

BULLETIN



May 2005

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BUSA COO Vic Van Vuuren, Minister Alec Erwin, SACOB President Ms Deidre Penfold and BUSA CEO Bheki Sibiyi.

Minister Alec Erwin Addresses BUSA members

Minister of Public Enterprises Alec Erwin was the key speaker at the BUSA meeting held at the Hilton on 24 May 2005.

The Minister's address was entitled 'The plan to turn around state owned enterprises – with emphasis on reducing the cost of doing business'

The Minister's address was entitled 'The plan to turn around state owned enterprises – with emphasis on reducing the cost of doing business', was well received by the BUSA members in attendance. The Minister highlighted issues surrounding transport and the state's decision to keep ownership of port operations under state

control saying public private partnerships (PPP) play an important role. Transnet and SAA will also remain in state hands. The Minister said it was a major challenge to change the mindset of the Transnet management to effect increased efficiencies and for them to understand costing, the latter inter alia being vital for doing deals with the private sector.

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supportive. I'm extremely pleased with the results of the last year." Another challenge on the transport front is to strengthen the balance sheet while dropping tariffs, thereby decreasing the cost of business – the tariff will keep Transnet competitive but they would have to look at the actual cost curve.

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On the matter of Energy the Minister said Eskom was the best run and managed SOE. Major decisions taken this year and last include a decision to allow the private sector to build 30% of the required capital infrastructure.

The revival of power stations such as Camden, Komartie and Grootvlei all situated in Middleberg were on the cards and to run these stations they were bringing back 'old hands' and mixing them with new engineers, creating dynamic new teams.

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"We face tremendous challenges but I am quite optimistic. It's a good time to be a Minister" he said in closing. A White Paper on an overall freight strategy is due for release within a month. This should pave the way for a move from road freight back to rail.

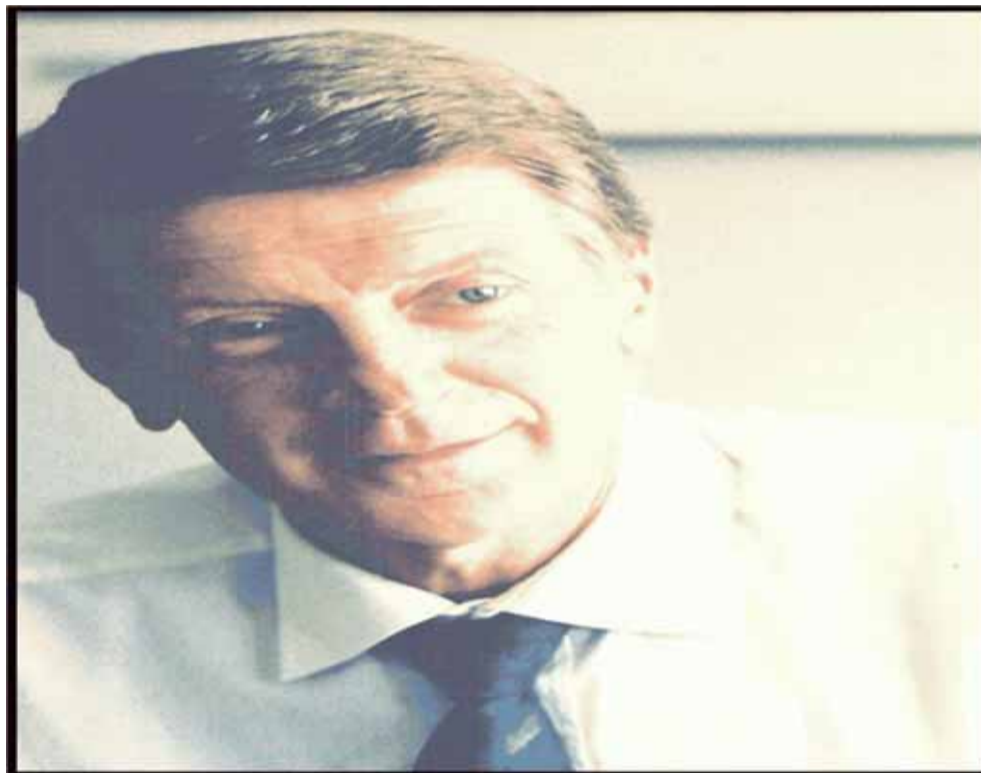
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As part of the BUSA Member profile page this week BUSA features the Steel and Engineering Industries Federation of South Africa ...



