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South Africa uniquely positioned to spur African economic growth
August 9, 2009
Washington — South Africa's financial and economic success translates into both a responsibility and an opportunity for the country to help its African neighbors achieve their own development potential, says Secretary of State Hillary Rodham Clinton. Speaking in Johannesburg, South Africa, August 7 to the International Development Corporation, Clinton said "it isn't easy to find countries with financial and economic policies that have been as sound as South Africa's," and the country is "uniquely positioned to advance its own economic trajectory and to propel economic growth on the African continent as a whole."

African history shows a "painful truth" through its years under colonialism and post colonialism in which its resources "have too often gone to the few and not the many," Clinton said. "[A]s rich as this continent is, the poorest people in the world reside here." African prosperity and opportunity must now be shared and expanded, and no longer "undermined by poor governance and poor leadership and by a shortsighted approach in both the public and the private sectors," she said. She told her South African audience that Africa's current and future economic success "hinges in great extent on the economic success of South Africa. It is both a responsibility and an opportunity for all of you who lead the economic worth in this country."

The country's economic policies have given it good credit, low debt and solvent, well-regulated banks. Citing bank failures around the world that contributed to the current global economic crisis, the secretary said, "Frankly, we could learn a lot from your example." Looking at the factors behind South Africa's success, Clinton praised the country's example of embracing political reconciliation and adopting a "modern, progressive constitution" after its transition from apartheid in the 1990s. Along with economic diversification and adaptation of new technologies, South Africa has also included more of its women as "citizens and entrepreneurs."

She welcomed President Jacob Zuma's appointment of Gill Marcus as governor of the South African Reserve Bank, as well as the "many examples" of women entrepreneurs in the country. But, "South Africa has so much more economic potential, and it cannot exist as an island of relative prosperity amid a sea of untapped opportunity elsewhere on the continent," she said.

The United States is ready to work with South Africa to increase trade and regional integration, develop new technologies, and create more favorable business conditions through good governance and women's economic empower, she said. With women constituting 70 percent of Africa's farmers, an increase in the continent's agricultural productivity would be "a huge boost." Africa currently has about two percent of the global world trade. "If we increase productivity by one percent across the board, that would be more than all the aid programs that come into Africa right now," Clinton said.

She said in September discussions will begin between South African and U.S. leaders with the goal of establishing a bilateral business council to promote greater economic ties. The Obama administration also wants to support President Zuma's rural development and infrastructure plans. Rural poverty takes its toll on urban areas as well when those coming to the cities to find work "reach a dead end, without the training and the preparation for the jobs that are available," she said. Secretary Clinton also said she was delighted to visit with former South African president and Nobel Peace prize laureate Nelson Mandela. It is important, she said, "to continue the work of his life, the work of dialogue, the work of outreach, the work of problem solving and creative resolution and search for solutions on so many fronts."
http://allafrica.com/stories/200908090006.html

Eskom says South Africa needs 'at least' 40 new coal mines
August 11, 2009
South Africa needs at least 40 new coal mines to prevent shortages over the long term, Eskom operations head Brian Dames said in an interview published on Tuesday. "While Eskom's demand for coal in the past few years has been increasing by 5% per year, coal production in South Africa has remained constant," Dames told *Sake24*. "That is why it has become so difficult for Eskom to get coal cheaply. The demand is higher than the supply. In the next 10 years, big investments would have to be done in coal mines. South Africa needs at least 40 new coal mines," said Dames, adding that the investment could cost up to R40-billion.

Dames said further investment was required in the logistics behind transporting coal. "Great volumes of coal have to be transported by road because there is no alternative. If the trucks stop running, there will be no more power. It is as simple as that," he warned. Coal sources are far from coal power stations, exacerbating the problem. Dames said the future of South Africa's coal supply was in the Waterberg in Limpopo, but currently there was not sufficient infrastructure to transport coal from the Waterberg to other provinces. Also, there was a lack of natural water resources in Limpopo, which would make it difficult for Eskom to build power stations there. Eight of Eskom's 11 biggest coal power stations are in Mpumalanga.
http://www.mg.co.za/article/2009-08-11-eskom-says-sa-needs-at-least-40-new-coal-mines

South Africa manufacturing output shrinks 17.1 percent
August 11, 2009
South Africa's manufacturing output fell sharply again in June compared to a year ago, pointing to more pressure on the economy's second biggest sector. Statistics South Africa said on Tuesday output contracted 17,1% year-on-year in June, marginally less than the revised 17,2% fall in May. Production ticked up on a monthly basis, the second consecutive monthly growth, suggesting some light down the road for the ailing sector, but the increase was less than in May, dampening hopes of a quick upturn. Production rose by a seasonally adjusted 0,1% in June from May.

