

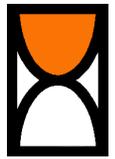


# Friday@Noon

A weekly electronic news briefing for the business community  
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- Public Protector Thuli Madonsela released the report on her three-year investigation into irregularities at the Passenger Rail Agency of SA (Prasa) this week. Her investigation looked into 37 allegations of maladministration, improper conduct, procurement irregularities, conflict of interest, nepotism and human resources mismanagement. The report revealed that Prasa had improperly extended a number of tenders, contravening its supply chain management policy, the Public Finances Management Act and the Constitution. The Treasury has agreed to commission forensic investigations into all contracts and tenders above R10m.
- Finance Minister Nhlamhla Nene says he will hold the line on the procurement of nuclear energy if it is unaffordable, and will reduce the head count of the public service to ensure spending stays in line with fiscal targets. Mr Nene is under political pressure to accede to a presidency-backed plan to procure 9 600MW of nuclear energy capacity at a time when public finances are at their weakest since the mid-1990s. Underlining this pressure was the appearance of a fake intelligence dossier last week, smearing top Treasury officials as apartheid agents and alleging that they and Mr Nene are part of a conspiracy by the old white establishment to control the Treasury. The document aroused concern among the public, and in political and investor circles, as it is feared it may signal a political attack on the Treasury, which until now has been a strong source of confidence given its ability to exercise tight control over government finances.
- A special task team due to be set up to deal with police killings will investigate a number of questions, including why there is a sudden spike in violence against officers, where illegal firearms come from and whether officers are being specifically targeted. At least 56 police officers have been murdered across SA this year. The chairman of the Gauteng Community Police Board, Andy Mashai, said that although neither he nor the SAPS could confirm the numbers of police injured in the line of duty, his estimate was that criminals in Gauteng had wounded five to seven officers this year. Gauteng community safety department spokesman Thapelo Moiloa said the proposed task team members would be selected in the next two weeks in accordance with their policing skills and not just in terms of rank.
- Crisis talks in the mining sector have yielded a commitment on new measures to save jobs and help make the industry more sustainable in the long term. Chief among the steps agreed between the government, mining companies and trade unions were that SA would promote platinum as a reserve metal like gold; that mines sell off distressed assets instead of closing them down; rehabilitation of mines to keep people employed; and the streamlining of laws relating to labour. The sector has been hit by rising production costs, work stoppages, sinking commodity prices and labour unrest. The agreement, to be officially signed by parties on Monday, contains 10 key interventions to assist the sector in the short, medium and long term.
- The number of poor South African households is rising while the provision of free basic services to households has decreased, according to a StatsSA review of 2013 and 2014. StatsSA said the number of indigent households had grown from more than 3.3m in 2013 to nearly 3.5m last year. But the provision of free basic services by municipalities was struggling to match the trend because of changes in the various councils' indigence policies. About 4.6m residents are getting free water, 2.3m free electricity and 2.3m receive free solid waste management.
- South Africans will have to pay more for food baskets in coming months as the prices of household staples – including maize meal, meat, eggs and dairy products – are set to rise. The warning comes from agriculture players, whose industry has been beset by a drought that has devastated output and raised the need for imports. The sector entered into a recession in the second quarter of this year because of drought, while those in the industry were little shocked by the 17.4% contraction it experienced in the period. The weaker rand has made imports both unattractive and expensive. The crop estimates committee slightly raised this year's maize output forecast to 9 838m tonnes, but Grain SA projected the country needed to import about 750 000 tonnes.
- Revenue collection in the first quarter of the 2015-2016 fiscal year was R2.1bn below the targeted R245bn for the period, SARS commissioner Tom Moyane said during a briefing to Parliament's standing committee on finance. The shortfall of 0.9% was mainly attributable to the decline in the manufacturing and mining industries. Mr Moyane said the situation could have been R5bn worse if SARS had not taken special measures. The tax collection target for the full year, as set out in the national budget, is R1.1 trillion. Action had been taken to close tax loopholes, such as refining the risk rules relating to personal income tax, which had resulted in a saving of R873m since the beginning of the financial year. This sum could otherwise have been paid out in undue refunds. Leakages in value added tax payments had also been addressed.
- The rand sank to record lows of over R14 against the dollar this week as stocks and currencies the world over reacted to a plunge in Chinese stocks. This prompted the South African Reserve Bank to take the rare step of commenting on the markets. Saying it was concerned about excessive volatility, the Bank said it remained committed to the rand exchange rate being set by market forces. However, it was not indifferent to the exchange rate and may consider becoming involved in foreign exchange markets to ensure orderly market conditions in the event of developments that threaten the orderly functioning of markets, or that may have financial stability implications. The weaker rand is likely to fuel inflation, putting pressure on the Bank to raise interest rates further despite an economy struggling to grow.
- SA's GDP contracted by 1.3% (seasonally adjusted and annualised) in the second quarter, due mainly to a decrease in activity in the manufacturing, mining and agricultural sectors. Economic output was nonetheless 1.2% higher than the second quarter of 2014.

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