Brian Angus, SEIFSA Executive Director.

SEIFSA – a recognised voice in industry

The Steel and Engineering Industries Federation of South Africa (SEIFSA) is the umbrella employer federation for 39 independent employer associations representing diverse sectors of the metal and engineering industry. These associations have a combined membership of more than 2 350 companies employing over 206 000 hourly-paid workers, over two-thirds of the industry's workforce, making SEIFSA one of the largest and most influential employer federations in South Africa. For more than sixty years, SEIFSA has actively lobbied for policies that have improved the business environment in which its members operate. Its management team represents employers on a number of organisations that are critical to the

success of the industry as a whole including Business Unity South Africa (Busa), the National Economic, Development and Labour Council (Nedlac) and the National Skills Authority (NSA). Over the years they have positively influenced legislation and policy affecting labour relations, skills development as well as

SEIFSA has also played a prominent part in South Africa's young democracy. It has contributed significantly to the country's entry into the global economy, to a transformation of employer / trade union relations and to a far more comprehensive approach to skills development.

has also played a prominent part in South Africa's young democracy. It has contributed significantly to the country's entry into the global economy, to a transformation of employer / trade union relations and to a far more comprehensive approach to skills development. SEIFSA's purpose is to provide industry solutions at both a macro level – as the recognised voice of the industry –

and at a micro level – by providing products and services that will enable companies to be productive and successful. At an industry level SEIFSA negotiates collective agreements covering wages and conditions of employment with the trade unions. The federation also represent employers on the boards of the Engineering Industries Pension Fund and the Metal Industries Provident Fund as well as the Merseta and the Metal and Engineering Industries Bargaining Council.



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BUSA disagrees with the option of lowering interest rates



BUSA's position on the Rand and the Monetary Policy was discussed at the BUSA Standing Committee on Economic Policy meeting held on the 16 May 2005. BUSA supports the President's drive to lower the cost of doing business. This in BUSA's view will impact on the exchange rate and improve competitiveness. BUSA disagrees with the option of lowering interest rates to weaken the

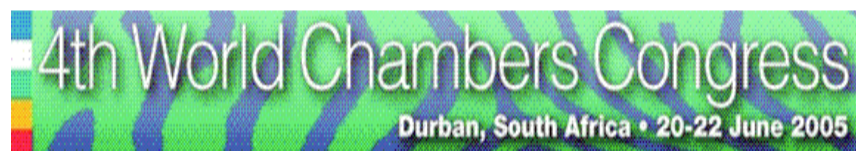
currency and views this as a high risk strategy. The concern being that interest rate cuts not supported by continued monitoring of inflationary expectations will lead to changed price formation and wage setting behaviour resulting in larger consumer spending, re-evaluation by investors and will potentially have a destructive

BUSA believes this could seriously damage the confidence in the economy.

effect on the currency, stimulating inflation and pushing interest rates higher. BUSA believes this could seriously damage the confidence in the economy. However the belief that the best solution to achieving long term rand stability at a competitive level is to further normalise the foreign exchange market and that this current period of Rand

strength provides Government with the ideal opportunity to build foreign exchange reserves. BUSA urges that nothing be done to jeopardise the broad thrust of the current monetary policy framework. BUSA regards stability as vital for long term planning and fundamental for attracting investors both local and international. The input was used at the NEDLAC Executive Council meeting held on 19 May 2005.

WCC Judges pick finalists



Paris 19 May 2005 – Judges of the 2005 World Chambers Competition have finished evaluating the 52 entries they received from chambers around the world and have announced the shortlist of projects to make it to next month's finals.

E-training, diversity in the work place, anti-corruption, HIV/AIDS control, child labour prevention, electronic marketplaces and chamber branding were just some of the areas covered by projects in the competition, which recognizes chamber initiatives that encourage the growth of business in local communities. Nineteen of the entries were selected as finalists by the international jury and will travel to Durban, South Africa for the 4th World Chambers Congress, taking place from 20-22 June. There they will present their projects at Congress workshops before the winner in each of the competition's four categories (Best small business project, Best chambers management and financing project, Best IT project including Internet and Best unconventional project) is announced at a gala dinner on the evening of 22 June.

