Gordon Institute of Business Science
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The Impact of the Liquid Fuels Empowerment Charter (LFEC) on the South African Petroleum Retail Sector

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DECLARATION

I, Tryphosa Malatsi, declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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07 November 2018

Date

ABSTRACT

The study questions the impact of the Liquid Fuels Empowerment Charter (LFEC) as an effective economic transformation tool in petroleum retailing. It assesses the extent of African retailers' awareness of empowerment policies, while understanding the decline of these retailers in the sector.

Based on the mixed theories which infused the Political Economy, Transitional and Knowledge Management, a qualitative study was followed. Twenty respondents were interviewed comprising 10 retailers and 10 stakeholders who are signatories to the LFEC.

Key findings point to the challenges African retailers have to overcome in the Petroleum sector. These being: funding models; over-geared loans; allocation of 'dog sites' over transient high-volume sites; unsupportive environment and insufficient training; prohibitive pricing practices; inflated goodwill in the absence of an industry standard; and antagonistic relationships with Multinational Oil Companies (MOCs).

The study has a number of implications. Policy implications require government to put in place mechanisms to ensure that transformational policies are implemented and monitored in the sector. Consequently, business implication suggests that the MOCs economic transformation efforts need to be encouraged to contribute meaningfully to the Petroleum sector ecosystem. The urgency for a national study to understanding the African retailers' decline merits further research to this limited geographical research.

KEY WORDS: Political Economics; Transition Theory; Knowledge Management; Empowerment Policies; Petroleum Retailer; LFEC.

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1. INTRODUCTION TO RESEARCH PROBLEM

1.1 Research Title

The Impact of the Liquid Fuels Empowerment Charter (LFEC) on the South African Petroleum retail sector.

1.2 Background to the Problem

The Petroleum industry consists of a value chain that has upstream and downstream pursuits. The upstream pursuits involve the exploration for crude oil and its production. The refining and distribution of refined product to depots throughout South Africa and the marketing of the product to the end user (commercial or private) is referred to as downstream activities (SAPIA, 2018).

In 2014 the industry sold 27 billion litres of fuel, generated R200 billion, contributed R9 million to the government and R324 billion in additional economic activity. This contributed to 8.5% of South Africa's Gross Domestic Product (GDP). According to Viljoen (2017), 96 711 jobs were created directly and 692 706 indirectly. The cited statistics and jobs created show the significance of this industry to the South African economy.

The South African economy's energy needs are mainly satisfied by primary extraction and processing of crude oil. This means that the energy requirements are met at a very high cost. According to the South African Petroleum Industry Association (SAPIA), 'petrol and diesel account for 92% of the energy used for transport'. 'Petrol sales account for more than half of the total sales of local petroleum products' (SAPIA, 2018).

Given the significance of this industry to the economy, in 1998 the Government of South Africa published the White Paper on Energy Policy which was meant to re-examine, reform and redraft social and economic policies. Its stated ambitions were to map a 'path to growth with redistribution'. Requiring 'bold new thinking' in order to transform 'industries and governance systems'. The 'cornerstone' of future policy frameworks had to be 'Black Economic Empowerment`

The White Paper expressed the desire to remove impediments for entry into the industry by Historically Disadvantaged South Africans (HDSAs). It also expressed a commitment to support HDSAs to play a meaningful role in the Petroleum industry as well as to implement policies that would ensure that HDSAs control and ownership was improved. The primary objective of the White Paper was therefore to redress historical imbalances which had a racial expression.

The White Paper also committed the government to 'promoting a climate that would be conducive to reasonable profits and sustained investment in the liquid fuels industry. During the period of regulation, the government (is) committed to the use of a fair and transparent method to set the margins in order to encourage investment in the industry' (Department of Minerals and Energy, 1998)

The White Paper acknowledged the need for an overhaul of the Petroleum industry. This is because along the entire value chain 'ownership and control' were racially skewed. This was a legacy of protectionist policies of the past. Multinational Oil Companies (MOCs) controlled most of the retail industry through franchise agreements (Corinaldi, 2018; Dyaphu, 2005; Department of Minerals and Energy, 1998)

Following on from this, the petroleum industry in 2000 signed a LFEC. Initially in 2000 when the LFEC was written and signed, it was effectively a 'gentleman's agreement' with no recourse if signatories fell afoul of its commitments (Kapdi, 2017).

In 2003 though, the LFEC from the legislative framework perspective, was promulgated with the Petroleum Products Amendment Act (PPAA) (Act No. 58 of 2003). The PPAA has as a policy objective towards the achievement of a 'sustainable presence, ownership or control by Historically Disadvantaged South Africans (HDSA) of a quarter of all facets of the liquid fuels industry' (Department of Energy, 2003). *See Section 1.6 for definition of HDSA*. To this legislation was added the Broad-Based Black Economic Empowerment (B-BBEE) Act No.53 of 2003 when it was promulgated.

The LFEC was the first sectoral charter in South Africa. It was an attempt by the Petroleum industry to address the historical imbalances imposed by Apartheid economic policies. It preceded the Broad-Based Black Empowerment Amendment Act of 2013 (SAPIA, 2018). Its signatories are all oil companies their representative organisation and, the Department of Energy (DOE). (SAPIA, 2018).

According to the Department of Energy (2000), the following stakeholders were signatories to the LFEC: (Department of Energy, 2000)

- Afric Oil (Pty) Ltd
- African Mineral and Energy Forum (AMEF)
- AMP (Pty) Ltd
- AMEP (Pty) Ltd
- BP SA (Pty) Ltd
- Caltex Oil SA (Pty) Ltd
- Central Energy Fund (Pty) Ltd
- Department of Minerals and Energy (DME)
- Engen SA (Pty) Ltd
- Exel Petroleum
- SAPIA
- Sasol (Pty) Ltd
- Shell SA (Pty) Ltd
- Tepco Oil Company
- Total South Africa (Pty) Ltd
- Worldwide Africa Investment Holdings.

In 2003 when the LFEC was promulgated with the PPAA it became law (Kapdi,2017) (Department of Energy, 2003) This was not the first time an agreement of this nature was signed in South Africa. In the 1950s service stations were single branded sites (Corinaldi, 2018). Meaning that only one oil company could sell their products through that site. The site would only carry petroleum and lubricant products supplied by and belonging to that brand. Between 1960 and 1994 the industry was subjected to the Rationalisation Plan (Ratplan) (Kapdi, 2017). This was an agreement similar to the LFEC concluded between the State, the oil companies and the Motor Industries Federation (MIF) it was designed to protect the profit margins of the major oil companies while at the same time promoting white entrepreneurs downstream. These entrepreneurs were being developed and empowered in line with the State's plan to address the 'issue of white unemployment in urban areas and create capital for white people' (Kapdi, 2017). This was part of the '*Volkskapitalisme'* or the people's capitalism policy of Apartheid.

In keeping with this protectionist agenda, in the 1970s the Blue Pump Agreement was introduced. The Blue Pump Agreement was meant to ensure that each service station site had a Sasol pump on its forecourt. This was because Sasol at the time did not own retail outlets. This was a way to ensure Sasol could distribute petroleum in the domestic market (Corinaldi, 2018).

At that time retailer-owned retailer-operated (RORO) sites made up 70% of service stations, while 30% was made up of company-owned retailer-operated (CORO) sites.

The PPAA had been preceded in 1977 by the Petroleum Product Act which prohibited self-service at the pump, halted vertical integration and introduced regulation by making government responsible for fixing the petrol price at the pump (Kapdi, 2017) (Corinaldi,2017).

The LFEC:

The LFEC has as its basis several precedent pieces of legislation, namely the Preferential Procurement Act No. 5 of 2000, the Employment Equity Act No. 55 of 1998, the Skills Development Act No. 97 of 1998 and the Competition Act No. 89 of 1998 (Department of Labour, 1998, 2008 & National Treasury, 2017).

What is of interest to this study and as stated in the preamble of the LFEC is that empowerment is ‘an integrated strategy aimed at substantially increasing black participation in the economy at all levels of the population’(Department of Energy, 2011).

The LFEC is a strategic tool to effect economic transformation in the petroleum sector. Its key function is to ensure that the industry is radically transformed to be inclusive of HDSAs. To that end, the LFEC authorises the DOE to conduct annual surveys in the Petroleum sector in order to monitor economic transformation concerning ‘Ownership; Management Control; Employment Equity; Skills Development; Procurement; Enterprise Development and Socio-Economic Development' (Department of Energy, 2000). It requires that their ‘fair opportunities for entry into the retail network of HDSAs. It also requires ‘equitable retail opportunities’ (Moloto, 2011).

In 2011 the DOE commissioned Moloto Solutions, an independent audit consulting firm, to conduct an audit of the sector from 2000-2010. According to the requirements of the LFEC, these audits were supposed to be conducted annually. The audit in 2011 was only the second in 11 years. To date only three audits have been commissioned with the third scheduled to be published in November 2018. The report (as specified below) indicated that overall in the petroleum industry, HDSA ownership was below the set target of 25% by 2010 (Department of Energy, 2000). A decade after the LFEC was signed.

Table 1: The share of volume fuel dispensed by race of the owner of the retail sites

Race	Dealer Owned %	Company Owned	Totals
African	*4*	*10*	*14*
Coloured	*2*	*2*	*4*
Indian	*8*	*14*	*23*
Total Black	15	26	41
White	28	32	59

Table adapted from the 2011 Moloto Solutions Audit.

Furthermore, SAPIA counted 4600 petroleum retail sites in South Africa (SAPIA, 2018). The retail sector of this industry shows that volumes of fuel sold by black retailers had declined from 44% of volumes sold in South Africa in 2006 to 40% in 2011. Of this 40% it is said that 23% of volumes were sold by Indian and 18% was sold by African retailers as seen in Table 1a above.

Results obtained from SAPIA by the researcher indicate that as at March 2018 these figures reflected 17% African; 4% Coloured; 27% Indian and 52% White, respectively. Table 2 below indicated that this is marginally better than the Moloto Solutions Audit of 2011 which showed ownership numbers to be 14%; 4%; 22% and 60% respectively. It is important to note that the Moloto Solutions Audit represented all retail sites in the country. The SAPIA figures only represent retail sites that are branded by SAPIA-members. Non-branded sites and sites belonging to oil companies not affiliated are not represented.

Table 2: SAPIA-member retail site breakdown in South Africa as of March 2018

Race	National %	CORO %		RORO %	
		Male	Female	Male	Female
African	17	15	5	12	3
Coloured	4	2	2	3	1
Indian	27	26	2	24	2
White	52	43	5	50	6

Retail sites not owned by the SAPIA members are not accounted for (Supplied by SAPIA) in Table 2 & 3

Table 3: Moloto Solutions Audit of 2011 indicating ownership of retail sites

Race	Dealer Owned	Company Owned	Totals
African	5	9	14
Coloured	3	2	4
Indian	9	13	22
Black	16	24	40
White	31	29	60

See Appendix for Provincial Tables i, ii & iii with actual numbers.

The South African population in the meantime consists of 55.7 million people of which 79.4% are African; 8.8% are Coloured; 2.6% are Indian and 9.2% are White (Statistics South Africa, 2018).

Additionally, the audit conducted by Moloto Solutions gives a detailed analysis of the causes of the decline (Moloto Solutions, 2011). As evidenced in Table 3, in 2011, Africans owned 11% of sites; Coloureds 4% and Indians owned 22%. The numbers owned by Coloureds has not changed since the 2011 data. That of Africans has increased to 17% and that owned by Indians has increased from 22% to 27%.

A review of the audit indicates that oil majors such as Total, Engen, BP, Caltex and Sasol still own most sites. The limitation of this audit is that it does not give a breakdown of the percentage owned by oil majors out of the total of 4600 national sites. The complexity of this equation is that whoever owns the site has the power to appoint who will run and manage the site. The PPAA does not allow oil majors to manage sites. The Act prohibits a wholesaler from being a retailer. All oil majors are Petroleum wholesalers.

Over the years, attempts have been made by the DOE to establish if the 25% ownership target within the industry has been achieved. In 2011 the DOE again commissioned Moloto Solutions to undertake another audit for this purpose. While the ownership of the major oil companies had seen significant BEE transactions to achieve this target, downstream this did not translate into retail site ownership. Additionally, Corinaldi (2017) documented specific impediments faced by black retailers.

Among these were '*policy and regulation issues with the DOE not fulfilling its responsibility to control and monitor broad-based economic transformation of the sector; legislation that is not enabling; the pricing model imposed by the DOE that is* [open to abuse by oil companies and often is]; *codes of good practice barriers; procurement barriers; skills development barriers and barriers to entry'* (Corinaldi, 2017, p. 19). Notwithstanding the radical economic transformation stance taken by the DOE, the Moloto Solutions Audit report showed that between 2006 and 2011 there was a 9.5% contraction of African Retailers (Moloto; 2011).

Kapdi (2017) and Corinaldi (2017) warns that alternative profit opportunities have become more critical. Moloto (2006, 2011) also found this in their audits. It is therefore essential for retailers to have autonomy with regards to these. These are convenience shop, car wash, quick service restaurants, bakeries, specialised coffee shops and a spares shop (Corinaldi, 2018). Unfortunately, this is not the case with the present franchise model.

According to Komane (2017) the Deputy Director of Commercial and Charter Compliance, the different legislative reporting structures and targets need to be aligned. He points out that 17 years after the signing of the LFEC franchise agreements between retailers and MOCs are still 'unprogressive'. MOCs are competing with small emerging oil companies for product and customers instead of supporting them. This means that HDSAs are still struggling with 'access to market' with regard to 'product, customers and supply'. He states that also there has been no progress in improving 'access to opportunities' of 'supply and enterprise development'.

The South Africa Petroleum industry situation, however, is not unique. Drawing parallels from the international scenario, Leipzinger (2015) reviews lessons for successful economic transformation on both positive and negative experiences especially from the large economies in Latin America and East Asia. Leipzinger stresses that the following needs to occur: appropriate timing of policy changes; consistency of policy packages; clarity of policy objectives; garnering support from society for the policy; adjustment of long-term goals to short-term political realities; and the need to monitor, evaluate and correct mid-course as needed. He further states that Africa needs to look to South Korea, China, Brazil, Indonesia, Mexico and Vietnam for lessons embedded within their unique institutional contexts in their path to economic transformation.

In his emphasis, Leipzinger cautions that once-off policy reforms will not lead to transformation and advocates for the need for consistency among policies and focused rigorous implementation. He asserts that 'no country can transform if the elite captures it at the expense of the citizenry. Much as political will is pivotal, 'reform programs' require superior preparation before implementation, they need to be pre-announced so that they get support from the citizenry and their implementation must be systematic and irreversible' (Leipzinger, 2015).

It is in light of the above contextual background that the study of this nature is undertaken to review the implications of radical economic transformation within the South African context. The study looks at the LFEC as a transformational tool within Petroleum retailing. Further, it assesses both the impact of the LFEC with related policies aimed at transforming retailing in the energy sector.

1.3 Research Purpose

The primary research purpose is to establish the possible reasons for the severe contraction of African retailers in the Petroleum industry through an empirical study. The problem with this contraction is as encapsulated by Singh (2007) when he points out that traditionally when businesses fail, it is assumed that it is due to management failure. However, there is often unreliable data about why entrepreneurs fail. Singh, further defines failure as a decline in business, termination, discontinuation insolvency or bankruptcy.

The secondary purpose of the research is to establish the disjuncture between policy formulation and implementation in the sector given the noble intentions of the government of

South Africa and stakeholders to radically transform the Petroleum industry. The research further seeks to close the gap between the findings of the Moloto Solutions audits and Corinaldi's assertions on the impact of the LFEC. Corinaldi (2017) asserts that there is no industry consensus on ‘transformation targets. He further asserts that there is no ‘system to monitor progress’ towards achieving radical economic transformation.

1.4 Research Objectives

The study has multi-pronged research objectives, these being:

i. It questions the impact of the radical economic transformation as articulated in the previous policies.
ii. It seeks to assess to what extent African retailers are aware of government policy to radically transform the sector.
iii. It aims to understand why the numbers of African retailers are declining in the sector, irrespective of the fact that the petroleum industry was the first to adopt an industry empowerment charter that was endorsed by all stakeholders.
iv. It further delineates inhibiting factors that lead some African retailers to exit the sector and why others continue to participate.

1.5 Scope of Research

Noting with concern the 9.5% contraction in ownership over a five-year period of African retailers in the Petroleum sector, the scope of the research is restricted to the retail sector of the Petroleum industry. It focusses on African retailers in Johannesburg whose sites are for sale, those that have migrated between oil companies and those who have exited the sector.

The scope also extends to Petroleum retailer representative associations, oil companies, funders and the DOE in order to provide an in-depth understanding of this phenomenon. It is a qualitative study and thus includes interviews with retailers and key stakeholders in the industry.

2. THEORY AND LITERATURE REVIEW

2.1 Introduction

In this Chapter, relevant literature is reviewed to inform the discussion on the research topic relating to radical economic transformation in Petroleum retailing. A study of this nature cuts across a number of disciplines. To that end, the theoretical framework that underpinned this study was eclectic. The study draws from the theory of Political Economy, the Transition Theory and some aspects of the Knowledge Management discipline.

2.2 The Political Economy Theory

Political Economy theorists acknowledge that political decisions have an impact on the economy. That public policies ultimately determine the type of economic system a country adopts. How resources in a country are attained, managed and distributed is a political decision primarily before an economic one. Whether it is in a socialist, capitalist or communist country.

Mill (2015) says that political economy theory 'begins with the political nature of decision making and is concerned with how politics will affect economic choices in society'. Historically, already in 1836 political economy was said to be a branch of the science of speculative politics. He elaborated that its focus is wealth creation, influenced by competition, all of which are legally regulated.

Keohane (2015), agrees with the idea that it is ultimately about wealth creation. The author adds a further dimension of power. The author says that the interaction between wealth and power is not 'unidirectional'. The accumulation of wealth leads to great power and influence, the accumulation of this power and influence lead to more wealth.

Political Economy Theory in South Africa:

Political economy theory finds perfect expression within the South African context both historically and presently. Lipton (2014) traces '*elite bargains'* from those made after the Anglo- Boer war between '*Afrikaans and English-speaking whites'* as a merging of minds on sharing the spoils of war consolidating power to the exclusion of the black majority who had been left landless. Lipton shows how this exact pattern was followed at the end of Apartheid with the '*elite co-option'* as in the early 1900 of a few Afrikaners now of a few black elites. While political power is distributed somewhat, economically wealth remains in the hands of a few who through '*clientelism, cronyism and corruption'* attract '*rents*' that are higher returns than they would otherwise gain in a free open market competitive environment.

In his book, the *'Political Economy of Post-Apartheid South Africa'* Gumede (2017) defines the term '*Colonial Apartheid'*. He does this in an attempt to get readers to appreciate exactly the depth to which South African society experienced oppression. He says unlike most African countries that were only colonised, South Africa had to contend with an even more oppressive sequelae to it in the form of Apartheid (Gumede, 2017). The term he states defines the 'historical experience of colonialism, imperialism, racism, and other forms of enslavement that black South Africans have suffered for three centuries' (Gumede, 2017). He states that 'both colonialism and Apartheid were formal systems of oppression' from 1652 to the 1940s and from 1948 to 1994 respectively (Gumede, 2017). He further says Apartheid then categorised South Africans and divided them by race into a white and black race. Not stopping there, but further dividing Blacks into African, Indian and Coloured.

Table 4: Gini Coefficient by race. Source: Gumede, 2017

Race	1975	1995	2005	2009	2011
African	0.47	0.49	0.56	0.54	0.55
White	0.36	0.36	0.45	0.39	0.42
Indian	0.51	0.45	0.53	0.49	0.45
Coloured	0.45	0.49	0.58	0.52	0.53

This has resulted in racial groups being given differing access to economic opportunities. The result is that inequality in South Africa differs along racial lines (Gumede, 2017). Alessina and colleagues agree that South Africa has 'sizeable income differences' (Alesina, Michalopoulos, & Papaioannou, 2012). They agree that these are along 'ethnic' groups and also add the fact that this inequality has a regional difference as well. Table 4 above tabulates the varying degrees of inequality within the races and between them. Of note is that the inequality in South Africa differs along racial lines. According to Table 4, in the ten years from 1995 to 2005, a significant increase in inequality within the African and Coloured racial groups occurred. This difference in inequality, has remained consistent till 2011. There has been a similar increase in inequality even within the white racial group. The only group to experience a decrease in inequality is the Indian racial group. Within the Indian racial group, inequality in 2011 dropped to the 1995 level (Gumede, 2017).

In 1975, inequality among Indians was the highest and it was the lowest among whites. In 2011 also, the group with the highest Gini coefficient at 0.55 was the African racial group and the white racial group had the lowest Gini coefficient at 0.42. Noteworthy though is the fact that both racial groups show an increase in inequality from 1975 to 2011.

South Africa – A Developmental State:

Addressing this inequality and its racial bias has been the focus of the post-Apartheid government. Focussing on redress, has turned South Africa into a developmental state. A developmental state 'occurs when a government possess vision, leadership and capacity to bring about a positive transformation on society' within a time frame (Fritz & Menocal, 2007).

Much of what is known of the developmental state has its roots in writing about the creation of the '*Asian Tigers'* (Taiwan, South Korea, Singapore and Hong Kong) and deals with how the state through its '*policy interventions steer economic development and industrialisation in* *the public good'.* He contrasts this to neoliberal economics which has as an ideology the believe that free market forces lead to competition and efficiency. That this is the best way to manage an economy. He points out that neoliberal economist disagrees with a developmental state. They feel it is inefficient and does not lead to economic growth (Gumede, 2017).

By positioning itself as a development state, the state affirms that it is best placed to lead the transition from Apartheid to democracy. Therefore, it has the vision, capacity and leadership necessary to address the inequality that is endemic in South Africa.

Haggard & Kaufman (1996) in '*The Political Economy of Democratic Transitions'* where they claim that three factors determine a country's transition from authoritarian rule to democracy:

1. *'International pressure'*. This is likened to sanctions which occurred in South Africa (Lipton, 2014).
2. '*Successful democratic opposition in neighbouring countries*. Lipton (2014) likens this to the democratic changes of government that were occurring in Rhodesia (now Zimbabwe and Mozambique). Lipton (2014) calls this the 'Contagion effect'.
3. '*Structural changes associated with long-term economic growth'.* According to Lowenberg (1997), Apartheid policies In South Africa, became economically too expensive and unsustainable. At the same time, pressure was exerted by big businesses on the South African regime when they decided to meet with the African National Congress (ANC) in exile (Lipton, 2014). Economic crises like the petrol price increases in 1993 and the resultant mass democratic strikes by the labour movement, worked to accelerate a transition to democracy (Lowenberg, 1997; Corinaldi, 2017). According to Cooper, Haggard and Kaufmann (1996), all authoritarian regimes are responsive to the interests of a 'specific sector' of the population and give 'preference' to their demands. Economic crises and pressure for policy reform weaken a government's ability to deliver and government is therefore forced to 'reassess' its 'overall political bargain'.

2.3 Introduction to Transition Theory

Transition Theory is applied when predicting outcomes of international, regional and civil war or conflict (Benson, 2007). Transition theorists contend that a transition from an authoritarian state like Apartheid to a democratic state like the South African rainbow nation, occurs as a ‘*result of negotiations and pacts between the reformers in the ruling regime and the moderates in the opposition'* (Adler & Webster, 2015). Transition theorists argue that only an ‘*economically and socially conservative’* democracy results from these negotiations.

This democracy is built on *‘concessions*. Reformers in the old government have the responsibility to neutralise the hardliners in their group. Moderates in the pro-democracy movement have the responsibility to neutralise the radicals in their movement (Adler, 2015; Benson, 2007). These authors warn that pro-democracy forces must be ‘*prudent'.* Civil society and social movements must be aware of the ‘*constant pressure to demobilise and neutralise'* them. However, civil society and social movements tend not to overturn the route to democracy (Linz, 1999).

Transition Theory in South Africa:

However, the South African situation is unique. The labour movement in South Africa is ‘*organised, disciplined and engaged’* (Webster, Edward & Adler, 2015). It has a long history deep-rooted in the National Democratic Revolution (NDR). It insists on being consulted and it insists on radical reform. Linz (1999) mentions South Africa, Kenya and Malawi as the three African countries that experienced a sustained push from social movements in the country during the transition period. The ANC government, while socialist in its roots, has been shown to be neo-liberal in the stance it has taken in the transformation of the economy, with its free-market policies (Mosala, Venter & Bain, 2017).

According to Mosala and colleagues, the ANC’s commitment to neo-liberalism was cemented when they became ‘*signatories to the new General Agreement on Tariffs and Trade (GATT) and also joined the World Trade Organisatio*n (WTO)’ (Mosala et. al., 2017). Tangri & Southall, (2008) agree with these authors and contend that the government policies around BEE ‘fluctuate between moderate and radical redistribution of assets. Adler and Webster (2015), point to the Reconstruction and Development Program (RDP); Growth Employment and Redistribution (GEAR); Accelerated Shared Growth Initiative of South Africa (ASGISA); the New Growth Plan (NGP) and the National Development Plan (NDP) in Table 3a. They contend that these policies, including the Labour Relations Act, No. 66 of 1995; the Employment Equity Act, No. 55 of 1998; the B-BBEE Act, No. 53 of 2003 and the Minerals and Petroleum Resources Development Amendment Act, No. 437 of 2009, are all a direct result of ongoing pressure from the radicals in the pro-democracy movement, mainly labour. Labour insists that the principles of the Freedom Charter and the NDR adopted in 1969 in Morogoro, Tanzania are adhered to (Adler & Webster, 2015; Mosala et. al., 2017). Linz (1999) asserts that the ANC has '*abandoned its socialist strategies explicitly or tacitly'* in order to share in capitalism.

However, when the researcher reviewed the stated aims of the White Paper on Energy Policy (1998), the researcher found it difficult to accept the assertions made above at face value.

As stated within the White Paper:

> '…*central to the RDP are two imperatives recognised by most South Africans: the urgency of achieving more rapid economic growth; and, likewise, the urgent need for growth to contribute to development, particularly the eradication of poverty. Subsequently, Government elaborated the Growth, Employment and Redistribution (GEAR) strategy as one of its principal instruments for the realisation of the policy objectives contained in the RDP. At the heart of GEAR are two core strategies. Firstly, the framework looks at promoting economic growth through exports and investments. Secondly, it intends to promote redistribution by creating jobs and reallocating resources through the budget' (p. 21)*

Surely these speak to a commitment to being a developmental state. Looking at the adopted government policy from 2012 to date, the **National Development Plan** - its priorities, show that government has not strayed from its initial ambitions as stated by Adler ,Webster, (Mosala et. al., 2017) and Linz above. It states very clearly that:

> *'If South Africa registers progress in deracialising ownership and control of the economy without reducing poverty and inequality, the transformation will be superficial. Similarly, if poverty and inequality are reduced without demonstrably changed ownership patterns, the country's progress will be turbulent and tenuous' (National Planning Commission, 2010, p. 17).*

The three policy imperatives that are significant are the following:

1. *'Raising employment through **faster economic growth**'.*
2. *'Improving the quality of **education, skills development and innovation**'.*
3. *'Building the capability of the state to play a **developmental, transformative role**'* (National Planning Commission, 2010, p. 17).

