

Western Cape Property Development Forum – Conference 2018

Chairman's Address – DEON VAN ZYL

Madam of Ceremonies Viola Manuel

Minister Alan Winde

Acting Cape Town Executive Mayor Ald. Ian Nielson

Various municipal politicians and officials

Representatives of various professional bodies

Our event sponsors – in what is difficult economic times deserve honourable mention:

- NHBRC
- Vox Telecom
- ABSA
- Aurecon
- Haw & Ingles
- Rabie Property Group
- Mitchell du Plessis Project Managers
- Kantey & Templer Consulting Engineers
- Talanie Quantity Surveyors
- Alwyn Laubscher and Associates

Speakers – a nice mix of familiar and new faces this year!

Media representatives

Members of the WCPDF

And most importantly -

DELEGATES to this 5th annual WCPDF Conference!

Thank you all for investing your time and money in this event and in the Western Cape Property Development Forum that brings the Western Cape property development industry together as one voice.

Madame of Ceremonies, 5 years ago when I asked you to be MC at our first conference you said: “Sounds fascinating, will love to do it, for one year only”. And I said, “great, but if you like it, we’ll invite you again!” And so, we did, and here we are, 5 years in a row! Viola, thank you for taking charge again of Day 1 of the Conference. Rod MacPhail Will host tomorrow. Thank you Rod

The Western Cape Development Forum is celebrating its 10th year, ten years of chipping away at the block to try and make the Cape a more development friendly environment and assist in attracting economic growth.

I mentioned that this year is our 5th conference. I am proud to say that having started with circa 90 delegates 5 years ago we have now more than doubled the number of delegates at this years event – an excellent growth in any economist’s book.

Looking at this year’s registered delegates I am proud to acknowledge role players from the Southern Cape, and brothers from neighbouring Easter Cape. We even have the odd representative from Gauteng and KZN!

I also see a healthy growth in representatives from the banking industry. I hope this means that we can expect development finance more readily available in months to come!

Minister Winde, this year we are talking about Growing Africa’s Premier Destination Through Property Development.

At last year’s conference we spoke about making sense of, and surviving, an ever-changing environment. The only constant was change, we said.

I am not sure if this was prophetic but looking back at the last year, what a year of change!

- A new president
- A new minister of Finance (again)
- A new SARS commissioner
- A new local mayor?

In writing this speech I spent time reflecting on the changes that I have experienced in the last 8 years as Chairman of the Development Forum:

Although things at Provincial level have been reasonably stable we have seen changes in planning legislation, new environmental regulations, heritage finding its feet.

Province has provided a reasonably stable environment for the property industry. But a lot of Provincial authority has also been removed through planning law changes thus diluting its contribution of stability.

Even the drought has been a consistent until more recently! What a welcome change the rain over the past few weeks.

At City level, which we know represents more than 70% of the Province's economy, a totally different situation:

- Soon a third mayor in an 8-year period
- Three Mayco members for planning and development in Cape Town?
- Possibly four Executive Directors for planning?

All in 8 years!

This type of change is not unique to Cape Town. Stellenbosch seems to change its Municipal Manager and Planning Director at the drop of a hat!

The questions, Minister Winde, I have for the representatives of the governing party who controls both Province and City and most if not all municipalities in the Western Cape, is:

- What would the state of a R49.1bil turnover company be, in the case of Cape Town, if it went through these levels of change in its senior management structure in such a short period of time?
- Can one truly expect the troops in the trenches (the officials) to have confidence and produce when the only certainty is management change?
- To what extent are we allowing local investment confidence to be undermined by the ongoing internal management changes in local authorities in this Province?

Minister Winde, your colleague Minister Ivan Meyer, published the Municipal Economic Review and Outlook 2017 last year. It focused on the identification of bottlenecks and constraints that are hampering economic growth and job creation.

The report contextualised the Western Cape economy with that of the rest of South Africa and gave some insight into international trends.

It predicted that fixed investment will remain under pressure and that the public sector will come under pressure to reduce expenditure.

The report noted the following national risks:

- Continued political uncertainty in economic and fiscal policy
- Possible large sell-off in foreign holdings of South African bonds
- Drop in business and consumer confidence

All of these risks spoke to levels of uncertainty in South Africa.