Avijit Mazumdar, Chair of the

World Chambers Federation (WCF), which organizes the Congress, said he was delighted by the standard of projects submitted. "The originality of the projects was outstanding. All entrants demonstrated their determination to strengthen SMEs and improve services to members," he said.

ICC Chairman and Chair of the World Chambers Competition jury Yong Sung Park remarked that the competition affords chambers a well-deserved place in the spotlight and on occasions the possibility of further developing their initiatives: "The competition offers a unique opportunity for chambers to showcase their work. And the benefits don't necessarily stop after the award ceremony – past winners have been able to expand their projects to other local chambers. The Indian Chamber of Commerce, winner of last year's "Best unconventional project", even attributes being awarded an EU contract in part to its success in the 2003 World Chambers Competition."

The competition was established in 2003 by the WCF and the inaugural awards were presented during

the 3rd World Chambers Congress in Quebec. It proved to be one of the highlights of the Congress and as a consequence World Chambers Congress organizers have made the awards a permanent feature at the biennial gatherings of chamber of commerce executives.

Finalists travelling to the 4th World Chambers Congress will be in good company. The Congress looks set to attract 1000 chamber delegates from over 100 countries, all of whom will benefit from a rare opportunity to come together to share best practices, exchange information and develop networks.

The finalists are as follows:

Best IT Project (including Internet)

- American Chamber of Commerce in Egypt
- The Ceylon Chamber of Commerce (Sri Lanka)
- Chamber of Commerce, Industry and Navigation of Barcelona (Spain)
- Kuwait Chamber of Commerce and Industry
- Singapore Chinese Chamber of Commerce and Industry

Best Small Business Project

- Brazilian Confederation of the Commercial and Business Associations
- Camara de Comercio de Bogota (Colombia)
- Davao City Chamber of Commerce and Industry (Philippines)
- Waterford Chamber of Commerce (Ireland)

Best Unconventional Project

- Auckland Chamber of Commerce (New Zealand)
- Federation of Nepalese Chambers of Commerce and Industry – FNCCI (Nepal)
- Gaziantep Chamber of Industry (Turkey)
- St. Lawrence County Chamber of Commerce (USA)

Best Management and Financing Project

- Anguilla Chamber of Commerce and Industry
- Cebu Chamber of Commerce and Industry (Philippines)
- Narayangarh Chamber of Commerce and Industry (Nepal)
- Chambers of Commerce of Ireland
- Rome Chamber of Commerce & Industry (Italy)
- Jeddah Chamber of Commerce & Industry (Saudi Arabia)

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To read the ANC NGC 2005 discussion paper click [here...](#)

 **Sanlam**
Thinking ahead

The “new” economic policy and investment outlook

BUSA would like to introduce Jac Loubser Sanlam Group Economist who will contribute articles of economic interest to the BUSA Bulletin.

Recent statements by government and the ANC confirm that an important shift in emphasis in economic policy is under way. This has probably been going on for some time and has yet to run its course.

The question is what medium-term implications this change in policy holds for the financial markets.

The important elements of the “new” economic policy may be summarised as follows:

- The period of macro-economic stabilisation that began with the acceptance of the “GEAR” strategy in 1996 has come to an end. Its success is reflected in the structural decline in inflation and interest rates.
- The emphasis can therefore now shift to the advancement of economic growth and employment. The acceptance of an fiscal policy was the first step in this direction and was made possible by the improvement in the government balance sheet, as reflected in a decrease in public debt from more than 50% of the gross domestic product in 1999 to less than 40% currently.
- Government has made a conscious decision to move away from the so-called “Washington consensus” as a policy framework. This is a package of policy measures that can be summed up as “liberalise, privatise and deregulate”, many elements of which have been experienced has shown that this approach

did not yield the desired results regarding economic growth, and it was regarded as being insensitive to the fate of the poor.

□ In its place government has accepted a policy framework that may be described as that of a developmental state. The concept of the “developmental state” was first applied to the Japanese economy, after which other Asian countries followed Japan’s example. The fact that Asia has been most successful in promoting economic growth and development over the past thirty years has strongly increased the appeal of a developmental state.

□ In a developmental state government plays a leading role in determining economic priorities and promoting specific industries. Nevertheless, the private sector is the main instrument through which the state pursues its goals, which is why close co-operation between the state and the business sector is an integral part of a developmental state. It is clear, nonetheless, that the South African government does not intend following the Asian model of a developmental state without more ado. Every country has unique characteristics that

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need to be taken into consideration – South Africa’s financial sector, for example, is far better equipped than that of most Asian countries to play its role in mobilising and allocating capital.

