

Western Cape Property Development Forum – Conference 2019 Chairman's address

Masters of Ceremonies Bruce Whitfield & Viola Manuel

Western Cape MEC for Economic Opportunities Beverley Schäfer

CEO of the South African Banking Association Cas Coovadia

Various politicians and provincial and municipal officials

Representatives of various professional bodies

Our event sponsors!

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

Media representatives

Members of the WCPDF

And most importantly –

DELEGATES to this 6th 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.

Welcome to the sixth annual Western Cape Property Development Forum Conference. This year is the biggest conference to date and the best represented across all sectors that participate in the property development process in the Western Cape.

This event has over the last six years built a reputation for the quality of speakers and delegates and for the level of frank debate that takes place.

We have hit our target of 250 delegates for this year's event with several companies sending multiple delegates. We have a strong showing from provincial and municipal governments and a large portion of delegates from the banking sector. We also have the highest number of sponsors this year, many of whom are repeat investors in this event. And, we have the most media interest we have ever had in this event.

One delegate said to me that this is one of those events that that is compulsory senior management training. Another has said it's his best two days out of the office every year. Perhaps we get these comments because we treat this event as an investment into our industry. The social and the catering is good, but trust me for those that are new, ready yourself for two days of hard thinking. Sometimes hard words are spoken but it is all in the interest of improving conditions for our industry.

This event is truly the property development event of the year in the Western Cape.

Let's acknowledge the people behind the scenes:

- Alwyn Laubscher who conceived the idea of a conference in 2013 and who continues to chair the Conference Work Group.
- Peter Aspinall from SBS Conferences who took the risk with us 6 years ago.
- The Conference Workgroup members and the SBS support team
 - Rod McPhail
 - Eric Forster
 - Kim Kilpatrick
 - Natalie Smit
 - Carola Koblitz

Thank you all for the hard work in growing of this event year on year.

Then, there are the people that spend a lot of time representing this industry throughout the year by serving on the Western Cape Property Development Forum Management Committee and who chair a variety of workgroups and represent various professions on the ManCom. These are the people that spend many hours identifying and dissecting bottlenecks in our industry and tirelessly lobby for improvements and efficiencies.

Thank you to all of you for the time and effort that you are investing in the work of the Forum. Much of what you do, goes unnoticed within our industry, as you work behind the scenes. I would like everyone here today to know how much your input drives solutions for our entire industry.

Lastly, a special mention to our Job Shadow Workgroup in association with the Youth in Property Association (YIPA) and UCT's 100Up programme (Ferial, Monedi, Stephen, Dacre and Kim) who together with many volunteer companies host the twice-yearly job shadow programme. Participating companies are celebrated in the Conference Booklet. Also, special welcome to the Western Cape Department of Transport and Public Works who also hosted students earlier this year. Please make a plan if your company or organisation has not participated yet. Our youth is our future.

It takes a year to put this event together. The Conference Committee will convene in two weeks' time to do introspection and to undertake the proverbial post-mortem of this year's event. We will sieve through the comment sheets and strategize on how we can improve the event even further. The most strategic deliberation will be to decide next year's theme.

In late May 2018 we went through the same process. A year ago, this time, we were;

- reeling from the drought but, at the same time emboldened by the hope that a new President was bringing.
- It was before we knew the true state of "state capture",
- before we were reminded of the dismal state of Eskom by renewed blackouts,
- before we understood the level of underspending of capital budgets at local authority level,
- before we knew the impact that the Simcha Trust judgement would have on the industry and that development rights would become subservient to approved building plans,
- before we knew that during the time of Conference 2018, GDP was already dipping below 0.7%, and would soon take the economy into a technical recession.

- And it was before we understood the imminent demise of large names in the construction industry, and the level of retrenchments that would take place across the sector.

What we did know, based on the feedback we were receiving at the time, was that we were racing towards the proverbial fork in the road where difficult choices would have to be made:

- New property sales rates were dropping, and second-hand residential sales were slowing down considerably.
- Commercial rental pushbacks were starting to be spoken about publicly.
- Consultants fees were taking longer to be paid and fee negotiations were becoming more brutal. Some consultants were tendering, offering fee discounts of up to 80% on government tenders, clearly not sustainable.
- Contractors and subcontractors were reporting slow payments on jobs and declaring their spare capacity by over sharpening their pencils in many instances.
- And those projects that were still viable, that could take up spare construction capacity, remained stuck in red tape and subjective opinions! The “I like” or “I think” voices from the authorities remained louder than the “market wants” voice.

