

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

MONDAY, 31 JANUARY 2022

TABLING

The Speaker:

Tabling of documents in terms of section 132(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003):

West Coast District Municipality

- (i) Oversight Report on the Annual Report for 2020/21.
- (ii) Annual Report for 2020/21.

Copies attached.

COMMITTEE REPORTS

1. **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**

2. 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.

3. 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.

4. 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.

2. Report of the Standing Committee on Finance, Economic Opportunities and Tourism on its oversight visit to the Pick 'n Pay Market Stores in Langa, 25 August 2021, as follows:

Delegation

Members

Baartman, DM (Chairperson)
 Bosman, G (Alternate) (Acting Chairperson)
 Makamba-Botya, N (EFF)
 Maseko, L M (DA)
 Nkondlo, ND (ANC)
 Van der Westhuizen, AP (DA)

Staff Members

Adams, Z (Procedural Officer)
 Cloete, L (Senior Procedural Officer)
 Motsapi-Mrubata, M (Committee Assistant)
 Naidoo, W (COVID Compliance Officer)
 Abbas, T (Senior Logistics Officer)

1. Introduction

The Standing Committee on Finance, Economic Opportunities and Tourism (SCFEOT) embarked on an oversight visit to two Pick 'n Pay (PnP) market stores in Langa on 25 August 2021. The PnP Market Store Project forms part of the Department of Economic Development and Tourism's (the Department) Enterprise Development Programme.

The Minister of Finance and Economic Opportunities, Mr D Maynier, made opening remarks, informing the Committee that the PnP Market Store Project was an example of what could be achieved when the public and private sector joined hands to execute a programme that created new businesses and new employment opportunities in the township environment. There have been conversations about how this programme can be extended to other sectors, beyond retail.

The briefing was held in the Chamber of the Provincial Legislature Building (7 Wale Street, Cape Town). Once the briefings were concluded, the delegation engaged with the owners of Nabe Market and Thembi's Market and did a walkabout of the stores.

This report highlights the Committee's findings and recommendations stemming from the briefing and visit.

2. Briefing by the Department of Economic Development and Tourism on the Pick 'n Pay Market Store Project

2.1 Overview

The day commenced with a briefing from the Department of Economic Development and Tourism (the Department) on the Pick 'n Pay (PnP) Market Store Project, the challenges encountered and the employment opportunities created by the project.

The Department's delegation consisted of Mr Joshua Wolmarans, the Director for Enterprise Development, and Mr Sharief Davids, the Deputy Director for Enterprise Development.

2.2 Observations

- 2.2.1 The Department endeavoured to prioritise the enablement and development of township-based businesses. This has largely been done through the Enterprise Development Programme. The PnP Market Store Project focused on the establishment of mini super markets, either from existing spaza shops, or vacant and suitably located sites within townships. The initiative involved improving infrastructure (building, machinery and equipment) in the township retail sector. The Department has provided financial assistance to qualifying beneficiaries in the form of grant funding to facilitate the refurbishment and set up of the market stores.
- 2.2.2 The first market store opened in 2017. To date, a further seven stores have been opened. Two existing sites were upgraded, which resulted in employment increasing from 24 to 67 employees. The current employment within the stores amounted to 177 employees.
- 2.2.3 The PnP Market Store Project consists of various partners from the public and private sectors. PnP provided grant funding, the facilitation of loan funding, systems implementation and mentorship, while the Department contributed to grant funding, the facilitation of municipal applications and loan funding. The City of Cape Town contributed to electricity upgrades, and organisations such as the Old Mutual Foundation, Masisizane Fund, the National Empowerment Fund, Brimstone Investments, private sector banks and the Small Enterprise Finance Agency contributed towards grant and loan funding.
- 2.2.4 PnP experienced challenges related to municipal planning regulations, finding suitable locations for market stores, identifying appropriate store owners and finding low-cost funding options. However, PnP has had constant interaction with municipal

officials to fast-track applications, held intensive training sessions with store owners, and have reached agreements with funders to access development funding.

