



# Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo IeNtshona Koloni

Ref Number: WCPP 11/4/2

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## **REPORT OF THE STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM ON THE ANNUAL REPORTS OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM AND ITS ENTITIES; WESTERN CAPE TOURISM, TRADE AND INVESTMENT PROMOTION AGENCY (WESGRO), SALDANHA BAY INDUSTRIAL DEVELOPMENT ZONE LICENCING COMPANY (SOC) LTD AND ATLANTIS SPECIAL ECONOMIC ZONE FOR THE YEAR ENDED 31 MARCH 2021, DATED 29 NOVEMBER 2022**

### **1. Introduction**

The Annual Report programme for the 2021/22 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

Members of the Standing Committee on Finance, Economic Opportunities and Tourism deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Department of Economic Development and Tourism and its Entities: Western Cape Tourism, Trade and Investment Promotion Agency, Saldanha Bay Industrial Development Zone Licencing Company (SOC) Ltd (now called Freeport Saldanha Industrial Development Zone) and Atlantis Special Economic Zone, on 19 October 2022.

Members of the public were also given an opportunity to pose questions and make oral submissions.

### **2. Overview**

The Committee considered the Annual Reports of the Department of Economic Development and Tourism (the Department) and its Entities; Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro), Freeport Saldanha Industrial Development Zone (FSIDZ) and Atlantis Special Economic Zone (ASEZ).

Before proceeding to the consideration of the Annual Reports, the Minister, the Head of Department, the respective Chief Executive Officers and Chairpersons of the Entities' Boards were given an opportunity to make opening remarks.

In the year under review, the Department, FSIDZ and ASEZ received clean audits, while Wesgro received a qualified audit opinion.

At the end of each Annual Report deliberation, the Chairperson afforded members of the public the opportunity to address the Department and Entities.

### **3. Deliberations on 2021/22 Annual Reports**

#### **3.1 Department of Economic Development and Tourism: Observations and Findings/Concerns**

- 3.1.1 The year under review was still wrought with the negative impact of the COVID-19 pandemic, hence, the Department spent much of its time on economic recovery initiatives. The Minister acknowledged the work of the previous Minister, Mr David Maynier, who has moved to the Education sector, and the previous Head of the Department, Mr Solly Fourie, who recently retired. Although it was a difficult period with job losses and business closures, the Department has responded aggressively by facilitating investments, supporting energy programmes, and setting up learnership experiences and programmes that afforded people the opportunity to be employed.
- 3.1.2 The economic climate remained a challenge. The Western Cape economy was estimated to have grown by 4,3% in 2021, however, it was projected that this growth would decline to 1,8% in 2022. This was due to the Russian-Ukrainian war, which had implications globally, and the severe loadshedding experienced in South Africa. Despite the low growth projection, the Western Cape created the most jobs in the country in 2021, with 9 000 jobs gained, and compared to other provinces, the Western Cape had the lowest expanded unemployment rate at 30,3%. The Minister also informed the Committee that the tourism sector was moving from the recovery phase to the growth phase and that the Province could expect 191 flights per week into Cape Town in January 2023. This equated to approximately 1,5 million flight seats.
- 3.1.3 The Department was in a very challenging position because it was in the process of reviewing its current strategy and moving towards building a “Growth for Jobs Strategy”, which would drive inclusiveness, economic growth and employment. The previous strategy responded to the catastrophe left behind by the COVID-19 pandemic. The Department hoped that the new strategy would become a beacon of hope for the people of the Province and that it would result in sustainable economic growth in order to deal with the challenges of poverty and unemployment. The Department was in the process of finalising this strategy and indicated that the deadline for finalisation was the end of February 2023. The strategy would result in the opportunity to relook at the organisation of the Department and to restructure the Department so that it is structured appropriately to deliver on this strategy.
- 3.1.4 The Department indicated that a township economic growth strategy would emerge from the new “growth for jobs” strategy, however, this would require a whole-of-government approach given the challenges experienced in townships, particularly around safety. The Department indicated that the previous strategy was a transversal one that was developed over several years and finalised in the middle of 2020. This was in the middle of the COVID-19 pandemic, which resulted in the Department pivoting and creating a COVID-19 Relief Fund, which was targeted at operational matters. The Department was in “crisis mode” during this time, which resulted in R38 million being added to the COVID-19 Relief Fund. Many of the businesses that benefited from this funding were township-related businesses.
- 3.1.5 The Department has placed a great deal of focus on its work at the ports in the Western Cape, particularly around supply chain matters, to ensure the free flow of goods through the ports, thereby facilitating imports and exports of goods. The Department acknowledged that the ports were central to the creation of employment in the Province. The Department has also

