

THE BOTTOM LINE

Newsletter

BUSA Economic Indaba

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Dear Members, 2018 has been a bumper year for Business Unity South Africa (BUSA) and we would not have been able to achieve what we did without you. So, a big thank you to all of you for availing your time, resources and expertise to the organisation throughout 2018. Your continued and consistent support throughout what turned out to be a major year for BUSA enabled us to reach new heights and deepen our influence in various spheres, including on policy and governance.

It is thanks to all of you that BUSA was an able and a capable partner in the Jobs and Presidential Health Summits, and Investment Conference processes. BUSA was also a key partner in helping realise the National Minimum Wage (NMW) and changes to the Labour Laws, which will help to usher in a new era in the South African labour relations landscape through the introduction of a series of mechanisms that will ensure greater accountability when it comes to handling industrial action.

However, more work remains, especially on the economy. Although the country has been able to retain its remaining sovereign credit rating, headwinds remain not least the weak financial positions of many a State-Owned Enterprise (SOE), the erosion of South Africa's fiscal space and position, underscored by a sharp rise in national debt and debt-servicing costs, and high levels of unemployment and inequality. It is in this context that the BUSA leadership has come together and decided that the country's current economic challenges require an urgent, adequate and comprehensive business response.

We are hosting a BUSA Economic Indaba on Tuesday and Wednesday 29 & 30 January 2019 at Gallagher Estate in Midrand, Gauteng. We have sent out the invitation, please do save the date as we look forward to seeing you there.

We wish you a joyous festive season and a happy New Year!

The BUSA office will be closed from Friday 21 December 2018 to Wednesday 2 January 2019.



THE BUSA TEAM

Eskom in crisis



On Sunday 2 December 2018, BUSA convened a meeting attended by some of the leading minds in South African business at Liliesleaf to discuss the state of the economy and the myriad challenges preventing South Africa from realising its potential.

At that meeting, BUSA identified Eskom, among the country's SOEs, as posing the greatest risk to the South African fiscus and the economy. Much rides on Eskom because the country requires a reliable power supply and a stable grid.

However, on 28 November 2018, the power utility presented its interim results. The numbers jolted the nation into shock when Eskom management revealed that not only had the parastatal's revenue dropped drastically, but its interest and debt repayments far exceeded its revenue generation. This placed the utility in an untenable situation.

At present, Eskom is in a catch 22 and its existential crisis has worsened. The power utility is losing customers at a rapid pace but wants to charge more for electricity while it cannot guarantee supply. Furthermore, Eskom is in the midst of an expensive new build programme, which has incurred billions of rands in cost overruns and is years behind schedule for completion. Although several units at Medupi have come on stream, they are not performing at an optimal level.

So, in addition to the dire financial figures presented in November 2018, Eskom's management announced the re-introduction of load-shedding, otherwise known as power outages, on the eve of the festive season.

The business leaders who met on the aforesaid Sunday agreed that the power utility is too big, too important and too strategic to fail. Its survival and optimal operation are key for South Africa's economic machinery to keep turning.

Factors identified as inhibiting Eskom's ability to turn a corner included: its unsustainable operating model, declining sales, a bloated and rising wage bill, excess staff in comparison to units generated and sold, and the government taking its time to sign off on a turnaround strategy.

A National Treasury bailout of Eskom is out of the question, considering that the fiscus itself is under pressure because: the budget deficit has widened, South African Revenue Service collections have dropped significantly, the state still has to find funds to pay for the agreed to wage increases in the public sector and there is little fiscal room to move because of deferred consolidation and belt-tightening measures.