Years of slow national growth and years of stumbling through attempts to create the ideal local government structure, was finally starting to take its toll, locally and nationally.

Licking our industry wounds, we came up with this year’s conference theme:

“The perfect storm: Investment and jobs or bureaucracy and stagnation.”

Perhaps in deciding on this theme we were a bit prophetic.

Nearly a year later various investigative commissions are illustrating the ugly side of greed that we were not aware of.

Notwithstanding years of drafting first world legislation and regulations, we still ended up in the mess that we are in.

We now know that that legislation and auditing cannot protect us against greed and opportunism. Our only protection is to roll up our sleeves and deal with people undermining our society under the banner of “doing good”. Only a “can do” culture will protect us.

And still reality remains;

- the poor continue to suffer,
- unemployment is still rising as we heard on Tuesday,
- service delivery is stagnating,
- businesses are looking for opportunities elsewhere,
- and politicians’ and civil servants’ salaries still get paid on time every month.

Are we as a collective at this conference happy with the status quo? I know I am not, and I know my colleagues in the Western Cape Property Development Forum are not.

Last week’s election results support what I am saying. The establishment is under pressure. Communities are under pressure and are raising their voices.

The electorate has spoken. Society is telling us to “drain the swamp”, to

- root out corruption
- to root out inefficiencies in the system that is holding back growth, job creation and service delivery.

The 2021 local authority elections will not be about promises. It will be a societal audit on delivery. That’s 24 months from now, not a long time in our sector to implement projects.

Legislation and policies don’t fill stomachs, only jobs can!

We are fortunate in the Western Cape and Cape Town that the levels of corruption and self-enrichment that we see splashed in the newspapers has in large, not taken place locally. We are reasonably clean, or so we think.

But let's remind ourselves that it is only a small step from paying someone for a driver's licence to paying for building plan approval or even for land use and environmental approvals, or to pay a kick-back to get a tender appointment letter issued arguing that you were the lowest tenderer 16 months ago – just another project cost.

And what if individuals in private sector institutions play the same game;

- if a banker calls for a kickback to get an application through the banking red tape,
- if a contractor takes a kickback from a subcontractor for paying the subcontractors what is due in the first instance,
- if a consultant drags out the process to earn more fees,
- if a journalist takes backhanders to place articles purporting to be news

How far are we away from corruption becoming endemic to our society?

We are not immune to corruption in the Western Cape. We should not be complacent and believe Provincial or Municipal Legislatures and Keerom Street or Huguenot Chambers can protect us against opportunism and greed. Processes that cause delays have the potential to cause corruption.

Let me quote President Ramaphosa in Stellenbosch earlier this year:

“Red tape puts the brakes on the very wheels of our economy. Quite often, there is a reason why they should take so long. It's often because people want something from ‘under the table’“.

Red tape and bureaucracy are the breeding grounds for corruption.

Economics one-o-one: If the only barrier to approvals and waste of time is a brown envelope, and if the content of the envelope is less than the cost of the delay it by default incentivises the use of brown envelopes.

Please don't get me wrong. I am not advocating corruption. I am saying it is the inevitable if we do not deal with red tape in a surgical manner, if we do not align and reduce legislation and policies towards delivery.

You may argue that our legal system and audit culture will protect us. I am not sure if this argument holds sway anymore. How long does it take for the legal process to play out, for our courts to pass judgement and what is the cost to businesses, individuals and society at large? Can we believe audit reports when the likes of Estina Dairies and Steinhoff take place under auditors' noses?

Churchill said: "If you have 10,000 regulations you destroy all respect for law".

The American commentator John Stossel, in the run up to the Trump era said: "When so much is illegal, common sense dies".

Sherlock Holmes and Dr Watson decided to go on a camping trip. After dinner and a bottle of wine, they lay down for the night, and went to sleep.

Some hours later, Holmes awoke and nudged his faithful friend.

"Watson, look up at the sky and tell me what you see."

Watson replied, "I see millions of stars."

"What does that tell you?" asked Holmes.

Watson pondered the question for a minute.

"Astronomically, it tells me that there are millions of galaxies and potentially billions of planets."

"Astrologically, I observe that Saturn is in Leo."

"Horologically, I deduce that the time is approximately a quarter past three."

"Theologically, I can see that God is all powerful and that we are small and insignificant."

"Meteorologically, I suspect that we will have a beautiful day tomorrow."
"What does it tell you, Holmes?"