Within the NDP is a discussion about the need to *'broaden ownership of assets to historically disadvantaged groups. To ensure that ownership of production is more diverse and able to multiply and provide the resources to pay for investment in human and physical capital'* (National Planning Commission, 2010, p. 28)

The above is attempting to address the inequality within South Africa created by its history. Table 2a, shows that these attempts have been plagued by failure due mainly to inadequate economic growth. It was postulated that six percent economic growth was required to finance these policies. South Africa never met this target. Foreign direct investment was also less than one percent and this lack of investment and the global economic crisis, meant there was no money to sustain the policies. Concomitantly there was poor policy implementation and coordination. All these factors resulted in a high unemployment rate.

According to Chipkin (2016), Sociologists describe as '*precariat*' a class of people in '*temporary or informal employment.'* These earn a lower wage than those in regular employment. Millions of Africans have been pushed out of employment ('*as agricultural workers, miners, factory labourers, or in the service industries'*) into '*piece-work*' and short-term contracts. Referred to as South Africa's '*second economy*'. '*Precariousness in employment conditions has accelerated considerably*' over the last 20 years.

In a country like South Africa, where the social security benefit of unemployment is low, people tend to prefer employment. Globally citizens tend to compare the opportunity cost of employment against unemployment. The benefit of not working is time with family for example compared with extra income if employed. Unemployment therefore is preferred only if the social security of unemployment is good (Chodorow-Reich, G., & Karabarbounis, 2016).

> *'Transforming the economy also means changing patterns of ownership and control. To date, efforts to transfer ownership of productive assets have not yielded the desired results, with employee share ownership schemes playing a less significant role. A bolder approach and more precise targets are required'.*
>
> *'The stated need for policy instruments to encourage the private sector to change ownership patterns include voluntary scorecards, procurement regulations, licensing arrangements and development finance'*(National Planning Commission, 2010, p. 21).

The discussion above shows that the Government is committed at least in spirit to radical economic transformation. The NDP is not indicative of an ANC government that has '*abandoned its socialist strategies'* (Linz, 1999). Rather it indicates a government that has to balance both domestic and global interest in its attempts at economic redress while still able to attract Foreign Investment.

The South African Politics of Race:

According to Gumede (2017), the end of Apartheid in 1994 brought about an era of high expectations both in and outside the country. An opportunity had presented itself for the country to pursue a '*progressive developmental path'*, in which the *'rights, well-being and dignities'* of all South Africans could be '*recognised, pursued and preserved'*. This was in an attempt to '*build a non-racial, non-sexist, non-discriminatory society*.'

The adoption of an '*appropriate mix of policies became necessary in order to address the 'retractable problems'* plaguing South African communities. Gumede points to the fact that the '**Ready to Govern'** document that formed the basis of the RDP and the policies that followed are all an attempt to redress South African legacy issues. He points to the fact that scholars, while acknowledging that '*some progress'* has been made, tend to underplay the '*complexities and challenges'* brought about by *'poverty, inequality, unemployment, poor service delivery and the very challenge of nation building'*.

He insists that '*the ANC's strategy preoccupation has been the upliftment of Africans in particular and blacks in general especially the poor'*. Even Gumede (2017) concedes that progress has been '*mixed*' and results '*disappointing at best'.*

Table 5: Socio-Economic Policies Introduced in South Africa 1994-2017

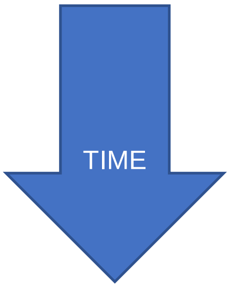
Socio-economic Policy	Year Launched	Major Challenges	Major Achievements
Reconstruction and Development Plan **(RDP) Goal: National macro-economic upliftment program**	1994	• Inadequate economic growth to finance it. • Poor implementation. • Poor policy coordination	• Free healthcare. • Free school meals. • 500 new clinics. • 2 **million** homes electrified.
Growth Employment and Redistribution **(GEAR)** **Goal: To rebuild and reshape the economy**	1996	• Needed a 6% growth rate never achieved 5%. • Foreign direct investment less than 1% of GDP. • Inequality, unemployment and poverty increased. • Administrative incompetence.	• Inflation under control. • Strengthened SA financial position. • Lowered interest rates.
Accelerated and Shared Growth Initiative of South Africa **(ASGISA)** **Goal: Half poverty and unemployment by 2014**	2006	• All of the above issues including: ○ Global economic crises.	• Infrastructure spending increased from 4.6% of GDP to 9.6%.
New Growth Plan **(NGP)**	2010	• All of the above issues.	• Inconclusive short implementation time.
National Development Plan **(NDP)**	2012	• All of the above issues including no buy-in from tripartite alliance.	• Yet to be established.

According to Transition Theory, the expectation once democratic the government is in place, was that the relationship between reformers and moderates would have been cemented with the hardliners and radicals fully neutralised (Adler & Webster, 1995). This has however not occurred in South Africa (Mosala et. al., 2017). This is why radical economic transformation as envisaged in 1969 in Morogoro and embodied within the NDR and Freedom Charter persists as an underlying principle of the tripartite alliance.

Bernstein (2017) says that the emergence of the Economic Freedom Front (EFF) with their radical stance, has given an even stronger voice to the radicals within the ruling party. This is because the threat of unrest or collective action, is very influential on public policy (Passarelli & Tabellini, 2017). These authors show how governments in Italy halted their proposed policy when Taxi drivers went on protest. The Portuguese government also withdrew proposals to shift a percentage of social security benefit contribution from employers to employees to render the country more competitive, when they were met with protest action. These authors show that political unrest or the threat thereof is very different from lobbying and voting with equally strong influence on policy.

This is why even the moderates within the ruling ANC party are presently advocating 'radical economic transformation'. Bernstein (2017) claims that when President Ramaphosa refers to radical economic transformation, he 'uses it to rebrand existing policies and to insist on their urgency even in the face of slowing economic (sic) growth'. Whereas President Zuma used to claim it was 'about the speedy implementation of the policy of 'uncompensated expropriation of land' (Bernstein, 2017). Crompton (2018) in Figure 1 below agrees with Bernstein to the extent that there seems to be some confusion or evolution to the terminology.

Figure 1: Evolution of Terminology from HDSA to RET



HDSAs (included white females. At some point they were removed, but the latest version of Mining Charter has included white females in the definition).
Black Economic Empowerment (BEE).
Broad-Based Black Economic Empowerment (B-BBEE).
Transformation.
Radical Economic Transformation (RET).

Reproduced from Crompton's (2018) lecture notes.

Figure 1 shows how terms referring to the disenfranchised majority have evolved since 1994 to 2018. Of note is the fact that the terms are loosely defined and therefore no clear understanding exists. Crompton (2018) points to the fact that HDSA used to include white women. Then over time it tended to exclude them. Then again in the mining charter recently white women have been included again in the HDSA definition. Similarly, there has been an evolution from BEE to broad based BEE. This progressive evolution of terminology has continued with transformation now referred to as radical economic transformation.

2.4 Socio-economic Empowerment Policies

A Global Perspective:

Attempts to use socio-economic policies in order to address inequalities in society occur globally (Leipzinger, 2015; Ovadia, 2014). Lessons are to be learned from countries around the globe that have tried various systems to address this. Socio-economic policies are 'complex, context-dependent and ideologically driven' (De Haan, 2017). China used economic development projects, India; Malaysia and Brazil tried affirmative action, while the United Kingdom used positive action (De Haan, 2017). These policies all have in common an intention to protect and uplift members of groups or communities that suffered prejudice in the past.

South Africa, like Brazil, has high inequality with a Gini coefficient of 0.60 (De Haan, 2017). De Haan argues that policies should create a level playing field even if all people do not benefit from these opportunities. Policies should aim for resources to be reasonably distributed and relatively accessible. Inequality should always be addressed because he cautions that it leads to political instability (De Haan, 2017). Agreeing with Gumede (2017) he maintains that the South African inequality is unique due to its long-standing legacy of colonialism and Apartheid.

Piketty (2014) cautions that inequality results in violent protest globally. He refers to the Marikana Miners' strike of 2012. The existence of a differential in income between capital and labour was the main reason for the protest. He warns that persistent inequality in society results in an unstable environment.

In order for transition policies to succeed De Haan (2017) contends that government, whether responsible for implementation or not, needs to play the role of regulator. Furthermore, that democracy is necessary for the implementation of socio-economic policies and that it alone can ensure that the poor have a voice. He insists that for success all these policies be they affirmative action or group economic development, these policies need to be targeted to have a maximum impact (De Haan, 2017). Leipzinger (2015) concurs advocating that these policies need to be targeted.

When the need for social policy is applied to transform economies and address inequalities, it is evident that the pro-democracy forces in South Africa are on the right path. The challenge, however, is that there is a conflict between the ANC government's neo-liberal stance and its radical socialist policies. Given their responsibility to implement and enforce a policy it is no wonder that Table 3a shows a series of abandoned policies adopted to address inequality with their challenges. The reasons for failure are shown to be mainly lack of funding and poor implementation (De Haan, 2017; Leipzinger, 2015; Mosala et. al., 2017).

The literature seems to suggest that the root cause of these failures may be the clash between a conflicted government's radical founding principles and the practical realities of being in government in a capitalist world dominated by the west. The international community's response to the current land reform debate taking place in South Africa is an example of this need to continually balance placating domestic interests over global concerns. A case in point is the antagonistic reaction of Australia's immigration Minister, Peter Dutton and America's President, Donald Trump reaction to this debate.

Ashley, Boyd and Goodwin (2000) show how poor entrepreneurs in the tourism industry in the United States, have generated their capital over time, by starting small and reinvesting profits over several years. They warn though that they need to be protected to ensure that what occurred in Boracay Island in the Philippines, does not repeat itself. These entrepreneurs need to be protected from outside investors who drive rapid growth in the industry and squeeze local entrepreneurs out (Ashley, Boyd, & Goodwin, 2000; Goodwin, 2008).

2.5 A Historical Review of the LFEC

The LFEC as Law or a Gentleman's Agreement

Crompton (2018) explains that the reason it has been difficult to enforce the LFEC is that the Charter was written as an aspirational document. Just like the Freedom Charter, it was not written in legal language. It was at the time assumed that because it was written in good faith as an agreement among peers that there would be no need to have to enforce it. At that time, the MOCs were concerned about the threat of nationalisation and the takeover of industries by the newly elected government and so were very cooperative. There was no need to coerce them to sign the LFEC.

It was only in 2003 when the PPAA was enacted that the LFEC came into law. It was then that it was promulgated with the PPAA. The document, in essence, was added to that Act without being rewritten Crompton (2018). So, the challenge that its language was still not prescriptive remained.

LFEC - 25% Ownership Target:

Crompton (2018) also pointed to the fact that the Energy Policy White Paper which is quoted in the preamble of the LFEC when setting targets did not set a 25% target of ownership of MOCs as often claimed (Department of Energy, 2000). The LFEC in its preamble states:

> '…*the policy objective stated in the Energy Policy White Paper to achieve "sustainable presence, ownership or control by Historically Disadvantaged South Africans of a quarter of all facets of the liquid fuels industry, or plans to achieve this' (p. 1)*

According to the above, the target that was set was a target of 'a quarter of all ***facets of the liquid fuels industry'***, not only a quarter of the ownership of the MOCs in South Africa. An additional requirement of the LFEC was that where a quarter was not achieved, there was to be evidence that plans to do so were underway.

As matters stand, Table 1 supplied to the researcher by SAPIA, shows that 18 years after the signing of the LFEC as of March 2018, only 17% of sites are owned by Africans whereas Coloured own 4%. The only HDSA group that is above this threshold is the Indian group at 27% ownership. Whites still dominate at 52%. When the South African population statistics are considered it is difficult to ignore how skewed this representation is. Presently the population is 79.4% African, 8.8 % Coloured, 9.2% White and 2.6% Indian, which means that 11.8% of the South African population own 79% of the petroleum retail sites (Statistics South Africa, 2018).

The Impact of the Presidents on Transformation in the Energy Sector:

Crompton (2018) in his lecture notes points to the impact of the various South African presidents to deals in the oil industry. Crompton (2018) discusses the impact of the four Presidents of South Africa. It is evident from the Tables 6-8 below that focus was on MOCs ownership transformation during the era of the first two Presidents.

Mandela 1994-1998:

This is when policy debate about the direction South Africa would take as a country began. This also included the direction that government would need to follow to redress historic imbalances. The MOCs concerned that the new ANC government and the Freedom Charter will lead to the nationalisation of the 'mineral wealth, banks and monopoly industry'. The oil industry strongly advocated for deregulation. The ANC government objective was the establishment of a black middle class by ownership. 'Industry committed to some kind of redistribution or absorption of a new black elite into the existing structures of power'.

Table 6 below shows that during the Mandela presidency, there was movement in the sector regarding transformation and ownership. During the 'Mandela years', three major empowerment oil deals were completed. The deals preceded Mobil's disinvestment in South Africa in 1988 and Engen was formed by amalgamating, Mobil, Trek and Sonap in 1993. (Corinaldi, 2018).

Table 6: Deals under President Mandela (Beginnings)

Mandela: 1994-1998	The Deals	Legislative Developments
1996	Afric oil was formed	
1997	Sasol & Excel, and	
1997	Tepco established	
1997	Zenex oil established	
1998		Energy White Policy Paper

Adapted from Crompton (2018)

During the 'Mbeki years', 11 major oil deals were completed and the LFEC was written including several Acts. Table 7 below shows how the pace of ownership accelerated and how transformation took place during the Mbeki presidency as well. Mbeki's aim was the creation of a black middle class. It was during this term of office when the LFEC was written and adopted. Several other legislations including the PPAA was also passed. All MOCs as well had ownership deals made with black empowerment companies. Crompton (2018) refers to this period as the 'era of progress'.

Mbeki: 1999-2008

Table 7: Deals under President Mbeki (Progress)

Mbeki: 1999-2008	The Deals	Legislative Developments
1999	Engen and WWAIH and Afric oil	
2000		LFEC
2001	BP and MIC and WDBIH	
2002	Chevron and ALIH and SANTACO	
2002	Shell SA Tepco and Thebe	
2003		Integrated Energy Plan*
2003		Petroleum Pipelines Act*
2003		PPAA
2003	Total SA and Tosaco and Calulo	End of Sasol Blue pump agreement
2004	Sasol and Excel	
2005	BP and Masana	
2006		Petroleum licencing regime
2006	Sasol oil and Tshwarisano	Phasing out of lead in petrol
2007	Shell SA refining and Thebe	Energy Security Masterplan
2008	Sasol and Nzalo	National Energy Act
2008	Shell and Thebe	
2009		National Efficient Energy Strategy*
2009		Amended Import Policy Gazetted*

*Adapted from Crompton (2018). * Information from Komane (2017).*

Table 8 below indicates to what extent these deals stalled during the Zuma presidency. Instead of deals, it details financial losses, deal failures and fraud. The Zuma years are referred to as the 'state capture' years. It is interesting to note that during this period, no empowerment deals were concluded. It was as though the state did not have their eye on the ball anymore and the MOCs took advantage of this period. Crompton (2018) refers explicitly to four significant catastrophic occurrences during that time. PetroSA R14.5 billion loss; Illegal sale of state strategic stock; Chevron for sale; Sasol Inzalo failure; and PetroSA manager arrested for R60 million fraud. He quotes Monde who laments the shift by the state from an emphasis on BEE transactions to the rise of the *'tenderpreneur'* as they are referred to in South Africa. Tender entrepreneurs. This is indicative of patronage which reduces South Africa's Corruption Perception index: South Africa ranks 71 out of 180 countries with a score of 43 out of 100 for corruption perception in Transparency International's corruption Perception Index. Where zero is considered highly corrupt and 100 very clean (Transparency International, 2017).

Table 8: Deals under President Zuma

Zuma: 2009-2017	The Deals
2013	RAS (Regulatory Accounting System) introduced*.
2015	Puma established (Bought BP Drakensberg and Brentoil) *.
2015	PetroSA R14.5 billion loss.
2016	Illegal sale of state strategic stock.
2016	Chevron for sale.
2017	Sasol Inzalo failure.
2017	PetroSA manager arrested R60 million fraud.
2017	Draft PLFEC
2017	Formation Charter Council underway

*Adapted from Crompton (2018). *Information from Corinaldi (2018)*

The above shows a lack of focus on transforming the value chain, but only within the MOC ownership. This lack of focus seems to have been cemented during 2009-2017. This is the period that empowerment programs put in place by MOCs started failing. This then necessitated a new LFEC. The Ramaphosa presidency is in its first year, but already Table 9 shows two significant transactions have occurred and the PLFEC which will replace the LFEC is being drafted and the Charter Council is being set up. It is important though to note that the PLFEC and the Charter Council are initiatives started during the Zuma Presidency (Crompton, 2018).

Table 9: Deals under President Ramaphosa

Ramaphosa: 2018-present	The Deals
2018	Sasol and Khanyisa
2018	Vivi energy lists in London and JSE

Conclusion of the impact of the Presidents on the LFEC:

During the Mandela and Mbeki years there was the creation of the LFEC and a move towards its objectives. During the Zuma years, this focus was lost and it is evidenced by how transformation has stalled in the sector and the initial transformation programs have fallen by the way side (Crompton, 2018).

Transformation Policies in the Petroleum Sector in the rest of the African continent:

African countries use their laws to regulate the Petroleum industry in order to redress economic issues by insisting on local content of all shareholdings in Petroleum deals. In 2014 Mozambique promulgated a Petroleum Law that preferences domestic companies in fuel deals. Foreigners are required to partner with locals or form joint ventures with them in the provision of goods and services (Power et al., 2016)

A minimum 51% shareholding should always go to a Mozambican (Power et al., 2016). Tanzania released a document in 2014 where foreign oil companies were ‘encouraged’ to partner locals (Ovadia, 2012). These companies had to ensure that locals were trained and technology transfer occurred. Where these companies employed foreigners, companies had to supply the state with a succession plan of skills transfer to locals. Ghana, Uganda and Nigeria also have similar policies to ensure guaranteed participation of their nationals in the industry (Ovadia, 2012 and 2014).

Radical Economic Transformation Policies in the South African Context:

Bernstein (2017); Du Toit, Kruger & Ponte (2008); Soni, Karodia (2017) and Thomas (2014) argue against radical economic transformation policies as a useful tool to redress inequality in South Africa. Thomas cautions against the current policies calling them '*discredited*' (Thomas, 2014). Thomas reviews Black Economic Empowerment ventures in mining. Thomas claims these ventures were open to abuse and symbolised by '*corporate governance transgressions*. According to Thomas B-BBEE does not lead to meaningful transformation. It is open to abuse through a system of *'kickbacks, nepotism, embezzlements, diversion of funds, illicit benefits or enrichment'.* Thomas says that the early days of Black Economic Empowerment anticipated the redistribution of assets and the '*promotion of equitable economic opportunities for HDSA'.* Instead, there was a rise of '*sleeping partners'* in established white businesses with little involvement in '*strategic management*' by the black partners (Thomas,2014).

The illicit enrichment which Thomas (2014) mentions above, widened the Apartheid created racial gaps in wealth even further because this conduct allowed whites to continue amassing wealth meant for black development. Thomas again asserts that both B-BBEE and its predecessor BEE failed due to weak political will to ensure their success and primary exploitation by politicians and their allies for self-enrichment. Thomas (2014) also cautions against non-HDSA foreigners benefitting in B-BBEE deals through dishonest shareholder structures. This same warning and lamentation were given by Leipzinger (2015) pointing to Malaysia and other countries as examples. Adler & Webster (2015) called it 'elite co-option' and they too asserted its insidious prevalence globally.

Karodia and Soni (2017) further argues vehemently against a social policy like radical economic transformation calling it racialised regulation. They feel its primary purpose is looting by the elite. They feel that it results in 'fronting' and 'fly-by-nights' for politicians and their allies to maximally load their pockets. They argue that South Africa lacks the monetary resources and the fiscal capacity to intervene decisively in any meaningful way and point to land distribution as a failed project and a fallacy.

Du Toit, Kruger & Ponte (2008) concur, they look at the wine industry in South Africa and use this as an example of how dismally B-BBEE can fail to the detriment of the poor (Du Toit, Kruger & Ponte, 2008). They contend that this policy has enabled the predominantly white

Afrikaner wine industry to form an alliance with key black members of the political elite and marginalise issues that need to be redressed in the disenfranchisement of the black farm workers. They argue that the processes of empowerment are unlikely ever to address the poor earnestly. They argue that the language of transformation has been appropriated by the elite for self-enrichment (Du Toit, Kruger & Ponte 2008).

Several authors insist that while this 'spirit of entitlement' by the political elite and those connected to them is a global phenomenon, it is not a strong enough deterrent.
Socio-economic policies that protect the previously disenfranchised need to be adopted to remedy societal asymmetry (Bhorat et. al., 2017; Leipzinger, 2015; Thomas, 2014). Policymakers should be aware this may occur, there are enough examples, they should draw and enforce laws that prohibit and penalise this conduct. The B-BBEE Act as amended in 2014, presently criminalises 'fronting' which has been found to be a problem (RSA, 2014). This offers a prohibitive remedy to this global problem.

A common theme that is coming out of the literature review is that transformational policies have a place in economic redress. Thus, they need a strong political will to succeed. It is not sufficient that a policy is pro-poor, its implementation also needs to be pro-poor. Africans need to avoid being used for reprehensible purposes by allowing themselves to be used in fronting schemes as in the mining sector mentioned by Thomas(2014) or the wine industry mentioned by Du Toit, Kruger & Ponte (2008). In exploiting these opportunities, the national interest should be served. Policies should not be exploited to the detriment of poor Africans as exemplified in the wine and mining industry.

Radical Economic Transformation in the South African Petroleum Retail Sector:
The transformation requirements of the PPAA restricted vertical integration. It prohibited holders of wholesale licenses from being issued retail licenses. This included for commercial purposes as well. Wholesalers of liquefied petroleum gas and paraffin were excluded (Kapdi, 2017). Dyaphu (2005) warns that this has already led to reduced competition, increasing retail prices, strangulating the smaller retailers. Corinaldi (2018) concurs with this assertion.

Kapdi (2017) furthermore explains that the PPAA required compliance with the LFEC be to be assessed before any licences were issued for wholesaling, manufacturing, retailing and site.

> 'The PPAA required licence holders to comply with the LFEC and submit to the Controller when required information concerning progress towards complying with the LFEC. The information to be submitted annually was employee numbers distinguished by gender, race and disability. They were also to submit progress plans regarding compliance with the objectives of the LFEC' (Kapdi, 2017, p. 15).

The LFEC was signed to apply the following to the entire value chain:

1. *Exploration and production of oil.*
2. *Liquid fuels pipelines.*
3. *Single buoy moorings.*
4. *Depots and storage tanks.*
5. *Oil refineries and synthetic fuel manufacturing plants.*
6. *Transport and trading (including imports, exports, wholesale and retail)* (Department of Energy, 2000, p. 2)

The 2011 audit by Moloto Solutions hints at 'elite co-option' in the Petroleum sector. It states that serial black venture capitalists present in the sector predominantly invest in the upstream activities and have no interest in entering the industry permanently or actively (Moloto Solutions, 2011). These black investors do not play an active management role in the sector. Might these be the *'sleeping'* partners that Thomas (2014) laments in the mining sector? The researcher wonders to what extent this represents the phenomenon exposed by the authors above. Of concern to Moloto Solutions and Leketi, the Chief Director of Licencing in the DOE is the fact that the Petroleum sector is knowledge-intensive and hands-off black investors rob HDSAs of critical opportunities for skills transfer (Goetsione. Leketi, 2011; Moloto Solutions, 2011).

The above literature review shows that policies like 'radical economic transformation' can succeed. Their implementation has many challenges. Transition theorists would expect radicals within the pro-democracy movement to have been neutralised by now. This would mean that the ruling party would not now be needing to deal with radical reform but a gentler version of reform.

The emergence of the EFF has strengthened the position of pro-democracy radicals within the tripartite alliance. It has given impetus to their impatience with lack of transformation. So radical reform with all its pros and cons is forging ahead. The ruling party needs to skill its public-sector employees to be able to implement the policies successfully. They should also build and encourage the private sector to collaborate with these efforts through stakeholder engagement and buy-in. They need to be agile and responsive, altering the policies in the short run as the context changes so that in the long run inequality is remedied. They need to monitor and enforce compliance, so these policies can succeed.

Barriers to Radical Economic Transformation:

Mokoena and Lloyd (2005) state that three main barriers to entry exist for HDSAs within the Petroleum industry downstream business: *'economic barriers to entry, non-economic barriers and cross-sectoral barriers to entry'.*

According to Mokoena and Lloyd (2005)**, economic barriers** are said to be: a high capital cost of acquiring green and existing retail sites (Mantsho, 2010). This is in an environment where retailers have no capital (Singh, 2007). The ever-increasing working capital needs in an environment of static low retail margins (Mokoena and Lloyd, 2005; Leketi, 2011; Moloto, 2011). Mbawuni, Mbawuni, & Nimako (2016), found that the retailers in Ghana faced similar working capital challenges. If a retailer was unable to manage their working capital, they experienced reduced profitability and financial problems. Low net working capital, resulting from a lack of own funds, often disrupted business operations. In cases where working capital was more than operational requirements, unused funds could be kept for later needs.

Singh (2007) called the business operations of most sites 'sub-profitable'. Mantsho (2010) recommends that the retail margin should be a percentage of fuel price at the pump and not a fixed amount. Fuel suppliers require upfront payments for product increasing cash flow requirements. There is a consistent threat of sunk costs. Money invested at entry may not eventually be recovered at exit. Revenue from the first five years of trade was used to service the loan (Moloto, 2011).

Singh (2007), lays the blame of failure on undercapitalisation. This is especially true when short-term credit is used to finance working capital needs. The rules to on-sell are very stringent and often retailers could not sell their sites in the event of financial challenges (Moloto, 2011). Often even when retailers supplied MOCs with several interested parties, they refused to appoint them to the site (Leketi, 2011). This is because goodwill in the industry is unregulated. Unfortunately, everyone comes up with own methodology to calculate goodwill (Mokoena & Lloyd, 2005). The oil majors are against goodwill payments. Mainly because most of the current white RORO retailers did not pay goodwill on the acquisition of the sites, as they were beneficiaries of the Ratplan (Moloto, 2011). Also, the MOCs are constrained because white retailers have evergreen contracts (Komane, 2017; Leketi, 2011). They also tended to charge highly escalated prices on exit (Moloto, 2011). If this thinking prevails upon selling a retail site, entrants will not be able to recover their initial investment.

According to Mokoena and Lloyd (2005)**, non-economic barriers** are said to be: geographic location of sites, the Rationalisation Plan and Price control. The scarcity of suitable land to develop a service station is another non-economic barrier identified by Corinaldi (2018). Most HDSAs can only afford low volume sites that are in remote areas and that are low volume sites. These sites tend to be low volume pumpers, highly unprofitable and lead to failures of retailers. The Rationalisation Plan of 1962 limited the number of service stations in order to promote throughput and economies of scale. Since this regime was stopped, service stations have proliferated putting low and medium volume sites under considerable strain. This resulted in a change in market demand (Singh, 2007).

