

**Presented to  
Parliamentary Committee on  
Small Business  
Development  
25 OCTOBER 2017**

**ECONOMIC TRANSFORMATION  
A biased approach towards  
SMMES/COOPERATIVES**





## Presentation outline

- Where we come from FY16/17
  - Overview of our overarching BBEE commitment
  - Specific insights into our SMME focus
- Where are we going to – beyond FY17/18
- Vodacom/OEMs and sub-contractors relationship







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Our FY16/17  
BBBEE  
achievements





## Vodacom | Level 4 BEE contributor

**105**

130

points

**R399m**

developing SMME  
ICT

**R149m**

supplier development

**R225m**

uplifting  
communities  
through ICT

**R161m**

skills  
development of  
black people

**R7bn**

to >51% black-  
owned  
suppliers

**R5.7bn**

to >30% black  
women-owned  
suppliers

**R23bn**

weighted spend on  
BEE-status  
suppliers





## Vodacom | Skills Development

For the year ending March 2017, we spent **R277** million on skills development and enrolled **128** graduates in our graduate programme across the Group

**R175 million**

Total training spend

**1 397**

Unemployed black people participated in training specified in the Codes

**838**

Black youth placed on learnership programmes

**R161 million**

Training spend on Black people

**58%**

Absorption of black learners

**382**

Black youth in IT development programmes





# Vodacom | Enterprise and Supplier Development

For the year ending March 2017, in procuring goods and services, **R23 billion** weighted spend on BEE-status suppliers. Real spend = |

## Procurement

**R23 billion**

spend on BEE status companies with level 4 and above

**R7 billion**

to >51% black owned suppliers

**R5.7 billion**

to >30% black woman-owned suppliers

## Supplier Development

**R149 million**

spent on supplier development

4 300 suppliers

**EME's**

R 625 million spent

406 suppliers

9 provinces

**QSE's**

R 1.7 billion spent

305 suppliers

9 provinces

## Enterprise Development

**R399 million**

spent on SMME development

53 SMME's

5 provinces

**R434 million**

paid to black owned SMME suppliers in 5

days or less (growth of R150m more than prior year)

134 suppliers

average days 2

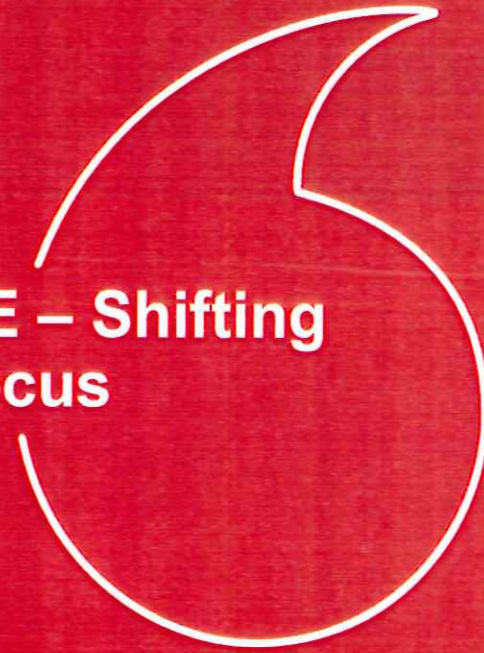






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**SMME – Shifting  
the focus**







# Vodacom | Driving change through Procurement – FY16/17 view

## Network Infrastructure

**100%** spend to BBBEE status suppliers  
**18%** spend to BBBEE SMME's  
**21%** spend to >51% Black Owned suppliers  
**63%** spend to >30% Black Women owned suppliers  
**18%** spend to Designated Groups

## IT Infrastructure

**100%** spend to BBBEE status suppliers  
**10%** spend to BBBEE SMME's  
**54%** spend to >51% Black Owned suppliers  
**53%** spend to >30% Black Women owned suppliers  
**39%** spend to Designated Groups

