



**Keynote Address by the Minister of Energy, Ms. Dipuo Peters, MP
at the Engen Retail Dealer Indaba Gala Dinner**

**Theme: "Lead into the future"
Sun City, North West Province
Saturday the 18th of February 2012**

Chairman of the Board of Engen, Datuk Wan Zulkiflee

Members of the Engen Board

CEO of Engen - Mr. Nizam Salleh, and the Executive Management of Engen

Chairman of Petroleum Retailers Association Forum (PRAF) – Mr. MC Lamprecht;

Chairman of South African Petroleum Retailers Association (SAPRA) – Mr. Peter Noke

CEO of Fuel Retailers Association (FRA) – Mr. Reggie Sibiya

Engen Retailers

Distinguished Guests

Ladies and Gentlemen,

Thank you for inviting us to be part of this auspicious and very important occasion.

It is indeed a pleasure for me to celebrate with you on the occasion of honouring retail dealers for outstanding achievements and their contribution to the economic development of our country.

Programme Director, on a lighter note, I am advised that tonight's awards is Engen's version of the South African Music Awards.

This event takes place 9 days after the State of the Nation Address in which President Jacob Zuma put infrastructure development firmly at the centre of Government's response to economic growth and job creation.

The President made a clarion call to all of us to join government in a massive infrastructure development drive. In my view, by their very nature, retail service stations fit the bill of infrastructure development and job creation, and as the key players in the industry assembled here, we should contribute to this effort and assist to provide solutions to the collective challenges facing us.

We also meet during a tumultuous period in the global economic environment, which is largely influenced by the European financial challenges. Furthermore, the developments flowing from the sanctions against Iran pose a challenge to crude oil supply and prices. The predictions we are reading about the potential consequences were there to be an escalation, are indeed a threat to global economic stability. As government, we are monitoring developments closely and we believe that there is no need to panic.

Ladies and Gentlemen,

We must recognize the role played by retailers in job creation in this country. As it stands, this sub-sector supports over 50 000 employees and provide a livelihood to thousands of family members where these workers come from.

Recognizing this reality, and to further support job creation in this sector, my department introduced a fast-track for all new-to-industry sites last year and we have reduced processing time for these to 60 days. This initiative was our contribution to the efforts aimed at unlocking construction jobs and contributing to the drive to deal with unemployment.

On the retail network, we look forward to exciting movement in leveling the playing fields and I am sure that we will not be disappointed. This is a volumes business and progress should also be measured not only on the numbers, but also on the volumes pumped.

As much as we celebrate the success, we need to always ensure that we contribute to the improvement of the quality of life of the workers in the retail sector.

I have previously indicated that the retail workers' wages are at an uncomfortable low level, in fact, the lowest across the entire value chain. I would like all of us gathered here to join with me in ensuring that this situation is drastically improved.

These workers represent our frontline as the industry, they are the face and image of the industry and can become, with our support and attention, brand ambassadors for our enterprises.

These frontline workers also have to deal with, amongst others, criminal elements, who see retail networks and outlets as soft targets, as well as the potential of exposure to unintended health challenges that may arise at the place of work.

One of the practical steps we can take is to ensure that there is diligent monitoring of the full implementation of wage agreements, even in the most remote of areas. We must make sure that there is no area where workers are not reaping the full benefit of the negotiated settlements.

Programme Director,

I would be amiss if I do not use the space provided to me here tonight to also raise some views about growing signs of inefficiency in the liquid fuels industry as experienced in the recent past.

I have raised this before and I wish to re-affirm my concern about the seeming inability of the industry to meet this obligation. I am saying this because the number and frequency of the unplanned shutdowns is alarming. We should never underestimate the strategic role of this sector in the economy and that our actions directly affect retailers and motorists, whom I must say, have been on the receiving end of the recent product shortages.

You would be aware that I have instructed the Department to conduct an audit of refineries, particularly because the number of unplanned events has been on the rise. One of the areas that we also need to focus on is whether there has been sufficient investment in the requisite skills to run these facilities efficiently.

The responsibility of the petroleum sector is to ensure that there is reliable and adequate supply of petroleum products in the country. Oil companies are supposed to keep contingency stock in case of any supply disruptions.

However, the number of fuel supply disruptions and shortages confirms that some changes have occurred in the distribution infrastructure. Retailers should also hold the wholesalers to account because shortages of fuel ultimately affect revenue of the retailers.

Ladies and Gentlemen,

I must also share the observation that low stock levels at the major airports are fast becoming the norm in this industry. Low stock levels cause uncertainty and panics among domestic and international airlines. This damages the reputation of our country.

This situation cannot be allowed to continue and surely the experts in this hall and beyond ought to be able to find a solution to these new challenges.

The commissioning of the trunk line of the New Multi Product Pipeline has created a lot of capacity to move product between Durban and the inland market. Going forward logistical constraints should not contribute to fuel shortages.

On the issue of cost of doing business, the President in the State of the Nation address stressed the need to reduce the cost of doing business to stimulate investment and economic growth. The cost of energy in the economy has to be scrutinized carefully. Most of the economic sectors depend on energy for production and to provide services. We need to continue to work towards ensuring that cost of doing business is minimized in order to stimulate investment in all economic sectors.

The Department will, during the course of this year, undertake extensive research on the Basic Fuel Price system to determine elements that may need to be reviewed, as well as to assess their relevance in the current environment.

Furthermore, we need to be very conscious and considerate when we determine the margins and levies, as they ultimately contribute to the higher cost of energy.

Ladies and Gentlemen,

Government is aware of the challenges faced by the liquid fuels retailers.

Issues such as rental and contractual agreements affect the viability of your businesses. The most affected retailers in this regard are the company owned dealer operated services stations (the CODO). My Department has been working with industry and retailers on the Regulatory Accounting System (RAS) which is aimed at ring-fencing regulated from unregulated activities, in order to eliminate actual and potential cross-subsidies. RAS is based on the dealer owned and dealer operated model (DODO).

During the 2 year transitional period both the oil companies and retailers should reach an agreement on the rental amount and the lease agreements should be amended accordingly. I am calling for a speedy resolution to this matter and have confidence that indeed this work will be finalized soon.

During this calendar year, specifically before end of March 2012, the Department will be promulgating regulations on new fuel specifications and standards which aimed at improving air quality. This programme has a potential to contribute to infrastructure development and job creation.

Infrastructure at the refineries will have to be upgraded and new storage facilities constructed to accommodate the cleaner fuels. We are also currently looking into implementing the blending of bioethanol and biodiesel into petrol and diesel respectively.

The distribution infrastructure will need to be adapted to accommodate biofuels.

I have raised these matters to emphasize the very strategic role and contribution of the liquid fuels industry as a catalyst for economic growth and prosperity. Whether at the level of a retail business, or as an oil major, we all have a responsibility to reflect on this role and join in the effort to take this country to a qualitatively higher plane.

I would like to use this occasion to congratulate Engen on the strides you have made towards gender equity. The appointment of three women on the Board and one at executive level was a major step in the right direction. We encourage Engen to maintain the momentum and to show others that this is how business should be conducted.

Furthermore, Engen's commitment to the education of matric learners shows the kind of ambassador you have become for your major shareholders. Indeed, these are examples of a company that is serious about *"leading into the future"*.

Allow me to conclude by once again thanking Engen for celebrating excellence, and congratulations to all the recipients of awards tonight.

Let us continue to strive for better services to our people in all sectors of the economy.

I thank you!

End.