NATIONAL CONSULTATIVE WORKSHOP
Sustainable Economic Empowerment
A Business Imperative for PetroSA
19 March 2013
CAPE TOWN - CTICC

PRESENTATIONS
NATIONAL CONSULTATIVE WORKSHOP
Sustainable Economic Empowerment
A Business Imperative for PetroSA

ESD FRAMEWORK
PetroSA’s Transformation Agenda is at two levels . . .

**Industrial / Societal**
- Spearhead industry transformation;
- Entrench the NOC as tool for government policy implementation;
- Support sustainable community development, education/skills development, poverty alleviation, and environmental conservation;
- Facilitate enterprise development.

**Organisation Transformation**
- Improve organisational capacity;
- Employment equity, women empowerment + general support for HDSA;
- Support the growth and the sustainability of enterprises, suppliers through business opportunities.

Mainstream TRANSFORMATION as a key business imperative to become a commercially competitive NOC producing at least 25% of South Africa’s national fuel needs by 2020.
ESD: is a mechanism through which PetroSA will support enterprises and suppliers within its value chain with the intention of improving its own competitiveness.

**Key Strategic Objectives**

- To help set up, support and grow viable enterprises and suppliers.
- Choose winners (research shows that enterprises with growth potential must be supported not just any enterprise).
- Enterprises and suppliers must demonstrate value-adding in their operations.

We use the term value chain (instead of supply chain) here since enterprises will be developed downstream as well (e.g. resellers).

One need not only support organic growth but be open to the possibilities for facilitating growth through partnerships and acquisitions too.

ESD encompasses the CSDP programme and the traditional enterprise development initiatives under BBBEE;

**Enterprises** = those that have the potential to supply to PetroSA but are not doing so currently;

**Suppliers** = enterprises already providing products and services to PetroSA.
OVERALL OBJECTIVE …..

Contribute towards stimulating growth, creating jobs and building skills and expertise within the South African economy, in particular the Oil and Gas industry through enterprise and supplier development and support.

STRATEGIC OBJECTIVE

Develop, maintain and support targeted, high potential, sustainable and competitive enterprises in the Oil and Gas Industry.

GOALS

- Broaden the scope for more enterprises to enter the PetroSA supply chain as well as the Oil and Gas Industry;

- Identify, choose and support enterprises with great potential of primarily rendering services to PetroSA;

- Increase the Competitive and the manufacturing capacity of relevant enterprises and suppliers (Through skills development) that can sustain and support the Oil and Gas industry;

- Contribute towards boosting the financial viability of relevant suppliers and enterprises (directly and indirectly), through early payment, loans, repeated spend;

- Expand the knowledge capacity (in the terms of the value chain) of relevant suppliers in order to expand their business horizons.
TARGET GROUPS & CRITERIA

- Business having been operating for more than two years.
- Businesses owned and managed at least 50% by historically disadvantaged individuals, with preference given to women-owned or “disabled people” owned entities.
- Businesses where the owners have invested at least 20% in equity and there is evidence of a high level of owner commitment.

- Micro, Small, Medium sized Enterprises.
- Mainly owned and managed by individuals and groups who are Black< female, Disabled< youth and peri-urban and rural areas.
- Registered businesses with a viable value proposition, operating, or with the intention to operate within the Oil and Gas Industry.
ESD BUSINESS SUPPORT SERVICES

- **NETWORKS**
  - Chambers & Other Structures (Partnerships)
  - Help enterprises and suppliers gain entry into Oil & Gas hub:
    - Help enterprises and suppliers pre-qualify
    - Help enterprises and suppliers register on database

- **INCENTIVES**
  - Private & Public Entities (Partnerships)
  - Settlement of accounts no longer than 15 days
  - Market Opportunities within PetroSA's value chain
  - Contribution towards industry specific levies, licensing or registration fees
  - Preferential terms granted by PetroSA in respect of its supply of goods and services to enterprises
  - Discounts given to enterprises in relation to acquisition and maintenance costs associated with the grant

- **CAPABILITIES**
  - (Partnerships)
  - Assist and hasten development of enterprises
  - Create or develop capacity and expertise for enterprises needed to manufacture or produce goods or services previously not manufactured, produced or provided in SA
  - Provide training or mentoring to enterprises which will assist them to increase their operational or financial capacity

- **FINANCE**
  - Private and Public Enterprises
  - Investments, Loans, Grants and Seed Capital to enterprises
  - Guarantees given or security provided on behalf of enterprises directly facilitating access to credit for enterprises
CONCLUSION

Enterprise and Supplier beneficiaries must........

