BIZCOMMUNITY

Union hopes to land 18% stake in Coca-Cola bottler

By Ann Crotty

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Katishi Masemola, general secretary of the Food and Allied Workers' Union, is hoping his members will bag an 18% stake in Coca-Cola Beverage South Africa (CCBSA), the largest Coca-Cola bottler in SA.

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The stake, which would be worth several hundred millions of rand, would have to be vendor-financed.

Share programme

Masemola told the Competition Tribunal on Wednesday in Pretoria that employees of CCBSA should get this stake as part of the employee share ownership programme that is to be set up in terms of the conditions attached to approval of The Coca-Cola Company's (TCCC's) acquisition of Anheuser Busch Inbev's (formerly SABMiller's) 57% stake in CCBA.

CCBA was established in 2016 following a drawn-out merger process initiated in 2014. Its bottling operations cover SA, Namibia, Kenya, Uganda, Tanzania, Ethiopia, Mozambique, Ghana, Mayotte and Comoros. The South African bottling operation (CCBSA) is the largest.

On Wednesday the tribunal conditionally approved the 3.4bn transaction, which was prompted by Anheuser Busch Inbev's acquisition of SABMiller in October 2016.

The deal increases TCCC's holding in CCBA, which is the tenth-largest Coca-Cola bottler in the world, from 11% to 68%.

The Gutsche Family Investments, a private entity, holds the remaining 31.7%.

Masemola told *Business Day* that while the merging parties agreed to employees being allocated shares "they couldn't agree to the quantum".

BEE partner

The Gutsche Family and TCCC indicated that the quantum could only be determined once they had decided who their black economic empowerment partner would be.

They did not give any indication of who their partner might be but have said they were talking to several parties.

In addition to talking to potential black economic empowerment parties interested in a stake in the South African bottling operation, TCCC has said it is engaging with other South African and international parties interested in acquiring a controlling interest in CCBA.

Earlier this year TCCC said it acknowledged the government's preference for promoting a South African controlling interest in companies deriving most of their revenue and profit from the domestic market and that it would "seriously consider South African parties". In June, in a bid to minimise delays before the tribunal, TCCC undertook to increase its black economic empowerment equity stake in CCBSA to 30% by no later than 2021.

Share stakes

CCBSA, which had previously committed to a 20% black economic empowerment equity stake, said the 30% holding would include "an appropriate level of worker/ employee ownership".

The employee share ownership programme stake had to be independent of the black economic empowerment holding, Masemola said. Anything less than 10% would be unacceptable to employees, he added.

Masemola also hoped that the benefits to employees would be better than those offered by South African Breweries' Zanzele scheme.

About "75% of dividends were used to repay the debt and 25% went to participants of the scheme, we would like to see much more than 25% from CCBSA dividends," he said.

While this week's decision by the tribunal brings an end to three years of engagement with the competition authorities, it might only be temporary relief for TCCC.

CCBA and TCCC could be back before the competition authorities if a controlling stake is sold to another party.

Source: Business Day