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Message from the CEO



>BUSA CEO Jerry Vilakazi

My programme of meetings with all the BUSA members has continued during February. To those members with whom I have already met, I would like to say thank you for providing such valuable feedback and suggestions on how BUSA can provide a better service to its members. The BUSA management team will shortly hold a strategic planning session and we will give serious attention to ways in which to implement the many excellent proposals that I have received.

BUSA President, Patrice Motsepe, Vice-President, Futhi Mtoba, and I were fortunate enough to attend the opening of Parliament on 3 February 2006 and heard President Thabo Mbeki deliver his State of the Nation address. BUSA released a statement in the media indicating that we share the positive “age of hope” vision for South Africa outlined by President Mbeki. The President’s message comes against the

background of an economy which in recent years has become bigger, stronger and better. BUSA is committed to playing a key role in ensuring that this growth benefits all South Africans and helps in eradicating poverty and stimulating job creation. Sustainable economic growth and stability can only be achieved in an environment where the majority of our people are economically active and feel that they are sharing from the fruits of the growth. BUSA therefore strongly supports the focus and direction of the government’s Accelerated and Shared Growth Initiative for South Africa (ASGISA), designed to raise the growth rate to 6% and reduce unemployment and poverty. I hope that organised business will play a meaningful role in contributing to the success of this initiative.

BUSA has also welcomed the emphasis in the President’s address on targets and deliverables in the implementation of policies at all levels, especially for parastatals and at local government level. We have also endorsed the importance of continued co-operation between the public and private sectors in finding solutions to South Africa’s socio-economic challenges. The business-friendly tone of the President’s address is thus particularly welcome.

BUSA is committed to continuing to respond constructively to the challenges of growth, unemployment and poverty – and to the need to further strengthen the investment climate in South Africa – by reducing the costs of doing business espe-

cially so far as costs are prohibitive to making us globally competitive and enabling small businesses to thrive. We will continue to participate fully in the implementation of the ASGISA programmes in the belief that a bold approach with specific targets and time frames, is required from now on to raise South Africa’s growth rate to 6%, with the associated benefits for all. We will also encourage the acceleration of BBBEE as a commercial imperative so that business can take the lead in making BBBEE a success, especially in the areas of skills, enterprise development and procurement.

The budget presented by Minister of Finance, Trevor Manuel, on 15 February has brought some good news for the business community. In particular, BUSA has welcomed the broad ‘good news’ message of the 2006 Budget and the way in which it reinforces the thrust of the ASGISA programme. The key decisions in the latest Budget maintain predictability and certainty in fiscal policy, which remains essential to sound overall economic performance.

In view of the major importance of investment, especially private investment, as an engine of growth, BUSA has also welcomed the elimination of Regional Services Levies and the greater assistance to small business. However, BUSA regrets that the corporate tax rates have not been reduced. We believe that this is the ‘step change’ needed to reach the desired level of total investment required to support a future 6% growth rate, with its asso-

Message from the CEO

ciated benefits for job creation and poverty alleviation.

Our Economic Advisor and Overall Business Convenor in NEDLAC, Professor Raymond Parsons, reviews the budget later in this edition of the Bulletin.

The Standing Committee on Transformation, with input from the Standing Committees on Economic and Social Policy, is hard at work preparing a BUSA submission on the second phase of the BBBEE Codes. The second phase of the Codes, which were released by the Minister of Trade and Industry on 20 December 2005 for public comment, cover the employment equity; skills development; preferential procurement; enterprise development; residual (i.e. industry specific and corporate social investment initiatives) elements of BBBEE; and BBBEE scorecard for Qualifying Small Enterprises. Once finalised, the Codes will be the final part of a set of regulatory instruments that will, hopefully, result in real transformation in our economy. A preliminary version of BUSA's submission was considered by Council at the end of February. This document is now being revised and refined prior to the final mandating process. Thereafter, BUSA will present its submission to the Minister of Trade and Industry and will enter into discussions with the Minister and his Officials on the Codes. The Codes will also be the subject of discussions in NEDLAC.

As you can see, there are many important initiatives underway aimed at growing and transforming our economy. I remain confident that the collective impact of these processes will see us reaching our country's economic growth and poverty alleviation goals.

Jerry Vilakazi

BUSA Activities

SOCPOL > National Skills Authority

Earlier this month the Minister of Labour appointed stakeholder representatives to serve on the new National Skills Authority (NSA) for a three-year term of office. The NSA is a statutory body established in terms of the Skills Development Act which must advise the Minister on all matters pertaining to skills development in the country. It brings together representatives of government, organised business, organised labour, community organisations and providers of education and training.

