



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

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PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Itumeleng Lesofe

CCSA Internal Team

Tshegofatso Radinku

CCSA Internal Team

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CCSA Internal Team

COMPANY: REBOSA



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Recording & Transcriptions

PROCEEDINGS ON 29 NOVEMBER 2021

CHAIRPERSON: Well, welcome back to the final day of the public hearings into the online intermediation platforms and we are joined now with Jan le Roux, who is the current CEO of REBOSA and also from Leap Frog Agencies. Jan, we seem to have lost you on camera again.

MR LE ROUX: Oh dear. I can hear you, but ...[intervenes]

CHAIRPERSON: I do not know if you touched anything on the device, but you suddenly disappeared.

MR LE ROUX: Certainly nothing that I am aware of. Oh, gosh.

10 CHAIRPERSON: We can hear you still, we will give you a moment just to see if you cannot get back in with the camera. Mr le Roux, maybe if you just sorry, re-join again from that device and hopefully that solves the problem.

MR LE ROUX: At the moment I have got a screen in front of me that I cannot even get out of, so it just does not respond when I click on anything.

CHAIRPERSON: Alright, and welcome back. We have been having some technical issues, but welcome, Mr le Roux. As I understand you are the CEO of REBOSA, the Real Estate Board of South Africa and
20 also a member of Leap Frog Agencies, estate agency and maybe before we start, just to get some idea of your history in the Estate Agency Board.

Sorry, in the estate agency business. How long have you been in the business?

MR LE ROUX: I have been a registered agent for 38 years, but I have

not practices the entire period and just for the record, I am the founder of Leap Frog Property Group, but I am no longer involved. I am not on the board or anything of that nature. I left it a couple of years ago, but I am still close to the company, obviously.

CHAIRPERSON: Alright, sorry. I did not realise you were the founder, but and I suppose I mean, why we had wanted to just chat to you is probably more as a REBOSA member and you had also previously sat on the Board of Private Property as I understand, as a director and as someone who has been long in the industry also to get your insights into
10 the property portals as we call them and how that dynamic is playing out.

Mr le Roux, I just want to start with you I think issued a REBOSA report last August which was around shares being available to all REBOSA members and I think that usefully sketched a little bit of the history around the development of the portals and also the involvement of REBOSA, and I thought it would be useful to start there and get your insights from that history.

So I think the first thing, I mean you in fact started this talking about that for many years one of the real estate agent's biggest
20 expenses was advertising in property papers as these were tightly controlled by a small number of Print media houses and how the industry became invested in these Print publications, but of course, time has moved on and we are no longer in print, we are in online.

You indicated that you see history repeating itself and it result with the advent of two dominant portals, Private Property and Property

24. I mean, you then went on to state and it may have not been you who wrote this, but this was I think in the report that you would have forwarded to, but it said at first digital advertising was very inexpensive and saved everyone a lot of money.

But over time that has changed significantly and the more dominant portal is dictating prices, much like the print media houses before, and in many instances prices now exceed what print ever cost, according to some and there is little doubt the trend will continue. I mean, you talk about how it was still possible in the print media days for
10 new publications to start up and introduce competition but in the digital word it is not as easy, and you say in fact it is almost impossible and the risk of a permanent monopoly position in future is very real and it can be challenging for portal 2 to even compete with portal 1.

Now I know you are talking about portal 1 and 1 there, but I assume you are talking about Property 24 when you are talking about portal 1 and the dominant portal, and I just wanted to before we get onto your partnership with Private Property, I mean I just wanted to just sort of position the portal stuff because I mean presumably you or REBOSA members see the advertising services of portals as almost distinct from
20 your website, and the role of the website in advertising.

If you need to be on these portals and you are having prices dictated to you, you know we sometimes are told by these portals that the websites are in competition and the members can just go to their, use the websites to get leads and many large estate agencies actually advertise on Google and try get a position.

So maybe if you can just assist us in how do you see the role of the website for the agency versus the portal and why you still need the portal.

MR LE ROUX: Right. you see, when a company build its own website the challenge is to become so known like the consumers would know to look for you, like you would know Google, you know to look for Google. That would be a prime position or you know, a big company in South Africa.

10 You know, the big names. Then you have a small chance that a consumer will access your web page. The smaller you are, the less well known you are, the smaller the changes of that. So that is where a portal kicks in. The portal has a marketing budget and spends on ad words and the SOE is in place and so forth.

So if you were to search property in any suburb in South Africa today, I will bet money on it that you will find Private Property and P24 on the top of the first page. Type any area and say property. Rent or buy, it does not matter and that is what the portal does. It tells the people where to find you.

20 Whereas if I am looking for a specific company and I do not remember the name or I misspelt the name, I might not get it. Especially if they are not that big, I might not get it. But the portal I find all the time and that is very convenient. Secondly, the portal actually gives me all this, virtually all this stock. In fact I would believe that those two market leaders have more than 90% of the properties for sale, at any given point in time.

So why would I bother to look at company X when I can just go to a portal and find all this stock in one basket. It is just much easier. So I do not have to search that hard, and maybe something to keep in mind here, what is so different from the old print days. In the old print days I used to say and this is actually my background you know, as from real estate when I did not sell property, I launched property papers and stuff.

So I was pretty deep into the property publication side when it was still paper. As you can see from my age as well, that also worked better for me. On the internet side, though the portal is absolutely essential and buyers are not loyal. Sorry, I was referring back to the olden days.

You could advertise, take a big space in the property paper, show your dominance in an area get some buyers and sellers to get to know you in a specific area and come to you and sellers still do, if they remember the name, but buyers are not loyal to any specific agency at all.