Even though the Department of Trade and Industry has identified certain preferred sectors, it doesn’t appear as if the South African government wants to play such an active role in business. The current emphasis is rather on reducing costs for the business sector and eliminating bottlenecks in infrastructure. In other words, government wishes to create profitable business opportunities for the private sector.

It can be argued that the relationship between the South African government and the business sector isn’t strong enough to follow the Asian model – government has in fact already commented on the lack of underlying trust between the two parties, citing wrong perceptions as the principal cause thereof. The promotion of black economic empowerment may be viewed partly as an attempt to bridge this lack of trust.

The equity market will benefit from the aim to achieve higher economic growth, which should also result in stronger profit growth, as well as directly from policy measures one may expect, –such as lower company taxes.

The bond market, on the other hand, will be confronted with increased borrowing requirements, to finance inter alia the development of infrastructure. The possibility of prescribed assets is once again being mooted – the way in which the business sector’s undertaking during the Growth and Development Summit in 2003 to channel 5% of assets to qualifying types of investments is being enforced, in any case amounts to de facto prescribed assets.

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opportunities in South Africa and Africa furthermore indicates that no large-scale further relaxation of the limits on foreign portfolio investments should be expected.

Of course, a lot depends on whether the “new” policy will be implemented effectively – unfortunately South Africa has a track record of good policy formulation being undermined by deficient implementation.

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FRONTING

One of the impediments to effective implementation of the objectives of broad-based Black Economic Empowerment (BBBEE) is fronting.

The draft Codes of Good Practice on BBBEE released in December 2004 define fronting as 'any entity, mechanism or structure established in order to circumvent the BEE requirements as required under various policy instruments.' At the core of fronting is the desire to conceal the true BEE status of an entity in order to make a commercial or an economic gain. Viewed in this context, fronting is a form of fraudulent activity as it relies on false representation to obtain a gain which the company so misrepresenting the facts would otherwise not be entitled to.

In its quest to gain a better understanding of the challenges posed by fronting in BEE transactions, Business Unity South Africa (BUSA) has commissioned research to investigate the nature and extent of fronting in the market place. In particular, the research has sought to accomplish two interrelated objectives: firstly, to unearth the various forms in which fronting manifests itself; and secondly, to propose strategies to reduce incidents of fronting and misrepresentation in BEE transactions. The research, which extended over a period of four months or so, relied

on information and anecdotal evidence gathered mainly from newspaper articles and interviews with select role-players in the BEE market place. In contrast to the popular view on fronting, which presumes that fronting occurs only at the level of equity ownership, the findings of the research indicate that fronting manifests itself at three distinct levels: direct ownership, human resources development and indirect ownership. This suggests that our strategy to reduce fronting needs to move beyond the current initiatives, which tend to focus on combating fronting at the equity ownership level.

This is necessary to ensure that the implementation of the broad-based BEE legislation results in the empowerment of a broad base of individuals and enterprises. To assist its

member organizations to combat fronting, BUSA is preparing a 'Guide on Reducing Fronting Incidents in BBBEE transactions'.

The Guide will, inter alia:

- ❑ define the meaning of fronting within the context of BBBEE;
- ❑ illustrate how fronting manifests itself in the various elements of the BBBEE scorecard; and
- ❑ provide guidelines on how to detect incidents of fronting within the seven pillars of the BBBEE scorecard.

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NEPAD SEMINAR - NIGERIA.



National Mosque in Abuja, Nigeria

One of the main priorities of the New Partnership for Africa's Development (NEPAD) is to extricate the African continent from poverty and underdevelopment through regional integration. To this end, the NEPAD Heads of State and Government Implementation Committee adopted in May 2002 the Infrastructure Short Term Action Plan (STAP) to promote regional integration in the Africa.

As part of its strategy to bridge the infrastructure gap in the continent, STAP identified several physical projects that envisaged the involvement of the private sector in infrastructure provision. In the context of STAP, infrastructure is defined as energy, water, transport and information and communication technology (ICT).

It was against this background that the African Development Bank, in collaboration with the NEPAD Secretariat and the African Business Roundtable, held a one-day seminar on "Fostering Investments for NEPAD Infrastructure Projects" on 15 May 2005 in Abuja (Nigeria). Dr Siyabonga Ndabezitha attended on behalf of BUSA.

