

**ADDRESS BY THE PREMIER OF GAUTENG, MR DAVID MAKHURA:THE 2016 SOUTH AFRICA BUSINESS PROCESS OUTSOURCING SUMMIT. CAPE TOWN, SOUTH AFRICA.**

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Mr Sandile Gwala, BPESA Gauteng – Chairman;  
Mr Gareth Pritchard, BPESA National Marketing Executive;  
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Mr Ronald Gillette - COO of WNS;  
Mr David Blyth CEO – Yellowwood;  
Our Partners, Harambee Youth Employment Accelerator;  
Investors and Business Analysts in the BPO Sector;  
Distinguished Business Leaders;  
Esteemed Ladies and Gentlemen:

I would like to thank the leadership of Business Process Enabling South Africa (BPESA) for inviting me to come and address this International Business Process Outsourcing Summit, the largest BPO conference in South Africa which showcases our country as the pre-eminent BPO destinations in the world and learning hub for growth of the sector in Africa.

When accepting your invitation, I decided that I should not only address the Summit and leave immediately thereafter. I want to participate in most of the deliberations of the Summit in order to inform myself fully about the most recent developments within the global BPO sector, the potential of South Africa's BPO sector as well as what we can do together to grow this sector and make it more competitive globally.

I would also like to take this opportunity to welcome all international guests from other parts of the world, to South Africa. This conference takes place in one of our country's biggest and most beautiful cities, Cape Town. I hope you will enjoy Cape Town's beauty, hospitality, culture and calming environs.

I come from Gauteng, a very noisy and busy province characteristic of the hassle and bussling of big metropolises. Gauteng is the metropolitan city region that has the privilege of being the economic hub and industrial heartland of not only South Africa, but the entire Sub-Saharan Africa. Gauteng contributes 34.5% to South Africa's economy; 40% to national employment; 42% to national industrial output and 63% to national exports. While we occupy only 1.4% of our country's land mass, a quarter of South Africa's population (13.4 million people) live in Gauteng.

The economy of the province I have the honour to lead contributes 8-10% to Africa's GDP. Gauteng is the fifth largest economy in Africa, coming after Nigeria, South Africa, Egypt and Algeria. In words, our provincial economy is bigger than five other economies that are in the top ten largest African economies – Angola, Morocco, Libya, Sudan, Kenya and Ethiopia.

Many of you may be aware that the IMF's latest World Economic Outlook data released in August 2016 suggest that South Africa is back as the number one economy in Africa in size, in fierce and constant competition with Nigeria and Egypt.

Ladies and gentlemen, I am sharing with you all these figures and facts not because I want to boast about my province. I just want to underscore the significance and burdensome nature of the job I have to do as the Premier of Gauteng and its relevance and impact on the national economy.

Having said that, I am not here only to promote Gauteng. I am here to promote South Africa as a whole - Gauteng, Western Cape and KZN - as a preferred location and the hub for the BPO services in Africa. I will speak for the country first and will conclude by making reference to Gauteng because this is the job I am paid by the public to do as the Premier.

As a starting point, I must state that we in government at city, provincial and national levels are doing everything in our power to stimulate the growth and unlock the full potential of strategic sectors of our economy. We also collaborating with business and labour, as evidenced by the work led by Minister Pravin Gordhan, to steer our economy to recovery and to try and avoid the downgrade by rating agencies.

For example, as the Premier, I have been spending fifty per cent of my official time engaging industry leaders and business chambers on how we can work together in building a coalition for inclusive growth or a partnership for shared prosperity. Almost on a weekly basis, I have been visiting key sectors, industry clusters and individual firms to look at what government and business can do together to grow output, employment and exports.

I am glad to report to this prestigious BPO Summit that on 22 September 2016, I met with several South African-based BPO companies in Johannesburg to discuss the role and potential of the BPO sector as a driver of employment and growth.

I'm grateful to BPESA leadership and Harambee Youth Employment Accelerator for facilitating our very productive engagement with the BPO sector. It is these two partners who have made it possible for me to attend this Summit, through persuasion and by force of argument about the importance of this sector.

As you gather here as industry leaders, investors and analysts, I guess the key question you will be discussing is: what does South Africa have to offer as a location and hub for the BPO sector. Let me first speak for the country before I make a case for my province.