I want to guess that 89 or 100% of the buyers in South Africa goes to a portal when they want to buy property. I cannot prove that to you but I am pretty sure it is in the very high 90's if it is not more. So the buyer is not loyal, the buyer would look on the portal and the portal is there for the place to be.

If I just rely on my own website, I must do it because that gives me some protection and it gives me some image and it is something I can show my clients to get mandates from them that I can have

properties to sell, but if I want buyers, I have got to be on the portal. Really.

Otherwise I will lose out. I hope that answers your question.

CHAIRPERSON: Ja, and I kind of figured, but I think you have confirmed that part of having a web presence is you almost have to, but it helps you get mandates. It is helpful for sellers, because the seller has got to choose an estate agent in their area and they might see a few names dotted around on the boards but you might want to get a sense of who that agency is before you go and sign up, is that right?

10 MR LE ROUX: That is right, and even then you would like I say, it helps you to build image. Remember, an estate agency, the owner of an estate agency also has his agents as clients. So he has got to have something for his agents to feel at home and to show the size of the company, the professional image and that sort of stuff and you do get leads from, but there is no question.

There is some, but you need to be on the portal and you even show your volumes on the portal to show how much stock you have to sell. So yes, the portals play a big role. If that is what you wanted to hear.

20 CHAIRPERSON: Ja, and look we did have Property 24 in the hearings and I mean they said they price according to value provided and that their prices or cost is you know, maybe 1 to 2% of the total commissions being earned. So from their perspective it was much better than print, unlike what was said in this article.

I mean, can you give your perspective on the pricing?

MR LE ROUX: My information is second-hand as I have not been active in an estate agency as such for almost four years, but I think it might be... it has become kind of expensive. That letter that you did, I actually did write so you actually have my whole opinion in front of you already and the costs are just creeping up.

The percentage increases of the advertising of the leading portal for example over the past number of years is quite considerable. I cannot give you actual numbers. I am sure you have got that from someone else. What I dare say though, is when agents complain about
10 the cost of advertising on a portal they tend to forget that in the old days we put an ad in the newspaper and quite frankly you never knew if anyone saw it at all.

You had no idea and with the portal at least or with your own website, you at least know that somebody looked and when you get a lead and whether that lead is just asking for your phone number or actually asking you to contact them, you have direct interaction which in the newspaper you never had.

So even if portal businesses could be more expensive than print, I think it is very much more effective.

20 CHAIRPERSON: Ja, thank you for that and as it has got more expensive I mean can you just not leave that portal? Just not be on it and choose another one?

MR LE ROUX: That will be hard pressed. You have got two leading portals and I dare say the third portal, the third biggest one is way down the line. So you can go to any type of portal and in my estate agent way

of explaining, I will put it to you this way. I can build the most beautiful house, but if you cannot find my address, you will never come and look at it.

That is the problem with a beautiful website that nobody can find. With another smaller portal that nobody can find. So yes, anyone can launch a portal now. I can launch one in a couple of weeks. I can offer it for free to every agent in the country and they may even take me up on it.

10 But I will be very alone in that portal because I will not rate on the Google search engine. If they type my specific name in, if I manage to get across that I am X, Y, Z.com then they may find me but for me to get that message across to the consumers is very hard, if not near impossible.

CHAIRPERSON: Maybe just a last comment. I mean you had indicated that in the digital world it is really hard to compete and that there is a risk of a monopoly, because even portal 2 battles. I mean, what is... so maybe can you just expand upon that comment and why you say that?

20 MR LE ROUX: Certainly. The only control we can possibly have that I can perceive against the total monopoly is a strong number 2. If there is not a strong number 2, then number 1 can absolutely do what number 1 wants. That was the thinking behind... somebody mentioned to me the connection between REBOSA or you, sorry you talked about a partnership.

I wanted to qualify that. there is no partnership between REBOSA and Private Property, but REBOSA did endorse Private

Property as the portal of choice, and it exclusively endorsed Private Property for that purpose and the thinking behind that was we need a strong number 2 that can hopefully become number 1, but even if it does not, is the only safeguard against the situation because of what I tried to explain earlier.

That if you are a very small start-up portal, you can hardly... I do not think P24, the leading portal, is losing any sleep at any point in time about person X who is about to launch a portal tomorrow, unless person X has got really deep pockets and a strong commitment. Hence your
10 number 2 and hopefully number 3, as agents will be very happy if there is a strong number 3 as well.

But there is not one at the moment that I am aware of.

CHAIRPERSON: And that is, I mean as I understand your point is that because visibility on Google is what matters, and so ...[intervenes]

MR LE ROUX: Yes.

CHAIRPERSON: Your marketing budget and your ability to pop up at the top,

MR LE ROUX: You know, at the top it is important, but it is even more important to just pop up and it is important to pop up at every suburb
20 because if you were to look for a property tomorrow, you are not just going to say Property South Africa or just type property.

You are going to pick the city or the town or the suburb that you want to look in. So you have got to be on the first page or two in that suburb. There are many suburbs in South Africa and the way to get on top of that list in every suburb, means strong SOE and it means an

advertising budget.

CHAIRPERSON: Yes.

MR LE ROUX: Which again you as an estate agent yourself, it is done make no mistake. Agents focus on areas and you get specialists in specialist areas and you will find that they also spend serious money to appear on that first page in that area but then they pick, as a small company they pick suburb X.

They only advertise on suburb X and they do all their catch words in suburb X and so forth. So it is hard, but that is the way to do it.

10 CHAIRPERSON: Right, and I mean what interested me in this article that you wrote, I mean you said that six plus years ago Property 24 created a joint venture company with the industry. At that stage called the real estate agents of South Africa, REASA, and through this vehicle and dominant media interest, established themselves as the market leader.

