

# E-BUSA Bulletin

AUG/SEPT 2011

## BUSINESS CONTRIBUTION IS CRITICAL TOWARDS ACHIEVING ECONOMIC TRANSFORMATION

I join BUSA during challenging times, where we are grappling with issues of economic transformation both internally and on a broader national level. As the voice of South African business, we are forced to look at issues of transformation that cut across the entire economic spectrum. BUSA is in an introspective period where we are asking ourselves difficult questions about how we conduct ourselves as business. It is imperative that all key economic players be asking themselves the same hard questions about the way they conduct themselves in business.

I come in where there is a perceived growing rift between business groups. However, I welcome the opportunity to negotiate the way forward and to find pragmatic steps that will allow all of us to work together as business to make inroads that we need towards achieving economic growth. For the South African economy to be competitive internally and globally, a broad tent for all businesses needs to be reaffirmed. With political and economic support, BUSA can serve as this institution.

Striving towards a future where we can refer to business in South Africa as just “business” and not black or white business, is essential to my vision. In



**Nomaxabiso Majokweni BUSA CEO**

addition, I want Busa to be more than a forum for debate and engagement of social partners, but an active facilitator of growth and job creation, which speaks to economic transformation.

This practical approach will entail, for an example, taking one of the key tenets of BB-BEE, enterprise development, and finding ways to leverage that to help our smaller members. Procurement related issues will be strategically key, such as,

having larger members procure from smaller members as that will result in meaningful economic transformation. I believe BUSA needs to be more active in terms of facilitating small business to do more business.

This vision is stated with the full knowledge that this will involve hard work, targeted programmes, joint economic empowerment efforts, commitments, and action by the broader member constituencies – but, it is not impossible. As you may be aware, some considerable work is already underway at BUSA in this regard. It is my idea to escalate it to levels that will begin to address the socio-economic challenges that we are currently dealing with as a nation. Reaching that ultimate state of affairs will be a major milestone for us as BUSA.

At the end of the day we want to be able to produce an impressive real economy report. To achieve the above mentioned however, we need to work together as the private sector. Nonetheless, BUSA is still a “work-in-progress” in this regard. The BUSA leadership is committed to this goal. As the apex business organization in South Africa, we remain dedicated to continuously improving the organisation’s efficiency and effectiveness to best

serve your interests. Improved communication with you the member, as well as progressive engagement with government and other social partners will be our priority.

Working together I believe we can make considerable impact in achieving the pressing national imperatives of job creation, economic growth, poverty alleviation and reducing the inequality gap.

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### **BUSA meets with Transnet’s Brian Molefe on Sept 7th**



**Brian Molefe Transnet CEO who met with the Busa leadership in early September.**

BUSA leadership which comprised of the CEO Nomaxabiso Majokweni, Deputy CEO Raymond Parsons and BUSA Trade Director Gus Mandigora met with the CEO of Transnet, Mr Brian Molefe, on 7 September 2011. The meeting aimed to establish a working relationship between BUSA and Transnet, understand Mr Molefe’s vision for the organisation and establish a means of staying in constant dialogue over Transnet’s bid to increase efficiencies and reduce costs. These aims were achieved and will be communicated to BUSA Members shortly.

## **ECONOMIC POLICY**

### **BUSA CUTS ITS GROWTH FORECAST FOR 2011**

At its meeting on 9 September Committee assessed the current the light of recent global and

Taking account of the following

1. The expected slowdown 4% in 2011, compared to



2011 the BUSA Economic Policy economic and business outlook in domestic economic trends.

economic and business factors:

in the global economy to about earlier IMF forecasts. We are

now looking at 3.9% (advanced economies 1.7% and developing economies 6.3%), with possible downside potential;

2. The risk of a “double dip” recession abroad – the OECD recently cut its growth forecasts for the US and Japanese economies; Reserve Bank Governor, Gill Marcus
3. The economic and financial challenges facing the Eurozone economy;
4. The African Development Bank has reduced its forecast for African economic growth in 2011 from 3.7% to 3.2%;
5. The less-than-robust growth and business conditions in the SA in the second and third quarters of 2011;
6. Manufacturing output fell by a sharp 6% m-o-m and 6% y-o-y in July, after growing by a subdued 0.8% y-o-y in June. The drop in output was far worse than the average 0.6% decline anticipated by the market. Over the month, output in most manufacturing industries dropped sharply. Protracted strike action disrupted production in the fuel, chemicals and metals industries, while ongoing outages at key iron and steel plants added further pressure. Underlying demand conditions also weakened due to slower global growth, a strong rand and softer domestic spending;
7. Competitiveness and profitability are being strained by higher electricity and transport costs, as well as rising labour costs;
8. As measured by the BER/RMB index, business confidence fell to its lowest level in more than a year in 3Q 2011;

the BUSA Economic Policy Committee concluded that - although SA’s growth rate will be positive this year - the downside risk has increased. It is a supply-side picture that is led by government while dragged down by key sectors like mining and manufacturing, while some of the better performing private sectors could be losing some of their growth momentum. Overall growth, with some sectoral exceptions such as retail, is likely to remain less-than-optimal in coming months and unable to support widespread job creation.