In a breath-taking book titled "South Africa's BPO Service Advantage: Becoming Strategic in the Global Marketplace", Willcocks, Lacity and Craig demonstrate irrefutably the case that South Africa has a globally competitive BPO industry. Our country is one of the world most attractive locations for the growth of the offshore BPO services.

Comparing the competitiveness and attractiveness of top ten countries in the global BPO industry in 2014-15, the book points out that our country ranks number two with regard to competitiveness factors such as cost, skills availability, infrastructure, environment, risk profile and market potential (India is number one, Philippines

number three, followed by Poland, Malaysia, Northern Ireland, Morocco, Sri Lanka, Egypt and Kenya.

Research by Frost and Sullivan (2012) indicated that the BPO sector earned revenues amounting to \$1.3 billion in 2010. This is now estimated to have increased to \$3.06 in 2016 - compound growth of 19%. The BPO industry employs more than 200 000 people nationally. The sector is located in what is referred to as the BPO service triad - Cape Town/Western Cape, Durban/KZN and Johannesburg/Gauteng.

For instance, in July 2014 Cape Town/Western Cape had 9 000 jobs in offshore BPO, Durban/KZN had more than 6000 jobs while Gauteng had 4000 jobs. Of course, the number of people employed in the onshore BPO/contact centres is higher in Gauteng, while others are doing better in attracting location for offshore operations.

Since 2010, the BPO sector has grown at a rapid rate in South Africa, especially the Western Cape. This is attributed largely to the active support by the Department of a Trade and Industry through incentives which apply across the country.

The incentives have increased since 2014, making our country even more attractive. Western Cape province has increased its attractiveness by giving new BPO investors rates holiday during the first six months of operation, while Durban is building an integrated cluster in the form of a BPO industrial park at Dube Trade Port.

By its nature, the BPO industry supports lower-skill employment and attracts Foreign Direct Investment. It also offers the potential to absorb first time entrants into the job market and it employs largely young people. Over 60.7% of employees in BPO are young people between the ages of 18 and 25; while about 33.9% of employees in the sector are between the ages of 26 and 30. This is indeed a sector for young people!

Given the fact the fact youth unemployment in South Africa is at more than 66%, the BPO sector has a huge potential to facilitate the absorption of youth into the labour market.

Since the last BPO Summit, the sector has seen tremendous maturity and improved competitiveness as compared to other destinations and locations in the world and in Africa. There is a raft of new tier one global BPO providers who have entered our shores over the past two years.

There is more structured relations and increased working partnership between industry and government. National incentives are being complimented by municipal and provincial government initiatives that seek to improve the attractiveness of specific sub-national jurisdictions.

These measures include increased infrastructure investment, improving the ease of doing business and cutting red tape, fighting corruption and enhancing transparency, accountability and openness in government decision-making process and enforcing rule of law.

Despite recent concerns about South Africa's political risk profile, I would like to assure you that we have resilient democratic institutions, an independent and judiciary, free press, an active citizenry and vibrant civil society.

An example of this is the number of people and organised civil society groups that are speaking out against mismanagement of state-owned enterprises and abuse of power demonstrated by the frivolous charging and harassment of the Finance Minister. Minister Pravin Gordhan is one man who stands for good and works hard to safeguard public interest in the prudent use of public resources. South Africa is a law-governed society in which no individual or institution is above the law. Our Constitution is something we will defend with everything we have.

The South African economy and institutions such as the National Treasury are cannot destroyed by those who want to use them to pursue their own personal or private interests at the expense of public interest. South Africa cannot be destroyed at our watch. It is time to stand up and be counted. You can count on me and many of my country men and women who will defend rule of law in our country.

Let me focus, in the last part of my speech, on what we in the Gauteng City Region are to position the BPO sector strategically in order unlock its full potential as a driver of inclusive growth and shared prosperity in our province.

I am fully aware that Gauteng is lagging behind with regard to focusing on the potential of the BPO sector. In other words, my province slept through the job since 2010. We want make Gauteng a growth area for the South African BPO sector.

Over the past six years, the Western Cape and KZN have been doing better in attracting offshore BPO companies and in employment performance. Quite frankly, Gauteng slept through the BPO revolution of the past six years.

