

SASDA

***“The driving forces
behind the Liquid Fuels
Charter”***



Department of Energy

South African Supplier Development Agency (SASDA)

Presentation to the Portfolio Committee on Energy

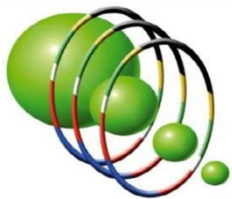
Presented by: Lunga Saki – Acting CEO, SASDA

1st November, 2012



2012





The agenda of this presentation



***SASDA's origins
and purpose***



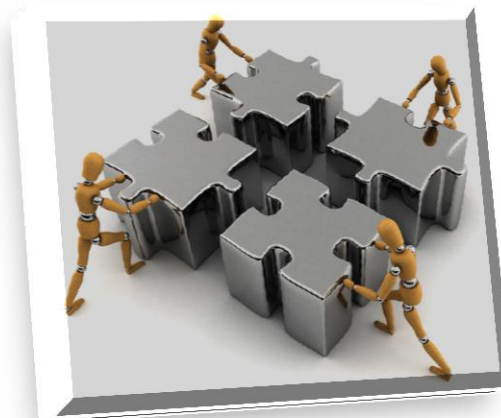
***SASDA's journey
so far***



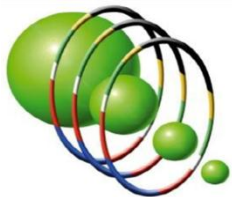
***Understanding
Eskom needs***



Our Proposal



... Conclusion

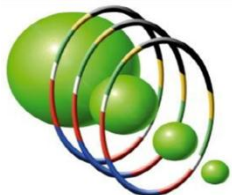


Our origins and purpose ...



Key topics in this section:

- ✚ Introduction
- ✚ Legislative Mandate
- ✚ SASDA's Vision, Mission and Values
- ✚ Strategic Objectives



SASDA's origins and purpose ...



SASDA is incorporated to implement the DoE's transformation objectives

1998: DME published White Paper on Energy that laid down basis for Broad-based BEE in the sector.

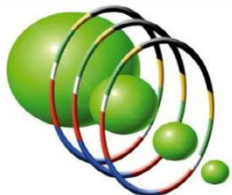
2000: Petroleum & Liquid Fuels Charter signed by DME & SAPIA, in order to:

- ❑ Redress historical inequalities.
- ❑ Accelerate empowerment of HDSAs in the Liquid Fuels industry
- ❑ Stimulate the growth of BB-BEE SMEs in the industry

2003: DME instructed PetroSA to establish a supplier development pilot project. The results were satisfactory and a national program was rolled out.

2005: National Supplier development pilot project completed in partnership with PetroSA.

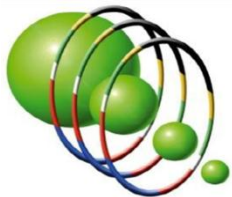
✚ DME & SAPIA members **establish SASDA** to facilitate access to procurement opportunities by HDSAs for goods and services.



Our Legislative Mandate



Enabling Act	Mandate
Petroleum Product Amendment Act No. 58 of 2003	<p>SASDA is the sole national supplier development agency for the petroleum industry in the Republic of South Africa in terms of the Act and the LFC:</p> <ul style="list-style-type: none">a) Section 2B, subsection 2(c) of the Act Promotes the creation of employment opportunities and the development of small and medium business in the petroleum sector;b) Section 2C of the Act gives effect to the Transformation of the South African Petroleum and Liquid Fuels Industry and states;c) In considering an application in terms of the Act, the Controller of Petroleum products shall:<ul style="list-style-type: none">• Promote the advancement of historically disadvantaged South Africans;• Give effect to the Charter <p>Accordingly in 2005, the Department of Energy and the South African Petroleum Association established SASDA to carry out the transformation imperatives of the petroleum and liquid fuels industry.</p>
Broad Based Black Economic Empowerment Act No.53 of 2003	The Act promotes the empowerment of black people and the establishment of transformation charter. The petroleum and liquid fuel industry established the Liquid Fuels Charter (LFC).
National Small Enterprises Act No, 102 of 1996	Provides guidance to be followed by organs of state to promote small enterprises in South Africa and for matters incidental thereto.



SASDA's Vision and Mission: aligned with our mandate from DME*



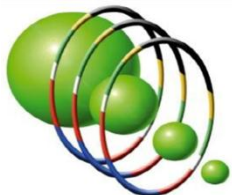
Vision

- ❖ To be a leader in developing globally competitive Black South African SMME'S in the Petroleum sector and in energy related State-Owned Enterprises.