Five BUSA representatives have been appointed to serve on the NSA, namely, Vusi Mabena, Janet Lopes, Marina Gunter, Percy Mongalo and George Lindeque. Vusi Mabena, who chairs the BUSA Sub-Committee on Education and Training, has also been appointed as one of the Vice-Chairpersons of the NSA and a member of the Authority's Executive Committee.

BUSA is firmly of the view that our skills development initiatives must be an integral part of South Africa's overarching economic growth and development strategy. Their primary focus should be to underpin the country's efforts to create an economic environment that will lead to higher growth, resulting in the creation of jobs and poverty alleviation. BUSA is committed to working with government, and the other social partners, to achieve the correct skills that we need to help the economy onto a higher growth plane.



> AVIAN INFLUENZA

The threat of avian influenza (bird flu) to human health is of growing concern at present throughout the world. One perspective which concerns us all is the occupational aspect of this disease. Many employers' organisations and individual companies are now examining their possible response to this disease at the workplace.

The International Organisation of Employers (IOE) is at present in contact with the World Health Organisation and the International Labour Organisation (ILO), to explore the possibility of organising joint activities in this area. In the meantime, the ILO's International Occupational Safety and Health Information Centre (CIS) has just posted on the Internet some links to information concerning the protection of workers against avian influenza. To access these websites type <http://www.ilo.org/public/english/protection/safework/cis/oshworld/news/avian.htm> into your internet address bar.

Queries / Feedback

The Communications Team would like to encourage members to continue giving feedback regarding the Bulletin. Please send us your views by calling 011-784 8000 or email busa@busa.org.za

BUSA Activities

> East Central Southern Africa Employers' Organisations Conference

The ECSAEOC was launched in 1977 by the most representative employer organisations, members of the International Organisation of Employers (IOE), in a number of English speaking East, Central and Southern African countries with a view to having a formal structure to share experiences. Some 19 countries in the region are currently involved in this initiative even though the core comprises the relevant organisations in the Southern African Development Community (SADC) and the East African Community (EAC). BUSA, as the IOE member in South Africa and an active member of the SADC Employers' Group (SEG), is a "member" of the ECSAEOC. In addition to the IOE, the Employers' Bureau of the International Labour Organisation (ILO) has a close relationship with the ECSAEOC. The main annual event is a Conference hosted by one of the members and in terms of its Rules of Conduct the agenda has to include reports on the IOE, ILO, the Pan African Employers' Confederation (PEC), SADC (and specifically SEG) and the EAC.

This year's Conference was hosted by the Association of Tanzania Employers (ATE) and delegates from Botswana, Kenya, Lesotho, South Africa (Friede Dowie), Swaziland, Tanzania and Zambia attended. In addition, representatives from the IOE, ILO, East African Business Council and the East African Community attended the event. The Tanzanian Deputy Minister of Labour, Employment and Youth Development opened the Conference; and resource persons from Transparency International Kenya and of the Dar es Salaam Stock Exchange were in attendance.

Two focus sessions were held on corruption and good corporate governance; and on strategic planning in organised business. In both instances the need for organised business to play a lead role in these important areas was stressed.

During the course of the two day event, it was repeatedly noted that employer organisations with a single focus on industrial relations and social issues would have to broaden their agendas to include economic and trade issues if they wanted to remain relevant and survive. Businesses require a comprehensive service from their organisations as opposed to having to affiliate to two separate organisations for advice and services in the industrial relations and social arenas and on trade and broader economic issues. In this regard, it was noted that the IOE with its traditional focus on ILO matters only was likewise in a position where it had seriously to consider the way forward. Four working groups were currently involved in developing a proposal – representation on the Working Groups was by invitation only and BUSA's Vic van Vuuren and Friede Dowie served on one Working Group each.

As is the custom, the opportunity of the annual Conference was used to hold a SADC Employers' Group (SEG) meeting – Friede Dowie is the current Chairperson.

> International Labour Organisation

Vic van Vuuren currently serves on the Governing Body of the ILO as one of the African continent's representatives. In this capacity he has been asked to serve on an ILO Committee that is to make recommendations to the ILO Director General vis-a-vis the repositioning and realignment of the organisation,

particularly given the current effect that globalisation is having on world markets.

The debate is being guided by a discussion paper drafted by the chief legal advisor of the ILO. He points out inter alia that the ILO repositioned itself after the world wars and the era of the cold war. Since the fall of the iron curtain and the advent of globalisation, the ILO has done very little to reposition itself in order to add value in changing international markets.

The trade union movement sees this as an opportunity to expand the mandate of the ILO, but fortunately the governments and employers have stood firm in retaining the existing mandate and rather exploring ways of making the organisation more efficient and effective in its operations.