## Infrastructure Services

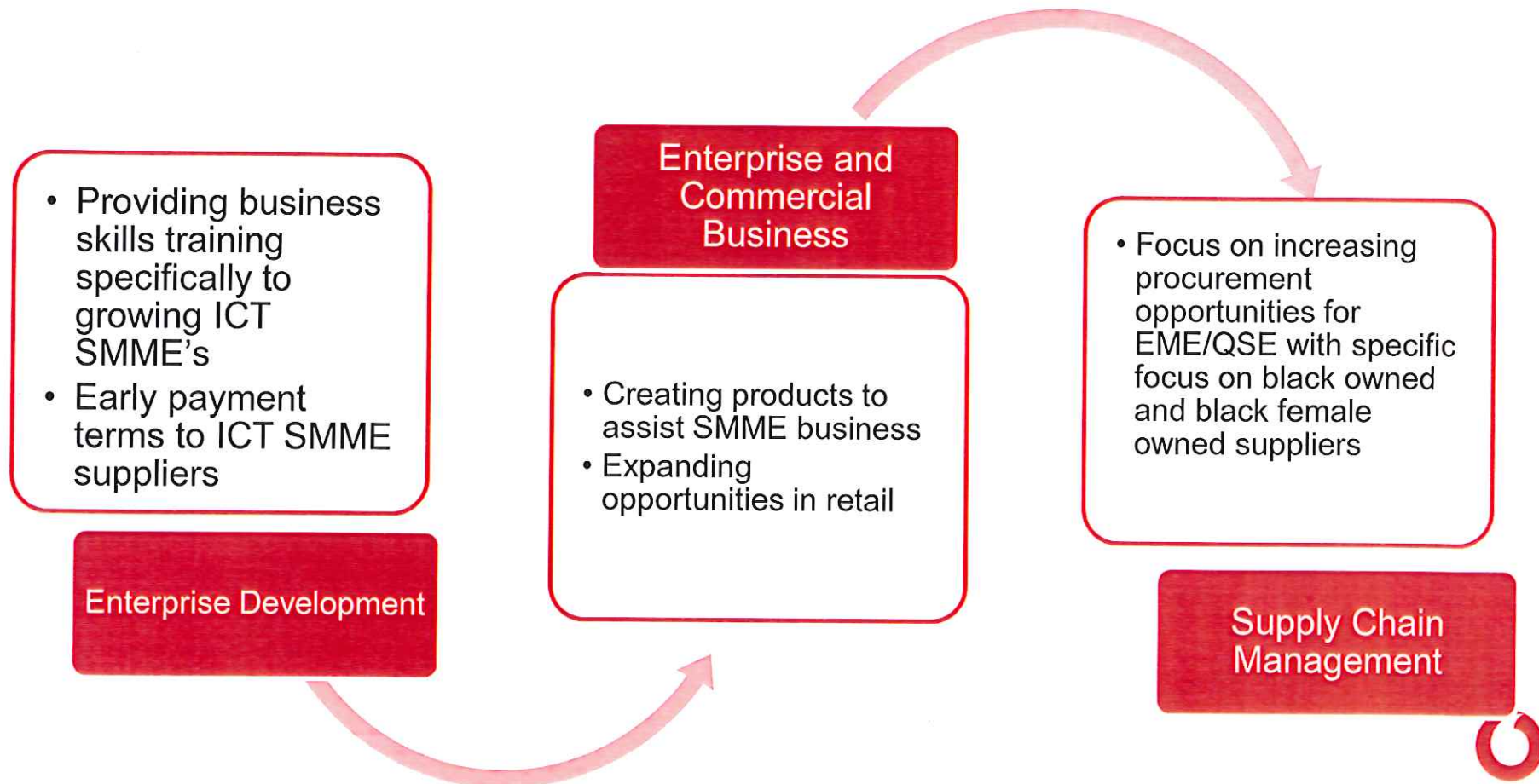
**100%** spend to BBBEE status suppliers  
**7%** spend to BBBEE SMME's  
**64%** spend to >51% Black Owned suppliers  
**20%** spend to >30% Black Women owned suppliers  
**4%** spend to Designated Groups

