

*COMPETITION
COMMISSION
GROCERY RETAIL
SECTOR ENQUIRY*

10 May Transcript

Competition Commission

I just want to. Just to open the hearing back to say that. The person that was meant to make a presentation and a submission Maphindi butchery hasn't hasn't arrived and so I'm just going to adjourn the proceedings and they are other people to make submissions and we will. And as soon as either Maphindi butchery arrives or arrives or the other persons are open to make a submission I'll reopen the inquiry. So for the time being we stand adjourned.

To Mr Magale from the **Drakenstein Municipality** to make submissions. And I hand the floor to you Mr Magale and thank you for coming and thank you also for for being willing to make your presentation now rather than later so that at least fill the gap between our submissions.

we need a microphone.

Mr Mogale: Drakenstein Municipality

I think it's. OK. You know thank you very much chairperson. And allow me this morning to greet everyone. And I am Peter Mogale as I was already introduced. I am from a place of excellence in the in the province and for the benefit of those that have not had of this place that place it's Drakenstein Municipality. And I'm from a unit of planning an economic development. OK so.

As I was saying I'm from a unit of Planning and Economic Development. And what we are precisely focused on in that unit its economy development within and the area and also

planning in terms of your land use rights and so on. As I continue my presentation will we look at the following or this will be the focus I'll just give an overview of us s the municipality what we are about and also and look at the grocery retail sector and where are the major players the heavyweights moving into and then look at licensing issues and regulatory frameworks, law enforcement, enhancement and our strategic interventions as the municipality and as I conclude I'll just give you some department remarks.

As I kick start I'm a just put a disclaimer on this presentation. To say that It might not cover all the aspects that the inquiry is looking at. And that is precisely because of other reasons beyond our control as the municipality and and also I might not also not be able to answer some of the questions. Precisely because I joined the municipality two months back so I don't have all the institutional memory.

This is just a little bit about us. We are a municipality that is located somewhere at the heart of the Cape Winelands district. And we consist of five towns that is Paarl, that is where the City of the municipality is at and we are also are in Wellington, Gouda and Saron. And as such we are the second largest municipality In the Western Cape. So if Cape Town is what we call the mother city and then that will obviously make us the to be the father city.

In terms of our values as I said it's all about excellence and chairperson allow me not to go through everything that is here. But obviously, we are we are different in more ways than one. If you look at the municipality, we house some of the major corporations and that has to do it obviously with the winery and the agri-processing units so we the hub there.

Chairperson one one one thing before I before I even move. Our economic hubs are in Paarl and Wellington and that is where you find some of the major grocery retailers. They are in Paarl and in Wellington.

In terms of our the number of large retailers that we have the total number is 21 and I can briefly give you an overview of peace in terms of Pick n Pay and so on. In terms of Pick n Pay plus You Save that is also part of Pick n Pay I was told we have we have 9 stores and also Woolworths its But a plus one because there is one Woolworths that is inside a garage so that makes it 4 but when we communicated with Woolworths group that side they indicative 3 but we know that they are actually 4.

In terms of we also have house shops and for the benefit of those that don't know what housetops are: House shops are really formal or informal trading like spazas and so on that are in a dwelling like caravan or a flat and so on. We have a process of approving there's this house shops. And in terms of our database we we have as of Friday last week we had approved 102 house shops. And. We also have Informal trading areas that are ten in the municipality and also the number of informal traders the total one the municipality we have by we had approved about 235 permits.

But also on this permits it's actually difficult for us to categorize them in terms of these are focused on groceries, these are focus one and that is precisely because we I mean they are multiple you find that this one is doing groceries plus other things and permit obviously is one. Yeah, I think that that is on the slide.

Now this picture. If we look at this picture this is actually if you look at closely in this picture this is actually the map of the municipality. This picture shows where they groceries the larger grocery sectors are moving into.

One of the most interesting thing about this picture. If we if we look at the CBD this is this is where everything used to happen in the CBD. And in the CBD all the all the major retailers are doing their businesses there. But also there are moving into they're moving into the Wellington as our economic hub. So, this is where I mean Secondly you will find most of them. There's a place called Mbekweni and this is a t ownship and in Mbekweni we find only Shoprite. And Paarl east and northland they are indicated there. Since the opening of Paarl Mall because it was not it was not there before. Paarl mall opened and when Paarl Mall it was a new development when Paarl Mall opened, Woolworths and Pick n Pay moved in.

And obviously as the Paarl Mall opened they took most of the business from the C.B.D. and people started to go to the mall and also there is a Laborie showing complex so most people also went into into Labor shopping complex.

From a growth perspective. We see that a major retailers are focusing on expanding into new development area us from from the municipality's point and this is precisely because of our improved infrastructure within the municipality.

In terms of informal informal market I must state from the onset. That it is difficult to estimate the size of this market. It's very difficult we but we're working on and we are working on it through our sector engagements. But we also have black owned enterprises within the municipality and they are many but we are aware of three of

them that there are obviously the bigger ones. There's one called Polarama and then there's one that we decided to call a Somalian Group and the reason is that they just an organized group that is formed of our dear brother from Somalia. So we just decided to call them a Somalian Group we don't know how to how to really classify them and they're also making it big in the municipality.

And as we continue.

Competition Commission

Sorry Mr Magale, the first one is it Pol what is it?

Mr Mogale: Drakenstein Municipality

Polarama

As we we are on Polarama what these people actually did they also opened what we call food rama . It's actually just an extension and I don't know what they decided to call it with the other name but I think it's a business strategy and they call it food rama its also there.

Thirdly or fourthly I will look at licensing. I'm sure that chairperson you'll be aware that the mandate of the municipality obviously we get it from that Act the Municipal Act and over and above that we are responsible for other things things and maybe offer interest to this inquiry will be that we are basically responsible for trading regulation and land use zoning. And, all the business rights the municipality its responsible their approval.

And also obviously when we there are people that decide to break some of the by laws we impose penalties on them. And. As we continue with licensing some of the requirements are that all the traders informal and formal and In formal traders they require licenses to operate. And trading is obviously permitted only in areas that are zoned for business.

And. As a plus for us we had established a system that identifies and demarcates trading areas But one significant thing In terms of strengthening the relationships. We We are in can constant contact with both the sectors through our focused sector engagements and also through our established I.D.P. forums. Just maybe let me just share this thing with you as I pass this slide.

Yesterday I attended one sector engagement and that was the youth Just out of interest I asked one guy that I was sitting next to that I know that is a trader in precisely Mbekweni. IU asked the gentleman; Since Shoprite moved into Mbekweni has it affected your business and he said to me not really because what Shoprite did was to actually draw consumers Yeah to that one sector place so it attracts people not to go into the C.B.D. and the Shoprite from the township it attracts all that and then he also benefits in that regard.

And in terms of the regulatory framework that we then the municipality we prescribes to. These are some of the some of the legislative imperatives. Allow me I mean I'm sure that you are an experts let me not even go through them but obviously the consideration of South Africa and and so on.

Allow me chairperson because I think that you are really experts with issues that has to do with the Constitution.

In terms of our law in force enhancement In the municipality we have got two types of arrangements to enforce the law. One in the municipality we have got a law enforcement section that is primarily responsible to check permits from informal traders and so on. So they do that occasionally. And yeah. And also I mean because we deal with food here the health issues there are a responsibility of the Cape Winelands district.

So when a trader comes and says that I want to go into I want to sell food I want to do this I want to do that that has to do with health Issues the person is referred to the Cape Winelands District Municipality and as such then we can we are able to approve such an application.

Some of the applications I mean the turnaround time with approved applications turn time being three days. Three days it's a maximum we approve applications. But and some of the things that the municipalities we had done. Is that we have got a thorough profiling of the sector we know exactly what who is who and what are they doing.

And. We have also improved business in municipal relations with the sector as I already indicated we have got sector engagements that occur now and then and when the need arises. And. And because of that there is a high level of cooperation between the municipality and the sector.

Some of the strategic interventions that the municipality has undertake just to help mainly the our informal traders. One of the things that we do. We invest heavily on infrastructure. If you happen to visit our municipal areas you will realize that there are there are many. Informal I mean informal trading bays that are happening around the municipality. And that will obviously give effect to the to the informal trading sector enhancement strategy.

And. In terms of the law. I mean we concentrate in terms of the land use rights And we do that precisely to enhance the of the competitiveness and ease of doing business in the municipality and we have got running programs sorry running programs that support the businesses. And through we do that through training through services and through projects that we run hand in hand with the sector.

And as I conclude. These are some of the facts that are there in the municipality. Is that. The CBD has seen a decline in consumer volumes just after Paarl Mall opened. But also. On the other side the other side of the coin. Is that. The informal sector is actually showing positive signs of growth in the CBD and in all indicators of growth that is in terms of more consumers are moving into into buying new from and informal traders

But also another another point Is that large retailers they draw in consumers. From communities and small businesses this large retailers if there's a Woolworths that is opening it draws it draws a large people a large number of people but those who are on the other side of the coin. It also has a positive effect on smaller businesses because what it does is that they benefit from from a number of people that will be

visiting as they walk out of Woolworths for example they will find for example we have demarcated trading bays and then they are able to do that.

And in the CBD what we had actually done just next to Shoprite there's a pathway a footpath way where consumers walk towards the taxis the taxi section what we had done we had then put or demarcated trading bays just on that on that food tooth I mean as they walk. There are other things like tomatoes and so on that are being sold there.

And just as I am one that point. Our informal businesses they have. They have got a little bit of an advantage because they trade for for long hours than our formal businesses I mean formal in the C.B.D. happens from nine to five and the informal businesses they've got I mean in they can go up to seven o'clock and they start away earlier.

But also. As I indicated on the map the large retailers they concentrate on they target these outa sketches of a town and as such this tend to have a negative effect on smaller businesses especially if that in close proximity with the sector.

And, thank you very much chairperson and as I conclude because I am a writer myself maybe something. Just a thought that I had when I was putting this presentation together is that: People don't fail naturally its the methods that do.

Thank you very much

Competition Commission

Thank you very much Mr Mogale. Let me take this opportunity to explain that the two of us asks ask questions and the head of the technical team may ask questions. Our questions are really just to get greater clarification and to dig a little deeper because if you've covered a very wide Area.

Competition Commision

Thank you Mr Mogale Just as a remark from me me we really do appreciate that you come here today I do want to have it on record that we have made several attempts and efforts to try and get municipalities to participate in our hearings, you are the first one, the first municipality to respond to our efforts so we do greatly appreciate your presence here today and the effort you put into even preparing this presentation for us we really do appreciate that.