Manufacturing, a key employer, has been hit hard by a global downturn and weak local demand, helping push the country into its first recession in nearly two decades. Statistics SA said factory output was down 3,0% in the second quarter compared to the previous three months. Africa's biggest economy is expected to contract again in the second quarter, in data due for release next week, driven by a manufacturing and mining slump. "The headline number is a bit worse than we expected, essentially showing that the manufacturing sector is certainly not out of the woods yet," Absa Capital macro strategist Jeffrey Schultz said.

"There's still a lot of pressure in the manufacturing sector and that's likely to reflect in next week's GDP number release. Certainly not a good number at all." Some analysts said the data added weight to arguments for another interest rate cut this year, although there were signs that the decline was bottoming out. The central bank's monetary policy committee starts a two-day meeting on Wednesday to decide on rates with a Reuters poll showing it will likely keep the repo rate unchanged at 7.5 percent.

The bank had cut rates by 450 basis points since December but paused in June on worries about sticky inflation. The targeted consumer inflation gauge, however, eased sharply to 6,9% in June, raising speculation there was still room for more policy loosening this year, particularly on signs the economy may not recover as quickly as previously expected. "We still believe the MPC will cut interest rates by 50 basis points on Thursday, mainly on the basis of the improved inflation outlook, continued contraction in economic activity and job loses," Investec economist Kgotso Radira said. The rand and government bonds were little moved after the manufacturing data was released.
http://www.mg.co.za/article/2009-08-11-sa-manufacturing-output-shrinks

Gauteng aims at million new jobs by 2014

August 11, 2009

Johannesburg — THE Gauteng provincial government plans to create a million jobs a quarter of the national target in the next five years through its expanded public works programme (EPWP). Newly appointed infrastructure development MEC Nonhlanhla Faith Mazibuko told the legislature last week her department was committed to creating 1-million job opportunities between now and 2014. The first phase of the national EPWP created about 1-million job opportunities between 2004 and last year . In his maiden state of the nation address, President Jacob Zuma said the next phase of the programme would be to create 4-million job opportunities between now and 2014.

Mazibuko said her department planned to increase the number of women employed through the programme from 40% to 55%, and youth from 30% to 40%. "To achieve these figures, we are refocusing the EPWP unit in the province to go beyond co-ordination of projects in government, but also to create partnerships with national private sector organisations." She said EPWP projects had to not only create jobs, but also contribute to developing skills -- and that would form part of the tender documents.

Mazibuko committed her department to train 500000 people by 2014 in partnership with the sector education training authorities and higher education and technical colleges. "A panel of accredited training providers will be finalised by December , and a programme of action will be completed in time for the next financial year." Mazibuko announced the establishment of full-time maintenance teams with public works skills to be based at public facilities -- especially public hospitals. "The direct impact will be that when a problem is identified by the institution facility manager, they will have immediate access to the public works team leader based at the institution, hence turnaround time will be decreased."

This principle was being implemented in 13 health institutions and would soon be rolled out at all public institutions maintained by the department, she said. The department has been constantly blamed for poor maintenance of public hospitals in the province. Mazibuko admitted her department had failed to maintain government buildings but said things would change for the better. Meanwhile, Gauteng finance MEC Mandla Nkomfe said the Gauteng Shared Service Centre (GSSC) planned to save R100m by the end of this financial year.

The province had decided to rethink the way it delivered its services, he said. "Among other things -- prompted by the prevalent economic conditions we have undertaken a cost-cutting exercise for the GSSC." The GSSC serves as a back office to all provincial departments as it offers services such as human resources, procurement, internal audit, finance, technological support and corporate service. Nkomfe was tabling the GSSC's budget for the 2009-10 year. He allocated R53,8m to Gauteng audit services, about R72m to human resources services, another R72m to procurement, and R66m to the finance business unit. Technology support received R765m and corporate affairs got R283m.
http://allafrica.com/stories/200908110559.html

GE Energy keen to find partners for renewable energy projects
August 12, 2009
POWER generation supplier GE Energy was on the lookout for operational and financial partners in possible renewable projects, newly appointed regional executive Jay Wileman said yesterday. Investment in renewable energy projects will ease the pressure on power utility Eskom. It will also be in line with government objectives to diversify the country's energy mix and lessen the dependence on coal as an energy source.

