CHAIRMAN'S ADDRESS

SAAA 97TH AGM

HELD AT

HOTEL SCHOOL, GRANGER BAY

ON

THURSDAY 8TH DECEMBER 2022

THEME: THE REAL SOUTH AFRICA:

HOPE FOR THE BEST AND PLAN FOR THE WORST

Dear Members, guests, ladies and gentlemen

It is my honour and privilege to address you for the first time as Chairman at the AGM of the Association.

I want to depart somewhat from the format of previous addresses at the AGM given the very unique and challenging environment we face both globally and domestically.

It is my considered view that organised business needs to speak more openly and frankly about the ills that constrain our business environment and more so to those who should be held to account.

The sand-glass for pussy-footing has long run dry.

Government needs to be reminded that they are public servants first and foremost and secondly that they are custodians of revenue sourced from the public and the private sector in particular.

Ladies and gentlemen, we are faced with a crisis as well as being at a cross roads in terms of taking decisive action to correct our country's current trajectory.

On a global level I fear an ever-growing risk of runaway inflation, an unfolding debt crisis and cost of living challenges to the greater majority of consumers. The very people who are the life-line to the sustainability of our businesses.

Inflation has surged at levels not seen for several decades. This has now prompted the G20 countries to

identify rising prices as the number one concern at the recent G20 meeting in Malaysia.

Whilst I am mindful that most central banks world-wide have embarked on aggressive monetary policy tightening, we must not lose sight that this goes hand in hand with the risk of tipping the global economy into a recession. I need not remind you that our domestic economy and our sector in particular, will not escape the adverse impact of such a scenario becoming a reality.

In short and despite encouraging results amongst some of our retail customers, the jury is still very much out on what the next two years have in store for our sector.

My advice to you is to hope for the best and prepare for the worst.

Why do I say this? Let me briefly share some reflections with you.

South Africa's share of world GDP at purchasing power parity has declined steadily since 2008 and is projected to continue to do so over the next five years. In 2002 our share stood at 0.77% of world GDP. By 2021, it had dropped to 0.59%. The International Monetary Fund projects that by 2027 it will have fallen to 0.54%. This, ladies and gentlemen, is a staggering 30% decline since 2002.

A comparison of South Africa's unemployment rates before and after Covid with that of all upper-middle income countries highlights significant differences.

While unemployment for all age groups have increased in the post-Covid period, our rates are significantly

higher than the corresponding averages for middle-income countries. This is glaringly demonstrated by the following statistics.

Whereas the global average for people aged 15 to 24 years (as modelled by the ILO) rose from 14,7% in 2019 to 16,1% in 2022, South Africa's corresponding rate increased from 57% to 61.4%.

This is nothing short of an indictment against those responsible for developmental policy formulation and implementation in a country with the highest unemployment rate in the world. I cannot be more polite than this.

This is simply not sustainable and appears to be driven by ideology and not economic reality.

I need to remind us all that our business apex employer body - BUSA - is on record that they are becoming increasingly frustrated that their policy recommendations to government seem to be ignored and side-lined with the main consequence of gathering dust in the offices of the respective Ministries.

The one area where business sees some traction relates to the privatising of energy generation. In the short term I sincerely hope that this is not going to be a case of too little too late. Business needs reliable energy generation immediately, not in two or four years time.

It would be irresponsible of me not to address the energy crisis we are confronted with in some more detail.

As South Africans, we will face near continuous load shedding for at least the next two years while 6 000 MW in planned private sector projects to generate electricity from solar and wind, are built and commissioned.

Let me be frank.

Eskom's decline has reached what some are calling "breaking point", with a record R12 billion spent on diesel to run the utility's open cycle gas turbines since 1 April this year. This is eye-watering and frankly gross for a country burdened with the world's highest level of unemployment, poverty and rapid infra-structure collapse.

