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BUSA MEDIA BRIEFING STATEMENT

Today the world is celebrating the International Anti-corruption day. Over the last eight years, business has supported initiatives such as the NACF to eliminate corruption from our society. BUSA is pleased that there is consensus among all social partners that corruption is so endemic in SA that we all need to play our role to expose and fight it from our society. Corruption robs this country of the resources allocated to the poor and to enhancing service delivery by the state. It steals from shareholders and has a tendency of scaring investors when they look at an economy where corruption is rife. This year business took the chairmanship of the NACF and has embarked on key initiatives to ensure that business plays its part in the fight against corruption. An anti-corruption working group with representatives from companies has been setup. We have launched a very comprehensive anti corruption programme which will run over the next coming two years at cost of over R15 Million in partnership with the Department of Public Service and Administration and the Danish Embassy.

BUSA launched the South African Charter of Ethical Business Practice, the Anti-corruption information guide for foreign investors to South Africa and the guide for South African SME's. The intention of the Charter is to encourage a more ethical business culture. Business was encouraged to adopt the Charter and join the fight to stop corruption. We are currently engaged with government looking at the practice of SA countries in the continent.

Planned activities going forward includes training workshops, mentorship programme, e-training programme, business forums and a CEO engagement, development and dissemination of booklets and posters and advertisements. We will also be building on the work we started this year with the Competition Commission to promote competitive behaviour in SA. Competition is a key hallmark of successful economies.

In pursuit of advancing the interests of SA businesses internationally, BUSA has established itself as the leading partner of the government on strategic international engagements aimed at promoting business linkages between South Africa and other countries. BUSA has led business delegations to Angola, Brazil and Zambia as part of the state visits of President Zuma. Activities have also been undertaken to follow up on these initiatives to ensure that concrete outcomes are achieved by South African companies. In 2009 BUSA reconfirmed its linkages with partners in Russia, India, Brazil, Korea and France. It also signed a memorandum of understanding with the Corporate Council for Africa to advance the relationship between American and South African business.

Next year BUSA will continue to support the high-level initiatives of government to promote South African business interests in other countries and to encourage greater levels of inward investment.

We will also be strengthening our networks with export councils, chambers of commerce and foreign chambers to ensure that there is a better coordinated approach to trade and investment



promotion by South Africa. BUSA will be participating in the economic diplomacy initiative of the Department of International Relations and Cooperation, including through regular interactions

between the Minister and CEOs. A code of conduct for South African companies operating in foreign markets is being developed and will be launched in 2010

Rapidly advancing technology, globalization, volatile business cycles and the need to intermediate skills between economic sectors make labour flexibility in business one of the remaining bastions of competitive advantage. Labour broking, outsourcing and sub-contracting comprise between 20% and 30% of the workforces in OECD countries and similar statistics are present in SA. Construction, Retail and Manufacturing have a 59%, 42% and 30% prevalence of a-typical employees respectively. Interestingly, most EU and OECD countries have similar challenges to SA in respect of economic and employment crises and in an attempt to ensure that individuals have the best possible chance to re-enter the labour market and to create employment opportunities, the practice of labour broking has been successfully regulated and used to intermediate in particular youth, first time job seekers and those who find it difficult to be employed into the labour market.

The calls for the banning of labour brokers and the curtailment flies in the fact of these international developments. For example, the International Labour Organisation passed Convention 181 in the latter part of the 1990's in recognition of the important role that labour brokers play in a regulated environment. In October 2009 the ILO hosted a workshop during which it promoted labour brokers as increasing labour market efficiencies and supporting the decent work agenda. It added that public and private employment agencies should look at partnerships in order to drive important socio-economic matters around employment creation, skills development and economic growth.

BUSA have been negotiating the matter of a-typical employment over the past few months and looks forward to a balanced outcome, characterized by regulation and enforcement in order to rid the industry of illegitimate operators. This is in view of the fact that more than 500 000 assignees are placed each day via labour brokers and this allows business a labour intensive production option. BUSA is concerned in respect of reports that have been received about the hostility during the parliamentary portfolio hearings. The principles of democracy need to be upheld and people should be allowed to express their views without fear of victimization and/ or intimidation.

On the small business development front, it is important to note that :

- 1) the 30 day payment cycle by Government was successfully endorsed by the Presidency and instituted in the last ¼ of 2009;
- 2) Addressing of the payments to small business by way of a hotline to Government- since establishment in September, 2009, 200 cases have been successfully resolved to the betterment of small business covering R3,6 million;
- 3) Debt rescheduling- the Banking Industry has advised that more than 50% of the small business entities that approached the banks have received support by way of rescheduling of debt over a longer period, to make the debt more affordable, a review of interest repayments, or a moratorium plus a combination of the other factors to give viable businesses a breathing space to adjust to the unusually hard economic circumstances.

During 2010 BUSA, together with key constituents, will investigate further measures to help ease the strain on small enterprises and has already taken steps to set up a small business desk under the newly formed Chambers of Commerce and Industry Standing Committee. We have supported the procurement of locally produced products where possible and in particular procurement from small business by large firms as a means of developing local SMEs.

