

Government policy must stimulate growth, not stifle it

'I'm happy I started my business under apartheid' - Herman Mashaba at Accelerate Cape Town AGM.



Herman Mashaba and Chris Whelan at the Accelerate Cape Town AGM

Herman Mashaba was the keynote at Accelerate Cape Town (ACT's) AGM at the Cullinan Hotel on Friday, 15 August 2014. Mashaba - an acclaimed entrepreneur and founder of Black Like Me and Lephatsi Investments - took the opportunity to review SA's economic prospects, and to offer his views on what is hindering the country from moving forward inclusively.

"South Africa's macroeconomic conditions are worse today than in 2007 when Accelerate Cape Town was launched. We are in a perilously low-growth environment and our economy remains exclusive and divided. Business generates the lion's share of this country's GDP and it is time to reclaim the rightful position this gives us to make the economy roar and reach the 5% to 6% growth needed. National government policy must stimulate, not stifle, economic growth and the erosion of free enterprise must stop." These were the words of Chris Whelan, CEO of Accelerate Cape Town (ACT), as he addressed economic stakeholders at the business think tank's AGM on 15 August 2014. Whelan presented four key areas, which, if jointly addressed, will propel the growth required. "Talent is the first among equals. Connectedness, innovation and distinctiveness make up the balance," he said, before contextualising these four 'city vitals' within the AGM theme: the role of enterprise development and entrepreneurship in catalysing high, inclusive growth.

Political solution

Keynote speaker and foremost South African entrepreneur, Herman Mashaba, supported Whelan's call on government: "Every right-thinking South African should take an interest in what is unfolding on the political front. Policy decisions are being made that pose serious, negative consequences for the economy and the lives of the people. The only way I can see of stopping the decline in the short term is if influential people start raising their voices. In the longer term there has to be a political solution.

"I am happy I started my business under apartheid. [Consider the impact of] minimum wages on entrepreneurs, or the proposed draconian legislation put forward by Minister Davies' Department of Trade and Industry to drown the informal sector, small business, and everyone else in licensing legislation and regulations. Because of widespread opposition, the legislation was withdrawn, but it will be back. No economic or other freedoms are safe while the country is being subjected to this relentless attack on the freedoms of the people."

Unions

Mashaba's motivation is the plight of SA's 8.3 million unemployed. Believing that the Department of Labour applies regulations to keep the unemployed from competing for union members' jobs, he said: "Every now and then someone in the tripartite alliance has an attack of conscience and suggests labour law reform, the labour unions threaten, and the attack of conscience disappears. Imagine if the 8.3 million unemployed were working for employers that paid each of them R2,500 per month. They would take home over R21 billion to their families. Think of the increased production in the economy, new businesses that could be created and the increase in economic growth. More importantly, our people would have dignity

and self-respect, being able to provide for their families."

According to Mashaba, the county's public schooling system is a major contributor to economic under-performance and it compromises the future of South Africa's youth. "Lack of money for education is not the problem. Management of schools and the quality of teaching appear to be the source of the problem. [Learners] emerge from the schooling system without basic literacy and numeracy. Tragically, a large percentage of our young people, instead of facing an optimistic future full of promise, face a bleak future of unemployment and poverty," he said.

Corporate business

In reviewing the role of corporate business in creating a high-growth, inclusive economy, Whelan said: "Attracting a talented pool of entrepreneurs and developing symbiotic relationships between corporates and SMEs will unlock growth and prosperity. Whilst the National Development Plan (NDP) calls for 11 million new jobs by 2030, it is the private sector which needs to lead the growth, with government creating an enabling environment which is investor-friendly." Mashaba described the NDP as having sound elements, but does not believe it goes far enough to address SA's economic problems. Calling for more fundamental solutions based on sound economic principles, he said: "A good start would be honest dialogue to seriously address the issues most important to the people. I am convinced that most low-income and no-income people would rather receive a hand up than a handout. That requires a shift in the thinking of policymakers. Organisations such as Accelerate Cape Town have an important role to play in bringing about that shift."

Whelan responded by saying: "The role of corporate multinationals in developing symbiotic relationships with SMEs will remain a focus for ACT in enterprise development. In the coming year, we will also more actively promote and lead advocacy to create conditions suitable for growth and the attraction of foreign direct investment. Practically, this includes the introduction of direct flights to African and global destinations, and a visa regime supportive of skills densification. The current regime is woefully inadequate and we are determined to help change it."

New corporate image

Accelerate Cape Town's expanding role counted among the reasons for its new corporate image, which was revealed at the event. Whelan explained: "Business in the Cape extends beyond the CBD to the Cape Town city region, including Stellenbosch, Saldanha, Franschhoek and Hermanus, for example. While we have always been active throughout the region, a new logo was needed to reflect our strengthening of this position. We also recognise that to grow the Cape Town city region economy effectively, national business and government engagement is essential, as is the need to do things differently such as building symbiotic relationships with likeminded SMEs. The new branding reflects our strategic outlook, city region footprint and relentless focus on advancing sustainable, inclusive economic growth," Whelan concluded.

Accelerate Cape Town is a business think tank aimed at voicing the views of corporate business in the Cape Town city region in order to advance and implement sustainable, inclusive economic growth. Find more information about [Accelerate Cape Town](#).

Herman Mashaba rose from humble beginnings to become one of South Africa's wealthiest and best-known entrepreneurs. He founded Black Like Me in 1985 and now runs his own investment company, Lephatsi Investments. Herman has served as Chair on the boards of the Institute of Directors, Growthpoint Properties and the Free Market Foundation, amongst others. In 2012, he won an Ernst & Young Lifetime Achievement Award and has also published his autobiography, *Black Like Me*.