

PROVINCAL GOVERNMENT WESTERN CAPE

VOTE 12 BUDGET SPEECH

2011/12

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Minister of Economic Development and Tourism



Honourable Speaker
Cabinet Colleagues
Leader of the Opposition
Members of the Provincial Parliament
Director-General and Heads of Departments
Colleagues and friends
Citizens of the Western Cape

It is an honour to address you today on the 2011/12 Budget Speech for the Department of Economic Development and Tourism (DEDAT).

In her opening speech to this house, Premier Helen Zille set out the agenda of the Provincial Government of the Western Cape. She said that our role is to extend to every person the opportunity to live a life that he or she values, and that without the chance to get a job, the South African dream, as espoused by our former President Nelson Mandela, will never be more than a dream.

Speaker, South Africa is facing an employment crisis.

Statistics SA's latest Quarterly Labour Force Survey, released last month, notes that by narrow definition, 24 percent of our population is unemployed. The Western Cape fares slightly better with an unemployment rate of 21.9 percent. This is no consolation. It means that under the best circumstances, an average of 1 in 5 people who are actively looking for a job cannot find one. By broad definition, which includes those who are no longer looking for a job most likely because they have simply given up on finding one, this figure jumps to over 30 percent, which is double that of developing countries like us. In reality, almost 1 in 3 people, Speaker, do not have a job.

Amongst our youth aged 18 – 24, half are unemployed. When faced with the colossal task of finding a job in this immensely competitive environment, many become despondent. The social and economic effects of this cannot be underestimated, because it is the unemployed that turn to drugs, gangsterism and crime in order to forge a living.

Speaker, unemployment affects each and every one of us, and for all of our sakes, we must address this ticking time bomb with urgency.

Until now, the ANC-led government in South Africa has failed to make any headway, despite coming into power on the promise of “jobs jobs jobs”. In 2004, they pledged to cut unemployment in half by 2014. In fact, since democracy, the national unemployment figure has risen by 4 percent.

It is imperative that we start to do things differently.

The DA-led Western Cape government believes that economic growth is the only way to grow sustainable jobs. Furthermore, we believe that growth is primarily driven by the private sector, and that the role of the state is to create the environment that makes growth possible, while providing demand-led support to competitive sectors, industries and businesses.

In the words of our Premier, “our purpose... is to extend the hand of opportunity to the people of the Western Cape so that they can escape poverty, shape their **own** destinies and live lives they value.”

The Western Cape means business, and that is why we have put economic and employment growth at the front and centre of our agenda. This vision is encapsulated in the first strategic objective of the provincial government.

In 2011/12, the Department of Economic Development and Tourism receives R254.414 million, an inflationary increase of 7.1 percent on the adjusted estimate of 2010/11. Over the three year MTEF period, this department receives over R800 million to grow our economy and create jobs.

In addition, DEDAT is eligible to access the R204 million asset reserve that has been set aside in the outer years as seed funding for economic development and job creation projects. These projects will get approved against compelling business plans that will better the lives of Western Cape residents by growing the economy.

An example of one such project could perhaps be the restoration of the Outeniqua Choo-Tjoe, a Garden Route icon and the last remaining scheduled stream train in the world. For over a year, we have been waiting for Transnet's approval to take over the operations of the train so that it can remain in service. As soon as this approval comes through, we will put a request for proposals that will look at ways to preserve this icon and make it a catalyst for economic opportunity for the people of the region.

Before I outline the outcomes and associated budgets of each programme in this department, I would like to highlight three bold initiatives that we will be embarking on in the coming year that demonstrate our commitment to innovative and different solutions to growing our economy.

First, we will drive 5 mega-infrastructure projects that will substantially and sustainably unlock growth in our competitive sectors, increase exports from our region, and create jobs.

In 2010, we launched our plan for an Industrial Development Zone in Saldanha Bay. A purpose built industrial estate linked to one of our two major ports will significantly ramp up trade to and from our region. The national

Department of Trade and Industry and DEDAT have co-funded a feasibility study for the IDZ that will give us a clear picture of its economic, social and environmental impacts. It is important to note that we have not predetermined the outcome of this study, but that significant appetite for the project exists from both South African and international businesses.

Earlier this year, the Western Cape cabinet gave in-principle approval for the development of a Health Technology Park in the Ndabeni/Pinelands area.

This is a cross-governmental project aimed at bringing the country's top medical firms, government and academia together to promote knowledge and services sharing.

For medical practitioners in South Africa, this means we can become competitive international manufacturers of vaccines for export to other continents and Africa.

