

RADICAL ECONOMIC TRANSFORMATION VS WHITE MONOPOLY CAPITAL

25 May 2018

Presentation to TIPS

Centre for Economic Development and Transformation

“There is a huge lacuna of intellectual leadership in transformation, and I want to appeal to Absip to consider how it can step into the breach. Perhaps one of the most immediate challenges is to ensure that we have an agreed survey method, survey frequency and an approach to measurement that is uniform and binding on all.

There are at least four survey reports available and generally in use – the Jack Hammer Executive Report; the Alternative Prosperity Report; the NEF Ownership Survey; and the Empowerment Trailblazers Survey. I experience profound difficulty in traversing across these and seeking common method and agreed outcomes. I often pause while using these reports to question whether the analysts are even using the same raw data sets. Regrettably, therefore, all these reports are treated with a dose of cynicism and they are considered unreliable.”

Former Finance Minister Trevor Manuel speaking at the 2016 annual conference of the Association of Black Securities and Investment Professionals

Ownership Key Issues

The once empowered always empowered principle creates regression in transformation. It must not be allowed in any of the sector codes.

We reject the argument for embracing, once empowered, always empowered as this is counter to transformation and aims to reverse the gains by creating an illusion of economic transformation when there is none.

It is illogical to seek to pass off 'non-existent black shareholders' as real and active shareholders.

Sector Codes are not meant to be an avenue to circumvent the B-BBEE Act, but merely to recognise unique sectoral dynamics in the interests of advancing B-BBEE.

Zodwa Ntuli, BEE Commissioner

Trevor Manuel on Public Investment Corporation

It is important to note that the PIC makes investments predominantly on behalf of the Government Employees Pension Fund (GEPF).

Given that the GEPF is a defined benefit fund, it would be inappropriate to consider any returns accruing from such investments to be benefiting the beneficiaries. This is simply because the pension benefits are predetermined.

Today's Trustee, March 2005

PIC ASSETS

	Value of Assets (R million)
Shares	959 490
Government debt	421 886
Public enterprises debt	189 231
Cash	113 127
Total	1 925 900
Net Loan Debt	2 006 000
Net Loan debt (% of GDP)	45.5
Net loan Debt (% of GDP after PIC debt write off)	35.9%

Maze of Ownership Stats

- Chamber of Mines (38%)
- Firstrand (36.5%)
- Nedbank (37.6%)
 - Written reply to parliament (4%)
 - Annual Report (1.5%)
- Intellidex (R317bn)
- JSE Study (23%)
- NEF Study – Who Owns Whom (3%)
- Treasury Study (1.6%)

Ownership Key Issues

- Proliferation of fake BEE Stats. Public Confusion
- Big difference between actual black ownership and measurement for purposes of getting points on a scorecard
- Flow-through principle (measures actual or effective ownership)
- Modified flow through principle
- Exclusion principle (mandated investments and state ownership) Bizarre rule. Rationale never explained by DTI.
- Adding direct and indirect ownership.
- Once-empowered, always empowered (mines and banks) liquidity freeze
- If mines and banks have their way, it could be end of BEE deals
- Continuing Consequences Principle with sunset clause