Eskom's only nuclear power station, Koeberg, is set to take one of its two 900 MW units offline for a lengthy refuelling and refurbishment outage scheduled to start

in early December. It is furthermore possible this will not be online again by the time the second unit is scheduled to be taken off-line in August 2023.

This means that for the majority of at least the first half of 2023, 3 760 MW will be unavailable to Eskom, with significant budgets for diesel only likely to be made available by Treasury in the new financial year, starting on 1 April next year.

On the positive side Eskom has signed lease agreements with private sector players for four hectares of Eskom land that can be used to build renewable power sources of roughly 1 800 MW. The land made available in the initial offer for the projects was three times oversubscribed.

Again, let us hope for the best and plan for the worst.

Ladies and gentlemen, I apologise for having to burden you with such bleak sentiments on the eve of the festive season, but we must face the facts and confront reality.

Magnus Heystek (Investment Strategist at Brenthurst Wealth) recently said:

"The fact that I have been writing about and warning of the bad things for SA for more than 10 years now has always been based on facts and an interpretation of certain trends, most of them negative for SA and the JSE-linked asset management. The outflows from the JSE over 10 years now has been massive, as has the under-performance of the JSE versus the world."

Leila Fourie, CEO of the JSE, was quoted on a financial website recently saying she "was losing sleep at night" about the outflow of capital from the Johannesburg Stock Exchange.

Over the past 12 months, not only has the outflow continued, but has increased year on year thus far in 2022. Figures from the JSE show combined outflows from the equity and bond markets now exceeding R260bn. This to my knowledge, is the largest outflow on record.

What makes the situation even worse is that the cumulative combined outflow of money from the JSE since January 2018, when the ANC administration under Cyril Ramaphosa commenced, now exceeds R1 trillion rand.

This leaves me with the question on what our representatives and the industry structures they serve on are doing to address these harsh realities and bring some relief to the membership. I am regularly asked this question and have consequently had many occasions to reflect on it.

Your business life-line, ladies and gentlemen, I am afraid, lies first and foremost in your very own hands.

- **Make sure you have the best team and the best possible key skills in your business.**
- **Ensure you don't stagnate.**
- **Guard against complacency.**
- **Embrace international best practice in your business.**

• Reject mediocrity in staff performance.
• Constantly strive to innovate and improve.

Ladies and Gentlemen, we must not rely on government or the NBC or the DTIC or the Master Plan to take ownership of and deliver on these crucial elements of our respective businesses.

Yes, they have a roll, but it can only be of a facilitative and supportive nature.

Having said this it is my view that our representatives on the key Master Plan structures, myself, the Director, Graham Choice, Marthie Raphael and Sean Kirby need to ensure that more transparency is achieved in the work of the R-CTFL Master Plan implementation programs, not least of which is regular reporting on

how our retail partners are measuring up to their Master Plan localization commitments.

This was discussed at a recent office bearer's meeting of the Association and a firm commitment was made to ensure this is operationalized in 2023.

Ladies and gentlemen, I will not burden you with reports on the wage negotiations, the activities of the NBC, Compliance Enforcement etc. These were all reported on at the NBC AGM recently and those reports have been circulated to the membership via the office of the Executive Director.

This leaves me to thank you for your support and confidence, particularly for entrusting myself and the

Director to manage the annual wage negotiations to a final conclusion, based on a trust mandate.

I can assure you that this mandate greatly assisted the process of securing a fair and reasonable settlement over 2 years without having to inflict labour disruption and strike action on the industry.

I want to thank the Office Bearers for their support and specifically Graham Choice and Sean Kirby for their work in the structures of the Master Plan. Thank you to Marthie Raphael for her time in serving a further term as Chairperson of the NBC.

Thank you to Johann, our Executive Director for his support and dedication during the year and to Edith for running the SAAA office.

Finally, thank you for your attendance and may you and your loved ones enjoy a peaceful and well-earned rest over the festive season.

Thank You.

Ekkehard Oelz
Chairman