphur and other emissions into the air globally,” writes Frost & Sullivan mining analyst Wonder Nyanjowa in his 2011 report called *South Africa’s Coal Demand and Supply Trends*.

“Eskom is currently expanding its power generation capacity by building two new power plants, and returning into service three coal-fired power plants that had been mothballed. The power utility’s coal consumption is likely to increase by an additional 50 million tons by 2017,” he continues, adding that the expansion of Sasol’s synthetic fuels manufacturing capacity would see its annual coal consumption increase by 25 million tons.

These and other developments will increase South Africa’s CO₂ emission rate, Nyanjowa predicts, contradicting government’s 2009 pledge to reduce South Africa’s CO₂ emissions by 34% by 2020, and by 42% by 2025.

Coal vs solar plant

Building solar plants as opposed to coal-fired stations is not just better for the planet and



beneficial to our growing energy demand. It also seems to make financial sense.

“When a coal power plant has reached its lifespan, usually after 40 years, depending on the state and sophistication of the technology, demolishing it and building a new plant on that site is the only thing you can do.

“You really would not want to build anything else on that piece of land. This obviously costs billions. Look at what Medupi costs,” Koot said.

When the panels of a solar plant reach their lifespan, however, after some 20 years, one does not have to demolish the entire power station – including the metal structures that carry the panels.

“You simply replace the solar panels. This is becoming cheaper every year, while the technology is continuously improving. That makes solar a good investment,” he said.

“If you decide to discontinue a solar plant, you simply remove the basic infrastructure, the aluminium structures.

“The land will not be contaminated and polluted, meaning you can use it for other purposes,” Koot said.

Ultra-stable commodity

Vishal Shah, managing director for the US-based alternative energy divisions at the Deutsche Bank, concurs.

According to him, these and other aspects make solar a very interesting investment commodity. “Your return on investment of solar plants does not depend on price fluctuations,

which is applicable to coal. This means solar is a very stable commodity to invest in,” he said.

“Coal-generated electricity is vulnerable to fluctuations of the coal price. You simply don’t know what is going to happen with coal,” Koot added.

He stressed that coal prices are likely to go up in the foreseeable future, as the deposits on the surface are being depleted: “Coal will, at some point, become more expensive to mine in the future, which will push up the price.”

Research confirms Koot’s statements. By the end of 2009, South Africa had some 30.408 million tons of coal, equating to 3.68% of the world total deposits.

While our national reserves are still significant, the 2010 statistical energy survey by British Petroleum (BP) shows a steady decline.

South Africa has abundant coal reserves, but its ‘reserves’ of solar power are even greater.

“Unlike coal, solar power is inflation-proof and doesn’t lead to the destruction of landscapes or the pollution of precious water,” emphasises Peet du Plooy, programme manager at the Trade and Industrial Policy Strategies (TIPS) think-tank.

“For investors, renewable energy has proven to be more accessible than power generated from coal or other fossil fuels.

“For government, private investment in green energy is attractive because it does not further strain the balance sheets of historically undercapitalised state-owned entities like Eskom,” du Plooy said.

Prices have dropped by 90%

One of the most commonly floated arguments in South Africa against the sun’s potential is cost-related.

While a watt of solar energy still costs more than the equivalent generated from coal, one should take into account that solar prices have come down exponentially over the past decades – and that they will continue to do so in the foreseeable future.

Figures by the United States Department of Energy’s National Renewable Energy Laboratory, show that the global average price per watt of PV, excluding installation, has dropped by almost 90% between 1980 and 2011. Equipment costs furthermore have plummeted by some 50% since 2006.

“Global prices of solar have come down by 70% over the past half a decade, and we predict they will continue to decrease in the years to come,” Koot says.

“As solar will become cheaper, the demand – and the market – will continue to grow. This will drive down the prices even more. This is good news for investors.”

Solar facts

- As far back as 1958, solar panels were used to power satellite electrical systems in space.
- Germany is the world’s leader when it comes to solar power. In 2009, Europe’s largest economy installed 3 806 MW of PV. Germany produces some 24 700 MW

annually and wants to use nothing but renewable energy by 2050.

- Albert Einstein won his only Nobel Prize for explaining the Photovoltaic effect.
- PV cells also work on cloudy days, although less efficiently than on sunny days
- China is the world's biggest producer of solar panels. In 2007, the country produced 1.7 gigawatt (GW) of solar panel capacity. This is almost half of the global production (3.8 GW). Some 99% was exported.
- China is a big consumer of solar energy: In 2011, it had 2 200 MW of installed capacity. The installation capacity is growing due to an expanding economy.