At a provincial level the only risk described was the drought and its impact on agriculture and Agri-processing.

But, I would argue, this is not the only risk staring us in the face in the Western Cape. As a side point, the list of risks that I would have expected in the Report should have been a bit longer:

- Energy certainty
- Urbanisation
- Lack of municipal bulk infrastructure maintenance and upgrading
- Underspending by local authorities
- Run-away salary bills in local government
- Traffic congestion and the implosion of PRASA
- The fact that we have still not figured out how to fund national road infrastructure and the threat of closing the Huguenot Tunnel for a substantial time whilst necessary maintenance work takes place could be catastrophic to the Western Cape.

We can debate the merits of each later but the important risk that I want to highlight is the following:

- Government procurement and the impact on the property industry. (I will return to this point later.)

On a positive side the Report expressed the expectation that a decline in national interest rates could stimulate the services sectors in the Western Cape.

But that was 2017 – and how things have changed!

It is fair to say that our new health conscious President, our “new/old” Minister of Finance and our new “Duracell” Minister of Public Enterprises are working 24/7 to create political and policy stability and confidence. God’s speed to them!

To only cheer them, though, is not good enough.

We cannot expect them to do miracles if we do not give them real support from grass roots upwards. The support that I am talking about is making sure our own house is clean and working well.

I am not talking about clean audits, although this is important.

I am talking about whether the provincial and local government machinery that services the economy is working as it should, whether it is stimulating investment into Africa’s Premier Property Destination?

- Whether all government structures, not just the political tier, is servicing the investment environment?
- **Whether there is a culture of public service and investment facilitation OR a culture of regulation and box-ticking?**

Minister Winde, a couple of years ago you introduced the Red Tape to Red Carpet programme, a real sign that the Provincial Government took note that the ability of business to function well was directly impacted on by the level of regulation and bureaucracy. You appointed people with a “can do attitude” that did make a difference to some lives.

Unfortunately, I have to say, that with the best intentions, this programme has had limited success for the Property Development industry. Let me explain:

The property industry is not a single business entity, it is a complex world of multiple disciplines and role players covering technical, commercial, legal and delivery disciplines and functions, each within a separate set of legislative, policy and technical constraints. If there is a hiccup in any sub-part of the development industry, the whole project is delayed or worst, cancelled.

The industry is a bit like an engine made up of many high-tech components. The pistons all need to fire at the right moment. If they don't, the vehicle does not move forward.

And like an engine, when you are talking about the mechanical functioning of any component, you need specialists to discuss performance vs expected performance.

Talking planning or heritage legislation, transport planning to a call centre operator simply does not work. Some constraints can only be addressed between specialists, which more than often takes the conversation to the level of legislation, policy, but more often to the level of opinion and subjective interpretation of policy and subjectivity.

A call centre cannot do much if an environmentalist dictates that I cannot plant Oak Trees, without any policy mandate, in my development and threatens to withhold rates clearances on a multi-million-rand development.

Or if an overzealous official delay a project for more than a year because, with the best of intentions, he or she is trying to protect an idea that has never been unpacked in legislation or policy.

A call centre does not have the insight or authority to ask the official, "how did you come to this conclusion?"

We all share the desire to maintain the natural and cultural qualities of the province. But unless this desire is aligned in legislation and policy, but more importantly in the way that interpretation bottlenecks are addressed, the Red Tape to Red Carpet programme will struggle.

Minister Winde, what I am talking about is not the need for a plumber to unlock the bottleneck, I am talking about a cultural change in governance. I am talking about less regulation and more facilitation of investment.

Perhaps it is time to talk about a Red-Carpet Ombudsman in Province and in each municipality, on each portfolio committee – a qualified and experienced individual who understands property who can unblock the pipelines on a daily basis. A private banker type of person who knows what buttons to push! If investment is important, then it should be important enough to throw the right resources at the problem!

Local authorities are becoming more dependent on the revenue it generates through rates and taxes. The revenue stream is critical and needs to grow. Facilitation of property development to support growth is the only way to go.

Before I talk about what the Development Forum can bring to the table to assist government, there is the issue of procurement that I would like to return to:

Why would the property development industry be interested in Provincial and local government procurement, you may ask?

