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## **OPINION EDITORIAL**

### **IT'S TIME FOR A "NEW DEAL" STRATEGY FOR PROPERTY DEVELOPMENT AND CONSTRUCTION**

**The Covid-19 crisis will be looked back on as either a turning point in the way South Africa empowers the development and construction sectors to build or the point of the final demise of the strategic capacity of the civil and building construction sectors in South Africa, says Deon van Zyl of the Western Cape Property Development Forum (WCPDF).**

During the Great Depression, the USA government came up with the New Deal Strategy that fast-tracked fixed-capital investment projects. This protected and grew the construction sector and, at the same time, enabled the sector to employ people desperate to earn wages.

The Covid-19 crisis gives South Africa the same opportunity, and we have a choice to grow ourselves out of this crisis or to accept the loss of a critical industry in South Africa.

The fixed-capital investment projects of both the private and public sectors depend on highly-professional built-environment professionals (architects, engineers, quantity surveyors and the like) and a high-quality construction industry (made up of building and civil works contractors with all the different trades and labour).

Both consulting and construction sectors work for clients in the public and private domain. And both sectors work on the principle of "no work, no pay". Already, prior to Covid-19, the property development and construction industry was on the verge of collapse. With the further pressure that Covid-19 brings, and with no sector specific financial reprieve yet in sight from either government or financial institutions, this industry will collapse in South Africa. Therefore, rather than continue to weather the economic storm that will still be there post Covid-19, the professionals will simply leave to

work elsewhere, and their investors will follow them. Critical knowledge and expertise stand to be lost to a country that desperately needs these skills.

Private sector projects reflect the economy and, at the moment, these were few and far between even before we headed into lockdown. Which then raises the call for public sector projects to be fast-tracked as soon as the lockdown ends to support the survival of the construction industry.

As the WCPDF, and in light of an even larger economic crisis which now faces us, we therefore call for the urgent review of the plethora of non-aligned statutory approval processes that hinder fixed capital investment. The ideal is a one-stop application process that deals with all aspects from land use rights and heritage considerations to environmental approvals and water use licences as a single application process.

Ongoing research work known as the Property Development Process Model and undertaken by the UCT Nedbank Urban Real Estate Research Unit (URERU) in collaboration with the WCPDF has already illustrated the inefficient and non-aligned applications to which both public and private sector fixed capital investment are subjected. As a result, what was once a one-to-two year application and approval process now extends on average up to five years and longer (before construction even begins), at a time when any individual approval may lapse whilst still awaiting a further approval under different legislation. And the risk of rights lapsing is only one of a multitude of red tape legislative processes to which both private and public developments (the latter including critical infrastructure development such as roads, sanitation, schools and hospitals) are subjected.

It's been time for a while now to clean up and align this quagmire of different legislation that actively hinders investment and service delivery. Add Covid-19 into the mix and we have an industry that now totters on the brink of falling into the mire.

Application processes take years and should be reduced to months if not weeks. Particularly in times of economic crisis when the poorest members of our community sit at home or at the side of the road instead of being gainfully employed on a construction site.

Public projects that have been budgeted for should especially be fast tracked and implemented. Surplus cash available in municipalities such as City of Cape Town (a staggering amount of R5.3 billion in cash and cash equivalents, at last count) should be directed towards bulk infrastructure projects that support

both local and surrounding municipalities. Provincial funding and delivery capacity should be shared across provincial boundaries to assist those provinces that have fallen behind with infrastructure delivery.

The rule-by-auditor culture that seems to have captured the state (and by this we mean from municipal to provincial to national level) must be terminated. Procurement requirements and processes must be reduced to the assessment of reasonable price offering and the ability to implement capital projects. Implementation a delivery must now be the New Deal for South Africa.

We cannot audit ourselves out of this crisis. Appropriate measures must be put in place to address opportunism. Theft of public funds is akin to an act of treason and must be dealt with harshly.

It is time for South Africa to table this New Deal and use this crisis to change direction and create a truly investment-friendly and delivery orientated society. Now is the time for the construction sector to do what it does best: to build.

*About the author: Deon van Zyl has been the chair of the WCPDF since 2011, and is the CEO of project management company Alwyn Laubscher & Associates (AL&A).*

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