- 2.2.5 PnP market store owners have indicated challenges concerning limited trading hours (related to the COVID-19 lockdowns) and the impact of their cash flow, high electricity costs, salary and wage challenges, recent taxi violence and subsequent disruptions, and issues around the ordering of stock for stores. The Department was in the process of engaging the City of Cape Town about the electricity charges and appointing a “consumption” consultant to identify potential power savings. The Department was also reviewing the roles of staff members within the stores. There were dedicated project team members on standby to assist owners with daily operations.
- 2.2.6 The financial statements for all seven PnP market stores showed a general trend of a slight decrease in sales in June 2021, which PnP indicated was normal for the winter season.
- 2.2.7 The Department continues to do research around township economy and what the challenges are, in order to understand the landscape of townships in which they are going to operate in. It was critical to look at the development of the township economy in the context of infrastructure development, planning legislation, low-cost funding as well as crime and safety. The Department engaged extensively with the City of Cape Town as well as other municipalities to identify sites for market stores.
- 2.2.8 The Department has been working on a Township Economic Growth Strategy, which will be reviewed as part of a larger Western Cape Economic Growth Strategy.
- 2.2.9 Once a store launches, there is aftercare support in the form of a team that engages with all the owners of the different market stores. The manager responsible for a store is deployed to that store when there are any challenges. PnP has also deployed other managers to stores where specific skills were needed. The Department and PnP engages regularly to ensure that the stores operate smoothly and that the owners receive the support that they need.
- 2.2.10 In order to identify store owners, PnP engaged extensively with various business forums in identified areas. These business forums would then enquire within the community whether there were any persons/entrepreneurs interested in opening a market store. PnP would then visit the area and assess the entrepreneurs. If the outcome was favourable, PnP would move forward with the market store project.
- 2.2.11 PnP market store owners have access to PnP’s supplier database, where the owners are able to purchase products at the same price as other PnP stores. However, PnP also allows for store owners to purchase from local suppliers, for up to 30% of their supply. The Department indicated that they would engage further with PnP about maximising the benefit of including local supply into the market stores in townships, especially from small businesses. The challenge was that PnP audited all their suppliers in respect of quality of the produce. If a customer became ill because of a product, it was possible that they would not blame the local market store owner, but would place the blame on PnP, in general.
- 2.2.12 The Department indicated that the partnership with PnP came about after extensive calls for engagement with “retail giants”. The Department will embark on this process again in the future to ascertain the appetite of other retailers to launch more market stores in townships.

3. Engagement with Mr B Ntshuntshe, the owner of Nabe Market, a Pick ‘n Pay Market Store in Langa, as well as Pick ‘n Pay Stakeholders

- 3.1 Nabe Market commenced trade on 21 August 2020 and has 18 employees. Nabe Market’s latest turnover in June 2021 was R784 386,00.

- 3.2 The owner of Nabe Market, Mr B Ntshuntshe, was born in Langa. His grandfather owned a spaza shop, which was where Mr Ntshuntshe gained experience with spaza shops.
- 3.3 Human resources and labour processes were determined by the owner of the market store.
- 3.4 If there were any “waste” products, these were often donated to different places that needed them as well as funerals.
- 3.5 Nabe Market had an advantage in the area over surrounding businesses because it offered hot foods/meals via its deli section, in-store.
- 3.6 PnP provided Nabe Market with grant funding, which contributed to the purchase of machinery, tills and computer equipment etc.
- 3.7 Mr Ntshuntshe has increased his revenue since opening Nabe Liquor, next to Nabe Market. The liquor is also purchased through the PnP supplier database system.
- 3.8 Mr Ntshuntshe has implemented a local bicycle delivery system since there are many older residents in Langa, who would like to purchase from Nabe Market but cannot come to the store.
- 3.9 Market store owners are able to purchase up to 30% of their stock from local suppliers. PnP does not give the owners approval for this, instead, the owners are given guidelines by which to conduct their business. The guidelines also enable owners to understand their budgets and how to sell and promote their products.
- 3.10 Nabe Market recently opened its bakery and has started selling rolls to local businesses. They receive the specifications for what these businesses need and bake the goods according to those specifications.
- 3.11 Mr Ntshuntshe indicated that in order to be successful and get the approval from the community in Langa, one had to be very involved in the community beforehand.
- 3.12 Mr Ntshuntshe leases the property from the Nabe family.