Mission

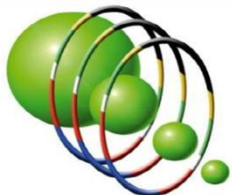
- ❖ To facilitate the development and empowerment of Black South Africans through increased access to industry procurement opportunities by:
 - ❖ Actively sourcing suppliers according to industry's requirements.
 - ❖ Developing Black suppliers' skills to meet industry's required standards.
 - ❖ Facilitating Black suppliers' participation in Global procurement.
 - ❖ Assist suppliers to take advantage of opportunities in energy related technologies involved in renewable energies



Our Values



Integrity	<i>To be consistent in our actions, principles and outcomes and to act with honesty without compromising the truth.</i>
Transparency	<i>To disclose our information in a manner that enables stakeholders to make an informed analysis of our performance and sustainability.</i>
Accountability	<i>To acknowledge and assume responsibility for our actions, decisions, policies, administration and governance to our shareholders and other stakeholders</i>
Innovation	<i>To come out with new creative ways in supplier and enterprise development.</i>



SASDA's Strategic Objectives



Co-ordination of existing supplier development efforts by collaborating with participating companies and fully utilising the common database;

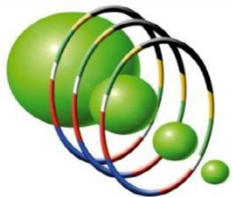
Implementation and management of supplier development programmes for participating companies;

Active sourcing of black suppliers with particular emphasis on women, youth and people with disabilities according to industry requirements;

Enter into strategic alliances with other complementary initiatives, e.g. the dti, IDC, UNIDO, NEF etc.;

Facilitating the establishment of new SMME enterprises especially in the renewable energy sector.

Assisting in the development of SMME'S to meaningfully participate in the crude oil procurement.

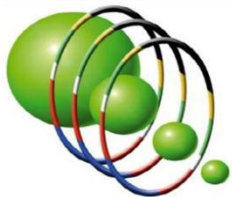


SASDA's journey so far ...



Key topics in this section:

- ✚ SASDA is designed around the results of the pilot project.
- ✚ Development of service offering.
- ✚ Key performance indicators & results to date.
- ✚ Achievements & milestones



SASDA analyzed the results of the pilot project completed with PetroSA



Our findings

Lack of capacity & ability of SMEs to serve more than one customer

Lack of availability of skills

Lack of access to info regarding business opportunities

Lack of access to capital

Dominant, entrenched incumbent suppliers

Fronting & inefficiencies in duplicating BEE efforts

Perceptions of risk, inferior quality & disruptions to operations

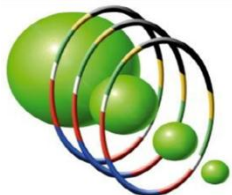


Our conclusions

We needed to facilitate skills training to meet the industry standards

We needed to create a marketplace between buyers, BB-BEE SMEs & financiers

We needed to break down barriers by facilitating credibility and trust between BB-BEE suppliers and customers



We then commenced implementation of our medium term strategy



Our responses

Forged alliances with training service providers

Launched Tender platform

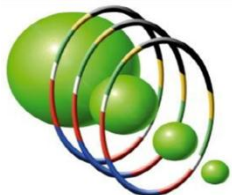
Forged working agreements with Industry

Development of sustainable business model



Which gave rise to the following service offering:

- ❖ **Mentorship & coaching**
- ❖ **Technical support**
- ❖ **Skills training (technical & business)**
- ❖ **Supplier assessment**
- ❖ **Access to raw materials**
- ❖ **Facilitation of Financial support**
- ❖ **Project management**

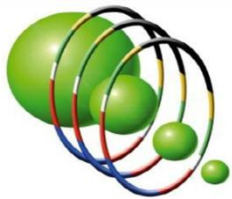


Initiatives & current projects: SASDA well positioned with solid foundation



Supplier development	Refineries Managers Project	Turner & Townsend Project	Access to funding
<ul style="list-style-type: none">• 20 SMME's in process of being developed.• SHEQ systems, Business training, Profitability and Marketing Plans. Turnaround Strategy.• R17m investment• Potential for R233m in revenue, 170 jobs and 35 shareholders of which 20% women	<ul style="list-style-type: none">• RMF members agreed to set aside 30% for painting & insulation, scaffolding and tank desludging• 15 SMME's will be developed.• R1.3m investment potential to create R75m revenue, 60 jobs and 20 shareholders – 20% women	<ul style="list-style-type: none">• TT applied for Equity Equivalent and have 9 SMME's under programme• R2m investment• Potential to create R80m in revenue, 70 jobs and 30 shareholders, 25% of which is women	<ul style="list-style-type: none">• Negotiations initiated with national DFI• Preferential terms (i.e. rate & period)• Will empower SMEs further

**The foundations have been laid, the long term strategy has been completed.
SASDA has a launching pad from which to deliver on its mandate.**



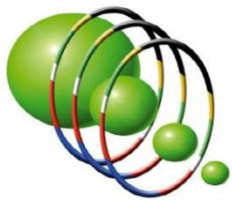
SASDA's challenges ...