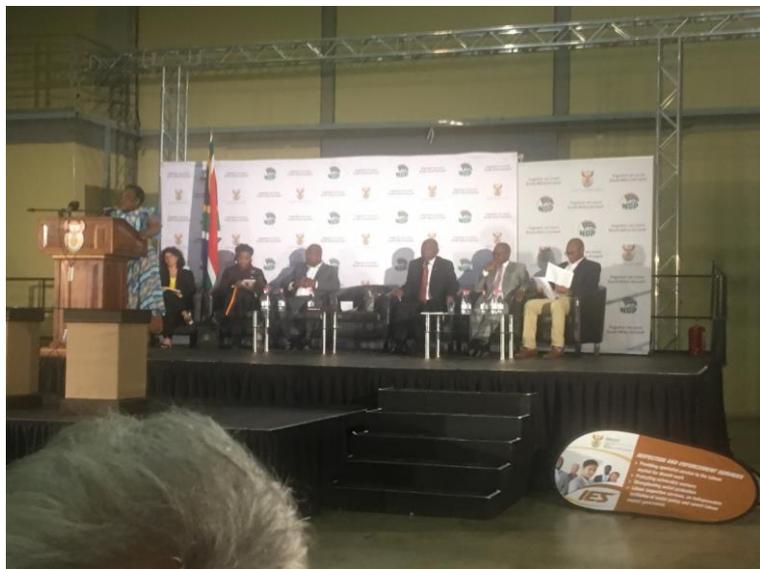
Thus, Eskom is the single, biggest risk to South Africa's remaining sovereign credit rating because of the covenants that could be triggered in the event the power utility defaulted on its debt. In addition, Eskom is the recipient of the bulk of government guarantees and thus the biggest contributor to the state's rising contingent liabilities.

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The National Minimum Wage is here!



IN CASE YOU MISSED IT: On Friday December 2018, BUSA CEO Tanya Cohen delivered the business constituency's address in Kliptown, Soweto, where President Cyril Ramaphosa proclaimed the implementation date for the National Minimum Wage (NWW) as 1 January 2019. Seated, from left, Cosatu president Zingiswa Losi, Public Works Minister Thulas Nxesi, Labour Minister Mildred Oliphant, President Ramaphosa, Nedlac executive director Madoda Vilakazi.



IN CASE YOU MISSED IT: President Ramaphosa delivering the keynote address at the NWW proclamation ceremony.

BUSA & Partners at COP24 in Katowice, Poland



IN CASE YOU MISSED IT: BUSA energy & environment manager Jarredine Morris with the South African delegation that included Tourism Minister Derek Hanekom at the recently concluded COP24 in Poland.



IN CASE YOU MISSED IT: Morris, above left, showcasing some of the innovative climate modelling at the South African stand at COP24. National Business Initiative (NBI) CEO Joanne Yawitch, above right, also flew the South African flag in Poland.

Reflections from COP 24



Where: Katowice, Poland

When: 7-14 December 2018

By: Jarredine Morris, BUSA energy & environment manager

For the second consecutive year, South African business and the government partnered to host a side-event pavilion at the 24th meeting of the Conference of the Parties (COP) under the UN Framework Convention on Climate Change (UNFCCC) or “Climate Change Conference”.

The pavilion provided a space for the two social partners to showcase joint and separate efforts undertaken to address climate change. In addition, the pavilion was a comfortable resting and working space and, most importantly, a meeting point for the South African delegation at COP24. The social partners also used the pavilion to spark conversation and debate through panel discussions and reflection, as well as held catch-up meetings as most senior representatives from both sides attended the event.

The space was also a drawcard for international partners including We Mean Business, the Carbon Disclosure Project, delegations from other countries, a senior delegation from the host country, observers, UN representatives, the South African ambassador to Poland and his staff, and senior South African government officials, who all frequented the pavilion throughout the week-long event. The pavilion was also honoured by visits from Poland’s minister of environment and the COP President.

The NBI led the project and event management of the pavilion, with the author of this report being part of the project management team. Sasol, Exxaro, the Development Bank of Southern Africa, the Minerals Council South Africa and the Industry Task Team on Climate Change sponsored the pavilion.

The Department of Environmental Affairs (DEA) led the government and facilitated engagement with the UNFCCC and the event organisers, helped register delegates, supported and staffed the pavilion and played a key role in facilitating press engagement. Minister Hanekom led the South African delegation and officially opened the pavilion.

The social partners developed an augmented reality app to show the impact of climate change on South Africa. The interactive app illustrates how an incremental temperature change caused by climate change will affect South Africa’s biomes and agriculture. The app also demonstrated the increasing level of discomfort (temperature increase) in South Africa’s major cities because of climate change. Also included on the app are videos of popular South African tourist destinations. The app proved popular with both South African and foreign delegates alike. Based on feedback received at COP24, the app will be improved and then rolled out for Apple and Android devices.

The purpose of COP24 was to agree on the rulebook for the Paris Agreement. Negotiations resulted in agreement on most areas including the measurement, reporting and verification of greenhouse gas emissions and reductions. However, some contentious issues around financing and carbon markets were rolled over for discussion at next year’s COP (25) to be held in Chile.