You mentioned that Pick n Pay has 9 stores which include U SAVE, do you have a split between, do you know how many U SAVE stores you have because actually U SAVE belongs to Shoprite. (So just make a note of that . we can come back to you for more information on that because U SAVE is under Shoprite)

And then you also mentioned that all your informal businesses require permits to operate. Can you take us through the processes of granting permits. Do you have are you familiar with the processes that the municipality has on that .

Mr Mogale: Drakenstein Municipality

Thank you again. Can I go on it. In terms of the Pick and Pay, Yeah I know Pick n Pay is not informal its formal. In terms of Pick n Pay the information that I have is

that U SAVE is part of Pick n Pay Shoprite and Checkers they are one group so maybe that is a discussion for Another time let me not comment on that.

And then in terms of the informal business permits the process. Through our IDP engagement with the communities the municipality what normally happens is that the municipalities would identify a certain area. That in terms of the bylaws and It meets the criteria for businesses to operate it in that area. And what happens is that we will then. Do an advert for trading bays in our local newspaper so that it targets and then some of the requirements in that target will be that you must be a South African. Yea we look other things and then people will then respond to that to that advert and then they will bring the applications.

In the unit that I come from the Local Economy Development and Tourism Unit, we have got a person that is dedicated to work with the informal traders. So, it's the person that then assesses what the that assesses the applications against the the criteria that has been set that we have set in terms of the advert and then there will be a process of coming of coming back to us and say these are the recommended people and so on but but also one thing that will we do is is that in terms of informal trading we always have it in us that there must be a nice mix of some of the things that are being sold there must be a nice mix. In terms of that. And also so that so that that business that particular area business is I mean is sustainable because if you have got an area that only sells a particular brand or things automatically that area we have seen before, it will close but if you've got a nice mix and then that particular demarcated area becomes sustainable so that is actually the some of the processes that we follow as the municipality.

Thank you very much

Competition Commission

In identifying the area that you demarcate for informal trading what considerations are taken into account. Are you familiar with that processes

Mr Mogale: Drakenstein Municipality

No, I must say I'm not I'm not familiar with that process because it falls under planning. Yeah but we do work closely. With the with the people because I mean there it must meet some certain things like the area must there must not be next to the blood I mean the lines and so on.

Competition Commission

So, there is a criteria. So we can come back to you and follow up on those kind of issues.

Mr Mogale: Drakenstein Municipality

Yeah, no in terms of the criteria of identifying the area, you can follow up on that .

Competition Commission

But you did identify that for example that one of the areas was the footpath from in the CBD to what was it the taxi rank.

(Mogale - yes)

So obviously one of the criteria is to ensure that these areas are accessible to people.

Mr Mogale: Drakenstein Municipality

Yea, no, I mean obviously. It has to be an area that is that is accessible. And also that we do. Yeah with the with the planning with our town planning I mean town planning guys we do that I mean we obviously demarcate and we make it accessible to people and and so on . But, I mean but firstly there must be a need there must be a need that we identify through the sector engagements. Yeah.

Competition Commission

While you on that, won't you just explained sector engagement just give us just a more granular account of how often you meet, how you meet and how the things are structured and something of the process.

Mr Mogale: Drakenstein Municipality

Oka, the process kicks off I mean it it kicks off in there IDP timeline is not the is not a once off process. The IDP processes don't stop. They've got ward based ward based community meetings that the municipalities also facilitate for example we're busy in the in a month or so. Just to visit all the wards from the municipalities and then we hear what the needs of the people are. And then from there. Because I mean if they wards obviously have different needs and then we couple them to say OK we see

that maybe there is a need to develop an informal trading area in the area of Mbekweni for example and then what we will we will then do we will then do is to take those to the sector engagements.

And then from there will obviously identify a budget and then from if the budget I mean is there and people I mean if the budget is there and then the processes then starts. But sector engagements they are focused it's a focused group And which which will then assist the process of the municipality.

Competition Commission

Who are who are the people engaged in the sector engagements.

Mr Mogale: Drakenstein Municipality

No, I thought it's an obvious one. The people that are engaged we have got external and I mean external and internal people. Internal people, internal it is led by our mayor and our municipal manager together with the executive management management team from our internal to the heads I mean the managers of the various units and then from there in terms of external If it's a focus group in terms of youth, youth will come and if it's a focus group in business we have got but I might not be sure of the name the full name but you

have got a federation of business businesses within the municipality. Then they are also invited to that sector focus group and and other other groups I mean they are many. We've got the sports one and so on.

Competition Commission

You also mentioned that in terms of the trading hours are you bale to give us the times of the formal businesses which is nine to 5 are you aware of any trading time lines for the informal sector and what will they be (sound very soft) Will those come from with they ne formal policy or by th committee or just allowed to open for as long as they want depending on whether customer are available (sound fades)

Mr Mogale: Drakenstein Municipality

I'm not aware of the the the times but I know that somehow there must be there. Yeah.

Competition Commission

It might be in the regulations. Do the bylaws for example allow for different trading hours for the formal and I supposed the informal sector

Mr Mogale: Drakenstein Municipality

Yeah

Competition Commission

So, the bylaws themselves that's where we're going to find it. I am not going to commit you to it but

Mr Mogale: Drakenstein Municipality

Yeah no let me not commit

Competition Commission

Could I therefore ask you for would you would you supply us with those bylaws.

Mr Mogale: Drakenstein Municipality

Yes, No I can I can I can even supply you with the other policies that are there and that I can make a commitment to

Competition Commission

And then just the permits, would you could you give us a copy of of permits just to show and do you would the permits have as my colleague asked do the permit to set out the hours.

That also would be useful just to find out what what's contained in the permit. Just as an example.

Mr Mogale: Drakenstein Municipality

Okay, No I will provide you with that information.

Competition Commission

In fact what we might decide to do with you because you as I said are the first municipality to come forward we will try and engage with you the most post this hearing to try and get more information just to understand your own processes and see if you can't and then use those in how we engage with other municipalities. So I hope you will be. Don't take that as an interrogation or a burden but I think it would be very useful for us in making us understand how the municipalities in general operate or how certain municipalities will operate .

And then for formal businesses are there any what are the can you take us are there any is there any criteria in terms of do you identify an area, do you zone an area for business and then do they approach you how do they set up for example you mention there's only one Spar store, one supermarket in Embekweni which is Shoprite what would have been the process followed by shoprite in setting up in Embekweni and was that done in consultation with your municipality .

Mr Mogale: Drakenstein Municipality

I would not have the institutional memory around that but I know that they obviously somehow engaged with the municipality or the developer because we also deal with a developers somewhere.

So on that one. I think those that would have that institutional memory will be able to, they can assist got they can find that information for you.

Competition Commission

My last question. We have found it very extremely difficult to speak to municipalities because there seems to be no clear structure on how municipalities work. So would you say you said you thrive on excellence or everything you do is about excellence and you seem to know for example in your presentation not here to know who's doing what and in our engagement with a couple of municipalities we found that that information is actually not available. Even when you go and visit them physically is there a way is there a formal way that maybe emanates from your legislation that a municipality ought to operate therefore we can and therefore we can do it if you wanted to engage with the municipality and this is who we will be dealing with and how going forward. Can you speak to that.

Mr Mogale: Drakenstein Municipality

Yeah. Just a quick one on that, we know who's responsible for for what in the municipality so there's no duplications of responsibilities and so on for example if you look at this presentation, the maps I got it from another unit that map just to put the map I got it from another unit. The issues around the land use is also an extension of that unit so but I was we know who is responsible for what in the municipality.

And, in that in I mean if you zoom closely into the units there would be a particular person that is responsible for businesses for example and there's one that this is responsible for EPWP, I am talking from my unit, there is one that is responsible for informal trading of informal traders. We've got an official that is responsible for that.

EPWP because it also falls part of the unit. Tourism there is also a dedicated person that deals with that and I'm more on policy and and strategy and so we know who is supposed to to do what even if you send a letter. Even from there the mayor's office they know that in terms of economic development they don't even have to guess who can have this information. They know that they've got to send it straight through to the chief directorate of planning and economic development.

Competition Commission

This is my last question for real. So can we then expect that in our engagement with all municipalities we can expect that there will be that there would be a local economic development and tourism unit. Would it be called that and would it be having identical functions like to yourselves.

Mr Mogale: Drakenstein Municipality

That Madam, I don't know how other municipalities operate but i know that there must somewhere if that municipality is serious serious about economic development and assisting their people there must be such a unit. If not then this functions because they are local functions you might find that they are somewhere within the system. Yeah.

Competition Commission

That every municipality has a very very detailed set of delegation. So the departmental structure might be different but you quite right these functions will be dealt with by by the system of delegation

Mr Mogale: Drakenstein Municipality

I think so.

Competition Commission

I just want to ask you just around enforcement. You said that you there is people would be prosecuted for for trading without a permit to how many many prosecutions do you have any sense of how extensive the prosecutions are? Do you have a sense of whether or not there is large scale non-compliance? Or is it possible to get these figures?

Mr Mogale: Drakenstein Municipality

I, can I not comment on that. Thank you. Know.

Competition Commission

I the question I'm asking is do you have will you have information on that and can one get it and I except that you don't know. I'm assuming that's why I don't comment on it but the question is there must be some detail some some sense of the extent of enforcement.

Mr Mogale: Drakenstein Municipality

The reason why I don't want to comment on that is because obviously of internal matters. I know of I've got an idea in terms of that information but I don't think this is the right platform from to disclose it.

Competition Commission

Good morning. You mentioned that you collect data regarding the informal sector

through profiling and can you maybe take us through that process a little bit and also the typical information that you do collect on on informal businesses.

Mr Mogale: Drakenstein Municipality

Thank you I think that. What we what we actually do we've got I don't know what it to call it but its a It's just a document that shows all the names of the traders what they're focused on. And in which area they are operating in and which trading bay weeds particularly, a particular bay space that they have been allocated so that there is no fightings in terms of that is where I'm supposed to operate and some on because they are next to each other so that that is how we typically I mean in summary profile our informal sector.

Competition Commission

And how often do you collect this data.

Mr Mogale: Drakenstein Municipality

The data is readily available we just update as and when there are new advertisements then we just populate it and and yeah it's readily available

Competition Commission

Would you be able to share that that that data with us.

Mr Mogale: Drakenstein Municipality

I can be able to share some aspects of the data not on I mean obviously in terms of the names, contact numbers I mean there might be issues around that, privacy issues that but I mean we can share in terms of this area how many are they . And so on that I can even send today today, I have it.

Competition Commission

Thanks and I think you also said that that that you've seen signs that the informal sector in your municipality is growing I just like to get more information on on what are these signs up.

