

**SPEECH BY HELEN ZILLE
MAYOR OF CAPE TOWN**

THE CITY MEETS BUSINESS

ARABELLA WESTIN SHERATON HOTEL, FORESHORE, CAPE TOWN

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1. Introduction

I would like to thank Dr Gerald Woolman and the Cape Chamber of Commerce for inviting us to this important engagement.

I hope that by the end of today's session you will feel that this year's theme 'the City Means Business' is mostly justified.

But I can assure you that we are not here to congratulate ourselves.

After the City has given its input and report on progress, I would like to hear what we can do to further improve the services and infrastructure that you need.

Your businesses are the economic engine of our city.

And as I have said to you in previous City Meets Business forums, our main goal is to attract and grow investment and skills in Cape Town, and to do so in the context of a competitive global economy where these commodities are highly mobile.

We recognise that in South Africa we need the private sector to create jobs and drive development.

One of the ways we are seeking to encourage private sector growth is through rapid infrastructure investment. This is our strategy of 'infrastructure-led economic growth'.

We are also constantly monitoring the key constraints to opening and running businesses in Cape Town, and doing all we can to address these constraints.

It is important for us to hear from you about where we are living up to this objective, and where we still need to improve things.

2. Basic Infrastructure

With Cape Town's rapid growth from 800 000 people to 3.4 million in the past 50 years our infrastructure is under great strain, so we have to move fast to catch up with the backlogs and get ahead of the curve.

Failed infrastructure is bad for everyone, especially business, while pro-active infrastructure investment generally facilitates and encourages growth.

To ensure we can be pro-active, we have overhauled our organisation so that it can deliver more efficiently.

We now have a single organisational structure, pay parity, and unified conditions of service for the first time since the amalgamation of 7 municipal administrations in 2000.

In the past two years we have filled 2 800 critical vacancies, increasing our overall staff contingent from 21 000 to 23 000 (still well short of the 30 000 employees in 2000). But there remain a number of critical vacancies that must still be filled.

We are also introducing measures to increase the productivity of our staff.

We are installing electronic leave applications and fingerprint recognition technology for clocking in and out every day, which will ensure that everyone puts in full working days. And we are aiming to improve staff morale through programmes to retain skills, to address succession, and to ensure that employees get rewarded for merit. We have used a Markinor staff satisfaction survey to guide us in this regard.

Our bid to meet demand for infrastructure and services also requires more funding.

Last year we had a sharp increase in rates and service charges, and we boosted our capital budget from R2bn to R4bn. I am told by our finance officials that we are heading for record capital expenditure by the end of the current financial year.

At next week's budget meeting we will again propose R4 bn for capital projects, as well as an increase in our operating budget to around R16 billion.

But even with our improved income, we still need further finances to cover the infrastructure investments we need to make.

We have decided to issue municipal bonds in order to raise about R6bn to 7bn for this purpose.

Our current external borrowings of R2,3 billion are mainly from the commercial banking sector and the Development Bank of SA, and further lending sources are currently in short supply.

Selling bonds is a cost effective means of raising funds at fairly short notice, and preliminary studies show that markets would receive our bonds well, especially considering that we have again achieved the highest credit rating among SA's municipalities (Moody's AA2).

Subject to Council approval next week, we will go on a roadshow early in June to promote and inform interested parties of the details of our bond programme.

We are expecting to issue our first round of 1 billion municipal bonds (with 10 million being the smallest share available) on 18 June, and we expect settlement and listing by 23 June.

Over the next three to five years we hope to issue a total of 7 billion bonds to be traded on the Johannesburg Stock Exchange.

These additional funds will help us get into pro-active mode so that we are not only keeping up, but also making Cape Town more attractive and facilitating rapid new investment.

The investment possibilities that a new public transport system would create for Cape Town is a particularly good example of what I mean, which is why I have asked our transport officials to give you a detailed presentation on our proposed scheme.

3. Cape Town's Public Transport Plans

An effective public transport system will reduce travel times, and, crucially, free up new commercial and business developments (especially in the CBD) that were previously at the mercy of restrictions imposed by Transport Impact Assessments.

For instance, the R2.5bn Strand on Adderley Development initially incorporated plans for 2 000 parking bays, but may have to reduce this substantially because of congestion considerations. This in turn affects the capacity of the whole development.

If we have a good public transport system, it means less space needed in CBD areas for cars, and it means more customers and workers can enter the CBD to do business.

It also increases the value of properties along formally established public transport routes – as seen after the opening of the Jubilee Underground Line in London, for example.

In planning a new public transport system for Cape Town, the City has some important decisions to make.

Firstly, we have had to decline the Provincial Government's proposal that it take over our public transport operating responsibilities through a Public Transport Operating Entity. The Constitution makes public transport within municipal boundaries a municipal responsibility. The National Land Transport Transition Amendment Bill and Cabinet's National Public Transport Strategy likewise place the responsibility for municipal public transport with local government. We therefore could not legally or sensibly hand this responsibility over to Province.