assisted municipalities to automate certain services so that they could provide citizens with the level of services that are expected in the Western Cape.

- 3.1.6 One of the Department's challenges was to navigate the availability of energy in the Province. The Department has been working with and supporting municipalities to ensure that they land investments that would enable the Province to find alternative energy sources through the Municipal Energy Resilience (MER) programme. With the escalation of the energy crisis, an economic cluster was established to deal with communication, essential services, managing business queries and scaling up the provision of new energy into the grid. The Department was in the process of preparing municipalities for Independent Power Producer (IPP) procurement, however, this was quite an ambiguous legislative space that had to be navigated.
- 3.1.7 The tourism sector in the Western Cape seemed to be recovering faster than in other provinces. However, there was limited funding available for tourism businesses compared to the 2020/21 financial year, when the national government provided relief funding for tourism businesses. The Department provided support to 15 tourism businesses based in the Western Cape through the Tourism Product Development Fund. Unfortunately, this programme was discontinued in the current financial year due to a lack of funding within the Department's budget. However, the Department has applied for this programme to continue in the next financial year, 2023/24.
- 3.1.8 The Department indicated that there were several vacancies that could not be filled due to austerity measures brought upon by the impact of the COVID-19 pandemic, hence the only vacancies that could be filled over the period under review were core functions/positions.

### **3.2 Atlantis Special Economic Zone: Observations and Findings/Concerns**

- 3.2.1 The Atlantis SEZ (ASEZ) and the Committee noted the contribution that was made by the previous Chief Executive Officer, Dr P Voges, in establishing the organisation in the past three years. Before his departure, Dr Voges ensured that he had put together a good team that has allowed the entity to deliver on its mandate. The ASEZ also acknowledged the assistance, support and advice that was provided by Wesgro and the Freeport Saldanha IDZ during its incubator period, in respect of working with SMMEs, setting up a board, tender processes, among others.
- 3.2.2 The Committee noted that previous discussions with the ASEZ had alluded to the development of a freight railway line between Atlantis and the Port of Cape Town. The ASEZ indicated that they were in the process of concluding a feasibility study on the potential volumes for use of the freight railway link. The study indicated that the volumes were not quite where the ASEZ needed them to be. This was because people have lost faith in rail as a form of freight transport. However, there was the sense that if the railway line was re-established, one would see certain freight returning to the use of rail over time, particularly in the form of containerised transport. There were opportunities for a "freight village" in Atlantis later if more demand developed for the freight railway. There was immediate support for the development of the railway line, however, the current challenge was the invasion of the railway reserve in the Dunoon area by an informal settlement.

- 3.2.3 The ASEZ was very involved in creating opportunities for the community of Atlantis. The ASEZ was also part of the business community in Atlantis and was working to turn the entire industrial area into an investment opportunity.
- 3.2.4 During a previous oversight visit to the ASEZ, there was a matter of land that needed to be transferred from the City of Cape Town to the ASEZ. The ASEZ indicated that this was a complicated process because the land that was being transferred had to be subdivided and three new land parcels were created. At present, the title deeds were being prepared for those new parcels of land by transferring attorneys. There were one or two heritage issues in respect of the allocation of land, however, this was being dealt with. The ASEZ indicated that this matter should be resolved by early 2023.