Mr Mogale: Drakenstein Municipality

One one of the sign I think let me just go to this map. One of the immediate sign that we know that is is really growing then tend to have more openings of the sector and they tend to be stable we don't have a large amount of large retailers that are closing so they've been they've been consistent and one of their is that it is also indicative in terms of the employment trends in the sectors.

We see more and more people being absorbed in employment opportunities within the sector.

Competition Commission

And is that specifically in the informal sector that you're referring to employment opportunities in the informal sector?

Mr Mogale: Drakenstein Municipality

I thought we're talking about formal sector

Competition Commission

Sorry just to clarify I'm referring to the informal sector.

Mr Mogale: Drakenstein Municipality

In terms of the informal sector I think I indicated somewhere that it's it's very difficult to estimate that but what we have see in the municipality is that within the CBD and In the outa sketches of the CBD.. We see more we approve more and more applications of informal traders but also maybe because I was talking maybe let me share this. Which is a it's a frustration to colleague that deals with this informal sector and he told me this yesterday. He said we are receiving more and more and more of applications from our brothers from outside the country I mean outside South Africa so he was sharing with me that how do we deal with this and with this problem. Issue or a challenge and.

Yeah so I think in the next few weeks we'll try to talk strategize around that he was just sharing this frustration as I was sourcing this information from him so I think we will deal with with with that particular issue but I didn't say that so that it all fits.

Competition Commission

Okay, I understand that but just one follow up question just to clarify so you saying there are indications that the informal sector is growing and specifically based on the number of applications that you're receiving. And. But you are indicating that you are also receiving an increasing number of applications from foreign operated businesses so does that mean that this growth that we are seeing of are primarily from foreign operated businesses or are you of the view that they are from.

Mr Mogale: Drakenstein Municipality

I think it's a nice mix of of both though the foreign I mean I don't want to call them foreigners I think to find a good word. Our brothers from the continent continent are really coming and that And the precisely maybe has to do with the mindset of those that are closer to us. Our foreign brothers tend to go more into business than us in South Africa and tend to be more organized than us in South Africa . And. I mean those are my own views they are not the municipalities's views.

Competition Commission

Just on first of all a bit more on regulations is there is a limit on the number of permits that that you can issue.

Mr Mogale: Drakenstein Municipality

I think the the permits are linked to the number of trading bays that we have and also we know that sites are not really demarcated as such. But through budgetary processes we are trying to address some of those, Thank you

Competition Commission

Then you mentioned that you right in the beginning you mentioned that you had approved a number of house shops. Can you perhaps give us an indication of first of all is there a limit on the number of the house shops that you approve and then secondly the process followed in approving the house shops and thirdly how long it typically takes to approve a house shop.

Mr Mogale: Drakenstein Municipality

Okay, on the house shops I don't have that information available readily available . But we have a house shop policy. A house shop policy that dictates on the processes that should be followed in approving such and we can because this is public information we can share it with the panel and the inquiry our house shop policy.

Competition Commission

Thank you and in addition to that perhaps if you are able to share with us now , I know you have given us an indication of the total number of house shops that have been approved but perhaps if you do have data on a monthly or perhaps a quarterly basis of how many house shops are typically approved on a regular basis that would assist us as well.

Mr Mogale: Drakenstein Municipality

OK , no thank you. I will do that

Competition Commission

If I may ask if you if you are the appropriate person to answer that but what are the typical if you for example a house shopper or a small business what are the typical regulations that would apply to you so I think we've mentioned a couple of them, health and safety perhaps trading hours that you might not be that familiar with but just an overview of the the view of the typical regulations that would apply to a house shop in your municipality.

Mr Mogale: Drakenstein Municipality

One thing that I can think of now it's obviously the house shop policy and the the other regulations that I mentioned. The particularly deal with the house shop matter so I think that information we can see it in the policy, the policy its comprehensive.

Competition Commission

When was when did the Paarl Mall open?

Mr Mogale: Drakenstein Municipality

Hey Madam, I don't know but. It opened I don't know when. But it really did open. So I don't know. I don't know when but I can find out when Paarl Mall opened

Competition Commission

That's fine and maybe just to come back to something that you had said just earlier that the formal retail sector is growing and you can see that for example by the increase in employment can you can you elaborate on the employment numbers in the sector.

Mr Mogale: Drakenstein Municipality

I must say that is there but I don't have it in the top of my head. But personally when I arrived in this province and municipality. I saw that there is more and more people just looking at numbers from Quantic. I saw that more and more number of people worked typically in two sectors and that is this sector and also in the manufacturing sector and also part of them in government services and so on but numbers indicate that the sector is It has assisted in terms of employment and poverty alleviating strategy .

Competition Commission

Just one or two final questions from my side. In your view what are some of the challenges faced by small or small independent retailers in your municipality that the general challenges they face in terms of the number one opening up their businesses and number two growing their businesses.

Mr Mogale: Drakenstein Municipality

Thank you for that question, one of the I think it's immediate and it's not even special to **Drakenstein** is the issue of around finances, and when I talk about about finances I mean financial management training its one issue and then we are running courses to address that and we're doing that also in conjunction with Westgroom. In

fact I worked on a memorandum where we went to partner with Westgroom that is to respond to I mean bring in the sector together.

Training them in terms of customer and and so on so. We are in partnership with other also other sectors including SEDA and and so in terms of seed funding and so on.

Competition Commission

And then I think the last question from our side is. If you have it it seems to us that you that you have a number of initiatives that are encouraging growth in this particular sector if you were to have tips for other municipalities and perhaps other government departments or regulators in the sector more generally in terms of what could be done to to grow the sector on a on a broader basis.

Mr Mogale: Drakenstein Municipality

Thank you.

One is that. One tip is that. You know don't concentrate on research. Concentrate on research in this sector. And what I mean by concentrating on research in the sector. There must be initiatives because the research has to inform all your planning processes you don't sit and this is from a person one. Executives and they go away somewhere. In some bush and they sit there and then they start to think what can we do for the informal trading and so on.

No, sit down with the sector. Have processes. Established relationships with the sector and know get to know who is doing what who have dedicated people that are focused on certain elements and so on and also or I one of the I know that

smaller municipalities they don't have investment officers which I think it's also a critical thing.

So, other smaller municipalities must also concentrate on smaller and also partnering with I mean and also partnering obviously with other countries from a municipalities point of view and that will obviously grow your sector Yeah.

Competition Commission

Final final question and does your municipality assist in any way and for the financing of small businesses.

Mr Mogale: Drakenstein Municipality

Financing in terms of?

Competition Commission

Any financial assistance. There's a budget that looks into it I mean for example if we are running a training for for the sector. The municipality will maybe come with match funding or total funding of that training so that how we assist the informal sector in that regard.

Competition Commission

Thank you

Mr Mogale: Drakenstein Municipality

OK Thank you.

Competition Commission

Just another question from me. On the you mentioned earlier that whilst the CBD has seen a decline in the number of businesses from the retail sector you've you've seen growth on the informal sector and then you also noted that. The also been there's been less number of shops closing down in the informal sector from your observation. And I just want to know if on the informal sector side have you been able to assess whether the stability that you have has actually resulted in local inform local business owner remaining in business or are these businesses remaining opened but being taken over by foreign by our brothers from the continent because we have been made aware that even though they can be if you were to look at the statistics this statistic will show growth but if you actually drill into the owners, the Information then you realise that what's actually happening there your local brothers are not able to cope or operate their own businesses and end up selling or leasing their businesses to to to the to our brothers from the continent and what is the trend in you within your own municipality in this regard.

Mr Mogale: Drakenstein Municipality

I think In terms of that. Maybe one let me correct when I said the formal businesses they show there was a decline I did not say in terms of the number of businesses closing I think I spoke about the number of volumes of consumers that are going into the sector .Not the closing not really closing down. And then in terms of assessing that I don't think I'm not aware of any assessment that was done in terms of seeing if there was a sub-lease. Because in our databases it will say that this person is South African and Yeah but I don't know if there was an assessment that was done to check the sub-lease because because it's a possibility. But I don't have that I don't think that assessment was done.

Competition Commission

And just one last question if you if you provided us with information from your database for example it would indicate whether where you have an informal trader whether that person is local is a local person or a brother from the continent. Just on the what you have on your database.

Mr Mogale: Drakenstein Municipality

yes it will indicate.

Competition Commission

I'm not going to say that I'm going to ask a last question. Simply because. The first question is you spoke about black owned grocery wholesalers you said there were three. One you called the Somalians group, Now the Palorama the other one who who are the participants in that particular group. Are they local?

Mr Mogale: Drakenstein Municipality

This Polarama it appears that they are our brothers . And I mean we know by brothers what I mean by now yeah so they are indeed indeed Our brothers but we can go back and really find out particularly who but it appears that they are our brothers.

And who appear to also because they sell I mean they will appear because it's a wholesaler this other the house shops and stuff they buy also from them.

Competition Commission

Do the house shops from local local owners of the house shop do they purchase from these wholesalers.

Mr Mogale: Drakenstein Municipality

Obviously not all of them but a substantial number of them purchase from them.

Competition Commission

I mean the point I'm trying to ask is that so even though the wholesaler might be Somalian group or Polarama and not locally owned and controlled nevertheless those wholesalers will supply local house shops. That's really the issue.

Mr Mogale: Drakenstein Municipality

There is an indication that that might be the case.

Competition Commission

Wont you just explain to me what the investor an investment officer does you mentioned that one of the tips that you gave were that municipalities ought to have or have investment officers could you just expand on that slightly

Mr Mogale: Drakenstein Municipality

OK an investment officer and I know that I just mentioned it ne. In the municipality currently we don't have one. We don't have one but investment officer will typically One of the responsibilities is to facilitate an enabling environment for investors to come and invest in some particular area within the municipality and also I mean do. You know I'm I'm passionate about research That is investment officer you must be able give trends in terms of what is happening in the municipalities where out boom is coming from So that that person liaises directly with Investors. Yeah.

Competition Commission

Then I must just thank you very much for for for your submission, presentation and I am assuming that we we we may retain a copy of your presentation and I think given all the documents and pieces of information that we have requested I hope you made a note of but I will ask the technical team to in fact just this put that in writing and submit to Mr Mogale really I think really I we I think my colleagues. And I support what you just want to endorsed that thank you very very much for really a very very interesting presentation and for assisting us with information you've given us.

Mr Mogale: Drakenstein Municipality

Thank you yeah I think that's what I can say. And we hope that someday somehow our presentation will assist you in meeting obviously your objectives. And and let's make this country great , thank you.

Competition Commission

I think we'll take a fifteen minute break. So that we can set up the next submission.

I might just I just want to advise that the person who is meant to make a submission is not going to hasn't arrived and so I'm going to adjourn now until two o'clock and we we do have a presentation on behalf of of various research institutes that have researched and in the sector and that will start promptly at two o'clock this afternoon.

