

FTSE-JSE indices Close		% ch	FTSE-JSE all share daily close		Bonds/forwards		INET BFA	% ch	Currencies		INET BFA	% ch	Commodities Latest		% ch	Foreign Markets Latest		% ch
All Share	51226.10	▼ 1.29	51200	51226.09	R186	9.225	▲ 0.00	R/\$	15.142	▲ 2.42	Gold PM Fix	1219.75	▲ 0.51	Dow Jones	17650.48	▼ 0.49		
Top 40	45139.00	▼ 1.44	50000		R207	8.72	▲ 0.18	R/£	21.431	▲ 1.61	Gold NY	1217.00	▼ 0.53	S&P 500	2072.78	▼ 0.93		
Findi 30	73139.00	▼ 0.93	40000		3-mth NCD spot	330.12	▲ 0.00	R/€	17.255	▲ 2.48	Brent Future	37.67	▲ 0.47	FTSE 100	6091.23	▼ 1.19		
Resources 20	15293.00	▼ 2.23	40000		R/\$ (6-mth)	5620.5	▲ 3.86	\$/€	1.139	▲ 0.05	Platinum PM Fix	951.20	▲ 1.42	Nikkei 225	15723.82	▼ 2.42		
Goldex	2004.27	▲ 1.82	40000		R/\$ (12-mth)	11510	▲ 4.29	¥/\$	110.273	▼ 0.96	Palladium Spot	545.20	▼ 0.60	Xetra Dax	9563.36	▼ 2.63		

# Transformation policy failing those in need

**T**RANSFORMATION is integral to virtually all spheres of society including the political, economic, social and sports spheres. It's like the devil: it gets blamed for everything.

In the recent complaints about "state capture", the transformation ball gets kicked around. The infiltration of business interests to the level of reducing government executives to rubber-stamp appointments, is justified by the Zuma faction as promoting transformation.

The Ramaphosa faction opposing this undue influence is accused of being influenced by "white monopoly capital" and, therefore, of undermining transformation efforts.

Financial interests are at play on both sides, and transformation is a convenient and clever instrument to justify the unjustifiable.

Given our past, transformation is a raw nerve and any attempt to criticise the so-called transformation agenda is branded racist, colonialist or counter-revolutionary.

Some of these arguments have become downright bizarre, with absurd conspiracy theories emerging — for example, that western superpowers are trying to topple the government.

What started off in 2002 with the drafting of the Black Economic Empowerment (BEE) Commission report as an inclusive economic growth model has become a smokescreen for driving individual interests.

We must be careful not to focus solely on the headlines about a single family and its involvement in the government's affairs. Several role players are involved in a wider scheme of capturing resources and using state mechanisms for these purposes.

The mining industry is a prime example. The state has obtained all SA's mineral rights, which has been described as nationalisation. All existing mining right holders and new mining right seekers must apply for a licence to the minister of mineral resources in terms of the Mineral and Petroleum Resources Development Act.

The act provides for certain criteria to be met to be granted exploration or mining licences. One of these is 26% black



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## BEE MATTERS

shareholding. The 26% is supposed to benefit communities, employees and the poor — to serve real broad-based upliftment and real transformation — but too many greedy government and ruling party executives are more focused on securing their financial interests.

These BEE shares have, therefore, been considerably reduced, while black shareholding to the politically connected African National Congress (ANC) or ANC-aligned elite have been considerably increased for the purpose of securing mining licences and staying in business.

Billions of rand in equity have, in this way, flowed to politically connected individuals. This has been deemed by corporates as "insurance" to maintain good relations with those in high places and to secure the renewal of licences and permits to operate.

A donation in the region of R10m to political party funds and campaigns appears to keep everyone happy and no questions are asked. Sustained interaction between businesses, connected individuals, and party structures is fostered.

If the government had not nationalised mining rights, this system would not have benefited the elite to the degree that it has. Mines would have fallen under the normal BEE charter governing all companies.

This not being the case, two obstacles now have to be overcome by the elite for mining rights. One is the contentious once-empowered, always-empowered principle, in terms of which mines retain their black shareholding status after the sale of shares by black shareholders. This had to be changed for the elite to force

mines to continue concluding black-shareholder transactions, which would ensure a constant flow of shares to them.

This issue is now before the high court for determination.

The second obstacle facing the elite is the lingering existence of broad-based schemes or programmes aimed at uplifting marginalised communities, the poor, and employees — the people the Broad-Based Black Economic Empowerment Act and BEE Codes are intended to bring within the mainstream of economic activity.

The majority of BEE transactions result in the acquisition of shares by beneficiaries who don't pay for the shares. They are financed by existing shareholders through the issuing of rights and paid for by way of dividends.

This is the ideal instrument for the poor, working class, or unemployed to obtain a stake in business. The problem is that the elite uses the same method to obtain shares. Therefore, when the elite claim that these broad-based programmes are used for fronting, a climate is created to swing public opinion against the use of these programmes, despite the fact that, when properly applied, they work well.

Kumba's iron ore mine in the Northern Cape is one of several examples in which these programmes work well. It has established a trust for all its staff members and every year, they share in the profits. Yet, particularly greedy factions in the elite are going all out to eliminate these structures, because they pose an obstacle to them obtaining more equity.

The African National Congress, which claims to represent the poor, through its influential elite — and this includes the unions that support the elite — is pocketing the little that is trickling down to the poor. We need only pose one question to confirm this: in support of real transformation, would the elite be willing to transfer to the poor all the shares they obtained as part of these transactions?

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