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MEDIA BRIEFING

JOHANNESBURG

MEDIA STATEMENT

16 MARCH 2010

1. Industrial Policy Action Plan

- 1.1. In seeking to move the SA economy onto a higher growth path, BUSA has long advocated for the use of other policy instruments to support macro-economic policy in unlocking South Africa's growth potential. The industrial policy action plan can, if appropriately implemented and managed stimulate economic activity.
- 1.2. However, the overall objective of industrial policy action plan must be to address factors which diminish the country's global competitiveness, and seek to increase levels of competitiveness and productivity in the national economy.
- 1.3. We believe that whilst an industrial policy action plan can be useful especially at sector-level, it needs to recognize the constraints to growth that the economy faces at firm level in particular, in order to be successful. Our view is that sustainable industrial development requires that such constraints be addressed to ensure that the overall cost of doing business is significantly reduced across the economy.
- 1.4. It is also important that we learn from IPAP 1 and ensure that there are measurable targets, which can be monitored during the three year period. Industrial Planning has to be a dynamic process with regular reviews.



- 1.5. We believe that industrial financing is crucial to the achievement of set targets. The intention to focus IDC priorities on responding to the industrial policy action plans is welcomed. However, to make this successful there must be a review of IDC's funding to ensure that the institution's sustainability is maintained.
- 1.6. BUSA calls for greater clarity on access to the incentive schemes for sectors and investment projects not listed. It is considered important to provide this clarification. It would also be useful to reflect on the review of the incentive schemes undertaken in terms of IPAP1. It is also appropriate to consider the SMME's and their access to IPAP.
- 1.7. BUSA has consistently argued for the use of public procurement to support local production and development. BUSA is concerned that implementation remains a challenge due to apparent lack of common ground between Treasury and the DTI. Implementation provides a range of short and longer term opportunities, particularly in respect of the strategic sectors identified, which need urgent action for success.
- 1.8. This is the first time that the role of the technical regulatory agencies under the control of the DTI has been explicitly referred to in support of industrial policy. This measure should improve long term competitiveness and should bolster exports.
- 1.9. BUSA was engaged on this element and sectors are committed to working with Government in implementing the actions. The challenge here is the availability of sufficient resources to ensure that the relevant agencies can respond to the demands placed on them by the action plans. It is also important that the action plans are used by the agencies to prioritise their work.
- 1.10. Freight logistics continues to pose significant constraints on growth. These challenges have been well known for some years, despite numerous attempts to address them.

The recently announced review of the freight logistics strategy at the same time as the release of IPAP 2 provides an opportunity to make



direct links between the development of the sectors in the IPAP, particularly increasing local production of capital equipment while at the same time improving the efficiency and cost effectiveness of freight movement.

- 1.11. The cost of doing business remains uncompetitive in global terms, largely due to the ever increasing regulatory burden and decreasing capacity of government to manage the regulatory regimes. This has a negative impact on all business not just small business or some sectors.
- 1.12. Another area of regulation that significantly increases the cost of doing business is the duplication of requirements between provincial, national and local government and in some cases the different requirements amongst different provinces and local authorities, particularly the latter.
- 1.13. It is clear from the action plans that most of the investment in productive capacity will come from the private sector. It is therefore important that the plan reflects a common vision between the two parties. The limited consultation with the private sector which characterised the development of the plans should not be repeated in the implementation. It is particularly important that the private sector is consulted on how to reduce the constraints to increased investment and employment
- 1.14. In line with Government's commitment to monitoring and evaluation, provision should be made for a comprehensive monitoring and evaluation process of the industrial policy action plan. This should include public hearings.
- 1.15. It is clear that the greenhouse gas reduction undertaking on climate change made to the United Nations will require significant effort from the industrial sector and while it is recognised that the undertaking was conditional, South Africa must start to move towards a low carbon growth trajectory. It is therefore imperative that reference to this objective is made in the action plans. It would also be useful to publicise availability and conditions of incentive schemes.

1.16. The need for coordination cannot be overemphasized. The implementation of industrial policy action plan will require that all government department's act in tandem. For instance, energy planning must support IPAP and vice versa.

2. ENERGY ISSUES

2.1. In the context of the post-economic crisis environment, we need a frank discussion on the impediments to the South African economy reaching pre-economic crisis growth levels. The point of departure of such an exercise must be the identification of immediate risks, which if not addressed could curtail the still vulnerable economic recovery.

2.2. We recognize that this process will inevitably be uncomfortable and requires us to deal with difficult and often uncomfortable questions.

2.3. The gradual decline in South Africa's energy security remains the greatest threat to South Africa's economic development and sustainability. We noted with concerns Eskom's presentation to Parliament on the 2 March 2010. Eskom has indicated that "the power supply is going to be extremely tight from 2013 and 2014 until we have baseload power stations coming in". This reality must inject some urgency in our approach with energy security. We believe that the approach must be to address short-term risks, whilst simultaneously creating long term solutions.

2.4. Thus BUSA reiterates its support for the World Bank Loan to Eskom. BUSA is convinced that it is a necessary additional source of funding which South Africa cannot afford to forego. Failure to borrow sensibly for Eskom's needs will either mean yet higher electricity tariffs or the risk of load shedding if Medupi is not completed in time.

2.5. Restoring Eskom's financial sustainability has to be the cornerstone of our short-term interventions. This is particularly important because Eskom currently supplies 97% of South Africa's electricity.

2.6. The current challenges also underscore the importance of diversification of energy sources and supply. BUSA is encouraged by the



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- recently published Rules on the Refit Criteria by the National Energy Regulator. These provide for the licensing of Independent Power Producers, and co-generation as required by the Electricity Act.
- 2.7. Attempts at energy diversification must be guided by integrated energy planning process. BUSA is thus calling for government to fast-track the development of the Integrated Resource Plan as required by the National Energy Act. This will enable better coordination and coherence within government and society in addressing the current challenge.
 - 2.8. Restoring energy security will also require strengthened institutions to support the development of a more dynamic energy market place. We urge government to lead on this issue. Failure to address the energy challenge will impact on achievement of other economic initiatives especially the recently published industrial action plan.

3. 2010 Soccer World Cup

- 3.1. The FIFA World Cup Soccer tournament presents South Africa with a singular opportunity to exhibit the ability of its people and its economy to perform to world class standards. We therefore call on every South African, and especially business in South Africa, to contribute everything necessary to ensure that the World Cup is a successful event that will leave a positive legacy for decades to come. We have urged our members – especially those in the tourism, hospitality, transport and logistics sectors – not to be tempted to undermine the national effort by charging artificially inflated prices to profiteer unduly for the duration of the World Cup. This would be a self-defeating action which would not serve the national interest.
- 3.2. We have noted with concern the Congress of South African Trade Union's threat to protest during the World Cup events. We believe this will not be in the interests of South Africa, including that of the workers, many of whom depend on favorable sentiment of the foreign investors' who will be visiting the country at the time to ensure that their employment remains sustainable. Just as we in business do, the



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vast majority of South Africans, including the workers, derive a great sense of pride from South Africa hosting the World Cup. We will therefore engage with COSATU in the course of our regular social dialogue interactions in the hope that they will reconsider and enthusiastically join the rest of the country by putting in a spectacular effort to make the 2010 World Cup the best one possible.

We wish the Local Organizing Committee, counterparts in government and every other organization and individual involved with the organizing and execution of the World Cup the very best of luck.

ENDS.