Job creation

With a high unemployment rate, South Africa is in dire need of jobs. Tapping into renewable

energy sources, solar included, can help fight the problem.

Greenpeace released a report in 2010 dealing with the link between renewable energy and job creation in South Africa.

The main conclusion of South African Energy Sector Jobs in 2030 is that 78 000 or more new jobs can be created in less than two decades, if South Africa chose a greener energy route. This number increases to 111 700 if wind turbines and other renewable energy equipment were manufactured locally.

The report compares this green route to two scenarios. The one is derived from the International Energy Agency's 2007 Africa projections. Based on this fossil fuel-based model, some 46 000 employment opportunities could be created by 2030. The Long-Term Mitigation Scenario Without Growth Constraints model

is a reflection of South Africa's energy future in the absence of climate change and oil constraints. This scenario could result in the creation of 71 000 jobs.

"Every MW of solar can generate 33 jobs in the installation phase of plants alone," says Koot. "We are not even talking about indirect jobs and the maintenance phase."

These jobs would be mainly created in areas such as the engineering and design of solar plants, installation, marketing, plant maintenance and sales. Berlijn adds: "The manufacturing of the aluminium structures, cables, inverters and transformers can be a good source of employment too. The same counts for PV module assembly."

BBQ

Miriam Mannak

Pictures courtesy of SolarPlaza.



Jolly good bedfellows

International brands cosy up in bed together



Perfected over time, more than a century in fact, the Hästens and Taj brands have long been the global benchmark for luxury and high quality in the bed and hospitality industries, respectively. It's no wonder then that these two prestigious brands should collaborate.

Hästens South Africa and Taj Cape Town have recently entered into a strategic business partnership. The result: opulent accommodation in Cape Town for local and international visitors, culminating in a quintessential luxury experience. "Guests of the five-star hotel can now uncover the heritage and culture of the heart of the Mother City from the comfort of a Hästens suite," says Mashuda Casmod, manager of Hästens South Africa.

The story though, doesn't begin there. In 2010, on his much-publicised visit to the city of Mumbai, the Taj Mahal Palace purchased a bed from Hästens for President Barack Obama's stay at their Tata Presidential Suite. Purveyors to the Swedish Royal Court since

1952, Hästens have perfected the craft of making beds fit for kings and queens, and since 2010, maharajas and presidents too.

There's no denying the strong influence the original architecture of the Temple Chambers and the South African Reserve Bank – across which Taj Cape Town is spread – has had on the look and feel of the hotel.

The Tower suites in particular are as dramatically elegant in space, design and views, as the city skyline over which they loom.

When that impeccable luxury meets the uncompromising quality and enduring style of Hästens, the mix is simply tantalising.

Scandinavian design has been highly regarded and has been the subject of exhibitions and scholarly work for many years.

The idea that beauty and functionality should go hand-in-hand is the core theme of Hästens products.

Each bed is a masterpiece, hand-made with pride and care by skilled craftsmen.

Natural materials such as horsehair, pure flax and the highest quality pine, ensure not only sustainability, but also the most amazing


comfort. And the beauty lies in the exquisite detail, from the rich colour palette to the inspired hand-stitching.

With Cape Town continuing to shine as one of the world's most popular tourist destinations, the coming together of these iconic brands is bound to have a positive impact on the city's tourism industry.

Taj Cape Town is perfectly situated in the heart of historic city, on the doorstep of many significant and interesting landmarks and attractions.

What the hotel presents in culture, atmosphere and service, Hästens matches in comfort, opulence and timeless style.

This will no doubt be sought-after by discerning guests who value all things superior.

"The first of its kind in the country, this partnership is a unique offering in many ways; suffice to say that Hästens and Taj have once again set the bar very high," Michael Pownall, Taj Cape Town's General Manager concludes. 

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Daniel 'Cheeky' Watson

On 16 August, a general council of the South African Rugby Union (SARU) met in Cape Town and made a long-awaited decision. In 2013 the Southern Kings, a relatively new franchise comprising the Eastern Province Kings, South Western Districts Eagles and Border Bulldogs rugby unions, will be one of the five South African teams participating in the Super 15, which is the southern hemisphere's premier rugby tournament.

The announcement surprised some, upset others and delighted many. The decision had been a while in the making and was accompanied by a caveat, that the Kings can only look forward to one guaranteed season of Super 15 rugby, at the end of which the South African team which finishes lowest on the roster will play a promotion or relegation match against the newly-relegated Golden Lions.

If there was an air of inevitability to this announcement, it was likely due to that most





Super Try!

A new era has dawned with the elevation of the Eastern Cape's Southern Kings rugby franchise to Super 15 status

persistent and neglected undercurrent in South African rugby, which is the need for transformation. According to sports sociologists Ashwin Desai and Zayn Nabbi, rugby transformation's focus has traditionally been on getting the maximum number of black players into the national team.

