

# BUSA NEWSLETTER: JUNE 2008

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## **CEO's REMARKS**

On the 7<sup>th</sup> of May 2008, BUSA held its **Annual General Meeting** where we elected a new President and three new Vice Presidents. Let me take this opportunity to thank Mr Patrice Motsepe for his excellent leadership during both the formative and stabilisation periods in the evolution of BUSA. I should also take this opportunity to thank the Chairman, Mr Bobby Godsell for his leadership and insight, and furthermore express my appreciation for his agreeing to stay on for another year as Chairman.

Let me welcome the new **BUSA leadership**, in particular the President, Mr Brian Molefe, and the new three Vice Presidents, Mr Mthunzi Mdwaba representing the

professionals, Dr Frans Barker as nominated by the unisectorals, as well as Ms Buhle Mthethwa for the Chambers. My sincere congratulations to Mr Penuel Maduna for his re-election as Vice-President: Corporates. I have no doubt that this new leadership will consolidate all the gains that we have made so far, while also providing new ideas in terms of dealing with the multiplicity of challenges that we are faced with.

The month of May will go down as one of the most embarrassing in the history of our democracy post 1994. Like most South Africans we were left in complete shame and shock by the visuals that showed foreign nationals being assaulted and killed and their properties being destroyed. These xenophobic attacks have done a lot of damage to the country's moral stature, especially in so far as tolerance and inclusion are concerned.

As BUSA we condemned in the strongest possible terms these irrational attacks on foreign nationals. The physical attacks on foreign nationals, coupled with the theft of property on foreign nationals cannot be justified under any circumstances. It is our considered view that these attacks should be treated as criminal offences, and the perpetrators treated as such. BUSA furthermore called on the different elements of the law enforcement agencies to redouble their efforts to ensure that calm is restored, and that the perpetrators are arrested. In particular, BUSA urged the intelligence arm of the police to pro-actively gather "intelligence data" to ensure that the attacks that have been seen over the last few days are arrested before they occur.

BUSA welcomed the swift action that has been taken by the government to establish a Panel to investigate the sources of the violence. BUSA believes that there may have been elements in our community who might have taken advantage of the genuine hardships faced by the South African people. However, no amount of economic hardship and discontent can ever justify criminal activity and bigotry that have characterised these attacks. While cognisant of the challenges regarding poor service delivery and rising cost of living in some parts of the country, we reject the view that these problems warrant these attacks on foreign nationals.

As BUSA we undertook a fact-finding and solidarity-giving mission to the township of Alexandra where it all began. I want to thank our members and the business leaders who under the leadership of our President and Chairman took part in this visit that

showed that “business cares”. We are pleased with the outpouring of support that the business community has given to date and would like to encourage that we continue to work with government to ensure full integration of the displaced back to society.

## BUSA ANNUAL GENERAL MEETING: 07 MAY 2008

Business Unity South Africa (BUSA) held its Annual General Meeting on 07 May 2008 to discuss the state of the organisation, the challenges ahead, as well as elect a new President and Vice Presidents. The Annual General Meeting sat against the background of the extensive review process in 2007, which concluded amongst others:

- ◆ That BUSA had been successful in achieving and implementing its prime objective of continuing to unite Black and White business and in so doing creating a united and non racial voice for Business in South Africa.
- ◆ That the unity process is an ongoing process and that empowering Black Business required increased impetus and resources to enable them to effectively participate and contribute to the policy formulation and lobbying responsibilities of organised business.
- ◆ That BUSA should continue to encourage its members to practically and meaningfully support the integration and cooperation of Black and White business organisations and enterprises on the ground. At the heart of uniting Black and White business is a commitment to transformation and a vision to ensure meaningful and significant participation in the economy by historically disadvantaged persons.
- ◆ That BUSA has successfully contributed to the creation of a conducive and attractive environment for domestic and international business in South Africa; but like the unity process, it is an ongoing process and BUSA must continue to lobby and effectively influence policy formulation in this regard.
- ◆ That BUSA continues to represent organised business in debates of national strategic importance, such as the energy crisis.

