

THE LABOUR COURT OF SOUTH AFRICA, DURBAN

JUDGMENT

Reportable

Case no: D560/12

In the matter between:

NATIONAL BRANDS LIMITED t/a ENTYCE

BEVERAGES Applicant

and

FAIZAL SHAH First Respondent

COMMISSION FOR CONCILIATION,

MEDIATION AND ARBITRATION Second Respondent

RAVITHA MAHARAJ Third Respondent

Heard: 10 October 2013

Delivered: 8 January 2014.

Summary: Review of an award – dismissal based on misconduct - there can be no doubt now under *Sidumo* that the reasonableness or otherwise of a commissioner's decision does not depend – at least solely – upon the reasons that the commissioner gives for the decision – award not reviewable.

JUDGMENT

CELE, J

<u>Introduction</u>

[1] The purpose of this application is to review and set aside or correct an arbitration award of the third respondent dated 24 May 2012 in terms of which the dismissal of the first respondent by the applicant was held to have been substantively unfair and the applicant was ordered to reinstate him with retrospective effect. The application is in terms of section 145 (2) of the Labour Relations Act. The third respondent opposed the application.

Factual Background

- The facts of this matter are by and large common cause save those on the very bone of contention. To a large extent those facts as have been outlined by the first respondent shall be followed. The applicant is a company which manufactures tea at its tea factory at 299 Mahatma Ghandi Road, Point Road in Durban. Mr Shah was employed as the Despatch Supervisor. He was responsible for co-ordinating the logistics, including the loading and movement of trucks, from despatch at the tea factory to the applicant's distribution centre in Red Hill, known as logistics shared services.
- [3] At the tea factory, the applicant produces a maximum of 600 pallets of tea per day but only has a capacity to store 180 pallets in the whole area at the tea factory. It was the responsibility of Mr Shah as the despatch supervisor to make arrangements with shared services in Red Hill to provide trucks on an ongoing basis to transport the surplus pallets of tea from the tea factory to shared services in Red Hill. It was Mr Shah's primary responsibility to remove excess pallets overnight by making arrangements with shared services for a trailer or trailers to be placed at the tea factory, as and when it was necessary,

¹ Act No 66 of 1995.

to be loaded overnight and to be removed on the next morning. He reported to the Logistics Manager, Mr Pregga Pillay.

- [4] Any failure to arrange for excess pallets to be transported to shared services in Red Hill could result in excess pallets being stored on the factory floor, which could possibly compromise safety standards and could limit the movement of stock and employees around the plant. The production lines at the factory might eventually have to be closed if excess pallets were not regularly removed and transported to shared services in Red Hill. It was a well established practice that Mr Shah would first issue an email in the morning to Mr Jerry Govender, the Receiving Supervisor at shared services, with an estimation of how much transport was needed for the end product for that day. Mr Shar would then telephone Mr Govender, at the end of every day to discuss whether or not it was necessary to supply more transport such as by placing a trailer or trailers at the tea factory overnight. Mr Shah would often request Mr Govender to place a trailer overnight because the factory might have been extremely busy on that particular day. On each occasion that Mr Shah requested a trailer to be placed at the tea factory overnight, Mr Govender had to make the necessary arrangements, failing which he could be reported to his manager, Mr Nat Naidoo, the Warehouse Manager.
- The implementation of a new computer system adopted by the applicant called SAP in late 2011 caused a delay in the documentation of the finished product, as a result of which no receipts could be generated. In turn, the stock could not be transported in time to distributors as a result of those logistical difficulties. A further contributor to the difficulty in implementing the SAP system was that it was introduced at the applicant's pick period. As such the staff were forced to work longer hours. It became necessary for the applicant to resort to a usage of the systems consultants to curb the SAP system challenges in November 2011.
- [6] There were problems at the tea factory on 10 November 2011 as a result of the SAP system as the end product could not be documented and thereafter transported. Mr Govender was asked to divert the trucks, providing transport to other producers but away from the tea factory. As such, on that day, only 6

and not 8 trailers as initially planned, were used to transport pallets from the tea factory. Messrs Shah and Govender had a telephone discussion in the evening of that day, 10 November 2011 regarding the need for a trailer or trailers to be placed at the tea factory overnight. The versions of the parties differ on the contents of the discussion Messrs Govender and Shah had on the issue.

