



COVID -19

How are South African companies responding to the crisis?

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Executive Director, CDE

The Covid-19 crisis has resulted in a new and very complex situation around the world. This is without doubt going to be a marathon – a stop-start marathon, in all likelihood – not a sprint. And there is no playbook to guide us through this. We have to learn as we go along.

South Africa entered this pandemic and the harsh consequences of a lockdown in a very weak situation: an economy in recession; unemployment at 10 million and rising; a fiscal crisis compounded by our descent into junk status.

The challenge is how to look after all South Africans, especially the poor, while minimising infection rates, keeping firms alive, and saving as many jobs as possible.

We don't know how to do this. Around the globe, there is bound to be a lot of innovation – learning by doing, trial and error. CDE wanted to find out how some of our biggest companies in different industries and sectors, facing diverse challenges and opportunities, are dealing with the situation.

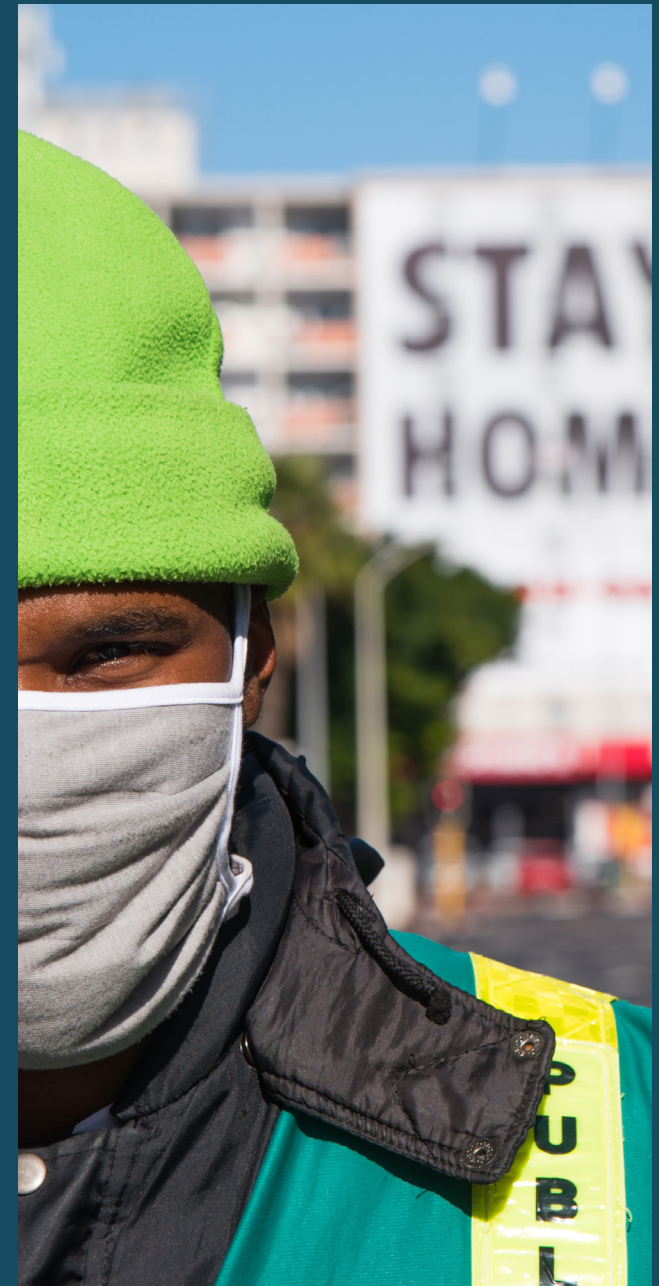
What measures have they implemented? How do they see the future of their company? What broad principles are guiding company executives through

this crisis? What is their view of how government is handling the pandemic in SA and the associated humanitarian and economic crises?

Many firms were in a weak position before the crisis. Covid-19 has weakened them further and it is critical now to save existing productive and commercial capabilities. We have to face the reality that the economy's responsiveness to new opportunities will be constrained for the foreseeable future by stressed balance sheets and reduced capacities.

Covid-19 has created unprecedented challenges and uncertainty, which makes it hard to think about economic recovery. However, it remains true, perhaps now more than ever, that South Africa needs broader, deeper reforms to build a faster growing, more inclusive economy consisting of many, competitive, job creating firms and enabled by a capable smart state committed to promote and serve the national interest and all South Africans.

“ The challenge is how to look after all South Africans, especially the poor ”



Norman Mbazima

Chairman, Anglo American Platinum

We are fortunate at Anglo American Platinum because we have capacity to deal with occupational health hazards, and we have experience in dealing with problems such as HIV/Aids and tuberculosis. We have 30 000 employees, and we have continued to pay them – their basic salaries, housing where appropriate, and pensions, too – so no UIF has been necessary.