JSE Top 100 Companies Market Capitalisation

	Company	Market capitalization (Rbn)	% of total market capitalization	Cumulative % of total market capitalization
1	AB Inbev	2 318.6	15.9	15.9
2	BAT	2 037.4	14.0	29.9
3	Naspers	1 513.8	10.4	40.3
4	Glencore	938.8	6.5	46.8
5	Richemont	583.3	4.0	50.8
6	BHP Billiton	529.2	3.6	54.4
7	Firststrand	377.2	2.6	57.0
8	Anglo American	359.3	2.5	59.5
9	Standard bank	316.8	2.2	61.7
10	Sasol	279.6	1.9	63.6
11	MTN	257.4	1.8	65.4
12	Vodacom	250.8	1.7	67.1
13	Sanlam	188.5	1.3	68.4
14	Old Mutual Plc	187.4	1.3	69.7
15	South 32	176.4	1.2	70.9
16	Barclays Africa	154.3	1,1	72.0
17	Shoprite	130.8	0.9	72.9
18	Nedbank	127.6	0.9	73.8
19	Capitec Bank	127.0	0.9	74.7
20	Aspen	126.7	0.9	75.6
21	Remgro	124.9	0.9	76.5
22	NEPI Rockcastle	123.4	0.8	77.3
23	Kumba Iron Ore	122.1	0.8	78.1
24	Discovery	120.3	0.8	78.9
25	Mondi Plc	117.3	0.8	79.7
26	RMH	111.8	0.8	80.5
27	Bidcorp	101.0	0.7	81.2
28	Amplats	95.3	0.7	81.9
29	Tiger Brands	88.4	0.6	82.5
30	Growthpoint	81.2	0.6	83.1
31	Mediclinic	78.4	0.5	83.6
32	Bidvest	73.4	0.5	84.1
33	Hammerson Plc	71.9	0.5	84.6
34	RMI	69.7	0.5	85.1
35	Woolworths	68.4	0.5	85.6
36	Resilient	64.2	0.4	86.0
37	Mr Price	62.8	0.4	86.4
38	PSG	62.5	0.4	86.8
39	Redefine	60.8	0.4	87.2
40	Investec Plc	60.1	0.4	87.6

JSE Top 100 Companies Market Capitalisation

	Company	Market capitalization (Rbn)	% of total market capitalization	Cumulative % of total market capitalization
41	Exxaro	58.3	0.4	88.0
42	Intu	56.8	0.4	88.4
43	STAR	55.0	0.4	88.8
44	Reinet	53.7	0.4	89.2
45	AngloGold Ashanti	52.7	0.4	89.6
46	Imperial	52.7	0.4	90.0
47	Assore	50.3	0.3	90.3
48	Sappi Ltd	49.9	0.3	90.6
49	Foschini	46.7	0.3	90.9
50	Fortress B	45.8	0.3	91.2
51	Capital & Counties	44.6	0.3	91.5
52	Clicks	44.6	0.3	91.8
53	Goldfields	44.4	0.3	92.1
54	Truworths	41.8	0.3	92.4
55	Life Healthcare	40.2	0.3	92.7
56	Spar	39.2	0.3	93.0
57	AVI	38.9	0.3	93.3
58	Mondi Ltd	37.8	0.3	93.6
59	Netcare	36.9	0.3	93.9
60	Liberty	35.6	0.2	94.1
61	Sibanye Stillwater	34.3	0.2	94.3
62	Pick n Pay	34.0	0.2	94.5
63	Barloworld	33.9	0.2	94.7
64	MMI	33.1	0.2	94.9
65	Pioneer Foods	32.0	0.2	95.1
66	Diistell	31.5	0.2	95.3
67	Dis-Chem	31.4	0.2	95.5
68	Santam	30.7	0.2	95.7
69	Massmart	30.3	0.2	95.9
70	ARM	29.5	0.2	96.1
71	Hyprop	29.1	0.2	96.3
72	Tsogo Sun	27.9	0.2	96.5
73	Investec Ltd	27.9	0.2	96.7
74	Northam Platinum	26.6	0.2	96.9
75	Coronation	25.9	0.2	97.1
76	Telkom	25.4	0.2	97.3
77	Greenbay	24.2	0.2	97.5
78	Impala Platinum	23.8	0.2	97.9
79	Fortress A	22.0	0.2	98.1