- The applicant investigated the matter as according to it, there was chaos at the tea factory on the next morning as a result of the excess pallets. Mr David Hood, the Shared Services Director of Anglo Vaal Industries, which is the holding company of the applicant, asked Mr Shah that morning whether he had arranged the trailers. Mr Shah told him that he had made arrangements the previous night but that shared services had failed to provide the trailers. A meeting was held later that day, which was attended by senior management from the tea factory and shared services, to establish who was responsible for the chaos at the tea factory that morning. Mr Shah again blamed Mr Govender and said that Mr Govender had refused to provide trailers because the drivers had transport problems. Mr Govender disputed this and said that Mr Shah had told him that he need only to arrange two trailers on the next morning. The applicant decided to arraign Mr Shah for misconduct which it described as:
 - 1. Failure to follow a valid instruction, in that he did not make the necessary arrangements to have the trailer to be available on the night of 10th November 2011. This resulted in a negative impact on business performance.
 - 2. Dishonesty in that you misrepresented the facts to a number of people including Senior Management surrounding the non-availability of the trailer (required for 10th November 2011) on repeated occasions from 10th to 17th November 2011.
 - Bringing the Durban Tea Factory's name into disrepute, by misrepresenting the facts around the non-availability of the trailer in the presence of Senior Managers within Entyce and Logistics Shared services.

- 4. Attempting to discredit an Employee within Logistics Shared Services by your misrepresentation of the facts surrounding the non-availability of the trailer on the night of the 10th November 2011.'
- [8] An internal disciplinary hearing was held and Mr Shah was found to have committed the acts of misconduct with which he had been charged. He was dismissed. He then referred an unfair dismissal dispute for conciliation and thereafter for arbitration. The main issue for determination centred on what had transpired between Messrs Shah and Govender on the evening in question about the delivery of the trailer and the fairness of a dismissal sanction, in the event Mr Shah was guilty of the misconduct.
- [9] Mr Govender's version was that either Mr Shah telephoned Mr Govender or virsa versa on the evening of 10 November 2011 about a need for the supply of a trailer overnight. Mr Govender then told Mr Shar that two trailers would be made available first thing on the next morning without having to park any on that night and he asked Mr Shah if that would be fine. Mr Shah agreed to the proposal and no trailers were then parked for that night. Mr Shah testified to the contrary that he telephonically asked Mr Govender to do two more loads and to park trailers overnight. In response, Mr Govender said that the drivers did not have transport to go home and, therefore, he could not park the trailers. Mr Shah then told Mr Govender of the impact that this would have on the factory. He could not offer any plausible reason why he did not report Mr Govender's failure to provide transport to the tea factory either to Mr Pregga Pillay or to Mr Ned Naidoo. Mr Shah testified that Mr Govender had never before told him that he could not provide trailers because the drivers did not have transport.
- [10] Mr Jeremiah Makhomu the Operations Executive of the applicant testified that Mr Shah was responsible for informing Red Hill distribution centre of the requirements for everyday. Extra pallets were sometimes stocked in non warehouse areas even though that could compromise the safety standards of the factory for instance by creating a fire hazard. He said that there was an arrangement with Red Hill to provide trailers if excess stock needed to be transported. Trailers were provided at night so that they could be loaded at

night and this would create more space at the warehouse of the factory. If the lines continued running the factory would run out of space to keep the stock and the lines would eventually "choke".

