



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

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 26 JANUARY 2022

1. Introduction

The Annual Report programme for the 2020/21 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 and Atlantis Special Economic Zone, on 25 November 2021.

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), Saldanha Bay Industrial Development Zone Licencing Company (SOC) Ltd (SBIDZ) 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 received its fourth consecutive clean audit, and the SBIDZ received its sixth consecutive clean audit, while Wesgro received an unqualified audit opinion. The ASEZ tabled its first Annual Report for deliberation and received a clean audit from the Auditor-General.

3. Deliberations on 2020/21 Annual Reports

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

- 3.1.1 The year under review was filled with unprecedented challenges in the form of the COVID-19 pandemic, which impacted negatively on the Western Cape's economy. This forced the Department of Economic Development and Tourism (the Department) to navigate the restrictions placed on the Province through the lockdown Regulations. However, the Department managed to open certain sectors in the Province; it facilitated the re-opening of George Airport, provided funding to struggling businesses through the COVID-19 Relief Fund and assisted businesses to access further funding such as the Temporary Employer/Employee Relief Scheme. The Department also assisted businesses with workplace safety concerns and challenges.
- 3.1.2 The Department's organogram indicated a number of vacancies, particularly at senior management level. This was also the case in the previous financial year. This was because the organogram contained in the 2020/21 Annual Report did not reflect the funded structure of the Department. Over the last few years, the Western Cape Government implemented an upper limit on compensation of employees. Therefore, some of the positions on the organogram could not be filled because the Department did not have the budget for it. However, these vacancies did not affect service delivery in the Province as the Department ensured that there was sufficient staff to deliver on the projects and programmes that were prioritised. Most of the vacancies were junior positions, where staff moved on to different positions in the Western Cape Government.
- 3.1.3 The Department spearheaded the Municipal Energy Resilience (MER) initiative, which empowered municipalities to procure electricity from Independent Power Producers (IPPs). The Department has provided support to the City of Cape Town and other municipalities across the Province, which allowed for households to generate electricity for their own requirements and feed excess electricity to municipalities. Households were able to generate electricity through Photovoltaic (PV) panels, however, the installation of PV panels was quite expensive. Therefore, the Department was in discussion with municipalities such as the City of Cape Town about alternative methods of payment for installation of PV panels, such as through rates and taxes.
- 3.1.4 One of the Department's focus areas going forward would be to address and navigate the challenges at the Port of Cape Town (the Port). Currently, the Port is unable to support the expansion plans coming from the agricultural sector. The Department has seen some progress at the Port, however, it has not seen systemic change overall. The Department has intensified its Ease of Doing Business efforts at the Port, especially in respect of the road-to-rail system and expanding services at the Port on a 24/7 basis. Other challenges included ageing and failing port infrastructure, slow recovery of backlogs and leadership at the Port.
- 3.1.5 In terms of challenges with respect to Digital Economy, the Department's Annual Report noted (from the World Economic Forum's Global Risks Report 2021) that "60% of adults lacked basic digital knowledge and skills when workplaces and schools across the world suddenly closed to curb the spread of COVID-19... Access to digital skills remains a constraint to the regional economy with some parties calling this the number one constraint in the Province". The Department spent R16 million on digital economy projects in the year under review, which

was very little money for such an important programme. The Department indicated that although broadband roll out in the Province now belonged to the Department of the Premier, some broadband matters still impacted on the Department's legacy projects, therefore, it had retained some of the staffing that was originally intended for broadband projects. The Department did not need full staffing for broadband matters as it was not their role to provide digital capabilities for the Province. The digital sector was a sophisticated and advanced sector that did not necessarily need government to "pump" money into the development of the sector. Rather, the Department played a major role in equipping youth with the digital skills needed in the Business Process Outsourcing and technology sectors so that they become employable in this field. The Minister indicated that digital skills were vital and should be prioritised, and that the need for further funding for digital economy projects should be explored with Provincial Treasury.