Now I mean I am intrigued as to, I do not know if you were part of that or were aware of that, but obviously you have referred to it in this article. I mean we did hear from Property 24 that that seemed to be focussed on trying to digitalise the entire sort of process and that was
20 the focus of the JV.

MR LE ROUX: Yes.

CHAIRPERSON: I mean maybe just can we get your understanding of the JV and also why it did not eventually last.

MR LE ROUX: It is purely opinion from my side, and no I was not part of the REASA transaction at all. In fact, I was very much against it for

reasons I cannot raise now. so I was definitely much anti, it fell apart in my perception because once the Property 24 reached a very strong market position it probably thought that the support and the loyalty of agents are no longer important.

The product is strong enough to move ahead without agent loyalty and agent support. I think that is why it fell apart because the contract was cancelled from the owners of P24's side and the agents were left in the lurch if I can put it that way, and so ja. I trust that answers you.

10 CHAIRPERSON: Ja, well I was just you know, Private Property was also before us and they indicated that they did lose listings in that period. I mean do you have any detailed understanding of the arrangement? The JV where some of the large agencies exclusively listing on Property 24 at that time, the loyalty you are talking about?

MR LE ROUX: You know, I have no knowledge that they would have done so exclusively because Private Property was pretty strong in the very beginning. So I can hardly imagine that any of the bigger agencies would have said, well we are now... had some sort of arrangement with P24, hence we are going to pull all our stock off Private Property.

20 I very much doubt that. I have absolutely no knowledge of that and I will be surprised if that happened. So when the bigger agents then left, the REASA transaction, I also do not think that P24 then lost any stock. No reason to believe that whatsoever.

CHAIRPERSON: Ja, and that is why I just want to then come to, I mean you then say four plus years ago the number of the national estate

agencies through the offices of REBOSA obtained a significant share in Private Property, giving industry some sense of future in one of the leading portals, and these were held by the estate agency property portal company, EAPPC.

Can you just indicate who those national estate agencies were that formed this initiative? If this is now REBOSA which is also your organisation, you may be more familiar.

MR LE ROUX: Yes, when I say through the offices of REBOSA, I am the only full-time employee of REBOSA as the CEO and REBOSA was
10 formed in 2012 and I started in 2013 or 14. I am not sure. So yes. There was this big concern about the monopolistic situation. So we had discussions.

I actually was very involved in those discussions with Private Property and this transaction was put together. That in exchange for marketing and so forth and for contracts to advertise property on P24. Not exclusively, but to advertise it there. That some shareholding would then be made available to this group of estate agents. At the time Private Property still belonged in the biggest portion to a venture capital fund from the United States.

20 They made an offer but only to bigger agencies because they did not want the entire market and all the hassle of having every estate agent of South Africa as a shareholder. So they limited the number to bigger agencies. In fact they said, if I remember correctly, agencies employ more than 100 people.

So that was never the choice of the agents as such, but that was

the rule and that was one way of getting a stake in the company, in view of the fear of the monopolistic situation of the other portal was to be totally dominant and run away with it. So that is how that transaction was negotiated.

Call it a trade transaction. Support, marketing in return for shares into the EAPPC. The shareholders of that time was 24 I think of the bigger companies in South Africa because it was limited to agencies with more than 100 employees, which was later changed to 50 but kicked off at a 100.

10 CHAIRPERSON: And when you say I mean in exchange for contracts, there was some shielding, what do you mean by some shielding. Were there ...[intervenes]

MR LE ROUX: Sorry, it is just my pronunciation. Shareholding, not shielding. Shareholding.

CHAIRPERSON: So the industry did not pay for the shares, it got shares in exchange for committing to Private Property?

MR LE ROUX: It was a limited period contract. Yes, you must carry my logo on all your marketing and all your ads and so forth. So the one hand washes the other. I would call it a barter transaction.

20 CHAIRPERSON: Alright, I think I understand that better now. So you know, you commit some loyalty and they give you a shareholding. Because I suppose you know, that is how we you know, seem to understand that as well because I mean, right from the start I mean you say you did not see it as necessarily a partnership but a lot of the I mean I am just look at the REBOSA website when it was launched in

...[intervenes]

MR LE ROUX: It is not a partnership between REBOSA and Private Property. It is a partnership between the estate agencies and Private Property.

CHAIRPERSON: Alright.

MR LE ROUX: Sorry, I was implying that REBOSA does not have a partnership.

CHAIRPERSON: Alright, because I mean maybe as a bit of loss in translation here, because I mean in the end of July 2015, we see on the
10 REBOSA website Private Property has a statement which talks about this new partnership with REBOSA representing a combination of all those efforts to build trust and with the estate agent sector, and that the key focus is to unite, transform, uplift, empower and develop the real estate profession across all areas in the market.

Achieving an environment for business to thrive in and expand, and Private Property supports this vision and will work alongside REBOSA in various initiatives. So I mean that is why I suppose we interpret it as a partnership.

MR LE ROUX: Well, maybe it is in the words. All I am trying to
20 emphasise is this. All that REBOSA has as an organisation done in this regard and still does, is to advise its members and the entire industry that the Private Property is the portal of choice. In other words, REBOSA says we advise you to support Private Property and it is based on the argument I have given you earlier, that we believe we have got to have a strong number 2 portal in order to control the pricing

going forward.

So that is, if you want to call that a partnership you are welcome, but it is like almost one sided. There is nothing coming back, and the partnership is normally both directions. So in this case REBOSA says we believe under current circumstances and for the foreseeable future, we believe that is a good strategy for agents in general and for members in particular to follow.