Although BUSA has been consistently conservative in its real growth forecast of 3.4% for 2011 to date, the above considerations suggest a review. *BUSA has therefore decided to reduce its growth forecast from 3.4% to 3.1% for 2011 as a whole, which is broadly in line with what many business economists are now indicating in the light of new realities.*

It implies that interest rates will need to stay low for longer, probably well into 2012, and a further cut in the repo rate may become necessary soon. Turkey and Brazil have already cut interest rates recently and Chile, Israel, Mexico and South Africa are seen as possibly doing so in coming months. Other appropriate policy interventions may have to be considered depending on future global and internal developments.

## GLOBAL COMPETITIVENESS

BUSA welcomed the release of the World Economic Forum's Global Competitiveness Report (GCR), in which South Africa showed a year-on-year improvement of 4 positions to rank 50<sup>th</sup> out of a 142 countries.

Although the slight improvement in South Africa's overall position could be ascribed more to exogenous factors rather than internal developments, it has underlined our importance as a gateway to investment in emerging markets. Though trailing the most competitive BRICS economy by some margin – China, ranked 26<sup>th</sup>, is seen as the most competitive – South Africa retains its position as the second most competitive within this influential formation, as well as being the most competitive economy on the African continent.

Business is particularly pleased with its contribution to this achievement, with the private sector having played a significant role in terms of the accountability of private sector institutions (on which we are ranked 3<sup>rd</sup>, globally), and keeping our financial sector healthy (for which we are ranked 4<sup>th</sup>). South Africa also scores relatively well in terms of its business sophistication (38<sup>th</sup>), innovation (41<sup>st</sup>) and the level of collaboration between our universities and business (26<sup>th</sup>).

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## SOCIAL POLICY

Sabcoha and Busa held an NSP workshop on the 26 August 2011 here at the Busa offices. There was an Attendance of 65 delegates from the Health fraternity.

**The Skills Accord** and Basic Education Skills Accord have been signed and copies distributed to members. Busa awaiting a meeting with Minister of Basic Education, Ms Matsie Angelina Motshekga.

The Term of Offices for the UI Board ends and the New Term of Offices commences in October. There is a call for nominations of three seats for Business for the new term of offices.

Busa to meet with the Minister of Health, Dr Pakishe Aaron Motsoaledi. The Busa task group on the NHI would be led by Dr Charles Mbekeni. A smaller team would draft a Busa position for discussion. The team would include inter aila members from FPI and Sasol. The draft would be ready within the next 2 – 3 weeks. A Busa submission was needed by 12 October 2011 as per request for written comments.

Bilateral with Cosatu on 14 September and Fedusa on 27 September. Items for the Agenda: Job Creation; Skills development; Education; Corruption; Improving Collective Bargaining.



Minister of Finance Pravin Gordhan

**The Preferential Procurement Policy Framework Act:** *The new regulations were finally promulgated by the Minister of Finance and will become effective from 07 December 2011. Some of the aspects of the regulations relating to BBBEE and localisation are being discussed as part of the engagements with the New Growth Path. The next big step will be to work on the comprehensive review of the procurement regime that may result in either the reviewing or repealing of the PPPF Act. We will constitute a BUSA Task Team on this important matter as soon as National Treasury provides Nedlac with a project plan on this.*

Our annual research report on **Expediting Transformation and Succession Planning** was approved by Manco in the previous meeting. We will present a plan on how to release the report to the public to the Manco. We were also approached by Old Mutual proposing to host round table discussions with various CEOs to discuss and debate the contents of the report as well as their succession plans. The first such session is planned for October 2011.

**Women Empowerment** This is one area where it is imperative we make more significant progress than last year. BUSA together with the World Bank hosted a workshop with the theme “Engendering Economic Policy New Growth Path and Vision 2025” at the Sandton

Convention Centre on 24 August 2011. The Gender Equity sub-committee was established. The first meeting already took place and the sub-committee members are busy drafting the Terms of Reference with a view of submitting these to Transpol for approval and adoption.

**Training of Verification Agency:** The Minister of Trade and Industry, Dr Rob Davies, launched the long awaited Standardised National B-BBEE Management Development Programme on 26 August 2011. This was a very positive step in that it will ensure that the Verification Agencies employees are well skilled in dealing with the market and will result in consistent application of rules.