Secondly, we have had to establish a clear sense of what we want from a new public transport system after 2010.

Our goal is to attract 20% of current car users in the medium term, reducing the strain on our roads, and bringing in all of the other benefits I have already mentioned.

Ideally, for this to happen, we need an adequate and properly linked transport network that is self-sustaining.

On the one hand, improvements in rail transport will help us to achieve this.

The SA Rail Commuter Corporation is investing heavily in better trains and stations, while the City is proposing to improve safety at train stations and transport interchanges by closing them off in secure precincts, assigning dedicated security guards, providing weather protection, and introducing access by smart cards.

On the other hand, we want to link this improved rail service to a Bus Rapid Transit system, which will function like a light rail service, although at about one twentieth of the cost.

A Bus Rapid Transit System would involve putting dedicated bus and taxi lanes on a number of routes around the City, while at the same time re-organising the entire bus and taxi industry under a single smart card system.

Our vision is to invest R2.8 billion in a comprehensive network, and to complete Phase 1 by 2010.

I must emphasise that the business plan for this project still needs to be worked through our portfolio committees and Council will have to take the final decision.

We may also need to introduce some creative public-private partnerships to help fund the initiative. Because if it stumbles and fails it will only be because of funding.

But I believe that we must not miss this unique window of opportunity, where national government stands ready to put billions into new infrastructure for Cape Town.

National Government has responded very positively to our proposed plans, and has already made a provisional offer of R836 million toward our scheme.

The fact is, we need a large up-front investment to create a self-sustaining system by increasing the number of users.

Among other things, this would eliminate the need for the current Provincial bus subsidies of R480 million per annum, which Provincial Government was hoping to extend to taxis by increasing it to R1.2 billion per annum.

We are also working to get the minibus taxi industry involved, and there have already been signs of interest from industry stakeholders.

Unlike the Taxi Recapitalisation Program, which was met with resistance, the Bus Rapid Transit System would be advantageous to taxi operators.

There are a number of incentives, which will be outlined in our presentation, but essentially the principle is more passengers and more profit.

The Bus Rapid Transit system was first implemented in Curitiba in Brazil, and was later introduced to other Latin American cities like Bogota in Columbia. It has been so successful that it has since been taken up by Paris, Brisbane, Los Angeles and other 'developed' cities.

The important point for us is that it was able to work in Bogota, where crime was rife and the private transport industry was just as difficult to manage as Cape Town's taxi industry.

I should also point out that this system reduces the travel times of private cars as well, since it takes public transport 'out of the way'.

We have brought in a top team to assist the City in designing and implementing our public transport plans.

International transport expert Lloyd Wright has joined us from Bogota, where he helped design and implement their system. We also have the former mayor of Bogota, Alderman Enrique Penalosa coming to Cape Town to assist us.

4. 2010 Stadium

Apart from improved public transport, we also need to get the Green Point Stadium finished ahead of 2010.

So far it is about 35% complete.

After 2010 the 68 000 seat stadium will be reduced to a 55 000 seat multi-purpose stadium.

We are on schedule to hand over the stadium to FIFA for final inspection at the end of October 2009 and for final completion by 15 December 2009

We have lost 6,5 days because of labour disputes.

The roof tender of R429 million will see the first components delivered in July and construction of the roof is due to start in August.

There is still a funding gap of R500 million for the stadium. The City is confident that with help from national and provincial governments the gap can be reduced. The gap is due to cost increases in building material and sub contracts, as a result of the booming construction industry. This is a national, not just a Cape Town problem.

The City will do its part by selling the naming rights of the stadium, cost-saving engineering, sale of corporate suites and a share of ticket sales

An international tender to sell the naming rights and find an experienced and successful operator post 2010 was issued on Monday. The closing date is 31 July 2008

The City has capped its contribution for the stadium at R500-million.

The upgraded Grand Parade is likely to be the centre of the official FIFA Fan Park extending in a Fan Mile towards the Waterfront and the stadium itself.

There are also plans for two public viewing areas with big screens and entertainment at Athlone stadium and the Bellville Velodrome, while a third venue on the Cape Flats is under consideration.

We are currently working on a marketing strategy for Cape Town as a Host City.

We aim to build excitement and attract the greatest possible economic benefits post the event.

We are starting with an increased awareness phase until the Confederation Cup comes to South Africa in July 2009.

Phase two will drive the message harder until we complete the stadium and host the final draw in December 2009.

Phase three will start in 2010 when we focus on preparation and anticipation.

In phase four, after the tournament ends in July 2010, we will exploit the global marketing opportunity that hosting 2010 will have created for us in order to promote long-term economic growth for our city through tourism and investment.

The City's approach is to use events, announcements and infrastructure or construction milestones as marketing, promotional, community and media opportunities.

We plan to organise events according to the phases I have outlined.

We will celebrate preparation milestones and work with several partners to align our energy and optimize resources.