Wileman said SA had made strides to prepare the regulatory environment for investment in renewable energy. The National Energy Regulator of SA (Nersa) earlier this year released a feed-in tariff for the different renewable energy technologies. Within the regulatory framework, GE Energy was looking for partners, Wileman said. The firm preferred partners in order to, among other things, stimulate local manufacturing and the transfer of skills. "Our approach fits in well with the black economic empowerment framework. We have the technology and the partner will bring local expertise. We are talking to some local entities," he said. The company had used a similar approach in Nigeria, he said. "Partnership is key in our growth model."

Wileman said the company was also in talks with potential financiers. "The credit market is a bit tight. But there are people who are interested in SA." Wind power is among the mix of renewable technologies that SA is trying to get off the ground as part of plans to diversify energy sources. "We are particularly excited about wind," Wileman said. The 5,2MW Darling wind farm in the Western Cape is SA's most prominent investment in wind technology. Power utility Eskom has put on hold plans to build a 100MW wind farm. Wileman commended SA for the renewable energy feed-in tariffs — an incentive structure to encourage investment in renewable energy technologies such as wind, solar, hydro and landfill gas through government-fixed electricity prices.

Several African countries are blessed with natural energy resources but are grappling with electricity supply shortages. SA, for instance, has a huge solar resource. "But is the technology ready?" Wileman asked. Despite its status as Africa's biggest oil producer, Nigeria has in the past been gripped by acute fuel shortages. "Sometimes it is not only about resource availability but also about regulatory developments," Wileman said. He was upbeat about the potential of wind energy in SA. The government-driven South African Wind Energy Programme is a national wind atlas that will show the best sites for wind farms. "We have looked at some areas. We know there are sites that are primed for the development of wind (farms)," he said.

GE Energy earlier this year signed a R500m contract to upgrade petrochemicals group Sasol 's old turbines at its synthetic fuels plant in Secunda, Mpumalanga. The turbines have been in operation for nearly 30 years. Wileman said the contract was still on track and on schedule. In November last year the group signed a 15-year service agreement, also with Sasol. In terms of that agreement, the group would provide "round-the-clock" monitoring and diagnostics to Sasol's plant in Secunda.
http://www.businessday.co.za/Articles/Content.aspx?id=78265

Santam sells its 35 percent stake in Lion of Africa
August 12, 2009
CORPORATE and commercial insurer Lion of Africa Insurance Company became 100 percent black-owned yesterday after the purchase of Santam's 35 percent interest by Brimstone Investment Corporation and Commlife Holdings, for an undisclosed amount. Brimstone and Commlife held 65 percent of Lion of Africa before the transaction, which was effective on June 30 2009 and subject to regulatory approvals. Lion of Africa, built from a start- up nearly 10 years ago, is the largest insurer to local authorities, the third largest specialist underwriter for engineering business, one of the top ten commercial underwriters in SA and the fourth largest multi-line insurer after Santam, Mutual & Federal and Zurich SA .

If the sale is approved, the R700m-a-year Lion of Africa will be 60% held by Brimstone and 40% by Commlife, a holding company controlled by Lion of Africa chairman and co-founder Fred Robertson. "We're excited about the prospects. We had a good six months," Robertson said. He said he might consolidate his personal financial services interests, which included an asset management and life assurance business, into Brimstone in the months to come. Santam CE Ian Kirk said Lion of Africa had become self-sufficient and independent in the time of Santam's involvement and now was "an appropriate time" for Santam to exit as shareholder.

"This demonstrates that, given an enabling environment, black business people can create jobs and build significant and sustainable businesses," said Robertson. Brimstone CEO Mustaq Brey said the prospects of Lion of Africa "make us happy to be founding shareholders", and the additional acquisition of shares would ensure that further benefits flowed to stakeholders. "We have continued to develop through the good as well as tough market cycles that the short-term insurance industry is well-known for," said the company's CE Adam Samie.

Formed in 1999, the partnership with Lion of Africa was created long before the inception of the financial services BEE charter. "While Santam could share best practice from its knowledge of short-term insurance, both Brimstone and Commlife added value by growing and developing Lion's business and as a result Lion benefited from the shareholder partnership," said Santam CE Kirk. In the initial years Santam played the role of technical partner and over and above financial support also provided infrastructure, technology, systems and underwriting expertise. During 2005 Santam diluted its stake from 50% to 35% to enable Brimstone and Commlife Holdings to increase their stake to 65%.

