
TUESDAY, 20 OCTOBER 2020

PROCEEDINGS OF THE WESTERN CAPE PROVINCIAL PARLIAMENT

The sign † indicates the original language and [] directly thereafter indicates a translation.

[Hybrid sitting held with some members present in the House and some in virtual attendance through Microsoft Teams]

The House met at 14:15.

The Speaker took the Chair and read the prayer.

BUSINESS OF THE HOUSE

The SPEAKER: You may all be seated. Order hon members! As you may well be aware this is a hybrid session. Let me welcome the hon, the Premier of the Western Cape Government and, of course, welcome the honourable members present in the House, both virtually and in the presence here in the Chamber, and request that the session be orderly. As we all know that what makes the sitting orderly is that we observe the Rules as agreed to in terms of our hybrid and, of course, virtual sessions, but if you so wish to speak at any given time you lift your hand and the Presiding Officer will recognise you,

and if there is an opportunity for a point of order you may do so again following that process; and that there is no heckling. As we all know we have agreed that such is not permitted and, of course, if you do so it will be ruled out of order.

I would also want to refer to, hon members, in particular to Rule Number 40 of the Standing Rules, that we do whatever we do here to advance the course of democracy, but doing so in an orderly fashion.

I also want to request that the members of the media, our Fourth Estate, we always welcome you being present in our sessions, and we appreciate that without you there is no democracy. However, it is important that you do not switch on your microphone and also you do not switch on your video, that you observe the session and do so as you would otherwise do here in the Chamber in the gallery.

At this point I would like to thank all the members present and of course we are here because we would be listening to the Minister of Finance to deliver the PERO and the MERO.

Now in that case let me call upon the hon Minister of Finance to deliver the Provincial Economic Review and Outlook and the Municipal Economic Review and Outlook. I recognise the hon Minister.

An HON MEMBER: Hear-hear! [Applause.]

**PROVINCIAL ECONOMIC REVIEW AND OUTLOOK AND
MUNICIPAL ECONOMIC REVIEW AND OUTLOOK**

The MINISTER OF FINANCE: Thank you, Speaker.

Hon Speaker, hon Premier and Cabinet colleagues; hon Leader of the Opposition and hon members of the Western Cape Provincial Parliament; I would like to begin by thanking you for the opportunity to introduce the Provincial Economic Review and Outlook 2020, together with the Municipal Economic Review and Outlook 2020, today in Parliament.

These two world-class documents, which are commonly known as the Speaker has pointed out, as PERO and MERO, are produced annually by Provincial Treasury, and contain a review and analysis of economic growth trends, sectoral developments, labour market dynamics and socio-economic developments across the Western Cape.

This year's edition also provides valuable insights on the impact of the COVID-19 pandemic on the global, national and provincial economies, and importantly, looks at unique opportunities for growth and investment as we move towards rebuilding our economy in the Western Cape.

Not only do these documents provide valuable data and insights for policy-makers, municipalities and provincial governments on key economic issues, but they also provide valuable data and insights for business leaders, for

economists and for the media and for those looking for investment opportunities in the Western Cape.

The PERO and MERO also provide the important data and evidence that we need to guide the urgent implementation of our recovery plan in the Western Cape.

Hon Speaker, when I tabled the PERO and MERO last year, we were cautiously optimistic about our economy in the Western Cape, which was showing green shoots of recovery following a devastating drought. We were also cautiously optimistic about the pace of our economic recovery, which would be slow due to a looming recession. However, that cautious optimism was shattered as the reality of the global COVID-19 pandemic hit, with the immediate health crisis very quickly resulting in a global economic crisis. At the time we could not have imagined the size and the scale of the COVID-19 pandemic, nor the impact it would have or will continue to have on our future. Faced with the prospect of a health pandemic that we had never seen or experienced before, we took immediate action to save lives.

We have a lot to be proud of in the Western Cape. As a result of our immediate health response, we were able to flatten the curve and limit the spread of COVID-19, and now, with the easing of restrictions, we are ready to continue rebuilding our economy in the Western Cape.

Hon Speaker, the COVID-19 pandemic will have a long-term impact on the

lives of every South African. We dare not forget that people have lost jobs, people have gone hungry and people have lost loved ones. When we entered the national lockdown on the 27th March 2020, South Africa was already experiencing its third consecutive quarter of economic decline as a result of pre-existing vulnerabilities, slow economic growth, high unemployment, unreliable electricity supply and failing State-Owned Enterprises.