- [11] He said that the effect of the stock being kept at the tea plant and not transported to the distribution centre was that a ripple effect would be created as only stock sitting at the warehouse could be sold and not if it is sitting in the factory and this could result in a loss of sales. He said that it was Mr Shah's responsibility to arrange a trailer on a daily basis and he would communicate this via emails to Red Hill regarding the amount of trucks required.
- [12] He said that it was critical that one of the essential requirements of Mr Shah's position was that of honesty. He stated that he believed that Mr Shah had been dishonest and had shown no remorse for his actions. He believed that the relationship of trust was broken between the applicant and Mr Govender. He said that if Mr Govender had refused to provide a trailer overnight, Mr Shah could have complained and told his manager of it. He could not speculate whether dismissal was an appropriate sanction, but indicated that it would depend on the circumstances.
- [13] He said that the implications of the machines stopping were serious and had capital implications, stating that raw material not being converted into product had financial implications with a ripple effect throughout the factory. He could not explain why none of these factors were raised at the disciplinary enquiry. He could not comment on why no evidence was led at the enquiry that production had stopped or that safety standards had been compromised. As to whether there was any evidence that sales were lost, he replied that he could go back to logistics and pull out the records if required. He could not say for certain whether any sales were lost. Whether the NCR incidental report was generated as a result of the machines stopping he said such a report would only be generated if relates there was a bearing on the quality of the product and, as there were no quality issues there was no report.
- [14] The third respondent found the dismissal of Mr Shah to have been substantively unfair and ordered the applicant to reinstate him with

retrospective effect. No challenge had been made on the procedural fairness of the dismissal.

Chief findings of the first respondent

[15] The first respondent held, *inter alia*, that:

- 1. There was no compelling reason shown by the applicant as to why Mr Govender's version of the conversation was more convincing than that of Mr Shah.
- 2. The applicant's second witness led detailed evidence as to the potential impact the non-delivery of the goods may have had on the applicant. When challenged to furnish documentary proof of same, he was unable to do so. He confirmed that Mr Shah had maintained his version when questioned, and Mr Govender similarly had maintained his version.
- 3. Mr Govender was not a particularly compelling witness, as when he was questioned about his evidence in chief regarding the trailer he initially denied making the statement, then indicated that he made a mistake.
- 4. There was no compelling reason on the evidence presented as to why Mr Govender's version was favoured above that of Mr Shah subsequently resulting in only Mr Shah being sanctioned and ultimately dismissed.
- Charges 1.1 to 1.4 were inter-related and as indicated there were two versions of which neither was more credible than the other. Therefore, it was uncertain how the applicant would have elected to charge Mr Shah on the evidence presented. Further in terms of charge 1.3 as no evidence was led to show that the reputation of the employer had been called into question, this charge certainly could not be sustained.
- 6. When assessing whether the sanction imposed by the employer was so excessive or grossly inappropriate that it justifies a finding of unreasonableness, regard might be had to the circumstances

surrounding the commission of the misconduct, the employee's moral blameworthiness, the manner in which like cases were handled in the past (the element of consistency), the employee's disciplinary record, his length of service, the gravity of the misconduct and whether the employer might reasonably be expected to continue with the employment relationship.

- 7. A disciplinary enquiry did not end when an employee was found guilty of misconduct. The code expected more. The mere fact that an employee was guilty of misconduct did not necessarily imply that his or her dismissal was warranted. An employer also had to take specific factors into consideration and had to apply his or her mind to the question of sanction.
- 8. The applicant led no evidence to substantiate what considerations were canvassed prior to a finding of dismissal. There was no indication that the applicant had taken into consideration Mr Shah's disciplinary record which at the time of his dismissal was clean and in fact he had subsequent to the incident he was dismissed for, received a recognition award which Mr. Makomu was responsible to determine. Therefore, it seemed curious that Mr Shah could no longer be trusted.
- 9. It follows that dismissal was not an appropriate sanction for the contravention of the rule or standard in question.

Grounds for review

- [16] In the main argument, there are two grounds for review in respect of which the applicant has made a number of submissions. The applicant contended that the first respondent issued an award which was:
 - grossly irregular, as contemplated in section 145 of the Labour Relations Act of 1995, because the Commissioner failed to apply her mind to materially relevant facts and considerations as well as the issues properly before her.