- Commit to participating in Oil & Gas Hub
- Develop awareness of pre-qualification requirements and proactively prepare for these
- Register on databases
- Upgrade capital equipment where possible
- Develop world class technological and manufacturing capabilities
- Co-operate with major contractors in developmental agreements
- Deliver products and services on time and within quality specifications

Our scope as a player is limited thus tends to limit opportunities we can avail to enterprises and suppliers in comparison with other SOEs (ESKOM, TRANSNET). However we remain committed towards making meaning economic empowerment. This is indeed our BUSINESS IMPERATIVE!!
Thank You!
Understanding ESD across PetroSA’s Value Chain

presented by

Faizel Mulla
Strategy Manager

CTICC, 19 March 2013
Implementing ESD Across the PetroSA Value Chain

Upstream
- Exploration and Production (E&P) business
- Growing the reserve portfolio through the acquisition of equity in joint ventures with other oil & gas companies
- Exploration, appraisal and development activities.

Midstream
- Infrastructure projects
- Uninterrupted security of liquid fuels supply
- Developing domestic refining capacity, logistical infrastructure for strategic and commercial fuel stocks and innovating technology solutions

Operations
- Commercial exploitation of producing assets viz GTL refinery in Mossel Bay, the FA-EM and South-Coast Gas fields and, Oribi and Oryx oil fields
- Supports PetroSA and third-party offshore activities through a logistics base

TSL
- Markets the GTL refinery’s products
- Procures supplementary feedstock and blendstock for the GTL refinery.
- Trades in condensate, crude oil, fuel and petrochemical products
- Manages downstream marketing
- Future resellers
Business Support Interventions

**FINANCIAL ASSISTANCE**
- Use NIPP/ CSDP obligations as a possible source of funding
- Access development finance institutions e.g. IDC, DBSA for support
- Allocate % of balance sheet towards support. (3% of NPAT)
- Providing assistance with the development of viable business plans will help target enterprises access funding.

**MANAGEMENT SUPPORT**
- Training, coaching and business mentorship using retired business executives, PetroSA’s own staff and retirees for mentoring and coaching;
- Utilise other relevant organisations, e.g. SASDA, DTI where such entities provide complimentary competences.
- Organise industry-wide “tradeshows” to expand supplier opportunities available and minimise reliance on PetroSA

**GENERAL COMPETENCE DEVELOPMENT**
- Connect target enterprises with PetroSA’s own competent staff and business partners, e.g. JV partners, service providers. *(enforced via NIPP/CSDP negotiations)*
- Contractual arrangements between PetroSA and target enterprises will include strict performance clauses and the achievement and maintenance of industry recognised standards.
# Upstream: ESD

<table>
<thead>
<tr>
<th>Key Segments</th>
<th>Characteristics</th>
<th>Business Opportunity Available</th>
<th>Support To Be Offered</th>
</tr>
</thead>
</table>
| Established Supplier/Enterprise | • Diving Support Vessel  
• Engineering Design House  
• Project Management House | • Offshore Projects in the South African Waters  
• Onshore Projects - Refineries | • Choose one service and concentrate your effort e.g. Diving support vessel  
• Seek opportunities in the East & West Africa regions.  
• Work closely with SAOGA, DTI |
| Potential Entrants            | 1. Xmas Trees  
2. Seamless pipe  
3. Drilling Rig  
4. Pipe lay vessels | 1. Manufacture the Xmas Tree Blocks in RSA, then assemble with imports  
2. Collate other seamless type pipe needed in RSA and consolidate requirement. Then approach one of the mills in RSA to set up for manufacture  
3. Rig to drill in the RSA waters  
4. Manufacture a vessel to lay pipes in the RSA waters. | 1. DTI, SAOGA to come together and implement this via Xmas Tree suppliers (e.g FMC)  
2. DTI, SAOGA  
3. DTI, SAOGA  
4. DTI, SAOGA  

For all the above, the East and West Africa market is to be looked at
<table>
<thead>
<tr>
<th>Key Segments</th>
<th>Characteristics</th>
<th>Business Opportunity Available</th>
<th>Support To Be Offered</th>
</tr>
</thead>
</table>
| Established Supplier/Enterprise | • Scaffolding  
• Painting & Insulation  
• Fabrication  
• Fire equipment  
• Electrical Contractor in projects and maintenance | • As and when required and sometimes during shutdowns                                              | • Marketing and networking even across South African Boarders                         |
| Newly Established       | 1. Building contractors,  
2. Contractor - trenching  
3. underground cables,  
4. Car Wash, Garden services,  
• Micro business especially owned by women | • As and when required                                                                      | • Tendering, costing and estimation, Book keeping, Marketing and business skills.    |
| Potential Entrants      | Design, construction Operation & maintenance of South African owned Support Vessel | • Long term contract with PetroSA                                                                | Conducting a feasibility study, Structuring the ownership deal, facilitation of funding and forging relationships with partners |
## Key Segments