Our tourism and liquor industries in the Western Cape were particularly hard hit due to the travel and alcohol bans in place under COVID-19 lockdown restrictions, with the wine industry losing an estimated R300 million per week under Alert Level 5 restrictions with 350 wine producers in danger of going out of business. The pandemic has caused a major setback for us in the Western Cape.

Speaker, we expect the global economy to contract by 4,9% in 2020 and rebound by 5,4% in 2021. We expect the national economy to contract by 9,8% in 2020 and rebound by 3,3% in 2021, and we expect the provincial economy to contract by 6,9 % in 2020 and rebound by 3,8% in 2021. We expect a slow economic recovery in growth, but we also expect the provincial economy to grow at a faster rate than the national economy in South Africa. Overall, the economy in the Western Cape is expected to grow at an average annual rate of 1,0% between 2020 and 2024, while the rest of South Africa is expected to grow at an average annual rate of just 0,7%, again between 2020 and 2024.

Speaker, on jobs we have a higher-than-average labour force participation rate of 55,2 % in the Western Cape, and the lowest expanded unemployment rate in South Africa at 27,3 %, but we estimate that in the Western Cape, 151 744 jobs will be lost in 2020. The fact is that there are still too many people, especially young people, who do not have jobs or have given up looking for jobs in the Western Cape. And so we are working hard to support more entrepreneurs and create an enabling environment for the private sector to lead growth, which will lead to, of course, the long-term economic recovery of the Western Cape.

Speaker, on safety we have a decrease of 22,9% in drug-related crimes; a decrease of 1,8% in driving under the influence of alcohol or drugs; and a decrease of 6,2% in property-related crimes. However, crime statistics continue to paint a grim picture of the levels of violence, especially against women and children, in the Western Cape. And the fact is that there are still too many people, especially women and children, who live in fear and are victims of murder, of rape and of sexual assault in the Western Cape., and so we are working hard to implement a whole-of-society approach, focused on targeted, hotspot policing and social interventions to ensure the safety of all those living in the Western Cape.

Speaker, on dignity we have an increase in the Human Development Index across all districts in the Western Cape; the highest life expectancy in South Africa; the highest average learner retention in South Africa for Grades 10 to 12 and a matric pass rate of 82,2% with the highest percentage of distinction

passes in South Africa.

However, as a result of the COVID-19 lockdown restrictions, we expect to see an increase in inequality and an increased reliance on social grants as household income decreases as a result of increased unemployment in the Western Cape. The fact is that there are still too many people who are hungry, who do not have opportunities and whose basic needs are not met in the Western Cape, and so we are working hard to strengthen foundations in early-childhood development and increase the wellbeing of all those who live in the Western Cape.

Speaker, as we look to rebuild our economy in the Western Cape, the PERO and MERO outline the many challenges that we face, an unstable national economy with increasingly unsustainable debt levels; load-shedding as a result of a critically constrained national electricity grid and the continued burden of failed zombie State-Owned Enterprises like South African Airways. Add to these the challenges as a result of the COVID-19 pandemic, a collapse in global travel, with our tourism sector unable to restart because of the Red List, which kills our key source markets for international tourism; restrictions on the sale of alcohol, which have severely impacted our hospitality and tourism sectors, and which have not yet been fully lifted; the digital divide, where those who do not have access to the internet and technology are at risk of being left behind, as the use of digital technologies accelerates with more people working from home or moving to hybrid working environments; and most importantly of all, the risk of an

acceleration of COVID-19 infections and a second wave in the Western Cape.

Speaker, considering these challenges and the importance of economic recovery at this time, this year's edition of the PERO and the MERO also includes a focus on identifying unique developments and investment opportunities.

Our agricultural sector has had a better than expected year, despite the predictions caused by the impact of the drought. In July and August, South Africa exported almost R8 billion in citrus in what is expected to be one of the best seasons on record. This was thanks to a solid local harvest, but also strong demand, especially in Europe for vitamin C, as COVID-19 caused consumers to become more conscious of protecting their immune systems. And much of this has come from the Western Cape, which produces 79% of South Africa's soft citrus, 60% of South Africa's oranges and 49% of South Africa's lemons.

Over the past decade, exports in the Western Cape grew on average by 2,1% per annum which has been stronger than the rest of South Africa, which experienced an average annual growth of 1,5%. This can mainly be attributed to the province's relative comparative advantage in agricultural and agri-processing space. In fact, the agri-processing sector contributes approximately 9,9 % of national exports and 4,4% of total employment in South Africa, and in 2019, the Western Cape contributed more than 90% of national exports of blueberries, of bulk wine and of pears, and more than 80%

of table grapes, of bottled wine and of apple exports.

