

Constraints to business

Background

In response to the meeting that the South African Chamber of Commerce and Industry (SACCI) attended at the Business Unity South Africa (BUSA) Committee on Economic Policy (EconPol) with the Presidency on 6 February 2013 (attached notes serve as reference) all chambers were requested to make formal submissions to SACCI on the constraints to business at a local level. These submissions would be collated by SACCI and then formally presented at the next meeting with the Presidency.

The ilembe Chamber of Commerce facilitated a workshop with local business people on the North Coast of KZN to get a better understanding of the constraints to business and in order to keep the workshop focused, the following 3 questions were asked;

- 1.) What constrains your business?
- 2.) What can Government do to address these constraints?
- 3.) What can Business do address the constraints to business?

All suggestions were recorded and then a voting process ensued to establish the top three constraints and the proposed response to these constraints. Herewith the results from the workshop;

1.) What constrains your business?

The three major constraints to business that were identified were regulated costs, inadequate infrastructure / service delivery and corruption. These issues were not seen as stand alone constraints or issues, but intrinsically linked.

Regulated costs

Regulated costs, in particular electricity and labour has a major affect on the input cost of doing business. The increasingly high regulated cost / in put cost is rapidly making business less viable and less sustainable. The knock on effect is business is forced to close, down scale or mechanise and jobs are lost. Job preservation is as important, if not more important than job creation. Regulated cost therefore has a direct impact on the cost of doing business and the result is the loss of jobs.

Inadequate infrastructure / service delivery

Coupled to these regulated costs was the frustration of insufficient level of service. For example, the cost of electricity has gone up but the supply is unreliable and the ongoing power outages have forced a number of companies in our area to either move or close. This has had a knock on effect on investor confidence and hampered development. Inadequate infrastructure does not only refer to electricity, but to all infrastructure (water, sanitation, roads, public transport, etc). These challenges have arisen largely due to poor maintenance, incompetent officials, corruption and lack of sufficient planning.

Corruption

Compounding the frustrations mentioned above is the high levels of corruption. This corruption occurs due to the wrong people being employed within the various government departments. Corrupt and incompetent officials have a direct impact on service delivery and reliable infrastructure, which directly affects business.

2.) What can Government do to address these constraints?

Government needs to actively engage business on these challenges and accept that it has a direct impact on business and hence employment. Collectively we need to find solutions to the various challenges that have been identified. Herewith some of the recommendations that were made, which requires further discussion;

Regulated costs

- Ban monopolies and encourage competition (example Eskom)
- Import and export tariffs reviewed
- Subsidize strategic areas
- Tax incentives

Inadequate infrastructure / service delivery

- Start filling the various posts with competent officials in the various vacant posts. Best person for the job and not political appointments and jobs for mates.
- Proper planning
- Provide further education

Corruption

- Social and moral values firmly in place and people must be held accountable. The political will to persecute
- Freedom of press and protect whistle blowers
- *Employ qualified people and improve efficiency*

3.) What can Business do address the constraints to business?

Since most of the constraints to business are with the government, it is out of the direct control of business; however business is eager and willing to work with government to help resolve these challenges. If business and government work in partnership they can collectively grow the economic hubs, which will not only create jobs but increase the rates base. A bigger rates base gives government the ability to service the previously disadvantaged areas.

Further to the above, business can;

- Get organised, show leadership and speak with one voice.
- Encourage and develop a culture of supporting and developing small emerging business
- Develop a culture of buying local and stimulate local economic development
- Develop a culture of training and transfer of skills (skills environment)

Conclusion

Business must do what it does best, drive the economy and create jobs. Government needs to do its job by creating an enabling environment to accommodate this. Business and government need to start communicating honestly and start trusting each other. Government needs to urgently start by filling the various vacant posts with competent people in all the government departments and stop corruption – this will have a major positive effect on all the other challenges.