3.2 Saldanha Bay Industrial Development Zone Licencing Company (SOC) Ltd: Observations and Findings/Concerns

- 3.2.1 One of the opportunities identified by the Saldanha Bay IDZ Licencing Company (SBIDZ) was the revitalisation of the South African maritime industry. At least 30 000 vessels passed by South Africa's waters every year, while only 13 000 vessels docked in the South African ports. Only 5% of vessels were provided with maintenance services due to limited capacity in the ports. Improvement in the ports required major investment in port infrastructure from the public and private sectors, increased capacity in order to develop skills and strategic marketing.
- 3.2.2 The SBIDZ has noted the potential for offshore wind as a renewable energy alternative. Studies have shown that South Africa's coastline has potential for offshore wind, which needs to be further explored.
- 3.2.3 There was a plan for Liquefied Natural Gas (LNG) pipeline infrastructure, however, there was a delay with the implementation of that plan. The LNG plan was led by the Department of Mineral Resources and Energy under the IPP programme. Despite the delays, the markets could open for LNG for the Saldanha Bay, Coega and Richards Bay ports. Bid Window Six was expected to be published in February 2022, with the expectation that there would be a significant emphasis on "gas-to-power". There was significant interest from industry players.
- 3.2.4 It seemed that the SBIDZ's organogram indicated that the Entity was "top-heavy" in respect of management, however, top management personnel were operational and did not have personal assistants or secretaries.

3.3 Atlantis Special Economic Zone: Observations and Findings/Concerns

- 3.3.1 The 2020/21 financial year was the first fully operational year for the Atlantis Special Economic Zone (ASEZ). The ASEZ was fully compliant as a registered company, however, it has not been listed as a Scheduled entity by the National Treasury yet. The National Treasury is aware of this and processes have been put in place to finalise the process as expeditiously as possible. Once the ASEZ is registered as a Scheduled entity it will be able to fully transact as a government entity.

- 3.3.2 Following point 3.3.1, Wesgro was used as an incubator for the ASEZ. The ASEZ started operating as a company on 1 April 2020. In terms of Section 25 of the Special Economic Zone Act (Act 16 of 2014), the ASEZ had to be a provincial business enterprise. Additionally, according to the Public Finance Management Act (Act 1 of 1999), the ASEZ had to be registered as a provincial business enterprise in order to open a bank account. The ASEZ could not do this because they were not registered, therefore, the best option was to operate under the Wesgro financial platform. Wesgro was used as an “accounting conduit” while the ASEZ was waiting to be registered. However, this was challenging in respect of requesting financial and audit information from Wesgro as they were dealing with their own requests from the Auditor-General. This situation will prevail until the ASEZ is listed as a Scheduled entity.
- 3.3.3 When the ASEZ started, the mood in Atlantis community was very negative, however, this has changed completely over the last year, especially because of training opportunities that were given to community members.

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

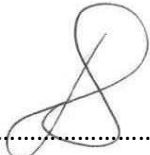
- 3.4.1 During the period under review, the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro) achieved all its targets except for the targets within the tourism and film arenas due to the COVID-19 pandemic and the subsequent Regulations and lockdown restrictions.
- 3.4.2 There were very few women who served on Wesgro’s Board of Directors. Wesgro was aware of this matter and noted that there were two women who recently resigned from the Board. However, the Entity was committed to ensure that the full diversity of the country was reflected in the Board.

4. Resolutions/Actions

- 4.1 The Committee REQUESTED that the Department of Economic Development and Tourism provide the Committee with the following:
 - 4.1.1 A detailed report on the impact and implementation of the FinTech degree;
 - 4.1.2 A detailed report on the Municipal Energy Resilience (MER) initiative and how households would be enabled to sell excess electricity;
 - 4.1.3 A list of businesses that benefited from the Department’s Red Tape Reduction initiatives, including details on how these businesses were assisted; and
 - 4.1.4 A list of companies that the Department assisted with accessing the Temporary Employer/Employee Relief Scheme benefits.
- 4.2 The Committee REQUESTED that the Western Cape Tourism, Trade and Investment Promotion Agency add the Committee Members to its emails list so that the Committee can have access to the Entity’s events, research reports and studies.

5. 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. The Chairperson also congratulated the ASEZ for the tabling of their first Annual Report, and welcomed Ms Wrenelle Stander, Wesgro's new Chief Executive Officer.



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ADV D BAARTMAN, MPP

CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM

DATE: 26 January 2022