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INDUSTRY RESPONSE BY DEON VAN ZYL

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Address from the WCPDF Annual Conference, as delivered on Thursday 8 June 2023

Following a general welcome with all protocols reserved, and the keynote address by the Executive Mayor of the City of Cape Town, Geordin Hill-Lewis, Deon van Zyl delivered his annual address (Industry Response) on the state of the Western Cape Property Development and Construction industry. This is a summary of that address.

Welcome to our 10th annual conference. We've been around longer than that, but I remember our first conference "down" the road at the Crystal Towers Hotel in Century City. If I remember correctly, we had about 80 or 85 delegates in the room. Ten years later, we now welcome more than 300 delegates to what is fast becoming one of the most important annual property conferences in the country.

People often ask me what the Western Cape Property Development Forum is about. It is about creating a facilitative environment for fixed capital investment to take place in the Western Cape. The reason why I use the word "fixed capital" is because it is the most descriptive. Whether you are installing infrastructure (public or private), or whether you are building buildings; whether it is a mall, a house, a factory, a hospital or a school, you are fixing your investment to the ground – quite literally. Fixed capital investment is here to stay – it cannot leave the country at a push of a button as many other forms of investment can.

Fixed capital investment has a long life, and a long payback period. As we all know, for you to get your money back you need to be patient and ride the quite literal waves of the economic cycles. Unfortunately, the perfect wave sometimes becomes the perfect storm as we saw in the late 1990s, 2008 and currently with the interest rate run.

Renown property economist Erwin Rode, along with numerous other economists, regularly acknowledge that we have a 15-to20 year property cycle in our country. In turn, Professor François Viruly talks about the typical seven-year property “blimp” that happens, and that every 21 years, the real “Big Wednesday” wave occurs, for those of you that are old enough to remember that classic surfing video. But it seems that we have missed this seven-year “blimp” in the last cycle, and we are all peering out to sea to see when Big Wednesday – that ultimate big wave in property, will once again return to the shores of our country. Some crystal-ball gazers are predicting something in the next two years – let’s hope!

We are fortunate that, although battered along with our colleagues in other parts of the country, the Western Cape is offering something different, which means we are the “hope” for the property sector; the political will to provide stability and innovation that may perhaps have been missing in the past is becoming more visible with every month that passes. I am personally privileged to have a ringside seat seeing new relationships develop and constructive conversations taking place.

However, we are busy turning an oil tanker, and we know oil tankers don’t turn on a dime. For an oil tanker to turn, it must be moving, and I can honestly say I don’t think the Western Cape is lying at anchor anymore – it is starting to move forward. And as some of you have heard me say before: there are only two things that change the direction of an oil tanker – the tiller or the wind. The tiller moves when you set a course, and we are privileged in the Western Cape to have young and vibrant leadership setting the new course.

We are not out of the storm yet; crisis creates the need for innovation, whether it is changing historic capital underspending leading to infrastructure blockages, or whether it is the need to come out of the dark (quite literally thanks to ESKOM and its shareholder), I am excited that everybody is now talking about technology innovation – energy generation, wastewater treatment – treatment at source vs only large, centralized treatment plants.

Who drives innovation? Who creates the space for innovation? Yes, crisis creates the need for innovation, but innovation only really gets traction when there is leadership that is willing to innovate and create the space for innovation.

I am reminded of a YouTube video in which a young man starts dancing on his own, with tremendous momentum, in the middle of a music festival. People look at him strangely to start, but first one and then another person joins in. As the video continues, more and more people join them to the point that a huge crowd has formed, everyone dancing wildly. It all starts when one person dares to dance on his own, and a second is brave enough to join him, until they start a movement that everyone is prepared to join.

Why am I telling this story? Well simply put, sometimes it takes an individual to say: “The status quo is just not good enough”. With individuals stepping forward, daring to dance in the park, they can start something significant. And when they dance with vision and passion, it is difficult for other people not to join in. And when you dance madly and passionately, how can others not take notice? And if you continue dancing, they eventually cannot but join in the dance.