The partners include yourselves, FIFA, the Local Organising Committee, the Cape Town Partnership, Cape Town Routes Unlimited, Wesgro, Cape Town Tourism, FIFA Sponsors, the Soccer family and surrounding Western Cape towns where many of the visitors, teams and their supporters will stay.

5. Challenges

I am optimistic about many of the projects I have described to you today.

But I am also aware that there are serious challenges still facing the City.

One of those is the breakdown in relations between the Provincial Government and the City of Cape Town.

In his budget speech last week, the Premier attributed the problem to the Erasmus Commission.

In fact, the Erasmus Commission has simply been the last straw following a long line of attempts by the Provincial Government to undermine the Multi-Party Government of Cape Town since the ANC lost the local government election in 2006.

The first time Province abused its power in this way was several months after the election when Local Government MEC Richard Dyantyi tried to change the system of governance in the City from an executive mayoral to an executive committee system in order to unseat our multi-party government and get the ANC back into office.

Following the failure of this attempted power grab, we have seen a number of other attempts to undermine the City, including protests led by the Premier and his MECs outside of the Civic Centre against our debt management measures.

In terms of his constitutional obligations, the Premier should not be undermining our revenue base, but instead encourage people who really can not pay to register on our indigency database. We have a very generous system to cross subsidise people who genuinely can not pay.

The Provincial Government has also tried to undermine the City's efforts to deliver housing more efficiently by refusing to grant the City housing accreditation.

Housing accreditation would allow the City to speed up housing delivery by cutting red tape and accessing funds for housing directly from National Government. National Housing laws state that Province *must* grant local government housing accreditation. The Provincial Government's refusal to abide by the law has meant we have had to enter a formal intergovernmental dispute to resolve the matter.

The Erasmus Commission is more of the same.

Our legal argument is that in launching the Erasmus Commission the Premier has tried to take on powers he does not have – he is trying to play policeman by falsely alleging that the City has conducted illegal spying and then setting up a commission to investigate when the police could find no wrongdoing on our part.

Ironically, the interim report of the Erasmus Commission itself supports this view – it states that the Commission could find no evidence of illegal spying by the City. And I can assure you that there was none. The Premier knows this. I have

had private meetings with him and I know he knows this. But it seems sufficient for his purposes if he can create the false impression that we have done something wrong.

As an alternative government surrounded by one-party dominance, we expected these kinds of political attacks.

We have learned to repel them while maintaining our focus on infrastructure and service delivery.

I hope that the court case currently underway will discourage Province from hatching any further schemes.

But with elections around the corner this may be a little too optimistic – there is no end to what they will try.

Another key challenge that lies ahead is for us to address all of the leading constraints to business in Cape Town (identified by WESGRO) that fall within the ambit of local government.

We are addressing high telecommunications costs through our broadband initiative, which is moving ahead this year.

We are addressing red tape through our ongoing red tape review.

For example, when the Chamber of Commerce recently raised concerns about delays in planning approvals we made it a priority to fix the problem.

To date, 77 of 110 vacancies in our planning offices have since been filled, with 10 further offers of employment finalised, 16 interviews underway and 7 further positions being advertised. While these vacancies were being filled we concluded four short term specialist contracts with consultant planners to handle backlogs in Blaauwberg, Table Bay and Helderberg. The City has also formed a task team with the Cape Institute for Architecture to look at ways of streamlining the approval process and improve turnaround times. The Task Team will report back at the end of July.

We have taken similar measures to address delays in finalising objections to municipal valuations, another process that has raised concerns among business and residents. We have already handled 20 000 residential objections but commercial and agricultural property objections are more complicated and take longer. We therefore contracted this work out to private valuers in March. So far 200 of 1600 commercial objections have been reviewed, and we expect to have 90% finalised by the end of June.

Streamlining processes and improving efficiency has also become a permanent item on our electronic performance management system, and we are also using a C3 electronic notification system to lodge, track and respond to complaints or service needs.

In addition, we are introducing a development facilitation unit to deal with serious snags to major investments caused by municipal processes.

Unfortunately, like labour laws and high taxes, many delays are the result of onerous legislative requirements that we cannot change.

In terms of unreliable electricity, another constraint to business, we are addressing the issue by supporting wind and solar energy initiatives, and national government is exploring new nuclear capacity. In the short term, we have called for a halt to load shedding except for under emergency circumstances, since this damages our electricity systems. It has also failed to reduce overall load, but rather shifts peak demand to different times. In terms of load shedding, consumer groups supplied from a common point can be exempted if they can demonstrate a 10% savings in electricity use. The same applies to large consumers who can be switched individually.

And in terms of crime, although we only have a limited role compared to the SAPS, we are employing more traffic and law enforcement officers, and introducing the rent-a-cop scheme to supply new metro police deployees to CIDS and neighbourhood watches.

I am sure that this list of constraints to business in Cape Town is not exhaustive however. Nor are our interventions to address them.

Which is why, after the presentation on public transport, I would like to hear from you about what we can do better, and if there are any cases where we are actually hindering investment in Cape Town.