

BUSA NEWSLETTER: MARCH 2008

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CEOs REMARKS

The **Annual General Meeting** for Business Unity takes place on 07 May 2008. In terms of our Constitution, the Terms of Office of the President and three of the four Vice Presidents come to an end. The resolution of our last Council mandated the current President, Mr Patrice Motsepe, the Chairman, Mr Bobby Godsell and the Chief Executive Officer, Mr Jerry Vilakazi to manage the process of finding the new President of BUSA. This task team will make a recommendation to member organisations, but the actual election of the BUSA President will be done at the Annual General Meeting.

The **nomination process** for the Vice Presidents has been opened, and member organisations have been requested to nominate their category's Vice President and category's representative at MANCO (separate persons).

For the first time, the AGM has been re-aligned to the Financial Year so that by the time it sits in May, BUSA has been audited and members are in a position to adopt the Financial Report! The Auditors are currently working on their report, and will be presented to the AGM for discussion and approval.

Members will recall that we took a decision at Council to introduce a new Category of membership – Corporate Membership. As indicated earlier the idea is not to wholly open up this category but rather to target a number of companies for this category. Letters have been written to a select number of companies, and it is hoped that the Board of Trustees would have been launched by the end of the First Half of 2008.

Since the last BUSA progress report BUSA has engaged in a number of meetings with Government and the national electricity response team NERT. The minutes of the NERT meetings are being circulated to all members of the electricity task team, which has been expanded to include experts and interested persons from a range of sectors.

BUSA continues to pursue constructive engagement on this crisis. There is no doubt that the situation could have a significant effect on the economy and on the quality of people's lives. BUSA's approach is to work with government and other stakeholders to minimize the negative impact, and in this regard dissuades alarmist reactions from any sector of our society.

BUSA is of the considered view that the burden of urgent reductions in demand must be shared more equitably amongst all sectors of society and that in fact commercial and industrial consumers need to be spared reductions that will have a significant overall negative effect on employment. Demand Side options are attractive because the direct costs are less than Supply Side options and can be mobilised in less time than it takes to construct a conventional power station. However the delays in increasing the supply side to ensure security of supply have a significant cost in socio-economic terms.

BUSA supports the "*balanced budget*" that was tabled by the Minister of Finance, Trevor Manuel on 20 February 2008. It is our considered view that the content(s) of the budget provided much needed stimulus to the economy. This is particularly important given the predicted slowdown in both the global and local economy. The budget went further and emphasized South Africa's commitment to addressing supply constraints and resolving our socio-economic challenges.

2008 Budget Speech: Trevor Manuel

The Minister of Finance, Trevor Manuel continued along the established path taken by the National Treasury over the years; and provided a stable macroeconomic environment for South Africa. BUSA was particularly excited about the following elements in the Minister's Budget pronouncements:

Funding to Eskom

The R60 Billion allocation to assist Eskom ease its short-term funding challenges is supported and signals government's commitment to restoring security of electricity supply in South Africa. However, the terms and details of the funding arrangement will need to be studied further once available. It is also important that the funding proposals should reduce the negative impact of the electricity challenges on the South African economy.

Fiscal Incentives for energy efficient products and services

The additional allocation of R2 Billion over the next three years for promoting more efficient electricity usage, generation from renewable resources and installation of energy-saving devices is also appropriate. In our view, this allocation must be accompanied by a range of other fiscal incentives which will promote energy efficiency. BUSA expects that further details will be provided about how the funds will be allocated and the administration thereof.

Whilst BUSA and the general public accept that electricity from non-renewable sources is harmful to the environment, it is however important to question the appropriateness of the introduction of the 2c per kwh levy on electricity generated from non-renewable sources; especially when the consumer does not have an alternative but to utilise such electricity due to a highly regulated environment where ESKOM is the sole generator and supplier.

The capacity of ESKOM to lead the energy-efficiency process is potentially problematic as they make their money from the consumption of more electricity. As BUSA, we are equally concerned about the capacity of municipality to lead this important national effort when their capital and operational expenditure requirements depend too heavily on electricity income.

Infrastructure

BUSA supports the additional investment in infrastructure to deal with the infrastructure demands visited by the demand of growth and development. The increase in allocations by a total of R17 billion to the budgets of the Departments of Housing, Provincial and Local Government, Water Affairs, Sport and Recreation and Transport over the next three years, mainly for infrastructure should assist service delivery at provincial and local government levels. We also welcome the R11 Billion public transport infrastructure – it should improve the efficiency of our transport network thereby increasing labour productivity through reduced commuting times.

Transnet's investment programme in excess of R78 billion is also supported, especially investment plans for our rail and ports infrastructure. It is important that allocations to Transnet must be accompanied by an appropriate review of the regulatory environment within sectors where Transnet operates to investigate if there is scope for improving efficiencies and enhance competition.