4. Engagement with Ms J Thembi Dike, the owner of Thembi’s Market, a Pick ‘n Pay Market Store in Langa, as well as Pick ‘n Pay Stakeholders

- 4.1 Thembi’s Market commenced trade on 28 August 2020 and has 10 employees. The latest monthly revenue for June 2021 was R426 199,00.
- 4.2 Ms Dike indicated that she did not open a market store to become wealthy; she saw it as a means to support herself and her children.
- 4.3 The Department of Economic Development and Tourism provides owners with a grant of R500 000, which is utilised to repair the roof, electrical work and plumbing, etc. This grant money is transferred to PnP, however, the store owners must sign off on invoices to indicate that the services have been rendered.
- 4.4 Ms Dike indicated that one of the challenges was not being able to purchase smaller-sized, canned beverages, as these were not available on PnP’s database. This was a matter that PnP was looking into.
- 4.5 Ms Dike indicated that another challenge was that she had changed to a Nedbank account, which is a requirement in the PnP model, when she opened the market store. However, when her account was debited every month, she paid extensive fees when she did not have sufficient funds in her account. PnP indicated that they were engaging with banks to see how they would be able to reduce the bank expenses for these market stores.
- 4.6 PnP indicated that they held frequent workshops with market store owners where they were able to discuss any of the challenges they were having, and where they could assess their financial statements to see where expenses could be reduced. This has created an opportunity for PnP to identify or highlight areas of concern for market store owners, however, it is the owners’ choice whether they implement the changes.

5. Resolutions/Actions

The Committee REQUESTED the following information from the Department of Economic Development and Tourism and Pick ‘n Pay:

- 5.1. The breakdown of funding allocations provided by the Department and Pick ‘n Pay to Nabe Market and Thembi’s Market;
- 5.2. An update on the issue raised by Ms JT Thembi in respect of the high banking fees;
- 5.3. A brief report on the results of the interventions undertaken by the Department and Nedbank on issues raised by Nabe Market and Thembi’s Market;
- 5.4. A brief report on (a) the recruitment and selection processes used to identify potential market stores owners, (b) the opportunities for market stores owners to add specific items to the Pick ‘n Pay inventory system and to engage with Pick ‘n Pay supply chain in respect of this matter, and (c) the amounts contributed to a Pick ‘n Pay market store in Cape Town by various roles players such as the Department of Economic Development and Tourism, Pick ‘n Pay, the City of Cape Town, etc.;
- 5.5. A list of the market stores within the programme in operation that have brought in the 30% local supply allowed by Pick ‘n Pay, and the types of local products they have brought in to the market stores;
- 5.6. Clarity on whether the local supply brought in by market store owners has been integrated into Pick ‘n Pay’s automated supply chain system;
- 5.7. Clarity on whether the City of Cape Town or Eskom supplies these market stores with electricity, the electricity tariffs being paid by market store owners, and clarity in respect of whether bulk water, drainage and electricity infrastructure support is provided for market stores; and
- 5.8. An update, in the form of a brief report, on the Gugulethu NY 115 market store, which had experienced some challenges.

6. Acknowledgements

The Chairperson thanked the Minister, the Department of Economic Development and Tourism, Mr Ntshuntshe, Ms Dike and the stakeholders from Pick ‘n Pay for their willingness to meet with the Committee and to share information with the Committee and each other.