But this sort of top-down approach is counter-productive and can cover up the lack of fundamental change at lower levels.

For real transformation to take place, black talent has to be developed from the "grass-roots" upwards.

"The ideal situation would be for the transformation agenda to form a seamless web from bottom to top," Desai and Nabbi said.

This approach has found favour with Sport and Recreation South Africa (SRSA), as the Minister of Sport, Fikile Mbalula, made clear in a statement earlier this year: "The transformation of sport in general and our [national] teams in particular will only happen as a consequence of grassroots development."

The Eastern Cape, home of the Southern Kings, is the wellspring of the majority of South Africa's black professional rugby talent, and as

because apartheid-era administrators were disinclined to invest in black club rugby.

However, since the advent of democracy, a number of attempts have been made to rectify the situation and institute a grassroots resurgence in the province.

In 2006 SARU, under the direction of its former president Brian van Rooyen – and under pressure from the SRSA – had promised to promote the Southern Spears, who are the Kings' predecessor franchise and pet project of former Springbok coach Peter de Villiers, to a Super rugby franchise.

This never materialised, mostly due to van Rooyen's ouster and concerns about the Spears' financial affairs.

In August 2006, shortly before the Spears disbanded, they secured a High Court order declaring their claim to Super rugby valid and legal, a fact Eastern Cape rugby has never quite forgotten. In this context, the decision to include the Kings in 2013's Super 15 makes a lot of sense. So why do so many people seem to be so upset about the Kings' inclusion?

One of the most persistent concerns is the quality of the Kings' rugby. For a team to

suffered an embarrassing loss to Boland in the finals of last year's Vodacom Cup.

But the Southern Kings are a newly-formed side; beginnings are often of necessity small.

Consider the example of Manchester United. The club had to wait nearly 60 years before Matt Busby made them a force to be reckoned with in the late 1940s. At such an early stage, the only indication of future success is the level of a team's preparedness.

"We will be ready and we will surprise a lot of people," Southern Kings' director of rugby, Alan Solomons, said.

So, how ready are the Kings? They certainly possess the necessary infrastructure.

Their home ground is the Nelson Mandela Bay Stadium, an impressive 48 500 capacity venue. The stadium, built in anticipation of the 2010 FIFA Soccer World Cup, boasts adjoining training facilities that easily match those available to current Super rugby franchises, including state-of-the-art gym and conditioning facilities. The franchise has also been amassing a wealth of coaching talent. New head coach Matt Sexton has previously worked as a set-piece coach for the All Blacks; Phil Mack used to work under former Springbok coach Harry Viljoen while Solomons, in many ways the architect of the current resurgence in Eastern Province rugby, previously distinguished himself as an assistant to former Springbok coach Nick Mallett and commands a lot of respect in the rugby fraternity. There is also no lack of ambition at Kings. Their website speaks in hyperbolic terms about their objective: "To be one of the great rugby franchises on the face of the planet."

Statements from Kings' management and administrators, while less exaggerated, are no less confident. But to play top-flight rugby one needs more than facilities, personnel and gusto. One also needs money.

A Super 15 side like the Bulls typically spends millions of rand in the course of a season; amounts of that magnitude can only be procured from sponsorships and investment.

Kings may be getting a sizeable chunk of their cash from a former Lions investor, billionaire Robert Gumede's Gijima Group. Gumede, who is well-connected politically, has expressed an

The Eastern Cape, home of the Southern Kings, is the wellspring of the majority of South Africa's black professional rugby talent

a result the SRSA has taken a keen interest in developing the game's infrastructure in the province.

Historically, Eastern Cape teams have been neglected in favour of more glamorous, well-funded provincial sides like the Bulls, the Cheetahs, the Sharks and the Stormers.

This is partly because these clubs represent an income potential (in terms of sponsorship and broadcasting rights) which dwarfs that of previous Eastern Cape teams and partly

successfully compete in a competition as demanding as the Super 15, a history of above-average results will not suffice – they must be very good.

Though Kings have scored some noteworthy victories – they won the 2011 IRB Nations Cup and finished at the top of Division One in 2010 – they have yet to demonstrate the skills needed to take on teams such as the Bulls, Sharks or Crusaders. In addition, they have so far failed to qualify for the Currie Cup and

interest in the franchise for the better part of 2012, but his involvement has only served to further inflame the general rugby-supporting public.

This is because the main source of supporters' discontent is the perception that Kings are being elevated to Super rugby status for political reasons rather than on merit.