JSE Top 100 Companies Market Capitalisation

	Company	Market capitalization (Rbn)	% of total market capitalization	Cumulative % of total market capitalization
80	Brait SE	21.9	0.2	98.3
81	KAP	21.3	0.1	98.4
82	Steinhoff	20.0	0.1	98.5
83	Italtile	19.4	0.1	98.6
84	MAS Real Estate	19.4	0.1	98.7
85	Curro	17.5	0.1	98.8
86	Global Trade	16.5	0.1	98.9
87	Vukile Property	16.3	0.1	99.0
88	Tongaat	15.5	0.1	99.1
89	Ayo	15.5	0.1	99.2
90	Super Group	15.4	0.1	99.3
91	Attacq	14.9	0.1	99.4
92	RCL Foods	14.2	0.1	99.5
93	JSE	13.4	0.1	99.6
94	Reunert	13.3	0.1	99.7
95	Blue Label	13.0	0.1	99.8
96	HCI	12.9	0.1	99.9
97	AECI	12.2	0.1	100.0
98	SA Corp	12.2	0.1	
99	Datatec	12.1	0.1	
100	Investec Property	12.1	0.1	
	TOTAL	14 547.0		

Country stock markets do not reflect country economies

Even the S&P 500 is no longer just about the US.

CAPE TOWN – There is a statistic that local asset managers have been quoting repeatedly over the last 18 months: over 70% of the revenues of companies in the FTSE/JSE Top 40 are generated outside of South Africa.

It is one of the reasons why the local stock exchange has remained fairly resilient, despite the very weak state of the South African economy.

Companies such as [Naspers](#), [Steinhoff](#), [Richemont](#) and [British American Tobacco](#) have performed extremely well over the last five years because they do the bulk of their business elsewhere.

Moneyweb (18 October 2016)

JSE Top 40 Companies with no SA Assets

	Company	Market Cap (Rbn)	% SA Assets	Value of SA Assets (Rbn)
88	Richemont	583.3	0.0	0.0
89	BHP Billiton	529.2	0.0	0.0
90	NEPI Rockcastle	123.4	0.0	0.0
91	Mondi Plc	117.3	0.0	0.0
92	Hammerson Plc	71.9	0.0	0.0
93	Investec Plc	60.1	0.0	0.0
94	Intu	56.8	0.0	0.0
95	Reinet	53.7	0.0	0.0
96	Capital & Counties	44.6	0.0	0.0
97	Greenbay	24.2	0.0	0.0
98	MAS Real Estate	19.4	0.0	0.0
99	Global Trade	16.5	0.0	0.0
100	Datatec	12.1	0.0	0.0
	TOTAL	1 712.5		