### **The Preferential Procurement Policy**

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## **TRADE POLICY**

### **India-South Africa CEO's Forum**



BUSA, CII Industry and the Co-Chair of the South Africa/India CEO's Forum delivered the scheduled meeting of South African and Indian CEOs in New Delhi, India. Both groups of CEO's identified issues impeding increased South Africa/India trade and briefed Minister Rob Davies and Minister Anand Sharma from India. BUSA and CII also noted key follow-up actions resulting from meeting and will work to deliver them.

### **Nedlac Trade and Industry Chamber Strategic Session**

The Nedlac Trade and Industry Strategic Session with Minister Rob Davies was held on the 5th of August 2011. The session covered pertinent areas such as IPAP implementation, updates on trade negotiations, export taxes and the foundries industry, combatting customs fraud and the Consumer Protection Act. Business participation in the event was very high and a number of key follow-up points were agreed upon.

**Press Release on Road Freight Strategy** After making a formal submission on the road and freight strategy to the Department of Transport, BUSA drafted a press release to highlight key elements of the submission and sensitise the public to some of the freight and logistics issues facing South Africa. This is in line with the

mandate given by the Standing Committee on Trade Policy.

**Zimbabwe Indigenisation Indaba** The executive summary and full report on the Indigenisation Indaba have now been circulated to BUSA Members.

## Engaging India Business Seminar

BUSA and the Confederation of Indian Industry (CII) partnered with Webber Wentzel Attorneys and FNB Global Banking to deliver a seminar on how to do business with India. Notable speakers included the Indian High Commissioner to South Africa and the former South African High Commissioner to India. The turnout from business was very good and participants heard about the practical experiences of companies such as FNB, Sasol, and the Smollan Group.

### State Visit to Norway



BUSA participated in the President Zuma's State Visit to Norway on 31 August and 1 September 2011. The sectors of focus included oil and gas and resources, ICT, agro-processing and aquaculture, tourism and renewable energy.

## DIARISE these upcoming EVENTS!

### U.S.-South Africa Business Summit

The U.S.-Africa Business Summit, hosted by the Corporate Council on Africa, to be held on 5<sup>th</sup>-7<sup>th</sup> October in Washington, DC is fast approaching. BUSA will be represented at the summit and is to take part in the following events which you are kindly invited to:

#### Wednesday, 5<sup>th</sup> October

**Doing Business in Zimbabwe Seminar:** The U.S., South African and Zimbabwean private sectors held a trilateral business dialogue in early June this year where it was noted that the Zimbabwe private sector needed a stronger unified voice on sanctions and other critical issues impacting trade and investment in the country. As a follow-up to this meeting, the Zimbabwe private sector

in partnership with CCA and BUSA will hold a "Doing Business in Zimbabwe" forum the morning of the 5<sup>th</sup> of October.

#### 5<sup>th</sup> – 7<sup>th</sup> October

#### 8<sup>th</sup> U.S.- Africa Business Summit:

The U.S.-Africa Business Summit, held biannually, has attracted over 1,500

delegates in the past, and has established itself as the premiere meeting that addresses commercial ties between the U.S. and the nations of Africa. This year's

summit will focus will on a number of thriving and emerging sectors including infrastructure, power, agribusiness, health, security, and consumer goods and services.

### **Saturday, 8<sup>th</sup> October**

#### **U.S.-South Africa Business Forum**

Established in 2009, the U.S.-South Africa Business Forum meets twice a year to discuss topical bilateral trade and investment issues and engages with both governments to positively impact the commercial relationship. Items to be discussed during this upcoming meeting include, but are not limited to; the role of the forum and examining appropriate processes for the successful execution of the program.

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## ***CALENDAR - SEPTEMBER***

<b>14 Sept</b>	<b>BUSA Bilateral with Cosatu</b>
<b>16 Sept</b>	<b>Anti-Corruption Breakfast</b>
<b>21 Sept</b>	<b>The Indian Minister of State for Commerce &amp; Industry will be in JHB</b>
<b>27 Sept</b>	<b>BUSA Bilateral with Fedusa</b>
<b>27 Sept</b>	<b>COP 17 Meeting at Nedlac</b>
<b>28-30 Sept</b>	<b>ILO hosting a Global Jobs Pact</b>
<b>28 Sept</b>	<b>Social Policy Meeting</b>

This newsletter is distributed by the BUSA in-house PR and Communications desk. We always welcome feedback. Contact – Ms Masego Lehihi at [masego.lehihi@busa.org.za](mailto:masego.lehihi@busa.org.za)

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