Next to me on stage is such a guy who has, in a very short time, dared to start a dance, and it’s energetic, to say the least. There are people who may say he’s a bit too “brave” in his movements; but I don’t think so – his dance steps are pretty good.

But now I’m going to change the topic entirely, but towards something that is central to the very theme of this conference: the importance of triangles – those shapes over which Pythagoras got very excited. Possibly, he even danced.

In the property development and construction industry, a triangle is the most stable and sturdy form you can use in the construction of anything. Indeed, a triangle is, I believe, the strongest shape there is.

Any **weight** placed on it – we can also use the words “load” or “force” - is distributed evenly on all three sides, through compression and tension. When engineers look at what will best hold something together, they’ll use triangles to ensure that a structure will bear the weight – the demand – that is either put on it, leans against it or is held up by it.

But now, let’s turn from the physical to the metaphysical world of triangles. In mathematics, a triangle is used to represent delta – it enables a difference or change to occur. We also often

associate triangular relationships with the stars, thanks to astronomers, when we look up at a night sky.

Then there is the ***associated relationship*** that lies between three things, when we think of concepts such as: mind, body and soul. Or past, present and future. We even think of the Three Musketeers. Or Snap, Crackle and Pop. Or location, location, location ...

Whatever a triangle – or a triangulated relationship – symbolizes to each of us, the common denominator is that we recognize the strength that lies in the “Power of Three”.

Therefore, we come to the first “triangulation” that this conference represents – our conference theme: the strength of recognizing that, here in the Western Cape, our investment future can only be at its strongest, if we bring together three things: PEOPLE, in a space that gives them PURPOSE, and which ultimately leads to their PROSPERITY. It’s about so much more than just a building, a road, or a network of pipes and cabling.

That’s the first triangle we’ll be celebrating over the next two days: People, Purpose, Pro{*s*}per{i}ty – and of course you’ll have noticed that the word “Property” lies hidden within Prosperity.

But second, and equally important to this conference, is the strengthening of the triangular relationship between: Private Sector, Politicians and Bureaucrats.

And let me be very clear here when I use the word “bureaucrats” - or Bureaucracy” – I mean it in the definition of the word, as according to Oxford, as: “The system of government in which the most important decisions are taken by *state officials* rather than *elected representatives*.”

This triangulation is critical: where, in the past, the private sector tended to have a good relationship with politicians, an *equally* good working relationship with the executive management teams was somewhat lacking.

Now, the problem that we are sitting with in South Africa is that the bureaucracy has largely been on the one hand, *silenced* - but then, on the other, *blamed* for the demise of local government.

So, drilling down to the Western Cape, the question really is: how do WE deal with the transition of being an over-regulated, over-compliant investment region towards finding instead the balance of still being compliant yet facilitative? IE: How do we balance the seesaw between regulation and facilitation?

Since the WCPDF was formed in 2008, we've worked hard to "splice" the private and public sectors together, and I am extremely proud of how we've grown the participation of the public sector at this event post-Covid-19; among both politicians *and* officials, and from across the Western Cape. We've grown this not only on the programme, but in the numbers of delegates attending this year's conference.

Likewise, it's particularly over the past *two* years that we've seen a paradigm shift at local government level here in province, with revitalised and reinvigorated political *and* bureaucratic leadership stepping forward, taking this all extremely seriously and at the same time saying: "We do have a future".

Now, the challenge is that there is no blueprint for local or regional government to break the national mold. How does Province, and its municipalities, make the transition from economically-stifling policy and procedure to regulation that creates an investment-welcoming environment while still staying compliant?

You've got to feel your way, but you have to do this with confidence – and it's this confidence that we're seeing here in the Western Cape.

It's being illustrated by our Mayor in Cape Town, who has dared to get his hands dirty in dealing with the real technical aspects around service delivery and investment. If anyone has a working knowledge of the budget, it's Geordin. If anybody has an idea of the extended underspend in CapEx in the past, it's Geordin.