Key topics in this section:

- ❖ Diagnosis of lack of transformation in the industry
- ❖ Our understanding of Eskom needs





Approach: We developed a framework that addressed the two key impediments to transformation

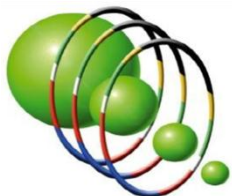


Obstacles and barriers to transformation facing HDI SMEs

- Skills & experience
- Opportunities
- Capital
- Incumbent suppliers with track records

Risks (real and perceived) facing industry and causing resistance

- Skills & experience
- Incumbent suppliers with track records
- Disruptions to operations
- Drop in quality of goods & services



Diagnosis: Lack of progress in transformation is not a coincidence



Preferential procurement	• Not broad-based
Enterprise development	• Narrow-based private equity model
Equity ownership	• Over-emphasized
Management control	• Over-emphasized
Skills development	• Not known
Employment equity	• Not known
Socio-economic development	• Not known



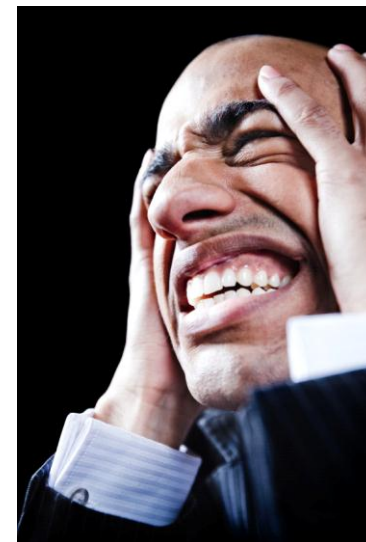
CAUSES/OBSTACLES

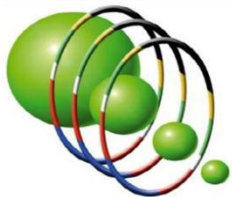
- Fear of disruptions
- Fear of poor quality
- Don't fix what isn't broken
- Entrenched industry relationships
- I don't know how to effect transformation



EFFECTS

- Narrow empowerment
- Incumbent suppliers sell minority stake to BEE partner
- No development takes place
- No access to opportunities for SMMEs

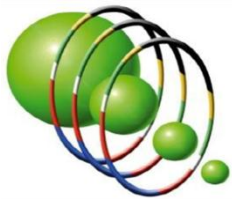




Supplier Development Framework



Phase	Description	Outcome
1	<i>Project Inception</i>	<i>Final Scope, deliverables, time frames and accountability</i>
2	<i>Desktop analysis and review</i>	<i>Analyse current BEE spend by category, location and supplier on the identified areas with respect to BEE participation</i>
3	<i>Project Implementation, Monitoring and Review</i>	<i>Develop Project Plan for approval. Implement, Monitor and Review Plan</i>
4	<i>Project Close out and Qualification of Suppliers</i>	<i>Project Close Out Report and List of Qualified suppliers</i>
5	<i>Contract Identification and Awarding to Developed suppliers</i>	<i>SMME Contract List and Awarding of contracts to qualified developed suppliers</i>
6	<i>Post Implementation Review</i>	<i>Monitor supplier performance on the project on regular basis and review corrective actions.</i>

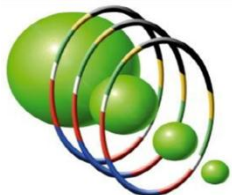


Our ED Approach and Project Plan



Key topics in this section:

- ✚ Our Proposed Approach
- ✚ Our Proposed Project Plan and request to engage.

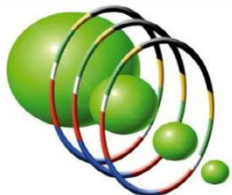


What SASDA is requesting from shareholder



DOE – Regulatory & Support

- New Funding Model for SASDA by shareholder
- Align LFC with the dti Codes (Revised LFC)
- Measurable targets for industry
- Consequences for non-participation (sanctions, penalties, licenses, incentives & dis-incentives)
- Set aside dispensation for procurement from HDI SMEs
- 25% of all products including crude should be sourced from black suppliers
- Active support for SASDA's programs
- Scorecard Audit of Oil companies

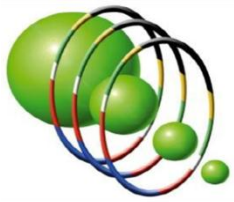


What SASDA is requesting from stakeholders



Oil companies & SOEs – Active participation in good faith

- Create captive market of SOE's and related entities for SASDA – DoE to invite co's to an indaba and issue a Ministerial Directive
- Active implementation in honoring agreements concluded (enforceability)
- Clarity on crude oil & jet fuel procurement
- Relaxation of barriers to entry & participation in an enabling, supportive culture
- Contributions as per BB-BEE scorecard (i.e. prescribed 3% of NPAT)



Thank you



***Questions and
discussion***