Tomorrow morning just to advise we will. We have a submission at nine o'clock tomorrow and which will run from from nine till ten to ten thirty and after that the we are going to go on a site visit so be it tomorrow nine thirty or ten thirty would be the close of the public inquiry in Cape Town

SESSION 2

Competition Commission

I want to (clears his throat) we opened the inquiry, submissions are made here by Dr Leve Peterson on behalf of Sustainable Livelihood Foundation PLAS University of Western Cape and The Centre of Excellence in Food and Security. Dr Peterson.

Dr Peterson

Hello. Hi everyone thank you for allowing the opportunity to present as mentioned I am here wearing multiple hats. I am the Managing Director of Sustainable Livelihood Foundation which is a non profit organization based in Wynberg here is Cape Town. We have a core interest in township informal economy in general, but I am also a Post Doctorate Scholar with PLAAS which is the Institute for Poverty Land and Agro Studies. PLAAS is one of the Institute in the Western Cape which has been tasked with managing the NRF funded excellency in Food and Security. The NRF Centre of Excellency of Food and Security is a National Research Foundation Fund project course over the next seven to eight years looking at seven strategic areas of South African Food Security, so issues such as land reform through to informal food market and food and nutrition genetically modified food etc, etc. So I have been made a Post Doctorate scholar with PLAS working specifically informal food markets and it is a major subject matter interest of mine. The presentation I would like to given today is based on a written inquiry or the written response that we gave to the call for interest a number of months ago. And it combines a whole lot of interest based on all three, four UWC, PLAAS, NRF and Sustainable Livelihood's perspectives. So let me just march ahead.

So just to give a bit of background South Africa is moving from, the context of South Africa right now is that we are about two-third urbanized as a country. So but we are looking at it by the 2050 85% of all South Africans will live in cities. So we are looking

at a massive demographic shift over-time, and a geographic shift towards urban areas. So our top four/ five cities are only gonna get bigger and it means our townships are changing from being residential settlements to being residential economies so one of our core interest particularly within PLAS is trying to understand, what are the dynamics of this change? What is this going to mean? Because all of a sudden South African is going to become a country of four or five really cities and not much else. Rural areas will be kind of devoid of the lot of economy, it will be placed where people don't choose to live and everyone will be operating within an urban context. Right now our top 20 townships in South Africa are homes to 6.1 000 000 people so you can imagine that this is the scale and the future of the South African kind of urban landscape. So the broad interest is what does this mean? What is our economy going to look like, and what are the businesses that are going to be there and with respect to South Africa particularly in the context the informal economy what are the kind of changes we can expect in the next 20 to 30 years. And right now if we look at our township context 38% of the working population lives in the township context, the urban township context but 60% of the unemployed stay there. So we have disproportional social and economic issues.

The development challenge that we face within the township context is not besides the idea of revitalization that we had politically but its how do we correct growth? And growth particularly in micro enterprises and informal businesses. So this is the background from which we come from and our objectives within our work is to try and create an evidence platform through grounded research. So at the moment there is an awful amount of hear-say about what happens around a township economy but there isn't a lot of data to back anything up, particularly in informal economy and it is a massive, massive knowledge gap within South Africa. Building the evidence platform do we wanna translate that knowledge into kind of policy learnings and recommendations, engage stakeholders and help create kind of an awareness, the need to embrace and understand and manage within the informal economy and to help create practical strategies for development. And this is a share

kind of sense of where PLAAS, The Centre of Excellence, and Sustainable Livelihood Foundation are really interested in going.

So how do we deal with this reality. So to give a sense of my own background I have worked within nine township sites across South Africa, effectively what we did we picked five sites with Cape Town because we are based here, one site in the Free State which is Thabong which is a peri-urban area, two sites in Gauteng, Ivory Park and Thembisa and one site in KwaZulu Natal. We assembled a team of researchers, we got on bicycles, we tool GPS's with us and we basically cycled around each of these nine townships over the course of up to six weeks per township and GPS'd and interviewed every business activity we could find within the informal economy. So it has given us a lot of real sense o what is going on, collectively its about 10 000 businesses thereabouts and we have pretty strong data on understanding what those businesses are, where they located, how they work and some of the challenges they face in terms of their operations. So the research outcomes, 9 townships in four provinces, we've mapped over 10 000 micro enterprises and we have done in-depth survey with pretty much most of them.

We've been able to create a panel study, the panel study is effectively our first research study in-depth in 2010 were we got on bicycles and cycled around and I will show you maps now where we were able to show, when back in 2015 five years later we were able to demonstrate a doubling of micro enterprises within that time and we have done a large number of sector studies specifically looking at food systems, street trade, micro manufacturing and recycling. And our goals, our research goals was to create as much kind of visible and interesting and useful data and materials and products that we can, with the idea that we can use to comb informed development strategy going forward. So effectively the townships we have worked in, we just don't know a quick throw together and I was planning on presenting tomorrow so some of my presentation may be a bit out of control. So we

worked effectively of the 10 500 micro enterprises we've formed each of these sites represents population of around 50 000 people so we picked Stats SA in numeration boundary and we effectively used that as kind of boundary for our research site and we went and located every business we could find with them. So as you can see on the map there are 2 500 micro enterprises were located within Ivory park with a population of 50 000, second was Thembisa which is next door to Ivory Park 1 720, Browns Farm here in Cape Town 1 700, Kwa-Mashu in KwaZulu Natal 1 500 and so on. If we give you a sense of what is the scale and scope of the enterprise activities that we find within the township context of particularly relevance to this inquiry is the (where did that go? sorry we just lost a screen).

There we go, thank you. So if we look across all the 10 500 we've located what is the particularly interest in I would imagine for this inquiry is that the share scale of businesses have to do something with groceries and all we have learned is that food and think affect and represent and I wrote here in the submission over 50% of all the micro-enterprises that you find within the urban township context and here we have actually said 55% of all the micro-enterprises so these are businesses that are selling if I go through some of the categories are house shop.

A house shop we have a clear definition of which is basically someone who is retailing food, contra-brand cigarettes, sweets and chips out of a kitchen window in what is primarily a residential house. Shebeens very predominately businesses as well, spaza shops we have a clear and fixed definition of what a spaza shop is. It is effectively a stand-alone building which will be or a aspect of a property which is separate from the residential house, dedicated to the trading of grocery products, it will have a glass door fridge, a high commercial fridge, it will have a sign that will indicate that it is opened for business and it will be opened for 5 days a week or more. We also have a list of products which we used, which we determined of the 10 products we asked about if you had 8 or more we considered you to be a spaza

shop as opposed to a house shop so we have created a very clear definition of our, so house shop, shebeens, grocery retailing in a form of spaza shops, street trade also commonly involving food as well we are looking at things like brick or break as well, clothing, anything that is retailed in a public kind of open space of a non permanent structure or a permanent structure which is open to the element. Followed by hair care, take-away food which is a very important business increasingly for South Africans, recycling, green grocery. Green grocery are all the people who sell fresh fruit and vegetables and the list kind of moves on.

You will see a much smaller list of meat, poultry, and fish retailing they are actively people going from door to door commonly selling these things or chickens that are being sold live by the side of the road . We have what we have called a tuck-shop which falls neither in the house shop or spaza shop category and it is just incredibly difficult to categorize but it does grocery therefore it is important right to some drug dealers wouldn't call merchants to wholesalers to the very end. But the idea is if you look collectively to these suites of businesses a lot of grocery traders have been at a very much higher end of the business numbers and for us that's quite intriguing.

The grocery related businesses are taken into a little more detail, the groceries we consider the retailers of fresh fruits and vegetables this is no matter how they trade, whether they are street traders or operating out of house or formal structures they are retail and fresh fruit vegetables. Meat and Fish retail trading from street tables, street sites or from door to door in bakkies. These enterprises are selling live, fresh slaughtered or frozen animals. You see people butchering animals in the street, you have people selling live chicken which are effectively what they call span hens which are battery hens that are no longer be able to lay eggs right through to people selling frozen chicken pieces or frozen fish is a common one too. In fact Cape Town has a fascinating cold snoek fresh fish called Jane of the retailing snoek which involves no ice. So very efficient ways to get fish from the sea into a informal economy and retail

to a consumer without refrigeration is quite intriguing. Restaurants these are sit-down premises not so many of them in the township context. Spaza shops house shops, and tuck-shops which retails groceries , liquor outlets are huge part of the township economy and take-aways. So we described take-aways also into changeable as informal food service, and informal food service is anyone who is preparing in a home or in a business as a kind of a take-away meal.

And what we found in the township context there are very very few restaurants but there are very large number of informal food providers so people so people are necessarily not selling down and eating food into a dwelling they may be buying food and taking it home or eating on the way to work or, on the way from work, in the street and that is a much much more common way of eating within the township context. So these are the kind of big businesses that pertain grocery related businesses. To give you a sense this is Thembisa there's collectively about 1 400 micro enterprises on that map, the area that you are looking at is highlighted within the red boundary, the red boundary is the Stats SA numeration area, and the area you are looking at is about 1 to 1.5 to KM so it is a small area in context you are talking about a few football fields here. Yet there is about 1 400 enterprises between that site.

Number 1 on the list is the retailing for liquor, goodluck with trying to license that one. Street trading is also a predominantly business activity as is spaza shops as well but what is interesting is that there is quite a considerable diversity and if we go and compare this with the ISIC category. So the ISIC category International Standard of Categories for Categorizing business what is intriguing is that all the business types that you find within the international context you can find within the township locality. So everything from micro manufacturing, through to medical care, through to food, through to street trade whatever else is pretty much represented within the township

context commonly in a basic way but at the same time it is there and that is an interesting thing.

Now according to government none of these businesses exist, all of them are informal, all of them are undocumented. A great majority are operating in cash in fact you will be lucky in that locality to find.., I think in Thembisa we've had two automatic teller machines so you literally have no form of banking system or whatsoever and most of the other sites there are no automatic teller machines at all. There is literally no banking services or form of financial services offer other than what you can access through your phone or possibly getting in a taxi and going somewhere else. But what is interesting is that this entire economy is off the books and because it's off the books its informality is effectively reinforced and this is one of the things that we are grappling with within the South African context is how to you deal with this world of informality.

This has led to a situation of under-regulation and over-regulation. So to give you an example we are looking at grocery retailing. Historically in 2012 this is now Ivory Park which is a township adjacent to Thembisa in Midrand, Johannesburg. In 2012 we got on our bicycles and we cycled around the township and we mapped 232 spaza outlets these fall under our definition of grocery retailing and we found that within that site we found that 230 odd business we found 210 business we found 142 were run by foreign nationals. This is quite intriguing finding, considering that there is no real understanding and form of knowledge on what is going on within the informal policy or the informal economy space of grocery retailing they we have a backdrop of xenophobic violence a backdrop of a lot of people saying this is a real issue that we are facing within South Africa.

