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# NEWS

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### Still no clarity on new BEE codes

With implementation date of the amended BBBEE codes just seven months away, there is little sign of any movement from the transport sector council, according to specialist consultant Keith Levenstein of Econobee.

The transport industry should therefore be gearing up to comply with the amended codes if they intend to maintain or improve their current status.

“Some of the other sector councils have been far more proactive, but transport is a big worry,” said Levenstein, “because it’s a big one. There should be a Transport Sector Code Council and each sector code needs to have its own council. It’s therefore very unlikely that the sector codes will be ready by May 1 – and even if they are, there won’t be time for the transport industry to familiarise and align themselves with those codes.”

Levinstein has called on the Minister of Trade and Industry to issue a notice as soon as possible about the status of the sector codes, the Qualifying Small Enterprise (QSE) codes and the amended codes. “The dti has been saying since October 2013 that they will be issuing the codes shortly. Initially it was the first quarter of 2014, then by June, now before the end of the third quarter. This has probably satisfied the minister that the outstanding codes are under control,” he said.

There’s another big question mark around QSE businesses, Levenstein added. “If the QSE codes are not finalised, do we follow the 2007 codes? What do companies with a turnover of between R35M and R50m do? The 2007 codes define a QSE as one with a turnover of R5m to R35m. The amended codes define a QSE as one with a turnover of up to R50m. For example, a R49m company is in no man’s land,” he said.’

Similar issues exist for the sector codes, he said. “If they are not ready what set of codes will a transport company follow? If they continue to use the current sector codes, it will be quite unfair to all others using amended codes. It is a serious contradiction for some companies to be allowed to use the more lenient sector codes while others have to use the amended codes. At the same time it will be unfair to companies in the sectors to be told on May 1, 2015 that they now have to follow the amended codes.”

The rumour in the market is that if a sector code is not ready the dti will expect a company to follow the amended codes, but Levenstein says the minister should clarify as soon as possible. “It is already too late for companies to start planning for the amended codes – and they could be excused for saying they were Awaiting their sector prior to planning for it.”

What is clear is that the amended codes will make it more difficult to reach targets. “Companies will have to have a BEE ownership component or they will drop a level. At the moment there are a number of medium-sized transport companies with a R100m turnover who are level 7 or 8. But unless they sell some of their shares between now and the next verification, they will drop a level. If they’re level 8 and they don’t have BEE ownership they won’t be compliant.”

The transport industry appears to be well aware of the deadline although several companies approached by FTW were still getting to grips with the new requirements.

An exception was Mark Scott of NGL Logistics who told FTW his company was currently on level 7 and was in the process of revisiting its compliance requirements. The biggest change is in procurement, said Scott. “It’s no longer just about service – it’s about finding the service providers who can give you the requisite points. The businesses you need to deal with are broken up by levels related to ownership and the value of the business.”

Scott believes that NGL’s BEE level will go up, but it won’t be due to procurement.

“Our current suppliers will take a knock because we’ll need to find new suppliers who fit the profile – black, female-owned businesses with a turnover of under R5m will provide more points.”

Another logistics company was in the process of re-applying for its BEE certificate after the MD has bought out his partner. And he described the new regulations as “draconian.” For most other companies approached for comment, it was a reminder of a grudge task that needed attention.

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