Business Unity South Africa thanked its outgoing leadership the first President, Mr Patrice Motsepe for ably leading the organisation under both exciting and trying times. Patrice’s term as President ended on the day of Conference and BUSA is

sincerely pleased to have benefited from his leadership. BUSA furthermore thanked the Chairman, Bobby Godsell for his excellent leadership, and expressed pleasure in that he would stay on as Chairman.

The AGM elected Mr Brian Molefe as its new President. Mr Molefe has been at the forefront of economic transformation and corporate governance in South Africa since he became Chief Executive Officer of the Public Investment Corporation (PIC) Mr Brian Molefe was previously deputy director general responsible for asset and liability management at the National Treasury until June 2003 when he was appointed Chief Executive Officer of the PIC.

He obtained his Bachelor of Commerce degree from the University of South Africa (Unisa) after which he read a post-graduate diploma in economics at the University of London. He also holds a Master of Business Leadership from Unisa.

BUSA congratulates all the Office Bearers elected and confirmed at the AGM, namely:

1	President	Mr Brian Molefe - CEO of the Public Investment Corporation (PIC)
2	Chairman	Mr Bobby Godsell – Retired CEO of Anglogold Ashanti
3	Vice President: Corporates:	Mr Penuell Maduna – Former Minister of Justice & Businessman
4	Vice president: Professionals:	Mr Mthunzi Mdwaba – CEO of Torque IT President: Black Information Technology Forum
5	Vice President: Unisectorals:	Dr Frans Barker – Executive Director, Chamber of Mines
6	Vice President: Chambers:	Ms Buhle Mthethwa – President of NAFCOG

## **BUSA DIRECTORY**

Business Unity South Africa is uniquely positioned to serve as authoritative introductory voice for business in South Africa. Naturally, it can present a

consolidated picture of business in South Africa to both local and international political decision-makers, business leaders and analysts. The BUSA Annual Directory, set to launch in September 2008, provides a high communication platform through which products and services can be marketed, projects launched and reported on, the country's political economy explained, as well as the initiation and celebration of economic transformation efforts.

Many sections of the inaugural edition have been completed, what remains to be done, is for companies to advertise in the publication. Member organisations are requested to market this exposure opportunity to all their members. Kevin Stephens, at Siyenza, has been procured for this service, and is contactable at 011 783-5313 or email [kevin@busaguide.za.com](mailto:kevin@busaguide.za.com) or Fax at 011 884-4458

## **THE ENERGY SUMMIT**

At the initiative of the ruling African National Congress, social partners, and civil society and energy practitioners met in Sandton on 16 May 2008 to discuss the Energy Crisis in the country. BUSA agreed with the consensus in the Summit that price increases are inevitable going forward, but that the once-off massive price hike Eskom had applied for was not appropriate in the current circumstances. The idea of increasing the price of electricity systematically over a 5-year period is politic. BUSA appreciates and congratulates all the parties for finding the moral stamina to open up and discuss this national problem with the seriousness and compromises that it demanded. It was the first opportunity, since the major crisis began in January in 2008, for South Africans from all walks of life to come together, and discuss the many facets of the energy crisis. The parties called for Eskom to revise its application to the Energy Regulator, Nersa to affect the gradual increases.

The stakeholders called on government should pump more money into Eskom to maintain its financial health and credit rating, and that Eskom and municipalities should protect the poor against the adverse effect of the price increases.

## **BUSA's SUBMISSION TO NERSA**

BUSA's submission to NERSA contended that there are solutions on both the supply and demand sides of the equation. However, pricing must be seen as part of a

package of solutions, not as a total solution in isolation. BUSA recognises that electricity prices need to reflect the economic cost of supply in the long term. Large upfront price (or electricity supply curtailment) shocks have a much larger negative impact on the economy versus a “smoothing” of price increases. Rises in primary energy costs should be covered in the price application, subject to certain conditions. The provision for DSM should be removed from the Eskom price application. It is important that that build program is not capital constrained is but BUSA believes that the State should play a larger role in capitalising Eskom (as the shareholder). The 2 cents/kWh Treasury levy should be reincorporated into the Eskom price increase.