Speaker, a recent announcement by the National Government that municipalities in good financial standing can now generate and procure their own energy opens significant opportunities for investment in the Green Economy in the Western Cape, especially considering that we are the province with the most municipalities in good financial standing in South Africa. Our Municipal Energy Resilience Project is working hard to ensure that Western Cape municipalities can take advantage of the new energy regulations and become the first to purchase energy directly from independent power producers, and we have our Atlantis Special Economic Zone which is perfectly positioned to play a key role in the development of the renewable energy sector and our economic recovery in the Western Cape.

We have worked hard to support the establishment of this green-tech, export-orientated manufacturing hub in order to attract investment that leads to increasing exports and localisation of green technologies, which will ultimately enable the Green Economy to create jobs in the Western Cape.

Speaker, the technology-focused reality of the post-COVID-19 world has meant a sharp upswing in Business Process Outsourcing or the BPO sector, which offers significant opportunities for growth and employment, especially among young people, currently employing over 60 000 people in the Western Cape. Through our Skills Development Programme we invested R30 million toward stipends that support youth placements in the BPO sector. The result

is that over 1 000 young people have opportunities in the BPO sector in the Western Cape. In addition, as a result of the considerable resilience and adaptation during the COVID-19 pandemic, the BPO sector created a further 5 160 new jobs between April and September in the Western Cape.

Speaker, the MERO also gives us a good indication of where we can look for green shoots at a local level too. The West Coast District has had some major setbacks with the ArcelorMittal Steelworks plant now placed in care and maintenance, but the Saldanha Bay Industrial Development Zone is a reason for hope, actively creating jobs and driving growth in the construction sector for the municipal area. To date the Saldanha Bay Industrial Development Zone has signed 11 lease agreements with an investment value of more than R3 billion and has a pipeline of 60 investors which continue to be pursued. The West Coast District also attracts a combination of overseas and domestic visitors and just last month I was lucky enough to visit the West Coast National Park, the San Cultural Centre and the West Coast Fossil Park.

Speaker, between 2014 and 2018 the Garden Route District's economy grew slightly faster than the province's, at 1,5 %. This was mainly driven by the George Municipality with a regional GDP value of R17,9 billion in 2018. The Garden Route District is a very popular tourism destination, the pre-COVID-19 receiving visitors throughout the year.

While the COVID-19 travel restrictions have had a severe negative impact on

the tourism sector in this region, the District's tourism landscape is very competitive, with a range of attractions and activities that can cater to all travel requirements. I can personally attest to this when I visited the region in September and went horseback-riding, visited the Garden of Eden and even completed the world's longest over-ocean zipline – all in one day.

Speaker, the Central Karoo has been particularly hard hit by persistent drought conditions in recent years, which has had a negative impact on economic activity in the region. Good rainfall in 2020 means that our dams are on their way to recovery.

Beaufort West remains the highest contributor to regional GDP in the Central Karoo, while the other two municipalities, Prince Albert and Laingsburg, are reliant on the agricultural, forestry and fisheries sector, which makes these economies vulnerable to climate shocks and water scarcity. At the same time this sector offers competitive advantage to the region and plays a key role in employment.

The Central Karoo District largely attracts domestic short-stay tourists but diversifying the tourism offering available in the district to encourage longer visitor-stays, is an opportunity to increase tourism spending in the region, which is why, last month, Premier Alan Winde and I launched the Karoo Crossing Route in Prince Albert, which is a 358 kilometre journey and the fifth route in the Cape Cycle Route network.

Speaker, the Overberg District, which I know you have a special care about, has maintained a positive trade balance for the past 10 years with the Theewaterskloof Municipality contributing the most to exports in the region at 57,8%. The Overberg is the largest exporter of fresh apples and pears in the country, having exported R539,9 million worth of apples and pears in 2019. The Overberg is also a popular destination for both international and domestic tourists. The data shows that most visitors stay overnight, but only for one night, and there is also an opportunity for the Overberg to innovate and to encourage longer stays and increase tourism spending in the region. Research shows that there is pent-up domestic demand for travel in wide open spaces in the Overberg, which already caters for sport enthusiasts and eco-adventures with a diversity of outdoor and nature activities on offer, is well-placed, I think, to benefit from our Domestic Tourism Campaign as part of our COVID-19 recovery strategy.

Last month I visited Hermanus and besides joining in on the “Jerusalema Challenge” at the Hermanus Harbour, I was also able to take a whale-watching excursion to experience the beauty of our active marine life in the region.

