8th March 2017

**SUBMISSION TO THE STANDING COMMITTEE ON FINANCE PUBLIC HEARINGS ON FINANCIAL SECTOR TRANSFORMATION**

**SUBMISSION ON BEHALF OF:**

**SOUTH AFRICAN TOWING BOARD**

**THE SOUTH AFRICAN AUTO REPAIRER AND SALVAGE ASSOCIATION (SAARSA)**

**WESTERN CAPE TOWING ASSOCIATION**

**SOUTH AFRICAN BUILDERS CONTRACTORS CIVILS ASSOCIATION**

**RETAIL AUTOMOTIVE AFTERMARKET FEDERATION**

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 **APPEARANCE BEFORE THE COMMITTEE**

We would like to request the opportunity to appear before the committee on the 14 March 2017 and speak on the issue of Financial Sector Transformation.

On behalf of Towing, Panel Beating and Construction in the Insurance industry Mr Wesley Douglas, Len Smith, Moketsi Kwamatame and Mr Chris Olislage will be speaking on behalf of their respective organisations.

**OUR ORGANISATIONS**

**SOUTH AFRICAN TOWING BOARD,**

The towing board was set up by black towing associations and black towing companies and operators in order to try and bring about regulation and fairness in the towing industry in the face of huge white monopolization. The Towing board aims to become a regulated body that issues license and permits to towing operators which geographically places towing operators in different zones, thus eliminating the need to speed to accident scenes and to use violence when two or more towers arrive on the scene. The model is based on the successful example of the taxi industry board and route licensing and permit systems.

**The South African Towing Board is a registered body and has given both Mr Wesley Douglas and Mr Chris Olislage the mandate to speak on its behalf to the Standing Committee on Finance.**

**THE SOUTH AFRICAN AUTO REPAIRER AND SALVAGE ASSOCIATION (SAARSA)**

The South African Auto Repairer and Salvage Association (SAARSA) was formed in April of 2004 to support small and medium enterprises in the Motor Body Repairer Industry (i.e. Panel Beating and Spraypainting Industry)

The Association was formed by a few concerned Panel Beating Entrepreneurs in the Western Cape in an attempt to eradicate all the barriers that prevents small business to freely participate in the mainstream economy. Since then we have established a national footprint representing most provinces.

These barriers presents itself in the form of a grading system which gave rise to a Preferred Insurance Service Provider System and ultimately a Motor Manufacture Factory Approved System, which limited small and medium size body shops that’s been in existence for up to fifty years, to access procurement opportunities. This system is designed to streamline the industry and insure that the previously advantaged body shops remains advantaged. It also does not allow for new entrants and the transformation policy of our country to become a reality

**SAARSA is a registered body and has given Len Smith the mandate to speak on its behalf to the Standing Committee on Finance.**

**WESTERN CAPE TOWING ASSOCIATION,**

The Western Cape Towing Association represents predominantly black owned towing companies, panel shops and call centres in the Western Cape. There are over 200 trucks and roll backs in the association as well as several black owned panel shops and call centres and the WCTA is aligned with the SAARSA KZN and an affiliate of the South African National Towing Board

**The Western Cape Towing Association is a registered body and has given both Mr Wesley Douglas and Mr Chris Olislage the mandate to speak on its behalf to the Standing Committee on Finance.**

**SOUTH AFRICAN BUILDERS CONTRACTORS CIVILS ASSOCIATION**

The South African Builders Contractors Civils Association consists of member companies and individuals that provides services such as plumbing, electrical, building, contracting, roofing, paving, consulting, etc, in the insurance space as well as the residential, industrial sectors, public sector infrastructure, building construction and civil engineering fields and supplies building materials [bricks, cement, sand, fabricated steel, plumbing supplies, electrical supplies, window and door frames, etc.] to its members at discounted prices through collective bargaining**.**

**The South African Builders Contractors Civils Association is a registered body and has given Wesley Douglas the mandate to speak on its behalf to the Standing Committee on Finance.**

**SUBMISSION**

SAARSA, RAAF, The Western Cape Towing Association (WCTA) and the National Towing Board along with South African Builders Contractors Civils Association and all its members hereby present the honourable Standing Committee on Finance its submission on the state of transformation in the Financial Sector

First and foremost we object to SAIA presenting itself as a an agent of change and transformation as it only looks out for the interests of its members, who are the insurance companies and perpetrators of discrimination against black towers and panel beaters and construction and building workers and amounts to them being the player and the referee at the same time. We cannot and will not endorse any transformation initiatives that are initiated and driven by SAIA. They are a valuable stakeholder in the sector but it has been proven that they stand firmly on the side of the Insurers and large white monopolies who dominate the Insurance sector value chain.

SAIA has had decades to affect transformation and has participated in the DTI interim measures, the Black Empowerment Cooperative structures and industry negotiations around transformation but their input has not led to industry transformation at all. In fact under their leadership racially discrimination in procurement in the towing and panel beating sector as well as the construction and repair sectors has worsened and white monopolies created to utterly destroy and dominate the sector with SAIA’s approval and endorsement.