Key challenge: big front loaded increase will have significant negative impact on the economy. E.g. HSRC modelling suggests that a 72% rising in electricity prices in short-term would raise inflation by about 2.6 percentage points, reduce GDP by 0.3% and cost about 55 000 jobs. The key question that informed BUSA’s position on pricing was *“How to smooth the price rise without causing large negative impact on the economy?”*

BUSA believes that a staggered price increase mechanism should be adopted, as there is no doubt that electricity prices would have to increase to deal realistically with all electricity inputs. In the short, BUSA believes that extra short-term shareholder support is required.

## **RISING FOOD PRICES**

Business Unity South Africa is seriously concerned about the rapid rise in food prices over the past few months. While this rise is not peculiar to South Africa – global phenomenon as a result of demand from India and China, and high input costs, amongst others, it is concerning the rate at which food prices have been rising over the past year or so in South Africa.

BUSA responded to the Section 77 Call by COSATU with a clear statement regarding our opposition to collusive practices that have been uncovered. As BUSA, we believe that business thrives in a climate of free, fair and open competition, and would therefore never condone collusion in any sector. In any event, such practices affect business people in their procurement of services, products and consumables, as well as in their capacities as community members.

Regarding the call by COSATU for the nationalisation of the maize-meal, bread and milk value chains, BUSA opposes this call, as our contention is that enhanced competition best presents the platform for price reduction and efficient allocation. The big challenge facing South Africa is the need for further competition and not collusion. In this regard, we call on the Competition Commission to continue with its good work in arresting anti-competitive prices across all the sectors of the South African economy, including the food value chain. The entrance of new players, including Black Owned Companies, should be encouraged, and BUSA is convinced that nationalisation will work against this very important mission.

As BUSA we call on all social partners to creatively look at ways of formulating mitigating actions against the debilitating effects of food price increases. Mechanisms and interventions should be sought to arrest this worrying development.

## **COMPETITION POLICY AMENDMENT BILL**

The DTI released the Draft Competition Policy Amendment Bill to the NEDLAC Trade and Industry Chamber held on the 8th May 2008. The five key proposals detailed in the amendment bill are:

- ◆ Introduction of complex monopoly regime
- ◆ Personal liability for directors
- ◆ Introduction of market enquiries as a competition policy instrument
- ◆ Providing legal basis for the corporate leniency programme
- ◆ Amendments to the Principal act in order to provide clarity on concurrent jurisdiction.

As members are aware, BUSA Competition Task Team has been actively involved with the Competition Policy matters since 2006, having produced more than two papers on Competition Policy. Additionally, a preliminary BUSA position paper has been circulated to members for further input. BUSA Task Team on Competition Policy will also be negotiating on behalf of business at NEDLAC. The following people will be representing BUSA: Messrs Raymond Parsons, Norbert Behrens, Prince Maluleke, Nkonzo Hlatshwayo, Nico Vermeulen and Ms Simi Siwisa. Nedlac negotiations will commence on the 6th June 2008. BUSA is awaiting details of the Parliamentary process and will circulate this information to members once available.

## **EXPROPRIATION BILL**

The Department of Public Works published the Draft Expropriation Act 2008 (“The Act”), in April 2008. The Act will repeal both the Act No 63 of 1975 (Expropriation Bill, 1975) and Act No 101 of 1987 (Land Affairs Act, 1987). The Bill seeks “to provide for the expropriation of property, including land, in the public interest or for public purposes; to provide for the establishment of the **Expropriation Advisory Board**; to provide for the approval of compensation by a court and to provide for matters connected therewith.

BUSA submitted its comments to the Portfolio Committee in Parliament. BUSA’s submission focused on concerns that the Draft Bill as introduced in the National Assembly does not provide for a procedurally fair expropriation process; creates uncertainty for property owners; and finally does not meet the desired objective of ensuring that there “is a framework for expropriation of property, including land”.

A copy of the BUSA document was submitted to all member organisations for their consideration. BUSA will also participate in the public hearings once details have been finalised.