- not one that a reasonable decision maker could arrive at considering the material placed before the Commissioner. There existed no good reasons on all the material served before the Commissioner to justify her award.
- [17] In support of these contentions the applicant, *inter alia*, referred to the commissioner's:
 - 17.1 failure to properly assess the evidence in determining whether Mr Shah did arrange the trailers;
 - 17.2 failure to properly assess the evidence in finding that dismissal was not the appropriate sanction;
 - 17.3 finding that dismissal was not appropriate because the applicant failed to lead evidence on what considerations were canvassed by the applicant at the disciplinary hearing;
 - 17.4 finding that dismissal was not the appropriate sanction because Mr Shah was under stress with the introduction of the SAP system;
 - 17.5 finding that dismissal was not appropriate because of Mr Shah's disciplinary record and the commendation received by him.
- [18] In opposing this application, Mr Shah contended, inter alia, that:
 - 18.1 At the arbitration, it was his case that his dismissal was unfair for reasons that he was not guilty of the misconduct complained of, alternatively that a sanction of dismissal was too harsh.
 - 18.2 Whilst, technically speaking, the moment the first respondent determined that the employee was not guilty of the allegations, no question as to sanction, or the fairness thereof, arose for consideration, the first respondent considered the issue and determined for reasons that are submitted as both plausible and reasonable, that dismissal was too harsh a sanction. In fact one

- would be hard-pressed to find more compelling mitigating factors than existed in this case, in support of harshness of sanction.
- 18.3 Accordingly, in assessing the extent of the breach of trust, what is at issue is whether Mr Shah's misconduct irreparably damaged or destroyed the employment relationship, that is, it rendered such a relationship intolerable between the parties. In reaching this conclusion regard should be had to the consequences of the misconduct and the extent to which other employees might, or might not, be able to work with Mr Shah.
- 18.4 All too often companies seek to justify, for the first time only at arbitration, the effect of an employee's misconduct on the employment relationship and therefore its decision to dismiss. In this regard the company sought to rely on the evidence of Mr Mokhomu, in respect of whom, more important than what he did say, was what he did not say.
- 18.5 In fact the evidence of Mr Mokhomu regarding Mr Shah's position being one of trust and the need to be able to trust him in that role as well as the need for a healthy relationship of trust between dispatch and distribution, was what one expected to hear. Similarly that Mr Shah's dishonesty could present with a big problem was what one also expected to hear and understand.
- 18.6 What Mr Mokhomu did not say, in his evidence-in-chief, was that he could not trust Mr Shah or that he could no longer work him. In fact, it was only in re-examination and in response to a leading question from Mr Alexander that Mr Mokhomu stated that he would be unable to trust the employee if he was re-instated.
- 18.7 Furthermore, it was Mr Mokhomu's concession, under crossexamination, that his evidence that Mr Govender and Mr Mancer could not work with the employee was mere supposition.

- 18.8 In fact neither Mr Mokhomu, nor any other employee for that matter, presented any evidence in support of financial losses or safety issues arising from the alleged misconduct of Mr Shah.
- 18.9 There was also no evidence from Mr Mancer that, as Head of Distribution, his team had an issue working with the Tea Factory as a result of the alleged misconduct by Mr Shah or that his alleged misconduct had caused tension between the two departments as suggested by Mr Mokhomu. Accordingly, there is no substantial basis to Mr Mokhomu's evidence in this regard or his evidence that Mr Shah's alleged misconduct had what he referred to as, "broader, serious adverse effects on the credibility of the employees at the tea factory". Such evidence was tendered along the suggestion by Mr Mokhomu that the alleged dishonesty was as serious as theft or fraud merely because it could have had serious financial implications.
- 18.10 Accordingly, there was no evidence that any one of the key employees involved in working with Mr Shah, including the employee's immediate superior, Mr Pregga Pillay, could no longer work with him due to issues of trust which rendered the employment relationship intolerable.
- 18.11 For this and presumably other reasons, the arbitrator determined that the company had failed to establish that the trust relationship had indeed broken down, a finding, which is submitted, could not be faulted, dialectically or otherwise.
- 18.12 Even if the arbitrator could be faulted for her reasoning in respect of her findings regarding a lack of evidence in support of what considerations were canvassed prior to a finding of dismissal, or criticised for her observation that she found it curious how Mokhomu could, a week before the employee's dismissal, award to the employee an award that can only be described as a glowing tribute for service excellence and then turn around and state that the

employee was not to be trusted, the rest of the factors clearly bear out support in mitigation of sanction and the arbitrator's finding that dismissal was too harsh a sanction.

18.13 Accordingly, for all the above reasons, the arbitrator's award in relation to sanction does not fall to be reviewed and set aside and the company's application for review falls to be dismissed with costs.