Business is aware that poverty remains a major threat to social cohesion in SA. BUSA is committed to assist in the implementation of the anti-poverty strategy in particular stepping up investment in human capital. Human capital development comprises of health, education, skills development and training. BUSA has strongly encouraged its membership to be pro-active in the fields of training and education and has recently engaged with the relevant cabinet ministers on this subject to identify specific actions in this regard. Nedlac, including business representatives, met with the Deputy-President on the matter on 8 December 2009. We are urging our members not to cut down on skills development even in the difficult economic times.

During the past year, BUSA has done considerable work on the security of energy supply in SA and the Eskom situation in particular. BUSA believes that a new funding model for Eskom is necessary, as well as a change in the regulatory regime. BUSA will be making its formal submission to Nersa on Eskom's latest tariff application next week. BUSA believes that Eskom's revised tariff application still needs to be critically evaluated. Business remains concerned about the leadership issues at Eskom and in the State Owned Entities in general. We aim to engage with government next year on our concerns on the state of SOEs.

While BUSA was surprised at the release by Government of concrete commitments to reducing greenhouse gas emissions, we remain committed to working with our government on this matter. The quantum of the deviation from 'business as usual' also includes the impact of a range of policy interventions relating to renewable energy which government has already put on the table and which are in the process of roll out. For example the green house gas emission savings that will be achieved by installing 1 million solar water heaters.

The commitment is made on condition of a serious and meaningful outcome from the Copenhagen meeting, which includes agreements on significant emission cuts from developed countries meaningful technology transfer and technical and financial assistance to developing countries, like South Africa. Notwithstanding these conditionalities achievement will not be easy. Although business has already made significant efforts to improve energy efficiency as a result of the energy crisis, particularly in energy intensive industries, a quantum leap in effort will be required to meet this target.

It will be important for government to share its number crunching with stakeholders to rule out any possible discrepancies in estimates. Once everyone is clearly departing from the same point, intensive discussions will need to be held on how different sectors are going to have to deviate from business as usual in order to meet the target. While most effort will be required in the energy sector both on the supply and demand side, direct process emissions from manufacturing and other sectors will also need to be addressed. In order to ensure accurate measurement of what this deviation

from business as usual means in real terms we need to implement greenhouse gas reporting as soon as possible. BUSA is already working with Government on draft regulations to ensure that such regulations are implemented in 2010.

BUSA believes that the commitment represents a stretch target for the South African economy and as such must be supported by technical assistance and financial incentives. BUSA reiterates its commitment to working with Government and other stakeholders towards this target but believes that inclusion of such an ambitious target as a legally binding target would be a mistake without further technical work and needs to be critically interrogated.

BUSA welcomes what we see as a more transparent Parliament that holds the executive to account. To this effect we have focussed in institutionalising our capacity to engage with members of parliament and portfolio committees to strengthen the voice of business in Parliament. We now have a parliamentary office that is fully staffed in Cape Town. The Parliamentary Newswatch e-publication was launched to keep business abreast of developments in our national legislature. Relationships have also been established with newly elected office bearers, with the Parliamentary press gallery and with key officials in the Parliamentary Service.

For 2010, the BUSA Parliamentary Office will be consolidating its activities. Greater efficiency and broader sectoral diversity will be sought in bringing the viewpoints of business to Members of Parliament through formal interactions. Periodic informal interactions with stakeholders in the Parliamentary precinct are also planned around key issues confronting our economy

Under the new administration, the role of Nedlac as the key centre of policy negotiation has been affirmed. BUSA is reviewing our representation and capacity to engage with social partners at this level in addition to strengthening our internal policy capacity in the executive to support our teams at Nedlac. To this effect, we have agreed with Prof Parsons who have served the business community with commitment as Overall Business Convener in the last twelve years that he will relinquish this role in January to focus on the internal capacity in BUSA. We will be announcing his replacement early in the year. We have called on our members to ensure senior representation in our Nedlac teams.

BUSA has welcomed the long over due appointment of the BBBEE Advisory Council announced last week by the President. We believe the Council is critical to advise government on economic transformation and want to urge it to move with speed in ensuring acceleration of the speed and substance of transformation. SA can not be a significant global economic player as long as the majority of our people are not meaningful participants in the formal economy.

BUSA believes South Africa has technically ended its recession, with economic growth of 0.9% in Q3 2009. Inflation has also dipped into the target band. These are positive signs, but must not detract from the reality that our economy remains weak. Any recovery from this crisis is likely to be gradual and we must acknowledge that there is still much that needs to be done.

Our view is that the recovery is therefore likely to be a slow one in which the pace of global recovery is an essential factor. Spending related to the 2010 FIFA World Cup and tourism and tax income generated will support the recovery. Employment growth is likely to lag the economic recovery.

Today's difficult economic environment underscores the importance of not losing sight of long-term competitiveness fundamentals amid short-term urgencies. Competitive economies are those that have in place factors driving the productivity enhancements on which their present and future prosperity is built. A competitiveness supporting economic environment can help national economies to weather business cycle downturns and ensure that the mechanisms enabling solid economic performance going into the future are in place. Unless constraints identified in initiatives such as Asgisa and other research are effectively addressed, the SA economy will continue to grow at less than its potential.