BIZCOMMUNITY

Jobs and R800m pledge unblocks merger delay

By Hilary Joffe

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A commitment to spend R800m on small farmers and enterprises and a pledge to avoid job losses have helped unblock delays to a three-way merger of bottlers.

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The tie-up between divisions of SABMiller, Coca-Cola and the operations of the Gutsche family, will create Africa’s largest bottler of Coca-Cola and other soft drinks.

The breakthrough deal was made with Economic Development Minister Ebrahim Patel at the weekend. The deal, which will also see 20% of Appletiser sold to new empowerment shareholders, should pave the way for the long-delayed Coca-Cola Beverages Africa (CCBA) merger to be approved by competition authorities.

Late last year, the Competition Commission recommended that the merger be approved with conditions, some of which had been suggested by Patel, but last month, he said he was not satisfied with them and planned to intervene at the Competition Tribunal, scheduled to begin hearings on the merger next week.

Patel welcomed the CCBA commitments yesterday, saying they "laid the basis for deeper industrialisation in the economy".

Competition legislation entitles the minister to intervene in mergers on public interest grounds and his CCBA deal follows the agreement he reached last month with global brewer Anheuser-Busch InBev on conditions for its takeover of SAB-Miller. That deal included a R1bn fund to develop small farmers.

Last night, Patel said there were public interest issues in the legislation that firms had to respond to. "When the transaction is structured to take both sets of interests into account, government would have no difficulties with it."

The agreement goes beyond the conditions set earlier, raising the total size of the funds for small enterprise development from R650m to R800m, half of which is to support and train developing farmers and small suppliers and the other half to create 20,000 black-owned retailers of CCBA's products.

The company has also committed to maintaining employment at current levels for three years and not reduce jobs by natural attrition — similarly to that reached with AB InBev. But CCBA may retrench up to 250 nonunionised head office staff.

Food and Allied Workers Union general secretary Katishi Masemola welcomed the deal. "We would like to see harmonisation in respect of working conditions and salaries in the next three years." He said employee share schemes would need to be attended to and harmonised.

CCBA has also agreed that up to 10% of the space in small retailers' Coca-Cola-branded fridges can be given to smaller competitors, a less demanding option than the 20% the commission had recommended.

In addition, the broad-based empowerment ownership of the South African subsidiary of the merged company will be raised.

Patel said the most innovative aspect of the deal was the extent to which fridge space is opened up to competing smaller producers. "This is an important element for us as we seek to strike a balance between corporate consolidation and opening up markets, enhancing employment and promoting localisation."

Coca-Cola's president and chief operating officer James Quincey said the agreement ensured that "the creation of Coca-Cola's largest bottling partner in Africa will strengthen our business, while aligning with the government's imperatives for social and economic development".

Gutsche Family Investments chairman Phil Gutsche said he was pleased the agreement had been reached in a constructive manner. CCBA created an opportunity for continued growth and "demonstrates our confidence about doing business in SA and in Africa", he said.

SABMiller CEO Alan Clark said he hoped there was now a clear path to concluding the transaction.

Source: Business Day

ABOUT THE AUTHOR

With Colleen Goko