Singh (2007) also found that retailers who owned only one site operated at a cost disadvantage to their competitors. They ended up with excessive debt and extremely high operating costs.

The DOE had introduced a system requiring multiple approvals which meant that it could take up to four years for a new site to be set up (Corinaldi, 2018; Moloto, 2011). These were zoning, access, egress approval, an environmental impact study and the need for a site and retail licence. This meant that development costs were often upwards of R20 million and an additional R4 million would be needed as working capital (Corinaldi, 2018).

According to Mokoena and Lloyd (2005)**, cross-sectoral barriers** are a lack of regulatory support and poor material support to ensure that radical economic transformation does occur. Singh (2007) lists a lack of information, advice and an enabling legal environment as cross-sectoral barriers. The authors feel that it is within the government’s power to not just come up with good regulatory regimes, but to ensure that these are implemented and enforced. They also feel that the government can offer meaningful material support, but it has chosen not to.

Stakeholders have identified the following challenges with transformation in the country which must precede deregulation:

Regulation: A framework for compliance targets to the different operating ownership types in retailing does not exist. This has increased abuse of HDSAs and the B-BBEE framework which has resulted in fronting through non-qualifying people, entity formations and internal representations, without deriving any tangible benefit. These adverse effects of equity transfer clauses are a direct result of inadequate monitoring. This has led to a poor economic outcome in petroleum retailing culminating with the continued underrepresentation of Africans and Coloureds underrepresented. The same applies to women, youth and people living with disabilities (Leketi, 2011). Black women, where they existed in the ownership of MOCs, existed only as Trust beneficiaries of junior consortium partners. They were also passive shareholder meaning there was no skills transfer. Leketi (2011) said that white women form part of HDSAs were excluded entirely. Mantsho (2010) points to the fact that not enough has been done to recruit women.

There is a lack of B-BBEE monitoring, evaluation, review and reporting (Moloto,2011). There is also misalignment between the Charter and the B-BBEE COGP framework. There have been severe delays in implementing the recommendations of the 2010 Moloto Audit published in 2011 (Moloto,2011).

Regarding poor policing and enforcement of regulation, it has been proposed that a partnership is forged with the South African Police Services (Commercial Crimes Unit) and relevant security agencies. This will also assist in dealing with the high rate of crime such as fraud and Cash in Transit heists.

Licencing: Site and retail licencing processes are cumbersome and lengthy. There has also been a proliferation of licences for sites. With transferability of sites favouring current owners which is a DOE licencing failure (Leketi, 2011). The continuation of evergreen contracts has not helped and new entrants have been blocked from entering the sector by these long contracts.

Financing: Kapdi (2017, p. 17) states that:

> *'Concerning retailing [the LFEC had as its goal the creation of] fair opportunities for entry to the retail network and commercial sectors of HDSA. Two other elements apply to the retail sector as well. It encouraged the provision of terms of credit to HDSA retail customers. It committed to the investigation and implementation of internal and external financing mechanisms for giving HDSAs access to equity ownership and entry into strategic partnerships across the value chain'*

This goal has not been achieved and lack of access to land and capital persist. According to Moloto (2011), credit terms even from Development Finance Institutions (DFI) were unfavourable. DFI were accused of taking a long time to process finance forcing retailers to approach commercial banks for finance. Often because retailers did not understand advanced financial solutions, they negotiated unfavourable terms. Often retailers lost sites while waiting for funding to be processed. These banks did not trust the fact that these retailers had no assets and so charged them extremely high lending rates (Moloto, 2011). This was especially problematic because laws curtailing property ownership of Africans have meant that they have no collateral to offer on the acquisition of a site (Singh, 2007).

Financial illiteracy was shown by Lusardi & Mitchell(2013, p. 23) to be a result of lower income and education. Illiteracy ultimately worked against wealth generation. It often led people to the following undesirable conduct:

- *'The refinancing of homes during periods of interest rates declines*
- *Inability to correctly calculate interest rates, resulting in increased borrowing and poor wealth accumulation*
- *They tended to accumulate high transaction costs*
- *Their cost of borrowing was higher*
- *Engaged in costly credit card conduct*
- *Loaned money against their pension'.*

Singh (2007) agrees with Kapdi (2017) that the local banking sector should be invited to participate in finding innovative funding solutions. Singh (2007), criticises that fact that funding of petroleum retail sites is based on valuations using historical free cash flows. Often this meant that budgeting was optimistic with no recourse to remedial action. In his study of petroleum retail sites, he found that failure to achieve convenience shop budgets contributed to the failure.

This means that those new to the industry do not have the benefit of foresight in making sound acquisition decisions. This is in an environment where the cost of capital is ever increasing and the margins from the fuel price ever decreasing. Understanding site selection is critical when acquiring (Corinaldi, 2016). Leketi (2011) criticises the fact that Africans and coloureds are overlooked when lucrative sites are allocated (Moloto, 2011). HDSAs have been denied access to the ownership of high-volume sites near major shopping centres and highways (Moloto Solutions, 2011).

Regulatory Accounting System (RAS) pricing model: The benchmark service station model used to determine RAS needs to be revisited. See Table iv; v in Appendix eight. The RAS model itself must be re-evaluated. The implementation of RAS has negatively impacted entrepreneurial compensation. There is a perception that MOCs are not transparent with how they allocate RAS and also pricing negotiations are heavily weighted in their favour. RAS was aimed at creating 'transparency and eliminating cross-subsidisation and uncontrolled costs' (Kapdi, 2017). Instead it has not been transparent because its implementation has been left up to a negotiation between MOCs and retailers with exploitative consequences on the retailer (Moloto, 2011).

Further, SAPIA (2018) asserts that there has been a focus on the number of HDSA retailers as opposed to the quality of retailers that are being recruited, trained and retained. However, the lack of a standard service station value creation model also merits attention. By a value creation methodology, it means the industry will develop a standardised system for ascribing what elements determine the value of a site when it is to be sold and what quantum these attract Kapdi (2017) concurs.

Procurement: Retailers have to have in place supply contracts with oil companies before retail licences can be issued (Kapdi, 2017). This creates a challenge because franchise agreements are still un-progressive (Komane, 2017; Moloto, 2011). This prejudices them because these contracts are heavily skewed in favour of the major oil companies. Retailers being denied the freedom to source product and control the outcome of product negotiations (Kapdi, 2017). Komane (2017) also points to the fact that when there is a fuel shortage, small businesses are disadvantaged as the MOCs tend to deliver to high volume sites first.

Resistance to transformation: Impediments to transformation are non-HDSA and HDSA retailers lack an understanding of the benefits of transformation (Kapdi, 2017). White retailers are suspicious of BEE, with BEE facing several 'myths, misperceptions and misunderstandings' (Komane, 2017). There is, therefore, resistance to transformation by the non-HDSA retailers because of forced transformation practices.

Site proliferation and allocation: The proliferation of service station sites has had a negative impact on the transformation of current sites (Kapdi, 2017). This is exacerbated by the fact that HDSAs do not have access to transient sites which tend to be very high-volume sites (Komane, 2017). Leketi (2011) concurs and shows how the Moloto 2011 audit found that Whites and Indians owned 78% and 22% respectively. Whites pumped three times the volume that Indians, the most dominant black group, pumped (Leketi, 2011).

Skills development: There is a need to promote entrepreneurship and business skills within the sector needs to occur. There is also a need to introduce new entrants to complex and intensely regulated petroleum industry. This is difficult to do in the absence of a standardised ownership change program. There is no standard retailer development or leadership development program in the sector (Kapdi, 2017). The current programs are inadequate, they do not cover entrepreneurship skills or business skills (Komane, 2017). Few retailers participate in skills and enterprise development once they have entered the sector. At the same time, there is a need to change cultures and mindsets within the industry especially with regard to funding, reporting, training and support (Komane, 2017; Moloto, 2011).

Business support: Corinaldi (2017) and Leketi (2015) are both in agreement with the above. Corinaldi (2016) feels that challenges which become a barrier to entry and success of African retailers are a lack of a mentoring or coaching of new to industry site owners. This was necessary because retailers lacked industry experience (Moloto, 2011). This meant new to industry retailers often did not comply with standards because they had a limited understanding of the regulatory framework (Moloto, 2011). To the extent that some retailers operated without a licence (Moloto, 2011). This is especially disadvantageous given that business prowess is required to navigate the highly regulated complex petroleum industry. There is also no standard service station value creation methodology or business model in place. Meaning no proper due diligence is done when sites exchange hands (Corinaldi, 2017).

Ashley, Boyd and Goodwin (2000) and Goodwin (2008) agree with the fact that small entrepreneurs need support when they first enter business. They give an example of tourist operators in the Philippines who build their business by reinvesting small amounts of profits over a period of time until their businesses grew larger. For these operators to succeed there had been a need to protect from larger outside investors who might have through competition driven out of business (Ashley, Boyd, & Goodwin, 2000; Goodwin, 2008)

In Summary issues that impact all retailers regardless of race are listed below.

Corinaldi (2017, p. 16):

- Volumes are not growing.
- Costs are ever increasing.
- Margins are flat.
- Compliance with numerous bits of legislation.
- The normal product supply challenges.
- Labour issues.
- Oil Company relationships.
- Diesel discounting.
- The proliferation of new sites.

The Moloto (2011, p. 121):

- Retailers feel bullied by MOCs.
- The relationship is antagonistic.
- Access to Funding.
- Site affordability.
- Nature of the opportunities, for example: insufficient transient sites.
- An unfavourable pricing structures.
- Township retailers are unable to support local businesses as procurement is centrally. sourced through the MOCs.
- They are not allowed to display or promote community products.
- Rental and royalty agreements were biased in favour of the MOCs.
- Termination clauses which formed part of the franchise agreement left retailers destitute.

When race specific challenges are added for African retailers, failure is almost guaranteed. In 2007 already, Singh (2007) reported a 47% failure rate in small businesses in South Africa.

Impact of high fuel prices on Retailers:

High fuel prices do not only send shock waves to retailers, but the entire economy (Nkomo, 2009). In order to mitigate the high cost of imported crude oil, South Africa would need to reduce its dependence on crude oil. The energy basket in the country would need to change as an imperative posing its own set of threats to the Petroleum retailer. This is very difficult to achieve in an environment where the government is faced with stagnant economic growth and developmental challenges.

The LFEC should have addressed the issue of price increases especially with regard to its transformation efforts. It fails to address this recurring burden especially for African retailers which in fairness is a government tax, whose responsibility should not be theirs to finance. The petrol price makes up is in Figure i in Appendix SEVEN.

Figure 2 below represents the changes in fuel pump price over a ten-year period in South Africa. It shows how the pump price of petrol has moved from R6.01 in June 2009 to R16.08 in September 2018. Presently the price of ULP 95 inland is R17.08.

During the period of this study, events were unfolding at such an unprecedented pace that the petrol price at the pump went over the R17 per litre price making South Africa 91st on the list of cheapest countries for fuel. This was a drop of 18 places on the list from September (Head, 2018). This petrol price increase made a litre of petrol R9 more expensive than it was in 2008. This meant that those retailers who wanted to sell their sites were very frustrated by the lengthy process of their sales and their financial woes were worsening (Moloto, 2011). This is because as fuel price increases, working capital needs also increase because of increased money handling requirements (Mantsho, 2010).

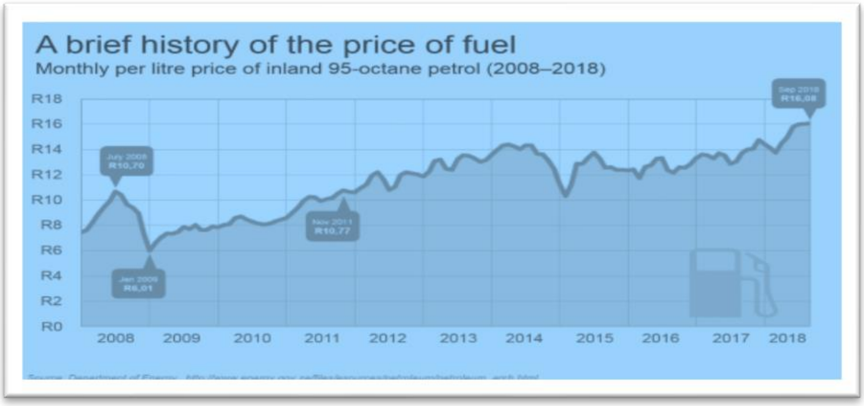
According to Business Insider SA (August 2018 publication), the data analysis firm, Lightstone Explore and the vehicle security group Tracker have developed an economic monitoring report based on a sample of 250 000 vehicles. It is of concern that as fuel prices increase, the survey found that visits to 1 000 malls are down 5% within a year. Petrol station traffic has fallen by 10% in 3 200 service stations surveyed between July 2017 and June 2018. In his study Mantsho (2010) also found that site volumes had decreased.

According to Mokoena and Lloyd (2005). The reason this becomes a burden is because retailer margins do not change every month like petrol prices. They are set annually. Meaning that the margin is constant during the year. As a consequence of this Mantsho (2010) observed that the increase in petrol price ends up being higher than the increase in margin. He further observes that this is unlike the Tax levies which are 28% of the petrol price and therefore change with the changes in petrol price. (See Figure i in Appendix Seven for petrol price break down). He also because petrol is basically bought cash by the retailer, it follows that the retailer finances the increases until the consumer purchases the product.

Furthermore, Mokoena and Lloyd (2005) explain that increases in petrol price are particularly burdensome on low volume sites- 250 001-300 000 litres output per month.

Corinaldi (2017) states that there is an increased requirement on working capital of R100 000 on each Rand of petrol per litre price increase.

Figure 2: A Brief History of the Petrol Price



Reproduced from Stats' website.

Deregulation of the Fuel Industry:

According to Crompton (2018), It is important to note that in 2000, when the LFEC was written and in 2003 when the PPAA was enacted, the government was working towards deregulation. This is because there is a belief that regulation increases inefficiency.

Davis, McRae, & Bejarano, (2018) contend that deregulation tends to drive prices down, increase innovation and improve productivity. They give the United States of America (USA) airline industry as an example of how deregulation has led to cheaper prices for customers and cost cutting to improve efficiency. Deregulation according to these authors improves price transparency and minimises collusion. BP in Australia and branded marketers in the USA were found to be foul of coordinated price increases. For this to work in South Africa the DOE would need to monitor petrol prices and their changes in real time.

Stakeholders and interest groups could support government with this. Sarker (2013) points to the important role of stakeholders in ensuring that companies self-regulate. This is evidenced according to the authors by the Australian petroleum industry where companies have been forced to self-regulate in order to gain ‘legitimacy’ with consumers and enhance their ‘social licence to trade’.

Deregulation was only to follow once 25% of the entire value chain was in HDSA hands. However, as Table 1; 2; 3 and Table i; ii; iii in Appendix show, transformation is still an ongoing process. According to Corinaldi (2017) however bad it is in the retail sector; the wholesale sector is much worse. Africans and Coloured remain underrepresented.

Presently diesel, liquid petroleum gas and paraffin are deregulated. They have a maximum price only. In response to the ongoing fuel price increases, the DOE issued an invitation to all stakeholders on 2 October 2018. In this invitation, they were inviting comments on their plans to deregulate all grades of Lead Replacement Petrol (LRP) and Unleaded Petrol (ULP) 93. This was because, since its introduction in January 2006, the penetration of ULP 95 was 80%. The idea was to bring about price competition, to drive consumers using ULP95 unnecessarily to start using ULP93. This would it was hoped to reduce the amount of ULP95 imported and refined as demand for ULP93 was increased. Stakeholders were given 16 days to comment. (See Appendix VII for the letter).

The response from the Fuel Retailers’ Association (FRA) (See Appendix VIII) was the fact that they could only comment in January 2019 because there would be a need to consult retailers in road shows on the matter and that this would take time. They also warned about the following:

> *‘I trust that the Department will allow this proper consultation with our stakeholders as they will fall victims of these proposed amendments. Other stakeholders like NUMSA also need to be engaged as this proposal will start impacting hugely on job losses.*
>
> *‘Lastly, the request from FRA is that this process is handled by someone much senior to the currently proposed person in your letter. This matter is grave and previous experiences with consultation on RAS has taught us to be extra careful moving forward with the Department's consultation processes*.’

It is evident from the above that retailers are in a very precarious position presently. The DOE is attempting to respond to the ever-increasing fuel prices, but their response might ultimately worsen the situation that retailers regardless of race find themselves.

Since racial transformation has still not been achieved, it is surprising that the DOE is considering going ahead with deregulation. Price competition in diesel has only favoured retailers who are not under distress by low volumes and who can afford to sell fuel below cost knowing that this will not lead them into financial distress (Corinaldi, 2017).

In his research Mantsho (2010) found the following stakeholder views on deregulation. Out of nine stakeholders, only labour and fuel retailers were in favour of regulation. Interestingly these are the two stakeholders that will be most impacted by deregulation adversely.

As evidenced in Table 10, business, SAPIA, Sasol, Petronet, AHI, want a free market environment with no government involvement and a transition period. They also do not want vertical integration. Meaning that a wholesaler cannot be a retailer as well. SAAU agrees with them as well but want subsidisation of fuel delivery to rural and far off places. SACOB agrees with deregulation but is agreeable to negotiating self-service at pumps. This means that the jobs of petrol attendants will no longer be secured as but customers would be allowed to dispense fuel for themselves which is presently prohibited.

Table 10: Stakeholder opinion regarding deregulation

Stakeholder	Deregulation stance
Business	Deregulation
SAPIA	Deregulation
Sasol	Deregulation
Fuel Retailers Task Group (FRTG)	**Regulate**
Petronet	Deregulate
South African Agricultural Union (SAAU)	Deregulation
Afrikaanse Handelsinstituut (AHI)	Deregulation
South African Chamber of Business (SACOB)	Deregulation
Labour	**Regulation**

Adapted from Mantsho (2010) study.

Interestingly FRTG which is part of business disagree with it. These retailers want stricter regulation than what is presently in place. They want to avoid the dominance of MOCs that deregulation would result in. They also want to avoid the job losses that would result if the self-service moratorium is lifted. Mantsho (2010) criticises the existence of several associations representing fuel retailers, he feels this dilutes their voice and one unified industry body is needed.

Labour on the other hand contend that before deregulation can occur, labour wants to avoid the cartelisation of the industry by MOCs which would result if deregulation came. Further, labour argued that deregulation could only follow real economic growth, significantly lower unemployment and increased activity in the small black business arena. Against lifting the moratorium on self-service. This agrees with the 10th requirement that must be satisfied according to the Energy White Paper before deregulation is introduced, namely: that there should be meaningful black participation in the energy sector across the entire value chain.

The decision to regulate or deregulate remains controversial and current. Even in Colorado (USA), there is presently debate about what constitutes *'an appropriate scale of governance and enforcement mechanisms'* even with regulation (Malin, Mayer, Shreeve, Olson-Hazboun, & Adgate, 2017). In Nigeria the deregulated downstream oil industry was found to be very corrupt benefiting from subsidies that were used against the transformation of the sector to the benefit of a few (Godfrey, N; Oritsematosan, 2015). It therefore means before this decision can be made there must be an extensive study on the impact of deregulation on the country.

Notwithstanding the above discussion, the petroleum sector is complex. Extensive knowledge is required to thrive in it. Knowledge transfer is key to success within the sector. Transformation and empowerment effort will be wasted unless it has a strong knowledge management foundation.

2.6 Knowledge Management Theory

According to (Girard & Girard, 2015, p. 2) several definitions of knowledge management exist. The two below according to them are the most frequently cited:

> *"Knowledge Management is therefore a conscious strategy of getting the right knowledge to the right people at the right time and helping people share and put information into action in ways that strive to improve organizational performance (O'Dell & Grayson, 1998). (USA, Management)"*

> *"Davenport and Prusak (1998, p. 163): Knowledge Management draws from existing resources that your organization may already have in place-good information systems management, organizational change management, and human resources management practices (USA, Management)"*

According to the definitions therefore knowledge managing is a conscious process. In the retail context therefore, it would entail ensuring that retailers ('the right people') were supplied with the right information at the right time to proactively manage their businesses and respond to legislation. It would also involve managing the human capital within the MOCs and the DOE to understand their critical role in information dissemination.

Already by the turn of the century knowledge management was defined as '*a discipline that seeks to improve the performance of individuals and organisations by maintaining and leveraging the present and future value of knowledge assets'*, its *'systems encompass both human and automated activities and their associated artefacts'* (Newman and Conrad, 2000).

According to these authors, knowledge management '*balances a myriad of technologies and approaches and provides value by tying them all together into a seamless whole'*. They refer to a general management model along which knowledge flow is organised.

From the above, it is evident that the challenges faced by African retailers emanate from their limited bout the industry on first entering the sector. Bantu education; a lack of entrepreneurial education and a lack of exposure to a dynamic business environment, were impediments to success, according to Singh (2007). The need for specialised knowledge was another barrier (Corinaldi, 2017; Mokoena and Lloyd 2010). Singh (2007) found that failure in petroleum retailing was caused by the incompetence of retailers in some instances including their inability to manage critical employees. He lists: poor management; improper financial control; inadequate risk assessment; lack of competitive know how to source product and negotiate a favourable price. The researcher is of the opinion the issues raised by Singh (2007) may play a role but these would impact any entrepreneur. They do not explain the racial slant of failures in the petroleum retail industry.

Knowledge Management in the Petroleum retail sector:

The Moloto report indicates a 10% gap in representation between Indians and Africans in the sector. Indians were found to be more successful. 'Some of the more successful sites have been family operated where experience cascades through different generations' (Moloto, 2011). 'There are some advantages of scale for Indian retailers who might own or be related to someone that is closely linked to the wholesale supplier shops' (Moloto, 2011). Indian retailers also seem to have the necessary capital to invest where there are an opportunity and inclination for the business (Moloto, 2011). There is syndication and strong family support including a robust ecosystem (Corinaldi, 2018).

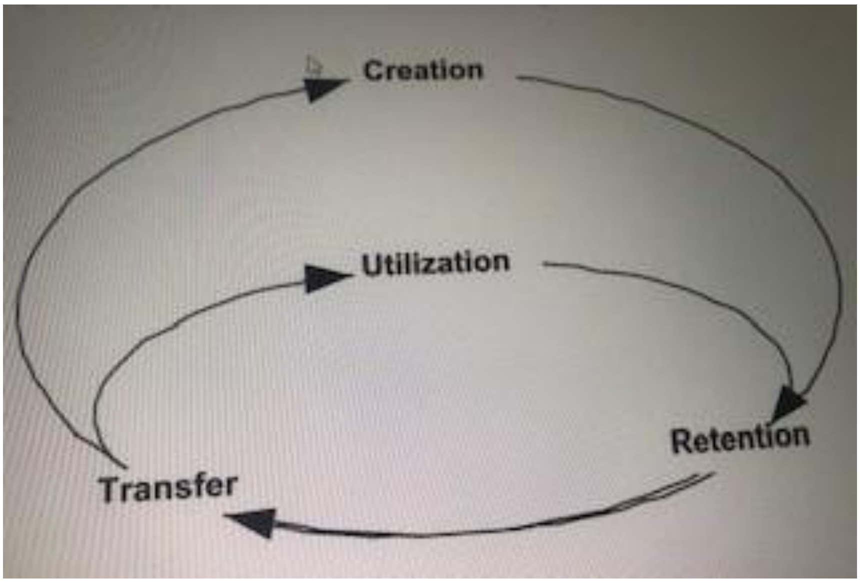
This, it seems, is what their Indian counterparts have predominantly as an advantage in their favour. It becomes essential to understand how knowledge is managed within the industry. The theory of knowledge management attempts to interrogate this.

The model in *Figure 3* arranges knowledge flows into four primary activity areas: knowledge creation, retention, transfer and utilisation.

> *'**Knowledge Creation**: comprises activities associated with the entry of new knowledge into the system and includes knowledge development, discovery and capture.*
>
> ***Knowledge Retention**: includes all activities that preserve knowledge and allow it to remain in the system once introduced. It also includes those activities that maintain the viability of knowledge within the system.*
>
> ***Knowledge Transfer**: activities associated with the flow of knowledge from one party to another. This includes communication, translation, conversion, filtering and rendering.*

__Knowledge Utilisation__: includes the activities and events connected with the application of knowledge to business processes' (Newman and Conrad, 2000, p. 16-2).

Figure 3: The General Knowledge Model. (Newman & Conrad, 2000, p. 16-2)



Knowledge needs to be managed and passed among African fuel retailers. This process would necessitate change management according to (Newman & Conrad, 2000). Resistance to this change should be expected and managed.

There is a need though for the researcher to point out the fact that for the model in *Figure 3* to be effective, created knowledge has to be accessed. Then it needs to be understood so retention can occur. Once this has occurred the knowledge can then be transferred and utilised. In this way new knowledge can be created as an improvement on the old through usage. This process should be prioritised and knowledge management systems put in place.

All stakeholders should be included in this process so that through collaboration the model in Figure 3 above can succeed and resistance prevented pro-actively. Newman and Conrad (2000) point to the fact that this process also takes considerable time and effort.

Knowledge Management application globally:

The model in Figure 3 above is a simple model for general knowledge. Rubenstein-Montano, Rubenstein-Montano, Liebowitz, Buchwalter, McCaw, Newman, Rebeck, (2001) elaborate on this enhance this model for business application. They explain the need for a '*collaborative and [an] integrated approach'.*

According to these authors, in order to act intelligently, people need '*insights, understandings, and practical know-how'*. This knowledge leads to personal, organisational and societal 'intelligent behaviour' (Rubenstein-Montano et. al., 2001). They show that there is a relationship between positive business outcomes and business knowledge and how this knowledge is used explicitly and or implicitly. Singh (2007) found that small business owners tended to embark on large capital projects without proper planning, precisely because they lacked an understanding of the ramifications.

Thirty to forty percent of inequality in the United States of America is attributed to poor financial knowledge (Lusardi & Mitchell, 2013). Higher risk aversion was also found to reduce wealth inequality. It also reduced the correlation between education and financial knowledge. However financial literacy did not always impact financial behaviour (Jappelli & Padula, 2015). Intrinsic and extrinsic factors played a role. A generous social security system tended to make people save and invest less.

Wilson (2002) in his article entitled: *'The nonsense of knowledge management'* says that as a management tool, Knowledge Management ranks 19 out of 25 and that consultancy firms and business schools prefer other tools. Drejer, Christensen and Ulhoi (2004) however don't agree that it is obsolete. They claim that knowledge management is an 'ongoing innovative process' based on knowledge 'creation, sharing and dissemination'

In this regard, Moloto (2011) recommended that a tailored mentor program should be established, the program should be developed in conjunction with retailers; this would increase the capacity of retailers to trade through knowledge management. The situation within the Singapore Petroleum retail industry has also shown the importance of training.