This perception is certainly not eased by the presence of Kings president Daniel 'Cheeky' Watson and his son Luke.

As a white rugby player in South Africa's tumultuous 1970s, Watson turned his back on a promising playing career to join a black team, the Spring Rose Rugby Football Club, in the New Brighton township of Port Elizabeth.

Watson, who became a cadre of both the African National Congress and South African Communist Party, has never quite fitted into South Africa's conservative rugby culture and is seen by many as an agent of sports transformation – a perception he fully endorses.

But if the mention of Watson conjures ill-feeling among white rugby supporters, it is mild compared to the invective commonly aimed at his son Luke, arguably the most controversial figure in South African rugby.

Luke Watson's 2007 inclusion in the Springbok squad was seen as a political move and Watson stated afterwards that wearing the Springbok jersey made him want to "puke".

He is regularly booed at venues like Loftus Versfeld Stadium in Arcadia, Pretoria. Since 2011 he has taken up the captaincy of the Southern Kings.

The perception that the Southern Kings are being promoted for political reasons does in fact appear to be true. But, are rugby supporters justified in their outrage?

The demonstrable need for government intervention in sport is perhaps best illustrated by the disparity between soccer and rugby in this country. In the apartheid era, rugby's growth was encouraged while soccer's was neglected.

Consequently, we rank third in the world in rugby but only 67th in soccer, 18 years after the country's first democratic election. This also implies that the success of the current Super rugby franchises is in some part due to intervention by the previous regime.



Eastern Province Kings lock, Lungelo Payi

Finally, even if the Kings deliver an abysmal showing in the Super 15, they are unlikely to have a worse run in the tournament than one of their sister franchises, the recently-relegated Golden Lions.

Having spent virtually their entire 2012 Super 15 campaign at the bottom of the scoreboard, the Lions can no longer justify their place in the tournament.

Therefore, there is a multitude of reasons why the decision to include the Super 15 is justified.

There are, however, indications that the team is not as focused on transformation as they appear at first.

Most of their squads are overwhelmingly white, typically featuring staple forwards such as Luke Watson and Wayne van Heerden and backs like Darron Nell and Wayne Stevens.

Arguably this does not necessarily mean the Kings are not committed to transformation,

only that their talent pool is limited. However, over 60% of the youth players working their way through the Kings' academy structure are black and first team players like Siya Kolisi and Siyabonga Ntubeni do offset this perceived imbalance.

Many rugby supporters also make the case that South African rugby does not need the Kings because it already has a transformation success story in the Stormers franchise.

SRSA insists, transformation is meant for national teams which reflect the country's demographics.

To achieve this goal, the local rugby culture and talent in the Eastern Cape must be developed.

So, the elevation of the Kings to the Super 15 was inevitable.

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One for the road

The Jaguar XFR does not disappoint; coming as it does with characteristic personality and charm

Good grief but is this big cat ever fierce? The Jaguar XFR has made an authoritative pounce onto the South African tarmac and is so ready to take the fight to the BMW M5 and Mercedes Benz E63 AMG.



With a supercharged V8 engine, hi-tech adaptive damping and a special limited slip differential, this Jag most certainly has all the right pieces in place for a high-performance victory lap.

However, the XFR doesn't shout about its potential in the same way as some of its

competitors. The car's handsome lines have been subtly enhanced with the addition of a deeper front bumper, neat side skirts and an understated tailgate spoiler.

Look closer and you will spot the supercharged logos on the 20-inch alloy wheels, a discreet 'R' badge on the boot lid and two small cooling vents set into the bonnet. In the driver's seat, the changes to the cabin are equally subtle. More side support has been added to the soft leather seats, while the dials now feature red needles to replace the white items of the standard car and just a touch of chequered aluminium to finish it all off.

The magic happens, though, when you push the pulsating red starter button and a purposeful low V8 growl comes out of the quad tail pipes. Select drive on the XFR's signature gear selector, put your foot down on the accelerator and the XFR explodes off the line.

This Jaguar delivers acceleration to rival a supercar, completing the sprint from 0-100km/h in under five seconds. That sudden burst of velocity, accompanied with the low V8 growl transmogrifying into a full blown throaty roar... it's just automotive heaven.

Taken into the corners, the XFR demonstrates that it has the chops to control all that power.

XFR displays excellent agility on twisting back roads, delivering the sort of thrills you'd expect from a sports car.

However, the Jag's party trick is its ability to go from raging wild cat to demure house cat at the drop of a hat.

When driven at a more placid pace, the ride is supple, the V8 growl calming to a cosseting purr. Now for the best bit! At R1 044 900, the XFR undercuts its rival by over a R100 000. **BBQ**

Zaid Kriel

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