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Business Opportunity Available</th>
<th>Support To Be Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reseller</td>
<td>Existing BEE fuels suppliers/Resellers</td>
<td>Marketing and networking even across South African Boarders</td>
</tr>
<tr>
<td>Fuel Suppliers</td>
<td>Raw Material Suppliers</td>
<td></td>
</tr>
<tr>
<td>Suppliers of goods</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Established Supplier/Enterprise

- Reseller
- Fuel Suppliers
- Suppliers of goods

### Newly Established

- Transport and Logistics
- Engineering Services
- Technical Services

### Potential Entrants

1. Traders
2. Vessel owners
3. Consultants
4. Entrepreneurs

2. Small Maritime transportation businesses

3. Consulting Services

4. Developing businesses e.g. LPG Depots

- Conducting a feasibility study, Structuring the Ownership deal, facilitation of funding and forging relationships with partners
## Midstream: ESD

<table>
<thead>
<tr>
<th>Key Segments</th>
<th>Business Opportunity Available</th>
<th>Support To Be Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established Supplier/Enterprise</td>
<td>Development process</td>
<td>Marketing and networking even across South African Boarders</td>
</tr>
<tr>
<td>Newly Established</td>
<td>As and when required</td>
<td>Tendering, costing and estimation, Book keeping, Marketing and business skills.</td>
</tr>
<tr>
<td>Potential Entrants</td>
<td>Long term contract with PetroSA</td>
<td>Conducting a feasibility study, Structuring the Ownership deal, facilitation of funding and forging relationships with partners</td>
</tr>
</tbody>
</table>
THANK YOU
OBJECTIVES OF THIS DISCUSSION

1. Discuss PetroSA’s Procurement Process
2. The PPPFA Act & Regulations
3. BBBEE & Small Business
4. Examples – Business Opportunities
5. E Procurement Demonstration
PetroSA’s PROCUREMENT PROCESS
Section 217 of the South African Constitution states that all public sector procurement shall be **fair, transparent, competitive, cost effective** and **equitable**

The **PPPFA** gives effect to section 217 of the constitution by providing a framework for the implementation of a procurement policy, as provided for in the Constitution.
PETROSA’S POLICY INSTRUMENTS AND PROCEDURES ARE ALIGNED WITH RELEVANT LEGISLATION

PetroSA policy and procedures

- BBBEE
- Procurement
- Employment Equity
- Skills development
- Corporate Social Investment
- Supplier development

National legislation / policy

- Constitution of SA
- PFMA
- BBBEE Act, 2003
- PAJA
- The Employment Equity Act
- The Skills Development Act
- Preferential Procurement Policy Framework Act
- Codes of Good Practice for BBBEE
- Liquid Fuels Industry & Mining Charter
- NIPP/CSDP
PROCUREMENT AT PetroSA

Where do we advertise?
PetroSA advertises tenders/quotations for goods and services on the internet (www.petrosa.co.za or www.procurement.petrosa.com) or in addition, in the printed media, the Government Tender Bulletin (www.info.gov.za/documents/tenders/bulletins.htm), SASDA (www.sasda.co.za), Quantum

How do we select?
Through our auction, quotation and tender process
EVALUATION OF TENDERS

Phase 1: Elimination Phase
- Deals mainly with non-compliance with specification, incomplete tenders, inaccurate & misleading information etc.
- Meet minimum technical score

Phase 2: Tender Assessment
- Deals with the commercial aspect of the tender
- This phase also deals with BEE
- Detailed technical assessment
- Detailed due diligence

Phase 3: Approval Process
- Three of the top scoring companies are submitted to the Procurement Committee / CEO / Board for approval.
DUE DILIGENCE - PetroSA

• Security Clearance
  This includes a check on declaration of interest by suppliers / PetroSA employees.

• Legal status and BEE compliance

• Company’s ability to deliver / perform in terms of the scope of work

• Financial ability / creditworthiness.
1. You need a **purchase order** generated on the SAP system. This document can only be obtained from the Group Supply Chain (Procurement) Department.

2. You need a **written contract** signed by the CEO, CFO or duly authorised VP. No other employee of PetroSA is authorised to sign a contract on behalf of PetroSA.

- Employees (irrespective of level within the organisation) are not empowered to instruct a Supplier to provide goods or services without any of the above documents.
WHY ARE SUPPLIERS NOT PAID ON TIME OR NOT PAID AT ALL?

