

THE BOTTOM LINE

Newsletter

SONA & Budget 2019

INSIDE THIS ISSUE

- Spotlight: Energy
- BUSA News
- Looking ahead

KEY: STRATEGIC DRIVERS

-  Transformation
-  Enabling laws and regulations
-  International positioning
-  Social security
-  SME development
-  Energy
-  Labour market development
-  Progressive pro-growth taxation
-  Enabling trade regime
-  Education and skills

President Cyril Ramaphosa and Finance Minister Tito Mboweni delivered the State of the Nation Address and the Budget on 7 and 20 February 2019 respectively.

Business Unity South Africa (BUSA) responded positively to President Ramaphosa's emphasis on growth-enhancing initiatives, the liberalisation of the visa regime, focus on skills for the future and the freeing up of spectrum to gear the country for the 4th Industrial Revolution. The full BUSA statement is on the organisation's website.

On the Budget, BUSA was more critical and deemed Minister Mboweni's speech a wake-up call, with the organisation cautioning that the Budget speech may not have done enough to convince Moody's Investors Service not to downgrade South Africa's sovereign credit rating to sub-investment grade, colloquially known as junk status. Furthermore, BUSA viewed the Budget as a missed opportunity to create policy certainty, and to reaffirm the independence of the Reserve Bank, its mandate and inflation targeting.

In a statement released immediately after the Budget, and which was subsequently published on the organisation's website, BUSA noted its disappointment with the lack of detail about the reform of state-owned entities (SOEs), the absence of concrete plan measures, with timelines and milestones attached, on how to address the challenges facing Eskom and growth-enhancing measures. In addition, the organisation expressed concern that national debt was expected to reach a ratio of 60% to GDP in the medium term, which posed a threat to social spending because of rising debt-servicing costs.

On Friday 22 February 2019, BUSA attended the **National Economic Development and Labour Council (Nedlac)** exco meeting, where the organisation met with other social partners to make inputs on the Budget. Members can access the BUSA input on the organisation's website.

Social partners are holding a special Nedlac Exco meeting on Tuesday 5 March to have further deliberations on, among others, Eskom.



The BUSA Team

Energy: the Eskom conundrum



Eskom remains a key area of focus for BUSA because the organisation views the power utility as the single, biggest risk to the economy. Thus, Eskom must not be allowed to fail as it caters for more than 90% of South Africa's energy needs.

As such, on Monday 4 February 2019, Martin Kingston presented BUSA's submission to the National Energy Regulator (NERSA)-conducted public hearings into Eskom's fourth multi-year price determination (MYPD4) application.

In addition, during the first meeting of BUSA's subcommittee on energy, held on Tuesday 19 February 2019, the organisation engaged Members extensively on how business could play a constructive role in resolving the Eskom crisis and what it considered crucial first steps in this regard. Furthermore, the meeting touched on the Integrated Resource Plan (IRP) process in terms of where it was in the system and the business approach to the energy blueprint going forward.

But first, a brief look at BUSA's MYPD4 presentation. Please note that this is a snapshot of salient points made in the 17-page document. BUSA encourages Members to consult the full document to get an in-depth understanding of the presentation, which is available on the Member Dashboard and has been shared with subcommittee Members.

BUSA's presentation reinforced the principles of the interplay among reliability of supply, predictability of tariffs and competitiveness of tariffs in relation to the economy as a whole. The organisation noted that, over the past 15 years, electricity prices had surged 613%, and that Eskom was asking for a 52% hike in its current MYPD4 application.

In short, BUSA has asked that the shareholder fund Eskom's operational inefficiencies, instead of passing on these costs to the consumer. BUSA has cautioned that, should NERSA approve the power utility's MYPD4 application, this could lead to job losses in an already stagnant economy.

On the R400bn debt on Eskom's balance sheet, BUSA argued that the power utility needed a R200bn capital injection to ease the pressure. In terms of staff ratios in relation to power produced and electricity sales volumes, BUSA has pointed out that Eskom is overstaffed and that sales continue to plunge while the price of electricity continued to trend on an upward trajectory.

BUSA is collating a working document that will detail how business can help resolve the Eskom crisis, as well as identify areas of priority and what business would deem quick wins.

It was noted that the IRP process had stalled and BUSA cautioned against rushing through the document. A decision was taken to nudge the Energy Minister in the form of written correspondence on 4 March 2019. Members were also informed that Labour viewed the IRP with a great deal of suspicion because the Labour constituency at Nedlac felt that the energy blueprint document would have a material bearing on the future structure of Eskom.

BUSA has shared the draft minutes of the subcommittee meeting.

“BUSA's presentation reinforced the principles of the interplay among reliability of supply, predictability of tariffs and competitiveness of tariffs in relation to the economy as a whole. The organisation noted that, over the past 15 years, electricity prices had surged 613%, and that Eskom was asking for a 52% hike in its current MYPD4 application.”