### 3.3 **Freeport Saldanha Industrial Development Zone: Observations and Findings/Concerns**

- 3.3.1 Freeport Saldanha IDZ (FSIDZ) indicated that several agreements were signed in 2016, which included ownership of half of the IDZ property as well as responsibilities that were handed over to the Saldanha Bay Municipality. The challenge was that the Saldanha Bay Port (the Port) was opened in 1976 and apart from a few upgrades over the few decades, the Port has not changed much. The idea was to continue with and even expand the ore exports; however, the marine and energy engineering side of the operations has been postponed for another decade.
- 3.3.2 The FSIDZ's Investor Pipeline was valued at approximately R21 billion, however, half of this value was "sterilised" because it was very dependent on vessel traffic at the Port. The FSIDZ has had to focus on creating solutions that would determine what needed to happen at the Port as well as the greater IDZ. Over the years, the ports have lost customs services because they were outdated and because there were capacity issues. The focus was on the infrastructure that was required at the Port and the financing thereof. It was possible to find financing for port infrastructure, which was not necessarily dependent on Transnet. The FSIDZ indicated that the National Ports Act, 2005 (Act 12 of 2005) was being applied in a restrictive manner, however, if it was applied as an enabling mechanism together with the Special Economic Zones Act, 2014 (Act 16 of 2014) then one would be able to find different solutions for the way the Port could be set up.
- 3.3.3 The FSIDZ indicated that it has been a challenge to "convert the Investor Pipeline into paying tenants". This was due in large part to the COVID-19 pandemic, supply chain constraints and the evolving nature of geopolitics.
- 3.3.4 Jobs for growth were quite dependent on the "network industry", of which the Port played a significant role along with freight rail, freight strategy and other relevant processes. The Minister was meeting with the national government on these processes so that the Port could be capacitated to where it needed to be.
- 3.3.5 The FSIDZ's overall investment amounted to approximately R2 billion, most of which was spent on civil infrastructure. Part of this amount (approximately R300 million) was spent on building on the Transnet National Ports Authority (TNPA) property, which to some extent was "stranded" due to the lack of port infrastructure from the TNPA. This matter had to be resolved as soon as possible as it was time to unlock the value of the Saldanha Bay Port.

- 3.3.6 FSIDZ indicated that most of the offshore gas projects were in litigation and the private sector was not moving as rapidly as the Entity had hoped, and they were not taking up opportunities across the Western Cape's offshore fields.
- 3.3.7 In terms of the decarbonisation drive, there was great potential to reindustrialise Saldanha Bay, but on a green pathway. On 18 October 2022, Sasol and ArcelorMittal South Africa (AMSA) signed a joint development agreement, which would focus on two projects. The first project was where Sasol would create green hydrogen in Saldanha Bay and provide that green hydrogen to AMSA, who would then restart the steel mill to produce green steel. The FSIDZ has signed a Memorandum of Understanding with Sasol to locate that plant within the IDZ. This was an enormous investment opportunity for FSIDZ and the Western Cape. The second part of the agreement lies on the Vaal side, where AMSA will be capturing the carbon that would be emitted from the steel mill and providing it to the Sasolburg Plant. Sasolburg would then inject the carbon into its processes to produce more sustainable aviation fuels and other derivatives. These projects required an IDZ that was open to business and focused on applying its energy to landing investments. More so, it required a whole-of-government approach that would support these investors.
- 3.3.8 The future and sustainability of the FSIDZ were unclear because there was no intergovernmental agreement with the TNPA. This was due to lackluster cross-departmental alignment nationally and with other state-owned companies, and because of the lack of port infrastructure.

