

GRASPING THE NETTLE - RESPONDING TO THE STATE OF THE NATION ADDRESS

By Steuart Pennington

“Good one Mr. President, but when will you grasp the global competitiveness nettle?”



**“Tender-handed stroke a nettle
And it stings you for your pains
Grasp it like a man of mettle
And it soft as silk remains”**

Aaron Hill 1750

Most commentators have lauded the State of the Nation address. Mondli Makhanya of the Sunday Times said, “this was by far the best performance of his tenure...but it failed to properly deal with the biggest catastrophe facing this nation, an education system that is still producing ill-equipped citizens.” I agree.

Lindiwe Mazibuko of the DA, more critical, said, “the government has extensive programmes, the nation faces many trials, and our people have boundless potential – it is difficult to outline all of this in one evening as part of a consolidated vision...but what our country needed was an honest assessment and a plan of action to address it.” I agree.

But both Makhanya and Mazibuko themselves don’t grasp the nettle of the importance of South Africa’s challenge in improving its Global Competitiveness ranking out of 142 countries. Neither of them mentioned it.

We know that the President's speech focused on infrastructure improvement and the re-industrialisation of South Africa to facilitate economic activity, skills development and job creation, and that the majority of his critics focussed on what he left out or how he was preparing for Mangaung. No mention was made by any commentator that I have read of the importance of improving our global competitiveness.

Why not?

Global Ratings

It is common knowledge that the rating agencies; Standard and Poor's, Fitch and Moody's rely heavily on this data as part of their 'rating' process. They look at the 'whole' country, not just various components.

Our economy is the 30th largest in the world and yet South Africa is ranked 50th on the global competitiveness table of nations. Where it not for some *very* poor ratings in the area of health, education and labour relations we would be placed in the top 30. Were this the case the ratings agencies would move us out of BBB (moderately susceptible) into A (somewhat susceptible) or even AA (very strong). The impact on this 'move' for investment is inestimable.

Anecdotally, those of us who attended "Siswe Banzi is Dead" will remember the riveting scene in the Ford assembly plant where the 'Big Boss' from America "just walked in and walked out and didn't greet us" (said John Kani) "I knew then that my contribution meant nothing, that I had to resign".

If the metaphor of SA's progress post'94 is like a new car being assembled, it is akin to a post apartheid model with which we have made rapid progress: we have a much better economic engine; we have a constitutionally designed steering wheel; we have an independently powered gearbox and suspension; we are spending big money on the chassis and the electronics; we have upholstery that is more accessible; but - we still have two pre'94 wheels, that of education and labour relations. They both have a slow puncture that no-one wants to repair. Somehow, we think these old pre '94 wheels will do for the meantime, that our post '94 car will go just fine, and compete with the other models out there. And just in case you didn't notice we still have the old pre-'94 'health' spare wheel in the boot that is pap.

Given the ambitious infrastructure improvement plans it should be noted that in the Global Competitiveness Report we fare better than most would expect.

- Quality of overall infrastructure (60)
- Quality of roads (43)
- Quality of railroad infrastructure (46)
- Quality of port infrastructure (50)
- Quality of air transport infrastructure (17)
- Available airline seat kms/week (24)
- Quality of electricity supply (97)

Nevertheless an ambitious infrastructure development programme is something we need. It will be beneficial in many respects.

We also have 10 measures which rank in the top ten in the world. As can be seen most of these measures reflect on the competence of the private sector – and they show what we are capable of.

	SA Global Competitiveness Ranking (142 countries)
Strength of Auditing and Reporting	1
Regulation of the Securities Exchange	1
Budget Transparency	1
Soundness of Banks	2
Board Efficacy	2
Availability of financial services	3
Protection of minority shareholders	4
Finance through local equity market	4
Effectiveness of anti-monopoly policy	7

But we have a significant number of measures where we rank in the bottom ten in the world – and all of them are critical contributors to improved global competitiveness (and essential components on our national assembly line), and, if I dare say, are the responsibility of government. They are our pre-'94 wheels that should be re-engineered as a matter of urgency if our post '94 car is to compete in the global environment.

	SA Global Competitiveness Ranking (142 countries)
Business costs of crime and violence	136
Business impact of TB	135
Business impact of HIV	136
Life expectancy	130
Quality of education system	133
Quality of maths and science education	138
Co-operation in labour-management relations	138
Flexibility of wage determinations	138
Hiring and Firing practices	139

And we have challenges with some of our lighting and dashboard components:

- Favoritism in decisions of government officials (114);
- Wastefulness of government spending (69);
- Burden of government regulation (112)
- Public trust of politicians (88)

So, if we are to re-industrialise competitively then surely we need to pay as much attention to education, government competence, health and labour relations as we have on infrastructure.

Re-industrialisation must mean that our global competitiveness improves across the board. Therefore:

- I was surprised that no reference was made to our Global Competitiveness
- I wanted our President to be tougher on teacher unions
- I expected a clear statement on what the performance standards are for every school in the country and what is expected from every principal regarding improved pass rates
- I was hoping that further special attention would be given to modernising our education system to adapt to our re-industrialisation needs
- I wondered why little attention was given to health and our declining life expectancy
- I was astounded that no reference was made to the inflexibility of our labour relations dispensation
- I anticipated that more attention be given to government performance and ministerial accountability
- I thought that corruption, graft, and tenderpreneurship would be dealt with in detail, particularly because much of the infrastructure plans will be the responsibility of government and will, in many instances, fall foul of these curses upon our nation.

The emphasis on infrastructure and re-industrialisation is good for all of us, but there are other aspects of the assembly line that need proper attention. If we don't re-engineer these as a matter of urgency our new post '94 car won't make it through rating agency '*quality control*' without numerous '*re-work*' requests; it won't be that popular with our investment '*customers*' as they look at all the other better value for money models coming out of Africa; and the passionate and committed workers on the assembly line may just start blaming the management – who hopefully will be in their offices, ready to listen - and grasp the nettle.



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