As I said previously, the property development industry is a complex world of many role players, not least the consulting and construction sectors.

A healthy consulting sector is critical to any economy. It is essential to protect the ability to interpret economic need and growth and to realise this in development projects through design and implementation. We need to support our architects, our engineers, our quantity surveyors. It's the implementation of their projects that generate income for local government through growth in rates and taxes.

In the same way you cannot construct infrastructure and buildings without a healthy construction sector. You cannot construct housing with builders that are not able to deliver on time, in budget and within quality expectations if the contracting pipeline does not sustain it. It is the contractors that employ labour, that gets money to some of the poorest communities!

Both these sectors, consulting and construction, depend on private investment, but even more on public investment. Government has a strategic obligation to make sure the consulting and construction industries are healthy and are gainfully employed.

Let me go so as far as to say that I have recently been told that the World Bank now expects governments to talk to local consulting and construction sectors about roll-out programmes, not on a project per project basis, but on a budget cycle of 5 to 10 years. Why? Because if you do not maintain the production pipeline none of these sectors will have the ability to come with delivery when government's crisis hits.

To paraphrase, the consulting and construction sectors need a higher level of certainty. If government does not provide certainty on roll-out, you are opening the door for international consultants and contractors to step into the gap with little regard to local job creation. Welcome China, welcome India!

Minister Winde, we need to talk about the turnaround time for the appointment of consultants and we cannot tolerate the delays in the appointment of contractors at the risk of having to send money back to National Treasury.

The irony is that I now hear politicians shout nearly as loud as the consulting and construction sectors about their own procurement processes. Is the lack of spending starting to impact performance bonuses, one wonders?

My plea to you is set up a work group with industry to talk about procurement at Provincial and Municipal Levels.

- Let's talk about the time it takes to appoint consultants and contractors. (It should take weeks not months or years!)
- Let's talk about the risk to society when government appoints consultants at discount of up to 70% on their respective Institute Fees.
- Let's talk about the risk of appointing contractors tendering prices 20% and 30% below your own cost estimates and making up on claims and disputes.
- Let's talk about why government can procure legal opinion and go to court with expensive representatives without tendering the work vs. the consulting industry having to cut each other's throats through tendering to get work from government.
- Let's talk about tenders for catalytic projects, such as Conradie Hospital, going out on a third round of public tender.

Whether we like it or not, government's procurement policies, or the interpretation of these policies, are a real risk to the consulting and construction

sectors which creates a major risk to the property development industry. With fewer consultants and contractors in the market the delivery cost will go up and the workload will become overbearing for the few remaining.

It is now time to deal with this issue.

Minister Winde, we are continuously reminded that the Provincial Government's role is, except for certain core functions, to provide oversight and guidance to local authorities. I have already suggested certain themes which the Provincial Government can take to the municipalities in the Western Cape.

The one aspect that has been brought to my attention is the need for the smaller municipalities to communicate investment opportunities to the wider development industry.

We are privileged that there a number of municipalities are represented at this event and it would be wonderful to grow representation at future events. As Minister of Economic Opportunities, I would like to challenge you to think how you and your Department can assist in communicating investment opportunities to a wider investment audience. From the Forum's side we will gladly make our communication channels available to spread the word.

On the theme of the assistance that the Forum and its members can provide Provincial and Local government to facilitate investment through the property development industry:

- I have spoken about our willingness, together with the various professional bodies associated with the Western Cape Property Development Forum, to engage on the topic of public procurement of services and construction. This offer stands.
- We also offer our time to sit with your Red Tape to Red Carpet team to look how this service can be maximised for the property development industry.
- I would like to offer, on behalf of engineering colleagues, their time to engage with government, through your facilitation, to set up a work group

on engineering standards. We are starting to see local authority officials expect engineering standards that government itself does not adhere to. [Don't get me going on landscaping and irrigation standards in the City!] We need to talk about the maintenance bulk infrastructure capacities and standards and the need to ensure that local authorities have access to qualified and experienced engineers, both inhouse and as strategic consultants.