CHAIRPERSON: Alright, and I mean what I have seen from on at least the REBOSA board members, their agency websites, I mean like
10 previously your... the agency you founded, Leap Frog. I mean most of them lists at the bottom in their partnerships, they either call it a partnership or they just list Private Property and often REBOSA as well. Sometimes they have a relationship with a bond originator, like Better Bond or Uber.

But I mean all of them seem to promote. So was that part of the idea when you say joint marketing or putting the logo ...[intervenes]

MR LE ROUX: Yes, no like I said it is clearly a partnership between the agents who get shares via the EAPPC and Private Property. It is the Bata transaction. So part of that Bata transaction is the company like
20 Pam Golding has to carry a logo of Private Property on the same page. So that is the partnership.

It is totally voluntary if a company carries a REBOSA logo as well. Many companies use us as a bit of a form of prestige I guess. I belonged to a company, an association, a group that has some image in the market. So they may use it, they may not. There is no obligation on

any member to use a REBOSA logo or not.

So it may be there or it may not.

CHAIRPERSON: Alright. So as I understand what you say, I mean part of that partnership not only do you put Private Property's logo on, but the EAPPC members of the 24 agencies with a 100 or more, also committed to using Private Property, so they will pay to list their properties on Private Property as well.

MR LE ROUX: Yes, but at the same time it was for a period. In other words the Bata transaction is not open ended. If my memory serves me
10 right, there was a three-year period. So many of those agencies have paid their three-year dues. So if they now still carry that logo, then it is because they want to you know.

It is part of the motivation that I gave you earlier that they believe a second portal is important. There must be competition in the market. So they still continue to support for that reason. But they have earned their stake. In other words, the shares that the EAPPC own, has been paid for in Bata terms, over and done.

CHAIRPERSON: Alright. So let me just clarify because as I understand it now, the initial Bata to get the shares involved, listing on Private
20 Property, holding the logo, but that was time bound. So after three years, then you can in fact you know, you could stop listing on Private Property if you wanted, but you still hold a share.

MR LE ROUX: They certainly can, yes.

CHAIRPERSON: Alright. That is very helpful, thank you.

MR LE ROUX: And the purpose of that letter that you have been

reading from, was to extend. I explained to you earlier how because of the venture capital fund, the initial offer was limited to bigger companies. Once the transaction happened where they were bought out and Claxton's bought in and so forth and the other agents and the bond originators that you know about.

Once that happened there was no longer that restriction. So EAPPC then took the decision that the shares can now be offered on the same terms and conditions to every estate agent in the country on the same terms. In other words, you do not have to pay for your stake
10 of the EAPPC shareholding, you just also do a three-year contract and you also advertise and you know, meet your other commitments for that period of three years.

So that offer was then made to the entire industry and that is why that letter was written.

CHAIRPERSON: Yes, and I saw that at the, I mean obviously the heading of the letter was that, and that is the end and just to understand that. So the letter indicated that you just needed an existing contract with Private Property, but you are saying it is a three-year commitment.

MR LE ROUX: I think you will find the sentence somewhere there on
20 the same terms and conditions as the founder member, so to speak. Something of that nature. Sorry, I do not have the letter in front of me.

CHAIRPERSON: No, no, no.

MR LE ROUX: But it would say company X five or six years ago signed a three-year contract and I said I will carry logos and in view of that EAPPC will get shares and I will get shares in the EAPPC. Then we

now say it to everyone.

Just sign the same contract for the same period and then you get the same stake. You get your stake of the companies.

CHAIRPERSON: Yes and you are absolutely right. It says on the same basis as the founder agencies at no cost. Your memory is good and just so we understand. I mean obviously the EAPPC has a limited shareholding in the overall business of Private Property. So if I joined as a new agency, what do I get a share of the EAPPC's share?

MR LE ROUX: Yes.

10 CHAIRPERSON: And ...[intervenes]

MR LE ROUX: You get your share of that and then if you want to buy any more shares, last time I looked Private Property was happy to sell more shares to agents, but I do not know if that offer is still standing. They will be able to advise you.

CHAIRPERSON: Alright, and presumably that would be then a delusion of the overall shareholding from Caxton or the bond originators.

MR LE ROUX: I really cannot answer that question. That would be one option, but they may also have shared in abeyance that they can sell. There was definitely talk at the time of making shares available, directly
20 but any agency in South Africa could become a no cost, member of EAPPC and share in the, of what is now 12.5% or 12.4% of Private Property.

CHAIRPERSON: You also indicated that the EAPPC or REBOSA did this in order to have a say in one of the portals and as we understand you appoint two directors and you have been that, and I think often the

Chair of REBOSA seems to be one of the directors, if I am right.

MR LE ROUX: I was at the time, and that was exactly the motivation. I am not sure I get the rest of your question, yes. That is what ...[intervenes]

CHAIRPERSON: Ja, no it was just whether it is just who that... those board seats go to. Is it the Chair of REBOSA and or is it just ...[intervenes]

MR LE ROUX: No, the EAPPC elects his own directors. In other words they certainly overlap, but the EAPPC [indistinct – 00:32:55] every year
10 and all the shareholders of the EAPPC and like I said, there were 24 or so. There are now a few more. Get together and they vote in a new board.

Very often there is an overlap. There is definitely an overlap of I think three or four at the moment. What you find, and this is a bit of background information. Is that when you talk about any of these boards and organisations like REBOSA and the Institute of Estate Agents, you will find that the bigger agencies, the principles of those agencies can more easily, more readily make time available to go to lots of meetings.

20 Whereas if you are a one-man band and you have got to work hard on the next transaction, then taking a couple of hours off every day is not that convenient. So it has been my experience over decades that in most boards, in most associations of our industry, it is always the medium to bigger companies that put forward the people that serve in leadership positions and it is a matter of cost and availability and

expense.