We therefore caution the Standing Committee to be weary when listening to and assessing their presentation because purely on the basis of their dismal transformation track record, not what they say, the Standing Committee might not be given accurate representation of the state of transformation in the sector.

Secondly, the Short term Insurance companies in the Finance Sector are wholly accountable for the negative effects of white monopolies in the towing and panel beating as well as the contracting and building sector of the insurance industry. These Insurance companies have till now been complicit in uncompetitive and racially discriminatory and exclusionary procurement practises. Companies such as ABSA, Santam, Telesure, Hollard, Alexander Forbes, Zurich, Discovery, Outsurance, Std Bank, Mutual and Federal to name but a few, have a lot to answer for in terms of historic discrimination in the towing, panel beating construction and building industry which services their clients on their behalf.

The towing, panel beating, construction and building industry across the country is currently in turmoil and remains steadfastly untransformed, white monopoly dominated and unregulated which leads to violent confrontation in the streets and the closure of many black owned businesses due to lack of procurement. The National Towing Board, The Western Cape Towing Association, SAARSA KZN, JHB and the rest of the country stand united in its insistence that radical transformation must occur in the towing, panel beating construction and building industry immediately and we have thousands of members across the country

The short term insurance industry is worth approximately R95 Billion a year in terms of procurement of which only R1,5 Billion goes to black tow truckers and panel beaters and contractors. Whilst these Insurance companies claim to be transformed the picture on the ground is very different from what is reported. One of the key mechanisms Insurers use for false reporting on the BBEEE codes whilst ensuring that white monopolies get procurement is through outsourcing the towing, panel beating construction and building to White Monopolies who in turn give all the work to their white members. A perfect example of this is DALS group and Cape Road assist that are contracted directly by the Insurers and own the call centres, towing yards, panel shop and salvage yard and get the bulk of the work from insurers although being 100% white owned and untransformed. There are many other examples of this kind of outsourcing to middle men who then racially discriminate against black towers and panel beaters. In the construction side there are companies such as Digicall and FOGI that are incident managers who are the middle men on behalf of Insurers and who, once again, make the bulk of the money whilst black contractors and builders suffer under them.

3 years ago on the 6th December 2014 the ANC in the Western Cape together with Cosatu, SAARSA, SABCCA, Insurance Companies such as Sanlam/Santam, Hollard, Mutual and Federal, Zurich, South African Insurance Industry Association and other key stakeholders signed a Memorandum of agreement committing all parties to immediate transformation and procurement targets in the Towing and Panel beating Industry nationally. At the time Comrade Marius Fransman, Tony Ehrenreich, Len Smith, Ralph Stander and Wesley Douglas led this initiative which was facilitated by then Deputy President Cyril Ramaphosa and had Deputy Minister of Finance Hon Mcebesi Hubert Jonas as the Key note speaker whilst Deputy Minister of Economic Development Hon Madala Masuku signed the MOA on behalf of Government.

Following this historic agreement, which was preceded by months of negotiations with the Insurers around transformation, very little has changed and there has been no meangiful transformation or directed spend to black owned SMME’s. On the contrary massive contracts have been signed and agreements entered into with white monopolies. Billions of Rands are directed to these white owned companies by the Insurance Companies and State Owned Enterprises such as SAA, Government Garage, Eskom, Telkom, etc are also complicit in directing procurement to white monopolies away from black service providers. It seems as if even written agreements signed and staged in public in front of National government officials are blatantly being disregarded and reneged on by Insurers.

This flagrant disregard of Government legislation and transformation has nearly destroyed the towing industry for black tow truckers and panel beaters contractors and builders because Insurance companies, who all signed the agreement, flagrantly disregard the BBEEE transformation imperative and have actively worked against black SMME’s in favour of white monopolies run by white call centres and facilitated by white associations.

In terms of the Agreement signed on the 6th December 2014 there has been no procurement increases to black businesses, instead there has been victimization against black service providers who were party to the signing of the Memorandum. There has been a reversal of gains made before the signing of the agreement in spite of platforms such as a cooperative model and upgrades to shops etc that have taken place at the request of the Insurance companies at great expense to black service providers. In the Auto-body repair industry the auto manufacturers with their racist manufacture approval system have created barriers to entry that keeps black service providers from participating.

Government needs to investigate the Auto-body approval system urgently, as these approvals are outlawed everywhere else in the western world as discriminatory and illegal. This system ensures that the wealth of the industry remains in the hands of a few white monopolies.

There are many blatant examples of racially motivated procurement practises including different rates being paid for black and white service providers, discounts given to white service providers that are not given to black service providers, financial assistance and grants given to white service providers that are not extended to black service providers, etc. Coupled with guaranteed and excessive procurement spend into white monopolies by Insurers this has led to a very racially skewed and inequitable industry.

We are happy to furnish the committee with specific examples, names and all and any further information the committee requires to adequately unpack the need for transformation in the Finance Sector, specifically in relation to Short Term Insurers and State Owned Enterprises.

We hope and trust that the committee will grant us the opportunity to present our case in person and thank you in advance for accepting our submissions

THE SOUTH AFRICAN AUTO REPAIRER AND SALVAGE ASSOCIATION (SAARSA)

LEN SMITH

WESTERN CAPE TOWING ASSOCIATION:

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