- Suppliers commencing work without a contract or purchase order
- Unauthorised employees committing the company financially
- Users committing the company without following the procurement processes
- Providing insufficient information for registration of Suppliers
- Procuring from unregistered suppliers outside the process
- Not involving the GSCM (Procurement) department early in the process
- Sourcing of quotations by unauthorised employees
- Unauthorised Employees communicating directly with suppliers during Tender/RFQ process, thus incorrectly committing the company
THE PPPFA REGULATIONS
KEY ASPECTS OF THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT & REGULATIONS

• Applicable to all organs of state, effective 07 December 2011;
• Provides for proper planning. Directs that evaluation criteria be determined upfront;
• Based on a point scoring system. 90/10 or 80/20. Highest point scoring company is awarded contract. Price is usually allocated the highest points;
• Broad-based BEE - forms part of evaluation, 10 or 20 points;
• For designated sectors directed by the DTI, it provides for locally produced goods, services or works;
• Trust, consortium or joint ventures may also claim points, provided they produce a B-BBEE/consolidated B-BBEE certificate;
• Provides for remedies for false BEE claims;
• Tax Clearance Certificate – no tender (irrespective of value) to be awarded without a valid tax clearance certificate
## B-BBEE - COMPARISON

<table>
<thead>
<tr>
<th>B-BBEE REQUIREMENTS</th>
<th>PetroSA PROCUREMENT POLICY</th>
<th>NEW REGULATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid Fuels Charter – 25.1% across value chain</td>
<td>Policy allowed minimum 25.1% black ownership &amp; Level 1 – 4 BBBEE compliance</td>
<td>Not allowed as BBBEE Codes do not prescribe ownership thresholds</td>
</tr>
<tr>
<td>Setting aside contracts for women, youth, disabled, BBBEE, small business &amp; local community</td>
<td>Allows for this</td>
<td>Not allowed, so cannot do targeted procurement to achieve objectives</td>
</tr>
</tbody>
</table>
BBBEE & SMALL BUSINESS SUPPORT
PetroSA’s PROCUREMENT POLICY HAS SOME SUPPORT MEASURES FOR BBBEE

Approach to promote BBBEE procurement

- Setting aside tenders for BBBEE enterprises
- Encourage JVs between BBBEE and non-BBBEE companies for skills transfer purposes
- From time-to-time determine the cut-off values acceptable tenders from BBBEE suppliers
- Permit price matching for set-aside portions
- Allow sub-contracting and unbundling of services
- Give reasonable technical assistance
- Arrange expedited payment
- Assist with tendering
- Provide financial assistance
- Provide training
EXAMPLES – BUSINESS OPPORTUNITIES
OPPORTUNITIES AVAILABLE (2012/2013)

- Community Affairs & Local Economic Development Projects
- Transportation (Bulk)
- GTL Related Projects (e.g. Equipment Refurbishment / Replacement/Rental, General/Specialised Maintenance & Repair, Engineering Services, etc.)
- 2013 Shutdown Related Projects (e.g EMC, Cranes & Rigging, Inspection Services, Scaffolding, etc.)
- LNG (Various Engineering Services, Infrastructure, Floating Storage & Regasification Unit, LNG Supply)
ePROCUREMENT DEMONSTRATION
CORRUPTION RELATED RISKS WITHIN AN SOE PROCUREMENT ENVIRONMENT
COMMON TYPES OF CORRUPTION WITHIN SOEs

- Conflict of Interest
- Interference in tender processes
- Gifts
- Favouritism and unfair advantage – providing supplier privileged information
- Fraud (bribery, cover quoting, double invoicing, illegal advance payments, tender rigging, paying for undelivered goods and services, theft through procurement system etc).
- Non Transparent Sub Contracting imposed by procurement and other officials
BENEFITS OF e’PROCUREMENT FOR SUPPLIERS

Practical Benefits

• Various mechanisms to submit responses, lowering risk of loss of information
• Warning signals if vital information has not been entered, making sure that critical information required by the buying organisation is not overlooked.
• No need to submit tax clearance certificates, BEE certificate and registration questionnaires with every tender
• Manage own details
• No more reading of newspapers for upcoming tenders
• Supplier is allowed to respond, or re-submit responses as often as is necessary until the closing date and time of the tender / contract amendment

Improved efficiency
Reduced costs
Sustainable competitiveness
SUPPLIER REGISTRATION PROCESS

http://www.procurement.petrosa.com/
<table>
<thead>
<tr>
<th>Queries</th>
<th>Contact Person</th>
<th>Telephone</th>
<th>Email Address</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Registration</strong> - Supplier queries, Updating / Completing supplier registration</td>
<td>PetroSA: Latiefa Rinquest Soraya Gomez</td>
<td>021 929 3478 021 929 3329</td>
<td><a href="mailto:latiefa.rinquest@petrosa.co.za">latiefa.rinquest@petrosa.co.za</a> <a href="mailto:zasoraya.gomez@petrosa.co.za">zasoraya.gomez@petrosa.co.za</a></td>
</tr>
<tr>
<td><strong>Existing Registration</strong> - Supplier queries, Updating / Completing supplier registration</td>
<td>PetroSA: Supplier Database Call Centre</td>
<td>021 928 4731</td>
<td><a href="mailto:indira.lubambo@petrosa.co.za">indira.lubambo@petrosa.co.za</a> <a href="mailto:sindiswa.dunjana@petrosa.co.za">sindiswa.dunjana@petrosa.co.za</a> <a href="mailto:sinazo.ligwa@petrosa.co.za">sinazo.ligwa@petrosa.co.za</a></td>
</tr>
<tr>
<td><strong>Technical Problems</strong> - Access problems – e.g. forgot your registration login details</td>
<td>Intenda: Helpdesk</td>
<td>012 663 8815</td>
<td><a href="mailto:support@intenda.net">support@intenda.net</a></td>
</tr>
</tbody>
</table>
PetroSA’s story

