

WCPDF Keynote address:

Unlocking the economy of the Western Cape

16 May 2019

Good morning everyone and thank you for the opportunity to be here today. The theme of this year's conference, The Perfect Storm: Investment and Jobs or Bureaucracy and Stagnation cuts to the heart of what we as the Western Cape Government are trying to achieve in our economy.

Our job as the government is to create the enabling environment for businesses to grow and create jobs. This role is underpinned by two levers within our provincial strategic goals: economic development and infrastructure and land use for growth.

We believe that if we get these two levers right through our economic cluster departments and in partnership with the private sector, it will ultimately lead to growth in employment.

The creation of that enabling environment for business is fundamental to supporting a competitive economy. The amount of red tape and bureaucracy faced by businesses and investors when dealing with government is a major constraint to development. This in turn, impacts the ability of business to compete in the global market place as a result of increased costs. It delays the development of new enterprises and the sustainability or growth of existing ones.

I know that the property sector has encountered and continues to encounter a number of red tape issues that cause unnecessary delays in planning and construction. The knock on impact is that the economy suffers: the industry becomes less productive, the businesses moving into new developments or premises are impacted and the municipality collects rates later.

Red Tape has consistently been identified as one of the core elements which restrict business development and growth in this

country. Research into ease of doing business has revealed that red tape cost South Africa R79 billion in 2004, which was the equivalent to 6.5% of GDP and 16.5% of the total wage bill.

South Africa cannot afford to lose such a large chunk of our GDP to time wasting and beauracracy.

It was because of this that we as the Western Cape Government introduced our Red Tape Reduction Initiative. Since its introduction, we have recorded over a R1 billion in economic savings- with a large proportion of this coming from the property and development industry.

The red tape unit has also allowed us to track where the blockages lie.

We know that as a sector, you are dealing with slow building plan approvals. We know that Heritage applications continue to be a problem. We are aware of the issues with the urban development zone and we understand the frustration around the government tender process.

Only some of these issues lie directly in our hands, but in the interest of this sector, which is a major contributor to our economy, we are working towards resolving these issues in a way that ensures that processes are made simpler or quicker, and which still ensures high levels of accountability.

The construction sector contributes over R23 billion to provincial GDP in the Western Cape which, according to StatsSA data released this week, employs 220 000 people in this province. The Western Cape was one of only two provinces that saw the creation of new jobs in this sector- adding 6000 jobs over the past year.

This is good news for us as a province because construction is a signal of business confidence. It is a sign that we must be doing something right. So allow me, if you will, to focus on some of the

things we are doing right, before I turn my attention to how we're dealing with the things that the industry has indicated to be problematic.

Of the 20 top ranked municipalities in the country, 12 are in the Western Cape. There isn't a single Western Cape municipality in the Good Governance Africa list of the worst performing ones either. These municipalities have been ranked according to the quality of administration, economic development and service delivery.

Similarly, if you look at Municipal IQ's list of the ten most productive municipalities, 80% are in the Western Cape.

We are justifiably proud of these achievements, but the real test of our effectiveness should not be in our placing on a list but in how that translates to the experiences on the ground of the people who live in this province and the businesses that function here.

This province strives to be business friendly because we believe that a thriving business is a hiring business. Part of that is about improving the ease of doing business and developing our resilience to shocks like the water and energy shortages we have recently experienced. The other part of being business friendly is about being responsive to business needs when it comes to issues like skills and red tape.

Partnerships are central to the fulfilment of our mandate and our focus is on developing the relationships between government and private organisations, institutions and businesses.

By building these relationships, we strengthen understanding and cooperation. As government, we have already started to engage with representatives of the development and construction industries to understand ways in which we can work together to solve the problems you've vocalised.

So what are we doing about them?

We've been working closely with municipalities on the building plans approval process and have brought processes online in the City of Cape Town and other rural municipalities including Drakenstein and Swartland. In Drakenstein and Swartland, the process now takes half of the time that it did before.

The collaborator system, which allows internal distribution for comment by relevant departments will be rolled out in five more municipalities in the current financial year, and will contribute to more efficiency in this regard.

But, when we look at the most recent StatsSA data for building plans passed in this province- it is clear that there are still obstructions. The number and value of building plans passed in the Western Cape in January and February this year, both showed a decline from last year. The number of building plans passed was 20% lower this year than it was last year.

In 2018, the Western Cape led the country in terms of building plans approved per square metre and we've seen R130 billion in new developments in this province since 2009. This province has the ability to lead in this sector.

The January and February decline may be due to a number of factors: the economy, the state of the construction sector at the moment, the fact that it was the beginning of a year. But we as government, must acknowledge that at least some of this decline will have been as a result of slow processes and a lack of speedy, efficient decision making.

I know Deon van Zyl talks about becoming "obsessed" with the data, and keeping constant track of the number of occupancy certificates and land use and environmental assessment decisions as a way to trace where the blockages lie.

As the provincial government, we are looking at developing our data capabilities so that we are driving evidence based economic development.

We are already obsessed with the economy in this province but we need to become obsessed with the ways in which the economy can help us deal with the societal issues which we face. And to do this, we need to start obsessing about the data ourselves.

One of the ways we are doing this is through research. The Department of Economic Development is currently working on research looking at the impact across all spheres of government of the state failing to make its own land available for development. A draft of the paper will be presented at a conference in Vancouver.

On the heritage front, we are aware that there are major inefficiencies and a lack of capacity which means that it takes too long for inspectors to arrive. We have taken these issues up with the Heritage Council, who indicated that a new legislative framework is being developed. However, the draft framework did little to address the major concerns and we have seen that legislative process grind to a halt.

In the meantime, we continue to engage with them and are working to unlock potential for efficiency. We are looking at roping in heritage experts from rural areas in order to improve capacity and fast-track processes.

The issue of the possible lapse of the Urban Development Zone without a replacement in place has been taken up with National Treasury and SARS. We have also engaged the City of Cape Town, whose development department has already published for comment a proposal on the replacement of the existing UDZ with one of a wider scope. This will incentivize development beyond the CBD. The comments are being processed for inclusion in the submission the City will be making to National Treasury and SARS.

We acknowledge that the property sector requires both private sector investment and public sector spend. Public sector spending

can help to sustain the industry through periods of uncertainty, slowdown or stress as we are currently seeing. This is why we have taken up tender issues with the departments that engage in large-scale projects like education, health and human settlements. We hope to be able to report, in the near future, steps that provincial government will put in place to ensure that the delay between the closing of tenders and the awarding of contracts is minimised.

There are also some issues at a municipal level, with budget underspend. This is particularly concerning to us as the provincial government, because that represents a large chunk of unspent labour fees. If the money is not being spent the jobs are not being created.

The Western Cape, and South Africa as a whole currently face a number of challenges. The economy has been impacted by global headwinds, allegations and evidence of state capture and corruption, and political and policy uncertainty. The construction industry is facing crisis. Energy will remain a major issue for the next three to five years, and the threat of climate change and associated droughts, and other shocks is real. We face societal issues of crime, poverty, unemployment and a lack of sufficient skills to help people effectively escape these issues.

We should not allow own-goals like red tape, slow decision making and beaureaucrcy to add to the list of challenges. Government and the property development sector need to work together to ensure that the issues from both sides are not allowed to impact on our ability to create and sustain jobs in this province.

Thank you