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MEDIA STATEMENT

**BUSA OUTLINES ITS EXPECTATIONS OF THE 2011 BUDGET
SPEECH THIS WEEK**

EMBARGOED UNTIL NOON, SUNDAY, 20 FEBRUARY 2011

BUSA looks to a Budget Speech which will boost business confidence. The 2011/2012 National Budget on 23 February should be another building block in helping to create a favourable environment for growth and job creation in the aftermath of the global recession. Although an economic recovery is underway in South Africa, it is not yet sufficiently robust. BUSA has supported various policy initiatives needed to further strengthen SA's economic performance in the short- and long term.

Finance Minister Pravin Gordhan's 2011 Budget Speech is therefore an opportunity for details to be concretised on the implementation of many of the initiatives mentioned by President Jacob Zuma in his State of the Nation Address, as well as some of the proposals associated with Economic Development Minister Ebrahim Patel's New Growth Path document. BUSA has identified 30 issues of relevance to business in the State-of-the-Nation Address.

Since President Zuma stated that his government is now "looking to the private sector in particular to help [it] create most of the jobs", BUSA also sees it as an opportunity for government to provide the policy coherence and certainty, which is essential for business decision-making with regards to investing in growing the South African economy. From its side BUSA remains committed to encouraging the business sector to respond to the new opportunities and challenges that have been created by several recent policy announcements.





BUS A is encouraged by the expectation that deficit reduction will be better than planned. To show consistency with the sentiments he expressed in his 2010 Mid-Term Budget Policy Statement, Minister Gordhan will need to demonstrate that government is making every effort to moderate increases in spending and improve the effectiveness of its expenditure, while resisting the temptation to increase the burden on our already overloaded tax base.

A particularly progressive step to improve the business environment would be to make firm commitments to simplify our tax regime. User-pays initiatives such as the Open Road Tolling system being implemented in Gauteng should be included in such a review, for the introduction of such schemes are not met by moderation in the tax burden elsewhere.

BUS A hopes that the Budget Speech will also recognise the need to discipline the rise in administered prices - such as in transport, water and electricity - which threaten to upset a benign inflationary outlook at a time when the inflationary protection offered by the strength of the Rand appears to be waning. While South Africa cannot control external factors like movements in international oil prices and their impact on fuel costs here, it can manage domestic administered prices to limit their impact on the CPI.

Since it originated from Treasury, we believe Minister Gordhan should clarify the timeframes on the roll-out and the workings of the R9bn jobs fund announced by President Zuma. Will this fund the mooted wage subsidy for first-time workers, or will it be used to fund new ventures or expansions that hold the potential for job creation? In case of the latter, will sectors be prioritised, or will the success of bids be determined solely on the basis job creation potential?

Similar concerns apply to the R20bn in tax incentives announced for manufacturing investments. The thresholds of R200m for new investments and R30m for expansions appear to exclude small business, which would be counterproductive. Also, will state-owned entities such as Eskom and Transnet benefit disproportionately at the cost of improved competition and the reduced business costs that this may result in?

BUS A supports the roll-out of large scale network infrastructure but urges that the capacity of the Treasury's public-private-partnership (PPP) must be strengthened, since the PPP-option is a well understood alternative through which to leverage private sector capacity in this regard.

Further expectations include more detail on:



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- government's intention to link social grants to the promotion of economic activity;
- the financing of the national health scheme;
- to combat corruption;
- to pursue legislative reform to ease the doing of business (for small business in particular);
- to provide a more streamlined development finance support; and,
- to further promote tourism and agriculture through regulatory and infrastructure developments.

Overall, we believe that reducing the costs of doing business in South Africa, across the spectrum, will be imperative. We need to encourage vigorous entrepreneurship, as well as a rapid improvement in our improved global competitiveness to improve job creation.

We wish the Minister all the best with his speech, and pledge the continued willingness of Business to engage on the important work of his portfolio

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