For the people of the Western Cape, this park would mean cheaper and better medicine, and pharmaceutical products.

A feasibility study is currently underway for this project too. Based on its results, which will include public participation, we will proceed with due caution and responsibility.

Speaker, in the coming year we will drive our plan to connect the Western Cape to the world through telecommunications. Connectivity in other areas has dramatically boosted GDP and jobs. The Western Cape plans to lead South Africa and Africa into the digital age by providing cheaper broadband that opens opportunities for our residents.

We are also completing transport and property studies for an innovation and design district in the East City. For hundreds of years, our inventions have been taken up by businesses and communities across the world. For instance, a Bishops-educated man built the machine that dug the London Underground back in the 19th century. Alan Cormack was awarded the Nobel Prize for co-creating the CAT scan, which is used in every hospital across the world today. We invented, amongst other things, tic-tac-toe, cyber-tracker, speedball, the snake-board, the world's leading internet security system, MXIT, and of course, rooibos tea. We are innovators at heart, and by pooling our talents in a specially developed hub, we will be able to foster our talents even further. This project is directly in line with Cape Town's bid to become the World Design Capital in 2014.

We are also developing a partnership with Transnet and the City of Cape Town to plan the redevelopment of our inner-city Port. The Port of Cape Town plays a crucial role in our ability to export products to the world, import products for the African market, and service the West Coast Oil and Gas industry. We are the gateway into Africa, and as that gateway, our port must keep up with the demands for growth that new markets are bringing to our shores.

In addition to these projects, we are also putting project plans in place for an aquaculture strategy and agro-processing hub.

Speaker, the above Cape Catalyst projects dovetail with our plans for Inner-City Regeneration, which Minister Carlisle and I will elaborate on in the coming weeks and months. I am confident that all these projects will succeed because they are demand-led by industries that are competitive in the Western Cape, and because the private sector is eager to partner with us.

Our second big initiative is to form an Economic Development Agency (EDA). To promote significant growth and jobs for its people, this province and its municipalities must create a shared, coherent, regional economic strategy, and an integrated framework to deliver that strategy. We have mandated Andrew Borraine to consult with all players involved in promoting regional economic growth about coming together to build on the region's comparative advantages, raise productivity and get more people working. His strategy for the EDA, which is due to be presented in July, will speak to where our interventions should be aligned for greater impact.

Speaker, building infrastructure and mechanisms to grow the economy and create jobs is meaningless unless our people are able to take advantage of the opportunities that they engender. Government regulations are often the biggest stumbling blocks in the way of new and existing businesses.

In 2004, red tape cost South Africans R79 billion, which was equal to 6.5 percent of GDP or 28 percent of SARS revenue. That is why we will set up a Red Tape Directorate within this department. It will address the statutory and systemic blockages that are faced by business so that we can increase our global attractiveness as a place to live, work, and visit. This team's aim will be to lower regulatory costs to a minimum, without reducing the benefits of regulation. It will be composed of an interdepartmental unit, who will interact on a structured basis with a private sector-led advisory group. If we are to succeed in attracting investment, we must eliminate red tape and roll out the red carpet.

Speaker, in addition to the above special projects, the Department of Economic Development and Tourism will focus its plans and budget on 6 key areas.

Programme 2 – **Integrated Economic Development Services** – receives R51.742 million. The largest share of this allocation funds initiatives to grow small- and medium enterprises, the backbone of the Western Cape economy.

Much has been made of this department's decision to rationalise the number of RED Door offices from 12 to 5. Let me state clearly that this decision was made in the best interests of small business and entrepreneurs in the Western Cape, and after considered research was conducted on this matter. In 2004, when the RED Doors were formed, there was very little support for start-up SMMEs. Today, we find the landscape significantly changed: National Government has rolled out its Small Enterprise Development Agency programme. In addition, Khula Finance, ABSA Bank, the Business Place and the West Coast Business Development Centre, amongst others, all provide such services.

We now face a new challenge: keeping our existing city- and rural based SMMEs in business. Currently, many of the SMMEs that we've helped to get off the ground are struggling to survive because they have no reinforcement. We have made the strategic decision to fill this gap. Over the coming year, we will help them to grow by providing mentorship services; sector support; supplier training and access to procurement opportunities; and, in partnership with private and public organisations, over-the-counter support to existing and start-up businesses. We will also help small enterprises to access funding in partnership with the private sector.

Another initiative of this programme is Regional and Local Economic Development (RLED). Many of our rural municipalities do not have dedicated in-house economic strategists, placing them at a disadvantage when they are considering LED projects. The Municipal Capacity Support

Programme will support municipalities to accelerate meaningful delivery based on credible economic plans.