JSE Top 100 Companies Value of SA Assets

	Company	Market Cap (Rbn)	% SA Assets	Value of SA Assets (Rbn)	% of SA Assets	Cumulative % of SA Assets
1	Firststrand	377.2	90.0	339.6	6.9	6.9
2	Standard Bank	316.8	83.0	262.9	5.4	12.3
3	AB Inbev	2 318.6	9.5	220.0	4.5	16.8
4	Vodacom	250.8	85.4	214.2	4.4	21.2
5	Sasol	279.6	64.5	180.3	3.7	24.9
6	Sanlam	188.5	82.0	154.6	3.2	28.1
7	Anglo American	359.3	42.2	151.6	3.1	31.2
8	Old Mutual Plc	187.4	75.0	140.6	2.9	34.1
9	Nedbank	127.6	100.0	127.6	2.6	36.7
10	Capitec Bank	127.0	100.0	127.0	2.6	39.3
11	Barclays Africa	154.3	81.0	125.0	2.6	41.9
12	Remgro	124.9	100.0	124.9	2.6	44.5
13	Kumba Iron Ore	122.1	100.0	122.1	2.5	47.0
14	Discovery	120.3	100.0	120.3	2.5	49.5
15	RMH	111.8	100.0	111.8	2.3	51.8
16	Shoprite	130.8	83.0	108.6	2.2	54.0
17	Amplats	95.3	97.0	92.4	1.9	55.9
18	Naspers	1 513.8	5.9	90.0	1.8	57.7
19	MTN	257.4	33.3	85.7	1.8	59.5
20	Tiger Brands	88.4	93.3	82.5	1.7	61.2
21	Bidvest	73.4	100.0	73.4	1.5	62.7
22	RMI	69.7	100.0	69.7	1.4	64.1
23	Resilient	64.2	100.0	64.2	1.3	65.4
24	PSG	62.5	100.0	62.5	1.3	66.7
25	Mr Price	62.8	93.4	58.7	1.2	67.9
26	Exxaro	58.3	100.0	58.3	1.2	69.1
27	BAT	2 037.4	2.8	57.0	1.2	70.3
28	Growthpoint	81.2	70.0	56.8	1.2	71.5
29	Star	55.0	95.0	52.3	1.1	72.6
30	Assore	50.3	100.0	50.3	1.0	73.6
31	Redefine	60.8	81.0	49.2	1.0	74.6
32	Woolworths	68.4	66.0	45.1	0.9	75.5
33	Clicks	44.6	95.0	42.4	0.9	76.4
34	AVI	38.9	100.0	38.9	0.8	77.2
35	Glencore	938.8	4.0	37.9	0.8	78.0
36	Mondi Ltd	37.8	100.0	37.8	0.8	78.8
37	Liberty	35.6	100.0	35.6	0.7	79.5
38	Foschini	46.7	75.0	35.0	0.7	80.2
39	Netcare	36.9	93.2	34.4	0.7	80.9
40	Imperial	52.7	63.0	33.2	0.7	81.6

JSE Top 100 Companies Value of SA Assets

	Company	Market Cap (Rbn)	% SA Assets	Value of SA Assets (Rbn)	% of SA Assets	Cumulative % of SA Assets
41	MMI	33.1	100.0	33.1	0.7	82.3
42	Dis-Chem	31.4	100.0	31.4	0.6	82.9
43	Spar	39.2	77.6	30.4	0.6	83.5
44	South 32	176.4	17.0	30.0	0.6	84.1
45	Pioneer Foods	32.0	93.3	29.9	0.6	84.7
46	Truworths	41.8	71.3	29.8	0.6	85.3
47	Barloworld	33.9	87.8	29.8	0.6	85.9
48	ARM	29.5	100.0	29.5	0.6	86.5
49	Life Healthcare	40.2	70.8	28.5	0.6	87.1
50	Pick n Pay	34.0	83.7	28.5	0.6	87.7
51	Investec Ltd	27.9	100.0	27.9	0.6	88.3
52	Massmart	30.3	91.8	27.8	0.6	88.9
53	Tsogo Sun	27.9	97.7	27.3	0.6	89.5
54	Sappi Ltd	49.9	53.5	26.7	0.5	90.0
55	Northam Platinum	26.6	100.0	26.6	0.5	90.5
56	Sibanye Stillwater	34.3	76.3	26.2	0.5	91.0
57	Mediclinic	78.4	33.3	25.9	0.5	91.5
58	Santam	30.7	83.0	25.5	0.5	92.0
59	Telkom	25.4	100.0	25.4	0.5	92.5
60	Distell	31.5	74.3	23.2	0.5	93.0
61	Hyprop	29.1	79.0	23.0	0.5	93.5
62	Fortress B	45.8	50.0	22.9	0.5	94.0
63	Aspen	126.7	16.0	20.3	0.4	94.4
64	Italtile	19.4	100.0	19.4	0.4	94.8
65	KAP	21.3	90.0	19.2	0.4	95.2
66	Impala Platinum	23.8	75.0	17.9	0.4	95.6
67	Curro	17.5	96.0	16.8	0.3	95.9
68	Vukile Property	16.3	100.0	16.3	0.3	96.2
69	Ayo	15.5	100.0	15.5	0.3	96.5
70	RCL Foods	14.2	100.0	14.2	0.3	96.9
71	Coronation	25.9	54.0	14.0	0.3	97.2
72	JSE	13.4	100.0	13.4	0.3	97.5
73	Blue Label	13.0	100.0	13.0	0.3	97.8
74	HCI	12.9	100.0	12.9	0.3	98.1
75	SA Corp	12.2	100.0	12.2	0.2	98.3
76	Attacq	14.9	80.0	11.9	0.2	98.5
77	Investec Property	12.1	93.0	11.3	0.2	98.7
78	Fortress A	22.0	50.0	11.0	0.2	98.9
79	Tongaat	15.5	66.0	10.2	0.2	99.1