Evaluation

- [19] This application is premised on the provisions of section 145 of the Act, which section is now suffused by the constitutional standard of reasonableness. That standard is whether the decision by the commissioner is one that a reasonable decision maker could not reach. Applying that standard will give effect not only to the constitutional right to fair labour practices but also to the right to administrative action which is lawful, reasonable and procedurally fair². The Court in *Sidumo and Another v Rustenburg Platinum Mines Ltd and Others* held that:
 - It is a practical reality that, in the first place, it is the employer who hires and fires. The act of dismissal forms the jurisdictional basis for a commissioner, in the event of an unresolved dismissal dispute, to conduct an arbitration in terms of the LRA. The commissioner determines whether the dismissal is fair. There are, therefore, no competing discretions. Employer and commissioner each play a different part. The CCMA correctly submitted that the decision to dismiss belongs to the employer but the determination of its fairness does not. Ultimately, the commissioner's sense of fairness is what must prevail and not the employer's view. An impartial third party determination on whether or not a dismissal was fair is likely to promote labour peace....
 - [78] In approaching the dismissal dispute impartially, a commissioner will take into account the totality of circumstances. He or she will

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² See Sidumo and Another v Rustenburg Platinum Mines Ltd and Others [2007] 12 BLLR 1097 (CC), at paragraph 110.

necessarily take into account the importance of the rule that had been breached. The commissioner must of course consider the reason the employer imposed the sanction of dismissal, as he or she must take into account the basis of the employee's challenge to the dismissal. There are other factors that will require consideration. For example, the harm caused by the employee's conduct, whether additional training and instruction may result in the employee not repeating the misconduct, the effect of dismissal on the employee and his or her long-service record. This is not an exhaustive list.3

[20] When commenting on the test for reviewability in the Sidumo, the Labour Appeal Court in Fidelity Cash Management Service v CCMA and Others, 5 had an occasion to say that:

> '... there can be no doubt now under Sidumo that the reasonableness or otherwise of a commissioner's decision does not depend - at least solely upon the reasons that the commissioner gives for the decision. In many cases the reasons which the commissioner gives for his decision, finding or award will play role in the subsequent assessment of whether or not such decision or finding is one that a reasonable decision-maker could or could not reach. However, other reasons upon which the commissioner did not rely to support his or her decision or finding but which can render the decision reasonable or unreasonable can be taken into account.'

[21] For a defect in the conduct of the proceedings to amount to a gross irregularity as contemplated by section 145 (2) (a) of the Act, as alleged by the applicant, the first respondent must have misconceived the nature of the enquiry or arrived at an unreasonable result. A result will only be unreasonable if it is one that the first respondent could not reach on all the material that was before her. Material errors of facts, as well as the weight and relevance to be attached to particular facts, are not in and of themselves sufficient for the assailed award to be set aside, but are only of any consequence if their effect is to render the outcome unreasonable.⁶

Ibid at 75 and 78.

⁴ (2007) 28 ILJ 2405 (CC) at para 110. ⁵ (2008) 29 ILJ 964 (LAC), at para 102. ⁶ See *Herholdt v Nedbank Ltd* and Another 2013 (6) 224 (SCA).

[22] The first ground of review is that the first respondent failed to properly assess the evidence in determining whether Mr Shah arranged for the two additional trailers to be made available overnight. In determining this charge, the first respondent made a finding at paragraphs 61, 64, 66, 71 and 81 of her award that Mr Govender's version was not more credible than Mr Shah's version and accordingly that Mr Shah was not guilty of the offences because the applicant bore the onus. The applicant averred that the first respondent failed to properly weigh the relevant evidence and probabilities as a consequence of which she arrived at a wrong factual conclusion, namely that Mr Govender's evidence was not more probable than that of Mr Shah. Had she properly weighed the relevant evidence and probabilities she would have made a finding that Mr Govender's evidence was more probable than Mr Shah's evidence.

