

PRESS RELEASE

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LACK OF GOVERNMENT DECISION MAKING SEES CONSTRUCTION INDUSTRY HAEMORRAGING

With the construction industry already in severe crisis, increasingly slow decision making by officials across both local and regional government is costing the Western Cape not only thousands of jobs, but a serious loss of skills from which it may never recover.

According to the Western Cape Property Development Forum (WCPDF), numerous concerns have been raised by property developers and other industry professionals in terms of the slow turnarounds in aspects such as government tender assessments and the awarding of development rights.

A memorandum prepared by the WCPDF has been delivered to high-ranking officials both at the Western Cape Government and the City of Cape Town, outlining how Western Cape-based construction and consulting companies have had to undertake large-scale retrenchments.

According to WCPDF Chairperson, Deon van Zyl: “The result of this is that much local expertise stands to be lost due to people of necessity leaving the industry to seeking employment in other sectors and even other regions or countries. These represent important skills that have taken decades to hone and which are now being lost across all sectors of the property industry.”

This comes at a time when recent objections lodged by activist organisation Ndifuna Ukwazi resulted in the halting of over 40 projects, which the Forum has conservatively estimated will cost the construction industry in the Western Cape over 4 200 jobs in the short and medium term.

Says Van Zyl: “The objections have been target not so much at the private sector construction industry but as a means to get local government to get its own house in order in terms of developing policy around affordable housing. We believe the effect this is having on our industry is considered by Ndifuna Ukwazi to be ‘collateral damage’. We are literally caught in the cross hairs as the City and social housing activists battle this out.

“In the meantime, there is between R30 billion and R35bn of development applications currently attached to the objections and appeals lodged to date by Ndifuna Ukwazi. This equates to more than R5.bn of

construction work, never mind the loss of revenue to the City itself of R200 million in property tax, application fees and development contributions in the first year alone.”

Ironically, adds Van Zyl, the objections are costing the Cape Town economy an estimated R5.8 mil per day: “Money that should be directed to the same recipients for whom Ndifuna Ukwazi says it is fighting. In other words, construction workers who are now sitting at home, unemployed and unable to feed their families. These workers are among the largest group that will be affected and where we will see the greatest loss of skills as people scramble for income of any nature in other sectors.

“Apart from the livelihoods affected, imagine the impact that this is having on the all-important transformation of the property industry.”

While the Forum fully recognises the right to lodge objections, the real crux of the matter now lies in how long it is taking for the objections to be addressed. “This is yet another example,” says Van Zyl “in which the property development and construction industry is being penalised for government’s inability to get its own ‘house’ in order. This at a time when the industry is already suffering under a plethora of legislation and policies, and is further hamstrung by the time it takes to obtain development and building plan approvals.”

The stalemates at government level, as well as the overall impact that this is having on the economy are deemed to be so critical, the WCPDF is making it the key theme in its upcoming annual conference, to be held in May, under the title ‘The Perfect Storm: Investment and jobs or bureaucracy and stagnation.’

“It must, however, be clearly understood that neither the theme of the conference nor the memorandum we have prepared for government is a finger-pointing exercise. It is our very serious attempt to bring the public and private sector together to discuss the state of not only the property industry in the Western Cape and the challenges it faces, but the significant role it always has and can continue to play in the economic development of this province and indeed the country as a whole.”

Part of the Forum’s objectives are to “dispel the myths” adds Van Zyl: “For example, although building activity in the CBD and Atlantic Seaboard areas of Cape Town create the illusion that the development sector is booming, property price corrections of up to 20% is a clear indication that the sector will slow down considerably in the next year, leading to further job losses in the construction sector. This is notwithstanding the ongoing escalation in land prices, partly caused by the inflationary effect of slow and cumbersome statutory processes which the property sector needs to endure before investment can take place in the form of bricks and mortar.”

Another myth is that the public transport crisis can be rectified in a short amount of time by the building of infrastructure – in other words, the large-scale government projects which tend to sustain the constructions sector.

“However,” says Van Zyl, “instead of government actually paying attention to the obviously changing urban patterns that are developing organically due to congestion and land affordability, it debates and continually changes its future town planning rollouts in five-year plans that never really see the light of day. One must question how seriously, then, it actually takes its role in the development of the economy and creating jobs?”

Social housing is also high on the Forum’s agenda: “In acknowledging that the private sector must play a role in facilitating this, the WCPDF has been engaging with affordable housing for well over a year and we were very excited when the City began developing the all-important policy document around inclusionary housing. Yet this, too, has now stalled as political chess is played among the City’s highest-ranking portfolio committee members – resulting in highly debilitating consequences such as the Ndifuna Ukwazi objections.”

The memorandum also notes that micro developers in townships will shortly start to outperform government on housing delivery: “Yet again,” says Van Zyl, “very little is being done to facilitate this new sector which faces the same plethora of legislation that other developers face.”

The crux of the matter, the Forum believes, is that while government struggles on the one hand with the implementation of development, the private sector on the other hand is seen as the enemy.

“All of this speaks to an increasing culture of distrust on both sides and the resultant over-regulation of our industry,” says Van Zyl.

“While there can be no debate on the need for clean governance, nor on the fact that there are officials within both local and provincial government that are very supportive of our industry and do their best to help plan a way forward. But it must be recognised that legislation and policy can either be interpreted in a conservative, overly risk-averse manner or it can be interpreted in a facilitative manner.”

Overlapping between provincial and local government can also result in tension, as occurs in regard to considerations regarding heritage and environmental impact. Hence the theme of the Forum’s upcoming conference and its ongoing attempts to engage itself with both local and provincial government, as well as to bring the two public sector entities closer together in decision-making processes and implementation.

“In other words,” explains Van Zyl, “the status of the economy and the impact of bureaucratic processes have created the perfect storm – one that can either be treated as the opportunity to correct structural problems or, in future, will be referenced to as the point in time when the government system finally failed.”

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For more information (including information on the 2019 conference) please visit: www.wcpdf.co.za

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