2.7 Conclusion

Common themes coming out of the literature review are that transformational policies have a place in economic redress and reducing inequality in society. They need a strong political will to succeed. It is not sufficient that a policy is pro-poor. Its implementation also needs to be pro-poor. These policies need to be pre-announced to get buy-in from the population. In exploiting these opportunities, the national interest should be served. Policies should not be exploited to the detriment of poor Africans as exemplified in the wine and mining industry in South Africa. Patronage should be avoided as well. So that policies benefit those they are meant to benefit and not only those that are politically connected. Leaving it all to the government then is not the solution. Civic society and labour in South Africa need to continue to watch developments closely and agitate radically for transformation to ensure that government and significant business action is consistent with its current policies.

Furthermore, the literature demonstrated that knowledge transfer needs to occur. If knowledge within the industry is not adequately managed, the change and therefore radical transformation that is sought will lack the necessary framework within which to change. Knowledge management will be the vehicle through which new to industry African retailers can be supported from first entering the industry till they are experienced. Mentoring systems need to be responsive, collaborative and appropriate. Innovative funding solutions methods are also necessary to ensure that new entrants do not end up with poor funding models that ultimately fail them. The knowledge management literature shows the helping people making intelligent choices through knowledge distribution.

The literature provided a thorough understanding of the challenge's retailers face. African retailers have to deal with these and many more unique to them. The current situation in South Africa of ever-increasing pump prices has made the situation of these retailers desperate. Government efforts to deregulate some aspects of the industry before transformation has been achieved is against its own policies and hasty. Business and most stakeholders who represent significant capital are pro-deregulation.

Retailer associations and labour warn about the distress deregulation would cause in the present economy. Loss of forecourt jobs and a steep decline in African retailers as they would not have the necessary capital to compete in an open market and sustain their businesses. Mantsho (2010) warns that before deregulation is imposed, its effects need to be studied in neighbouring countries and countries around the world. Dyaphu (2005) in his research found that small Australian retailers were requesting re-regulation because they were strangulated.

This study aims to fill the gap in the literature by examining and concentrating on factors that have led to the market failure as it relates to African retail businesses in the Petroleum industry. It provides and in-depth understanding of the market failure as well as possible solutions from the perspective of the African retailers. Some authors have as seen in this postulated reason for this failure but this study, in its limited way, provides primary research to understand the failure of the market to capture and retain the participation of African retailers in the Petroleum industry.

3. RESEARCH QUESTIONS

3.1 Introduction

This Chapter focussed on asking questions that would explore the factors leading to a decrease in African Petroleum retailers in the sector.

3.2 Research Questions

Research Question 1: Is the retailer and stakeholder aware of the Liquid Fuels Empowerment Charter (LFEC) within the petroleum sector?

Purpose of the Question: a) It seeks to understand to what extent retailers are aware of government policy to radically transform the sector. b) It seeks to understand to what extent the stakeholders are aware of the LFEC. c) It seeks to understand if the LFEC has achieved its objectives.

Research Question 2: What influenced the retailer to exit the sector?

Purpose of the Question: It aims to understand why the numbers of African retailers are declining in the sector, irrespective that the petroleum industry was the first to adopt an industry empowerment charter that was endorsed by all stakeholders.

Research Question 3: What support did the oil majors and government give you the retailer from first entering the sector to leaving?

Purpose of the Question: It questions the kind of support given to you the retailer?

Research Question 4: How is sectoral knowledge managed within Petroleum retailing?

Purpose of the Question: to understand how knowledge is shared that would curb the decline of African retailers in the sector.

3.3 Interview and Research Questions Mapping

A summary of the research questions and secondary questions is given below:

Table 11: Research questions and interview questions mapping.

Research Question	Secondary Questions
Research Question 1: Is the retailer and stakeholder aware of the Liquid Fuels Empowerment Charter (LFEC) within the petroleum sector?	1. Is the retailer aware of the LFEC or any other legislation governing transformation in Petroleum retailing? 2. What impact has this knowledge had on the retailer? 3. How has the retailer utilised this knowledge? 4. Does the stakeholder know if the LFEC is achieving what it set out to achieve?
Research Question 2: What influenced the retailer to exit the sector?	1. Why did the retailer leave the sector or move from one oil company to another? 2. What would have made the retailer stay? 3. What challenges within the sector are unique to African retailers?
Research Question 3: What support did the oil majors and government give you the retailer from first entering the sector to leaving?	1. What inspired the retailer to enter the sector? 2. Whom did the retailer rely on for information about running the business? 3. How did the retailer finance the business and where did they get information about funding?
Research Question 4: How is sectoral knowledge managed within Petroleum retailing?	1. Did the retailer have a mentor or who did they rely on for information? 2. Is the retailer aware of the Moloto Solutions audit report on why African retailers are exiting the sector? 3. What is the retailer's comment on the fact that the Moloto Solutions audit report states that the the most successful black group in Petroleum retailing are the Indian retailers because they are skilled business people? 4. What does be an African retailer in the petroleum sector means to the retailers?

4. RESEARCH METHODOLOGY

4.1 Introduction

The study sought to understand and describe the reasons why radical economic transformation is failing to materialise in the petroleum retail sector. This failure is represented by declining numbers of African retailers. The research philosophy that was followed is interpretivist with an inductive approach (Saunders and Lewis, 2012). The aim was to characterise the participants' perspectives and experiences in great depth. To achieve this in-depth interview was conducted with stakeholders in the Petroleum retail sector. This information was then used to generate a comprehensive description of the processes that lead to declining ownership numbers. In order to gain novel insights into the problem of declining numbers. This meant that a qualitative research methodology was used (Creswell, 2013).

4.2 Qualitative Study

A qualitative study enables research to describe the variation and diversity in a phenomenon, situation or attitude using a very flexible approach, through the eyes of participants. This enables variation and diversity to be identified (Kumar, 2014). This methodology was chosen because the information that was analysed is descriptive in nature and not readily quantifiable (Sekaran & Bougie, 2013). This research methodology was chosen because it allowed the researcher to delve deeply into the phenomenon and probe insights that respondents offered. Unlike a quantitative approach that might restrict a respondent to answering 'yes' or 'no' without explaining reasons for their choice of answer. In this study, data was gathered in a narrative form through in-depth interviews.

The nature of the data gathered was exploratory. This is exactly why it was appropriate to use a qualitative method of study (Creswell, 2013; Poth, 2017). Creswell and Poth (2017), recommend that this methodology be used when a 'problem or issue' needs to be explored. This method is best used when initial research is undertaken to clarify and define the nature of the problem, which was the case with this study (Zikmund, Carr, Griffi, & Babin, 2013). It is also useful when there is a need to 'hear silenced voices' (Creswell, 2013; Poth, 2017). When there is a need to get a 'complex, detailed understanding of an issue'. The details can only be established by visiting people in their natural settings and hearing stories of their experiences being told first hand from them without fear of reproach (Creswell, 2013; Poth, 2017).

Qualitative studies have the ability to ‘delve into the range and essence of the study’ while at the same time ‘delving into the essence of the topic’ (Bloomberg & Volpe, 2012). The qualitative research process is ‘emergent’, allowing for the action initial design of the study to change once the researcher enters the field and starts undertaking the study (Bloomberg & Volpe, 2012; Creswell, 2013; Poth, 2017; Merriam & Tisdell, 2016).

A literature review was undertaken. Academic and non-academic literature sources were consulted. The study relied heavily on industry reports, workshop presentations and other electronic copies of information availed by stakeholders that were interviewed. This was then followed by interviews with stakeholders in the industry. Secondary data was analysed from the 2006 and 2011 Moloto Solutions audit commissioned by the DOE. Initially the intention was to compare this data to the 2018 Moloto Solutions audit. Unfortunately, at the time of completing this study, the audit had experienced unforeseen delays, the results were not yet published.

The study was conducted as cross-sectional research, which is a ‘snapshot’ in time. Meaning all respondents were interviewed within a few weeks of each other. This was due to limitations imposed by the duration within which the study had to be completed.

4.3 Population

Saunders, Lewis, & Thornhill (2016) define a population or universe as a complete set of group members that the study focussed on. The study will focus on African retailers within the Petroleum sector in Johannesburg. This is because Johannesburg has the largest concentration of service stations in the country and it is in close proximity to the researcher’s base.

4.3.1 Retailer Population

Included in the study were retailers who have left the Petroleum retail sector. Those that are selling their service stations. Also, those that have moved from being a franchisee of one MOC for another. This was regardless of whether their sites were MOC owned or retailer owned. They were from all the major oil companies BP, Engen, Caltex, Shell, Puma, Sasol, Total (all of whom are signatories to the LFEC) and any other non-MOC aligned retailers. The research focussed on Africans who are South African by descent or birth.

4.3.2 Petroleum Stakeholders

Other stakeholders were also included in the study. These were oil companies, the DOE, representative organisations of retailers and any stakeholder that contributed to the LFEC. All these stakeholders were signatories to the LFEC. They had formulated the Charter and were responsible for executing its mandate. It was important to get a perspective from these stakeholders to understand how they rated their effort in ensuring that the LFEC commitments were met. The study would not have been complete if it just reviewed the impact of the LFEC as experienced by retailers without understanding its impact on other stakeholders. It was important to understand what behavioural modification these stakeholders underwent after their commitment to the LFEC. It was also important to gauge what programs various stakeholders went on to implement in ensuring the success of their LFEC's commitments.

4.4 Unit of Analysis

The unit of analysis refers to the level of aggregation of the data collected during the subsequent data analysis stage (Bryman & Bell, 2015). Zikmund and colleagues refer to the unit of analysis as the main unit in focus in the study. In order to answer a research question, the unit of analysis must first be defined (Zikmund et. al., 2013). For the purposes of this study the main focus was the African Petroleum retailers of South African descent or birth. Since the LFEC was meant predominantly for their empowerment, as beneficiaries they were best placed to give insights into its impact (Maxwell, 2013).

4.5 Sampling Method and Size

Sampling is used because it is not practically possible to collect all data about the entire population. So qualitative research confines us only to using non-probability sampling methods (Kumar, 2014). This is a probability sampling method in which the elements in the population do not have a known predetermined chance of being selected as subjects for the study (Bryman & Bell, 2015). The following are examples of probability sampling. Convenience sampling, judgment sampling and purposive sampling. Purposive sampling was used (Bryman & Bell, 2015). This technique involves choosing particular units who represent the population to form the sample (Bryman & Bell, 2015; Kumar, 2014; Saunders et. al., 2016). Sampling occurred before data was collected.

This method confines the sample only to those people who can provide information on the research problem because they would have lived through the problem and so are closely aligned with the research objectives (Bryman & Bell, 2015). During participant selection, the researcher ensured that the 'subject of the study was central to the respondents experience' (Seidman, 2006). In order to establish why the number of African retailers was shrinking in the sector, specific African and Coloured retailers were chosen to constitute the sample:

1. Those whose' sites were for sale.
2. Those who had left the sector.
3. Those that had changed oil companies.

The researcher felt that the above mix of retailers would best explain the reasons they had exited oil companies or the sector, elucidating potential reasons for this phenomenon.

It is crucial that a good sample size is collected especially when conducting research that is reliant on semi-structured interviews before saturation point is reached (Saunders et. al.,2016). Guest and his colleagues state that 'size of purposive samples should be established inductively and sampling should continue until saturation is reached' (Guest, Bunce, & Johnson, 2006). These authors contend that saturation is normally reached within the first twelve interviews. Seidman (2006) cautions against assigning the number of respondents before-hand.

Seidman (2006) points to there being two criteria which the researcher had to meet in order to establish if 'enough' respondents had been interviewed, namely: sufficiency and saturation of information. The study needed to have enough numbers of participants to 'reflect the range of participants and sites that make up the population'. Saturation is met when additional participants are not adding any new insights to the study (Seidman, 2006).

This study had eighteen participants in total. They were divided into two groups: the retailer group and the stakeholder group. Each group had a different set of questions to answer. They were composed of ten retailers and nine respondents made up of the DOE, MOC representatives, representatives of petroleum retailer associations, funders and an academics who participated in writing the LFEC (See Table 10a). The sampling technique was homogenous for Petroleum retailers. It was also heterogeneous for the rest of the other stakeholders.

Snowball sampling methodology was also used to gain access to retailer networks and stakeholders who might not have agreed to an interview had they been cold called by the researcher without an introduction. To this end, it was difficult securing appointments at the beginning of the study. Once the study was underway, through snowballing the number of respondents available to the researcher grew substantially.

Table 12: Sample sizes for in-depth interviews

Sample	Quantity
African retailers	10
FRA Representative	1
SAPRA Representative	1
WOESA Representative	1
DOE Representative	1
LWFC Representative	1
MOC representatives	2
Academic contributor to LFEC	1
Financing institution representatives	2

4.6 Measurement Instrument

A literature review of the impact of the LFEC and related government policies was undertaken. This was followed by face-to-face semi-structured interviews with 18 respondents who are 'experts' in the sense that they can elucidate the impact of these policies in their sector (M. Saunders & Lewis, 2012 p.12). So that relevant information can be gathered in the interview a discussion guide for the semi-structured interview was developed (Appendix FIVE). These questions have been designed to be open-ended and serve merely as a guide. The methodology of the questions in the interview would be to ask open ended questions.

It is envisaged that the interviews would last about an hour each. All respondents were asked to sign a consent form prior to the interview and all interviews were audio recorded with consent. See (Appendix FOUR). The respondents voluntary participation was emphasised, including their right to privacy (Seidman, 2006). Their right to withdraw at any point during the study was explained to them. All respondents were also extended an offer to review and withhold any of the interview material (Seidman, 2006). None of the participants exercised this right. Consent to audio record was sought before the interview and then again for purposes of recording it, this request was repeated on audio (M. Saunders & Lewis, 2012).

All records have been kept confidential. Original records such as contact information, audio have been kept securely. All records have also been anonymised so that only codes are used as respondent identity. Respondents have been divided into Retailer 1-10 and Stakeholder 1-9 (Seidman, 2006). Seidman (2006) had cautioned against accidentally making records with participant identity accessible to others after confidentiality was promised. He also draws a distinction between confidentiality of identity and not of responses. The researcher promised that the confidentiality was extended only to the identity of the respondent but not to their insights.

4.7 Pre-testing

An interview schedule was designed using the study objectives in Chapter 1 and the research questions in Chapter 3. Data collection was a two-stage process (Zikmund et. al., 2013). There was pre-testing of the measurement instrument and then there was the main study. Pretesting was required to determine whether the data collection plan for the main study was appropriate (Bryman, Bell, & Zikmund, 2011). This unearthed confusing interview questions. It helped the researcher determine the appropriate length and style of interviews. It also helped the researcher to appreciate the sensitive nature of the material respondents were being asked to share. Field issues specifically the need for extreme privacy, the distances the researcher was required to travel, the need to interview retailers away from their sites as the sale of the site was still unknown to employees and thus extremely confidential.

Also, errors and subtle differences that had not been identified in the literature review were corrected during this period. Specifically, the difference between the LFEC and the Petroleum and Liquid Fuels Charter (PLFC). There was then the opportunity to correct these errors before data gathering for the main study was conducted (Zikmund et. al., 2013). The researcher also read extensively about how to conduct open ended interviews so that the researcher was best prepared for the one on one meetings.

4.8 Data Gathering Process

There was first telephone contact in order to explain how the researcher gained access to the person's name. This also served as a brief introduction of the objectives of the study and to establish willingness to participate in the interview (Seidman, 2006). Upon request, introductory emails were sent where after appointments were scheduled. The format of the in-depth interview was also explained. The academic nature of the study was emphasised. The aim was to ensure that the respondents were prepared for the type of questions that were going to be asked.

The following 5 step process suggested by (Creswell, 2012) was used:

1. Identification of participants all the stakeholders in the Petroleum retail industry.
2. Gain access to these individuals: telephonic contact numbers and emails were sent to ask for permission to include the participant in the study. The purpose of the study was explained to the potential respondents and the confidentiality introductory letter from GIBS sent to them beforehand so they understand the academic nature of the study.
3. A consideration of what information would best answer the type of research questions – A decision to use open-ended questions were made following the guide in Appendix FIVE. A determination of the type of data to be collected – it was ensured that data that was collected were answered the research question.
4. Sensitivity to ethical issues that could have arisen was considered in administering the data collection – respondents were treated with sensitivity and respect and their data kept confidentially and anonymised.

The interview itself followed four main stages as suggested by Gillham (2000):

1. *The introductory phase.*
2. *The opening development of the interview.*
3. *The central core of the interview.*
4. *Bringing the interview to a close, both socially and in terms of content.*

All data gathering and storage followed strict ethical guidelines. A consent form was signed. The consent form detailed the purpose of the study. It also gave respondents an assurance that their participation would be confidential and all their data would be kept securely in soft copy. It also contained a statement about the voluntary nature of the study; and also, the fact that respondents could withdraw at any point. Signatures of the respondent and the researcher were both placed on the informed consent form.

Verbal consent to audio record was sought before recording the interview on audio. This request for permission to audio record was then repeated so that it could be audio recorded. Interviews were audio recorded.

Three retailers were unavailable for one-on-one interviews. So telephonic interviews were conducted. Notes of the interviews were made. One accepted to complete a consent form. Two did not complete a consent form (their consent was verbal).

During the one-on-one interview conversation was allowed to flow. The researcher conducted all the interviews herself. An interview guide designed by the researcher consisting of open ended questions was used (Gillham, 2000; Creswell, 2013; Poth, 2017; Seidman, 2006). This is while the researcher ensured that the interview guide was followed methodically without constraining conversation. Each responded was asked a final question for concluding remarks not covered which in their opinion was not covered during the interview but would enrich the study. Data was analysed as it was collected in order to interrogate what was gathered along the way and themes emanating from the research, identified.

The researcher also followed-up on any insights that came out during the course of the study which needed further exploration. In-depth interviews afforded the opportunity to probe the respondent in the context of the interview to clarify what is being said (Kumar, 2014). Information gathered can also be supplemented through observation of non-verbal reactions (Kumar, 2014). In-depth interviews also afforded an opportunity to clarify questions or put them in a manner that was easy for the respondent to understand, this flexibility was useful for answering the research problem (Bryman & Bell, 2015; Kumar, 2014; Saunders et. al., 2016).

4.9 Data Analysis Approach

The researcher analysed the data as it was collected so that emerging patterns could be identified early on in the research (Saunders et. al., 2016). This was predominantly text-based data gathered from interview transcripts. Data analysis occurred from the first interview. This allowed the researcher to be aware from the start of data gathering of emerging insights and themes (Bloomberg & Volpe, 2012; Creswell, 2013; Poth, 2017).

Once data gathering did not result in any new information being collected to enrich the study, saturation was considered to have been reached and data gathering stopped (Kumar, 2014). Kumar says that the analysis should follow a simple format. Information should be analysed to identify main themes that have emerged; these should be quoted extensively in the write-up often quoting the respondents verbatim; the main themes should also be quantified in order to signify their prevalence (Kumar, 2014). In summary, collected data was sorted and prepared for analysis. Afterwards, data was converted into a format that would enable the researcher to answer the research question. This meant transcribing the audio into a word document where the word document was stored as a separate anonymised file.

The word document was then scanned for themes. Thematic content analysis was used and recurring themes and patterns were then identified. The researcher coded the themes manually using tables. These were coded using a descriptive word and colour. The themes emanating from all the documents were grouped into categories. The following method was suggested by Zikmund and colleagues: 1. Editing; 2. Identification; 3. Coding; and 4. Categorising data patterns and themes found (Zikmund et. al., 2013).

Interview analysis involved organising ‘substantive content’ by identifying key substantive point; then putting them into categories (Gillham, 2000). This was followed by the identification of substantive statements to be used as direct quotations to illustrate data. Chapter 5 presents the collected data. Respondents are quoted verbatim in this Chapter 5 where their own words best capture the insight they are relating.

4.10 Data Credibility and Dependability

Credibility refers to whether the data as reported by the researcher is representative of the respondents’ perceptions or the researcher’s biases (Bloomberg & Volpe, 2012). Creswell and Poth (2017), similarly emphasise the need to avoid researcher but extend this to also cover avoiding bringing in view from writers of literature (John W. Creswell; Cheryl N. Poth, 2017). Bloomberg and Volpe (2012) caution against this and suggest that the researcher follows the following steps to minimise the biased reporting. The researcher needs to be self-reflective and analyse what their own perceptions are before-hand. During the process continually check and monitor your 'own subjective perceptions' and keep a written journal or audio recording of your thoughts. Discuss your 'own engagement' with the field. Continually check that the information collected is 'corroborated by several sources. 'Negative instances' and 'discrepancies of findings' should be presented. Where possible send summaries of interviews to participants so they can 'corroborate' them (Bloomberg & Volpe, 2012; Creswell, & Poth, 2016)Where possible also get a colleague to 'peer debrief' to enhance the accuracy of your account.

Dependability of data refers to the detectability of the processes and procedures used to collect the data (Bloomberg & Volpe, 2012). This involves providing an 'audit trail' of the data collected and making it available for review by other researchers. A suggestion by these authors was for data to be coded by several colleagues in order to establish greater consistency (John W. Creswell; Cheryl N. Poth, 2017).

Transferability of the study refers to how well the study makes it possible for readers to decide '…*if similar processes might be at work in their own settings and communities by understanding in depth how they occur at the study site'*(Bloomberg & Volpe, 2012).

4.11 Limitations

According to Bloomberg & Volpe (2012) limitations, highlight 'the conditions that might weaken the study'. The research methodology assumes that subsequent research was undertaken (Zikmund et. al., 2013). The findings in this research can, therefore, not be generalised to the South African population of petroleum retailers. Qualitative information was gathered which meant using judgement in researching a conclusion. The study also relied on semi-structured in-depth interviews, a possibility of interviewer bias in selecting follow-up and leading questions may exist. As cautioned by Bloomberg and Volpe (2012) above, since the researcher works in the field, there was always a possibility during data gathering and analysis that her 'own subjective perceptions may influence her technique'.

To this end, it is important to remember the 'reflexive subjectivity' of a researcher in a qualitative study (Bloomberg & Volpe, 2012; John W. Creswell; Cheryl N. Poth, 2017; Merriam & Tisdell, 2016). The fact that the researcher works within Petroleum retailing, influenced her choice of research topic. The researcher was keen to gain insights into the credibility of the assertions made in the Moloto Solutions (2011) report about reasons for the decline of African retailers in the Petroleum sector. Throughout the process the researcher had to make certain she remained objective. This was definitely a challenge.

The methods suggested above to employ the assistance of colleagues to enhance the credibility and dependability of the study were not employed due to the time frame of the study and the nature of postgraduate research. Due to this the results can only be thought of as preliminary and informative.

It was difficult securing appointments with petroleum retailers. Especially those whose sites were for sale and those that had left the sector. The researcher had under estimated the deep personal nature of the study. The researcher had also underestimated the reluctance of retailers to discuss what many deemed to be personal failures. Two potential respondents withdrew after securing interviews. They had been advised not to participate in the study while they had issues with the MOC by their network managers. It was felt that this had the potential to sour relationships that were already tense. Some felt uneasy to share their business information. Some felt they would be victimised by the MOCs because their sites were still on sale. Others worried that oil companies might later find out. During the interviews, the researcher relied upon body language and other cues to assess the uneasiness of the respondents (Sekaran, Uma and Bougie, 2013). As respondents became more comfortable the researcher was able to probe deeper into the various issues in the sector. The quality of the data gathered depended on the quality of the interaction between the researcher and the respondent (Kumar, 2014).

The interviews were time consuming and expensive. Some respondents lived about an hour's drive from the researcher. Traffic was also a problem as appointment times depended on when respondents were willing to avail themselves. Also, some interviews were one hour forty-five minutes long. This was because it was only in the last hour when the respondent started getting confident enough to answer questions frankly. Some responded brought highly confidential documentary proof of their assertions. It was evident that they hoped the researcher could intervene on their behalf with oil companies or funders. There were also limitations imposed by the financial and time resources available to undertake this study, so the study has a geographical limitation (Sekaran, Uma and Bougie, 2013). A larger sample quantitative study would need to follow this study if the results were to be taken to market (Layder, 2014; Antwi & Hamza, 2015). The regional orientation of the sample that was used also meant that the results will miss issues that arise outside Johannesburg that are peculiar to other provinces and *vice versa*.

4.12 Conclusion

In depth interviews were conducted of 20 respondents: ten retailers and ten stakeholders. Ultimately all interviews took much longer than the planned 45 minutes as some were up to two hours. All MOC representatives interviewed were transformation officers. There was a reluctance from most retailers approached to participate in the study. They feared recriminations from the MOC and said so. Most who had left the sector were still hoping to return. The retailers' interviews took an emotional toll on the researcher because of the level of desperation of some of the respondents. The following Chapter presents the results of the interviews.

5. RESULTS

5.1 Introduction

The results of the study described in Chapter 4 are presented. They are laid out according to questions in Chapter 3. Aggregate research findings are presented. Demographic data; employment history; work and sector experience including site location and performance are presented before tabulating answers to the questions in Chapter 3. There was a significant overlap between answers given by retailers and those given by stakeholders. The comments have been reported together.

All respondents' names are replaced with a two-alphabet code instead of a name. Prefix **R** is used for retailers and **S** for stakeholders. The study's respondent retailers are represented by the following: RT; RM; RD; RB; RT; RJ; RK; RL; RC and RS. The following stakeholders by: SS; SC; SV; SR; SN; SZ; SP; SW; SA and SL.

5.2 Background information on Participants in the Study

Gender of retailer:

As showed in Table 13, 70% of the retailers interviewed were male.

Table 13: Gender of the retailer

Rank	Constructs	Frequency
1	Male	7
2	Female	3

Education background:

As showed in Table 14, 40% of retailers had a postgraduate qualification, 30% an undergraduate qualification and 30% a matric certificate.

Table 14: Education background profile of retailer participants

Rank	Constructs	Frequency
1	Matric	1
2	Undergraduate	5
3	Post-graduate	4

Previous work experience:

As showed in Table 15, most of the retailers (80%) had been employed for less than 10 years. All had experience in retailing before acquiring a site. Five had worked as service station site managers.

Table 15: Employment experience of retailer participants before owning a retail site

Rank	Constructs	Frequency
1	Employment experience of between 0-5 years	1
2	Employment experience of between 5-10 years	7
3	Employment experience of more than 10 years	2

Most of the retailers (80%) as indicated in Table 16, had been in the sector between 5 and 10 years. Only one was in the sector for less than five years before acquiring a site. Another had been in the sector for 15 years.

Table 16: Number of years in the sector

Rank	*Constructs*	*Frequency*
1	Between 0-5 years	1
2	Between 5-10 years	8
3	More than 10 years	1

Entrepreneurial experience:

Most of the retailers (70%) as shown in Table 17, had their first entrepreneurial experience as retailers on acquisition of a site. The Table 17 indicates that two retailers had owned businesses before. These businesses were still operating presently. One of the entrepreneurs had been in business with her husband since the late 1960's. Based on her feedback, she had extensive experience in both retailing and the running of a service station. Her first service station was acquired in 1988.

Table 17: Number of years as an entrepreneur when acquiring a site

Rank	Constructs	Frequency
1	Number of years as Entrepreneur 0	7
2	Number of years as Entrepreneur 1-10	2
3	Number of years as Entrepreneur more than 10	1

Business ownership:

Seven of the ten retailers as shown in Table 18, operated the business on their own. Two of these as sole proprietors and five as 100% shareholders in a company registered to manage the service station. Two had a partner who shared the responsibility of managing the site in Table 18. One was a shareholder in a much larger company with several businesses and several shareholders. She managed the service station along with other businesses.

