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KEY: STRATEGIC DRIVERS



ECONOMY WILL NEED 2 YEARS TO RECOVER FROM COVID-19 OUTBREAK

BUSA vice President Martin Kingston, the head of the economic work group for B4SA, that the economy had already been weak at the start of 2020.

He said B4SA, which provides input to the government on its response to the Covid-19 pandemic from the private sector perspective, also predicted the infection rate would have a long tail-off, and the virus could remain a reality of daily life for up to two more years. Job losses were estimated at 1.5 million by the end of 2020. The national Covid-19 infection rate was expected to peak through August 2020, with daily mortalities peaking by late-August or early September.

However, said Kingston, the overall projections might still shift depending on the degree to which the infection rate evolved in Gauteng, the epicentre of the infection, and the Eastern Cape and KwaZulu-Natal, where rising infection rates were a concern.

The Return2Work Initiative offered businesses clear guidance on re-opening and staying open, incorporating key legal requirements and tools to minimise infection, including guidelines for businesses in the informal sector. Transport protocols were also available to support employees in accessing safe public transport.

He said while the challenges of addressing the Covid-19 crisis would pass, rejuvenating the economy and rebuilding society would require our collective focus in the future to accelerate inclusive economic growth and employment.

B4SA, with the Black Business Council, Business Unity South Africa, Business Leadership South Africa, Association for Savings and Investment South Africa, Banking Association South Africa and the Minerals Council, had formulated an economic recovery strategy.

Martin Kingston said strategy could harness South Africa's potential in the shortest possible time by leveraging all resources – across government, business, and civil society – to address the economic and social challenges.

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ESKOM WINNING THE COURT BATTLE AGAINST NERSA

South Africans consumers and businesses are set to pay more for electricity after the South Gauteng High Court ruled in favour of Eskom in its case against the National Energy Regulator (NERSA).

The decision focused on the multi-year price determination (MYPD), with the court ruling that Nersa unlawfully included a R69 billion equity injection from the government in its calculation of Eskom's allowable revenue for 2019 to 2022.

The court confirmed that Eskom could recover R69 billion in a phased manner over a three-year period.

Eskom has previously indicated that this amount would be recouped through electricity price hikes, which it will now be able to apply for as a result of this judgement.

The power utility welcomed the decision, which it said, will enable it to become more self-sufficient, recover costs, and reduce its dependence on government.

Business Unity South Africa (BUSA) said NERSA is in the unenviable position of trying to balance Eskom's applications with consumer submissions.

The tariffs have risen exponentially over the last decade and have impacted on the ability of companies to operate profitably. In some cases, electricity costs are more than 50% of input costs according to the EIUG. This is untenable and unsustainable. This is driving companies to seek alternative energy supply, move operations offshore, or simply close.

This is bad for the economy and perpetuates the so-called utility death spiral for Eskom. In this light, it is true that the methodology is not fit for purpose and BUSA has long recommended its revision.

Increasing prices and pervasive price uncertainty owing both to outdated methodologies and court processes like this also erode investor confidence making South Africa unattractive.

BUSA hopes that the tariff determinations for the remaining years of MYPD4, including any outstanding RCA's and court remittances, are dealt with efficiently, fairly, and expeditiously to give some clarity on the price path for the coming years.

This is especially important considering economic recovery efforts post-COVID 19. In parallel, BUSA strongly advises that policymakers and the Regulator review and amend pricing policy and tariff determination methodology to ensure a framework that is fit for purpose considering a diverse and distributed energy mix in the future.

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EconPol

BUSA sub-committee on TAX virtual meeting scheduled to take place on **28 July 2020** took place chaired by Paul Bondi he opened the meeting and welcomed those present at the end of the meeting he indicated that the next sub-committee is scheduled to take place in October.

1. PROPOSED BUSA TAX TASK TEAM TO ENGAGE THE MINISTER OF FINANCE

1.1. Olivier Serrão reported that the task team had been overtaken by events.

1.2. Following Olivier Serrão's report the subcommittee agreed that the task team be kept alive with a clear mandate and objectives.

1.3. It was agreed that the task team focus on the Business for South Africa (B4SA)'s Economic Recovery Strategy to identify topics and / or areas of focus for the subcommittees' deliberations and also identify topics that would be used to advance Business' position at the Nedlac Public Finance and Monetary Policy Chamber.

1.4. Members of the subcommittee were invited to nominate themselves should they wish to be involved in the task team.

Action

Following discussions on the BUSA Tax task team, it was agreed that the task team would convene in the next two weeks.

2. Davis Tax Committee

Action

The Chair undertook to ask Rob Legh to invite the Chair of the Davis Tax Committee, Judge Dennis Davis, to address the members of the subcommittee at the next meeting on tax related matters.

3. SACU Revenue Sharing

Action

Following concerns raised about the increasing infeasibility of continuing South Africa's contributions arising from the SACU Revenue Sharing Formula, the Chair undertook to table this matter at the Nedlac Public Finance and Monetary Policy Chamber for engagement.

BUSA sub-committee on TAX continues

4.DISCUSSION ON THE SUPPLEMENTARY BUDGET

- 4.1. Olivier Serrão reported that following the Finance Minister's Supplementary Budget, BUSA circulated a media statement highlighting its position on the supplementary budget.
- 4.2. Olivier Serrão further reported that BUSA, through Nedlac structures, had had engagements with the Minister of Finance.
- 4.3. The subcommittee raised concerns on the issues relating to corruption with respect to the purchasing of the Personal Protective Equipment (PPE) and requested that this be brought to the attention of the Minister and BLSA's Business Against Crime Unit (BAC).
- 4.4. Olivier Serrão indicated that BLSA had signed a Memorandum of Understanding (MoU) with the South African Police Services (SAPS) to address business crime-related matters and indicated that BUSA members were permitted to participate in forums organised by BAC. This was confirmed by Tebele Luthuli, MD of BAC.

5.MEDIUM-TERM BUDGET POLICY STATEMENT (MTBPS)

Action

Members of the subcommittee to go through the Business for South Africa documents including the B4SA Economic Recovery Strategy to identify tax and economic policy proposals that should be proposed by Business in advance of the MTBPS.

Action

BUSA to circulate the B4SA Economic Recovery Strategy Document to the members of the subcommittee.

6.DISASTER MANAGEMENT TAX RELIEF BILLS

The report on the Disaster Management Tax Relief Bills was noted.

7.TLAB & TALAB

7.1. Olivier Serrão on behalf of Kyle Mandy reported that the National Treasury had indicated that both the TLAB and TALAB would be published for comment this week.

Action

Following Olivier Serrão's report, it was agreed that the subcommittee put together a small group to look at the Bills and provide comment on behalf of BUSA.

8.OUTCOMES OF THE BUSA / SARS MEETING

- 8.1. Olivier Serrão reported that BUSA had a meeting with few SARS Executives led by Mark Kingon on 02 July 2020 on the impact of Covid-19 on businesses and on SARS' revenue collection.
- 8.2. Olivier Serrão indicated that BUSA's inputs and views were welcomed and agreed on.

■ The End!

■ CONTACTS

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