More information can be found here:

- <https://www.carbonbrief.org/cop24-key-outcomes-agreed-at-the-un-climate-talks-in-katowice>
- <https://www.theguardian.com/environment/2018/dec/15/progress-and-problems-as-un-climate-change-talks-end-with-a-deal>



Where: Sandton Convention Centre, Johannesburg

When: 3 December 2018

By: Nazrene Mannie, BUSA SubCET chair

BUSA attended a closed meeting with World Bank (WB) President Dr Jim Yong Kim on 3 December 2018, with other social partners including community representatives and civil society organisations. The meeting focused on the education, skills development and health agenda in South Africa. All in attendance highlighted the key concerns in terms of the slow pace of development across these focus areas, despite significant investment by the government.

Dr Kim outlined the World Bank's strategy in South Africa, which reflects the country's development priorities and its unique leadership position at sub-regional and continental levels.

The discussion also attempted to identify potential areas of collaboration between South Africa and the WB given the extensive research and initiatives the development financier was involved in. Dr Kim's visit to South Africa included meetings with the government, and social partners were advised that Dr Kim would inform President Cyril Ramaphosa about the discussion and concerns raised.



Econpol & subcommittees

The last Econpol meeting of the year took place on Tuesday 4 December 2018, and the draft minutes thereof have been circulated to Members. A noteworthy development that has taken place since that meeting is that the African Continental Free Trade Area agreement has been ratified. Please note that Members have until 1 February 2019 to make inputs on the Budget. Members have until 21 January 2019 to put forward topics of engagement for the BUSA/SARS technical task teams and nominations of individuals to serve on the technical task teams.

Call(s) for application & nomination(s)

- BUSA invites all suitably qualified candidates to apply for the Trade & Co-operation Executive Director position that is open in the organisation. The successful candidate will be responsible for running the Trade, Transport & Logistics subcommittee.
- BUSA is seeking a candidate who will serve as co-chair of the South Africa-Russia Business Council's Business Forum.

Call(s) for input(s)

- Members are invited to provide comment on the **Economic Regulation of Transport Bill**. The deadline is 14 January 2019.
- BUSA has asked Members to make inputs on the **Draft Railway Safety Bill**. Members have until 14 January 2019 to comment on the Bill.

Environment

- BUSA has finalised its comment on the **Draft Carbon Offset Regulations**.
- BUSA has circulated its submission to the standing committee on finance on the **Carbon Tax Bill**.
- Members have an opportunity to exhibit at the Partnership for Action on the Green Economy to be held in Cape Town. Please refer to the e-mail sent to Members for more details.

Energy

- BUSA has distributed its submission on Eskom's MYPD4 and RCA 5 application. Please refer to the documents, which have been circulated on e-mail and are available on the Member-only section of the BUSA website, for the organisation's views on both issues.
- We have shared the documents outlining NERSA's decisions on previous RCA applications, please refer to the documents for furthermore information.

Call(s) for input(s)

- BUSA has circulated the NERSA-issued consultation paper on the registration fees for small-scale embedded generators. Comments close on 16 January 2019.

Socpol & SubCET

Since the two committees held the year's closing meetings, BUSA has shared the following:

- SETA Workplace-based Learning Programme Agreement Regulations;
- Rules for the Conduct of Proceedings before the CCMA; and
- Labour Law Amendment Acts.

Call(s) for application & nomination(s)

- The Southern Africa Skills Initiative for Africa is in search of Senior Technical Adviser - Regional Coordinator who will be based at the BUSA office for an employment period commencing on 1 January 2019 and ending on 20 September 2020. Those interested in applying had until 7 December 2018.

Call(s) for input(s)

- BUSA has asked Members to comment on its draft submission on the COID Amendment Bill. The deadline was 11 December 2018.

■ THE MONTH AHEAD



EVENTS

- **10-11 January:** Partnership for Action on the Green Economy Conference, Cape Town
- **14 January:** Deadline to comment on the **Economic Regulation of Transport Bill**
- **14 January:** Deadline to comment on **Draft Railway Safety Bill**
- **16 January:** Deadline for comments on NERSA paper on small-scale embedded generators
- **21 January:** Deadline to submit topics for BUSA/SARS technical task teams and nominations
- **29-30 January:** BUSA Economic Indaba, Gallagher, Midrand

■ The End!

■ CONTACTS

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