Table 18: Split of ownership

Rank	Constructs	Frequency
1	Company 100% shareholder	5
2	Sole Proprietor	2
2	Partnership	2
3	Company less than 100% shareholder	1

As showed in Table 19, out of the ten retailers interviewed, eight operated sites that were owned by the MOC where they did not own most assets or the land. Two retailers owned the land on which they operated sites. All respondents highlighted the fact that sites where retailers owned land were remunerated more favourably by the RAS model used to allocate payments in the sector. There was consensus that while this model was transparent and better than the previous method of remunerating. It had serious flaws that disadvantaged Company Owned Retailer Operated (CORO) retailers, where most African retailers were represented.

Table 19: Ownership of site

Rank	Constructs	Frequency
1	CORO	8
2	Retailer Owned Retailer Operated (RORO)	2

CORO/RORO/RAS implications: See Table iv; v in Appendix eight

SZ: 'I have observed a trend where non-African retailers started buying land earmarked for service stations.'

RT: 'Those that own land have security of tenure. They attract a higher RAS margin. Unfortunately, the majority are not African.'

SA: 'The RAS system benefits those that own land and assets. Those that don't mainly CORO sites are penalised. This does not make sense. The majority of those that don't own land are

Africans that the government is trying to empower then why penalise them and come up with a system that does not reward them.'

SC: 'RAS is a good thing because now it is transparent what each item attracts. Unfortunately, it has not been written into law. It is open to abuse by oil companies. So, it is abused. Oil companies take whatever they deem fit to compensate themselves and retailers have no say. The process is aimed to be a transparent negotiation but it is not.'

Location of site:

As showed in Table 20, eight retailers had sites either in a township or a small town. The either two retailers had a site in a village and another in a city location. Most retailers prefer city locations as they attract high volumes.

Table 20: Location of site

Rank	Constructs	Frequency
1	Township location	4
1	Small town location	4
2	Rural location	1
2	City location	1

Average monthly site volume:

Table 21 indicates that six of the retailers had sites whose monthly volume was below the 233 000 litres of the benchmark service station. The volumes were all below 180 000 litres. Three retailers in Table 21 had volumes that were above the benchmark service station, but below the 350 000 litres. Two of these in Table 21, were located in a small town and one was located in the city. One retailer had a site that pumped between 500 000 and 600 000 litres monthly. This site was located between a township and a major highway.

Table 21: Site volume relative to the base site of 233 000 litres

Rank	Constructs	Frequency
1	Below 233 000 litres	6
2	Between 233 000 – 350 000 litres	3
3	Above 350 000 litres	1

As showed in Table 22, seven of the retailers had been at the site less than three years when they exited the site. Three of these were breached by the MOC and the site taken from them. Two were busy selling and one would either be breached within three months or sell if the site did not improve. One of the retailers in Table 22, had returned the site when it became untenable to run. Two of the retailers had sold their sites to avoid getting into financial problems. One as soon as he saw a decline and a new service station opened within 500m of his site. One as soon as his volume had increased from 150 000 to 250 000 to leverage this growth. The last retailer had been trying to sell the site for three years presently. Although she had been at the site more than six years, her service station was only breaking even. She was now treating the site as a land investment rather than a business.

Table 22: Number of years at site at exit

Rank	Constructs	Frequency
1	0-3 years as retailer at exit	7
2	4-5 years as retailer at exit	2
3	6-10 years at exit	1

Financial problems were listed as a reason why all ten sites in Table 23 were either being sold, selling or breached. Other reasons mentioned during the interviews were:

1. Low volumes making the business unprofitable.
2. High rentals from the MOC which were increased erratically making the business unprofitable.
3. One retailer who had a high-volume site had mis-invested his money and needed to sell to settle debt unrelated to the business.

Table 23: Method of exit

Rank	Constructs	Frequency
1	Breached by oil company	3
2	Selling due to financial problems	2
2	Sold due to eminent financial problems	2
2	Selling because site is unprofitable	2
3	Returned site to oil company	1

5.3 Retailer Results to Question 1

Research Question 1: Is the retailer aware of the LFEC within the petroleum sector?

Purpose of the Question: It seeks to understand to what extent retailers are aware of government policy to radically transform the sector.

Secondary Question 1.1: Is the retailer or stakeholder aware of the LFEC or any other legislation governing transformation in Petroleum retailing?

Table 24: Retailer knowledge of LFEC

Rank	Constructs	Frequency
1	Has no knowledge of LFEC	7
2	Has knowledge of LFEC	3

As indicated in Table 24 above, three retailers had knowledge of the LFEC. Seven were not familiar with it but suspected that something of that nature should be in existence given that there is a B-BBEE Act. All those that knew of the LFEC were also familiar with its clauses including the fact that there was a PPAA in existence. They understood the relationship between the PPAA and the LFEC.

One of the eleven stakeholders approached to participate in the study did not see the purpose of the study. He felt that the LFEC was not applicable within the Petroleum retail sector. This is even though his organisation were signatories to the LFEC. In the end, the study only had ten stakeholders who participated in it. Nine stakeholders in Table 25, had knowledge of the LFEC. One was not aware of its existence. The respondent who was unaware of the LFEC was not familiar with its clauses. He was also not aware of the process underway currently to draft a new charter. This respondent represented a Development Finance Institution (DFI) tasked with funding the sector to help with its transformation. He was also not aware of the Moloto Solutions Audit Report. He was surprised that there was an audit underway of the 2016 industry data and asked for contact details as he wanted his organisation to participate in the process.

Table 25: Stakeholder knowledge of LFEC

Rank	Constructs	Frequency
1	Has knowledge of LFEC	9
2	Has no knowledge of LFEC	1

All nine stakeholders who had knowledge of the existence of the LFEC in Table 25 were familiar with its clauses as shown in Table 26. They had extensive knowledge of its objectives and its relationship to the PPAA. All nine were presently involved with the drafting of the PLFC. They represented their respective companies or bodies on the Charter Council which is currently being formed. All other respondents were aware of all developments in the industry including the 2016 Moloto audit Report that is due to be released in November 2018.

Table 26: Stakeholder knowledge of various clauses of the LFEC

Rank	Constructs	Frequency
1	Has knowledge of clauses of the LFEC	9
2	Has no knowledge of clauses of LFEC	1

Align LFEC objectives with B-BBEE codes:

SS: 'Presently a new charter is being drawn to align the LFEC to the B-BBEE codes. This will lead to more meaningful transformation and with the formation of a charter council that is industry funded to look after transformation the future looks more hopeful.'

SZ: 'The LFEC is soon to be replaced by a PLFC.'

Secondary Question 1.2: What impact has this knowledge had on the retailer?

Knowledge or lack thereof of the existence of the LFEC had no impact on the retailer.

Secondary Question 1.3: How has the retailer utilised this knowledge?

None of the retailers interviewed who were familiar with the LFEC, had used this knowledge to their advantage in any way.

Secondary Question 1.4: Does the stakeholder know if the LFEC is achieving what it set out to achieve?

The stakeholders who were aware of the LFEC, felt that it had only achieved to transform the ownership of MOCs as shown in Table 27

Table 27: Stakeholder opinion on success of LFEC

Rank	Constructs	Frequency
1	Achieved success with MOC ownership transformation	9
1	Has failed with achieving the rest of its objectives	9

Ownership at 25% good indicator targets setting:

SS: 'The 25% ownership was achieved within 10 years because that was the only target sent in a time frame.'

SF: 'The ownership target was set at 25% that is being achieved for oil companies. Now the PLFC will be able to increase these. Presently 30-35% is being discussed in the draft.'

SC: 'Oil companies are meeting ownership target, but is it a B-BBEE compliance issue or is it intrinsically what they believe they should be doing?'

As shown in Table 27, all nine also felt that the LFEC had failed to achieve the rest of its objectives.

Failures of the LFEC are indicated in Table 28. As indicated below retailers and stakeholders felt that this was a missed opportunity where the industry including the DOE could have had the most impact but did not.

Table 28: Failures of the LFEC

Rank	Constructs	Frequency
1	Not monitoring, controlling and/or regulating	20
1	Failure to redress Apartheid legacy issues	20
1	Failures of licencing regime	20
2	Failure to address Goodwill	15
2	MOC sabotaging LFEC	15
2	Dominance of White and Indian retailers	15
3	Failure of RAS	12
4	Pricing site artificial barrier	8
4	Deregulation	8

Not doing its Monitoring, Controlling, Regulating responsibilities:

All respondents felt that the DOE failed at monitoring, controlling and regulating the industry as shown in Table 28.

SL: 'The PPAA in section 2E was very clear: Look at this: 2E. (1) The Minister must prescribe a system for the allocation of site and their corresponding retail licences and the supply of prescribed petroleum products to such licensees, by which the Controller of Petroleum Products shall be bound: Provided that the Controller of Petroleum Products shall only be bound by the provisions of such a system for the period set out in that regulation or any amendment thereto or any substitution thereof which period may not exceed 10 years from the date of commencement of that regulation.

(2) The Minister shall prior to promulgating a system contemplated in subsection (1) invite public comment thereon by publishing it in the Gazette and duly considering such comments.
(3) A system contemplated in subsection (1)-

(a) must intend to transform the retail sector in to one that has the optimum number of efficient sites;

(b) must intend to achieve an equilibrium amongst all participants in the petroleum products industry within the constraints of this Act;

(c) must be based on the objectives referred to in section 2B (2) and 2C;

(d) must promote efficient investment in the retail sector and the

(i) by limiting the total number of site and corresponding retail licences in any period;

(ii) by linking the total number of site and corresponding retail licences in any period, to the total mass or volume of prescribed petroleum products sold by licensed retailers; and productive use of retail facilities-

(iii) by other appropriate means;

None of this was ever done!!' The system of licence allocation is inefficient but that is because there is no system'. (This stakeholder felt so strongly that she went through the above section of the PPAA with the researcher).

SF: 'Non-monitoring has reversed gains.'

SC: 'While annual audits were required by the LFEC these were actually not done since 2000 to date only 2 have been done. We are currently awaiting the third audit. Now in 2018 we are awaiting 2016 data'.

SR: 'In 2006 already we should have unpacked structural and strategic barriers.'

SM: 'Our environmental laws are cumbersome, and result in taking too long for new to industry sites to be approved.'

SS: 'There is a fragmentation of regulation, NERSA is removed from DOE which is removed from the Central Energy Fund (CEF) and so on. We need to sit and align so that we all understand what we need to do, what about our regulation is failing us? What do we need to do to align? So that we are all effective.'

Failure to redress Apartheid legacy issues:

Regulatory failures meant that there was also failure to redress legacy issues effectively according to all respondents as shown in Table 28. This construct ranked 1 with monitoring, controlling and regulating in Table 28.

SC: ‘Through the RATPLAN the rights of minorities were protected. This is how whites got a lot of sites. Skills were also provided with enabling mechanisms. There is BEE for Afrikaners.’

SS: ‘The environment was so supportive that electricity was paid at next to nothing by these sites.’

SL: ‘Legislation enabled through State Owned Enterprises (SOE) their development agenda, it was clear and supportive.’

Failure licencing regime:

At the heart of the failure to monitor, control and regulate was a failure of the licencing regime. All 20 respondents in Table 28 ranked this failure also as 1.

SF: ‘Section 10 is very clear on the responsibilities of the Controller of licences.’

SS: ‘Do some introspection as DOE, do you apply the same strict measures to yourselves?’

SZ: ‘Oil company cannot refuse someone with a site licence, if the DOE wants to transform the industry how they issue licences should be indicative of this’

SL: ‘I am unaware of a change of hands application that has ever been refused. Therefore, we are just maintaining where we are.’

SC: ‘In 2006 already, a lot of structural barriers should have been addressed.’

RL: ‘They have now issued a new licence at a site I have been objecting to. They know the site is under dispute because I have successfully opposed its opening on 3 other occasions.

This time they advertised in a newspaper far from us so I missed the advert. DOE did not bother contacting me as an interested party. They feel they have sent me for arbitration and that is all they could do to help me, if I have no money that is not their problem. In fact, one official said I was suffering from a situation all of my own making.'

RI: 'In the township sites are mushrooming everywhere. The DOE don't care. Four of us objected to 2 new sites being built but they declined our objections saying our volumes are high. Then another site that was not even advertised was opened it took 100 000 litres from me.'

Goodwill:

Failure to address the goodwill issue was raised by 15 respondents in Table 28. There was contention and disagreement on how this should be addressed but a need for the goodwill issue to be resolved was mentioned by 15 out of 20 respondents in Table 28.

SL: '*During Apartheid white retailers were protected through vertical integration and allowed to walk into sites without paying goodwill, today African retailers have to pay goodwill for sites that were given to white dealers for free. All they had to pay for was product. Today they won't leave without goodwill. Goodwill for what? When they leave, they leave with it!!! If it is accounting their business friends who supported them with accounts leave the business with them!'*

SZ: 'I know retailer associations want goodwill paid. Why should government pay. They are buying back a business they helped create and build?'

SC: 'Does, the bill of rights allow that, is it fair to say this guy has built this brilliant business now we can just take it away from him. The oil companies, there are some serious problems with goodwill, not with the term of the agreement but at the end when the term ends, and all those agreements out there. When it ends it ends?'

SS: 'Did the guy really drive the volume from 300 00 to 400 000. I am going to say a controversial thing here. There are retailers who make a significant contribution to the success *of their sites, there are others who just have windfalls, a site closes around the corner, a road closes somewhere else…'*

SF: '*A 20 000-inhabitant housing is built across the road look at Sasol olive dale. Letlhogonolo, she must be smiling from ear to ear, there are new units that flats dwellings just built across the road from her. She has a service station with a burger king. What has she done to get that volume, there is no shops no café's, it is going to be a windfall for her. All the shopping centres are far away.'*

RJ: 'I paid way too much for this site. The NEF are trying to help fight it, the oil company has not come back to us yet. Fortunately, there was no retailer so we paid the oil company.'

RK: 'Accounts are a big problem. When a retailer leaves a site, they get paid goodwill, then they leave with all their account customers. A 500 000-litre site can become a 250 000-litre site overnight. You can't enforce relationships. People support those in their network'.

SA: 'In our oil company we used statistics of Economically active Population, this made it clear where we needed to focus.'

MOCs Sabotaging the LFEC:

This issue of MOC sabotage was mentioned by 15 out of the 20 respondents in Table 28 and had a rank of 2.

SL: 'Where there is an Indian retail manager the majority of sites go to Indians. Where there is a white retail manager, the majority of sites and new site developments are in white areas. Where there is a black manager, it is so reminiscent of the Apartheid days, they oppress Africans even more as though to impress their masters'.

SZ: 'Who is the retail head influences the racial network pattern of the oil company. These retail heads do not even empower groups of Indians, they just empower a handful of individuals, if it was government, we would be claiming that it has been captured. Three years ago, one company picked this up and changed the retail head but by then the network was predominantly Indian.'

SC: 'This happens also with property development where most of the teams are predominantly white. Unless an oil company puts it as a strategic directive to its managers, we won't see transformation.'

Dominance of Indian and White retailers:

This issue of the dominance of Indian and White retailers was mentioned by 15 out of the 20 respondents in Table 28 and had a rank of 2.

RC: 'Unlike during Apartheid when township business was exclusively for township dwellers, now other races are allowed to have businesses in the township and this has led to an increase of these races in the township especially Indians but there has not been a similar increase of African retailers in Indian or White areas.' SL: 'Money that was accumulated during the Apartheid era by the non-African races is being used against Africans during democracy'.

RC: 'The Charter is afraid to articulate that it is trying to redress historical economic issues of African people preferring the term HDSA and black which benefits those not disenfranchised'

RB: 'The national imperative was always to solve the problems of the majority. By being afraid to call a spade a spade we ended up hiding behind the terms HDSA and black, instead of being clear that the majority we are trying to help are the disenfranchised Africans'

*RJ: 'I don't know where my (**white**) mentor is at the moment but the last I heard he had transferred his sites to his wife. That is how some of the guys deal with BEE.'*

Failure of RAS:

The failure of RAS was mentioned by 12 out of 20 respondents and had a rank of 3 in Table 28.

SC: 'Government expects RAS to be a negotiation, they don't appreciate the nature of the relationship between the oil company and a retailer'

SS: 'RAS was a good thing and introduced transparency in margin allocation, where it failed is that the DOE said the margin was to be negotiated between the oil company and retailer. A negotiation!!'

RJ: 'My rental payments were okay and fair until RAS, now I don't know what is going on. The five cents increase for staff in September did not come to me. Who pays staff?'

Pricing of sites used as an artificial barrier

The Pricing of sites being used as an artificial barrier was mentioned by 8 out of the 20 respondents in Table 28 and had a rank of 4.

SL: 'We have had a whistle-blower prove to the DOE that the advertised offer price is not the purchase price ultimately paid. The high prices are placed a s an artificial barrier to stop African entering the sector'

SC: 'Already the first audit showed that Africans were selling sites and barely made it.'

RJ: 'I wonder if they would have done something faster with a white person who had money to sue them once it was clear they misrepresented the site volume and therefore inflated the price.'

RT: 'I bought my site from a financial rescue brokerage. So, the price was very low by then. If I had paid the original asking price, I would be dead.'

Deregulation:

There was no agreement between respondents on whether the industry should deregulate. It was mentioned by 8 out of the 20 respondents in Table 28 and had a rank of 4 an as LFEC failure.

SC: 'Deregulation is government policy. Once transformation is achieved the industry will be deregulated. It should not be deregulated before. Delays to transform are not helping.'

SP: 'If the industry deregulates the small guy will die. Guess who is the small guy?'

RJ: 'No let deregulation come and let us see where it takes us!'

5.3. Results to Question 2

Research Question 2: What influenced the retailer to exit the sector?

Purpose of the Question: It aims to understand why the numbers of African retailers are declining in the sector, irrespective that the petroleum industry was the first to adopt an industry empowerment charter that was endorsed by all stakeholders.

Secondary Question 2.1: Why did the retailer leave the sector or move from one oil company to another?

As shown in Table 29, financial Problems, high rentals that were ever increasing without explanation from the MOC, non-profitable low volume site, poor MOC support, uncompetitive conduct from the neighbouring site and no government response when the issues were reported, bankruptcy, breaching by the MOC, and a realisation that there current situation at the site was untenable were reasons given by retailers for exiting the site.

Table 29: Issues that forced retailers to exit

Rank	Construct	Frequency
1	Financial problems	8
2	Promises to reinvigorate site not fulfilled	5
3	MOC misrepresented historical performance of site	3
3	Lost account customers when previous retailers sold	3
4	Rent increases not in line with agreement made site untenable	2
5	Paid electricity to municipality R200 000 company refused to reimburse	1
5	Not profitable	1
5	Has saved to buy land for own site	1
5	Uncompetitive conduct of neighbouring retailers	1
5	Site has low fuel volumes but high convenience turnover	1
5	Forced to use savings to pay for fuel she did not receive	1

Table 29 indicates that three retailers were breached meaning the MOC evicted the retailers and they only the left the site with debt. Two sold their sites. Three were currently selling their sites. Two to avoid breaching. One to free capital to develop a site where they own land. They had already secured the land. One had been evicted though the court and bankruptcy proceedings by their business partner.

Financial problems were raised by eight respondents in Table 29. Unfulfilled promises to invigorate by five respondents. MOCs misrepresentation of historic figures was raised by three respondents as well as the fact that when a site is sold account customers leave reducing the through-put in the forecourt. Rent increases that were not in line with lease agreements had affected two respondent retailers.

The other issues raised in the Table 29 seemed to be more of an individual issue with the issue being mentioned only once by the respondents interviewed. These were specific responses to why the retailer had been forced to exit. A retailer had paid the electricity account of R200 000 to restore blocked municipal services to the site. The MOC was supposed to pay they did not reimburse the retailer. A retailer had sold because the site was not profitable. Another one had saved enough money to buy land. Another complained of fuel discounting by neighbouring sites leading to a convenience shop turnover that was much higher than the fuel turnover. A retailer had returned the site to an MOC after she was forced to pay R720 000 for fuel that she had not received.

Secondary Question 2.2: What would have made the retailer stay?

This question was only asked to retailers. As shown in Table 30, ten complained the DOE and MOCs were unsupportive. All of them also complained margins were too low. If these two facts changed, they would stay and thrive.

Table 30: Retailer retention

Rank	Constructs	Frequency
1	A supportive MOC & DOE	10
1	Nothing margins are too low	10

Inadequate Support and Low Margins:

RL: 'The training was second to none, but there was no support after that. When I bought my site, I was told it was a 350 000 site it turned out it had never done more than 150 000. When the oil company wanted to take my site back, they refused everyone who wanted to buy my site including cash buyers. They were going to move me to a new site. Then they appointed *a white retailer at that site. They sent my network manager to tell me and he said' don't be hysterical when I tell you this.' I was so shocked I asked to go to the toilet my stomach started running immediately. I blocked the retail licence application. When the white retailer offered me cash for my site and the new site I was elated. Then the oil company said I should not take the offer. They would appoint their own retailer. I said but I went with the guy you chose. They said no we no longer want him…these guys are cruel. Instead they stopped supplying me with fuel and I left the site with nothing. I am still fighting them today since 2012!'*

RD: 'These guys recruit us just to frustrate us. Why put us through an amazing retail program then sabotage our efforts to succeed. Why appoint a new retailer but not allow me to accept his purchase offer?'

SL: 'Oil companies operate an oppressive regime'

RS: 'You said what will make you stay, if I can actually say just be patient with me, I will actually fix my issues but you know that once you keep on having this problem the next coming six months, 7 or 8 months and then when they actually sit down in that corporate, they say you know this guy he got this site through this empowerment program, look at him now, he is so… maybe he was approved by mistake, he is not a very good dealer. That is why I say I would rather get out of here and pay for whatever that needs to be paid for before I get chucked out. I don't want to be evicted because it might be a very simple decision for them to evict me because hey, he is one of those guys – And the experience. We've got other guys who've been evicted. Out of the five of us from the program, two have been evicted already.'

RL: 'When I bought the site, I was told it was a 350 000-litre site. I was told verbally. After 3 years I discover that the actual volume was 120 000. I too never went over the 135 000 mark.'

RI: 'I am trying to sell my site, I sent four guys for interviews to the oil company who want to give me the price I asked for. Two are cash buyers. The oil company rejected all 4. Now I have sent 2 new ones. Imagine. They are killing me in the meantime while I wait.'

Secondary Question 2.3: What challenges within the sector are unique to African retailers?

Constructs that ranked one in Table 31 as challenges unique to African retailers were: 'dog sites'; over gearing; money handling fees; an expectation to fail and inappropriate funding models. These all had a rank of one. Of the 20 respondents 15 had raised these as an issue.

The victimisation of African retailers in Table 31 had been mentioned by 12 respondents with a ranking of two. Unfavourable lease agreements; the fact that MOCs profited from evictions; an inappropriate convenience store mix for the location and poor economies of scale were all mentioned by 10 respondents.

Conditional selling and price as an artificial barrier to entry were mentioned as shown in Table 31 by five respondents. Elite capture and the fact that black women self-eliminated were each mentioned by two respondents as shown in Table 31.

Table 31: Challenges unique to African retailers

Rank	Constructs	Frequency
1	Given Dog sites	15
1	Over-geared when entering sector	15
1	Impact of money handling fees	15
1	Expected to fail	15
1	Inappropriate funding model	15
2	Victimisation of retailers	12
3	Unfavourable lease agreements	10
3	MOC profiting from evictions	10
3	Inappropriate convenience store mix	10
3	Economies of scale	10
4	Conditional selling	5
4	Pricing of sites used as an artificial barrier	5
5	Black women have self-eliminated	2
5	Elite capture	2

Africans given dog sites:

RS: 'Due to high prices of sites, African retailers invariably apply for low volume sites because these are cheaper'

SS: 'Oil companies are fighting hard to ensure that African retailers especially new to industry entrants do not get allocated low volume sites, unfortunately this is what most can afford'

RL: 'The oil company employee found that my site was operating at a R33 000 loss every month and I was doing everything right. I was always on site. They sent a consultant who also found the same thing. So, they promised me a different site that had higher volumes.'

Over-geared when entering sector:

SN: 'Sites range from R5 million up to R22 million. Africans due to legacy issues have no assets and so end highly geared which is undesirable.'

SC: 'It is crazy. Sites with land and only 275 000 litres projected are selling for 75 million. How are you ever going to recoup that? You will never make any money from that site. If you need a loan for that your gearing will kill you!!'

Impact money handling fees:

SC: 'The RAS model does not adequately compensate for the cash management fees. Increasing fuel prices strains the retail margin even more leading to increased requirements for working capital in an environment of ever diminishing margins.'

SR: 'Just on the bench mark service station remember it does not cater for diesel 233 000 litter site we are 10c out of pocket from cash and card handling costs. Cash handling costs are about 1,5 cents out of pocket. So, I mean the total cost is about 17.5 cents per litter and RAS gives you 6.9 cents. But the actual cost is closer to 20c. All of this is compensated for but not accurately. This is based on a limited card penetration. To put the cash in a cash machine, the CIT cost. Insurance cost, fee for the bank to process, the onsite robberies have gone up significantly. When I showed it to the DOE, they nearly had heart failure.'

African retailers are expected to fail:

RI: 'I know that the oil company does not take me seriously because I came through the manager empowerment program. They say these guys are not grateful. I am a very good operator, but that does not count for anything. At the end of the day, I am a manager who was selected by the oil company not a real entrepreneur in their eyes.'

SW: 'Oil companies are not recruiting entrepreneurs but those people with money to buy site, these might be corporate types who lack entrepreneurship spirit.'

SS: 'Although we are selecting African retailers, we invite them to an open bidding process. There might be better candidates and so we always chose the best.'

Funding model

SN: 'There are over leveraged retailers and fronting due to retailers not having capital'

SA: 'Our Bank's funding model is great because it has developmental finance in it. The NEF and all other DFIs needs to recognise they are not in the same space as banks, they are a they are in development finance. They cannot want to attract the same lending rates.

RJ: 'Now they are giving licenses to white people, fronting is something that is done. The department is saying help black people get more sites, but at the same time, they are doing the opposite, when the department issues a license, who are the shareholders, are they black or white people or black and white. If there is black and white, surely there is fronting. Why do I say that, if the black guy had money why would he need the white guy? Why does the white guy partner with a black guy with no money? To what end?'

RJ: 'As part of the empowerment program I was given a loan of R339 000 loan – the oil company - which I must pay in 3 years and I paid it in one and a half years. They couldn't understand how, and part of the agreement is that I shouldn't take out a loan to pay another loan. They even sent somebody to check my bank statements, if I didn't take out a loan. The little that I made it I tried to pay off as quickly as possible and after that they gave me a break of one month, then they gave me an invoice of key money, I think R550 000 key money. I was making money. I paid their key money in 6 months and I said now I'm going to start making real money and I'm gonna start saving as well. Instead they increased the rent from R45 000 to R350 000 even though my literage is still 350 000. Same as day one. That happened when they introduced RAS.'