So to go out there and do the way pointing and actually discover that effectively 70% of the market enterprise within this context run by foreign nationals is quite striking. We would argue that this is the consequence of under-regulation and its a failure of the state to accurately foresee what happens when you do nothing about regulating and entire sector and that is kind of what we've seen within a township context.

So you have individuals running businesses from effectively residential premises with no permits, there businesses that are operating are connected into supply chains that are largely what we can see cash based informal delivery systems and huge influx of contra-brands cigarettes which is tight to that trade as well. And you have individuals in those shops who are nerves to even engage with you on the basis of existence within the South African country at all. So it was a very very interesting dynamic to learn and we would argue that this is a great example of under-regulation within a township context. Where the state has literally done nothing and this market has grown on its own with no real influence from anybody except the pure face of capitalism and business opportunity. Conversely there is a situation we would argue were we have a problem of instead of under-regulation of over-regulation and the liquor sector in the Western Cape is a great example of that.

So in the Western Cape we have a situation where liquor regulation is a provincial competency so every province is in charge of organizing its own kind of like controls of how liquor should be retailed. To retail liquor within anywhere in South Africa you are required to have a liquor retailers license and in the Western Cape we have recently in last five years come up with a new version of liquor legislation in terms of trying to control how liquor is retailed. All the other provinces have not done that as yet so everyone is watching the Western Cape as kind of lateness test to say okay is their legislation working or not.

Interestingly liquor legislation Western Cape is a gigantic football with the voting of under Abraham Rusol under the ANC there was a sense of very kind of perspective of how liquor should be treated, and when the DA was elected it was a very different sense of how liquor should be treated. Now that we have some of the highest alcohol and liquor harms rates in the country and we have very very serious issues around liquor harms that need to be addressed.

So the state has worked very hard using its regulatory tools to try and limit the massive socio and economic implication within liquor harms within the province. That said made the legislation Western Cape Liquor Act which is created in almost impossible for liquor outlets to now formalize, if particularly liquor outlet within the township context. So we have a set of rules that for example insists on 500m buffer a bit from churches and social infrastructures. So parks, schools and religious infrastructure. There is a rule within the Western Cape Act that says that you are not allowed to operate liquor outlet within 500m of such a venue. Now if you look at that map this is Delft South, for those who do not know where Delft South it's just next to the airport you almost fly-over on your way in.

In that context you got a situation where there's in 2012 we found just over 90 liquor retailers at the time I think of which about a third had held license is under the previous liquor legislation, and we've gone back now in 2015 which is effectively 5 years later and we found more than 110 liquor outlets. So even with the new regulatory approach with have created mushrooming in the number of micro-enterprises that trading in liquor and we would argue that the regulations completely unreasonable in a situation here you look at the scale of the map of Delft a 500m scale there at the bottom, literally every single liquor outlet breaks the Western Cape liquor acts because of trades within 500m outlets of a church, of a school, of a sports facility or any other facility which is used by the community.

So in this context over-regulation has created a greater number of liquor outlets and how that has happened is it that the individuals who are retailing in liquor have said well there's no possibility for me to operate legitimately so I will choose to operate illegitimately. So, what we found was the businesses that we had interviewed and located 2010 which subsequently lost their licenses under the basis of this rule said fine I am not gonna stop trading in liquor. So, what I'll do is I will down scale the size of this one business because it's not 50 cartons of beer here and if I get confiscated I'm going to lose my business so what I will do is open up three or four other outlets and I will basically put a third of it there, and will have a third of it there and a third of it there. So I will down scale each individual business or outlet and then each one becomes less of a risk for me and I'm caring less of a problem in the face of law enforcement.

So these are the kinds of unintended consequences above regulation, so in spaza shops under-regulations are completely out of control opposite issue is over-regulation were state authorities have probably come up with unrealistic tools to try and manage the world of informality. So we do know though and are staying in Delft South now is that the participation entrepreneurship is growing in or work in 2011 or 2010 when we did the research we found in Delft South there about 880 micro-enterprises of which none of which existed according to the City Of Cape Town.

So there is no database on these enterprises at all, they are just there. And a great majority of them interestingly are residential so if you look going up there is a yellow rope going right in the middle of the site from the South of the North or West of the North I should say. Within that site you have a situation were that is kind of the Delft High street and there's a lot of enterprises operating on the high street. But interestingly more than 70% of the micro-enterprises operate of the High and they

are residential based businesses. And this is intriguing part of what happens in the township economy. And I mean urban townships were designed historically as dormitory suburbs you are meant to sleep there, you were meant to leave in the morning go to work within the CBD or the industrial area and then come back at the end of the day. But as South African citizens become evolved our township into business activity as well. So we have seeing a lot of business emerging within the business context. So in 2011 we found 880 micro- enterprise in Delft but going back now in 2015 we found more than 1,700.

So over the course of four-five years we've seen literally a doubling of micro-enterprises within the township context. Now it is very difficult because according to Stats SA the informal economy in South Africa is shrinking. Now I would argue that's wrong but I am not sure I should be arguing with Stats SA is incorrect as they are a lot bigger and organised than me. From the basis of the empirical data that we are finding within the township context within all the localities n which we are working, we are seeing a growing informal economy.

But there are many arguments as to why there are more micro-enterprises, one of it could be that the city is literally growing and there is greater demand. One of it could be that there is less formal jobs and therefore more people are forced into survival of businesses because they literally have no there way of making a living. And there is a possibility that within this context of Delft South if there was for argument a hundred thousands a week to spend the within that hundred thousand rand is now being diluted into like more businesses and therefore business each business is now earning less, no one really knows. And it is a very intriguing question.

But what we are seeing that there is no possibility that South Africa's formal sector can grow at the rate of change that is required in the National Development plan

which is 6% growth per year to create the kind of jobs which are necessary to kind of level the playing field in South Africa's economy. So we would have to argue that we have to look at the informal economy more seriously. And there are real issues in South Africa because we do not know anything about it and we have got policy right in terms of fostering growth within businesses within the township sector.

So here is a great example of where things start to go wrong. This Browns farm, it is a township here in Cape Town. The site is a population of just 50 000 people all the grey dots that you see on this map are effectively micro-enterprises, cash based undocumented business that form the kind of the source of livelihood of the individuals there. Informal micro enterprises are not just businesses of the poor , we did a peice 4 years ago we interviewed 1500 micro entrepreneurs in the broader Western Cape and we are asked individuals in these micro economy running these enterprises , would you be prepared to quit this business that you are running here in the township regardless what it is, would you be prepared to quit this business for a job in the retail sector earning R128 per day which at the time was kind of the sectoral determination for a job in the similar kind of sector.

And 755 of them said no, they rather stay in their businesses. So I think this is rather important because the businesses that we are looking at in a township context are reflection of both livelihoods but also people's kind of where they are in life, their cultural outlook and the communities in which they live. So if you look at the grocery business in a particular you see a dynamic around a lot of women within the sector and women with depended children operating business that speak their point in life. But anyway this map of Browns farm you have a challenge here of all the land that is in pink on the map which is most of it is designated by City of Cape Town as SR2 which is single residential zone and the former suburbs they are called SR1 which is effectively formal housing, SR2 is considered to be residential incremental site. So the township area is a residential housing which of is term for growth in other words there might be properly designated or properly built in terms or planning but in the

future they will be deemed residential areas. Remembering that a townships was originally designed as a residential are.

So all the grey dots that you see on the map reflect the micro-enterprises within that locality. Every single dot that you see that falls on the pink on a piece of land effectively breaks by-laws. So in this case it is about 60% of the by-laws that are breaking the the by-law by one kind or another. And in the single residential zone there is a number of as of right uses obviously. Home-base child care is also of right use if you have about six children or less in your business, but there is no home-base child care that I have ever met that can make a living from less than six children.

After as of right uses you then have consent uses number. So these are uses that you need to apply to the council to say okay I want to run a spaza shop or I want to be able to try from the front of my property of fix cars or whatever it is that you want to do. And if you don't have a concern use in most of the businesses we found in the township you break a by-law of one way or another. Interesting municipalities generally do not enforce these bylaws and that is allowed to the township businesses to be largely left untouched.

But there is a real challenge in that non of these businesses are really able to grow in the context are straight jacketed by the zoning upon which the property is accessed. So if you are running from a residential area there's any so much business you can do before you start getting too big to use up the space or you start becoming too prominent that your neighbors may start complaining or there will issues around how you get funding for example from government or from private investors because you are operating because from a home-based kind of area.

So a lot of township this is effectively straight jacketed into then informal this is quite challenging. Because if you wanna grow the informal economy you gotta find ways on how we bring these businesses into the formal sector. And there is a lot of policy makers that would argue that of course these businesses have to formalize, but I would argue to counter because I think most of the businesses that we are seeing in townships see no value to formalize.

Because in the context in which they operate all it will do is to bring attention to themselves and will make it more difficult for them to operate in the kind of ways they operate. So there's a little bit of catch 22. Interestingly in a house shop is and of right use with a single residential zone. So you can operate selling out of a kitchen window but you cannot run a spaza shop so there's quite clear definition within the City of Cape Town , zoning and what a house shop is and what a spaza shop is. A spaza shop is like a separate trading space designated for trading separate to a living area. And a house shop it must be first and foremost a residential property and secondarily a trading place as opposed to to being a spaza shop which is a stand alone building in a property where its separate to a residential area.

So it is very difficult for rezoning to to reflect the reality what happened to a township, and this zoning scheme was overlayed into a township in 2010. It was part of the new integrated zoning scheme in the City of Cape Town . So this is fairly reflective of positive thinking of township business as opposed to most township zoning which does not zone townships at all. Which effectively ruins most of the businesses in that context alone. So because of that we have these interesting situations of quite ambiguous laws in application so in a frame of presentation bounces down a little bit but hopefully it will fall together in some point at the end. One of the things we find, if you want to trade with the liquor outlet now just to give a sense of the

Western Cape there's a 25 000 shebeens and about 250 000 shebeens across south Africa. and being a shebeen by default you are unlicensed.

So in the Western Cape under the liquor act if you trade illegally to a liquor outlet it is a criminal offence. So there is a liquor outlet that we are aware in Browns Farm in the map that we have just showed you that has received two separate R100 000 fines for normally trading with a sheeben outlet within that community so that it quite interesting. But conversely trading in groceries it does not appear if there is any offence or implications without license grocery retailers, which is interesting when you consider that every spaza shop we have met is completely unlicensed and there are other consequence of trading with grocery retailers for example those grocery retailers selling contra-brand cigarettes. So it is quite a strange situation going on if you trade liquor to an unlicensed outlet then you face high sanction criminal issues, conversely if you trade grocery retailers even if there are illegally within the country or even if they are selling contra-brand cigarettes they is no penalty or whatsoever. We are also seeing a majority of townships grocery business trading within the SR2 incremental housing zone. So this creates problems to growth or regularization in any respect.