...under the African Tree

2022 VISION
“The driving forces behind the Liquid Fuels Charter”

South African Supplier Development Agency (SASDA)

Presentation to the PetroSA Supplier Workshop
Presented by: Mr Lunga Saki, Acting CEO - SASDA
19th March 2013
Table of Contents

- Introduction and Background
- Purpose of SASDA
- Benefits of SASDA to the Petroleum Industry
- Current Supplier Development Projects
- Future Projects
- Conclusion

25 March, 2013
SASDA’s origins and purpose …

SASDA is incorporated to implement the DoE’s transformation objectives


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.

* South African Petroleum Industry Association (SAPIA)
SASDA analyzed the results of the pilot project completed with PetroSA

<table>
<thead>
<tr>
<th>Our findings</th>
<th>Our conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of capacity &amp; ability of SMEs to serve more than one customer</td>
<td>We needed to facilitate skills training to meet the industry standards</td>
</tr>
<tr>
<td>Lack of availability of skills</td>
<td></td>
</tr>
<tr>
<td>Lack of access to info regarding business opportunities</td>
<td>We needed to create a marketplace between buyers, BB-BEE SMEs &amp; financiers</td>
</tr>
<tr>
<td>Lack of access to capital</td>
<td></td>
</tr>
<tr>
<td>Dominant, entrenched incumbent suppliers</td>
<td>We needed to break down barriers by facilitating credibility and trust between BB-BEE suppliers and customers</td>
</tr>
<tr>
<td>Fronting &amp; inefficiencies in duplicating BEE efforts</td>
<td></td>
</tr>
<tr>
<td>Perceptions of risk, inferior quality &amp; disruptions to operations</td>
<td></td>
</tr>
</tbody>
</table>

25 March, 2013
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

* Department of Minerals and Energy, hereafter referred to as DoE (Department of Energy)
SASDA’s business model – empowerment facilitation

Suppliers needs
- Partners
- SHEQ
- Capacity
- Equipment
- Training
- Finance
- Technical

SASDA Board
- Reports
- Governs
- Facilitates

Support
- Mentors
- Learner ships
- Tender process
- Facilitates
- Monitors
- Sources
- Initiate

SASDA
- Enables
- Maintains

SUPPLIERS
- Informs of opportunities
- Update details
- Update opportunities

BUYERS
- Acquire supplier details
Benefits of establishment of SASDA

- **Economies of scale:** Industry collaborative effort will result in the development of black suppliers being achieved through lower individual company contributions than would have been required if each company had to manage its own development programme.

- **Increased supplier efficiencies:** Suppliers developed by SASDA as per industry requirements. Competent suppliers that comply to industry standards.

- **Compliance with LFC:** SASDA assists industry in meeting their obligations under the Liquid Fuel Charter.

- **Inclusive Governance:** SASDA is able to assist industry with government challenges on transformation issues.

- **Use of existing resources:** Existing industry resources are leveraged as far as possible. The objective is that industry should derive benefit from initiatives that have already been undertaken, as well as existing procurement skills and current processes and systems.
Programme Scope: Supplier Development
What we do…Our intervention inter alia entails:

- Mentorship & coaching
- Technical support
- Skills training (technical & business)
- Supplier assessments
- Facilitate access to raw materials
- Facilitation of Financial support
- Project management
## Current Supplier Development Projects

<table>
<thead>
<tr>
<th>Supplier development Oil Companies</th>
<th>Refineries Managers Project</th>
<th>Turner &amp; Townsend Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 20 SMME’s are currently under the programme</td>
<td>• RMF members agreed to set aside 30% for painting &amp; insulation, scaffolding and tank desludging</td>
<td>• TT applied for Equity Equivalent</td>
</tr>
<tr>
<td>• Total (10), Sasol (5), PetroSA (4), Engen (1)</td>
<td>• 15 SMME’s under the programme.</td>
<td>• 9 SMME’s under programme</td>
</tr>
<tr>
<td>• SHEQ, Business training, Profitability and Marketing Plans, Turnaround Strategy.</td>
<td>• R1.3m investment potential to create R75m revenue, 60 jobs and 20 shareholders - 20% women</td>
<td>• R2m investment</td>
</tr>
<tr>
<td>• R17m investment</td>
<td></td>
<td>• Potential to create R80m in revenue, 70 jobs and 30 shareholders, 25% of which is women</td>
</tr>
<tr>
<td>• Potential for R233m in revenue, 170 jobs and 35 shareholders of which 20% women</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Five companies developed in the 2011/12FY by Sasol has been awarded contracts in the current year with a combined value of R2.6 million.**