RK: 'I don't know, maybe our industry is governed in such a way it says everyone for himself. If there is a problem, who cares even if it's affecting me. Somewhere during September, the department gives us the money, that 5/6cents as a result of increase in wages and all that but that margin doesn't come to us.'

Victimisation of retailers

RL: 'The guy in charge of supporting us post recruitment has also left the oil company, he has a site and is experiencing the same problems as I had. He came to my house to apologise for not being sympathetic to me because he did not appreciate what I was going through. He now understands it as he is going through the same thing.'

RT: 'I used to be a network manager for 3 companies in 7 years. So, I understand this business. But I paid way too much for this site so my experience is not helping and my gearing is killing me. The oil company is supportive but they can't give me money. My RAS margin is based on projections that never saw fruition and a history that has not been repeated. The site was closed for 3 years before I took over. This area has changed drastically in that time.'

SC: 'Identical sites identical contracts, different oil companies. One has a margin of R1.70 another R1.45 margin. The difference is the way the oil companies implemented RAS. The problem is how can you have that discrepancy in an environment where the pump prices are regulated? I mean surely…they have identical deals with the oil companies, I examined them. Pump and tank deal. They are clawing back more margins than they are entitled to. The DOE says there must be a negotiation. There is no regulation or legislation. The oil company can opt out of RAS. The retailer can't really. The invoice price and the pump price will be what they are.'

RJ: 'Right now you are recording, there is a document that you signed, confidentiality –the reason being that if my name comes out, obviously, I'm going to be victimized. It's not the same thing, you go report, they're going to know. I attended one of the dealer council meeting, My business advisor wasn't there – I raised – it was a fact – about waiting for video whatever in 2008, it's been more than seven years, I've written emails but nothing – 8 O'clock at night, I'm at home with my family, a call, hey you were talking about me that I'm not doing my job and I said no, all I said was something that you know, I have sent mails of course, and he said, you thought I would not know. It happened, I immediately told my wife. You could see whatever you say, they release to someone else and you know when I say something to you and you tell the 3rd person, it's not gonna come out the way you said it. Those are disturbing things. It came to a point I said, I don't want this, I would rather keep my mouth shut. The way things are done in the industry that is why I say everyone for himself.'

Unfavourable lease agreements:

RT: 'I have worked as a network manager I tell you these agreements are racially divided. Africans don't get favourable agreements. 2 guys in my network with identical sites have totally different agreements with RAS being higher on the white guy. What do you call that? Would you raise that and risk your pension?'

MOC profiting from evictions

RS: 'The majority don't own properties and oil companies are very aware. Let's take site A, they sell it to Peter for R7 million. Peter for some reasons, cash flow problems, evicted with nothing. I know dealer that were evicted with nothing. The site was sold for R7 million, Peter paid R7 million to the oil company, did not do very well and is evicted. The very same site, they sell it again, maybe R7,5 million, Josephina manages to get R7,5 and then cash flow problems, Josephina loses the site. The very same site is sold again for the 3rd time – there must not be dealers that fail within the network. Oil companies must do everything to ensure that their dealers survive and succeed in their network. If you look at this scenario, oil companies actually make more money if the dealer is evicted because the same site can be sold several times. If the dealer is struggling with cash, cash is always a problem, but its good news to somebody.'

RL: 'Evictions are profitable. When you walk away you walk away bare handed. They sell your site. Pocket the money. Then still chase you after the debt.'

SN: 'The oil company will sell a site after evicting a guy that owes us as funders but they won't settle with us. They expect us to still chase the guy who walked away empty handed for our money.'

Inappropriate convenience store mix for township sites:

SL: **'***Township sites are not well catered for in the present dispensation and so the convenience shop does not do as well as it could. The product mix is fit for suburbia than for a township store. Also, there is no local supplier development encouraged.'*

RI: 'You would actually be amazed on the impact of the Pakistani shops. I saw the impact when there was protests and when they were closing their shops. For those two days my shop sales sky rocketed, and I said, wow! I was not even aware of the impact of the hawkers selling oil company lubricants. They sell them cheaper than I buy them from my oil company. The oil company does not appreciate retailer issues in the township.'

SC: 'Even Makro is selling that at a lower price. We go to the extent of at times with the analogy of Total, go and buy at Makro because the same Total products are cheaper.'

Economies of scale:

SC: 'One site is not enough. A retailer needs two to three sites to make it work. Even if the other 2 sites are dog site, economies of scale and a high-volume site can be lucrative for an experienced retailer.'

RJ: 'I have a BComm and a BSc in IT. I have come up with a model that will tell you exactly which cash is your and so on. I follow every cent with my model. I have planes for it. I intend to buy numerous sites and employ my model for oversite. I tell one site will only put bread on your table but nothing more.'

Conditional selling:

RI: 'It depends, there are some instances where for a month when these associations decide not to allow ventures to fill up here because I don't want to buy them a patrol car but after a month, they will come back. No, they've been putting pressure on me to do that? Some retailers do buy these cars. The department you report it they do nothing.'

RT: 'I have reported to the department that my neighboring retailers are discounting fuel. The department said it was a local issue and I should not report it to national office of the DOE. The local office has done nothing.'

Black women have self-eliminated:

SW: 'I think the reasons women are not responding to the availability of sites is because of the time that is required to be a petroleum retailer. Women have families to look after'. 'Not a single African woman took up the opportunity when it was made available to us even when they were invited. Instead we have a lot of women interested in wholesaling.'

RT: 'I can't spend 7 days a week and such long hours as an educated person making so little money. Surely if I am to sacrifice my family responsibilities it must be worth my while.'

Elite- Capture:

There was agreement that patronage was an issue that should be discouraged.

SL: 'This is a real problem. Africans who have money don't want to operate sites. They just want to invest in a site. Invariably those that have the sort of money to get high volume sites are politically connected.'

RS: 'There is a site that has just been given to a politically connected lady. She has no experience for that size of site. It will be another sad story.'

5.4 Results to Question 3

Research Question 3: What support did the oil majors and government give you the retailer from first entering the sector to leaving?

Purpose of the Question: It questions the kind of support given to you the retailer?

Secondary Question 3.1: What inspired the retailer to enter the sector?

Table 32 indicates that two retailers had been inspired to enter he sector by friends or relatives who were already in the sector. These were also mentors in running the business once sites were acquired. Two were looking for an opportunity. One saw an advert in the newspaper. Another was at the University of the Witwatersrand business school on a post graduate course. He met an MOC executive on the same course who told him they were recruiting young black entrepreneurs. The other four were recruited by oil companies while they worked as managers at various sites.

Table 32: Inspiration to enter sector

Rank	Constructs	Frequency
1	Inspired by relative/ friend	2
2	Was looking for a business opportunity	4
3	Recruited by oil company	4

Secondary Question 3.2: Who did the retailer rely on for information about running the business?

<u>Training offered when first acquiring site</u>

All retailers interviewed in the study as indicated in Table 33 went through a training program from their respective MOC before keys were handed over. The programs ranged from three weeks to 18 months. The programs ended when the training sessions ended and there was no follow up after wards. All retailers relied on their own network of friends, family, colleagues for information. Some of these they had met on the training program.

Table 33: Training of site management

Rank	Constructs	Frequency
1	Trained by oil company	10

Inadequate mentorship and training:

All retailers in Table 33 felt that their training was good but needed to be on going and once in the site there were inadequacies. Even the retailer who felt his training was second to none complained of lack of support after.

SN: 'Very short training periods which do not leave the retailer adequately trained to embark on the complex day to day running of a retail site'

RM: 'It's like teaching a baby to walk for instance, and then putting them in the street and say now you can all walk. They've never dealt with traffic, how to cross at the robots and those type of things you know. The course has a great theoretic aspect but no follow up to support the theory in practice'

SC: 'Most mentors are Indian and White and one wonders how successful these mentorships really are given the high failure rates of sites'

SS: 'We need people who are there to stay for the long haul, skills transfer takes time, we cannot afford to keep recruiting people who leave.'

RJ: 'Our training was a year and a half. In theory it was adequate but once you were running the site it was tough. A site is a business and you need to respond to its challenges, your network of retailers can make or break you.'

SW: 'No amount of training can turn around a dead site. It is location, location, location.

Secondary Question 3.3: How did the retailer finance the business and where did they get information about funding?

<u>Financial assistance to acquire site</u>

Ex- site managers made up five out of ten retailers interviewed. Those managers who had been recruited by the MOC to acquire sites were funded by the MOC as indicated in Table 34. They were not allowed finance even for working capital from the banks. Three used a combination of their own deposit and a bank loan. Table 34 also indicates that two used funding from the NEF and a 10% deposit with own funds. Those funded by the NEF were also given a mentor for the duration of the loan.

Table 34: Financing of site

Rank	Constructs	Frequency
1	MOC loan not allowed any other loans	5
2	Own funds used for 10% deposit with bank loan	3
3	Own funds used for 10% deposit with NEF	2

5.5 Results to Question 4

Research Question 4: How is sectoral knowledge managed within Petroleum retailing?

Purpose of the Question: to understand how knowledge is shared that would curb the decline of African retailers in the sector

Secondary Question 4.1: Did the retailer have a mentor or who did they rely on for information?

Table 35 shows that all MOCs and NEF funded retailers had a mentor for the duration of the loan. From Table 34 five retailers had been funded by MOCs and two by the NEF. Table 34 also indicates that most retailers relied on support from other retailers. 90% of those interviewed. Previous experience as a site manager was very useful with day to day operations. The managers were also given a mentor. These mentors proved very unsuccessful as there was often tension between the mentee and the mentor. Mentors were often suspicious of mentees.

Table 35: Retailer knowledge support structure

Rank	Constructs	Frequency
1	Support from other retailers	9
2	Previous experience as manager of a site	5
2	MOC supplied a mentor	5
3	Previous employer acted as mentor	4
4	Had been an employee of an MOC in retailing	3
5	Relative had a site and was helpful	2
6	Paid own trainer	1
6	Funded by NEF supplied with Mentor	2
7	Experience as a previous site owner with support network	1

RJ: 'They found me a white guy to be my mentor. When they took me to his site, he said it straight it in my face, we had a meeting and there was somebody from head office and the meeting was tense, I was asked to go outside, when I came back, the guy asked me are you here to spy me and I said, oh my goodness, what are you talking about? I said to him, let me tell you something, I've been through the Empowerment Program, I'm sure you know it, I passed, as we speak now, they are building my site, I'm here to help you, to implement some of the things that I've learnt in the program. If, I'm not welcome, no problem, tomorrow morning, *I will fill up my car and go back to Jozi, at least I'll go there every day to see how far they are. He said no, sorry about that.'*

Secondary Question 4.2: Is the retailer aware of the Moloto Solutions audit report on why African retailers are exiting the sector?

Table 36 shows that three retailers and nine stakeholders had knowledge of the Moloto Solutions audit. They agreed with some but not all of assertions. They agreed numbers of Africans were shrinking based on their experience. One stakeholder disagreed and said that the numbers were not necessarily shrinking. What was shrinking were the numbers of African retailers in MOC sites but not unaligned sites. These sites had low volumes, were serviced by smaller wholesalers and were predominantly away from cities and towns. They did not agree that Indian retailers were better entrepreneurs due to business acumen. Most felt it was due to a better entrepreneurial ecosystem and legacy issues linked to Apartheid.

This table 36 also shows eight respondents with no knowledge of the Moloto audit made up of seven retailers and one stakeholder.

Table 36: Retailer & stakeholder knowledge of Moloto Solutions Audit

Rank	Constructs	Frequency
1	Has knowledge of Moloto Solutions Audit	12
2	Has No Knowledge of Moloto Solutions Audit	8

SR: '*I don't understand the need for a Moloto Solution audit. DOE should have the data already.'*

Secondary Question 4.3: What is the retailer's comment on the fact that the Moloto Solutions audit report states that the most successful black group in Petroleum retailing is the Indian retailers because they are skilled business people?

<u>Comments on Moloto Solution's Audit report</u>

The Moloto report was criticised for taking a narrow view of the industry by all 12 respondents that were familiar with it in Table 37. There was also criticism about the fact that Moloto Solutions did not know enough about the industry to make recommendations. The report was thought to be unreliable and flawed because it relied on self-reporting. It was felt that issues that impacted the transformation of the industry which were challenges to all retailers due to economic conditions were ignored.

Table 37: Criticism of the Moloto Solutions report

Rank	Constructs	Frequency
1	Robustness of report	12
2	Unfair comparison	14
3	Did not want to comment on race	6

Table 37 also indicates that 12 respondents felt comparing Indians and Africans was unfair due to having suffered differently under Apartheid and so had different access to capital and social structures. One retailer asked:
'*RB: 'How many Indian men worked in mines while their children were brought up in a village and they saw them only twice a year?'*

Those that felt this was an unfair comparison were 14 as indicated in Table 37. Interestingly six respondents refused to be drawn on race or making any comment.

Robustness of Moloto Solutions Report

This construct had a ranking of one and was agreed to by 12 respondents,

SC: 'Is it because their data base is unreliable? I don't mean to throw stones at anybody. Everybody who has read Genesis 1 thinks he is a Preacher, that is not so. This industry is complex, their analysis simplistic and not fit for purpose.'

RB: 'I don't think these guys are better than us at all. For example, I took an NTI site to an MOC they took too long to approve it. So, I approached one of the new oil companies. The next thing the previous MOC comes to me and says they will approve the site if I partner with an Indian retailer. They even brought the guy to my place. The guy is unknown to me. Now you tell me. How are they better? They just have better access. Why do I need an Indian partner?'

SP: '*When we sent them data showing them exactly how many wholesalers, existed beyond the major oil companies, they brought it back, refused to include it in the study and said the format was not to their liking. Now can you really tell me they have accounted for all the service stations or have they only accounted for service stations that the MOC have franchised who belong to SAPIA.'*

SF: 'I just think the scope is out of balance. We talk of traditional service stations as we understand them but we forget that retail licences were also given to cooperative garages and garages that were behind fences meant for members only.'

SL: '*More than 7000 retail licences have been issued so how come we are accounting only for 4600. That is because the cooperatives and farms and all other service stations that are unbranded are not included but these including the integrated energy centres set up in villages by oil companies and the DOE'.*

Sub Question 4.4: What does be an African retailer in the petroleum sector mean to the retailers?

All retailers agreed that being an African retailer meant constant strife to succeed as indicated in Table 38. all also agreed that vigilance against failure was required. They also felt that the access which other races had freely and easily to MOC executives was denied to them. They also felt that when they failed their failures were exaggerated. Retailers felt as though they were constantly fighting all fronts in an environment that was geared to fail them. One stakeholder agreed with this and said:

SL: 'Why is it when Africans fail it is as though a Tsunami has just struck, all races fail at some point. Entrepreneurship is like that. You dust yourself and start over.'

Table 38: What it means to be an African retailer

Rank	Constructs	Frequency
1	Constant Strife	10
1	Vigilance	10

Access to capital:

Respondents agreed that there was difficulty with access to capital because of a poor asset portfolio.

SC: 'Indians and Whites are getting high volume sites and land set aside for petrol stations because they have the money for it. It is no big mystery. Finish and klaar.'

RL: 'When I took the oil company for arbitration, I was broke. We had to split the initial R2500 with them. I paid my R1250 over 3 months. Then the next meeting needed R25 000. I told them I could not afford it, they said arbitration cost money. The Commissioner did not allow me to represent myself.'

Volumes declining:

Respondents felt that he economy means volumes are declining and low volume sites are losing through-put.

SR: 'Volumes are down for any number of reasons. Research house did a research on this the other day.'

SF: 'Declined forecourt volumes: people are sharing vehicles, they are cutting down on travelling they are making more informed purchasing decisions. The Spar near us burned down, so the BP near the Spar had their volume go down but the garage on the way to food lovers market had their volume go up.'

SL: 'There is also a proliferation of sites in this environment. In Siyabuswa currently 9 retail licences being applied for in Kuruman 4 Licence applicants. There are not 400 000 litres in Kuruman. So, you are setting these sites for failure.'

SC: 'This is because licences are issued like confetti at a wedding. Anybody wants one they just gooi a licence at them. They (MOCs) make R100 million a year doing nothing because of regulation'.

Fuel prices increasing:

There was consensus that on-going price increases were creating a financial burden especially because margins were small and under strain.

SW: 'For matters beyond their control fuel prices are increasingly straining retailers even more, leading to high needs for working capital.'

RJ: 'Since the R1 fuel price increase last week, my declining volume has declined even more causing me more distress. If something does not happen in 3 months I am going to be in a lot of trouble. Already I am only paying the oil company 5 days after receiving fuel. That is how much they realise the seriousness of my situation. They are trying to support me.'

5.6 Conclusion to analysis of results

This Chapter presented answers to interview questions. Content analysis was used to identify themes. These themes were ranked according to their common occurrence.

6. DISCUSSION

6.1 Introduction

This Chapter gives the interpretation of the study results presented in Chapter 5. The discussion made a thorough analysis of the answers to the research questions in Chapter 3. The Chapter compares the constructs that emerged from the interviews to the literature. This comparison tested the impact of the LFEC on the transformation of the retail sector. It also tested to what extent the LFEC had impacted African retailers. These were compared to insights from the literature reviewed in Chapter 2. Similarities and differences were highlighted. The researcher was also keen to see if the study collaborated the Moloto Solutions audit report.

6.2 Discussion of results for research Question 1

Research Question 1: Is the retailer aware of the Liquid Fuels Empowerment Charter (LFEC) within the petroleum sector?

Secondary Question 1.1: Awareness of the retailer of the LFEC or any other legislation governing the sector.

The data from the interview was in stark contrast to what Leipzinger (2015) said needed to occur if a policy was to succeed. Seven out of the ten retailers had no knowledge of the LFEC in Table 24. Leipzinger had said that policies need buy-in from the general populace in order to succeed. Their timing needed to be appropriate and the objectives clear and known by all. From the data this was clearly not the case. Of concern as well to the researcher is the fact that retailers who were directly affected by these policies were unfamiliar with them.
Evidently no effort is being made at educating Africans by either the DOE or MOCs about the LFEC. These policies had been put in place specifically according to the LFEC to redress historical imbalances (Department of Energy, 2000; Komane, 2017).

They were therefore meant to uplift and empower HDSAs which include African retailers. That these retailers are predominantly unaware of even the existence of the LFEC is very concerning. The researcher cannot see how they will exercise their rights or privilege if they are unaware of the existence of these. If this group is unaware that here is affirmative action in place to support them to transform the sector, they won’t reach out for it and so the likelihood that it will succeed is minimal.

The White Paper had called the era of introducing transformation policies ‘bold new thinking’ in order to ensure that BEE was reflected by the composition of the industry at all levels and that significant black ownership and control occurred’ (Ministry of Mines and Energy, 2013).

Leipzinger (2015) contends that ‘reform programs’ require superior preparation before implementation, they need to be pre-announced so that they get support from the citizenry and their implementation must be systematic and irreversible’. This clearly does not seem to have been the case with the empowerment policies within the energy sector.

Ovadia (2012, 2014) shows that other African countries including Mozambique have been very direct and lacked ambiguity with the implementation of policies to ensure that citizens participated more in the energy sector. With Mozambique legislating that 51% was the required equity stake citizens needed to have (Power et al., 2016) This is much higher the 25% required in the South African energy sector.

Interestingly one stakeholder who refused to participate in the study said he felt that the LFEC had nothing to do with petroleum retailing. This is in stark contrast to what the LFEC itself states. It says specifically that it is signed to apply to the entire value chain, ‘transport and trading (including, export, wholesale and *retail)* ***’ (****Kapdi*, 2017). With regards to retail Kapdi (2017), Moloto Solutions (2012), Leketi (2011) and Komane (2017) talk of failures of the LFEC within the retail sector. So, it is both surprising and disturbing to find that 18 years on, an executive working for an organisation that is a signatory to the LFEC thinks retailing is not accommodated.

Nine out of ten stakeholders in Table 25 were familiar with the LFEC. Some belonged to representative organisations and the rest worked for MOCs as transformation officers. This was to be expected because all MOCs are signatories to the LFEC (Department of Energy, 2000). As stated by Crompton (2018) when the MOCs signed the LFEC there was no need to coerce them, they did so enthusiastically.

Secondary Question 1.2: Impact of knowledge about the LFEC on the retailers.

Those seven retailers in Table 24 that were familiar with the LFEC said that this knowledge had no impact on their day to day operations or relationship with the MOC. This knowledge did not empower then in any way and the LFEC did not seem to assist them in any way as African retailers. This seems to agree with Gumede (2017) who states that transformation is complex and challenging. He laments the 'mixed' and 'disappointing' results from empowerment efforts by the ANC but still insists that it is preoccupied with the upliftment of 'poor Africans'. The failure of these efforts was very evident to the researcher.

De Haan (2017), contends that even if not all citizens will benefit from these empowerment policies it is important that they should exist in order to level the playing field. He agrees with Leipzinger (2015) that they should targeted in order to succeed.

Being signatories to the LFEC and knowledge of it did not seem to have a positive impact on the conduct of the MOCs. Most non-MOC stakeholders interviewed and all retailers had a dim view of the commitment of the MOCs to the LFEC. This has necessitated the need for a new PLFEC to be drawn in the sector so that this is written in legal language rather that a gentlemen's agreement as Crompton (2018) referred to the LFEC and that this can then be easier to enforce. In fact, SS said this new charter made transformation efforts more hopeful. Ovadia (2012, 2014) and the Power et al (2016), show that these policies are very common in the petroleum sector in other African countries.

Secondary Question 1.3: Utilisation of knowledge about legislation in the petroleum sector.

As shown above the retailers had not utilised their knowledge of the LFEC and its clauses in any way. They also did not seem to see what value this knowledge had for them. One retailer assumed that this knowledge would open up opportunities but found that it did not. Another had tried to use the complaints resolution system in place when he was at loggerheads with the MOC and he found that the process in place for conflict resolution and mediation, needed money he could not afford. He also found the DOE very unsympathetic as he claims one of the DOE employees told him the problems he was experiencing '*were of his own creation'* (RL).

This seems in keeping with what Linz (1999) contends about reform policies. Linz is of the opinion they exist only to appease the labour movement rather than to impact the poor in any meaningful way. Mosala, Venter & Bain (2017) do not see how an ANC government that is a signatory to the new General Agreement on Tariffs and Trade, which also has free market policies can be trusted to lead radical economic reform. So, they contend that socialist policies exist on paper only and have been abandoned in favour of capitalism. This is in keeping with SL who feels that the DOE is experiencing '*policy capture'.*

Secondary Question 1.4: The LFEC in relation to its objectives.

The only target that was set by the LFEC was that of 25% ownership. This has occurred. All MOCs have a 25% BEE partner. Most of these deals occurred during the Mbeki Presidency. See Table 5. Interestingly in Mozambique this ownership percentage is required to be a minimum of 51% (Ovadia, 2014). Other African countries insist on ownership sharing like Ghana, Uganda and Nigeria as well in order to guarantee the participation of nationals (Ovadia, 2012).

The draft PLFEC has 30-35% as a minimum ownership target. Retailer organisations are requesting more (SR). it is important to note though that SS stated the fact that these deals were expensive and meant that the BEE partners were heavily leveraged. Most MOC as required by the LFEC which committed stakeholders to *'investigating and implementing internal and external financing mechanisms for giving HDSAs access to equity into strategic partnerships across the value chain'* (Department of Energy, 2000).

When one considers that the 25% ownership was supposed to be within the entire value chain the LFEC has failed. As Table 1 shows Africans are still only at 17%. The new target that is being set for 30-35% with the PLFEC will require concerted effort to be achieved.

Conclusion to Results for Research Question 1

Most retailers were unaware of the LFEC. Those retailers that were aware of the LFEC did not use this knowledge to their benefit. This is even when they had problems. One retailer who decided to take on an MOC found that the policies of government did not help him in any way. He approached every tenet of government available to a citizen who has no money seeking justice but his pleas fell on deaf ears. Even the Public Protector was unable to come to his aid.

Most stakeholders were aware of the LFEC. They agreed that the government had failed in its role to monitor policy, ensure policy implementation, ensure enforcement and compliance; even penalise where necessary. All agreed that the 25% within 10 years that had been set as an ownership transformation target for all MOCs had been achieved. All other objectives had not been achieved. Mainly because the LFEC had not been written as a legal document so when it was enacted with the PPAA it should have had its language changed so that it migrated from being a gentlemen's agreement to an enforceable legislation. Government also failed to follow up on amendments to the licencing regime that were necessary according to section 2e of the PPAA where in it states that the 'Minister must prescribe a system for the allocation of site and their corresponding retail licences'. To date the Minister has still not done this. This lack of vigilance in issuing licences is said to be an impediment to transformation within the Moloto (2011) audit. The aim as well was to come up with a system to reduce the number of sites to ensure that sites were viable and profitable. This has also still not been done. This has led to the over proliferation of sites especially in township by non-township dwellers. Unlike with the RATPLAN which was introduced specifically to benefit white retailers and was specific and targeted in its processes the LFEC has not been followed with specific target action to ensure that the marginalised are empowered within the sector.

Awareness of LFEC: There was poor LFEC Knowledge among retailers and a greater awareness among stakeholders.

Impact of knowledge about the LFEC: those retailers who had LFEC knowledge felt that this knowledge was not useful.

Utilisation of knowledge about Policy: Attempts to utilise this knowledge were thwarted by DOE and MOC so retailers who tried to utilise it found that it was not useful.

LFEC in relation to its objectives:

The only objective reached was the 25% ownership objective. There was dismal failure in reaching the other objectives.

6.3 Discussion of results for research Question 2

Research Question 2: What influenced the retailer to exit the sector?

Secondary Question 2.1: Retailer migration between MOC or sectors

Table 20 shows that all retailers occupied their sites for less than 10 years. Seven retailers were at their site for less than three years. According to Table 21 all ten had experienced financial problems. Three had had their site taken from them (Breached) by the MOCs. Five were selling or had sold because of unprofitability of the site. One, the most experienced retailer in the group, had returned the site because of escalating unreasonable rent and being forced to pay for a full truck of fuel that had been delivered in Limpopo and not Johannesburg where her site was located to a retailer with a similar name and surname. The MOC had refused to engage the retailer who received fuel erroneously. They had gone on to sue the respondent. Six of the retailers had sites which dispensed below 233 000 litres which is the benchmark service station according to the RAS model. Stakeholders, Leketi (2011) and Komane (2017) had all cited the lack of a benchmark service station as a problem. This they felt was a problem mainly in relation to the goodwill calculation because it determined how much retailers paid on acquisition of a site and that tis left them highly geared and there meant they could not manage their finances once they realised that their sites were low volume sites (Leketi,2011). Only one retailer had a high-volume site. His financial problems were due to mis-investment with his working capital outside the sector. He was selling the site to settle his debt. He too was frustrated by the lack of autonomy to be able to introduce to the site changes which he felt would make his site more profitable. He pointed out to the researcher that his convenience store turnover was very low. When there was a strike and violence in his township, his convenience store turnover increased about ten-fold. He then came to appreciate the impact of the 'Somali hawkers' outside his site who had spaza shops and also sold lubricants from his MOC cheaper than he bought them from the MOC.