Econpol & subcommittees

On Monday 18 February 2018, Econpol held a special meeting at which BUSA's position on the **Jobs Summit Macro-economic Task Team** was discussed. BUSA has shared a revised draft position with Members for inputs. Members had until Tuesday 5 March 2019 to make their voices heard on the process. The Labour constituency at Nedlac proposed that the task team be set up to deal with issues that had not been addressed during the Jobs Summit. After initially disagreeing with the establishment of the task team, business came on board.

The next Econpol meeting is scheduled to take place on Tuesday 19 March 2019. In the interim, the work of the committee continues, as it has concluded collecting Member inputs on the revised **Draft Expropriation Bill**, from which BUSA has crafted a final, mandated submission on the Bill. The organisation has shared the written submission, which is also available on the Member Dashboard of the BUSA website. Other documents BUSA has circulated include: the organisation's submissions on the **Competition Act Regulations on Price Discrimination & Buyer Power**.

On 12 February 2019, President Ramaphosa assented to the **Competition Amendment Bill**. BUSA's submission of the Bill is available on the Member Dashboard.

Energy

The subcommittee met on Tuesday 19 February 2019, when Sasol executive vice-president for energy and BUSA alternate Board member Maurice Radebe was voted deputy committee chair. BUSA thanks Members for participating in the process and congratulates Radebe on his new role.

Members received updates on BUSA's MYPD4 submission and the IRP process at Nedlac. The other pertinent issues on the agenda were: the **Gas Amendment Bill** sitting at Nedlac, NERSA's request for comment the **Notified Maximum Demand (NMD)** and the **Maximum Export Capacity (MEC) Rules**, as well as the Renewable Energy Independent Power Producer Programme and NERSA's consultation paper on the registration fee for small-scale embedded generation.

BUSA has shared its draft comment on the NMD and the MEC Rules. The draft minutes of the subcommittee meeting were circulated on Monday 22 February 2019. Also, the organisation has notified Members about the **Independent System & Market Operator Bill 2019**.

The next subcommittee meeting is scheduled for 21 May 2019.

Environment

The subcommittee met on Thursday 21 February 2019. Agenda items included: the **Carbon Tax**, the **Carbon Tax Act**, engagements with the South African Revenue Service (SARS) and National Treasury on the Tax and sectoral tax calculations. Carbon budgets and pollution plans also formed part of the meeting agenda.

Please note that Parliament's **Standing Committee on Finance** has adopted the **Carbon Tax Act**. It will now go to a vote at the National Assembly. Should it receive a majority vote there, it will then go for concurrence at the National Council of Provinces. If that process goes well, the Act will make its way to President Ramaphosa's desk for assenting. It is scheduled to come into effect on 1 June 2019.

Greenhouse Gas (GHG) Reporting was discussed in terms of the **GHG Reporting Regulations**, the **Technical Guidelines**, the **GHG Inventory** and the **GHG Performance Guidelines**.



Econpol & subcommittees

Environment continued ...

Furthermore, the meeting touched on the **Climate Change Bill**, and waste-related issues, in terms of the **Exclusion Regulations, Section 28 Notice on Industry Waste Management Plans, Import/Export Regulations** and the proposed amendment to the **Basel Convention**.

Other issues included water, in terms of **Water Use Licensing** and the **Water Phakisa**, as well as outstanding air quality issues.

BUSA has shared the following information with Members for noting: the **National Environment Management: Air Quality Act (NEMAQA)** GHG emission notice detailing the procedure for registration as a category A data provider. In follow-up correspondence, BUSA noted some issues and has written to the **Department of Environmental Affairs (DEA)** requesting that the notice be reissued so that reporting, too, is extended and that the extension is for a period beyond the deadline in the regulations.

The organisation made a final comment for inputs on the **GHG Inventory** on Tuesday 5 February 2019, Members had until Wednesday 6 February 2019 to contribute towards the BUSA submission. Please note that there will be **GHG Reporting Regulations** roadshows throughout the country, the dates of which have been circulated to Members.

BUSA's final comment on the **Low Emissions Development Strategy (LEDS)** has been shared with Members and is also available on the Member Dashboard online. Please consult the **LEDS** document on the BUSA site to assess the organisation's comment. Also, the **DEA** is due to host workshops on Wednesday and Thursday 6 & 7 March 2019 in partnership with 2050 Pathways Platform as part of the **LEDS** consultations. In mid-February, BUSA issued a call to nominate delegates to attend the workshops.

The **DEA** is hosting a multi-stakeholder workshop on the **Dust Management Strategy**. The invitation note has been circulated to BUSA Members.

Save the Date: BUSA is due to host an engagement with the **DEA** deputy director-general (DDG) on 4 April 2019. Please see BUSA's letter to the DDG for context of the engagement.

The **DEA** conducted a **Climate Change Information System** usability test on 18-20 February 2019. The department did the test in partnership with the **South African Environmental Observation Network**. The test was conducted to "determine how easy the system is to use ... and to identify key areas ... [to] improve the system", explains a note from the department, which has been shared with Members.