The primary objective of the seminar was to review the progress made in the implementation of STAP since its adoption in 2002 and to

exchange views on how to attract private investors and foster their collaboration with governments and other development agencies in financing the NEPAD infrastructure projects. Participants included infrastructure experts, private entrepreneurs, high-level officials from governments and development agencies.

The proceedings of the seminar revealed that some progress had been noted in each of the four infrastructure projects. However, the overall picture that emerged was that the implementation of STAP faced numerous challenges that retarded the rapid economic development of the continent.

To deal effectively with these challenges, the Seminar recommended that NEPAD should, inter alia: (i) mobilise political will and actions to implement policy and institutional reforms in the sectors (ii) facilitate the mobilisation of resources for regional projects (iii) facilitate knowledge sharing, networking and dissemination of best practice among countries.

A more detailed report that summarises the proceedings of the seminar and the key recommendations flowing from the seminar's deliberations will be circulated to the BUSA member organisations in due course.

International Affairs

Algeria visits BUSA



Algerian Ambassador, His Excellency Mr Mourad Bencheikh

The Algerian Ambassador, His Excellency Mr Mourad Bencheikh, met with a BUSA delegation on 30 May 2005.

After giving an overview of the current state of the Algerian economy and Algeria's social and economic reform initiatives, the Ambassador briefed the BUSA delegates on the incentives and programmes being implemented in Algeria to make the Algerian economy more efficient. The

Algerian government has earmarked \$55 billion for projects to support Algeria's economic reform and restructuring. Algeria intends to privatise 1200 companies, reform and modernise its banking system, build 1 million houses, construct universities, schools and hospitals and extend and renovate its water grid. It will devote some 40% of the \$55 billion to infrastructure development, including electrification of trains, building some 1200 kilometres of highway, developing ports and airports. The Ambassador also

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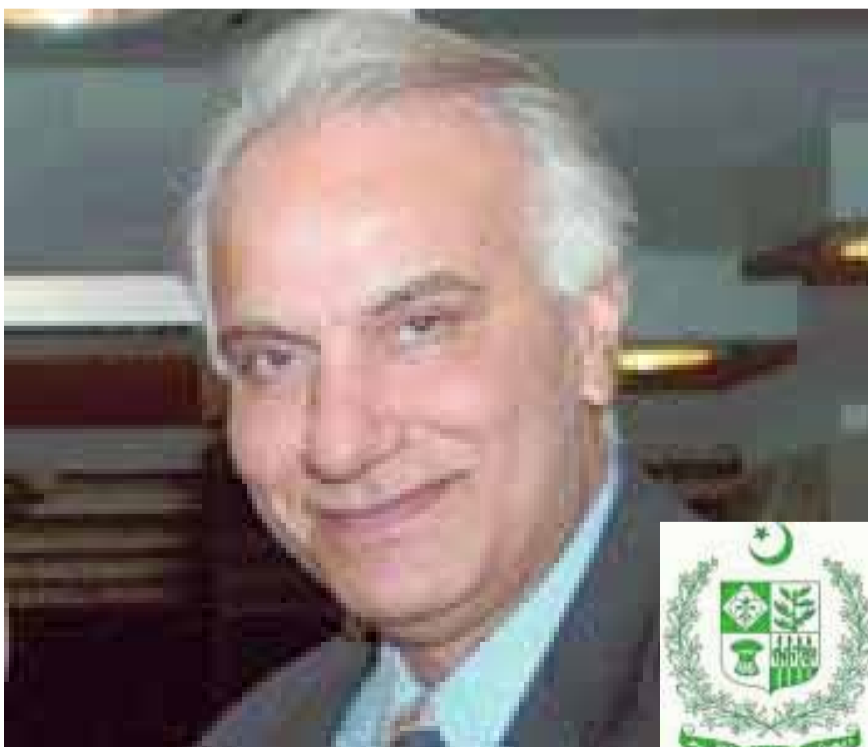
indicated that Algeria needed management expertise and intended to hire foreign companies to operate some of its public services such as its airports and ports. The Ambassador urged South African companies to tender for the projects in Algeria. He stressed the links between South Africa and Algeria, focusing on the fact that both were African countries. He did point out, however, that South African companies would face strong competition and would have to submit competitive tenders. Preference would be given to companies that brought investment into Algeria, but on

profitable terms. All tendering companies would be treated equally, including Algerian companies. The Ambassador indicated that the Algerian Embassy in South Africa would provide assistance to companies that wanted to explore operating in Algeria. He urged South African companies not to adopt a "wait and see" attitude, but to embrace the opportunities that were being offered by Algeria. Information on all the projects, including the tender documents, would be available on the internet, while queries can be directed to Mr B Mahmoudi, First Secretary for Economic Affairs, at the Embassy of Algeria in Pretoria – telephone (012) 342 5074.