CHAIRPERSON: We will come to that, but just the outcome of the share offer, you said a few more now to the 24. So it has not been taken up in a widespread manner or do you know ...[intervenes]

MR LE ROUX: Not at all and we advertised it in the Property Professional, which is a magazine that goes to virtually every estate agent every week, and it was published on the REBOSA website and it was mailed to every REBOSA member and we kept it open, I think from June to December last year and then I had one further application this
10 year, and we allowed that as well to continue.

So the door was closed, but not closed because we would rather have everyone on board but it was not a big turnout, no.

CHAIRPERSON: Alright, and just in terms of the board matters then, I mean you have two members who said on that board, and I assume like any board you have got budgetary matters, you have got strategy matters that Private Property, you would be part of those discussions.

MR LE ROUX: Are you now talking which board, the REBOSA Board?

CHAIRPERSON: No, the Private Property Board. So when you were on that board, I mean you would be familiar.

20 MR LE ROUX: Absolutely.

CHAIRPERSON: And that would cover I assume as I said, I mean it has obviously got to cover budget and approval of budget, that would involve probably discussions of investments of strategy, of pricing. I mean maybe if you can just give us some insight.

MR LE ROUX: Whether that was the case, of course. No, of course all

of that was discussed.

CHAIRPERSON: And I mean, what about the structure pricing, because what we have noticed is that Private Property has a single listing fee for unlimited as I understand and Property 24 has gone this lead-based pricing model which is quite different. I mean, what is the rationale when you were on the board for sticking with this sort of listing model of unlimited ...[intervenes]

MR LE ROUX: You know, it was... the situation when I got there and to be perfectly blunt, my involvement in all of these things is certainly more
10 strategic. I have been an estate agent, never a technical person. Never a computer wizard, as you have clearly seen earlier today and so my interest in all of those discussions was much more how the agents looked after that sort of thing.

Now when we were then looking at say a pricing structure, this or that, and the CEO says this is our current structure and we are sticking to that, I would never have seen the necessity if that seems the best in his manner of thinking, to continue that way to say well, the agents are happy.

I do not see them prejudiced. It works, so I never got into a
20 discussion as to why do we not try the other one. I must also say at the time, it did become kind of clear that the approach to charge per lead, as P24 does was not very popular. So I would have been hard pressed to propose that sort of fee structure.

It was not popular.

CHAIRPERSON: And why is it not popular?

MR LE ROUX: Because the cost went up. I think that is the main reason. It was a manner of as that system was introduced, the fees went up. Now they may not have been connected at all. Maybe the fees would have gone up anyway, but I think the market read it as this is now happening.

I think there were also issues and please, I am talking more than a year ago now that I was even near that. There was also a feeling that now what is a lead. It is one thing if you give me a purchaser ready to sign. That is a fantastic lead. I will give you a lot of money, but if you
10 charge me just because somebody clicked on my phone number which he then never sued for example, then why must I pay for that.

I think there was that feeling, which made it unpopular.

CHAIRPERSON: Ja, and I think an estate agent came before us, made that point and also I suppose that one can drive traffic to a site, it does not necessarily mean serious buyers.

MR LE ROUX: Yes. But you know, at the same time I tried to say earlier that estate agent, whoever he was, if he advertised in the days of the print press, then he did not even know if somebody looked. So I am very happy there are portals.

20 CHAIRPERSON: And what other, I mean what other sort of board matters did you take an interest in with that strategic hat on and the interests of the agents?

MR LE ROUX: I was obviously part of every board meeting, so I participated in everything. I was just trying to show you my interest in the contribution that I could make. I certainly did not weight in on

technical matters and such. I do not remember anything sticking out from what would be normal company business, like you said fee structure, how is the company growing, what is the expenses, the income, is there a profit and so forth.

But I certainly cannot explain that in public, what I do remember of that.

CHAIRPERSON: Alright, but I mean to go back to the thorny issue for the estate agents, is price increases or fee increases would be something presumably would be vocal on.

10 MR LE ROUX: Oh yes. That is for sure and when I left there, I am pretty sure that the price increases up to that time never exceeded CPI in any given year. So if my memory serves me right, the Private Property price increases never exceeded CPI in any given year. Not in my time.

CHAIRPERSON: And I think Private Property confirmed that with us. So I mean, presumably you are obviously still going to make money, but the costs are not increasing by more than CPI and therefore CPI should cover them. Is that roughly right?

20 MR LE ROUX: I suppose so, but you see you cannot on cost just say that, because you would understand that you have to advertise to... I explained to you earlier that it is useless to have the most beautiful house in the area and nobody can find you. You have got to spend money mainly on Google.

So you cannot necessarily say that your cost only go up by let us say 6% and hence your expense is only up by 6%. You have got to take

a strategic decision. Do you spend more to grow market share as number 2 to get closer to number 1 or do you just hold your own or what do you do.

So the cost could go up more than the income. It could. I am not saying it did, but it could.

CHAIRPERSON: And I mean the other thing that Private Property offers, is the listing engine. Fusion and website development. Was there any obligation in this Bata around the use of Fusion? I mean, we have heard that many of the larger agencies have their own engines.

10 MR LE ROUX: There was no such obligation at all.

CHAIRPERSON: Alright. I mean I assume as you sort of indicated it is not exclusive. So it was not that the agencies were exclusive to Private Property. They did go through a three-year commitment to list there, but they would also list on Property 24.

MR LE ROUX: Undoubtedly.

CHAIRPERSON: And that is because it is, I suppose its position as the leader with generating lots of leads, you have probably got to be there.

MR LE ROUX: You know, it is that but there is another simple factor. If you are a principle of an estate agency, you can almost say your first
20 client is the agents that are involved in your agency, your colleagues. You want them to work for you and not for another principle and another company.