BUSA has shared its final comment on the **Proposed Amendment to the Basel Convention**. The document is available on the Member Dashboard.

BUSA has circulated the COP24 feedback and the relevant information pertaining to the National Planning Commission's workshop on a Just Transition, which was held in mid-February. The **Provincial Green Economy Dialogue** was held on Thursday 28 February 2018. BUSA had invited Members to nominate delegates to attend the event.

Tax

The next tax subcommittee meeting is scheduled for Tuesday 12 March 2019.

Socpol & SubCET



The **African Regional Labour Administration Centre (ARLAC)** held the 45th session of its Governance Council meeting on 27 February 2019 under the theme: **Towards Gender Equality in the Future of Work**. The Governing Council meeting was followed by a high-level symposium on **Violence and Harassment of Women and Men at Work** on 28 February 2019.

BUSA has issued a call for the nominations of delegates to attend the **ARLAC workshop on Youth Employment Creation: Promotion of Labour Market Information for Effective Policy-Making** scheduled to take place from 11 to 15 March 2018. The deadline to nominate delegates is Wednesday 6 March 2019.

On 26 February 2019, the **Services SETA** hosted a session with stakeholders in the Labour and Collective Services, as well as Management and Business Services Chamber, to discuss dormant qualifications. BUSA conducted a **Quality Council for Trades & Occupations (QTCO)** workplace training policy workshop in Cape Town on Monday 4 March. The aim was to introduce the QTCO and to provide an update on **Vision 2020**, as well as issues confronting the QTCO.

BUSA has invited Members to participate in the **ILO** and the **Bureau for Employers' Activities** interviews and surveys with employers' organisations which will form part of research into their involvement in the governance of skills systems. This is an initiative driven by the skills and employability branch of the **ILO's** Employment Policy Department. Members were asked to express their interest in getting involved in the research by 22 February 2019. BUSA has shared a sample of the types of questions that will be asked as part of the research.

The **Services SETA** is hosting mandatory grant workshops throughout the country. BUSA has shared a schedule of the workshops.

BUSA has issued a call for nominees to serve on the **Nedlac Task Team on Comprehensive Social Security (CSS)**. Members had until 1 March 2019 to nominate suitable candidates. Members who are on the **Socpol** and **SubCET** mailing lists have been apprised about the latest developments pertaining to the Nedlac process with reference to CSS. This is a brief snapshot: the task team's work is nearly done and the Nedlac report has been finalised and signed off.

Summary of the feedback received after research was commissioned: two bids have been submitted on the feasibility of the basic income grant; three bids have been put forward on the impact on savings and investments; there are no proposals thus far for economies of scale; and Sibeko Attorneys has been appointed to conduct the legal opinion. Business has asked that Justice Zak Yacoob be approached to work on the legal opinion should the need arise.

In another development related to the **CSS Task Team**, the Government has tabled a workplan focused on retirement reforms and noted that the **Financial Sector Conduct Authority (FSCA)**, formerly known as the **Financial Services Board** has made headway in consolidating pension funds. In this regard, the Government will consider the expansion of data and issues in sharing data with revenue authorities. The **FSCA** has issued guidance notes on: the non-payment of pension fund contributions by employers and umbrella funds.

Constituents have been informed that research has been done on vulnerable workers. However, Business voiced concern about relying on research work that has already been done, as it does not give any solutions.

The **CSS Task Team** will continue meeting and provide feedback to Members.

Socpol & SubCET



The **Portfolio Committee on Labour** is conducting a written comment process to amend the **National Minimum Wage Act (Act No 9 of 2018)** to correct a cross-reference and to provide for matters connected therewith. The deadline for written comments is Friday 15 March 2019.

BUSA held an information session on the **Youth Employment Service (YES) Practice Note**. This forms part of the Constituency Capacity Building and Advocacy Project. Members can contact BUSA for copies of the presentations discussed at the session.

The **Decent Work Country Programme Task Team** expressed concern that the **Extended Public Works Programme (EPWP)** and the **Community Works Programmes (CWP)** are not monitored, while Labour has complained that the **EPWP** and the **CWP** beneficiaries are being used to replace municipal workers.

Those views were expressed when the **Department of Public Works** presented feedback to the **Development Chamber** about the two programmes. A decision was taken “that constituencies would be provided an opportunity to conduct site visits to monitor, evaluate and verify the accuracy of the reports from the co-ordinating department, with the view to provide solutions ...”.



ICYMI: Deputy Labour Minister iNkosi Phathekile Holomisa, top left, giving an address at the recent launch of the South African version of the **Future of Work Report**. BUSA CEO Tanya Cohen and Cosatu President Zingiswa Losi, top right. President Ramaphosa, bottom left. Labour Minister Mildred Oliphant, bottom right. Pictures: GCIS & SUPPLIED