25 March, 2013
### Future Prospecting Projects – 2013/14

<table>
<thead>
<tr>
<th>PetroSA</th>
<th>SITA</th>
<th>Eskom</th>
<th>Turner &amp; Townsend Project</th>
</tr>
</thead>
</table>
| • 2 Supplier workshops with SASDA in March and October 2013  
• Develop 10 Suppliers for 2013/14  
• Work with SASDA and SAOGA to identify offshore opportunities  
• Establish SASDA satellite office in Cape Town to be housed at SAOGA | • Provided input into SITA strategy document  
• Provided write up for submission to SITA Board.  
• Committed to develop 50 suppliers in major provinces | • Eskom committed to develop 10 suppliers.  
• EXCO to approve budget | • 2012/13 Programme a success  
• 10 new suppliers for 2013/14  
• 5 from Western Cape and  
• 5 from Eastern Cape |

25 March, 2013
Conclusion - Diagnosis: Lack of progress in transformation is not a coincidence

<table>
<thead>
<tr>
<th>Category</th>
<th>Effect</th>
<th>Cause/Obstacle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferential procurement</td>
<td>Not broad-based</td>
<td>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</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>Narrow-based private equity model</td>
<td></td>
</tr>
<tr>
<td>Equity ownership</td>
<td>Over-emphasized</td>
<td></td>
</tr>
<tr>
<td>Management control</td>
<td>Over-emphasized</td>
<td></td>
</tr>
<tr>
<td>Skills development</td>
<td>Not known</td>
<td></td>
</tr>
<tr>
<td>Employment equity</td>
<td>Not known</td>
<td></td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>Not known</td>
<td></td>
</tr>
</tbody>
</table>

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

Questions and discussion
Challenges Faced by Oil and Gas Companies Operating in South Africa
SAPIA overview

**Membership**
- AEMCOR
- Bahlaloga Technology’s
- BP Southern Africa (Pty) Limited
- Chevron South Africa (Pty) Limited
- Easigas (Pty) Limited
- Engen Petroleum Limited
- KZN Oils (Pty) Limited
- Mabele Fuels (Pty) Limited
- Makwande Energy Trading (Pty) Limited
- The Petroleum Oil and Gas Corporation of South Africa (Pty) Limited (‘PetroSA’)
- Royale Energy Limited
- Sasol Limited
- Shell South Africa Marketing (Pty) Limited
- Total South Africa (Pty) Limited
- Totalgaz Southern Africa (Pty) Limited

19 March 2013
## SAPIA members capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Capital expenditure (R/m)</td>
<td>5 573</td>
<td>5 091</td>
<td>5 855</td>
</tr>
<tr>
<td>Refinery shutdown (R/m)</td>
<td>939</td>
<td>574</td>
<td>273</td>
</tr>
<tr>
<td>Other (R/m)</td>
<td>4 634</td>
<td>4 518</td>
<td>5 582</td>
</tr>
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</table>
Challenges facing Oil and Gas companies

- Dominance of global over local chains
- Difficulty identifying where to enter the value chain
- Information gaps
- Standards
- Safety and environmental concerns
- Difficultly finding highly skilled local employees

19 March 2013
Thank you
Judi Sandrock

A “Micro to Macro Model”
Growing enterprises from their humble beginnings
We all start as small businesses…
How can we bridge the gap?
Weir Minerals case study

• Supplier development in the Mpumalanga coal mining region
• Supply chain opportunities identified
• Mobile entrepreneurship centre toured local townships and industrial areas to engage entrepreneurs
• Gaps identified, gaps closed and support provided
• 15 suppliers introduced
Practical Tips

• Facilitators to identify procurement opportunities – “give us 5% of the contract so that we can build credibility”

• Provide more than business skills training – ensure that the governance and technical “non-negotiable” targets can be met.

• Enterprise Development funds should be used to build scale of SME support so that the SMEs can be price competitive.
Large Business cannot do it alone

Large Business

Large Suppliers

Micro and Small Businesses
The MEDO Model

Level 1 - Are you an entrepreneur?

Level 2 - Do you want to start a business?

Level 3 - Do you want to grow your business?