All businesses are required to adhere to the municipal bylaws for signage and uses particularly in SR3 but this is broadly defined. So the municipal tenders don't tend to crack down on retail businesses within the township context. But the the tolls are there, if municipality wanted to and wanted to say okay we better get a handle of what's going on in informal grocery trading a great majority of business that are doing trading will be effectively could be bought to book with the existing regulation that is there. And effectively grocery shps can be shut down and we have a thing called the business act 1971. And the business act specifies that if you sell perishable products you can effectively be inspected. Municipalities that are in powered who are enforced to take business act can take both environmental and both business health inspectors and their equipment. So that environment health can look at the fact that is the business clean, is it is a kind of state to be retailing

perishable products, is the equipment good. And the health inspector can look at the quality that is being sold and can look at the cleanliness of the kind of aperitifs that you sell. Municipality could use these tools if they wanted to manage these businesses but we have never seen this applied once and it was once in a township of **Vrygrond**. So municipalities have tools but commonly tend not to use them.

Conversely and this goes back to situations of supermarkets and malls within the township context, and this is speaking particularly from the appliance perspective. The supermarkets have really started moving into the township context and they are squeezing the markets from all ends. From the perspective of Sustainable Livelihood president and what impact they have on township retailers. From a PLAAS perspective and the Centre of Excellence they are really intrigued by what happens in the world of the supplier. Now my PLAAS colleagues were not able to be here today, but one of the stories is how supermarkets so much of the terms of their products onto the primary producers to manufacture them and a great example is of that is this picture here which is sell it in a bag. So sell it in a bag is quite an interesting case study and is illustrative of some of the issues we are seeing, the rise of supermarkets and supermarkets power. So what supermarkets are doing and this is a global thing. We used to go to the supermarket and buy lettuce, and you will buy it in a fruit and veg section and you will buy one or two lettuces and it will be in a kind of white foam plastic tray and a plastic wrap over the top and there we quite cheap at the moment, R7 or R8 a piece.

But the profitability of pre-washed lettuce and pre-made salads is unbelievable greater than selling a raw lettuce. So what's happened is that supermarkets got into this idea of selling lettuce leaves mixed together in a plastic bag with a clean shebin that they are ready to eat. So when you buy lettuce and cut it out there is a bit of dirt or something and you are gonna wash it yourself. And we do not live in that age anymore we live in this kind of consumer's age where people need convenience and couldn't be bothered to make their own salads themselves or

whatever. So what supermarkets have done instead of investing in the equipment to make those salads themselves, they have pushed the pressure back to the producers to be able to produce mixed salads into bags in a food safe level on the farm. Which is a really profound change of what you think of when you think of a farmer.

Because relatively the farmer will grow lettuce put them in a boxes and they would go from supermarket to supermarket and and sell them. Now if you go into Pick n Pay or Shoprite or any other lettuce supermarket and you go and look at the greens in the fruit and vege section they are barely any lettuces left. Its all salad in a bag and salad in a bag is being grown by farmer, processed by the farmer, packaged by the farmer and it is been turn to a consumer safe product. Which has been sterilized by the farmer in whatever way you need to clean it to make it food safe, it is all done on the farm. So from that perspective applied is is catastrophic for small farmers, because these is no possibility that individuals who are growing these kinds of foods are ever be going to enter the market. And if you go to any fruit and vege section in any supermarket its now not about selling bag, its soup mixes. its premixed variety of things that are put together that are pre-cut, pre-washed literally it says open the bag put it in a bowl.

Can you imagine the investment you need to make as a farmer to produce high quality food safe to eat raw products. It takes farming way beyond what its intentions were. And I think this is hugely problematic for emerging farmers cause there is no kind of probability that they will be able to invest in that kind of equipment that is required. We are talking millions and millions of rands in pack sheet and quality control and hazards certified equipment which is no possibility that most emerging farmers can do. So that is on the PLAAS end. And on top of that we look at the terms and conditions of trade and I think we have mentioned that in our submission. The terms and conditions of trade, the requirements for refrigeration, the requirements of transport to provide form farmers to the wholesale areas but the terms of payment which are always an issue across the globe in terms of dealing

with supermarkets chain. Each of these things has placed huge amount of pressures back to the growers which has created a certain situation if you are not of a certain scale or a certain ability for you to adapt there is no possibility for you to engage with those markets. And this is a very difficult behavior when you come to thinking about how to you level a playing field in South Africa.

Its a challenging issue in countries like Australia where I was originally born, but if you look at a country like South Africa which such embedded in quality and such challenges within our markets its almost an impossibility on how we are going to get smaller businesses in this kind of larger supply chains. Conversely at the retailer level we are seeing real issues around the expansion of supermarkets within the urban township context. In the last ten years since we have been doing this kind of research on township market price, initially when we started they were very few supermarkets really operating in the township supermarkets. But over the course of the last 10 years, 5 years particularly is a very aggressive supermarkets into the kind of township roam. And supermarkets are vey and shopping malls as well I might. These businesses have not placed a lot of pressure into township retailers and when you consider the 55% of all of the food and all of the businesses within the township context informal businesses retailing food and drink are affected effected groceries. Allowing supermarkets to move right into those markets, potentially there is a very very big impact on those businesses.

Now I have read the Pick n Pay submission on township grocery retailing and supposedly supermarkets impact or don't impact on those markets. And my work sided there 38 times and I find it very interesting of their perspective of how they feel that the business is not affecting on informal trade to a point where this is in kind of ambiguous kind of senses here in page 3 of the submission. They talked about the limited number of studies that have been conducted on this regard and findings do not appear to support any definitive conclusions of the introduction of shopping centres and supermarkets are the direct cause of decline of spaza shops in those

areas. Then there's a sentence and there's another sentence which says this is a complex subject which requires much more detail investigation analysis. So the saying is now evidence that is not happening but they are saying actually it is really very complicated.

Okay I find it highly problematic, because we don't have data on informal trade and we do not understand the informal sector quite well enough we have allowed supermarkets complete leverage to move into the townships economy at pace. And supermarkets attached to malls are now going to be a good example of that just now. They bring many things don't get me wrong, I mean cheap food for poor people and adding variety particularly adding nutritious food which is something that you do not find a lot in the township, its a very positive thing. The challenge lies what id the structure of the economy that we are messing with, because we really don't know the kind of damage that we are causing and literally there is no real evidence to show what are the impacts of supermarkets. It's a very new frontier of research. But what we are seeing, firstly we are seeing large amounts of product discounting.

So product discounting is in strategic products that supermarkets are well aware that township consumers will buy. So R5.00 loaf of bread are common. We saw in KwaZulu Natal in 2012 Pick n Pay opened a supermarket right in the middle of Kwamashu which is an area that we have been doing, working historically. And their opening special were R5.00 loaves of bread which led to queues of people outside the door, ofcourse R5.00 loaf of bread is a great price. We also saw things like 5 litres of cooking oil retailed at prices which a very very difficult for any small provide operator to able to compete with. And 5 litres of cooking oil effectively represents 5 months worth of cooking within an average kind of household. So if you are going to draw customers by using specials of products like that, 40kg of maize you can draw customers in and you effectively stop them from purchasing anywhere else because they don't kind of need to because you are selling bulk products of large amounts of

food over long periods of time. So we are seeing direct competition even with product lines, Shoprite, Checkers have opened up in Browns Farm and they are retailing chicken feet within the delicatessen which is something you really do not find in the suburbs. And that is within direct competition on what you will normally find in township markets. So there is some very strategic rules that are being made by supermarkets and it's not that there is a kind of cookie-cutter approach they literally say okay this is the market we are going to trade into, these are the kinds of products we are going to sell. On a personal level I have seen Pick n Pay operating in Muizenberg very close to where I live, literally go into their shop and take out dozens and dozens of product lines when the township next to the supermarket is getting big enough and the critical massive change from middle class in white to be working class in black. We literally saw overnight a whole range of products have disappeared from supermarket because they were really targeting their business specifically that economy.

Ok we are also seeing issues around space and trading styles. Now outside lots of supermarkets we are seeing supermarkets opening boerewors stand and take-away food at the front door of the supermarket. Now we can't understand whether this is legitimate or not. The supermarket itself is licensed and pays rent and has all the right permits but are they allowed to extend their businesses into the public doors into the public streets and cook food for people there? We find this quite an interesting development and it is something we are seeing more and more within the kind of broader grocery trading sector but particularly in the form of world and informal food service.

Similarly we have seen in the context of liquor trading, businesses that are not restaurants necessarily in the supermarket context trading in the streets in terms of people being able to drink our kind of environment but conversely in a public street but reverse in township if you walk on the side of the shebeen you can be arrested. So there is very interesting double standards in regulatory approach. So if you are

large and corporate and middle class you can kind of get away with a lot more whereas when you are are working class in Paul you tend to be sat upon.

With Supermarkets taking the role of distributing grants and then doing specials on cooking oil, bread and other things too. I think there is a real opportunity for them to real capture locally grocery markets way from the informal trade and we see that it is quite problematic.

We also seen the issue around liquor licensing in the Western Cape the expansion of supermarkets and malls into the infringes of the township are creating a situation of each of these businesses is being granted liquor license either grocery retail licenses of wine or or liquor licenses of their own attach liquor outlet to sell beer and everything else. Yet the businesses within the township context are being closed down, so this is very interesting dynamic going on. When you are a large business you are able to influence municipalities through legitimate means by saying we wanna create businesses we would like to open an outlet here. we feel that we can create this many opportunities for people by the way we would like a zoning change, we would like a liquor license. These are the things that will be very very suitable for us to be able to operate our businesses. And I would argue as Pick n Pay has sanctions of their own submission that they are creating localized monopolies. The arguments that they have made in their submission that many people are shopping at two or three separate outlet to gt the best bargains they can. And that people are price sensitive ans are literally are walking from this place to that place to buy maize meal here, and bread there and milk there. I would argue in our township context that is not true at all. People are shopping within a local area and if you have one outlet no matter which one it it whether is is Spar, Pick n Pay or Shoprite or any outlet at all that will be the outlet that will get all business and that is the way this just works.