**Although SMME's remain a challenge in the infrastructure space.....**





## Our SMME programmes aim to.....







# Shifting Focus | Drive towards increasing SMME inclusivity

- 1 Payment Policy** Improved on early payment average from 3 days to same day benefitting c.140 black owned SMMES

- 2 Spend re-direction**

## SMME's Year-on-Year Spend Comparison

	FY 2017/2018 Anualised		FY 2016/2017		FY 2015/2016	
	Qty Suppliers	Spend Value	Qty Suppliers	Spend Value	Qty Suppliers	Spend Value
EME	389	R1,2 Billion	342	R671 Million	279	R355 Million
QSE	248	R2,0 Billion	267	R1,3 Billion	292	R 1,6 Billion

- 3 Accessibility and visibility**

## SMME Portal

- On the 10<sup>th</sup> of October 2017 Vodacom launched its SMME portal;
- The portal can be access at [www.vodacom-tradedirect.co.za](http://www.vodacom-tradedirect.co.za)
- The portal provides entities with the following benefits:
  - Listing in verified trade directory;
  - Daily tender alerts matching to the SMME's profile;
  - Online marketplace of SMME's products/services; and
  - Issue tenders online and analysis of responses received.





## Shifting Focus| Drive towards increasing SMME inclusivity

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**Developing  
a long-term  
SMME  
infrastructure  
partnership**

### TOWERCO Initiative

- Empowering black owned SMME's to become long-term partners by mentoring and nurturing them into fully-fledged Tower Companies
  - Replacing 3<sup>rd</sup> party infrastructure sites with SMME owned sites under a long-term leased-back arrangement
    - Terms increased from 5 years to 9 years, 11months

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**Increasing  
complex  
skills**

- Empowering employees of BBBEE companies in development of complex skills pertaining to Tower Upgrading projects
  - Technical site evaluations
  - Turn-key approach in upgrading of infrastructure from design to completion
  - Training and certification of specialized welders
  - Specialised resources to provide on-site training

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**Local  
Assembly**

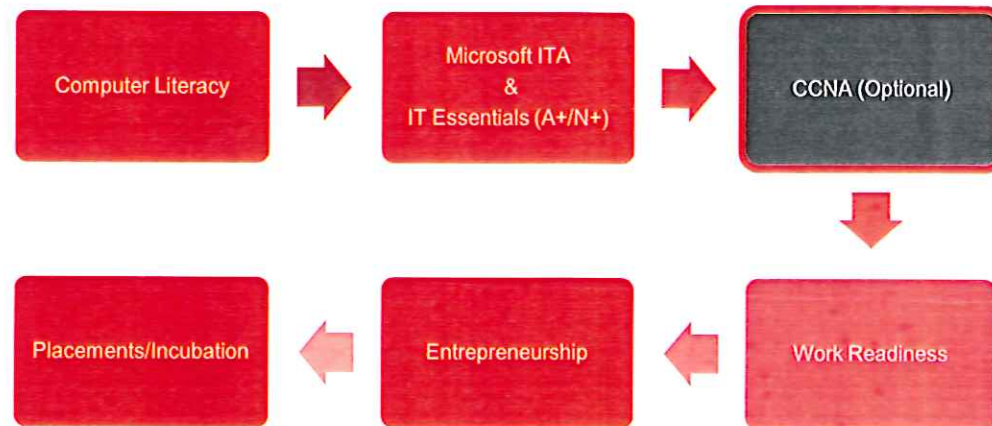
- Vodacom issued a RFI for local assembly/device manufacturing to determine the economic and sustainable feasibility of setting such up in South Africa
- The RFI has been posted on our SMME portal to attract as many potential suppliers in this space