Level 4 - Do you want to be a supplier?
• Link to video http://youtu.be/2oy87aorRTQ
Supplier Development

- Supply Chain Opportunities
- Skills and Productivity Development
- Support Processes Services Infrastructure
- Introductions to Markets
- Networking and On-going Skills Development

Reporting Communication Collaboration
Continuous Improvement Innovation Learning
The MEDO Way

think big….start small…move fast

js@medo.co.za
010 500 5000
HOW DOES PetroSA EXPEDITIOUSLY ACCELERATE GLOBALLY COMPETITIVE BLACK SMMEs?

SASDA Mission

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
ACCELERATE GLOBAL COMPETITIVE BLACK SMMEs

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
ISO

SA

? GRAB OPPORTUNITY

? GLOBAL REACH

? ARE WE GIVING EVERYBODY A CHANCE

US

✓ JOB CREATION

✓ INTERNATIONAL CONTRACTS

✓ EVERYBODY WON

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
“In this bright future, you can’t forget your past”

- “No Woman No Cry”

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
SUPPLY-CHAIN MANAGEMENT “DRILL-DOWN”

280 NEW YORK BASED SMMEs

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
MASSMART → SABS
SKILLS DEVELOPMENT (2 DAYS)

✓ SCHOOL
✓ RIGOROUS
✓ ZERO TOLERANCE
SA

? ISO 29001

? EMPLOYMENT

? REGISTRATION

? GLOBAL CONTRACTS

US

+++ ISO

+++ FULL EMPLOYMENT

+++ REGISTRATION

+++ GLOBAL REACH

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
PERFECT TIMING

POTENTIAL REVISED B-BBEE

ISO 29001

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
ISO 29001

SA FIRST IN THE WORLD!

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
MECHANICS

✓ 700 REGISTRATIONS
✓ IMS METHOD
✓ ISO 29001
✓ INTERNATIONAL AUDIT
✓ COST REIMBURSED

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
• IMPROVEMENTS IN CURRENT RATING
• QUARTERLY UPDATE
• INTEGRATE WITH ISO
• RIGHT THINGS FOR RIGHT REASON
• COMMERCIALLY ORIENTED
THANK YOU
FOR YOUR VALUABLE TIME

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
ISO 29001 ....... IS MY SOLUTION TO EXPEDITIOUSLY ACCELERATE GLOBALLY COMPETITIVE BLACK SMMEs.

QUESTIONS?

Peter C. Berry, PH.D.
peter@qrcinternational.com
073 857 7252
CHALLENGES FACED BY SUPPLIERS AND ENTERPRISES IN OIL AND GAS INDUSTRIES

Introduction

Drawing attention to the need of SMEs participation in the supply chain of oil and gas companies is essential for a number of reasons. Firstly SMEs comprise a significant number of South Africa businesses and can be a powerful vehicle for economic growth and poverty reduction. Most of these businesses are managed by owners, many of whom are connected to the communities in which corporate companies operate. There is general acceptance that corporate procurement from local SMEs goes beyond creating business for suppliers. It also leads to further economic activity and attracts further investments, as suppliers engage other suppliers for inputs, and through the multiplier effects of employees spending some of their wages/salaries in their communities.

Demonstrating positive local economic impacts can also strengthen corporate community relations. Local procurement can be a strategy to help maintain reliable supply, contribute to a strong local economy which can reduce production input costs and can also be more cost effective when it comes to transportation, particularly in remote environments. Initiatives to improve suppliers’ capability to meet company needs can help transfer of technology and higher standards to suppliers. This allows suppliers to provide better standards of service to other customers and may lead those suppliers to raise standards further along the supply chain. It can also significantly increase the competitiveness of these suppliers in seeking business with other companies.

Corporate Drivers for Local SME Sourcing

Local SME sourcing refers to a set of practices being employed in supplier selection, partnering and development. However we need to begin with a consideration of goals, strategies and plans of corporate companies. Senior managers have key performance indicators, usually relating to volume produced, cost of production, quality of product, delivery performance, overall equipment effectiveness and other measures. It is usual for these high level measures and KPIs to be cascaded down to purchasing and procurement managers, whose criteria in selecting supply organizations reflect the whole of corporate company’s KPIs. Supply managers choose to partner with those companies that can become part of the successful achievement of high performance indicators at the aggregate oil and gas level.
Corporate companies prioritize production volumes and the cost of output as one of their most important KPIs. Hence they are averse to risk sources which might in any way interrupt production. This factor might be either an advantage or disadvantage for local SME suppliers, depending on case by case circumstances. In any event, it is likely to be an important factor in determining selection criteria.

**Competitive Advantage**

Competitive advantage relates to cost, quality delivery, flexibility, innovation, service and other factors. These operational factors are however not the whole story: strategic factors such as resource assurance and stakeholders support may reasonably override differences in supply cost, especially where such differences may be small. Supply that is local based can also be more responsive to needs which can deliver direct competitive advantage in areas such as maintenance, services, consumables and non-core or ancillary services to oil and gas operation. They may be more attuned to local cultural issues and hence may have advantage in supplying services and goods. Some key concepts of supplier selection relate to competitive advantage, namely, relationship power, trust, dependency, risk, capability and alignment. This relationship between the local supplier and corporate company is often between a small company and a large one. This requires the large corporate company to be able to reach down and establish trusting relationships with SMEs.