We know, however, from our work with Business for South Africa, that lots of other employees are suffering. In most cases that is because the companies are simply unable to pay employees. Anglo Platinum has been affected: one of our plants went down in March and, in the context of Covid-19, we couldn't get back to producing finished metal, so we had to declare force majeure on customers and

our major suppliers. We did however pay smaller suppliers, so that they can stay in business for the duration of this crisis. Anglo has been providing water and food parcels to communities and homeless people where we operate. We have also launched an awareness campaign on the dangers of Covid-19 in the communities in and around our mines. Recently we started making major contributions to national efforts to fight gender-based violence. We have engaged with government frequently and it has been a very collaborative experience. The R500bn announcement was most welcome from our point of view. We've had really good collaborations with the Presidency, the Department of Minerals and Energy and the Department of Basic Education. I wish it could be like that for ever.

It is not the case that we have to choose between the economy and the health of our citizens – we can balance both priorities. But we also need to think about the future. To become an inclusive economy,

we have to bring in people who are left out. The scope for growth in the mining industry is enormous, and without growth, we can't bring anyone else in, much as we would like to. We've got to get some growth going!

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Johnny Copelyn

CEO, Hosken Consolidated Investments

We're a holding company that controls many businesses across many sectors and industries with more than 25 000 employees in total. Our primary business is in casinos, hotels, and manufacturing. We've also got property businesses, as well as coal mining and bus transport companies, which are open, and a TV company that continues to broadcast. The reality is that casinos and hotels won't reopen the moment that the lockdown ends; restaurants and cinemas will remain closed for the rest of the year, at least. Can you close a business down for 9 months? Regarding our property business, we have 1 000 residences in inner-city Johannesburg; will these tenants be able to pay rent? The longer this goes on, the worse it will be. 20 000 of our 25 000 workers are not working at the moment.

Without support, there will be hugely adverse effects. Fortunately, banks are in a much better position than they were during the 2008/09 global financial crisis, so they have greater capacity to keep liquidity in the market right now. The number one focus for a business is to survive. Many companies will not sustain themselves if they have to keep paying wages. If we ask what the prevailing attitude in the country is, everyone is making a commitment to help. That is a great starting point. Hotels don't have any customers, but you can offer space for



quarantining patients. Government is practical and the level of cooperation with them has been encouraging. Step 1 is to survive; step 2 is to play a positive role; and step 3 is to not drop expansion projects if possible.

When this ends, will people still be interested in traveling? Of course. We have a beautiful country, one that is much cheaper now. As long as we can preserve the capital that we've already built up, we'll still have excellent services, restaurants, and hotels.

“ For companies, step 1 is to survive; step 2 is to play a positive role; and step 3 is to not drop expansion projects if possible

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Ian Kirk CEO, Sanlam

Sanlam doesn't carry debt, so we're very strong right now; we can meet obligations. The first week was crazy, with people worried about their money, but it has calmed down now.

We have to be sensitive to policyholders, so across all our businesses in all countries we've announced that we're reducing premiums, which we can do because claims are down, as well as giving premium holidays in many instances. We give daily updates to both the regulators – because it's in all our interests to make sure that the financial system is secure. We talk constantly with National Treasury, government departments, etc. A lot of our proposals have been taken on board.

And we are giving back to society. Money is being spent on personal protective equipment (PPE) for frontline health workers – we are in partnership with the Solidarity Fund on that.

The next big thing is to get food to communities – money will go into that to make sure that food is provided efficiently. And, we must recognise that partnerships and pooling of resources is key if we are going to overcome this crisis.

How is South Africa doing? I think we're responding pretty well. However, I don't think business, labour, and government are fully aligned on what the country's non C19 priorities are. Our fiscal position is dire and it will worsen, so we have to fundamentally re-engineer the economy and gear it up for growth.

It's been said that you must never waste a good crisis. Well, this is a proper crisis. If we can get onto a firm growth path, then good will come out of tragedy. The world as we know it will change fundamentally for many businesses; traditional insurance business will be different.

“ We have to fundamentally re-engineer the economy and gear it up for growth ”

Tommie van Zyl

CEO, ZZ2

ZZ2 is a farming enterprise and fresh produce company operating mostly out of Limpopo, as well as 6 other provinces in South Africa and in Namibia. Our main crops are tomatoes, but we also export avocados, pears, cherries, and almonds.

