

Pepsi's Pioneer deal validation of SA - Patel

BEE shareholding
subject of tensions

By **Katharine Child**

US multinational PepsiCo's R26bn purchase of Pioneer Foods is proof that SA can attract foreign direct investment while ensuring workers are given greater ownership of the economy, trade and industry minister Ebrahim Patel said.

The finalisation of the transaction initiated in July comes as the local economy tipped into recession.

Legal teams representing Patel and PepsiCo spent months in hard-fought negotiations fine-tuning the conditions the multinational snack and beverage giant needed to meet to buy

locally listed Pioneer Foods, whose brands include Sasko, Ceres and Bokomo.

After the Competition Commission proposed that the deal should go ahead subject to certain conditions, including a retrenchment moratorium, Patel intervened.

He disagreed with the BEE shareholding of the deal, which raised questions about the ANC's meddling on ideological grounds.

Authorities had a mandate to ensure the investment benefited society, Patel told Sowetan's sister publication Business Day.

"Investment comes with many potential positive benefits, but it has to be made more implicit sometimes."

The deal was significant as it

is the first large transaction that had to meet the amended Competition Act's requirements that mergers improve the spread of BEE ownership.

Disagreement on this threatened to delay the deal. After intense discussions from late last year, the legal teams of both sides came to an agreement on Wednesday afternoon, mere hours before appearing at the Competition Tribunal on Thursday, which had to approve the deal.

Patel said the merger showed the empowerment requirements for firms to increase the spread of company ownership by historically disadvantaged communities did not scare away foreign direct investment.

No foreign buyout of local



Ebrahim
Patel

firms had ever resulted in such high workers' equity, he said. Workers were offered

R1.6bn of US PepsiCo shares in the broad-black economic empowerment deal, but Patel wanted the workers to have ownership and voting rights in the SA company.

Workers' shares convert to 13% local ownership in five years' time, which Patel initially felt was too long.

Concessions were also made by PepsiCo and Pioneer, allowing workers local voting rights equivalent to 13% local shareholding and the right to appoint their own director to the SA board.

PepsiCo said that along with Pioneer Foods, it was "committed to playing a constructive role in the government's journey to reignite economic growth in SA and the African continent at large".