We are now waking up to take our rightful place as a competitive location for the BPO industry and we will put in place a number of measures to attract new investors and unlock the potential of this industry as a key driver of employment and growth.

In June this year, we adopted a new Provincial Economic Development Plan aligned to the National Development Plan. This plan identifies the BPO sector as one of the high priority sectors that requires sustained support and structured partnerships in our endeavour to turn around the current state of our economy.

We are intervening to make Gauteng the BPO destination of choice especially for large multinational corporations and start-up businesses. We know that the Western Cape is the currently the leading BPO destination in our country.

As South Africa's economic engine, Gauteng has very dynamic and highly competitive capabilities that are key to industry and commerce to thrive. Not only are we the industrial hub, we are the financial, technological and services nerve centre of Sub-Saharan Africa. We are the talent and innovation hub of South Africa, with the most entrepreneurial, most innovative, most skilled and most diverse talent pool. We

have invested the state-of-the-art infrastructure, especially with regard to broadband and public transport.

At the session we held with the BPO companies on 22 September 2016, we agreed on a six months Plan of Action to address demand-side and supply-side issues identified by the sector. We have set up a stakeholder project management office to help drive the implementation of the Plan. The plan includes increasing investment in sector-specific skills and talent development in partnership with universities, localized incentives and infrastructure development.

We are delighted that following these engagements we now have established a leadership coalition, among various stakeholders, that will mobilise and coordinate our collective efforts to catalyse and unlock opportunities in Gauteng's BPO and ICT sectors. Our goal is create an environment wherein the BPO sector and digital economy can grow exponentially over the next five years.

Specifically and in line with our new Economic Development Plan, we will embark on a campaign to attract 25 Fortune 1000 BPO operations to Gauteng over the next two years.

I am glad to report that as part of improving Gauteng's value proposition as a destination of choice for the BPO industry, we are pleased to report that work has begun towards the establishment of a R 525 million Business Process Outsourcing Park in Hammanskraal, in Tshwane.

In addition to taking full advantage and coordinating the already existing incentives from the Department of Trade and Industry available to the BPO industry. We strive to build a dynamic, growing, inclusive, innovation- driven, knowledge-based and digital economy that is at the centre of Africa's industrialisation.

Ladies and gentlemen, firstly, I would like South Africa to be the best country for the location of BPO businesses, compared to India, Phillipines and Egypt. Secondly, we in Gauteng want to make the Gauteng City Region the home of the BPO sector, both the onshore and offshore operations. We are keen host the next BPO International Summit in Gauteng. We are not competing with Western Cape and KZN because we offer different and distinct offerings in the scale of infrastructure, talent pool and market,

We know that our sister province, Western Cape, and sister city, Cape Town, are currently the leading BPO destination in our country. However, the Western Cape is already saturated. Other parts of the triad such as Durban and Johannesburg need to grow their offerings.

Gauteng is a leader in the services industry, especially in financial, business and professional services, with 60% of the 225 000 jobs in the services in this sub-sector being located in Gauteng. In particular, Gauteng has 19.8% market share of the BPO sector, worth only R7.4 billion per annum of investment. There is therefore much more scope for the expansion of the BPO sector in the Gauteng City Region.

We have set up a one-stop shop, the Gauteng Investment Centre, to facilitate the processing of all applications and regulatory compliance requirements. This Centre brings together different government departments and agencies under one roof to improve the ease of doing business.

We are also increasing partnerships between government, industry and universities on innovation. In partnership with the University of Pretoria, we have build our own Innovation Hub, in Tshwane, which is a beehive of activity for innovators and start-up businesses.

We have also partnered with the University of Witwatersrand and IBM to set up a R700 million ICT Precinct in Braamfontein, as a research and applications testing laboratory and a centre of excellence for developing high calibre ICT professionals and digital entrepreneurs who will create new digital businesses.

Let me conclude reiterating the point that is a globally competitive location and learning hub for BPO sector in the world. We have demonstrable capabilities and competitive infrastructure in Gauteng, Western Cape and Kwa-Zulu Natal. We want to double investments, employment and export of BPO services from our shores. We are Open for Business! Please work with us to grow this important sector.

Thank you.