**Sustainable Development**

Sustainable development should not be philanthropy or some sort of charitable impulse towards local community that prompts corporate engagement with SMEs. In oil and gas and other industries, the motivation for engaging in sustainable development activities that go beyond compliance to benefits the local community and the environment is usually based on self-interest. Corporate companies should consider as to how to incorporate social dimensions into procurement decision-making and the relationship between supply chain decision and socio economic impact.

**Agreement with Local Community**

Oil and gas companies interact with remote indigenous communities through agreements which enable access to land for exploration and production. Companies face an immediate challenge in seeking to comply with the commitments made in agreements in relation to provision of contract opportunities, and in keeping with the spirit of broader, long lasting socio-economic development in which agreement making is intended for. Companies that are leading agreement making practice should recognize that business development interventions require a better understanding of neighboring marginalized local communities that are characterized by
poverty and social instability and of how companies affected the vulnerability of people living in these communities.

**Perceived Barriers to Local SME Participation in the Supply Chain**

There are four key barriers to the incorporation of local small businesses into the supply chains of oil and gas companies.

These are:
- The information gap that exists between small and large companies
- The perceived lack of capacity in small enterprises
- Disincentives created by global supply chain management trends
- Barriers arising from corporate policies and systems

**The Information Gap**

The lack of information specifically relates to tendering opportunities, potential contractors and local capabilities. This is described as an “information block”. Local SMEs in particular don’t know how to get into contracting industry. If information is provided about upcoming project it often comes too late. Companies are criticized for not engaging local SME’s early enough. A reasonable time frame is deemed necessary to allow for clustering, joint ventures and investing in necessary equipment and upgrading. This early notice is considered particularly important in the face of the planned major developments, where demand is once again expected to exceed local supply. On the other hand, even those companies seeking to engage local suppliers expressed difficulty in accessing information on what services and skills local businesses can provide.

**Capacity Gap**

Perception exists that local contractors based in remote locations, in particular, often lack:
- Resources to prepare quality capability statements;
- Experience in writing business plans;
- Access to finance needed to upgrade their systems and safety procedures in order to meet industry standards;
- and/ or advice on how to run small businesses, including mentoring and support.
The problem is further compounded by the fact that many business owners are focused on keeping themselves employed rather than building their capacities. This lack of strategic planning represents a deterrent to corporate companies that attribute priority, in terms of supply, to efficiency, reliability, ready product availability and local technical support. It is a practice that those SMEs operators who do possess the skills find themselves unable to break into existing networks. For those local businesses that have managed to connect with major oil and gas companies in the area, there is considerable frustration expressed at only being given small scale ‘rope, dope and soap’ contracts. There is shared view, particularly among SMEs, SME network organization and enterprise facilitators of local businesses are caught in vicious cycle where they lack capacity to win work and thereby denied the opportunity to develop the necessary skills.

**Consolidation of the corporate supply chain**

Another factor contributing to the knowledge gap between firms is global trends towards consolidation and aggregation in supply chain. Today however, businesses operate in very different economic environment. There has been a push towards low cost country sourcing and reducing the numbers of suppliers to reduce risk exposure, drive down costs and make companies more competitive in international markets. The ease of dealing with fewer suppliers and a desire to align organizational cultures also means that companies often prefer to bundle a range of smaller construction into one large contract.

With cost reduction and heightened awareness of safety risks as key corporate drivers, the procurement function in oil and gas companies have progressively become more centralized, distancing decision-making from the local level. Sophisticated tendering and management systems have been developed as part of this consolidation process. A major technological advance has been the development of procurement software that’s helps to automate the purchasing function and is capable of integrating client and supplier data. These systems can be costly and exclude small players from the tendering process.

**Corporate policies and system**

Barriers arising from corporate policy and systems include;

- Lack of awareness of local business:
- Absence of corporate policy supporting local business:
- Absence of systems and processes which embedded corporate policy in planning and decision making;
- Weak alignment between corporate policy and execution by contractors;
• Lack of, or vague, commitments to contracting and business development in agreement making with local community;
• Weak incentives arising from ‘blunt’ KPIs and targets;
• Weak coordination between procurement officials, community relations officials, and capital project teams.

Conclusion

In conclusion I hope that this workshop will come up with resolutions that seek to address the following management challenge;

“How can oil and gas companies with in South Africa meet the objectives of contributing to sustainable regions and local economic development through enterprise facilitation and integration of local SMEs into supply chain?”

Thank You

T.M. Pasiwe