For more information on Algerian tenders click [here...](#)

Pakistani Envoy in Africa



Pakistani Secretary Tasneem Noorani



On Tuesday 24 May 2005 BUSA was delighted to welcome a Pakistani delegation led by Tariq Ikram Minister of State and Chairman of the Export Promotion Bureau for the government of Pakistan and Secretary Tasneem Noorani who were accompanied by 5 Pakistani business leaders and the Pakistani Ambassador to South Africa. The Pakistani delegation stressed their desire to enhance economic relations between Pakistan and South Africa. They also wanted to explore how to establish linkages between BUSA and the Federation of Pakistani Chambers of Commerce and Industry.

In this regard it was agreed that the two organisations would enter into discussions with the aim of consolidating a MOU. BUSA Chief Operations Officer Vic van Vuuren gave the delegation a presentation on BUSA and Roger Baxter of the Chamber of Mines presented an overview of the South African economy, stressing the significant achievements made in the last 10 years. The Pakistani delegation indicated that an Expo on Pakistan would be held in March 2006 and invited SA business to participate. Minister Ikram said they hoped to encourage trade relations between the two countries.

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Skills development making head way

Business has a critical role to play in the country's strategy for economic growth and skills development. In this context BUSA is conducting a strategic review and assessment of its activities in skills development issues. As a first step in this process it held a strategic workshop on 12 May 2005. The workshop focussed on the following:

- ❑ A review of the current skills development environment;
- ❑ The type of skills development landscape that BUSA wanted;
- ❑ Ways in which BUSA should try to achieve it's objectives in the skills development area; and
- ❑ Developing a BUSA "roadmap" into the future.

Members decided it would be better to fix the current system instead of creating a new one and in the context of this decision attention was focussed on challenges

such as governance and administration that need to be addressed in structures and institutions in the skills development arena such as the NSA, SAQA, the NBFET, and the SETAs. A smaller Working Group was formed and will work to develop a more detailed BUSA "skills development roadmap" for the future.

Upcoming Events

Several meetings have been confirmed on the BUSA schedule this month; they include meetings with Cabinet Ministers and the Ambassador and Executive Director of Global Businesses Coalition on HIV and Aids. Members wishing to attend are asked to contact Ms Judy Davies

- ❑ **07 June, Johannesburg, South Africa (7th Floor JCC House)** A JCCI (Johannesburg Chamber of Commerce and Industry) EVENT - **Round Table Discussions with HE J Tomusange Ugandan High Commissioner** in South Africa on issues pertaining Agriculture, Agro-processing and Farming Contact Maria MHLONGO or Liza PRETORIUS - +27 11 726-5300.
- ❑ A breakfast meeting with **Ambassador Richard Holbrook** and Mr Trevor Nielsen, Executive Director of Global Business Coalition on HIV and AIDS will be held on **8 July 2005 at 07h30 for 08h00** at the **Westcliffe Hotel, Herbert Baker Suite** in Johannesburg. The Ambassador will address the topic "*Why HIV/AIDS is no longer a death sentence and what business can do to make this a reality*" Members interested in attending are asked RSVP Dorothy Coston via email.
- ❑ Business Unity South Africa and Chambers of Commerce and Industry South Africa will host an **SME Conference** on the **26 and 27 July 2005 at Gallagher Estate - Johannesburg**. The Conference theme '*To align the various public and private sector initiatives for the promotion and development of vibrant, sustainable, growing and globally competitive SME sector*' Members wishing to attend are asked to contact Nicola Vilakazi
- ❑ "*The role of women in the South African Economy*" is the topic of the address to be given by **Ms Phumzile Mlambo - Ngcuka, Minister of Minerals and Energy** which will be held on the **16 August 2005 at 17h30 for 18h00** at the **Hilton Hotel** in Rivonia Road Sandton. Members interested in attending are asked RSVP Dorothy Coston via email.