Corinaldi (2017) concurs that volumes are declining and that the ever-increasing fuel prices are a strain on the retailer. Mokoena and Lloyd (2005) found that these fuel increases had to be subsidised by the retailer initially. As fuel is paid on receipt before it is sold. Fuel guarantee payments were also a strain on retailers because this amounted to money a retailer could not use to guard against increases in working capital. When fuel prices increase, cash deposited increases. This increasing the cash deposit fees, increasing also all money handling fees. The RAS model which gives the retailer a margin once a year in December is not adjusted for these increases. Corinaldi (2017) showed how the current 233 000 litre service station under recovers by 17c on every litre of petrol sold. This is money the retailer is spending which they are not compensated for. The bulk of the money collected by the retailer is a levy/ tax and the burden to finance the money handling fees for this levy collection should not be for the retailers' expense (Mantsho,2010). High volume sites are able to absorb these increases low volume sites cannot (SP, SS, Corinaldi, 2017).

According to Mokoena & Lloyd (2005) most HDSA can only afford low volume sites that are in remote areas and that are low volume sites. These sites tend to be low volume pumpers, highly unprofitable and lead to failures of retailers. The Rationalisation Plan of 1962 limited the number of service stations in order to promote throughput and economies of scale. Since this regime was stopped, service stations have proliferated putting low and medium volume sites under considerable strain. The need for specialised knowledge. Corinaldi (2017) concurs that economies of scale are needed and that owning only one service station tends to lead to failure especially when it is a low volume site. He contends that a low volume site can be supported by a high-volume site if a retailer has more than one site. Economies of scale are important. All nine retailers had only one site. The retailer who had two sites was able to use money generated by her site to pay for the debts of the sites

Secondary Question 2.2: Retailer retention

Kapdi (2017) points to the fact that the LFEC had specified that the industry needs to investigate and put in place favourable credit terms for retailers. He also shows that it states that licences were to be properly assessed for their impact on HDSA retailers before being issued. It is evident that this was not the case. So, retailers who were not protected left the sector or changed MOC sites. All the retailers interviewed were passionate about the business except one who felt that it was too much effort for too little returns.

Table 29 shows how nine of the ten retailers felt that a supportive DOE and MOC would have helped keep them in the site. SL a stakeholder was clear that MOCs operated an 'oppressive' regime. RD felt that retailers were recruited just to be 'frustrated'. RJ felt that if he did not leave soon the erratic rent increases would hurt him even more financially. He explained how his site had a broken coffee maker for 18 months. Which is the responsibility of the MOC to repair. Once he realised, he was losing business in the shop he bought a coffee machine. Suddenly his account was charged an extra R5000 by the MOC. When he enquired, he was told it was the rental for operating his machine in their shop. He also pointed to the fact that they had replaced the paving bricks in the forecourt. Although this was the MOC responsibility, since he realised it was his site that was looking shabby, while new sites were coming up as competition, he felt that the money he spent would be worth it. He complained to the researcher that his biggest issue was access. As an African retailer he has no one at head-office with a sympathetic ear. He challenged the researcher to find out how many other retailers had paved their sites at own expense. Corinaldi (2017), The Moloto (2011) audit, Komane (2017) and Leketi (2015) all agree with the existence of the challenges experienced by the retailers leading to their exit.

Secondary Question 2.3: Challenges unique to African retailers

According to Corinaldi (2017) the following challenges are unique to African retailers. Are a lack of a mentoring or coaching of new to industry site owners? There is also no standard industry retailer ownership development and leadership program in place. This is especially disadvantageous given that business prowess is required to navigate the highly regulated complex petroleum industry. There is also no standard service station value creation methodology, or business model in place Mantsho, 2010). Meaning no proper due diligence is done when sites exchange hands (Corinaldi, 2018). This means that those new to the industry do not have the benefit of foresight and in most cases lack the guidance or insight to make good business decisions in making acquisition decisions (Singh, 2007). This is in an environment where the cost of capital is ever increasing and the margins from the fuel price ever decreasing (Moloto, 2011). Understanding site selection is critical when acquiring (Corinaldi, 2016).

The retailers' challenges according to them are listed in Table 30. They concur with Moloto (2011), claiming that they are given dog sites. None of them had transient sites (Leketi, 2011). Which means they are over-geared when entering the sector leading to failure when volumes decline (Singh, 2007). Which only results due to poor due diligence as claimed by Corinaldi. Mokoena and Lloyd agree with him. SN was also in agreement and explained how his company has started assessing all the sites before they financed them because often the sites were overpriced (Corinaldi, 2018).

African retailers also felt that they were expected to fail so when failure was eminent, they were not offered support (Moloto, 2011) (Leketi, 2011). Those who had gone through the manager program to become retailers felt that they were treated as underdogs and often victimised. I their 2011 audit, Moloto had found the relationship between retailers and MOC antagonistic. The audit reported a perception of retailers being bullied by MOCs. One retailer also said that when he had raised an issue at an official gathering to deal with MOC retailer issues. That evening he was called by his network manager and accused of dragging the network manager's name in mud in front of colleagues and behind his back. So, distrust of the MOC and their processes was very high. This ranked 2 and had 12 out of all respondents mention it. Lease agreements were also unfavourable and this as Corinaldi warned was a result of a lack of knowledge when negotiating contracts and often retailers who were new to industry just accepted contracts that they were given. Many were just too happy to have been allocated a site. Their lack of industry knowledge worked against them (Corinaldi, 2017) (Mantsho, 2010). All retailers concurred with this and none seemed aware that they could negotiate terms in the contracts before signing it. There seemed consensus that contracts were just signed as issued by the MOC.

Retailers also agreed with Mokoena & Lloyd and also Corinaldi that owning only one site resulted in no benefit from economies of scale (Singh, 2007). Conditional selling was not mentioned in the literature review as an issue but it did come out from five retailers as an issue out of ten. To the extent that township retailers pointed out that their neighbouring non-African retailers were able to afford things like building a taxi rank at the cost of R2 million for the taxi association or buying a car when the taxi association requested a patrol car. The DOE seemed unwilling to tackle these issues. One retailer complained that her neighbours all discounted fuel by giving all full tank customers a 2L of Coke. She had complained to the DOE about this and they sent her to the local office who did not respond to her numerous enquiries.

There was also a belief by retailers that MOCs profited from evictions. This is supported by the fact that a whistle-blower has shown to the DOE documentary evidence that African retailers were sold sites at a price higher than other races. The DOE is investigating this matter further. This is in keeping with what Thomas (2014) warned about the need to monitor and punish 'kickbacks, nepotism, diversion of funds and illicit benefits. |This is because empowerment policies had unexpected drawbacks. Gumede (2017) called this the many complex challenges of redress in South Africa. The biggest reason why this unfair treatment of African retailers persists is that there is no government recourse. De Haan (2017), Leipzinger (2015) and Mosala et al., (2017) accuse the government of being conflicted. Their policies are pro poor but their actions are not. Crompton (2018) shows how during the Mbeki Presidency in Table 7 there was an increase in deals and policies for empowerment in energy.

During the Zuma years there was an attempt to revisit the LFEC and its objectives. These efforts culminated in the drafting of the PLFEC and the Charter Council being formed. This is still an ongoing consultative process. The researcher feels that this is indicative at least of an awareness within the DOE that objectives of the LFEC if they are to be met need an overhaul of its implementation processes. It is also an indication to the researcher that the DOE has also acknowledged that this needs collaborative effort.

Mokoena and Lloyd (2010) feel that the combination of economic, non-economic and cross sectoral barriers to success will continue to plaque retailers until government is more focussed on their eradication. Retailers in Tables 29 and 31 agreed with the. The researcher found that as a non-economic barrier to success, the mix in the convenience store was also inappropriate for township and small-town sites showing a lack of responsiveness by MOCs to retailer site location Moloto had found that MOCs were not responsive to the differences that occurred due to location in township of products that retailers were expected to carry. Singh (2007) found that the convenience store was important to the survival of a site. Where it was not profitable, sites failed. Corinaldi (2018) showed that the profit centres that accompanied a retail site were important in drawing customers and increasing profitability of the business. MOCs seemed to insist that the product mix should be the same as that which worked in the city. Often then retailers found that smaller spaza shops in the neighbourhood were a lot more responsive to customer needs. Township retailers explained street vendors and spaza shop bought MOC lubricant from Makro cheaper than retailers bought it from the MOC. The MOC expected all lubricants to be bought from the MOC. They prohibited retailers purchasing MOC products from outside vendors. So, the retailer prices were not competitive. They were not allowed to buy MOC from Makro, Trade Centre or Cambridge for example which was often much cheaper. The researcher found that this made township retailers uncompetitive.

The funding model of retailers was also raised as a challenge by both stakeholders and retailers in Table 31 Moloto (2011) had found this in their audit. The researcher found that most retailers have no assets on acquisition of a site and often use their entire pension to fund it. Singh (2007) points to this being part of the Apartheid legacy of being barred from owning land by HDSAs. Those that don’t have funding are financed by the MOCs or DFI as shown in

Table 34. As Kapdi (2017) points out it was the prerogative of the signatories of the LFEC to make available innovative funding solutions. Funding a site was noted as the biggest barrier to entry both at the inception of the LFEC and was also highlighted by both Moloto audits of 2006 and 2011. Mokoena and Lloyd agree (2010). To date some banks and the DFIs play in this space to fill this gap. These banks have availed development finance specifically to assist retailers at favourable terms.

There was also a sense among some retailers and stakeholders that the only African retailers who succeeded were those connected to the political elite. One pointed to a lady who had just been given two highway sites while she had no experience at all. She is the wife of a known ANC member of government. Moloto (2011) had warned against patronage in their audit report. Their biggest concern with this was that often these elites were venture capitalist with a hands-off approach meaning that no skills transfer in running MOCs and sites was occurring.

Conclusion to Results for Research Question 2

Financial problems were the main reasons retailers exited the sector, except in one case only where the retailer had mis-invested all other retailers had issues beyond their control. The first issue was that sites were sold at inflated prices. This has been reported by a whistle-blower to the DOE. Prices requested of African retailers and those actually paid by other races have been found to differ significantly. It was evidenced by the whistle-blower that the offer to purchase price paid by other races was much more than the actual price often paid for sites. These prices meant that the retailer would suffer a loss from day one of trade.

MOCs also misrepresented historic site volumes in order to entice retailers to take on sites and overcharge them in the process. Where retailers were aware that site volumes were low and refused to enter a site, MOCs made promises to reinvigorate the site and install additional services which never occurred. Even where these promises were made in writing they were never fulfilled. What made this difficult to follow through for retailers was that MOC employees had a high turnover and over a short space of time as management changed in the MOC old agreements and promises were easily reneged on because the people who made them were no longer present. In these instances, retailers found that the new MOC employees quickly grew impatient with them and closed a site to the detriment of the retailer who had invested a lot of money, time and effort. In all cases the retailer was still indebted to the MOC or funder at the time of the site closure. The researcher found this to be a great failure fostered by the fact that retailers had no recourse in place which was not costly.

The other problem that was created by the inflated historical site volumes was that retailer due to having no assets entered sites heavily geared. As the reality of what a site is capable of generating in actual turnover dawned on the retailer, retailers quickly found themselves in financial distress. All retailers whose sites had been breached were unable to sell the sites. The MOC has refused to appoint new retailers even in instances where cash buyers were recruited by the retailers. Retailers often found that after providing six to nine buyers MOCs still felt that these potential buyers were unsuitable. In one instance a white retailer that had been appointed by the MOC was declined by the MOC when he offered the distressed African retailer cash for the two sites in dispute. The retailer is of the opinion that this phenomenon needs further investigation to access its prevalence.

Most retailers had low volume sites, some even below the benchmark of 233 000litres used to calculate the RAS margin. See Table 21 for volumes and Table iv; v in Appendix eight for RAS margins. As petrol price increases occur site volumes declined even more. Only two out of the ten retailers owned land as indicated in Table 19 which meant that their RAS margin was dictated to by the MOC. There is also an over proliferation of township retail sites. Mainly these are not owned by township residents as one retailer RB, complained. They are owned by serial investors in the industry who have the capital to discount fuel which is illegal and they often do according to the same retailer (RM). Retailer RM agrees and complained of fuel discounting in her area. Sometimes these serial investors go as far as buying cars for the taxi association forcing all taxis to go to their site and therefore adversely impacting on the volumes dispensed at the sites owned by African retailers who often lack the capital to compete. The researcher found that the DOE often does not intervene in such cases even when they are reported. This lack of support and the distress it was causing was evident to the researcher.

In September 2018 when the RAS margin was increased by 5c in order to cater for the r increases in employee wages at retail sites, some MOCs kept this 5c and did not pass it on to the retailers. Since the nature of the relationship is dictatorial and not a relationship of equals retailers even when aware of this travesty often do not challenge it. In interviews with the retailers that they perceived MOCs as bullies was evident. Moloto (2011) had also found this in their audit.

Retailer migration between MOCs and sectors:

An antagonistic relationship with MOC often led to migration between MOCs. Failure to keep up site financial obligations led to migration out of the sector.

Retailer retention:

Retailers felt that a supportive DOE and MOCs would help them stay in the sector rather than force them out.

Challenges unique to African retailers:

The researcher found that lack of capital on entering the sector, over-gearing of loans, poor funding models in an environment where sites were overpriced and due diligence was lacking at the purchase of service stations created untenable situations which led retailers to fail.

6.4 Discussion of results for research Question 3

Research Question 3: What support did the oil majors and government give you the retailer from first entering the sector to leaving?

Secondary Question 3.1: Inspiration to enter the sector

Retailers were inspired by relatives, looking for a business opportunity or recruited by an MOC to enter the sector shown in Table 32. As indicated on Table 31, opportunity and recruitment Rank 1. Five had a post graduate qualification (Table 14), four were graduates and one had a matric. All had been employed for at least five years (Table 15), nine had more than five years work experience in the sector but seven had no entrepreneurial experience before owning a site (Table 17).

Looking at the qualifications of the retailers on site acquisition they are impressive. SS warns though that the recruitment of entrepreneurs needs to be very selective. Corinaldi (2018) points to the fact that 'corporate types' usually fail in the retail sector. He says working hours are long. It also explains why SW claims that her organisation failed to recruit women when the sector was looking for African female retailers because she said women tended to 'self-select out' of the process. (Leketi, 2015) also pointed out that there were too few women in the retail sector and efforts to recruit them were not consistent.

The researcher found that the retailers were mainly inspired by people around them friends and family to enter the sector. A chance meeting at a business school or an advert recruiting retailers were also inspirational and informative of the availability of opportunities.

Secondary Question 3.2: Information sharing within the sector.

There was very limited information sharing within the sector with retailers mainly relying on their own networks. The Moloto (2011) audit had already pointed this out as an industry failing. The researcher found that not much seemed to have changed since the Moloto (2011) audit. Singh (2007) had also found that the lack of information and an enabling legal environment were a problem in the sector. Mokoena & Lloyd (2010) called this a non-economic barrier that led to failure.

Wilson (2010) acknowledges that knowledge management is an ongoing innovative process, where information is 'created, shared and disseminated'. This process leads to organisationally intelligent behaviour (Rubenstein-Montano et al., 2001). This is exemplified by the supportive ecosystems of Indian retailers helping each other to make 'organisationally intelligent decisions' and therefore leading to their success (Moloto, 2011). Singh (2007) stresses the importance of risk assessment, finance and management know how before making a decision to purchase a site.

The researcher found very limited information sharing with retailers relying mainly on each other for information. There was also a need to foster strong ecosystems in the future like existed for Indian retailers so that African retailers could thrive.

Secondary Question 3.3: Information about funding and sources of finance for retailers.

Information was sourced from MOCs. Retailers were often funded by MOCs if in a development program or referred to DFI for funding. Komane (2017) and (Moloto,2011) found though that these organisations took too long to arrange finance and retailers ended up accessing funding from commercial banks at uncompetitive rates. The retailers interviewed had either been funded by the NEF, commercial banks or MOC. See Table 34. Their experience of the NEF was that of a very supportive funder who was a business partner from inception. They were also provided with a mentor by the NEF.

Those that approached banks had assets and finance know how and seemed able to negotiate favourable rates. This is contrary to the assertions of Corinaldi (2018) and Singh (2007). Those that did not have funds or assets, had been funded by the MOC. They were not allowed loans. As explained by Kapdi (2017), part of the commitments of the LFEC was to ensure a system of favourable credit terms through MOC for HDSA retailers. In the five cases of the managers recruited to be retailers this was requirement was adhered to. It was difficult to ascertain with the present sample if their lack of capital would have resulted in unfavourable credit terms.

It is important also to remember the examples in the wine industry and the mining industry and to ensure that when these innovative solutions to are put in place they will benefit the poor and not lead to patronage allocation (Bernstein, 2017)(Bhorat et al., 2017; Chipkin, 2016; Du Toit et al., 2008).

The researcher found that there was some failing with regard to the speed of making available suitable developmental funding. There was progress from the DFI end and commercial banks and working towards these products. Speed in processing applications to secure funds was also a failure that the researcher found needed to be remedied. The researcher found that race was often an issue. Retailers appointed through the managers' empowerment program felt that they were treated with disrespect. As though their concerns when raised were illegitimate and that they lacked a grateful spirit. They never truly felt that they were treated as entrepreneurs in their own right. This is supported by Leslie, Mayer, & Kravitz (2014) also in their study found that affirmative action candidates tended to be discriminated against and not respected. The researcher is of the opinion that if transformation efforts are to succeed, the tendency to delegitimise empowerment candidates needs to be guarded against. MOCs who are at the forefront of these programs need to proactively educate their employees about the detriments of this attitude.

Conclusion to Results for Research Question 3

From the above discussion it was evident to the researcher that apart from the initial training received on first entering the sector retailers received very little support from both government and the MOCs. The researcher found that most kept trying to make a doomed business thrive. Even when they kept losing money on a monthly basis because expenses were much higher than income. They reported long working hours and a dedication to turning things around against insurmountable odds. Unemployment in South Africa has a high opportunity cost (Chodorow-Reich, G., & Karabarbounis, 2016). There is an inadequate social security system and retailers know if they fail, they will be left destitute. The researcher found that this forces retailers to keep flogging a dead horse even when it was clear to them that their efforts were futile.

One retailer felt that government had processed his retail licence quickly and this was helpful. The researcher also found that retailers and stakeholders made conflicting statements about the quality of the training received. Some would say training was very good. Then go on to explain its inadequacies. It left the researcher with the impression that retailers seemed afraid to confirm the inadequacy of the training MOCs had provided. It seemed they thought this would be a reflection on their inability to learn. Even worse their lack of suitability to be in the sector. this thinking that when you fail the issue is you the person is confirmed by SAPIA (2018). SAPIA say that one of the failures of the MOCs is that they recruit quantities of entrepreneurs rather than quality people.

The researcher found that the ecosystem created by the network of other retailers had proved very useful for knowledge and information sharing. Where mentors were provided by the funder or MOC, and where these mentors were not antagonistic retailers found them very useful. The other advantage of training is that retailers met with colleagues and formed bonds during training which were very useful later on.

Network managers had a mixed success rate. Some retailers found them very helpful and a good bridge between the retailer and the MOC; others found them antagonistic and felt that they created the rift with the MOC.

Inspiration to enter the sector:

The researcher found that this was mostly from relatives and friends.

Information sharing within the sector:

Retailers depended on each other and sometimes the MOCs. MOC information supply was unreliable and inconsistent.

Information about funding and sources of finance:

Retailers received this mostly from MOCs. Others had prior knowledge of approaching commercial banks for funding.

6.5 Discussion of results for research Question 4

Research Question 4: **How is sectoral knowledge managed within Petroleum retailing?**

Secondary Question 4.1: Presence of mentors and information sources.

Moloto (2012), Leketi (2011) and Komane (2017) were all in favour of availing mentors in future for African retailers. Where these were made available, the relationship between the mentor and the mentee was important. RJ had an antagonistic relationship with his mentor and felt that this was not helpful in the beginning but he worked hard to win his mentor over. How he won his mentor over is by solving his pilferage problem in the shop which his managers were not able to solve. This supports what Rubenstein-Montano et al. (2001) say that knowledge management is a 'collaborative integrated process'. Once RJ's mentor found him useful, he was willing to continue as his mentor and even offered him a business partnership.

SN said that his company had supplied mentors to retailers but that some mentors were not competent for the job even though they were highly qualified. So, they are presently recruiting successful African retailers to act as mentors. Their experience is that most qualified experience retailers are non-African but he says they are struggling with relationships in some pairings. This agrees with (Christensen, Ojomo, & Van Bever, 2017) assertions that there is a skills shortage in South Africa. Especially with regards training and change management.

According to Table 35 support from other retailers ranked 1 among those interviewed as suppliers of reliable information to retailers. This is in keeping with SN's assertion that the most successful mentors were experienced retailers. The mentors supplied by the MOC ranked 2 with experience in the sector as a manager. In four out of the ten cases the previous employer acted as a mentor. The researcher found that mentors had the potential to have the biggest impact in supporting retailers. Mentor compatibility was crucial.

Secondary Question 4.2: Awareness of the Moloto audit report on reasons African retailers are exiting the sector.

According to Table 35 twelve respondents had familiarity with the Moloto audit out of 20. Most stakeholders felt that the DOE already had the information contained in the report. They did not think that the audit was fit for purpose though according to Table 36. They also queried the accuracy of the Moloto audit numbers. The DOE were pleased to have at least two audits done in the 18 years since the LFEC. They were awaiting a third audit which was due to be released in March 2018 but was postponed to November 2018 because of lack of cooperation by MOCs.

The researcher found that it was important that there was some audit commissioned. It was evident to the researcher that the auditors did need to have deep industry knowledge for the audit to be meaningful. The researcher could not ascertain if Moloto Solutions were fit or not for this audit purpose as the scope of this study did not include an in-depth look at the requirements of an auditing firm and how Moloto Solutions compared to these.

Secondary Question 4.3: Moloto audit report says Indian people do well in this sector because they are skilled business people with good support systems.

SF felt that their 'scope was out of balance'. RJ felt strongly that Indian retailers had better access. He was also suspicious that they might be colluding with some employees at MOCs but was not willing to be quoted on this. SL agreed there was collusion but not of all Indian retailers. Just of a select few who had multiple sites.

SL said: 'it was evident this was not an empowerment of a group but of individuals.

The GINI coefficient in Table 2 shows that Indians have the lowest GINI coefficient in South Africa amongst black groups. They are also the only racial group in South Africa whose GINI coefficient has reduced since 1975 -2011. All other racial groups had seen an increase. SC felt that Indians and Whites were always given better more profitable sites. This is in keeping with the Moloto audit report and also the current numbers of the SAPIA data in Table 1 & Appendix SIX Tables i, ii and iii.

The researcher felt that she was not given any hard evidence of support these allegations. They remained the opinions of the Moloto report and respondents. This clearly is an area of controversy within the sector which needs further investigation.

Conclusion to Question 4:

The researcher found that mentors were very useful if they were fit for purpose. There is a need to make these widely available. It is important through that there is a good fit between retailer and mentor. Mentors need to have extensive sector knowledge up and above business know how. Other successful retailers make the best choice of a mentor.

The researcher also found that the Moloto report was only well known amongst stakeholders. Many queried the need for it or the validity and accuracy of its resus. This is because self-reporting was used in some instances. Other stakeholders queried their expertise as auditors for the LFEC. There was a feeling that most of the quantitative data was already available at the DOE and MOCs.

The researcher found that there was agreement that Indian retailers were more successful because of the way their businesses were run. There was consensus by participants in the study that Indian retailers tended to have family venturing support structures and a strong entrepreneurial ecosystem with possible economies of scale. The researcher postulated that Africans given a similar support structure would do just as well.

Presence of mentors and information sources:

The researcher found that mentors were used to disperse sectoral knowledge with mixed success. Other retailers were the most accessible source of information.

Awareness of Moloto Audit:

The researcher found that there was poor awareness amongst retailers but great awareness amongst stakeholders.

Explaining the success of Indian retailers:

The researcher found that Post-Apartheid Indian retailers are the only group whose Gini coefficient has decreased. They are also the biggest represented group in the retail sector with the ownership of 27% nationally of retail sites. It is likely that they are better syndicated, crowd funded with functional ecosystems. The researcher found no evidence of this and is only postulating. The researcher would recommend though that their success be investigated so that it can be emulated to assist the other black groups.

Additional comments:
All respondents felt that government and MOCs needed to improve their attitude to transformation if it was to occur. Stakeholders participating in the formation of the charter council were optimistic. Retailers that the researcher had chosen to interview were mostly very bitter and angry at a government that did not offer them protection and MOCs that continued to subjugate them post-Apartheid. At least three retailers were desperate and destitute. One was on the verge of bankruptcy. This showed the dark side of inequality. Inequality is a result of an inadequate education system. Poor people in an attempt to improve their lot enter business misadventures and no amount of effort on their part can protect them from a poorly made business investment.

Pricing sites to create an artificial barrier to entry was a serious allegation. The researcher hopes that the DOE who are dealing with it will give it the urgency it deserves in terms of a thorough investigation.

There is also concern that the DOE seems to be keen to deregulate ULP93. The DOE is trying to do this in an attempt to drive inland usage of ULP 95 down. Already there is a 23c per litre difference between the price of ULP95 and ULP93 but motorists inland are still opting for the more expensive ULP95. All that deregulating ULP93 will do is allow retailers who have the financial muscle to drive prices too low for those retailers that can't compete on price to match them. The researcher feels that this will likely be distressed African retailers. This deregulation is not in keeping with the government's own goal of transforming the petroleum sector along the entire value chain before deregulation. It seems a knee jerk reaction to the ever-increasing fuel prices but will most likely make the situation of the African retailer even more desperate. There will also be an associated loss of jobs of petrol attendants as service stations fail and are forced to close as Mantsho (2010) found in his study.

Up and above the training that retailers receive, they need a supportive DOE and a supportive MOC. As things stand this support is lacking. In the absence of a supportive environment, where retailers feel they have no voice but exist in a skewed power relationship with MOCs, failures lead to their bankruptcy.

There is concern though as stated by SC that: '*regulation is just a way of extracting money from motorists to keep some strong lobby groups rich for no service offering at all'.* This he argues cannot continue at the expense of the economy. In Mexico there is a similar accusation that the oil industry uses government regulation to restrict access on neighbouring communities to local resources they have always harvested for food and commerce (Quist & Nygren, 2015)

6.6 Conclusion

The above Chapter concentrated on comparing respondent experience of the LFEC and the retail sector with the literature review. It was evident that retailers who were supposed to be beneficiaries of the LFEC were let down by lack of government monitoring of the implementation of the LFEC. They were also let down by poor support mechanisms within the industry.

The following were found by the researchers to be the main failures or causes thereof. Antagonistic relations ships with MOCs; lack of an adequate support structure, poor funding models; lack of an appropriate mentorship scheme including a reluctance generally by the industry to transform guised in many innovative frustrating mechanisms.