In addition to partnering with Lion of Africa as a successful black insurance company, Santam's own broad-based black economic empowerment (BBBEE) scheme, Emthunzini has three components — a Staff Trust, Business Partners Trust and Community Trust. In the year to last December Brimstone reported an attributable loss of R110m, from an R842,1m profit the year before, due mainly to operating and exceptional losses in its clothing subsidiary and fair value adjustment losses. The share price was unchanged at 585c yesterday.
http://www.businessday.co.za/Articles/Content.aspx?id=78266

SA companies increasingly seeking opportunities in United Kingdom

August 12, 2009

DURING an economic crisis one might expect the trade in whisky to soar. But Department of Trade and Industry statistics for SA-UK trade show the opposite. Whisky imports to SA plunged 33% in 2007 and last year. On a more sober consideration of the trade figures, it emerges that SA enjoys a positive trade surplus with the UK. Trade has also been growing at a healthy 3%- 4% over the 2007-08 period. It is against this backdrop that the UK's trade commissioner to SA, Brian Gallagher, believes the time is right for South African and UK companies to expand not only their trade of physical products, but of services and investment.

"It would be easy for companies to be closed off to the idea of internationalising, to pull investment from foreign countries, but these views are shortsighted. Aside from spreading risk, taking one's business to other markets provides an opportunity to streamline, increase competitiveness and efficiency, and seek out new markets," he says. "For the world's most enterprising companies, a downturn can be the chance to leap ahead of the competition and gain market share or to find a foothold in new markets, thereby diversifying sources of revenue."

UK Trade and Investment (UKTI), headed by Gallagher in SA, says it sees an increased interest from South African companies wanting to invest in the UK and is working with about 30 South African companies that have set their radars on the UK. The companies are in sectors such as advanced engineering, chemicals, environment, automotive, IT, energy and financial services. Last year there were six new investment projects from SA into the UK in diverse sectors such as food and drink and creative industries. UKTI spokeswoman Caroline Dean says the most successful companies in the UK tend to be those that have a strong brand, a flexible workforce and a broad geographic spread across the UK and Europe.

Asked whether size counts when investing in a developed economy, Dean says small and medium-sized business have always been integral to UKTI's work. "We encourage UK SMEs to partner with local South African companies when trading and investing in SA." The organisation has found that SA companies have used the UK as a springboard into the European market. "SA has not been immune to the global financial climate and economic downturn," says Gallagher. "The country's high inflation rate, escalation of utility, fuel and food prices, and uncertainty around the political situation have been the foundation for many South African companies looking abroad."

About 600 companies from SA operate in the UK, including corporations like Old Mutual and Anglo American. Gallagher says firms from the UK and SA face the same economic challenges. "In times of hardship it is tempting for countries to put up barriers to trade, artificially protecting domestic industry from the harshness of international competition. The challenges faced by UK companies are no different from those faced by SA companies in the market." "Skills shortages, crime, corruption, HIV/AIDS, power interruptions all have an impact on business, but we don't see these challenges as insurmountable," Gallagher says. So if you are not into potato trading with the UK — which grew a whopping 5751,2% during 2007 and 2008 — bricks and mortar may be the way to go.
http://www.businessday.co.za/Articles/Content.aspx?id=78229

Anglo sells Tongaat stake for R4.2 billion

August 13, 2009

Diversified mining company Anglo American has sold its stake in South African sugar producer Tongaat

Hulett for R4,2-billion (about $523-million), it said on Thursday.
Late last month, the group sold its stake in Hulamin for R1.16-billion. Anglo announced on Wednesday that it was selling its 49,5% shareholding in Tongaat Hulett, as part of its strategy to sell noncore assets to focus on its core mining operations. The diversified miner completed the Tongaat Hulett deal by way of an accelerated book build, placing 51,2-million shares at R82 a share with institutional investors.

Anglo said that it sold all its shares in the equity placing and said that there would be no exchangeable bond into Tongaat ordinary shares, as announced previously. Rand Merchant Bank, Morgan Stanley and UBS Investment Bank are acting as joint book runners for the equity placing. Tongaat Hulett CEO **Peter Staude** said that Anglo's decision to exit the company would enable increased investment by emerging market fund managers, who it said were previously constrained by limited liquidity.
http://www.engineeringnews.co.za/article/anglo-sells-tongaat-stake-for-r42bn-2009-08-13

Radebe named SA's 2010 ambassador
August 14, 2009
Tourism Minister **Marthinus van Schalkwyk** has appointed former Bafana Bafana captain **Lucas Radebe** as South Africa's 2010 ambassador to the world. "We are truly privileged that a footballer of Radebe's stature and a human being of his calibre has agreed to partner with us to grow excitement about our destination," Van Schalkwyk said,

"Now, more than ever, it is important to be an optimistic, dedicated South African with a 'can do'-attitude and few people embody this spirit better than Radebe. He possesses all the qualities demanded of an ambassador," he added. Radebe will work with South African Tourism between now and the end of the tournament to help deliver destination messages and to help grow interest in South Africa globally, not only as host of the FIFA spectacular, but also as a holiday destination. "We are delighted to welcome Radebe on board," said South African Tourism acting CEO Didi Moyle.