# Shifting Focus | Drive towards increasing SMME inclusivity

## 7 Youth: creating choice



## 8 FTTx – moving from big to small

2015

3 OEM/Telco suppliers originally contracted for roll-out

2016

Phase 1 RFP process resulted in the contracting of

- 5 x 100% black owned QSE's
- 1 x 56% black owned QSE
- 1 x 100% black owned Generic supplier
- 3 x >30% black owned OEM's

2017

Phase 2 RFP process resulted in additional contracting of

- 2 x 100% black owned QSE's
- 2 x >51% black owned QSE's
- 1 x >51% black owned Generic supplier







## Shifting Focus| Drive towards increasing SMME inclusivity

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### Rural civil site-build

- Current Vendors
  - 1 x 100% black female owned Generic supplier
  - 2 x >51% black owned Generic Supplier
  - 3 x >51% to 100% black owned QSE's
- New RFP process underway – profile of vendors
  - 2 x 100% black owned EME's
  - 2 x 100% black owned QSE's
  - 2 x 100% black owned Generic
  - 3 x <32% black owned entities

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### JSE Top 50 – SME fund contributor

- Vodacom Group agreed to contribute R40m (based on its % market cap to the total value of Top 50) to an SME Fund aimed at providing access to capital
- The total value of the Fund is expected at R1.5bn
- Vodacom has to-date contributed R4m as part of the initial subscription process – balance of which will be subscribed for as and when the Fund issues a subscription offer
- The Fund is at a very advance stage of set up





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Vodacom/OEM/Sub  
-contractor  
relationship



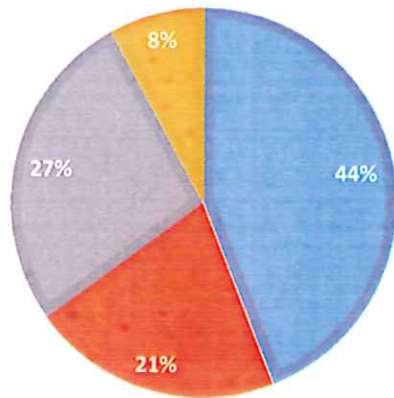




# Indicative components of OEM spend

## BREAKDOWN OF TOTAL SPEND TO OEM

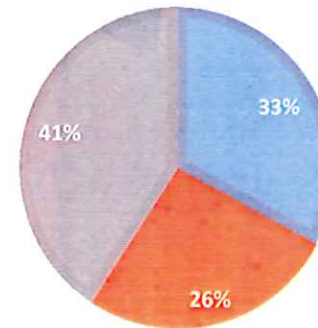
■ Hardware ■ EWL ■ Local Service ■ Licence



Spend per activity will have different allocations as per examples

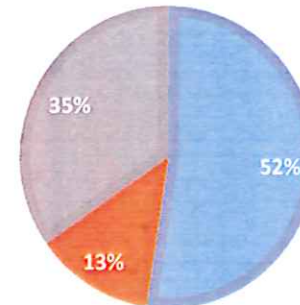
## U900 NEW BUILD ON CURRENT SITE

■ Equipment ■ Licenses ■ Local Services



## LTE SITE BUILD

■ Equipment ■ Licenses ■ Local Services





## Relationship structure

- Vodacom is committed to ensuring the development of SMME's in the ICT Space
- Our commitment to this process as it relates to OEMs include
  - OEM to take on existing SMME's
    - OEM to conduct a performance evaluation within the first 3 months of contract
    - Identify any short comings
    - Engage with Vodacom on remedial action
  - OEM to implement early payment terms equal to or better than Vodacom's payment policy
  - Supplier Development programme established to provide support to SMME's where there is shortfalls re performance
    - Monthly Vodacom/OEM performance meetings to ensure issues are addressed timely
  - Termination Process
    - OEM to provide Vodacom with proof that all remedial efforts failed
    - Impact on SLA to be determined to access other options