Holmes was silent for a minute, then spoke: "Watson, you idiot. Someone has stolen our tent!"

I love this joke for the simple reason, it questions our ability to focus on what is truly important?

What are we focussing on when we decide to draft new legislation and policy? What are we focussing on when we make business decisions? Do we really care if our tent exists in the first place? Do we realise when the tent is being stolen?

Is the South African tent, to use the analogy, the idea of a rainbow nation that we all aspired to in 1994 or was the rainbow nation purely a concept created to calm the masses through difficult times of handing over the keys? Was it tangible enough so that we would know when it was being stolen?

The problem that I have with the rainbow philosophy is that it never created measurables, it never created clear targets. It never dealt with calculating the cost to correct the social and physical wrongs of the past.

- What would it cost to acquire land and to distribute it more equally?
- At what rate should the economy grow to generate the taxes that would pay for this structural correction?
- What value are we willing to attribute to social, environmental and heritage factors and at what rate should the economy grow to be able to pay fair dues?
- What rate of economic growth would provide enough jobs for matriculants leaving school?

These are all quantifiable questions that we still need to answer. And structurally;

- How can we improve the statutory environment to achieve this essential growth?
- What would our social contract be with business to achieve this growth and what would the expected payback be to society?

Why have we not dealt with these questions in a serious manner? Could it be that we have feared the answers?

George McCarthy of the Lincoln Institute, who unfortunately can no longer join us tomorrow, recently made a statement which I paraphrase:

“Why do South Africans believe so strongly in magical thinking? Why is there such a hesitance to measure things and make logical deductions?”

Are we spending our time on things which, quite frankly, do very little to activate the economy?

Do we really care about changing things or are our inefficiencies the best excuse to keep things exactly as they are, as they have been for decades?

Are we inherently anti change and anti-growth? Are we as individuals going to accept ANY accountability or will we follow the lead of the large political parties and claim collective responsibility?

I am sorry, anonymity no longer works. It is the individual, the official and the businessman who will make the difference.

Master of Ceremonies (Bruce), in one of your recent Money Show's on 702 and Cape Talk you coined the term “Radical Economic Activation” which I love. You said that instead of *Radical Economic Transformation* we desperately need *Radical Economic Activation*. I agree and support this war cry!

How does this perfect storm lead to *Radical Economic Activation*?

In our industry, which if you include the construction sector that also implements public sector projects, we are talking about nearly 4% of GDP and 3.7% of formal employment in South Africa.¹

What do we need to activate this sector to contribute even more in terms of GDP and job creation?

Firstly, lets agree on a vision, something to aspire to and to guide us. Our vision in the Forum for the Western Cape is to create an economy that can pay for the realisation of Madiba's Rainbow Vision. The Rainbow Nation can only exist if it can afford itself.

Secondly, we need to agree on measurable targets. Let's agree on a growth target that can generate the resources to correct some of the wrongs of the past and creates an incentive for money to work in South Africa. Let's choose a number. Let's start with an annual 3% growth target within 24 months. We can always update the number based on further research in due course.

Thirdly, we need to test every rule and regulation on whether it works towards the vision and economic growth target, or against it. This is as much true for the private sector as for the public sector in their respective rules and policies.

Fourthly, we need to incentivise job creation with a real need to employ more people, real growth. This can only happen if there is honest communication and co-operation between employer and employee. We need to learn to communicate.

Fifthly, we need to start to measure the right things, measure true production and delivery and stop obsession about compliance and clean audits. Auditing is a business tools, not a purpose, and definitely not a political playball.

As a side note: We recently obtained statistics from the City of Cape Town that showed that building occupancy certificates had dropped 49 % year on year from 2017 to 2018 and square meters of building work completed had dropped by 60%.

¹ CIDB Q3 – Oct 2018

Did anybody notice this? Does anybody care? Did any red-light flash on the Municipal Manager's desk? Apparently not.

The academic and author Karl Magyar puts the logic of the need to activate the economy in eloquent words:

"If one solves the economic problems first, the political problems tend to solve themselves and, sometimes, even disappear." Karl P, Magyar (referred to by P Cronje)

Perhaps we have been allowed to be distracted by political crises' for far too long.

Perhaps we allowed the status quo to develop because we refused ourselves a practical vision and did not want to be measured!

"To measure is to know" said Lord Kelvin. Perhaps we have not to date wanted to know.

Perhaps the political issues have allowed us to take our eyes off delivery and have become the excuse for people to stop caring.