"He has the stature and the global credibility this role demands. He is exceptionally well travelled globally, but his heart lies here in South Africa. He loves our destination and our people. He is a champion of South Africa's ability to successfully host the World Cup." Radebe said that Africa had waited a long time to host the world's biggest sporting spectacular.

"I am excited at the impending reality of welcoming the world's greatest footballers to my homeland," he said.

Government supports 'mixed economy', says Zuma
August 14, 2009
The South African government supports a mixed economy that combines an element of state intervention, ownership and regulation with private ownership and competition, President **Jacob Zuma** said this week."Our goal is to achieve the appropriate balance of these elements to achieve the desired objective of social and economic development," he told the Greek, Italian and Portuguese communities in Germiston.

He was responding to a question on whether his administration preferred a free market or a "leftist type of economy". We must also recognise that South Africa's inherited realities, the economic marginalisation of the majority, and high levels of inequality and poverty all create a particular need for an activist state," he said. This meant a state that was equipped to address the country's developmental challenges. Zuma said his administration would streamline processes to help foreigners set up businesses, in a bid to boost foreign direct investment.

"A one-stop shop to help potential foreign investors to set up business without undue delay is under consideration," he said. On crime, the president said there should be no sympathy for criminals. "... Because if we are [sympathetic], they [criminals] will harass us all the time," he said. The Greek Italian and Portuguese communities had expressed their concerns about crime during a meeting with Zuma in September last year, before he was inaugurated as president.

"Because as we try to be very liberal about it, criminals kill, do everything, instil fear to society and that's why I always...need to support Minister [of Police **Nathi**] **Mthetwa** in the measures he is undertaking to deal with crime. "In recognition of this, we have put a commissioner who doesn't laugh with the criminals," he said, referring to newly appointed National Police Commissioner **Bheki Cele**.

Zuma said criminals undermined the rights of citizens and this could not be condoned. "Criminals... actually stop the rights of some citizens to live by shooting them and killing them and the next moment the lawyers are there to take him out because the constitution says you have a right to be out on bail. "But I don't know, to me there's a contradiction... but I'm talking reality, citizens are not protected. "That's a reality and I think government has a responsibility to protect citizens," he said. Zuma said the government was in the process of overhauling the criminal justice system and boosting the number of police officials.

The government was "particularly concerned" with violent crime and crimes against women and children. "We are particularly concerned with violent crime and the prevalence of violence in the perpetration of robberies," he said, referring to a spate of robberies at shopping malls. "We need to act swiftly... to ensure that we halt such crimes."

Audience member **Cynthia Joseph** welcomed Zuma's remarks. "My main concern is crime... he has acknowledged that there is a huge problem, but I don't believe he has given us any solutions. "I am happy that he is prepared to get people on board to assist," she said. Zuma conceded that after "some introspection", it was found that the government needed to function differently and more efficiently.

"The wheels of government turn very slowly, people in government tend to take things very easy. There is something that we need to change in government," he said. He was accompanied by Mthetwa, Finance Minister **Pravin Gordhan**, Trade and Industry Minister **Rob Davies**, Health Minister **Aaron Motsoaledi**, Social Development Minister **Edna Molewa**, Economic Development Minister **Ebrahim Patel**, Mineral Resources Minister **Susan Shabangu**, Higher Education Minister **Blade Nzimande** and Deputy Justice Minister **Andries Nel**.

Zuma also spoke about job creation, poverty alleviation and health. Human rights lawyer and anti-apartheid stalwart **George Bizos** attended the talks as did businessman **Vivian Reddy**, ANC spokeswoman **Jessie Duarte** and the heads of missions of Italy, Portugal, Brazil and Mozambique. Zuma received a warm welcome at the meeting and was thanked for keeping his promise to return, once elected, to address the communities' many concerns. "I was very impressed tonight. We finally have a leader that's leading us," said audience member Ilia Prodomos. The meeting was organised by the Hellenic, Italian and Portuguese (HIP) Alliance, an independent structure set up to facilitate engagement between the government and the Hellenic, Italian and Portuguese communities.
http://www.engineeringnews.co.za/article/government-supports-mixed-economy-says-zuma-2009-08-14