## **CONSUMER PROTECTION BILL**

The BUSA Consumer Protection Task Team submitted its input to the Select Committee on Economic Affairs on the Consumer Protection Amendment Bill after more than two years of engagement both bilaterally with the DTI and also at NEDLAC. The key focuses of BUSA’s submission, which was backed by evidence from a partial Regulatory Impact Assessment undertaken by BUSA were the following:

- Requirement to reduce excessive compliance costs imposed on business by various regulations;
- Minimise duplication of regulations and the need to align CPB with other existing Acts – for example FAIS, FICA, etc
- Requirement for an appropriate institutional framework to support the Consumer Protection Bill
- Unintended consequences of Consumer Protection Bill on SMME’s.

## **COMPANIES BILL**

The Companies Bill will be tabled in parliament by the Minister of Trade and Industry in June 2008. BUSA will circulate the final version of the Bill once available.

## **TRADE CONSULTATION**

The World Trade Organisation National Consultative Conference was held on 10 April 2008. Nedlac constituencies, including a delegation from business, discussed the issues currently being negotiated as part of the WTO Doha Round, including agriculture, non-agricultural market access (NAMA) or industrials, services, trade rules and intellectual property rights. There was general agreement on the overall approach taken by South Africa to the negotiations but further work remains particularly on the question of *sensitive products* in the NAMA negotiations.

## **IBSA BUSINESS COUNCIL WORKSHOP**

The India-Brazil-South Africa (IBSA) Business Council held its first intercessional meeting in the margins of the Fifth Ministerial Conference in Somerset West, Cape Town from 9 to 11 May. Delegates from all three countries discussed the theme of connectivity as it relates to the sectors of tourism, energy, mining, air transport, maritime transport and automotives. The aim was to identify concrete actions that could be taken by the private sectors in the three countries to strengthen the trading and investment relationship. A Declaration on Connectivity was adopted.

## **SADC NON-TARIFF BARRIERS**

SADC countries have agreed on a process to identify and address non-tariff barriers (NTBs) that are hampering trade in the region. BUSA has been appointed the private sector focal point for South Africa. Companies that regularly trade within the Southern African region are asked to notify BUSA of any NTBs that they encounter. This information will then be passed on to SADC Governments for resolution.

## **IBSA BUSINESS COUNCIL DECLARATION ON CONNECTIVITY**

The India-Brazil-South Africa (IBSA) Business Council held a workshop on connectivity on 9 and 10 May 2008 in the margins of the 5th IBSA Ministerial Meeting at Somerset West, South Africa. The meeting was attended by representatives from the five member organisations of the IBSA Business Council – Associated Chambers of Commerce and Industry of India (Assocham), Business Unity South Africa (BUSA), Confederation of Indian Industries (CII), National Confederation of Industry of Brazil (CNI) and Federation of Indian Chambers of Commerce and Industry (FICCI). The focus of the workshop was identifying opportunities and challenges for strengthening the trade and investment relationship between the three countries. The sectors discussed during the workshop included tourism, energy, mining, air transport, maritime transport and automotives. The IBSA Business Council also began planning for its third annual meeting expected to be held on 13 and 14 October 2008 in New Delhi, India.

The IBSA Business Council highlighted the following points for the attention of Ministers:

- The potential for tourism between India, Brazil and South Africa is huge and the sector has the ability to make an important contribution to job creation and development. Specific marketing and promotional activities are needed in order to improve the understanding of the benefits offered by the three destinations. The media has a role to play and should be brought into the IBSA process.
- Limitations on direct air links between the three countries have an impact on tourism as well as the potential for growing trade and investment. Constraints identified included the global shortage of aircraft, high fuel costs, strong competition on indirect flights, limited landing rights and other regulations. A dialogue with national air carriers could assist in encouraging regular review of the viability of increasing direct flights and developing proactive steps that could be taken by governments to create an enabling environment for the air transport industry in line with their political commitment to IBSA.
- At its meeting in October 2007 the Business Council proposed consideration of an IBSA business travel pass scheme. A specific proposal, using the APEC model as an example, will be developed for adoption by the Business Council at the third annual meeting later this year. Visa requirements, including transit visas through other countries, continue to be a problem for

the business communities of IBSA and we urge governments to take measures to address these constraints.