#### 3.4 **Western Cape Tourism, Trade and Investment Promotion Agency: Observations and Findings/Concerns**

- 3.4.1 Wesgro aimed to position the Western Cape as the leading regional economy on the global stage, however, the 2021/22 financial year was a year of significant challenges for Wesgro and how they were able to operate. The COVID-19 pandemic impacted on many sectors, particularly domestic and international tourism, the film and media industry, and international investment and exports. In addition to these challenges, Wesgro had also lost its Chairperson and Chief Executive Officer during the year under review. Despite the challenges, Wesgro made significant progress on its targets. There were real opportunities for investment and growth within the Province.
- 3.4.2 Wesgro indicated that it was doing quite well in terms of its audit turnaround plan, given its qualified audit opinion for the year under review. The audit plan included a review of all Wesgro policies, with a focus on the matters raised by the Auditor-General of South Africa (AGSA) in the last financial period, such as asset management and supply chain management. Wesgro has also taken the opportunity to review the structure and competence of the team so that they had the "right people in the right places". Wesgro thanked the Department of Economic Development and Tourism and the AGSA for their support as they tackled the audit findings.
- 3.4.3 Wesgro noted that their Board consisted mainly of males. This was because the Board received very few applications from women. However, Wesgro assured the Committee that there were several changes that were going to be made and that the Entity was seeking to encourage female applicants, thereby increasing diversity on the Board.

3.4.4 During the COVID-19 pandemic, Wesgro noted the importance of the African market in terms of trade and the Western Cape's economy. The Western Cape was exporting a lot more services than the Entity was able to capture, therefore Wesgro has created a service desk to track these exports. The majority of the investment was in the green economy and the Information and Communications Technology sectors.

#### **4. Submissions from Members of the Public**

##### **4.1 Mr M Mbiko – Nyanga Tourism Platform**

Mr Mbiko addressed the Department of Economic Development and Tourism asking who qualified for the SMME Booster Fund since many of the business owners in Nyanga were part of the informal business sector. He also wanted to know who qualified for the experiential learning programmes, which the Department referred to in its Annual Report. Mr Mbiko indicated that he knew a number of people who had studied responsible tourism, however, they were all unemployed.

The Department answered that the SMME Booster Fund supported organisations that supported SMMES; the Fund did not support SMMES directly. They indicated that Nyanga was one of the areas that were supported.

The Department added that it was always going to feel that they were not doing enough, however, given the severe funding constraints experienced, they did a good job in respect of skills development. The Department indicated that any person in the youth bracket could qualify for the experiential learning programme and added that 99% of the beneficiaries had hailed from the townships, which included Nyanga.

Mr Mbiko requested that the Chairperson revisit a resolution that was taken in 2019 that the Department would consult with the Nyanga Tourism Platform on several issues that they had raised at the time.

The Department noted that it had received information on the OREO Project concept, which focused on urban development and not tourism product development. The Department has reached out to the City of Cape Town (the City) as this was their area of expertise and mandate. The Department indicated that it would follow up with the City of Cape Town and that it would be happy to facilitate discussions with regards to Mr Mbiko's needs.

The Chairperson indicated that this matter could be addressed in the Committee's resolutions.

##### **4.2 Mr L Phito – Kraaifontein (Community Advisory Services)**

Mr Phito indicated that tourism seemed like an opportunity for job growth, however, this needed to be rolled out in Kraaifontein as well. He asked the Department which programmes they are rolling out where local entrepreneurs and businesses could benefit from tourism and

encouraged the Department to work with the City of Cape Town (the City), particularly around trade and businesses for youth.

The Department indicated that they could refer Mr Phito to an official from the City that could assist with his request in respect of Kraaifontein.

The Department further indicated that there had been a discussion about Kraaifontein and the attraction value in respect of active tourism products. The Department elaborated that there needed to be mature products in the pipeline for tourists to see and do. Work needed to be done to build that attraction value in the community. This could be discussed with the City as well.

Mr Phito indicated that there were many jobs that could be created from recycling, however, the problem was finding space to store the waste before it is recycled. He said that law enforcement made it difficult to maintain a recycling business. He further informed the Members that it was challenging to apply for this business through the City as the application form contained many parts that were difficult to understand.

Mr V Dube, Head of the Department, answered that the Department of the Premier has an entrepreneurship programme on waste. However, he recognised that this was not sufficient and that it was an area of opportunity that could be explored.

#### **4.3 Mr P Bester – Informal Economic Development Forum**

Mr Bester noted and congratulated the Minister on the development of the new Growth for Jobs Strategy. He indicated that different political parties controlled different parts of the Western Cape, which meant that there were different ideas of how the informal economy should develop. He offered the assistance of the Informal Economic Development Forum (IEDF) because they knew what was happening on the ground.

