



**PRESS RELEASE**

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## **Tellumat urges more vocal government support for local business**

Proposes evolved tender system, applied consistently across public sector

Tellumat, the innovative South African technology group, has called on government to provide more structured and vocal support for local businesses.

Rasheed Hargey, Tellumat's CEO, qualifies his plea on behalf of industry: "It's not a call for preferential treatment or bailouts, just for a levelling of the playing field. The issue is that even the most competitive local brands sometimes feel left out of government's buying decision."

### **First, no more job losses**

How does one begin to level the playing field? Hargey says the first order of business should be to stem job losses in local companies (including foreign-owned companies using local resources and content). "The US government has moved quickly to support American businesses during the economic crisis. President Obama rightly called for a team effort with industry, to stop the bleeding."

In this spirit, some US companies moved to close down overseas production plants, a strategy that has had the effect of saving domestic US jobs, even if it meant temporarily shunning overseas goodwill.

For its part, the SA government has not responded to the recession with specific measures. "But it is to be welcomed that President Zuma is at least sounding amenable to supporting local industry," says Hargey.

So what more can government do?

### **Support strategies**

For one thing, it can play a bigger political role in encouraging cross-border trade. "The Department of Trade and Industry does a good job in terms of export incentives, trade missions and so forth, but often true political clout is needed," Hargey continues.

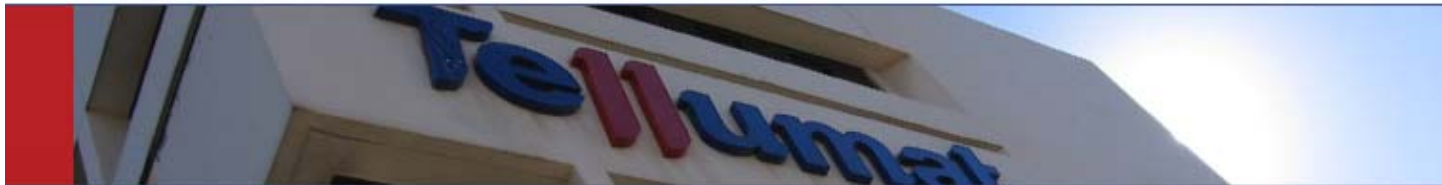
What he refers to is not government endorsement of business, but rather a natural outflow of harmonious, active government-to-government (G2G) relations. "It is being practised very successfully by the US government."

### **Fragmented customer**

Another effective strategy, Hargey says, is to allocate a statistically meaningful number of points for local credentials in government tenders.

He admits that he foresees difficulty with implementing increasingly sophisticated procurement guidelines. "Government is a sprawling mass of entities operating across various levels. For it to take a cohesive view of important practices like procurement is a challenge."

For example, while national government strictly enforces the empowerment Codes of Good Practice, local government still enforces the aged Public Finance Management Act, confusing and frustrating companies seeking only to comply.



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"In reality, government is at its most effective at local, grassroots level," Hargey says. "That is where government's responsibility lies to give unambiguous support for local business."

### **Lead by example**

Another problem with posing yet more requirements for winning government business is the phenomenon of fronting. Hargey says a peer-policed system, such as the one supporting affirmative procurement, might effectively root the practice out.

Nevertheless, despite the challenges, government must set an example, he continues. "The public sector is the biggest spender on products and services and must align itself with local business in no uncertain terms. It could overtly state that it will support big businesses that support local businesses. Government's influence is immense; it can make a very positive contribution."

Eskom, for example, spends hundreds of billions on equipment and services. Hargey concedes that some of it is not available locally, but insists that supporting products and services are available in over-supply locally.

### **Multiple spin-offs**

Hargey says many benefits of a stated preference for local content come to mind. "Saving jobs will have a benefit for tax collection, which could positively influence the current trade imbalance, which in turn would strengthen the currency. The money could be spent on better service delivery, more skills development or support of strategic industries."

Citing the near-demise of the textile industry as a cautionary tale, Hargey says Tellumat has spent millions on research and development, enabling it to win important tenders, such as the one underpinning Neotel's Wimax network. "If, despite one's competitiveness, it is easier to import the goods than to develop it, local firms will stop investing, which will have negative effects on jobs and local spending."

### **Continue in this vein**

That having been said, the government has done much to commend it in its quest to foster development of strong, more competitive local industry. Besides the DTI's exploits, the Department of Science and Technology and SARS have jointly drafted extended tax breaks for investment in qualifying research and development.

In other examples, the call centre industry has received government incentives to set up shop and employ staff in rural areas. Government ministers are urged to buy local, to set an example. The Industrial Development Corporation is providing funding relief to struggling companies.

But in the final analysis, local support should be an integral part of all government procurement, Hargey says – not just in troubled times. "We believe it is a procurement best practice for all times. And when government steps up to provide the impetus, all else will follow."

Ends.



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### **About**

Tellumat

Tellumat is an innovative, black empowered, South African technology company that has achieved a BBBEE Status Level 4 rating, defined as "Superior Contributor to BEE" in terms of the DTI's Codes of Good Practice. It consists of three major trading divisions; Communications, Defence and Contract Manufacturing, and three partly owned companies; Sia Solutions (Pty) Ltd, Eence Engineering (Pty) Ltd and SIMpill (Pty) Ltd. Tellumat services three primary market areas, namely wireless voice and data communications, defence communication systems and high precision electronic and mechanical manufacturing. Tellumat is a world-class business focused on innovation, offering our customers dynamic and competitive technology products and services. We focus on understanding our customers' needs and forming long-term strategic alliances with likeminded enterprises worldwide.

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