- Some of our members have already engaged with several your in-house strategic teams. We continue to discuss the impact of energy and water provision in the province.
- We have recently engaged with your team looking at Province's pro-active thinking on electrical vehicles and how Province can talk to industry about this.
- Minister Winde, for those that do not know, the WCPDF meets with your colleague, Minister Anton Bredell, on a quarterly basis to look at the impact of planning and environmental legislation on the industry. We appreciate this opportunity and will continue with this engagement.

A new initiative that I can announce is the co-operation between the WCPDF and the UCT: Nedbank Urban Real Estate Research Unit. Both Prof Francois Viruly and Rob McGaffin are speakers at this Conference.

We are currently working on a training programme that we would like to offer to Province and local authorities:

- The focus of the programme is to expose members of politicians and officials to issues impacting on real estate development.
- The aim is to empower them to critique any draft policy concept on whether it will facilitate or undermine investment.
- It aims to create a practical market awareness and to empower officials to negotiate ideal outcomes with a clear understanding of market forces and realities.
- Our ideal is to empower officials and politicians to become investment facilitators rather than gate keepers.

Our offer to local authorities present today is to put up your hand and to engage with us on how such a programme can be best implemented. This training should be compulsory!

Which leads me to celebrate a wonderful success:

Last year we introduced a new organisation called Youth in Property (YIPA), an initiative by a couple of energetic UCT students. We recently concluded our second job shadow event with YIPA, exposing a number of Grade 12 students from disadvantaged communities to the property industry.

At a personal level I can vouch for the success of this programme and can share what a humbling experience it has been for me and my company.

The student we hosted, a young lady of 17 years, again taught me that we have some way to go to create opportunity for our youth in this country. She lives with her unemployed brother. Both their parents passed away some time ago. They survive on her grant money as a minor.

The odds have been stacked against her and yet she gets “7’s” – that’s 80% and higher in all her subjects!

Unfortunately, she will be lost the property industry – she plans to study medicine.

I call on all delegates, when the call comes out later this year again, to participate in this job-shadow programme and to help young people a bit of this wild but exiting industry that we work in.

You will see that affordable housing features on tomorrow’s programme. At last year’s event we spoke about the opportunities that the township environment is creating for the property entrepreneur.

I can mention today that we are starting to move closer to DAG, a social advocacy and research NGO who is documenting fascination work taking place in townships in Cape Town. For those developers who wonder about numbers, I have seen rental stock achieving 30% yields on year 1! Eat your hearts out!

Although it is early days, I hope for the WCPDF to expand its links with more of the up and coming young black developers who can teach us a thing or two about informal finance and what this untapped township market has to offer. Expect to hear more!

Madam MC, the work that the Forum does would not have been possible if it was not for several strategic associations with various professions and organisations. For those that have looked at our website the following would not be news but for the rest some background:

As I have said before the property industry is not a single entity. It is made up of a variety of role players and sub groups. I am proud to say that the structure of the Forum goes a long way to illustrate this complexity and provides a platform for these sectors to engage and to cross discipline borders.

We are proud to be able to formally associate with several organisations that all have a seat on the Management Committee:

- South African Property Owners Association (SAPOA)
- Urban Design Institute of South Africa (UDISA)
- South African Association of Consulting Professional Planners (SAACPP)
- Cape Institute for Architecture (CIA)
- Association of Construction Project Managers (ACPM)
- Association of South African Quantity Surveyors (ASAQS)
- Consulting Engineers South Africa (CESA)
- Green Building Council of South Africa
and more recently
- Youth in Property Association (YIPA)

This conference has received CPD accreditation from 5 professional institutes!

In wrapping up I would like to thank you **Minster Winde** for speaking to us and listening to some of the industry gripes. I hope that we will be able to jointly address some the challenges highlighted today.

I would like to specifically thank:

- **Alwyn Laubscher** and the and the Conference Work Group who put the conference together with **Peter Aspinall** and his team from SBS Conferences.
- **Geneveve Walker** who nags you on a regular basis to update your membership details and who will tackle delegates not signed up as Forum members.
- **Charmaine Cronje** who keeps the Forum's logistics ticking over and who makes sure I get to the right place on the right date.

My wish is for each of us to leave this Conference enriched and invigorated to continue our work in the Property Development Industry.

THANK YOU