So if you were to say I am going to take all my stock and save money. I am going to take it off the market leader P24 and I am just going to focus on Private Property you will lose your agents to

somebody who does not do that. So for your own agents sake, you will stay on both at least and be under pressure if you do not.

CHAIRPERSON: Right, because they are getting commission on sales. I mean that is their income and so if you are taking away leads from them, they are going to say why should I stay with you.

MR LE ROUX: Ja, that is the end of you, definitely.

CHAIRPERSON: I mean, Mr le Roux, a few weeks ago we had Mr Tjigaro from Property Central and he is a new portal and he had indicated that I think in his complex as a Leap Frog agent and through
10 that, he communicated or that agent communicated with you to I suppose indicate that he was no around and would like support and he was told apparently that you would not support him because it is another platform you are going to have to pay for in the future.

I do not know if you recall this interaction at all.

MR LE ROUX: Well, if that was in my days at Leap Frog, I retired from the board there in at least four and a half or five years ago. So if he approached me since then, I would not have been able to give him that answer because I would not be able to help him. If it was before that, it depends.

20 The way I remember, now I am talking four, five years ago. The Leap Frog policy was and I suppose it will still be that the franchisee in Leap Frog, whichever... it is a franchise company. So it could be a franchisee in Cape Town area and that franchisee actually decides where these ads go.

It is not Leap Frog National where I was a director that would

pay for those advertising or anything of that nature. So the franchisee would say yes, I am taking both portals or I am taking three. In fact, most of the Leap Frog stock in my day were listed on many more portals than just Private Property and P24.

Because that is how agents think. If I can list on your property for free, why would I not do that, and many do. So I cannot imagine what that reference might have been. It does not make sense to me. I cannot remember it and it does not make sense to me.

CHAIRPERSON: Alright, and I mean you know, obviously you have
10 made a pun to support Private Property as the second portal. I mean, what is the ...[intervenes]

MR LE ROUX: Hopefully.

CHAIRPERSON: Sorry, I was talking at the same time. I think I did not get what you were saying, so ...[intervenes]

MR LE ROUX: I was just saying I have never in my mind put Private Property in the second position for time in memorial. I am holding thumbs that they can complete and even take over.

CHAIRPERSON: I mean, just to understand maybe amongst your
20 REBOSA colleagues, your EAPPC colleagues, you know. what is the view about supporting other platforms, because you know, certainly a number of smaller platforms have come to us and said look, we do not get the support of the larger agencies and at all, and you know, some of them are free.

Now these may not be the IOL's of the world, it may be some of the newer portals, like My Property, Property Central. I mean do you

know from your discussions, does this come up and do you know what your colleagues' views are?

MR LE ROUX: My information is second hand and my relationship with Leap Frog is closer than with any of the others, and I cannot imagine that in Leap Frog the CEO would say no, you are not allowed to put your stock on my property. You probably will get advice that if you only have R10-00 to spend, please rather spend it where it makes a difference, and the difference being the philosophy I shared with you that we need a good, second position in the market so to prevent a minimalistic
10 situation.

That advice would certainly be given and not just by Leap Frog but I have never heard and I cannot imagine that somebody would say you just do not do it. The only time I have ever heard any person saying you cannot put stuff on that property, was when there were some other issues involved.

People badmouthing estate agents for example. I can imagine that a principle will say how can you support somebody that says to the consumer that estate agents are too expensive and useless and so forth. But I know of no other reason or event where there was such a
20 thing ever said or done. No.

CHAIRPERSON: Alright, but I suppose the, I mean by committing you kind of have to be on Property 24, as I understand because they are generating the leads, and then you are committing or backing this other horse, Private Property. So in terms of just your marketing budget as you put it you know, spend where it matters, there may be less available

for spend on other platforms that, or portals that emerge.

MR LE ROUX: That might well be a result. But can I also just please correct. I am not saying all the leads come from Private Property, ag from P24. Private Property is a good second, but no it does, there is so much money to spend and if I am not personally an estate agent practicing today, I would have my properties on P24 and on Private Property and I would not go anywhere else with my own money for that very reason.

Not because anyone is against the third portal, it is just and I am
10 talking a bit a non-techy here but I do not see how you get off the ground and compete if you are not already kind of strong. So I am hoping for a good third place. I cannot imagine 20 small companies making a difference because it is just too big and too effective.

CHAIRPERSON: Ja, no look I mean I suppose new platforms may come up with new ideas. There may be some that have backing, some that do not. It is kind of in this sort of world, it is maybe a bit uncertain in that space, but I mean, if there is not the support for them, then I suppose they are not even out of the stoning block.

MR LE ROUX: Well, you are of course right. If they come up with
20 something totally novel, that I do not see at the moment, but now remember I am talking to you as an old print press guy. There was a dominant paper in Johannesburg called The Star. It was difficult to launch a property paper against The Star in the old days.

The Sunday Times after that and so forth. So ja, it is difficult to launch a brand-new portal against two very successful portals. It is no

different.

CHAIRPERSON: I mean it seems that the other difficulty that some of these portals have had, is that the listing engines like Fusion or Prop Control do not interface with them. I mean from your time on the board of Private Property was this ever a point of discussion about estate agents wanting to link to others and making it available through Fusion for those who were listing on through Fusion on Private Property?

MR LE ROUX: In my days there was absolutely no limitation on where your... Fusion could... whom Fusion could link with and who they could forward your stock to. Absolutely no. Where ever it was accepted, any portal could be fed via Fusion. I am absolutely sure of that. I do not know if it changed in the past year or 18 months, but I have no reason to think so and it definitely was not like that.