A world forum involving the ILO and similar international organisations is planned for April 2007 followed by a full debate at the June 2007 ILO conference dealing specifically with the ILO.

> WEF – Global Competitiveness Report

BUSA would like to remind business to participate in the WEF's Global Competitiveness Survey, a questionnaire for which has been distributed to all member organisations, Council members and Standing Committee members. The Executive Opinion Survey can be completed either online or you may request a copy of the questionnaire from the BUSA office. We will send you a copy of the questionnaire which you can complete and submit by fax or post. For more detailed information please contact Marita Steyn at the BUSA offices on 011-784 8000.

BUSA Member Profile

 **S A P I A**



>Rams Ramashia Chairperson of SAPIA



>Colin McClelland Director of SAPIA

The South African Petroleum Industry Association (SAPIA) was formed in July 1994 by 6 of South Africa's refining and marketing companies. The current members are BP Southern Africa, Chevron, Engen Petroleum, PetroSA, Sasol, Shell South Africa and Total South Africa.

Their aim is to represent the common interests of the petroleum refining and marketing industry in South Africa; and to promote understanding of the industry's contribution to economic and social progress with all stakeholders.

With an office in Cape Town, SAPIA has a small infrastructure and conducts most of its activities through a series of teams drawn from the staff of member companies. Each team is tasked with looking after a particular area of common interest. Mr McClelland is assisted by environmental specialists, fuels pricing specialists and taxation and human capital development specialists and a secretariat.

Its mission is to do all it can to assist the industry to deliver petroleum products to the South African economy at world competitive prices. It is deeply aware of the need to make South Africa a competitive nation and of the role that liquid fuels availability and cost play in achieving this target.

SAPIA seeks to achieve its mission by fostering amongst its members a desire to be a world class industry and by encouraging co-operation between them on matters of common concern without inhibiting competition.

It seeks to promote and encourage consultation among members, Government and other organisations on matters of mutual and public interest such as health, safety and the protection of the environment. They also represent the petroleum industry in national and international forums and act as a source of information on the industry as a whole.

SAPIA's core beliefs are:

- ❑ A liberalised market, reached by an orderly, fair and inclusive process.
- ❑ The empowerment of historically disadvantaged South Africans (HDSAs) by member companies.
- ❑ The sustainable development of our nation.
- ❑ Cooperation with Government in the achievement of national economic objectives.
- ❑ An economic climate that fosters competitive efficiency.
- ❑ Continuation of world-class standards in our petroleum industry.

SAPIA encourages an understanding of the industry's contribution to economic and social progress. As tangible evidence of progress towards these beliefs the Petroleum Industry was the first industry in South Africa to develop and sign an empowerment charter. This charter was signed on 2 November 2000.

BUSA Opinion Piece: The 2006 Budget – Did it mean Business?

This month's BUSA opinion piece was written by Professor Raymond Parsons, Economic Consultant to BUSA and Overall Business Convenor at NEDLAC.

'Two cheers for Trevor' was the title of an editorial on the 2006 Budget immediately afterwards in a leading business publication. Financial markets gave it the nod, though dealers said the stock market was generally disappointed at the budget's lack of corporate tax relief. Although there was widespread approval from most economic analysts for the overall balance struck in the Budget strategy, the inherent certainty and conservatism of the 2006 Budget possibly misled several commentators in expecting an excessive degree of boldness from the Finance Minister.

For the National Treasury had to craft a carefully designed balancing act – taking into account both internal and external economic factors – and concretise the two main pillars of a future 6% growth rate for SA, namely, investment and skills. Seen in this context, the Budget was undoubtedly a business-friendly one. There were several measures to 'incentivise' entrepreneurship, especially for small business, both on the tax side and also in moves towards cutting red tape in the regulatory framework.

Business will no longer have to pay local authorities R7 billion in regional services levies, thus also eliminating the compliance costs that are involved. With the current focus on local government delivery, as well as on the financial health of municipalities, business should make every effort – once the local elections are out of the way – to engage effectively with the new decision-

makers at that level to help build urgently needed capacity and skills.

Despite the substantial concession on regional levies, there remains a strong view that what eventually matters to the investment climate is the 'headline' corporate tax rate, where SA finds itself in the upper range among emerging markets. If we want eventually to reach the 25% of total investment ratio to GDP needed for a 6% growth rate, higher infrastructural spending alone will not do the trick. No matter how we slice it, the bulk of future investment will have to come from the private sector. So we will have to see whether the 'bottom up' approach of regional levy abolition and related steps will be sufficient to boost private investment to the levels we need in SA. The jury is still out.