But it's not just Cape Town. There are other municipalities in the Western Cape – we've got George in the room, as well as Swartland and Drakenstein. I'm glad to see Cllr Carli van Wyk of

Stellenbosch is in the room. And there are other municipalities also shooting out the lights: we saw Overstrand and Saldanha doing that at last year's conference.

By strengthening the triangle between Politics, Bureaucracy and the Private Sector in our province, we can define "Product Western Cape" in order to say to investors: "Come and invest here".

And that means more than putting up pretty pictures of Table Mountain and the beaches; it means proving that we offer a business logic.

And the business logic in our instance is not just: "Here's a market." It has to be: "Here's a market and a *willing* government to *serve* the market." It's a sub-theme of the triangulation that I'm talking about.

But it's not just about change in the public sector – it's about private sector change as well.

One of the big challenges now is to say: "How do we build a working relationship with officials in such a way that it's a *constructive* relationship on all sides, but yet one that never damages the integrity of the system or unduly influences it – as has happened so often in South Africa.

As the private sector, we've traditionally thought that if we cry on a political shoulder, or if we sponsor a political party, everything will be sorted. And - just as the leading politicians in the province have come to realise - as the *private* sector we too we need to know and understand as much about the workings of bureaucracy, on a daily basis, as possible.

In other words, the private sector needs to understand the mechanics of local government. And to assist with breaking that barrier – to opening up that world – we are extremely excited about the fact that we will be hosting a number of City Managers on Day 2 to speak to us specifically about that world. As I said earlier: it's about being brave; it's about testing ideas; it is about experimenting. And if we have mayors who are willing to test and drive and experiment, we need City Managers who are willing to drive and experiment and create a facilitative environment.

Now, we can no longer wait for National Government to change the game and the rules. We've got to do it by stealth. And the thing that will enable us to be forgiven for this in due course – the justification – will be economic growth and job creation.

So, this sounds like a lecture on local government, but the reality is that local government holds the stage on which all of us perform – whether you're a developer, a consultant, or a contractor. If we want starring roles on that stage, then we need to help local government change the script. But we must all perform our roles in a constructive, informed and responsible manner.

So, this year's conference is exactly about that: more engagement, less lectures. More panel discussions and input from the floor on how we're actually going to fix this stage on which we all play. And how do we collectively light up that stage, for the world to see us?

But talking about light, I am reminded again of the importance of a triangle. Because a triangle can also be a prism.

When light hits a multi-dimensional prism, it separates into its different colors. This refraction enables the light to bend and makes it possible for us to see things in sharper focus, through a lens or under a magnifying glass.

So, when you have a strong triangle, you have a safe space in which to refract the light – dissect things into their different parts: see what's working or what's not.

It is my hope that the triangulation between the political players, municipal officials and the private property development and construction sector is strengthened immensely over the course of the next two days, and I thank you all for being here to make this happen.

But now, I want to return to the YouTube Video of the dancer. The real story is actually not about the guy that starts the dance – or even about how wildly he dances. The real story is about the second person who joins him in the same crazy dance. This is how you start a community, all of whom have got amazing moves! It is the second guy that makes it "okay" for a group to join because suddenly they are not just joining one frenetic and lonely dancer. They are joining two

dancers, which makes it feel safer, and more comfortable, for them to grow this community of dancers.

So, in conclusion, over the last couple of years and more recently we have seen people, like Geordin and other Mayors in Western Cape Municipalities start a dance craze in their respective municipal areas. Those of you that were here last year will remember a number of other Mayors having a great time with Premier Winde here on this same stage.

The challenge to each one of us, whether official, consultant or developer is: are we willing to join them in the dance, and in doing so making sure that the Western Cape continues to provide an investment friendly environment?

Are we each individually willing to be the people willing to join them?

I hope this year's conference sees us all joining this dance, to solidify the partnership of three that I have referred - between the private sector, politician and official.

-ENDS-

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