We will also provide local governments and business groupings with LED tools, such as the GTZ suite, to assist them to improve their productivity and competitiveness.

Speaker, in a major boost for LED, we have set aside R4 million for direct financial support to growing businesses that crowd in investment. The fund will be targeted at businesses in rural areas, and areas with significant economic challenges.

I would like to take this opportunity to thank the staff of Programme 2 for putting new and innovative plans in place that will make a significant contribution to small- and medium businesses in our province. SMMEs are a powerful component of our economy, and we are committed to providing them with sustainable growth solutions.

Government can also promote growth and job creation by helping to build an economic brand and strategy that attracts investment, skills and visitors to our region.

Programme 3 – **Trade and Sector Development** – receives R63.365 million in 2011/12 to perform this role.

This allocation will be used to fund the Cape Catalyst projects, the Future Cape Initiative, our special purpose vehicles, and trade and investment promotion.

As outlined in my provincial budget speech, successful regional economies have defined identities and a vision for growth that everybody believes in

and owns. The Future Cape initiative is designed to harness the competitive advantages of the province to market our products and people to the world. Programme 3 will coordinate and provide administrative support to this initiative.

In the coming year, Wesgro will continue to promote trade and investment in the region. Exports from the Western Cape create and sustain employment opportunities in export firms, and contribute toward achieving above-average economic growth. Investment into the province brings with it technology, expertise and foreign exchange, and as new businesses are formed, jobs are created.

In the past year, Wesgro focused its efforts on developing new market opportunities. Together with the Premier and 14 Western Cape businesses, Wesgro conducted a trade mission to the Gulf region. As a result of the trip, a local company has signed an NDA with an Emirates company to pursue opportunities in defence communication. A delegation from Saudi Arabia will also be visiting the Western Cape to explore agricultural opportunities.

Through targeted interventions, Wesgro plays a crucial role in the growth of our economy.

So too do our Special Purpose Vehicles. Studies show that companies are more competitive when economic foundations are shaped to sector needs. DEDAT supports 13 clusters, or SPVs, based on the competitive advantages of our economy as outlined in the MEDS research. Over the past decade, the composition of the Western Cape economy has changed considerably from being manufacturing to services based. In line with this, we will give intensive support to 3 priority clusters that have enormous growth potential: Oil and Gas, Information and Communication Technology and Business Process Outsourcing.

We will also focus on promoting the Green Cape, the newest of our SPVs. IN collaboration with Minister Bredell's department, we are committed to bringing down our carbon footprint and planting the seeds for a greener future. We estimate that over the next decade, R100 billion will be spent on large scale renewable energy projects. If the Western Cape is to harness these projects to achieve a 15 percent shift to green energy by 2015, we need to address legislative and environmental hurdles urgently.

The GreenCape initiative is a one-stop shop for all green investors. Together with Wesgro, the team will actively seek out key multinationals to ensure that these investments take place in the Western Cape. In their discussions, they will promote the maximum possible use of local content.

Programme 4 – **Business Regulation and Governance** – also has a critical role to play in economic development. This programme has been allocated R20.580 million to ensure that legal liquor traders operate according the laws of the province, and to educate consumers on their rights.

In December last year, the house approved the Liquor Amendment Act and it was signed into law, opening the door for us to implement the Liquor Act of 2008. This Act will significantly reduce the burden of disease that alcohol creates in our communities by reducing the number of liquor outlets in residential areas, and by increasing public participation in liquor licencing. In the coming year, we will establish the new Liquor Authority, after which time we will implement the Act in its entirety. We will embark on a liquor awareness campaign to promote the new rules and regulations so that all suppliers, traders and drinkers are aware of the laws. It is imperative that communities join us in our fight to curb liquor abuse: with the support of those who are negatively affected by liquor on a daily basis, we will be able to reduce the impact of liquor on our society.

In less than one week's time, another piece of legislation with significant benefits for our people will come into force. The new Consumer Protection Act will make it far harder to violate the rights of consumers. In essence, it provides consumers with a statutory right to confidentiality, information, disclosure, fairness, transparency, choice, safety and redress. Should any of these rights be violated, the Office of the Consumer Protector will be on hand to assist with legal advice.