- Since the last meeting of the Business Council there have been major developments in the energy sector, including rapidly increasing global prices and the electricity crisis in South Africa. It is now even more important to address the issues identified for an IBSA energy strategy. Technologies for the generation and transmission of renewable energy are being developed in all three countries. At the next meeting in October there will be an exchange of technologies as well as experiences in the energy sector. Opportunities exist for possible co-investment in energy projects and information on such projects will also be exchanged.
- Mining is a key sector in all IBSA countries. Work is underway in the private sector to ensure that greater beneficiation takes place and that trade is not simply of raw materials. The appropriate infrastructure, including ports and railways, is necessary to ensure that trade and investment increases. The Business Council welcomed steps taken by IBSA governments to improve infrastructure and requested on going consultation with the private sector.
- The Business Council reiterated the importance of competitive financial services sectors. Access to capital is fundamental for growing investment levels across all sectors. Regulatory restrictions continue to hamper linkages and the Business Council requests the opportunity to engage with the Working Group on Trade and Investment on developing a better understanding of the requirements in each country for financial services operators.
- The maritime transport sector faces many of the same constraints as are outlined above with regards to air transport, such as high fuel costs, need for large capital investments and regulatory restrictions. The Business Council agreed to undertake further research before its next meeting on the existing shipping lines operating between IBSA countries, the shipping routes being used by traders, average freight rates and the infrastructure available to support maritime transport. The approach will be to consider the value chain as a whole.
- Skills are desperately needed in all sectors and there are opportunities to exchange and learn from each other. For example, in maritime transport there are training facilities available that are currently under-utilised. It is proposed that consideration be given to possible trilateral skills development

projects that include consideration of the incentives and subsidies provided in each country.

- There is already a relatively active trade and investment relationship between IBSA countries in the automotives sector. There are natural constraints with regards to the different preferences of consumers in the three markets however some steps could be taken with regards to the reduction of tariffs and the removal of non-tariff barriers that would encourage greater linkages. It is hoped that before the next meeting of the Business Council the review of the Motor Industry Development Programme (MIDP) in South Africa will be complete so as to enable further strategic engagement between IBSA countries.
- Further work will also be done before the next Business Council meeting in identifying the disparities that exist between the trading regimes in and between IBSA countries related to pharmaceuticals as well as opportunities for increasing the competitiveness of the three countries versus the rest of the world.
- The Business Council calls on IBSA governments to continue to negotiate and ratify trade agreements that will make real contributions to the economic relationships between the three countries.

## **ELECTION OF PROF NKUHLU AS IOE PRESIDENT**

The International Organisation of Employers (IOE) held its Annual General Meeting in Geneva on 27 May 2008 in Geneva. In this AGM, Professor Wiseman Nkuhlu was elected as the new President of the IOE for the next two years.

Since its creation in 1920 the International Organisation of Employers (IOE) has been recognised as the only organisation at the international level that represents the interests of business in the labour and social policy fields. Today, it consists of 146 national employer organisations from 138 countries from all over the world. The mission of the IOE is to promote and defend the interests of employers in international forums, particularly in the International Labour Organization (ILO), and to this end, works to ensure that international labour and social policy promote the viability of enterprises and create an environment favourable to enterprise development and job creation. At the same time, it acts as the Secretariat to the Employers' Group at the ILO International Labour

Conference, the ILO Governing Body and all other ILO-related meetings.

In order to ensure that the voice of business is heard at the international and national levels, the IOE is actively engaged in the creation and capacity building of representative organisations of employers, particularly in both the developing world and those countries in transition to the market economy.

The IOE is the permanent liaison body for the exchange of information, views and experience among employers throughout the world. It acts as the recognised channel for the communication and promotion of the employer point of view to all United Nations agencies and other international organisations. The election of Prof Nkuhlu is a proud moment in the history of South Africa and is proof once again of the calibre of business leadership grown at the southern tip of the African Continent.