CHAIRPERSON: Ja, so I think you know as we understand, Fusion only links with IOL, Gumtree, Property 24 and maybe one other. But it may be that the newer platforms are not part of that list and that is the old complete list.

MR LE ROUX: It was definitely a longer list in my days, and I cannot imagine why they would have stopped that at all. What can change is I a portal does not keep up with the latest technology and stuff and the new ABI is needed to make it happen. Then they could fall off the wagon so to speak.

But I am absolutely convinced that in my time Fusion could not say to an agent you want us to send your data to company X and we will not do it. That did not happen. Not to anyone.

CHAIRPERSON: Alright. I mean I did want to, we have not got much time left. Just because we had those technical issues, but I did want to discuss about the sort of REBOSA and its membership.

MR LE ROUX: Yes.

CHAIRPERSON: I mean I have been to the website. I do not see a list of members, but I would go to the board and it seems to be you know as you maybe indicated earlier, it is kind of the big agencies that are all sitting there.

MR LE ROUX: Sorry, if I may say so. I did not indicate that. I
10 explained that the bigger agencies partook in the initial EAPPC. But REBOSA is actually very badly understood from that perspective so I will give you a quick breakdown. It is true that 21 of the biggest firms in South Africa belong to REBOSA.

But of course, first of all keep in mind that in many of those firms which are very often with the exception of about one or two, all franchise operations. It means there is a franchisee of company X that belongs. So when I say 21, in any one of those 21 companies there could be a 100 franchisees that belongs to REBOSA.

All of those franchisees which in the smaller sense, all as part of
20 21 firms, there are 13000 agents employed but there are also 421, sorry. There are 630 smaller firms that are members of REBOSA. 630, of which 99 are black firms. All members of REBOSA. 99 black firms and in total 630 smaller firms and then the 21 national groupings that is made up of smaller firms in almost every case.

CHAIRPERSON: Alright, but if we look at the board, and the board is

part of the decision-making body, I mean you will accept this is you know it is Rawson, Leap Frog, Pam Golding, Steff, Davit, De Huizemark. I mean it is your big players.

MR LE ROUX: Yes.

CHAIRPERSON: And it is all white male.

MR LE ROUX: I am sorry to admit, yes.

CHAIRPERSON: Ja, look I think because I mean I suppose what has come up in these hearings is also the lack of transformation of this estate agency industry, and so I did want to engage you briefly on that.

10 I mean, you know because it goes to REBOSA but also Private Property you know.

I am sure you are familiar and I think there was an interview that I saw that you did with the Mail & Guardian, indicating that only about 5% of estate agents are black. We have got an all-white REBOSA board. I mean what is being done to support them, the transformation by both REBOSA and Private Property when you were are board member?

MR LE ROUX: May I just point out first. I mentioned to you earlier that my experience over many decades are that the bigger firms put the people forward to actually serve in leadership positions and you are welcome to check that with the national property forum, with the institute of estate agents.

20 It is the case. The second case is when you look at the bigger firms, most of them in the old white market, are male dominated. There are not that many females out there. So it is a matter of who is

available. I am not excusing, I am explaining. As to transformation, what does REBOSA do.

Obviously it is up to REBOSA's members to effect transformation and all of them have different plans. Some of them even see it as a strategic advantage. So I have one biggish member in REBOSA that has a 70% black staff compliment. With black of course I mean as per the Empowerment Act legislation, Indian coloured.

So some of them are doing very well. Better than others. Another factor to keep in mind there is, and this is a tricky one to get
10 your head around. There are about 45000 agents registered and there are about 7000 firms registered. That, if you divide 7000 into that, you will find a rather small number of agents per firm.

In fact, it is the previous CEO of the board said to us that 85% of all estate agencies have a turnover of less than two and a half million per annum in gross income. So they are not big and remember that is a maximum. So the average of those smaller agencies could even be lower.

I am explaining to you it is very much a mom-and-pop shop sort of industry. So when one work the national empowerment figures and
20 by the way it is not 5%, it is closer to 20%, the black participation in the industry. When you take the mom-and-pop shops that employ just the mom and pop, excuse the pun. Then there is not many empowerment issues there.

There is not many blacks that is ever going to be employed in a mom-and-pop shop because it is just mom and pop working from home

or where ever. That puts quite an onus on the bigger companies, that do employ a lot of people. So technically you should actually work the figure separately from the bigger companies that has employment opportunities and the smaller ones that do not.

So yes, I think the bigger companies are actually doing much better than what most people believe or think, and like I say I have got big companies of 70% and 50% and 40%. Leap Frog by the way is way over 30%. Just off the top of my head. Not where one would like to see it and of course a lot more must be done.

10 But our REBOSA members are doing very much in that regard, must more than what is known and interesting as well, maybe you can use this. The EAB often say that they are waiting for the new legislation and the BEE certificates that will become, what is the word? Compulsory for data.

But they actually have all this data. The EAB should be able to give you the data to say how many firms, how big are they, how many people are employed in every firm, give us a breakdown, and they even have the rates. So they could tell you there are 100 companies that employ three people only and the percentage black is X.

20 They have it on their books. So I do not know why they pretend not to. What else is happening? A bit of feedback and this is fresh off the press. It has not been announced anywhere yet, so I am sharing with you now, that REBOSA is launching early in the new year a business leadership program.

That is a six months course they have put together and that will

train agents to become business people, instead of just selling property. In other words if you want to start your own agency and run and manage it, what do you really practically have to do? Ja, this is different from the EAB and services, SETA's requirements of an NQF4, which is sort of a bit academic.

We put together a course that will really teach you how to run a business and why I am mentioning it to you is we have now arranged sponsorship that early in the new year we will start advertising and get applications and we want to put the first 20 black agents into that course
10 at our cost.