JSE Top 100 Companies Value of SA Assets

	Company	Market Cap (Rbn)	% SA Assets	Value of SA Assets (Rbn)	% of SA Assets	Cumulative % of SA Assets
80	Bidcorp	101.0	10.0	10.1	0.2	99.3
81	Reunert	13.3	71.6	9.5	0.2	99.5
82	Brait SE	21.9	40.0	8.8	0.2	99.7
83	AngloGold Ashanti	52.7	15.3	8.1	0.2	99.9
84	AECI	12.2	66.0	8.1	0.2	100.1
85	Super Group	15.4	39.0	6.0	0.1	0.0
86	Goldfields	44.4	13.0	5.8	0.1	0.0
87	Steinhoff	20.0	25.0	5.0	0.1	0.0
88	Richemont	583.3	0.0	0.0	0.0	0.0
89	BHP Billiton	529.2	0.0	0.0	0.0	0.0
90	NEPI Rockcastle	123.4	0.0	0.0	0.0	0.0
91	Mondi Plc	117.3	0.0	0.0	0.0	0.0
92	Hammerson Plc	71.9	0.0	0.0	0.0	0.0
93	Investec Plc	60.1	0.0	0.0	0.0	0.0
94	Intu	56.8	0.0	0.0	0.0	0.0
95	Reinet	53.7	0.0	0.0	0.0	0.0
96	Capital & Counties	44.6	0.0	0.0	0.0	0.0
97	Greenbay	24.2	0.0	0.0	0.0	0.0
98	MAS Real Estate	19.4	0.0	0.0	0.0	0.0
99	Global Trade	16.5	0.0	0.0	0.0	0.0
100	Datatec	12.1	0.0	0.0	0.0	0.0
	TOTAL	14 547.0	33.6	4 894.6		

JSE Top 100 Companies BEE Market Capitalisation at end-December 2016 (Unlisted)

	Company	Value of SA Assets (Rbn)	BEE %	BEE Value (Rbn)	% of BEE Value	Cumulative % of BEE Value
1	Naspers (Multichoice)	112.5	20.0	22.5	23.4	23.4
2	Vodacom	250.8	7.5	18.8	19.5	42.9
3	AB Inbev	220.0	8.5	18.6	19.3	62.2
4	Kumba Iron Ore	160.0	9.3	14.9	15.4	77.6
5	Glencore (Coal)	36.6	26.0	9.5	9.9	87.5
6	S 32 (Manganese)	10.1	26.0	4.4	4.6	92.1
7	Anglo (DBCM)	10.9	26.0	2.8	2.9	95.0
8	Amplats (Modikwa)	5.9	28.2	1.7	1.8	96.8
9	S 32 Coal	19.9	8.0	1.6	1.7	98.5
10	PAR	5.4	26.0	1.4	1.5	100.0
	TOTAL	14 547	0.7	96.2		
		4 894.6	2.0	96.2		

BLACK OWNERSHIP WITHIN JSE TOP 100 (SUMMARY)

	Value (Rbn)	Percentage of JSE	Percentage of SA Assets
Black Ownership (Listed)	310.9	2.1	6.4
Black Ownership (Unlisted)	96.2	0.7	2.0
TOTAL	407.1	2.8	8.3