Prof Nkuhlu is the Chairman of Pan-African Capital Holdings (Pty) Ltd. He previously served as Economic Advisor to President Mbeki and as Chief Executive of the Secretariat of NEPAD. Prof Nkuhlu also holds current directorships at Kagiso Trust Investments, AngloGold Ashanti Limited and Metropolitan Limited where he is chairman of the board.

## **SOCIAL SECURITY & RETIREMENT INDUSTRY UPDATE**

The BUSA Task Team meeting was convened on 19 May 2008 at BUSA offices. There was a presentation from the joint forum, which was followed by discussion. There was a presentation by Dr Elize Strydom from the non financial industry, which was followed by discussion. It was agreed that the two documents from Business would be distributed to the BUSA task team for input. Comments on the documents would subsequently be tabled at the next meeting of the task team. It was reported that government was very optimistic with their timetable going forward. BUSA had to prepare for the Nedlac discussions.

## **PAN AFRICAN BUSINESS COALITION on HIV/AIDS**

The process leading to the establishment of the Coalition was supported by the World Bank, World Economic Forum's Global Health Initiative and UNAIDS,

Standard Bank, GTZ, as well donors and other support institutions. It aims to be the engine of private sector mobilization in the fight against HIV and AIDS. The strategic objective of this initiative is to mobilize and co-ordinate country coalitions to take decisive action on HIV/AIDS. The Coalition will work with governments to manage donor funds into appropriate response areas including systems strengthening, capacity building, treatment and care and behaviour change.

## **BUSA CONSTITUENCY CAPACITY BUILDING WORKSHOPS ON SKILLS**

BUSA is in the process of rolling out the workshops. The dates and provincial venues have been finalised as below. The workshops are one day workshops. Three workshops will be held in each province, covering a total of 720 persons nationally.

<b>PROVINCE</b>	<b>DATES AND VENUES</b>
GAUTENG	14, 15, 16 July – BUSA offices, Sandton
MPUMALANGA	23 July – Witbank 24, 25 July – Nelspruit
KWAZULU-NATAL	06 August – Pietermaritzburg 07, 08 August – Durban
NORTH WEST	20 August – Magaliesberg 21 August - Rustenberg 22 August - Mafikeng
LIMPOPO	01, 02 September – Polokwane 03 September – Bela-Bela
WESTERN CAPE	10 September – Stellenbosch 11, 12 September – Cape Town
FREE STATE	01 October – Northern Free State

	02, 03 October – Bloemfontein
NORTHERN CAPE	13 October – Upington 14, 15 October – Kimberley
EASTERN CAPE	22 October – East London 23, 24 October – Port Elizabeth

## **ANNOUNCEMENTS & KEY DATES**

### **New chair and vice chair of the BUSA Committee on Trade Policy**

The BUSA Committee on Trade Policy elected Ms. Angela Dick, CEO of Transman and President of CAPES, as its new Chair at its meeting on 14 April. Mr. Shibe Maruatona of Business Leadership South Africa was appointed Vice Chair.

### **The BUSA Presidential Working Group**

The BUSA presidential Working takes place on Friday, 20 June 2008 in Pretoria.

### **Verification Workshop**

BUSA Verification Workshop takes place on 08 and 09 July, BUSA Offices

### **Mission to Argentina & Chile**

Business mission to the Republics of Argentina and Chile: 14-18 July 2008. The delegation will be led by the Minister of Foreign Affairs, Nkosazana Dlamini-Zuma. For information, please contact Ms Nuraan Alli on telephone number (012) 394 1133 or on e-mail address: [Nuraan@thedti.gov.za](mailto:Nuraan@thedti.gov.za) or Mr. Malose Letsoalo on telephone number (012) 394 3034 or email [MALetsoalo@thedti.gov.za](mailto:MALetsoalo@thedti.gov.za).

### **Social Security Task Team meeting**

Social Security Task Team task team meeting would be held on 23 June 2008 at 11h00.

## **CONTACT DETAILS**

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