Mr Bester indicated that the lack of public participation in the Department's processes was concerning. He asked that the Department include the public in their work as the laws and regulations that were drafted concerned the people of the Western Cape.

Mr Bester indicated that there was a Government Gazette that waived permit costs until December 2022. The COVID-19 regulations have already fallen away, however, this was a rule made through the Government Gazette, which should still stand.

The Department responded that they have assisted members of the public with these permit issues.

Mr Bester asked that the Department speed up red tape reduction as there were many members of the public that needed permits to sell their products/goods. This needed to be addressed as soon as possible.

The Department noted that the permit application process was quite cumbersome, however, this could be due to the regulations around permits. The Department has been working with the municipalities to improve upon those regulations so that informal traders could be legitimised.

The Department further added that they were in constant communication with the head of the IEDF.

Mr Bester questioned the R38 million that the Department set aside for COVID-19 relief. He indicated that people were arrested or given fines because they needed to go out and find ways to feed their families during the lockdown. He stated that if people had access to the R38 million then they would not have been fined or arrested.

Mr Bester stated that many of the people in the informal sector were in that position because they did not have access to bank accounts and tax compliance measures. These people were excluded from accessing the funding they needed. He asked that the Department relook at how these informal businesses could apply for funding and how the Department could provide them with funding.

The Department responded that the South African Informal Traders Alliance (SAITA) was one of the first beneficiaries of the R38 million COVID-19 Relief Fund. They added that the COVID-19 Relief Fund benefited both informal and formal businesses.

Mr Bester indicated that he was part of the formation of the SBIDZ many years ago when he represented the labour side of the discussion. One of the agreements that were made at the time was that the first employees would be hired from Saldanha Steel. He asked if this agreement was fulfilled.

The Committee indicated that Freeport Saldanha IDZ should respond to Mr Bester in writing, given the time constraints.

## **5. Resolutions/Actions**

5.1 The Committee RESOLVED to:

5.1.1 Note the Annual Reports of the Department of Economic Development and Tourism and its Entities, and congratulate the Department and Entities that received clean audit opinions;

5.1.2 Meet with Wesgro on the performance targets that it has set;

5.1.3 Meet with Wesgro to receive an update on the progress made in respect of the findings indicated by the Auditor-General of South Africa;

5.1.4 Request a briefing by the Department of Economic Development on the "Growth for Jobs" strategy once it is finalised as well as the informal economy;

5.1.5 Request a briefing from the Department of Economic Development and Tourism on its work with municipalities in the Western Cape;



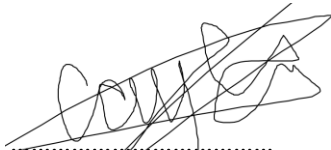
- 5.1.6 Write a letter to the former Chief Executive Officer of the Atlantis SEZ, Dr P Voges, thanking him for the work he did in setting up the Atlantis SEZ; and
- 5.1.7 Visit the Freeport Saldanha IDZ and Atlantis SEZ and receive an update on the work that has been done in the last year.

5.2 The Committee REQUESTED that:

- 5.2.1 Wesgro provide the Committee with a report indicating the adjustments it has made in order for them to return to an unqualified audit opinion in the next financial year;
- 5.2.2 The Department of Economic Development and Tourism provide the Committee with a report on its role as well as the Provincial Treasury's role in terms of shareholder oversight on entities such as Wesgro in respect of performance;
- 5.2.3 The Department of Economic Development and Tourism follows up with Mr M Mbiko on the issues raised during the Annual Report deliberations; and
- 5.2.4 Freeport Saldanha IDZ responds to Mr P Bester on matters raised during the Annual Report deliberations.

## 6. Conclusion

The Chairperson thanked the Minister, Department and its Entities for their preparation and responses to questions raised by the Committee Members, and for their hard work and dedication during a very difficult year.



MS C MURRAY, MPP

**CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM**

**DATE: 29 November 2022**