Count one

- It was the duty of Mr Shah to make necessary arrangements in time for the [23] transportation of the end product from the factory to the distribution centre so as to avoid any negative impact on the business performance. To this end, every day he had to send an email with an estimation of how many trailers were to be needed. On 10 November 2011, Mr Shah did precisely that and gave an estimation of 8 trailers needed. In the evening, he had to follow up on the update with a telephone to Mr Govender and he did just that. Instead of Mr Govender simply confirming that two more trailers, as earlier estimated, would be supplied to the factory, Mr Govender asked if, on the contrary, such trailers could be supplied first thing on the next morning. Mr Shah had by then taken the initiative, as he was obliged so to do, to inform Mr Govender of a need to supply two trailers. Up until today, there has never been any suggestion given by the applicant why Mr Govender countered the suggestion to supply the two trailers. Mr Shah was the only one to give the reason, namely, that Mr Govender had transport problems for the drivers working under him.
- [24] The evidence of Mr Govender on the transport problem was that he would supply trailers and trucks to the plant upon request, depending on their

availability. He further conceded that his drivers would have transport problems in getting to their homes.8 Mr Shah reported to management of the company that Mr Govender had failed to supply trailers because of transport problems of the drivers. He repeated that explanation in the internal disciplinary hearing. At arbitration, the applicant, therefore, knew what case it had to meet in proving the fairness of the dismissal of Mr Shah. Yet not a shred of evidence from the two drivers or a record of their activities on the night in question was produced for the applicant to meet the case of Mr Shah, other than through the mere denial by Mr Govender. The first respondent was then faced with the duty to evaluate the evidence of the two witnesses on the issue and she found no evidence on the basis of which she had to believe Mr Govender and to reject that of Mr Shar. Whether she was right or wrong in doing so is not a basis for a review of the award.

[25] It was the duty of Mr Shah to report a failure of Mr Govender to supply the needed transport. By then it was about 20h30. As already intimated, there was no evidence led on the whereabouts of the drivers. If both drivers were then at their homes, the failure to report had no contribution to the chaos caused at the tea factory. The applicant had then to lead evidence, which it did not, to show what, if any remedial steps would have been taken at that time of the day, had Mr Shah made the complaint about Mr Govender. It needs to be remembered that the chaotic situation at the tea factory was mainly caused on that day by the implementation of the SAP system at a time when the business of the applicant was at its peak period. During the day, transport had to be diverted away from the tea factory as the end product could not be timeously documented. Again, the applicant has not demonstrated, on the face of the observations just made, how the first respondent committed any gross irregularity on the issue and in her finding on paragraph 81 of the award. While the description of the misconduct on this count was lacking in particularities, evidence failed to substantiate it and Mr Shah had to be found not guilty. It must follow from this that the decision

⁹ See paragraph 81 of the award.

See page 100 lines 15 - 19 of the paginated transcript record.
See page 107 lines 21- 25 to page 108 lines I - 7 of the transcript record.

reached by the first respondent fell within a range of reasonableness, even if on different grounds.

Counts 2 and 4

- [26] The two counts were dependent on the first count and therefore the striking down of the first count necessarily affected these counts as well. This is so in that once the evidence of Mr Shah remained within a credible range, he could not be said to have been either dishonest or attempting to discredit Mr Govender, as an employee.
- Once the first respondent found the dismissal of Mr Shah to have been [27] substantively unfair, she had to be guided by the provisions of section 193 of the Act. Mr Shah wanted his job back. As to whether the continued employment relationship was rendered intolerable in this matter depended on whether Mr Shah was guilty or not. If not guilty there would be no basis to distrust him. The applicant led no evidence to demonstrate that it was not reasonably practicable to re-instate Mr Shah. Up until he was charged, Mr Shah was regarded as an extra-ordinary employee who consistently went beyond his normal scope of duties with a positive attitude. During the planning and implementation phases of the SAP system, he consistently performed head and shoulders above the rest of the staff. He was recognised to be living the company values of individual accountability and commitment, teamwork and passion for winning. The overwhelming evidence led at arbitration favoured the re-instatement of Mr Shah. Accordingly, the decision reached by the first respondent was a decision which a reasonable decision maker could reach.
- [28] Accordingly, none of the other grounds for review outlined had any merits and therefore the award must be allowed to stand as per the order that:
 - 1. The review application in this matter is dismissed.
 - No order as to costs is made.

Cele, J.

Judge of the Labour Court of South Africa.



APPEARANCES:

For the applicant:

Advocate C Nel

Instructed by: Norton Rose South Africa.

For the Third Respondent: Mr D Caro of Dean Caro and Associates.