And while we must be careful not to read too much into a single ratio or figure, analysts need to watch the trend in the overall tax burden. Despite the 2006 Budget being largely a 'give-away' one, thanks to higher economic growth and efficient tax collections, the overall tax burden has risen to 26.5% of GDP this year and will only decline to 26% in 2007. In the past the commitment has been to keep the ratio to 25%, so this is something which future budget-watchers should monitor.

A major thrust of recent budgets, especially the latest one, has been to shift state spending more in the direction of investment spending – particularly on economic and social infrastructure – a trend which business has encouraged and supported. Yet, if the Accelerated and Shared Growth

Initiative for SA (ASGISA) is to be believed, only about 5% of the government's plans for infrastructural spending is to be spent through public-private sector partnerships. If the concept of 'partnership' is to gain more substance, then it will have to be greatly extended if existing capacity and delivery challenges in the public sector and in parastatals are to be met in the years ahead.

Finally, the further relaxation of exchange control was another step towards the normalisation of SA's foreign exchange market, though several analysts believe that the circumstances are ripe for a much bolder approach to exchange control liberalisation. It would have been helpful if the Budget Speech had given a better idea of the road ahead for exchange control. Our economy in recent years has become bigger and stronger. The more we can reduce the role of the 'gatekeeper' in taking our foreign investment decisions, the greater the message of confidence transmitted to the outside world.

Taking the 2006 Budget Speech as a whole, we should not let the fact that much of it was largely predictable blind us to the real opportunities and challenges that it offered. While some analysts would understandably have preferred bolder strokes, the Budget remained full of valuable nuggets. There are several measures of great value to business in it which, if properly implemented and harnessed, could make a big difference to the favourable economic environment the private sector needs to further enhance growth and development in SA.

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The SA National Strategy for Sustainable Development – Fred Goede

Fred Goede, SASOL's Materials SAP and Product Stewardship Manager, updates business on the progress of the National Strategy for Sustainable Development.

Business has a critical interest in sustainability and welcomes the opportunity to participate in the drafting of the National Strategy for Sustainable Development (NSSD), which is being led by DEAT. Even prior to the World Summit on Sustainable Development held in Johannesburg, many SA businesses have been grappling with sustainability and therefore have practical experience to offer to the NSSD process.

This strategic initiative is a direct result of the Johannesburg Plan of Implementation that emerged from the World Summit on Sustainable Development in 2002, which required national action plans. The DEAT arranged workshops in 2005 and early 2006 in order to debate the outline of the NSSD, as well as to obtain detailed comment on the various chapters as these have become available.

The current draft document (first four chapters only) is over 200 pages long and contains valuable reference material and benchmarking with all the relevant SA, African and global initiatives. The chapters cover the following:

- ❑ Rationale, vision, mission and principles
- ❑ Trends, risks, opportunities and implications

- ❑ Goals, commitments and actions
- ❑ Monitoring and evaluation process – towards a common set of Sustainable Development (SD) indicators
- ❑ Governance – planning and decision making
- ❑ Communications and a plan to mobilise action to implement the NSSD

The point of departure is an advanced model based on the traditional 'triple bottom line' approach with environmental, social and economical sectors, underpinned by a governance structure to give assurance of the outcomes. This strategy is aligned with the Constitution of SA as well as latest thinking globally on sustainable development.

The current draft document contains valuable reference material and benchmarking with all the relevant SA, African and global initiatives.

Excellent progress has been made in drafting the first four chapters of the NSSD, especially given the very tight time lines required by DEAT. However, the document as it stands still requires a lot of work to achieve the aim of a cohesive strategy.

At a discussion between DEAT, the authors of the chapters and representatives of various businesses hosted by the National Business Initiative, the following observations were made. Similar points were made at a workshop arranged by DEAT on 23 February.

- ❑ The document already exceeds 200 pages and needs to be trimmed down to the essentials. Background information should be kept in attachments.
- ❑ The chapters have been written more or less independently by different authors and the process to ensure one cohesive thread throughout must follow.
- ❑ Much of the detailed analysis envisaged by the author of chapters 5 and 6 is covered in chapters 2 – 4.
- ❑ SA is currently experiencing a shortage of skills in many areas critical to sustainability. The NSSD should address this.
- ❑ If the NSSD is to be more than a paper issue, all government departments will have to accept and adopt it. How to achieve this should be addressed in chapter 6.
- ❑ The SD work done by SA business should be included in the NSSD.
- ❑ A short "executive summary" is needed to communicate the NSSD to busy officials and executives.

The current plan is to submit the first draft to Cabinet on 17 May 2006 and the final draft for approval in September 2006.

The NSSD has made great progress in a remarkably short period of time and the DEAT is to be complimented on making every effort to consult very widely in the process.

We hope that the end result will make a positive contribution to succeeding generations of South Africans.