

REPORT BACK: ECONOMIC WAR ROOM ADDRESSES CHALLENGES IN WESTERN CAPE PROPERTY & CONSTRUCTION SECTOR

The property development and construction sector in the Western Cape has been highlighted as the primary enabler that will allow the Western Cape Government to achieve its growth vision for the province, and that, in order to achieve this, the crisis currently faced by this sector needs to be urgently addressed.

This was the message coming of a dialogue session hosted on 11 September 2019 by the Premier of the Western Cape, Alan Winde, and Provincial Minister of Economic Opportunities, David Maynier. The session was held to report on developments to date following the inclusion of the capital investment, property development and construction sector into the Premier's Economic War Room initiative, launched during his first 100 days in office.

The purpose of the War Room overall is to address job creation and the growth of the economy in the province. Along with the property development and construction industry, other sectors included in the War Room are commuter mobility, informal light manufacturing, IT and business process outsourcing, and a programme dealing with the creation of manufacturing jobs in Atlantis.

Over the past few years, various factors leading to the crisis in the property development and construction sector have included local, provincial and national legislation and policies in conflict with each other, underspending of local government capital budgets, and continuing disintegration of government tendering and procurement processes.

In his opening address to a room filled to capacity with private industry, a strong Provincial government representation and a number of City of Cape Town officials, Premier Winde stated that the primary concern of the War Room overall was to fast track job creation and secure as soon as possible an innovative government ecosystem in which business confidence and investment could be restored in the Western Cape.

Commenting in particular on the property development and construction sector, Winde confirmed that the stabilisation of the sector was about far more than the 19 000 jobs that had already been lost, but in creating a growth vision for the region: "This sector is the enabler that will actually allow us to create the future province that we all want to see. It must succeed."

Noting that the methodology for the War Room was based on one coming out of Harvard University, Winde believed that the results would enable "a fundamental difference from how we have operated in government up until now.

"The pilot programme utilising this methodology has already begun, with government officials between now and December meeting with representative industry bodies as well as individual businesses to see exactly what the problems are on the ground. It's an opportunity for individuals to speak about processes with a government representative, one-on-one, and say: 'This is where my problem lies.'

“That problem then gets pulled back immediately into the teams appointed to the War Room for the sector. They will interrogate it, work out whether it can be fixed immediately by changing the system, or whether it needs to be escalated to the Premier or Mayor’s office for further attention.”

The inclusion of the property development and construction sector in the Premier’s War Room is the result of interventions over the past year by the Western Cape Property Development Forum (WCPDF).

Speaking at the inaugural dialogue session, chairperson of the WCPDF, Deon van Zyl, called on the Province and the City to urgently establish a growth vision with measurable deliverables and a culture of change: “We can be philosophical about finding ways to solve these problems, which are essentially about poverty and a desperate need to create jobs, but the reality is the only way to create jobs is to attract investment, which means change. And yet, the threat of any change raises the red flag.”

The City’s over-emphasis on auditing and compliance was also seen to be stifling the economy, together with the fear this was causing among City officials of the repercussions they could face if they were found in any way to be non-compliant.

Continued Van Zyl: “We need to beware the sport of official bashing, because there are a number that work very hard. It’s time to start calling on the politicians to give political cover to those officials who are willing to think outside the box. We need to start celebrating excellence rather than just harping on negativity. But those officials who are not delivering, need to be taken to task.”

Adding to this, Provincial Minister of Transport and Public Works, Bonginkosi Madikizela also noted the importance for decisive leadership to transcend party politics: “The biggest problem in our country is that since May we have failed as a country to provide decisive political leadership nationally, and that is filtering through to the officials. Officials are really afraid to take decisions because they have no direction from their political leaders. We need to understand that the problems we have are much more than party politics.”

Madikizela went on to stress that opportunities now lay, because of the lack of decisive leadership nationally, in forming partnerships between provincial and national departments directly as many of these – including Public Transport and Human Settlements with whom the minister had already held meetings – would look for partners outside their political alliances.

Also speaking at the dialogue, Tim Harris, CEO of Wesgro, explained that, as the agency established to facilitate and promote investment into the Cape, Wesgro would be facilitating the War Room process. In particular, it would be supporting and coordinating the nine team members that have been appointed within the City of Cape Town and Western Cape Government to undertake the interview process with representative organisations and private individuals within the sector between now and December.

Said Harris: “This sector is a critical part of the Cape economy and its value cannot be over emphasised. If the trajectory of this sector carries on in the downward spiral it has been experiencing over the course of the past few years, we’re in serious trouble, both provincially and in terms as a city, to get growth going in the Cape.

“There’s a R27 billion pipeline at risk around all of the challenges that have been raised by the sector, which in the Cape alone annually contributes R23bn to the economy along with 16 000 jobs. Most importantly, this includes R14bn worth of salaries that have put food on the table of households across the Western Cape. It cannot be allowed to fail.”

Adding to this, Van Zyl noted that 25% of the capital value of any development went to salaries and wages, with 17% of the overall value going to subcontractor wages, artisans and labour. According to the Construction Industry Development Board, every R1 million spent on construction created 4.7 jobs.

“Plus, in Cape Town,” added Van Zyl, “every R1bn of commercial or industrial investment generates R13.4m in rates per year for the municipality, excluding the revenue for the provision of utilities.

“The City of Cape Town argues that there is no money for planning or to invest in infrastructure. And yet, it currently sits on billions in cash, but expects property developers to grow its revenue stream with new infrastructure development on its behalf. I don’t think there is a single developer here tonight that can, hand on his or her heart, say: ‘Government proactively creates the environment for us to invest in.’”

Addressing Van Zyl’s concern, Harris noted: “What we’ve articulated is the missing link in all previous strategies is the lack of communication between your sector and political authorisers as well as engagement with officials. The War Room tackles that problem head on.

“And it’s not only the private property developers that are being stymied in this process. It’s about fixed capital investment wherever it takes place, and the truth is that everyone in the room, whether private or public sector is in the same boat, going through the same authorisations, building plan approvals and procurement issues.”

Outlining how the sector’s own pilot project would roll out, Harris noted that interviews with industry organisations and individuals would continue for the next few months, with challenges being resolved along the way wherever possible. Another engagement would then take place collectively between the sector and political leadership in December to assess how the methodology was working.

“At that point in time, we’ll ask what did we learn? How did we manage to reform your sector and how did those reforms impact the growth of your businesses and your ability to create jobs,” concluded Harris.

For more information on how to be included in the interview process in terms of the Capital Investment, Property Development and Construction sector please email Penny Tainton – penny@capewarroom.co.za or call 082 551 6686