In the coming year, the department will begin to provide more of this service in-house. We will ramp up our toll-free call centre and employ regional consumer advice agents who will travel to complainants. As a result, funding will be reduced to some Advice Offices. I would like to make it very clear that we are not shutting the Advice Offices. In fact, this would be impossible because we did not start them, and do not own them. For some time, however, we have paid them a fee to provide consumer advice services. Upon investigation, we found that they were not fulfilling the terms of their service level agreement. In fact, they were using our funding to provide other services unrelated to the mandate of DEDAT. Many were also offering a poor quality service. We have a constitutional mandate to ensure that our money is spent correctly. We have therefore reviewed the system, and adjusted it in the best interests of the consumer by implementing a system that offers a far better service at half the price. To suggest that we are responsible for keeping these offices open is a cheap attempt at political point scoring.

Speaker, Programme 5 – **Economic Planning** – receives a budget of R17.032 million. In order to make valued judgments about the future strategy of the provincial government, we must have relevant and well-researched data at our finger tips. We have therefore expanded the work of this vital unit. They will perform ongoing research into competitive sectors, local economic

development and SMMEs in the Western Cape. This will provide us with a greater understanding of the impact these areas have on our economy. This programme will also monitor and evaluate the work of DEDAT to ensure that it is achieving its expected outcome set out in Strategic Objective 1.

One of the most important industries in the Western Cape is tourism. In 2009, 1.529 million tourists visited our province, and tourism comprised 10% of our regional GDP. In 2010, our destination marketing organisation, Cape Town Routes Unlimited (CTRU), secured 8 conference bids with an expected economic impact of R109.5 million and the potential of attracting 8950 delegates.

For every 16 leisure tourists or 5 business tourists, 1 job is created.

In the coming year, R62.463 million has been allocated to Programme 6 – **Tourism, Arts and Entertainment**. Of this amount, R32.440 million will be transferred to CTRU for destination marketing.

In 2011/12, the Tourism, Arts and Entertainment team will continue to drive the re-engineering of a demand-led tourism strategy and business plan. This will be done with due consideration for the EDA, which is likely to subsume destination marketing for the province. Other key deliverables include the development of tourism niche markets, routes, infrastructure and facilities, and the regulation of the approximately 3000 registered tourist guides.

Our craft, film, music, performing and visual arts will also be supported because they are major contributors to the attractiveness of the Western Cape as a tourist destination, and create significant employment opportunities. Earlier this month, I had the opportunity to visit the set of the first 3D movie to be made in South Africa. The producers informed me that “Dredd” employed 450 full time South African staff, and generated an

economic impact of R250 million for the region. In addition to these obvious gains, world-class technology, equipment and skills were transferred to South African film industry employees, which increase our international offering substantially.

With its allocation, CTRU will focus on promoting international tourism from our traditional markets, and from new and niche markets including untapped African and the Middle East countries, China, Brazil and India. The team will also focus on increasing domestic tourism, as well as events and business tourism. In 2011/12, we have set ourselves the target of attracting 1.68 million international visitors and 4.27 million domestic visitors. We will prepare 16 bids for conferences and conventions with an economic value of R360 million, and support 6 events with an estimated economic value of R1 billion.

Programme 7 – **Skills Development and Innovation** – receives R16.275 million in 2011/12. With this money, we will continue to run our very successful Work & Skills for 100 000 Programme, which has thus far provided meaningful skills development and job opportunities to 2000 young people in targeted sectors such as clothing and textiles, financial services, tourism and hospitality.

This programme is making a real difference in the lives of our unemployed youth who have lost hope. Recently, I met with Joel Jenkins, who joined the programme last year after matriculating from Rocklands High in Mitchells Plain. After completing the programme, and was employed on a full time basis by host company Momentum. He told me that he had originally wanted to become a fire-fighter, but joined the programme instead and hasn't looked back for a second. The sky is limit for this young man, who is currently an office manager, but hopes to move into consulting as soon as he learns the ropes.

We will also establish the Provincial Skills Development Forum, which I spoke

extensively on in the main budget speech. It will provide a forum in which all role players – business, government, labour, institutions of learning and SETAs – can partner to develop the skills that industry needs in order to flourish, in line with the new trajectory of our economy.

Of this department's budget, R22.957 million goes to programme 1 – **Administration**. This money will be used to ensure the smooth running of the department.

In conclusion, I would like to thank the staff of this Department for their patience, strength and resilience in the face of continued change. They have adopted Strategic Objective 1 with their whole hearts, and are committed to the vision of solving unemployment through growth. They, as we, understand that a job is the path to prosperity and a life of value, and have put the best possible plans in place within their limited budget.

Speaker, the solutions to unemployment that I have outlined above will not produce drastic results today or even tomorrow. But if we stay the course, I am confident that more and more Western Cape residents will have the opportunity to live a life of value. By creating the environment that makes growth possible, we will create organic and sustainable employment opportunities.