Speaker, the Cape Winelands District was valued at R67,5 billion in 2018, and contributed 11,4% to the Western Cape’s total GDP and 15,3% to total employment. However, the result of the COVID-19 lockdown restrictions on business activities in the districts, including the wine industry, is likely to be severe in 2020.

The Drakenstein Municipality contributed the most to exports in the Cape Winelands District in 2019 with wine and grapes being the largest export product for the District, valued at R5,7 billion in 2019. The District is also an attractive destination for international and domestic tourists, with 91,1% of people visiting the District for leisure purposes in 2019, taking part mainly in cultural and heritage activities, and of course, wine-tasting. I visited the Cape Winelands during the height of the lock-down and experienced firsthand the negative impact of the closures on businesses in the area. However, the Cape Winelands is likely also to benefit greatly from our *We Are Open* Domestic Tourism Campaign, given, of course, its proximity to Cape Town.

Speaker, finally, the Cape Metro region was valued at R423,2 billion in 2018, contributing 9,7% to the national economy and 71,8% to the provincial economy, and in 2019, the Cape Metro had the lowest unemployment rate compared to all other metros across South Africa. The Cape Metro area also has a comparative advantage in communication, finance and insurance and business services sectors, of which, of course, the BPO sector is crucial for future potential growth. The Cape Metro area also has a comparative advantage in terms of food and beverage manufacturing. This sector has been achieving above-average growth, creating an average of 1 069 jobs annually between 2014 and 2018. While it was negatively impacted by the drought, this sector has potential to see some considerable post-COVID-19 growth and investment.

Cape Town is ranked as one of the top 15 most competitive cities in the world and attracts large volumes of domestic and international tourists. The resumption of international travel will be crucial for economic recovery in the City of Cape Town.

In 2019, Cape Town International recorded over a million international arrivals and over four million domestic arrivals. I visited the airport earlier this month to welcome the first international flight from the UAE, which was an exciting occasion, and although the Red List continues to constrain our international travel reopening, we are fighting hard to have this list scrapped.

Speaker, last week President Cyril Ramaphosa said: “In the aftermath of a fire, green shoots begin to emerge”, but the truth is that in the middle of the fire, green shoots can emerge too!

What Government and the people in Government have achieved in the fight against COVID-19 is nothing short of extraordinary in the Western Cape. The Chairperson of the COVID-19 Ministerial Advisory Committee, Professor Salim Karim, recently commended the Western Cape, saying that, “we learnt from them, they became the teachers telling us what they did. They are blessed with the ability to really understand each other and work with each other.”

Not only has the excellence of our health response been recognised in South Africa, but our resilience, having successfully responded to two major

shocks, a drought and a pandemic, is another reason investors feel confident investing in the Western Cape.

Speaker, in summary, we expect a slow recovery in economic growth in the Western Cape, but we also expect the provincial economy to grow at a faster rate than the national economy in South Africa.

We can, and we will, bounce back in the Western Cape. However, we do need to face the fact that too many people do not have jobs, too many people are victims of crime, especially violent crime, and too many people are poor and cannot meet their basic needs in the Western Cape, which is why Premier Alan Winde has announced a new set of priorities - “Jobs, Safety and Dignity”, which together form the pillars of the recovery plan in the Western Cape, and so we look forward to Premier Alan Winde’s special provincial address later this week where he will outline the tough choices necessary to deliver jobs, to deliver safety and to deliver dignity in the Western Cape.

Speaker, I hereby table the Provincial Economic Review and Outlook 2020 and the Municipal Economic Review and Outlook 2020 for consideration and deliberation by this Parliament. I can assure hon members that the Provincial Economic Review and Outlook 2020 and its twin, the Municipal Economic Review and Outlook 2020, are world-class research documents that will assist them in their duties in this Parliament, and I would finally like to thank everybody who made contributions and who worked so hard to produce the Provincial Economic Review and Outlook 2020 and the Municipal Economic

Review and Outlook 2020.

I thank you. [Applause.]

The CHIEF WHIP (DA): Hear–hear!

The SPEAKER: Thank you, hon Minister. Hon members, the Provincial Economic Review and Outlook as well as the Municipal Economic Review and Outlook will now be referred to the relevant committee for consideration.

I would like to request that the members of the Budget Committee remain behind in order for the session of that specific committee to begin in the next five minutes in the Chamber. That concludes the business of the day and the House is adjourned.

The House adjourned at 14:45.