

**SPEAKING NOTES FOR BUSA PRESIDENT FUTHI MTOBA
PRESIDENTIAL BUSINESS SUMMIT
PRESIDENTIAL GUEST HOUSE, PRETORIA
FRIDAY 18 MARCH 2011**

PRESIDENT JACOB ZUMA
CHAIRMAN
CABINET MINISTERS
DIRECTORS-GENERAL
THE BUSINESS COMMUNITY
OTHER GUESTS

Mr President,

Business welcomes this opportunity to interact bilaterally with you and key Members of Cabinet on job creation.

This is an important step in evolving a relationship between Government and Business that one finds between members of the same team - in this case, *Team South Africa*.

Unemployment is a common enemy of Team South Africa:-

- It is the enemy of Government in its fight against poverty *and* for more inclusive development.
- It is the enemy of Business too, because we need expanding local demand for the diverse products that we should be chancing good business ideas on; to stimulate investment in our capacity to deliver products and services locally *and* to the markets of the world.

Mr President,

In your State of the Nation Address on 10 February this year you stated:

“While looking to the private sector in particular to help us create most of the jobs, government will certainly play its part”.

Business *welcomes* this recognition for the important role that it plays in creating jobs *and* the commitment from government to partner with us.

Growth needs transformation and transformation needs growth, because jobs are a consequence of growth.

We know Government recognises this irrefutable link between growth and jobs.

A year ago, Finance Minister Pravin Gordhan indicated that while roughly two million jobs were created because of our strong growth from 2004 and 2008, around 900 000 jobs were lost when the economy shrank in 2009.

“To achieve 5 million jobs over ten years”, Minister Gordhan later said, “we need to seek growth of over 6 per cent a year”.

Business agrees.

How, will Team South Africa achieve this job-creating growth?

As the experience of our BRICS counterparts show, economic growth requires better productivity, which requires capital investment to ensure we utilise the inputs of labour, energy and materials better.

The more we want growth to deliver more jobs, the more important investment becomes. Our own economic history teaches us that the closest correlation with gains in employment is exhibited by levels of fixed investment in the economy.

Mr President,

Investing in our economy is a key area where we must solidify the partnership between Government and Business.

For the basis on which this must happen, we look to Minister Gordhan’s most recent Budget Speech, in which he said:

“In response we must take measures to ensure that our young people can look forward to decent work in productive, competitive enterprises.”

We share this understanding. This is why Business looked forward to the youth wage subsidy proposal.

More pertinently, we also believe that creating jobs *will* require that we are more competitive. Therefore, the partnership between Business and Government should constantly target making our enterprises and our *entire* economy ever more competitive.

In other words, we need to make ourselves more attractive to investors.

Certainty and predictability make investment decisions easier. We need to watch and *lead* the tone of our public debate.

We need to accept that reversing job losses in the mining sector will require long-term title certainty and a reliable electricity supply.

We need to accept that promoting jobs in agriculture and agro-processing will require certainty of land tenure and steady rural infrastructure development.

We need to accept, to grow manufacturing and other sectors will require an investment and employment-friendly regulatory regime.

Employers forced into lay-offs by the 2009 crisis bore the brunt of the inflexibility of our labour market. This inflexibility was manifested by protracted and costly negotiations with the labour unions. Now, with recovery in sight, these employers think much more carefully before expanding their work force again.

The proposed labour law changes are making these employers think doubly as hard – these changes will not promote employment and constitute a full frontal assault on competitiveness.

The automotive industry illustrates the job-creating power of a supportive regulatory framework, which was established in partnership between government and business. This needs to be replicated on a cross-cutting basis, such as in the areas of small business development, rolling out infrastructure faster and ensuring that our regulatory regime supports investment.

These examples illustrate that Government and Business should both play their part in promoting the competitiveness of our economy.

We are already partnered in the fight against corruption, against crime and, together with other social partners, in the New Growth Path discussions. These initiatives will continue, but this Summit must also have its legacy.

Targeted improvements in the attractiveness of our economy to investors, and an effective mechanism to ensure that we *connect* every policy, law, regulation and every government incentive to how it impacts jobs, would be the *only* appropriate legacy that this summit can leave.

We propose the establishment of a small implementation group to ensure that the preparatory work is completed within the next three months, for the three steps that I am about to enumerate:

1. **Support for small and medium enterprises:** BUSA this week called on Business, big and small, for better co-operation to reduce the turnaround time for payments to SME's and to maximise sourcing and subcontracting opportunities. Our BUSA Task Team on Small Business will be responsible for taking these issues further internally. Work is also necessary to foster closer co-operation to leverage the combined lending capacity of government and business for small business development optimally.
2. **The urgent need to speed up the roll-out of infrastructure,** especially for electricity and transport, must see a greater take-up of Private-Public Partnerships. To compete better with our BRICS counterparts, lower business costs will require that the private sector operates and owns

some of the infrastructure of which it is the bulk user. Business is committed to assist Government to acquire the skills to design, tender, procure and deliver large-scale capital projects to keep infrastructure spending on course. The implementation group must pave the way for this.

To promote these initiatives, to ensure regulatory certainty and job-friendliness and to pursue a National Productivity Accord, we need a more permanent manifestation of Team SA.

3. **The time is ripe for the establishment of a bilateral Presidential Business Council on Growth and Jobs** that can meet on a scheduled basis. There is a need for a structured interaction to provide a forum for issues relating the overall co-ordination and coherence of policies, with issue-based task teams to ensure deliberate progress in between the meetings of the proposed Council

BUSA CEO, Mr Jerry Vilakazi, will expand on some of the cross-cutting issues that this proposed Council must address to encourage growth and employment.

Industry leaders present will later deliver specific inputs around the priority sectors – particularly mining, manufacturing and agriculture.

Mr President,

We hope you will view our proposals as sincere commitments from your partners in Business.

I thank you for the opportunity.