So these are the are, this is an interesting example here, this is Leboakgomo which is in the Limpopo province. You have a score supermarket which is effectively fresh

fruit and vegetables and all the other grocery items that people require. And right outside the front you have deal went with property developer which says well we have all these traders here before we build the supermarket so lets incorporate them into a new design and I think one of the things that's really important and we need to think about it carefully going forward we need to have a regulatory approach that incorporate informal businesses into future supermarkets and mall developments. Its really outrageous that we have gotten 20 something years into democracy and we still have not come up with ways to better integrate the formal and informal sector particularly seeing the formal sector growing the way it is.

Ok just an example now on the right you have a map of Delft South once again with all the zoning there, single residential 1 at the very top in dark pink and single residential 2 which is the incremental in the light pink. These are all the businesses we found in Dalph in 2015 once again literally every business is in a residential area so the opportunity for it to ever grow for you to invest in it. For you to actually say I am gonna take this corner shop and make it double-story, or I am going to turn it into a Tshisa nyama restaurant or I am gonna do something with it that is really gonna allow to really grow and prosper and create jobs are just not there. Because the ability to rezone these properties is very very limited, it is expensive. You need lawyers to do so, you need permission local councilors so there is real challenging allowing these businesses just to be able to formalize in any way.

Yet on the North of Ivory Park just on the top of the map, Delft mall is now being built and if (I am not sure is this is gonna let me do it) city height is it gonna come up here. Where is the technical man here, Mr technical man can you help me. So I am out of my skills zone, I just want to be able to look , can I look at this website on the screen? Is it possible?

So this an article from 2016 in the New Age basically city hubs land development this is the mall is now being built on the northern side of of Delft so the city of Cape Town has welcomed news the development of a vacant piece of land in Delft previously owned by the city so the city sold its own land to Shoprite Checkers holdings to open up a mall they sold it for R20 million 9, 7 hectares. It could lead to private sector investment of a 170million. It's In line with the city's efforts to enable inclusive economic growth economic and social opportunities.

Yet interestingly enough like like if you go look at what is going to be the mall so the conditions that are placed on the Mall were a condition of development paid two R2 million towards the development of a facility of our choosing says one R170 million piece of land the developer is now going to put R2 million into some kind of community center. And it will be two hundred forty housing opportunities I'm not quite sure what a Housing Opportunity is that's not two hundred forty pieces and I mean is housing opportunities I honestly don't know what that means but anyway authors of that if you go and look who is actually going to do it well the people who are going to be building the mall the people who bought it were Shoprite Checkers holdings.

Now if you look within this context of what are the businesses the Shoprite Checkers holdings owns. So they own the Mall so if you ain't Shoprite you ain't getting in but they own Shoprite they own Checkers, Checkers hyper, U SAVE , Computicket , OK Furniture, Medirite Pharmacy, Liquor Shop and hungry lion and if you just look at that suite of businesses the U SAVE i a cheap supermarket. The Computicket is doing all of your sales of your tickets your air time your your your electricity all of those things you can buy off the counter at the front of a supermarket. OK furniture, so this is all your furniture you know beds and chairs whatever else. Pharmacy's all your medical needs. Liquor shop is all you liquor needs and Hungry lion is informal food service.

Those five businesses effectively compete with a great majority of the enterprise we see within the township context and we celebrating the fact that we're allowing them to move into the township context when there are hundreds of businesses doing that activity already. This is quite problematic.

So, we're seeing this real formal sector encroachments into markets and space so as I said the Boerewors stands outside the supermarket shopping for me it's a very interesting and strange dilemma. The fact that you've got Shoprite now changing its product lines to directly compete with the informal businesses within the township context. Restaurants serving liquor on the streets encroaching the business out of their private premises into the public space and also and I think this is critically important there's no obligation made by the City of Cape Town or by any level of government to incorporate informal trade into the shopping mall environment and I think this is this is very problematic when you consider the sheer number of macro enterprises within in the township context and that we should be pulling those businesses into the formal sector in some way or another.

With respect to the liquor trade if you live in a township and you retail liquor literally you will not be able to legitimise this is certainly the case in the Western Cape and this is highly problematic I mean in the Western Cape liquor licenses in the Western Cape in 2009 there were about seven seven a half thousand liquor licenses of which seven hundred were black owned so this massive historical legacy and a problem that hasn't been accurately dealt with we believe it's now eleven thousand liquor licenses but the Western Cape provincial government will not release that data.

So we do not know what kind of transformations happen within the liquor sector but when 10% of your population is holding 90% of your liquor licenses as one problem there is a real issue around how do you create a level playing field if you're a black

liquor retailer you cannot enter the sector legally. So we have compelling them to be illegal and then we're giving licenses to supermarkets to try and engage them.

I think the Western Cape Liquor Act under the guise of limiting liquor harms has made the barriers to shebeen formalization incredibly high you need land use zoning you've got infrastructure requirements separate men's and women's toilets fire exits you've got to have permission from your local councilor there are massive kind of legal and time driven costs that stand in the way of anybody trying to formalize their business and while politically it's very easy to paint shebeen as kind of dens of iniquity which you know makes sense in a society that's concerned about law and order. Not every shebeen you meet willingly breaks the law. Breaking the law and being moral and not necessarily the same thing

and I think we've acquitted to lawbreaking with immorality well actually I would argue that impossible for someone to actually legitimize in many respects.

And whilst licensing is as a provincial competency and SAPS' job is to do the policing what we're seeing in the City of Cape Town in particular they are now is giving out administrative penalties where the land use does not conform to town planning. And it's a rare but what we're seeing in Cape Town an increasing strategy so what happened was there was a liquor retailer in Mitchells Plain who has applied for liquor licenses awaiting for the Western Cape provincial government to either approve or deny it who has been trading in liquor for the last twenty years was given administrative penalty of twenty thousand on the basis that they were running an illegal business on the wrong zoning on their property. So how they work administrative penalties is that they say twenty percent of this property is worth one hundred thousand, twenty percent of the property was used for the illegal business therefore will find you twenty percent of the value of your property. So these are completely arbitrary numbers that are kind of pulled out of the ether to punish people for being illegal when the context in which they offer them will not let them become legal. I think this is this is very problematic. Yet it's Shoprite checkers who are

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aggressively pursuing talent at retail markets collectively and forty one liquor shops and another seventy five gross or wine licenses in the Western that's according to a liquor lawyer that we met recently. So there's a real issues around how do we equalize the sector because these tools of the state and the power of the corporate sector when you combine them together effectively condemn the informality. This is not a way we in a grow our economy or create a new entrepreneurial class which is what we need so desperately in South Africa.

Next Slide, there we go. So kind of like final couple of slides. The township retail market in fast moving consumer goods particularly groceries is highly localized and residentially based. Its fairly difficult thing to assess its contribution or its value because of the nature of informality and the fact that it is so restricted to the township economy. Businesses are compelled through structural failings to operate informally whether they like it or not. I think many businesses if given the opportunity would like to be more legitimized would like to be recognised but the situation in the structural conditions geared as such that it's very hard for them to do so. Misguided policies hamper enterprise development and economic growth. I think Western Cape Liquor Licence gave a great example of using a sledgehammer to crack an egg is very very blunt tool and we need to think much more careful about the nuances that allow within the township economy. Some private sector investments in the township restrict opportunities, there's another cracking statistic in the Pick n Pay submission I read where they talk about that they only increased the number of their businesses in South Africa by think it was 6% in 2015. Conversely they commented that CHOP one of their competitors grew their enterprise by 41% but what they don't mention in there is that CHOP only have thirty-one stores across the country in Pick n Pay have something like more than a thousand. So yes they only grew by sixty percent but that's sixty new supermarkets, and if if those that concentrated on the fringes of the township economy that has huge implications for what's going on in township informal trade.

And by the way I'm looking at it most of the middle class markets appear to have been taken up already by most of the major supermarket chains so the logical place for those sixty supermarkets to be located will be in these emerging markets so. We also see the private sector investments creating I would argue anti-competitive behavior using their power trading in the same products that township is this trade, using monopolies of for example the ownership of malls and space to be able to restrict others from being able to trade and for me that's quite an issue. Local for sake of monopolies at the expense of market enterprise Pick n Pay in their thing that people shop between supermarkets. I would say in the township we're not seeing that at all I mean the evidence needs to be collected but for someone to walk 5KM from their residential setting so. If you have three supermarkets within a five kilometer radius of your business I find it hard to believe you would walk 5K from your residence I would find it hard to believe you'd walk 5KM to one supermarket to buy a bread then potentially another 5 not more to another supermarket to buy a cooking oil and then another one to buy your milk because you're so acutely price aware that you willing to save fifty cents on this or that item.

I would assert that markets do create local monopolies at the expense of the informal businesses that previously sold those goods as I've said if they're providing cheaper groceries for poor people this is not a bad thing but if it is at the expense of other businesses then there's a great a cost to those cheap groceries than we're anticipating and for me that is an issue. I think is a real issue as well as the role of civil society in this is incredibly limited because no one's making data publicly available yet it's incredibly in the public interest that the fact that civil society is not allowed to know how many liquor licenses in the Western Cape belong to black people is incredibly problematic particular to normalize the sector. I think we're not seeing any research or work being done on the social impact of morals on micro enterprises and this is research that really needs to be done.

If you were to build a shopping mall development you compelled by law to do an environmental impact assessment but you don't have to do anything social. So it's this is a this is a real issue taking forward . So what's to be done? My perspective to take leave it I think as with lands we need to have more recognition of who occupies markets in South Africa ,we got such a political thing in South Africa by land and land ownership and who owns land and why we must do land reform and I get it I hear it but we're not talking about markets, we're not talking about market reform we're allowing large corporate enterprises using the tools of the state to effectively own markets and what you can't see a market the ownership of a market is way more powerful than owning a piece of land yet the entire dialogue is around land ownership and we're not talking about market ownership and for me this is a really interesting dilemma and I think it's something that we failing to address manifestly within South Africa. At the supermarkets at the moment are not compelled to take anything from small farmers in fact it's going the other way they're forcing farmers to become bigger and more industrialized with pack houses as and hazard control equipment in all if you to engage with them at all.

You have to if you're in transport you refrigeration, etc etc. Supermarkets need to be compelled to take stock from small farms that can afford it if you force them to take 20% of their fruit and vegetables from small farms they'll make a plan to do it. Fair trade it are able to do it in the market conditions how is it that we can get us of supermarkets to do the same thing.

Malls need to be compelled to accommodate micro enterprise and small business, there needs to be a rule that says if you open a shopping mall 20% of all the businesses in here need to be market enterprises there must be places for them to trade they must be a places that we can allow for them to be accommodated within this context and that will also allow us to help create stronger efforts towards formalization of informal businesses as well, so it's a double win for the state. Social impact studies and shopping mall development must be mandatory because currently there's none and alongside plans to mitigate impact on the retail and the

informal economy it's undoubtedly happening that these developments are having big impacts on the informal sector we don't know how but it's absolutely the case.