Do we care? Do I as developer, consultant, contractor, public servant or politician care enough to change the status quo?

Do I care enough to transcend silos in industry, between disciplines and departments to unblock the economy and create jobs?

The electorate has told us last week that is now measuring all of us, private and public sectors, on delivery, watch this space.

So how do we move this discussion forward now? The best way to answer this question is to declare what we as the Western Cape Property Development Forum have and continue to bring to the table:

- We bring our knowledge, time and willingness to the table and will engage with all parties that are interested in growth.
- We bring willingness to invest, to do business and to create jobs.
- We bring our strategic relationships and ability to mobilise industry.
- We bring our ongoing willingness to invest in our youth. (While you were being seated, you saw the fruits of some of this, in our association with Youth in Property and the UCT 100Up project.)
- We are willing to consider new investment opportunities even if it takes us outside of our comfort zones.

What do we want in return? We want government and the banking industry to join us in clearing the way for both private and public sector property projects to hit the ground.

We have already challenged the Premier Elect, Alan Winde, to establish an Economic War Room with the purpose of formal engagement between government and the private sector with the sole purpose of addressing bureaucratic and process bottlenecks. Our association with Wesgro is already yielding fruit. But we need to go further and to measure performance at a practical level:

- We want the War Room to measure and report on the processing of all statutory applications from date of submission to decisions for all provincial and municipal applications in the Western Cape.
- We want the War Room to report on occupancy certificates per municipality on a monthly basis. We need to know what projects are being realised as much as what is in the pipeline.
- The War Room must understand real cost items and industry needs to be open and share industry data and stop hiding behind anecdotal stories. We need to call out individuals that are stalling delivery and we need to celebrate people who make things happen.
- The War Room must monitor all public procurement processes and report on the time it takes for projects to progress from concept to tender and the time it takes to tender, assess and award tenders.

- The War Room must consider the expenditure of public sector capital budgets and investigate in detail when capital budgets are underspent. Underspending of capital budgets takes work from the consulting and construction industries, but worst of all, it takes food off the table of labour that desperately need employment. Approximately 25% of a capital project goes to salaries. Of the total budget 17% goes to labour wages!
- The War Room must track provincial and municipal staff vacancies, specifically those positions that are critical to delivery. How long does it take to advertise and to fill positions?
- We want the War Room to consider conflicting and duplication legislation and policies. An active process of cleaning up statutory processes must commence, even if it means declaring intergovernmental conflict with the national tier of government where legislation oversteps limits or where economic investment at ground level is being hampered by such legislation or policies.
- We want the War Room to help each municipality in the Western Cape to practically define and illustrate their respective growth visions in ways that entice private sector investment and inform residents of changes to come. Stop the report writing and draw the pictures!
- We want citizens to be informed and be prepared for future change. The “Not in My Backyard” responses happen because nobody has an idea of what the plan is and nobody is proactively being prepared for change.
- We want the War Room to empower people that want to contribute to the economic growth of this province and each municipality in it to be able to contribute constructively.
- We want the War Room to create a culture of internal mentorship for officials to help them move from a culture of gate keeping to a culture of delivery facilitation. Senior officials must be taught to guide and mentor junior decision makers.

Together with UCT's Nedbank Urban Real Estate Research Unit we have already invested substantial time and money in practically illustrating the plethora of hoops this industry needs to jump through before we can hit the ground. This work will be presented later this morning. The War Room can hit the ground running with this work in place already. Let's start there.

As a voluntary industry organisation, we have already shown our colours and willingness to roll up our sleeves and contribute. This event is another example of our investment in the Western Cape economy. The money and time organising this event and the time spent commenting on legislation comes from the private sector's pocket. I think we have proven our commitment since our inception in 2008.

Master of Ceremonies, the challenge with the concept of Radical Economic Activation is as much about rolling up our sleeves and getting to work as it is about keeping focus on delivery.

The challenge is to remain honest and keep our eyes focused on the fact that only by improving our economy will we have the resources to truly address our historic legacies and provide jobs, health services, education and housing with the sole purpose of leaving this place a little bit better than we found it.

Let's not get distracted from getting the economy working by creating more rules and regulations. Let's simplify and make it easier to invest in the Western Cape.

As Ronald Reagan said:

"Sometimes, when you are up to our elbows in alligators, it is hard to remember your original objective was to drain the swamp".

Our job at this conference is to keep our focus on draining the swamp!

So, let's get going.

THANK YOU