Enhancing Safety and Security

In view of President Mbeki's commitment to boosting confidence in the criminal justice system, in his State-of-the-Nation address, BUSA looked forward to the Minister's Speech in terms of financial details the much-needed overhaul of the criminal justice system, so as to begin to turn the tide against crime in South Africa. Every study has shown the adverse impact of crime on investment – both local and international, as well as the insecurity it permanently visits on ordinary workers, executive leaders and shareholders.

The Minister did not disappoint as he allocated R10 billion to further enhance the fight against crime over the next three years, and this in our view, truly presents the country with the real opportunity to score major successes in our fight against crime. In our media statement following the Budget Speech, the BUSA CEO, Jerry Vilakazi commented "*The Business Community will continue to partner with government to ensure that effective and efficient mechanisms are designed to arrest the problem of crime in South Africa*"

Human Capital Investment and the war on poverty

It is thus appropriate for the budget statement to articulate on allocations aimed at boosting critical social and human development programmes. Such investment should assist in the development of productive capacity in our economy thus increasing our rankings in terms of global competitiveness and is also be targeted at meeting the underlying socio-economic objectives. The allocations made by the Minister in respect to social welfare, education, health and crime prevention are supported and we share the minister's analysis that investment in human capital is at the heart of our "war on poverty"

Tax Matters

BUSA furthermore welcomes the 1% reduction in corporate tax, certainly the lowering of the corporate tax rate from 29% to 28% further interventions that can enhance the competitiveness of our taxes. BUSA expects that the tax cuts will stimulate further investment and economic growth as lowering of the corporate tax levels tends to encourage firm level economic activity.

Furthermore, BUSA welcomes the reduction on administrative burden on small businesses by introducing a presumptive turnover tax as an alternative to income tax and VAT for businesses with a turnover of less than R1 million a year. We welcome the Government's support for SMME development as evidenced by the tax incentives, which should enhance access to equity finance for small and medium-sized enterprises in high-tech sectors and junior mining exploration companies.

Industrial Development

BUSA welcomes the additional allocation of an additional R2.3 billion for the Department of Trade and Industry over the next three years and tax incentives of R5 billion in support of industrial investment and employment creation to support the broader industrial policy objectives. Again, BUSA will review details of such incentives and their administration.

BUSA believes that the fiscal policy alone cannot be expected to tackle South Africa's challenges. Whilst fiscal and monetary policy can go a long way in creating a favourable macro-economic environment – it is important that other policy instruments and government departments and agencies contribute their share to unlocking South Africa's growth potential.

It is thus important that deliberate attempts are made to address micro-level challenges which frustrate service delivery and inhibit economic growth. Firstly, it is important that more investment is made in developing capacity in all three spheres of government.

Electricity

BUSA through the Electricity Task Team is an active participant in the National Electricity Response Team (NERT), a multi-stakeholder forum which seeks to develop long term sustainable solutions to the Electricity challenge(s). Currently, NERT has established the following working groups:

- Implementation
- Cogeneration
- Funding
- Legal and regulatory issues
- Economic Impact
- Monitoring and Evaluation
- Communication.

BUSA position with regards to electricity challenge is that whilst short-term resolution of the problem must be prioritised, these must be accompanied by sustained attempts to resolve the long term weakness of the electricity regulatory and policy environment. We also caution against transferring this problem to other areas, such as petroleum supply.

Consumer Protection and Companies Bills

BUSA anticipates that the Consumer Protection and Companies Bills will be tabled in parliament in the next two months. In this regard, preparatory work has begun on coordinating the content of BUSA submission on the two Bills. Further information will be communicated to members.

HIV AND AIDS Road Shows

The challenge of HIV and AIDS is one that confronts all of us, and as business we take it very seriously. At the launch of the South African National AIDS Council and the endorsement of the National Strategic Plan for HIV& AIDS & STI 2007-2011, BUSA President Patrice Motsepe committed the business community to redoubling its effort in the fight against HIV and AIDS. As we all know, the Plan aims to achieve 50% reduction rate of new infections by 2011 and provide an appropriate package of treatment, care and support services to at least 80% of people living with HIV and their families by 2011. The package of care includes:

- Counselling and testing services as an entry point
- Healthy lifestyle interventions including nutritional support
- Treatment of opportunistic infections
- And antiretroviral therapy

In pursuit of this commitment, BUSA and SABCOHA will undertake major road shows in the country around April / May 2008.

SADC Employers Group AGM

On 17 and 18 January 2008, the SADC Employers Group held its Annual General Meeting at BUSA. The aim was to develop a strategic work plan for the Group for the next five years. A plan was adopted and in the main commits the members to achieve the following outcomes in 2008:

- Complete the assessment of the capacity of employers organisations in the region,
- Recruitment of new members from Angola and the DRC
- Starting of a research on the impact of South-South investment in the region
- Development of positions on Foreign Direct Investment and the proposed SADC Customs Union
- Enhancement of the participation of members in SADC events, including the regional conference on poverty in April and the Summit in August.