We have arranged finance for that. Of course the course is open to everyone. It is not just a black course but we believe it is the first of its type in the country and I think it will serve a fantastic purpose, because when I say your black member participation in the industry is closer to 20%, that is as agent.

The number of black business owned principles and managers, that is a very low percentage. So that is where we want to make a difference. You have also asked earlier you know, the background of REBOSA. The real business owners of South Africa, so it is a non-profit
20 company of business owners, not of estate agents.

Bit of a historical story there if you want the background, I will give it to you.

CHAIRPERSON: No, it is fine. I mean, Mr le Roux I would challenge your picture that you are painting here. I mean, I have got a 2018 article from the Mail & Guardian which quotes you as saying 5% of estate

agents registered with the EAB are black. At the launch of the Property Practitioner's Act it was said of the 43000 registered estate agents, only 3000 are black and only 400 were principles.

I did go to most of Leap Frog's agencies and to be honest, half of them do not have a single black representative. Some of them have one, who generally is an intern or an administrator. So I do think the way you are painting this, is not a true reflection, but I am not going to dwell on that now.

What I do want to just ask you is we as a panel have to consider
10 access to online portals and what has been raised by small emerging agencies, that the fee structure both on Property 24 and Private Property is prohibitive. So Private Property, the listing of unlimited listings for a single fee, obviously the fewer listings you have, the more expensive it is, and as you have indicated the Private Property... the Property 24 fee structure is in fact you know, expensive.

So as a barrier to getting onto online portals which are an essential element, small black agencies are saying this is a problem. So what do you think should be done from the portal's side or as a recommendation from us to fix that?

20 MR LE ROUX: Well, I must first of all object to your response. The numbers I have given you is absolutely factually correct. On Leap From 33% and I will ask the CEO to confirm that to you, but more importantly, please look at the Estate Agency Board's personal... annual report to parliament.

It was published this very year, at the end of March and the

numbers I have given you, closer to 20% and so forth, is all in that report. It is all official, it is all true. So you can please check for yourself. You are welcome. As to what can one do and not do on the pricing and stuff, there I cannot be of any assistance.

You know, as I explained earlier I come from the newspaper side, it always cost agents money to advertise. It was apart from your office rent, it was always your biggest expense after that. I originally thought that the portal business will bring that cost down dramatically because it is not pressed.

10 It is not running around with paper. It is not that sort of stuff. I thought it could be produced cheaper and maybe it can but that is what they charge. If I objectively look, it does not look possibly high. I wish it was lower, but I cannot help you how to get that down. I think our strategy in REBOSA to support a good number 2 is the only sure way of making sure it does not go totally out of kilter, and to maybe even bring it down a bit, because if Private Property as a second in line was to do much better, then the market leader must have to... may have to cut costs to keep market share.

I do not know, but that is the only strategy I personally have that
20 I think can work.

CHAIRPERSON: Alright. Thank you, Mr le Roux and we will take you up on those offers. I mean, I suppose what we are left with as an impression is larger agencies have the share in Private Property. Large agencies have run the board of REBOSA and are they really thinking about how the experience of smaller agencies in this industry and what

their interest may be.

MR LE ROUX: You know, you must give me a few more minutes. I worked full time in REBOSA, and most of my work is done for small agencies. Let us take an example. The biggest challenge agencies have, is the estate agency affairs board not issuing fidelity fund certificates, which is basically a licence to trade.

Making a real mess of CPD and qualifications and that sort of stuff. I will not bore you with that. So we then act and we have recently won a court case against the board for that very reason and we keep on
10 acting for them and we have got a full-time lady on a contract, that her only job is to go to the board to try and get certificates for agents.

Now why I am sharing that with you is the bigger companies, have their own HR division that does that for them. That lady that works for us here, 90% of the time are acting for very small agencies to help them get their certificates. So we do a lot for small businesses and as you have heard, we have got hundreds of small firms as members and we I dare say are the biggest representative body in the industry.

So ja, most of our work... most of my day is taken up for work for small agencies, not for big ones. They look after themselves.

20 CHAIRPERSON: And I would expect they do. So I mean, what I would like to ask you and maybe to add to your work load is to think about how do we make these platforms more accessible for small agencies and maybe to canvass those smaller agencies and what their experience is, because certainly every time the price increases come through, there seems to be a lot of discontent.

Smaller agencies indicate you know, they do not have the brand or pulling power of the bigger agencies, that this is a much bigger or disproportionate cost for them, so we would like to get REBOSA engaged on thinking about you know A, whether this is the case and engaging small members, but B, if it is are there any recommendations you can make that we should look at in order to change that scenario if that is indeed what it is like.

So we would appreciate exactly that engagement and Mr le Roux, we have suddenly lost your picture, but are you still there?

10 MR LE ROUX: I was just on my cell phone. Something appeared that took the pic, I suppose.

CHAIRPERSON: You are back?

MR LE ROUX: I am back ja. Point taken. If I have such a recipe I will certainly do something about that.

CHAIRPERSON: Alright, thank you Mr le Roux and thank you for coming to the public hearings on request and we appreciate you fitting in with our schedule. So we do appreciate that and I am sure there will be further engagements going forward.

20 MR LE ROUX: Yes, thanks for the opportunity. Rest assured, I will be sending you those stats on the race breakdown of the estate agents, so that you do not have to doubt my word about that anymore.

CHAIRPERSON: Alright. Thank you Mr le Roux. You can now leave the virtual stage and we are going to take a ten-minute break and when we resume it will be with Takealot.

MR LE ROUX: Thank you, bye.

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2021-11-29

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REBOSA

SESSION ENDED

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