There is also a lack of a reporting systems to audit failures and therefore remedy these. The Moloto reports are too infrequent to be useful but also where they make good recommendations, these have been ignored. Moloto Solutions' expertise as auditors has been questioned. An example of this failing is mentioned by SC, SA and SS. Interestingly SC, SA and SS referred to a time between 2006 and 2011 when MOCs sold all their low volume sites. This was because they were unprofitable. Maybe this be the real reason why there is a decline in African retailers rather than pure failure. These sites were bought by oil companies mostly not affiliated to SAPIA. These retail sites according to SP are not accounted for in the Moloto report and SAPIA also does not count them either. Predominantly their numbers are unknown. This makes sense when you consider that to date over 7200 retail licences have been issued

(Corinaldi, 2017). It is exactly this lack of industry insight, that by talking only to major players you might miss out on minor ones with a significant impact in the industry.

Ultimately, these failures have meant that those Africans who venture into petroleum retailing have been left impoverished. With a bad credit history, through failure to meet debt obligations and frustration (Singh, 2007). When citizens are frustrated by what they perceive to be injustice they are likely to revolt in order to influence policy (Passarelli & Tabellini, 2017). The South African government has been plagued by numerous service delivery protests in recent months. It would be undesirable if distressed retailers found that this was their only outlet to an unresponsive government.

7. CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This Chapter uses the analysis conducted in Chapter 6 to answers the study objectives made up of four main questions. Only the major findings are highlighted below. It then discusses the implications of these findings, makes recommendations based on these findings. Thereafter limitations of the study are highlighted including the need for future research and action within the sector.

7.2 Principal Findings

Objective i: What has been the impact of the radical economic transformation as articulated in the aforesaid policies?

Radical economic transformation has not occurred in the petroleum retail sector. This is mainly because government did not have its eye on the ball. During the President Zuma's years, the monitoring of regulation and the emphasis on empowerment of the masses was ignored ['[in favour of the enrichment of the political elite]'. For this reason, the MOCs started not prioritising their efforts at transformation. Their initial discomfort with the socialist policies of the ANC were quelled (Crompton, 2018).

The programs the MOCs after the LFEC was signed fell by the way side (Moloto, 2011). It is the aftermath of that which the researcher found many African retailers having to face. Good intentions not supported in the long run. Great programs allowed to fail as MOC employees changed and the focus of their executives shifted (*SA*). What it meant is that African retailers recruited through these programs were left worse off. "They had been betrayed by government through it abdicating its responsibility to regulate the LFEC" (Gumede, 2017; Linz, 1999; Mosala et al., 2017).

Worse still the licencing regime introduced specifically to empower the historically disenfranchised was now a tool to further suppress them (Kapdi, 2017). This is because only those with money had access to licencing and the recourse programs that had been put in place (Corinaldi, 2017; Leketi, 2011). Even the RAS model for remuneration favoured those with land over those without land further subjugating the very retailers it was meant to empower (Corinaldi, 2017). Presently retail sites are being sold and bought at prices way above market rates further marginalising poor populations from entering the sector *(SL).* The fact that prices are used as a way to keep African retailers out has been brought to the attention of the DOE with documentary evidence.

Objective ii: To what extent are African retailers aware of government policy to radically transform the sector.

The majority of retailers were found to not be aware of specific policies in place in the sector (Leipzinger, 2015). They were aware that B-BBEE was in existence but had felt that government had not done enough to support or protect them (Du Toit et al., 2008)(Thomas, 2014). For those retailers who had used government processes to take on the MOCs. They failed dismally. Their complaints to the Controller fell on deaf ears (Moloto Solutions, 2011).

Their attempts to use numerous state processes to fight their corner were not successful. Money ultimately seemed to be the pre-determiner of success and in all cases either retailers of other races had more money or the MOCs had more. So African retailers were fighting with both hands tied behind their back. MOCs were failing them. The state was failing them (Du Toit et al., 2008; Gumede, 2016).

Objective iii: Why have numbers of African retailers declined in the sector, irrespective that the petroleum industry was the first to adopt an industry empowerment charter that was endorsed by all stakeholders?

The numbers of African retailers are declining specifically because they have no funding to invest in this capital-intensive industry without government support (Kapdi,2017) (Mokoena & Lloyd, 2005)(Mantsho, 2010). All other races are using their substantial financial muscle effectively to grow in the industry(Lipton, 2014). Government policies are ignored and not well implemented (Gumede, 2009, 2017).

Of note was the fact that funders were aware of the need to transform and they had found innovative solutions to the issues of lack of capital and assets that plaques African entrepreneurs. They had also put in place training and mentoring programs to ensure their success once funded (Kapdi, 2017).

Objective iv: It further delineates inhibiting factors that lead some African retailers to exit the sector and why others continue to participate.

African retailers that formed part of the study, who ultimately left the sector were thrown out like 'dogs'(RS), in spite of an inordinate amount of effort on their part to communicate and salvage their sites. Their funding models were prohibitive and sites could not have succeeded with anyone.

Retailer contracts were also poorly negotiated due to lacking the business skills to negotiate better contracts. Financial illiteracy leads to bad financial decisions (Lusardi & Mitchell, 2013). At the same time, Jappelli & Padula (2015) caution that financial literacy is not a guarantee that financial behaviour will be changed. Apart from one retailer who invested badly, there was no evidence of bad management in the cohort that formed this study. They were treated shamefully by MOCs. The DOE did not intervene even in those cases it was aware of.

In conclusion all respondents put the blame squarely at the foot of the government. MOCs have shown that in the presence of an interested active DOE they can be whipped into shape and they can be very innovative and are capable of best in class transformation efforts (Moloto Solutions, 2011).

7.3 Implications for the Sector

This study was valuable because while only a small sample was studied, this is the first time African retailers have had a study dedicated to investigating their failures and the causes thereof. Presently the industry is writing a PLFEC which is meant to align the LFEC with the B-BBEE codes. It is also setting up a Charter Council where all stake holders will sit. The following will need to occur to avoid transformation curtailing issues highlighted in this study.

1. The Charter Council must be well funded by industry if its objectives are to be realised.

2. The DOE must start reforming itself and monitoring the implementation of its policies, while at the same time penalising transgressors. There is a need for an overhaul of operations within the DOE. The DOE may benefit from introducing

private sector type incentive schemes to improve performance of employees (Christensen et al., 2017).

3. The licencing regime needs an overhaul. It may benefit from being privatised to improve efficiency and usefulness to end users of the service (Christensen et al., 2017). Alternatively, the DOE could also form a collaborative effort to look to private sector examples of best practice and adapt these to their system.

4. The issuing of site and retail licences to White and Indian retailers has to be suspended until such time that transformation has occurred and more than 35% of the retail sector is in African and Coloured hands. This is the target that is being set for the PLFEC presently. Retailer organisations are pushing for this target to be 50%.

5. It takes two to four years for a new site to be developed. Nearly 18 months for a site transfer. This is due to multiple regulations. Improving the ease of doing business is urgent. Presently South Africa rates 82 out of 190 countries ranked in the World Bank Ease of Doing Business Index (World Bank Group, 2018). When other business factors are looked at the rankings decline even further. South Africa ranks 106 for registering property. It ranks 109 for getting electricity and 115 for enforcing contracts.

6. With the ever-increasing need for Foreign Direct Investment, South Africa cannot afford anymore disinvestment in the economy by large MOCs like Caltex which in 2018 sold all its retail operations after selling its refinery in Cape Town in 2017. Starting a business ranked 134 which only works to discourage investment. South Africa's investment value proposition needs to be improved. In this effort, President Ramaphosa has recently engaged in a Youth employment summit. This was well received there was also an Investment summit with a focus on FDI and it ended up attracting both local and foreign investment.

7. Skills shortage is a problem within the sector. Tertiary institutions need to be encouraged through engagement with business and government and the Skills Education Training Authorities (SETAs) to start teaching more Science Technology

Engineering and Mathematics (STEM) orientated courses. Like Kenya and Nigeria, this skills shortage also extends to the lack of Executive Management talent in numbers that are adequate.

8. The RAS model needs to be reviewed, it needs to be formulated so that retailers especially CORO sites have a redress when MOCs cheat them of their margin. The letter from Sibiya CEO of the Fuel Retailers Association (FRA) in Appendix TEN, shows how the RAS model was imposed on stakeholders. Push strategies fail dismally globally (Christensen et al., 2017). A collaborative approach with stakeholder engagement needs to be adopted when the RAS system is overhauled.

9. As a matter of urgency goodwill needs to be standardised.

10. Government land at national, provincial and local level, earmarked for retail site development should be leased to African retailers so that they can in due course purchase the land.

11. Appreciating that government policy since 1998 is deregulation, transformations still needs to occur before deregulation.

12. Site allocation needs to be investigated. African retailers should be allocated sites with land and volumes higher than 350 000 including transient sites.

13. MOCs need to get back on board and realise their pivotal role in transformation. Value-value innovative solutions should be found with retailers that will ensure prosperity for all. There should be an overhaul of oppressive contracts and non-competitive rental rates. They should allow retailers to nurture market creating innovations, by allowing retailers to support local economies where they are located.

14. Government needs to appreciate that ultimately the goal of business is wealth creation (Keohane, 2015). If businesses of all sizes are well supported legislatively the economy will thrive and inequality will be reduced (Christensen, Ojomo, & Van

Bever et al., 2017). Ashley, Boyd and Goodwin (2000) showed that when small scale tourism operators were well supported, they were able to grow their businesses organically.

7.4 Limitations of study research

The researcher often found that objectivity during interviews was difficult given the nature of the information that was shared with her. The researcher came to appreciate the need for a debrief, had a colleague been available to do so. The interviews were only of 20 respondents and it is evident that a much larger study is necessary to get a holistic view of the challenges involved. Each retailer had certain unique challenges. There is a need for a larger study to reach saturation. The interviews were also predominantly of retailers in Johannesburg. As (Alesina et al., 2012) pointed out, in South Africa inequality is has a regional distribution so the findings in other regions of the country are likely to differ from those in Johannesburg. The researcher postulates that they may be direr. Most retailers who agreed to be interviewed hoped for answers or advice on what to do next which the researcher was often not in a position to assist with.

7.5 Recommendations for future research

There is a need for future research. The 10 retailers the research interviewed revealed a myriad of injustices that need to be addressed. The extent of these problems needs to be uncovered and managed. In fact, RL said to the researcher: *'if you can convene a meeting, I will bring you more than 25 retailers that I know personally, in my situation or worse all of whom have been done down by the oil companies.'* A national study is required which will be an extension on this study with a focus on both African and Coloured retailers including women. MOCs can supply the names of African retailers they have breached. Retailers can be invited to then submit written evidence of their specific problems. A public hearing may also be conducted.

This is an area which the Portfolio Committee on Energy should investigate. As stated on its homepage: '*Democracy is not an event that occurred in 1994. It is a process to which all of us can contribute by making our voices heard in Parliament, in the provincial legislatures and in broader society.'* This is especially so because African wholesalers are similarly disenfranchised evidenced by SM who said to the researcher: '*my husband had a wholesale licence from 2001 till 2018 but had not been able to gain any meaningful access with it, despite great effort on his part. Doors were closed. Funding impossible to secure*.'

Most of the issues are fresh, current and persistent. There is a need for the DOE to commission a specific task force to invite all retailers who have suffered the injustices discussed in Chapter 6 so that they can restitute those retailers that they can and resolve situations that are ongoing. They can also gain insights into what areas regulation needs to monitor and control. They will learn exactly which areas need less regulation or legislation. It will also help them appreciate what damage good policies in the face of poor implementation will do. More importantly it is foolhardy to commission an audit like the Moloto 2006 and 2011 audit, and then ignore its recommendations. The Moloto 2018 audit is due to be released in November 2018, the researcher prays that at least this time around those recommendations will not be ignored. There was a general sense that in future auditors with the necessary expertise and experience are required to audit the sector should be commissioned. This needs to be further assessed by the DOE.

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APPENDIX ONE: Definitions

By definition, **“Black people”** is a generic term which means Africans, Coloureds and Indians:

a. who are citizens of the Republic of South Africa by birth or descent; or

b. who became citizens of the Republic of South Africa by naturalisation-

(i) before 27 April 1994; or

(ii) on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date (Act No. 46 of 2013, 2014). For purposes of this study, African will from this point refer to African and Coloured together as a single group.

By definition, **historically disadvantaged South Africans** (HDSA) is a ‘category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation. The term historically disadvantaged South Africans (HDSA) refers to all persons and groups who have been discriminated against on the basis of race, gender and/or disability’ page 9. (Moloto Solutions, 2011)(Department of Energy, 2000). This is namely black people, white women and the disabled.

Liberalism: ‘Political doctrine that takes protecting and enhancing the freedom of the individual to be the central problem of politics. Liberals typically believe that government is necessary to protect individuals from being harmed by others, but they also recognize that government itself can pose a threat to liberty. As the revolutionary American pamphleteer Thomas Paine expressed it in Common Sense (1776), the government is at best “a necessary evil.” Laws, judges, and police are needed to secure the individual’s life and liberty, but their coercive power may also, be turned against him. The problem, then, is to devise a system that gives government the power necessary to protect individual liberty but also prevents those who govern from abusing that power’ (Encyclopaedia Britannica, 2010).

Neo-liberalism: ‘Ideology and policy model that emphasizes the value of a free-market competition. Although there is considerable debate as to the defining features of neoliberal thought and practice, it is most commonly associated with laissez-faire economics. In particular, neoliberalism is often characterized in terms of its belief in sustained economic growth as the means to achieve human progress, its confidence in free-markets as the most-efficient allocation of resources, its emphasis on minimal state intervention in economic and social affairs, its commitment to the freedom of trade and capital’(Encyclopaedia Britannica, 2010)

APPENDIX TWO: Ethical Clearance

Gordon Institute of Business Science
University of Pretoria

27 July 2018

Malatsi Tryphosa

Dear Tryphosa

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

APPENDIX THREE: Request for Study Permission

Date: 2 August 2018

To: Ms Nokwanele Qonde
Chairperson of the Petroleum & Liquid Fuels Charter Council

To: Ms Kgomotso Selokane
Interim CEO of the Petroleum & Liquid Fuels Charter Council

Dear Madam,

My name is Tryphosa Malatsi. I am currently registered for a Master's in Business Administration (MBA) with University of Pretoria Gordon Institute of Business Science (GIBS). I am interested in conducting research on ***'The Impact of the Liquid Fuels Empowerment Charter (LFEC) on the South African Petroleum retail sector"***. As the custodian of the Liquid Fuels Charter, I would like to seek permission from yourself to proceed with the study. The study will be a qualitative study and it will rely on interviews to help gain insights into what is hindering the Petroleum and Liquid Fuels Charter in transforming Petroleum retailing.

All data will be anonymised through allocating numbers to respondents and kept confidential. It will also only be stored in electronic format on a cloud. You can contact my supervisor or myself should you have any questions or queries. I will also share the results of the study with yourself. Our details are provided below.

Researcher: Tryphosa Malatsi
Email: 17399590@mygibs.co.za
Phone: 082 567 7814

Research Supervisor: Prof Lulama Makhubela
Email: MakhubelaL@gibs.co.za
Phone: 082 728 2951

Date: 2 August 2018

APPENDIX FOUR: Informed Consent Letter

Dear Sir/Madam,

My name is Tryphosa Malatsi. I am currently registered for a Master's in Business Administration (MBA) with University of Pretoria Gordon Institute of Business Science (GIBS). I am conducting research on 'the impact of radical economic transformation' in the Petroleum retail sector. I would like to interview you as an expert on the subject matter. The interview is scheduled to last for an hour and will help gain insights into the "***Impact of the Liquid Fuels Empowerment Charter (LFEC) on the South African Petroleum retail sector".***

Your participation is voluntary, and confidentiality is guaranteed. You name will not be used in any of the documentation. You will be designated a number and that is how you will be referred to. All names and quotes will be anonymised, and data will only be kept electronically on a cloud. You can withdraw at any time. All data will be kept confidential. You can contact my supervisor or myself should you have any questions or queries. Our details are provided below.

Researcher: Tryphosa Malatsi
Email: 17399590@mygibs.co.za
Phone: 082 567 7814

Research Supervisor: Prof Lulama Makhubela
Email: MakhubelaL@gibs.co.za
Phone: 082 728 2951

Signature of researcher: ____________________________

Date: ____

Participant name: _________________________________

Signature of participant: ____________________________

Date: ____

APPENDIX FIVE: Retailer Interview Guide

Date: ____

Time: ____

Venue: ____

Name of retailers: ____

Number of Years in the Sector: ____________________________________

Sole trader/ Partnership/ Company: _________________________________

Retailer owned or Company owned site: ______________________________

Location of site: ____

Number of years at site: ____

Average monthly site volumes: ______________________________________

Introduction

- Welcome the respondent by introducing myself and my role.
- Ask for permission to audio record.
- Repeat this again so it is captured on audio.
- Give a brief background and purpose of the study.
- Confirm consent for participation, explain the method of data capture and analysis.
- Explain the confidentiality and anonymity of the process.
- Inform respondent of planned interview duration time.
- Explain the academic nature of the study and the benefits of study to respondent.

Petroleum Retailer

- Background information relating to education and work experience.
- What inspired the decision to enter the petroleum retail sector?
- If not sole owner then, how is the shareholding split and what were the determining factors?
- Did the retailer's background in any way influence their choice of industry and business offering?
- What does be an African retailer in this petroleum sector mean to the retailer?

APPENDIX SIX: Ownership Data

Table i: Company Owned Retailer Operated Sites: March 2018

A = Africans **C = Coloureds** **I = Indians**

Province	Total					Grand Total
	Africans	Coloureds	Indians	Whites	Foreign	
Eastern Cape	70	19	46	196	0	**331**
Free State	34	4	17	155	1	**211**
Gauteng	279	21	430	581	4	**1315**
KwaZulu-Natal	87	19	305	238	1	**650**
Limpopo	52	3	27	107	0	**189**
Mpumalanga	78	4	43	175	0	**300**
Northern Cape	5	4	14	50	1	**74**
North West	30	0	39	128	0	**197**
Western Cape	35	71	134	412	1	**653**
Grand Total*	**670**	**145**	**1055**	**2042**	**8**	**3,920**
Percentage % Split	*17*	*4*	*27*	*52*	*0.00*	

W = Whites ***Fore: Foreign nationals**

Table ii: Total National Network Profile by Race and Gender.

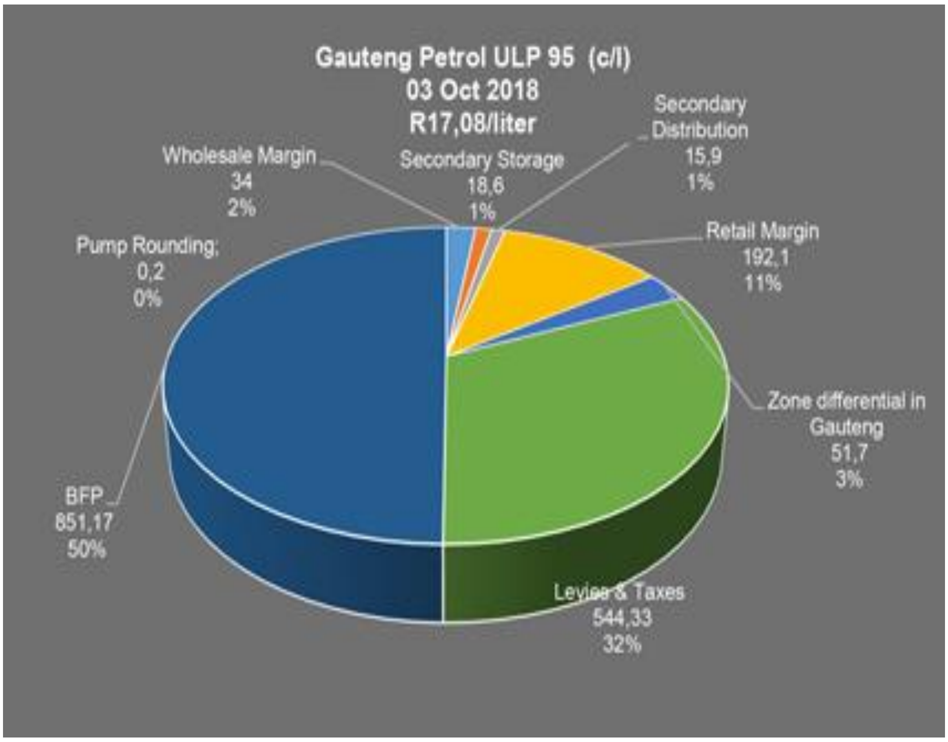
Province	Male				Female				*Fore		Total
	A	C	I	W	A	C	I	W	M	F	
Eastern Cape	22	11	23	94	13	2	2	8			175
Free State	16	2	3	61	2	0	6	6			96
Gauteng	143	7	258	305	46	6	13	42	3		823
KwaZulu-Natal	32	5	119	83	9	4	10	11			273
Limpopo	18	2	6	29	1	0	2	0			58
Mpumalanga	37	0	18	64	6	0	1	5		0	131
Northern Cape	0	1	10	9	0	0	1	3			24
North West	13	0	20	39	4	0	0	9			85
Western Cape	15	26	48	166	8	10	10	18			301
Grand Total*	**296**	**54**	**505**	**850**	**89**	**22**	**45**	**102**	**3**	**0**	**1,966**
Total Percentage % Split by race	***20***	***4***	***28***	***48***							

Table iii: Company Owned Retailer Operated Sites: March 2018.

Province	Male				Female				Fore		Total
	A	C	I	W	A	C	I	W	M	F	
Eastern Cape	25	6	21	84	10	0	0	10	0		156
Free State	12	1	8	72	4	1	0	16	1		115
Gauteng	76	8	143	207	14	0	16	27	1		492
KwaZulu-Natal	39	9	165	129	7	1	11	15	0	1	377
Limpopo	30	1	19	64	3	0	0	14	0		131
Mpumalanga	30	0	22	94	5	4	2	12	0		169
Northern Cape	4	3	3	31	1	0	0	7	1		50
North West	11	0	18	71	2	0	1	9	0		112
Western Cape	11	31	71	217	1	4	5	11	1		352
Grand Total*	**238**	**59**	**470**	**969**	**47**	**10**	**35**	**121**	**4**	**1**	**1,954**
Percentage % Split by Race	***15***	***4***	***26***	***56***							

APPENDIX SEVEN: Composition of Petrol Price

Figure i: The breakdown of the composition of the petrol price breakdown



APPENDIX EIGHT: RAS Matrix

Oil Company Margins

Table iv: Typical CORO Site

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Increase 2017 vs 2016 cpl	Increase 2017 vs 2016 %	Increase 2017 vs 2013 cpl	Increase 2017 vs 2013 %
Wholesale	31.00	33.50	33.20	35.60	34.00	(1.60)	(4.49)	3.00	9.68
Storage recovery	17.10	17.40	18.50	17.90	18.60	0.70	3.91	1.50	8.77
Distribution recovery	11.70	12.60	13.70	17.30	15.90	(1.40)	(8.09)	4.20	35.90
Typical CORO RAS recovery	41.60	47.20	49.70	56.80	59.90	3.10	5.46	18.30	43.99
Total RAS margins	101.40	110.70	115.10	127.60	128.40	0.80	0.63	27.00	26.63

(RAS recovery is: 10% EC; Land, Buildings, Pump and Tank from the Capex and Oil Company Maintenance and Rates and Taxes from the Opex)

Table v: Typical RORO Site:

	Dec-13	**Dec-14**	**Dec-15**	**Dec-16**	**Dec-17**	**Increase 2017 vs 2016 cpl**	**Increase 2017 vs 2016 %**	**Increase 2017 vs 2013 cpl**	**Increase 2017 vs 2013 %**
Wholesale	31.00	33.50	33.20	35.60	34.00	(1.60)	(4.49)	3.00	9.68
Storage recovery	17.10	17.40	18.50	17.90	18.60	0.70	3.91	1.50	8.77
Distribution recovery	11.70	12.60	13.70	17.30	15.90	(1.40)	(8.09)	4.20	35.90
Typical RORO RAS recovery	14.20	16.70	17.20	19.70	21.00	1.30	6.60	6.80	47.89
Total RAS Margins	74.00	80.20	82.60	90.50	89.50	(1.00)	(1.10)	15.50	20.95

(RAS recovery is: 10% EC; Pumps and Tanks from the Capex and Oil Company Maintenance from the Opex)

APPENDIX NINE: Letter From DOE

Dear Mr Sibiya,

Stakeholder Consultation on the Proposed Publication of Maximum Retail Prices for 93 Octane Grades

Since the introduction of unleaded petrol (ULP) country-wide in January 2006, the market penetration of 95 ULP increased country-wide to 80% of the total petrol consumed at the end of August 2018.

On the other hand, the consumption of 93 Lead Replacement Petrol (LRP) and of 93 ULP at the end of August 2018 amounted to 0.26% and 19.34% respectively of the total petrol consumption.

Taking cognisance of the above differentials in market penetration, the Department is considering to set and promulgate a maximum price for both 93 octane grades in line with the provisions of the Petroleum Products Act, (Act No. 120 of 1977), as amended. The reasons to set a maximum price for 93 octanes are as follows:

- It will bring about price competition between retailers as is the case with diesel sold at forecourts;
- It will move fuel consumers currently unnecessarily using 95ULP and contributing to octane wastage back to 93 octane petrol;

The higher consumption of 93 octanes, specifically 93 ULP, will ease current pressure on the local refining industry to manufacture and import 95 ULP to satisfy the local demand thereof; and Lower imports of 95 ULP will have a positive contribution to the trade balance:

The proposed maximum retail prices for the 93 octanes will be determined as per existing methodology. The only difference will be that when a final decision is taken on this matter, the Department would no longer publish a set price for the 93 octanes in the Government Gazette, but a maximum retail price for each fuel pricing zone only.

The Department kindly requests your comments in respect of the above-mentioned proposed change, in writing by not later than 18 October 2018. It must be emphasised that this letter is meant to solicit your views as a key stakeholder. Written comments should be submitted to Mr H Baak by e-mail: Hein.Baak@energy.gov.za

Yours sincerely,
MR TB Maqubela
Deputy Director - General: Petroleum and Petroleum Products Regulation

APPENDIX TEN: Letter From FRA

Good day Mr Maqubela,

I trust that this email finds you well. Subsequent to the emails below, the FRA Board met yesterday. The FRA Board has noted this proposal from the Department and the Members are very concerned about another yet unintended consequences to the retailers and not the rest of the players in the value chain. The FRA Board has decided, given the seriousness of the proposal that we embark on countrywide roadshows in order to ensure that we have consulted as widely as possible with our members before responding in detail.

With the timing of your proposal, we can only do the first roadshow first week of November and the last roadshow somewhere mid December 2018. We would still need to further engage other critical structures like Dealer Councils after the roadshows.

Based on this we therefore anticipate that our detailed and complete response will be done by end January 2019.

I trust that the Department will allow this proper consultation with our stakeholders as they will fall victims of these proposed amendments. Other stakeholders like NUMSA also need to be engaged as this proposal will start impacting hugely on job losses.

Lastly the request from FRA is that this process be handled by someone much senior than the current proposed person on your letter. This matter is very serious and previous experiences with consultation on RAS has taught us to be extra careful moving forward with the Department's consultation processes. For now, the request is that we deal directly with you on this matter and as such our final submission in January 2019 will be directly submitted to you.

I trust that you find this in order.

Kind Regards,
Reggie Sibiya