SADC Business Forum

In December 2007 BUSA hosted a meeting of the members of the SADC Business Forum. The SADC Business Forum has not been particularly active since it was formed and the discussion focused on ways in which momentum could be given to this important group. The Forum could provide a unique gathering of regional bodies from a range of different business sectors and therefore a useful point of engagement for the SADC private sector on cross-cutting issues. It was decided that steps would be taken to strengthen the Forum, including the convening of an AGM in May 2008.

Book Review: Lawrence Khoza

Book Title: Cyril Ramaphosa: The Biography, by Antony Butler

Let me start this review by openly declaring my disaffection for biographical works of literature. The biography genre tends to privilege rumour and “growth matters” over matters of substance. Indeed, it is uncommon to meet members of the “chattering classes” pontificate over where a prominent scholar or political leader grew up, and how many siblings they had than about the body of their work or discoveries. Readers of biographies tend to know more about Einstein’s parents and surroundings than his “Theory of Relativity” or Rousseau’s scandals at the Salon(s) than his concept of natural freedom. Indeed many of us know more about Mandela’s life in Qunu than his africanist thoughts of the 40s and 50s, or Newt Gingrich’s adultery than his “Contract with America” which marked the beginning of the hegemony of conservative ideas in the US in the 90s (Winning House & Senate in 1994, up to the Karl Rove-driven elections of Pres Bush in 2000 & 04).

But Benjamin Disraeli advises all of us “*Read no history: nothing but biography, for that is life without theory*”. I suppose I was partly persuaded by this advise in approaching Cyril’s biography. Antony Butler’s **Cyril Ramaphosa: The Biography** is a timely intervention in attempting to locate trying the personal, political and business life of one of our prominent political and business leaders – Cyril Ramaphosa. The book starts on a disappointing note – the unwillingness of the subject to authorise this “intellectual endeavour”.

There are two points of reference in judging this important work. The first one is taken from the preface by the author where he cites Cyril; “I am an enigma, you know”. After reading this book, are we in a position to say that we now know Cyril much better than we knew him before. And secondly, perhaps unfairly, I have upped the ante in terms of scholastic rigour owing to Butler’s membership of the academic professoriate.

The book successfully takes us through the rich life of Cyril Ramaphosa, from his birth, youth, education and leadership of the trade union movement. One is left with no doubt regarding the enormous organisational and intellectual talents of the subject in question. The enormous risks that he took, and passion that he displayed in leading the mineworkers, his negotiation skills are inspiring indeed. Cyril’s participation in the struggle against apartheid is well researched and informative. His leadership in many struggles undertaken under apartheid receive a well-deserved celebration, and so too is his role in negotiations leading our interim constitution. His so-called late embracement

Butler however weakens the substance of his book by reproducing rumour and innuendo as “fact” (For instance his “sexual orientation” charges that he attributed to Sydney Mufamadi have since been withdrawn). His weak rejoinder to the effect that he merely wrote what he was being told is a serious failure in biography, more so from an academically attached Professor! As the Press Ombudsman, Joe Thlooe, puts it – “It may be true that a woman told a Tabloid that she continuously had sex with a tokoloshe, but surely as a journalist you cannot believe such a claim! Surely academics should know better! Some of the contentions in the book test the last vein of credulity – the charge that Mufamadi was booed because of his so-called historically low standing among workers is incredible, as our understanding was that he was booed for his utterances at the conference. He was not the only one; the Deputy President of the country suffered the same treatment!

Reflecting on biography, Paul Murray Kendall asserts that "*The biographer must be as ruthless as a board meeting smelling out embezzlement, as suspicious as a secret agent riding the Simplon-Orient Express, as cold-eyed as a pawnbroker viewing a leaky concertina*". This is one area where I think that this work has not succeeded. It has not managed to give us a convincing case to explain the some of the setbacks that attended Mr Ramaphosa. For instance, while the book mentions that Presidents Mandela and Mbeki drew scorn and ridicule for their contacts and preliminary engagements with the apartheid government, it falls short of explaining why they "survived" such smears, while Cyril apparently lost out on the deputy presidency because of the smear campaigns! It has also failed to deal sufficiently with some of the BEE controversies, and to locate Cyril in these controversies and debates, starting from his chairing the BEE Commission.

In conclusion, I agree with the Publisher that this biography is a book that offers fresh insights, astute judgements and, above all, a deep sensitivity and understanding of how complex a life is. Butler's major success in this biography is his ability to transcend the saints-driven biographies of the 90s – by dealing with Cyril the "person". But I should express my disappointments after reading this biography, as I still feel the "enigma" and questions still linger.

Finally, I also feel that the book did not need the numerous innuendos and rumours as mentioned above, a failing I find difficult to accept from an academically attached biographer. I recommend this book, as a starting point, and hope that other biographies of Cyril will follow.

Upcoming events

- ◆ Nominations of Vice Presidents and MANCO Representatives: 14 March 2008
- ◆ Engagement meeting with the Director-General of the Dept of Home Affairs: 04 April 2008, BUSA Offices, 09:30am
- ◆ Presentation by the DTI; Export Support Scheme: 08 April 2008, BUSA Offices, 14hrs
- ◆ BUSA Annual General Meeting: 07 May 2008

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