We are an essential service, so for the moment, business is almost carrying on as usual. The first step after the lockdown was to keep people safe. Working with 10 000 people in rural areas across 7 provinces makes this quite daunting. We've compartmentalised programmes, we have training programmes in place, and we've made sure to decrease interactions. We've given people hand sanitiser and PPE.

South Africa is a food secure country, but there has been a profound shift in market demand. We are expecting growing demand for basic products. Luckily, we are working to have more products during winter to supply, which will keep a lid on prices. We also don't see a problem in trade: our value channels are all functional and we are getting our products out to customers. The export market is also business as usual. We have to anticipate that an epicentre may shift to one of the areas where we operate, but we have protocols and task teams in place to make sure that everyone remains safe.

Ultimately, with expanded demand, we actually want to grow jobs. The immediate imperative of course is to keep everyone safe. We can, and should, do both of those things. We've had good interactions with government – there is a sense that we are all working together. There is an improved social cohesion that is developing, which is taking away sectional interests. Our resources are markets; know-how; networks. Land is only one resource.

It could be a disaster in terms of our balance sheet if the poorly thought-through EWC plan is executed – it could be worse than the impact of the Covid-19 virus. But I think sense will prevail. We want to work with government and with society around us to grow. We can divide the cake, or we can create a bigger cake. If we develop markets globally, we will grow the cake; then it will matter less and less who actually owns the land.

“ It could be a disaster in terms of our balance sheet if the poorly thought-through EWC plan is executed – it could be worse than the impact of the Covid-19 virus ”





Alon Lits

GM, Uber (Sub-Saharan Africa)

Globally, Uber is in a strong financial position, but I will focus here on South Africa.

By 6 March, we were able to shift our corporate employees to a work-from-home situation, and our face-to-face driver partner support element was moved virtually by 13 March. We ensured that through Uber Eats we could still deliver essential goods as permitted by Government regulations. As for driver partners, we have 13 000 across South Africa – they are independent workers but we need to shift our focus to do what we can to help look after them. We are pleased to say that we are providing financial assistance to drivers and delivery people diagnosed with COVID-19, or placed in individual quarantine by a public health authority.

We know that this is a very difficult time for driver partners – social distancing has reduced their earning potential. That's why we've launched an in-app hub which provides drivers with the latest government financial relief resources and health and safety tips, ensuring they stay informed. We are also phoning our most loyal drivers and finding out what is top of mind for them during this unprecedented time. We offer Uber Direct to businesses struggling with high delivery demands – they can now use our network of drivers and delivery partners to move goods within their supply chain, between locations and into the hands of their customers. We have to do more to encourage safety and social distancing. Uber Eats now offers contactless delivery. We've got a reimbursement policy for sanitiser stock and we are working with manufacturers and distributors to provide masks. We will soon be introducing a checklist for customers to check on their apps before they begin their journey.

We are supporting communities with our #MoveWhatMatters campaign. We are providing discounted rides to frontline workers and ensuring deliveries of chronic medication through a partnership with the Bill and Melinda Gates Foundation and the Western Cape Department of Health in Cape Town, with an aim to expand wherever possible.

“ **It will be a couple of months of the new normal before the old normal returns, so we have to prepare for that** ”



Laurie Dippenaar

Chairman, CDE

For businesses right now, in the current environment, it's all about survival, not profit or dividend growth. Second, as a society, we must share the burden, not pass it on to others. That isn't always the case. Just look at big retailers with strong balance sheets saying that they will not pay rents in malls, passing the burden to the mall owner.

It is pleasing to see that many major companies have announced executive and management pay cuts. Bigger companies have an important role to play. They can assist smaller companies in their supply chains – they know who they are. This can take the form of rapid or advance payments of credit, interest-free loans, or even a grant. Companies can also be effective distributive mechanisms, providing assistance and injecting liquidity. The best example is a bank: simply by deferring someone's hire-purchase agreements or home loans, it effectively injects money into the system.

The big picture worldwide is that we want to normalise economic activity while minimising safety risks. I think of it like a steam valve, where you measure effects on the economy and health. If you open the valve and get good results, then you

can open it a little more, and so on; if the result is bad, then you can simply close it. It seems like the government has been working on a similar principle, which is positive.

The big concern right now, I think, is food relief. The government is putting a high priority on this, which is necessary, but I want to emphasise that smaller food relief operations in local areas are just as important. Local operators know who the vulnerable are, and their processes are more nimble, and they can act faster. As an example, here in Plettenberg Bay, a woman who helps the needy receives money in the evening, and by the next morning people have food. In this way, I think we all have a part to play.

“ **Normalising economic activity is like a steam valve. If you open the valve and get good results, then you can open it a little more, and so on; if the result is bad, then you can simply close it.** ”



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