Township land needs to be made for commercial use, that's for sure and there's a whole issue around municipalities land zoning have to be completely rethought. we need to create public business spaces for clustering smaller enterprises at the moment we're not seeing any of that clustering going on and like a shopping mall clusters enterprises together we need to see within the township context more opportunities to cluster those enterprises there because that will attract more footfall, it will bring more traffic it will bring more opportunities for the business within them this will take regulatory change and town planning thinking.

High streets need to be designated special zones and provided with business friendly infrastructure facilities just accept that every High street is going to be full of businesses and just let them be. Give them the facilities to operate allow them to be able to create organically emerging nodes of economic activity and that will allow those businesses to do better. We need broad concessions for street trade and mobile there's very few and this is very difficult for entrepreneurs, micro entrepreneurs to be able to do anything about legitimizing their businesses.

And we need to create regulatory barriers, we need to limit the regulatory barriers that at the moment stop formalization. We have to force large businesses to formalize to protect local livelihoods but we need to simplify the process of formalization as well. And I never thought I would say this but the whole licensing which the small businesses bill which was raised by the D.T.I. about four or five years ago actually is incredibly relevant we do need to find ways of being able to bring informal businesses into the fold.

The problem with formalization at the moment in South Africa is the barriers to formalization are incredibly high it's a difficult tedious process it costs money it takes lots of time. We do need a process off somehow encouraging formalization, we want to bring these businesses into the fold is it cannot be in the state's interest that businesses operate informally because they will always be small there will always fly under the radar and if they get bigger they will become illegal which is what we're seeing in the liquor sector. So we forcing these businesses to be micro enterprises so by making the formalization framework easier for businesses to legitimize we can then start to take the more seriously, but the moment the such an incredible imbalance between the very big a very powerful and the micro enterprises which have not even able to enter into the sector because they don't even they don't even exist according to government. So that'll be my presentation. Thank you.

Competition Commission

Thank you very much. Upon your presentation you say when needs to incorporate the informal sector just expand on that and to how that could be done just different . So I saw that picture of school so one would be that walkway would would have to be the sort of external market with the informal traders being given space and protection. And that would be one way.

Dr Peterson

Yes, absolutely. I think I mean physically there has to be has to be a creation of the right kinds of spaces, you see all over South Africa these these really issues of government particular municipality say OK we're going to build trading base for peoples and you see these white elephants everywhere they never work. Because people are running businesses for a whole whole myriad of needs and requirements and and they start businesses in some cases for in 4 in the afternoon and finish off 8 in the evening. And we've got this mind set that a business equals a particular

kind of premises, a particular kind of operating in, a particular kind of formalization But what we see in the township context a lot of businesses of their almost extensions of people's culture behavior and this is ridden roughshod of by the formal business process and this is why I would argue that we have to think very carefully about how do we create a more appropriate environment for formalization.

The first one is that we need to have more informal businesses operating physically within the space of formal businesses, so you need to have malls create space for those businesses because then you can work with them you see businesses you see how they operate you can gauge them understand what's going on you can create pilot sites of being able to work with these businesses to come up with more appropriate ways for the formalization. I mean I would argue legally it's not in the state's interest to have an informal economy is a bad thing, in Australia an informal economy in the legal economy. It's drugs it's prostitution, it's not off goods in South Africa the informal economy is just the undersized the economy of the poor we just can't ignore it. Its kind of the fleas on the back of the dog which is the economy and what we need to do is to say well here we have all of these entrepreneurs physically they're divorced from our economy and we need to bring them back in. So if you go to Harare you've got Street traders on every corner in all of your nice suburbs Baradal and these really nice parts of Harare you find street traders everywhere. Cape Town this is like an informal economic desert in the suburbs there is nothing and the residents of Constantia throw their toys out of the cot if they knew they were going to be three of five informal traders as operating up and down the street .

So yet we need to somehow physically bring these informal businesses closer to the formal economy so they can have more money firstly. But secondly so people can see them and realize they're part of the fabric of what South Africa is all about and the moment the township is so divorced from the suburb in the C.B.D. that we just don't even think these things are important.

So that as a first step physically we need to bring them closer to the informal economy Secondly you need to engage the informal economy in a way that allows for more money to get there and at the moment the township economy is very thin there's not enough money circulating around the township because no industry there, there's no like there's no real opportunity to create wealth within the township most of the businesses we're seeing if they're trying to create wealth a kind of hindered by the economy this too locally small and if they're running the same business in a suburb or in the C.B.D. they probably just do a lot better because it's literally more money in the pot that's floating around. So we need to we need to get more of the formal economy into the township I'm awful at I don't just mean open more malls but it's like the city of Cape Town are talking about Ways Cape which is this new urban development to the north of the city that's going to create housing for seven hundred thousand more people and a new C.B.D. and whatever ,whatever. Why are they doing in Khayelitsha you've got a business on land you've got a million people living there already you've got the massive opportunity to be able to flood an economy into that location and that would create a bigger pot of money for all the businesses around. so that by taking the formal economy to the informally you'll allow it to engage the formal economy more which will create more formalization.

And I think thirdly. Not all businesses can formalize and for most businesses there's no reason to even try and I would argue I'm just like sucking my thumb here but if your business turns over less than a hundred thousand years just leave them alone. This is like gogo cooking chicken pieces on the side just leave that they. Should get a permit possibly go to the post office and get a permit it's a simple as that but then we know that you run a business, we know you exist and we are able to contact you if we need to and we can start getting a sense of what who's doing what and where. So if gogo can go and get a permit from the post office and that's literally the extent of the licensing she requires when she goes to the post office and she gets that permit she's able to access other material and other knowledge which will allow the if she chooses to grow the business to do so Conversely if your business terms of a

more than a hundred thousand a year you need to be compelled to be formal, you need to join the formal economy because it's not in the state's interest for you to stay off the books. Because you do have an obligation to your employees if they are minimum wage, you do have an obligation to the states to pay whatever is due to them, you do have an obligation to sell legitimate products in appropriate ways and I think we do have to come up with a pros of graduated formalization approach which starts with literally something you get from the post office and goes right through to you need a liquor license and these are the tribunals you have to report to in order to get one.

And I think at the moment we seeing formalization as a very much a kind of a black white thing it's either 100% or it's not. I think we need to look at formalizations much more graduating process so and we need to start rewarding businesses for being able to do. So coming up with the right policy conditions if gogo goes to the post office and gets a permit and she gets a pamphlet which says if you choose to grow your business these are the training you can get, these opportunities you could access.

Conversely if you're running a spaza shop and you're turning over a couple hundred thousand a year which is incredibly common. You need to be compelled to be formalized but at the same time it shouldn't be something that you wouldn't want to do. It should be something you say well actually isn't my interest because then I can get the zoning changed in my property and I can build another floor in my shop and then I could actually diversify my product range or I could do whatever. At the moment formalization it's kind of all or nothing and for many businesses this doesn't seem to be a real purpose to it so when we talk about formalization I mean there are multiple ways of doing it . And The taxi sector is a great example of that, you know a driver with a driver's licence and a taxi with a disc maybe and then you've got everyone taking the incoming cash and everyone's paid in cash in the employment models that are completely out of the window. But at the same time the mini bus taxi sector is incredibly efficient and provides a very very valuable service to millions of South Africans. So as much as the middle class might it provides a really valuable

role and it's almost process of formalization with which we can actually engage. I would argue in the informal grocery sector we don't even know if start. I think that's answers the question, I could ramble on about some of the stuff that.

Competition Commission

You may very fearful to ask you questions. No You know I mean you move from one corporate to the physical way the into how you, because the idea of incorporating the informal sector is precisely to formalize it. So yes I think the answer, you did answer the question spectrum driven, it has to be spectrum.

Dr Peterson

I mean I run a non-profit and I go through literally dozens of legal processes a year with respect order to. In this respect the tax with respect to UIF, labour these are incredible demands on my time maybe a third of my time is spent just being legally legitimate. This doesn't make me money it just keeps me legitimate and when you're operating in a whole world where people just assume illegitimacy is the norm there's no possibility you're going to formalize as businesses unless you make it attractive to do so.

Competition Commission

Where are we on that, you spoke of under regulation so what kind of regulation you knew you spoke you really spoke about the use of residential premises them that permits contraband cigarettes and you if I remember correctly it's it was relation to Ivory park that you that you spoke of and you gave the example you stated this was under regulated you know what kind of regulation would you would you be talking about.

Dr Peterson

This is the grocery retailer story in Ivory park. I think the fact that there is zero. Consequences for a wholesaler who willingly chooses to trade with an individual who sells all those groceries cash who just literally needs to rock up with award of two hundred rand notes and says I want to buy hundred thousand rounds worth of coldrinks and these are the stories we're hearing from wholesalers and we have been hearing for the last few years. If someone rocks up with a bakkie and a hundred thousands rand in aash to buy cold drinks from a factory, you need to be compelled to understand. Where did that money come from, how is it that situation has emerged. If you talk to the BEE grade, BEE line cold drinks manufacturers in Cape Town, they will tell you that is exactly what happens. Somebody will rock up in a bakkie hundred thousand in cash and say I want to buy cold drinks what is the best price you can give me. If I went and spend a hundred thousand rand on car FICA will demand where did this money come from I can't just rock up with money in cash. You've got a situation were wholesalers producers who are absolutely embracing that you can just trade with anyone you with with anyone you want, documentation not really important. And I just think sugary drinks is one thing, cigarettes is another. You did not need any special permits to sell cigarettes and in our experience in the last five years across South Africa. If you are not selling contrabands cigarettes you cannot survive in the grocery trade, you have to sell contra-brand cigarettes.

And just to give you sense of what that means R15.50 of every box of 20 cigarettes in South Africa is tax is excise, Pravin Gordhan put on it the last budget. So, I'm told by the tobacco control group at UCT that a box of cigarettes costs R2.50 to manufacture.

Now if you add R2,50 R15,50 you end up with a R18 bucks so somehow you then have to get the cigarettes from the manufacturer to the wholesaler from the wholesaler to the retailer and that's to be paid for in the wholesaler needs to make a

margin and the retailer needs to make a margin. So if you finding a box of cigarettes for sale for less than R20 it's probably an issue around its legitimacy.

In the township context throughout throughout Johannesburg throughout less so in KwaZulu Natal interestingly, throughout the Free State. You can go to any spaza shop and buy loose cigarettes for fifty cents which implies that the box cost ten bucks. There's no possibility that this can be legal but there whilst the cigarettes are probably manufactured legally or coming out the back door of the factory of whatever I don't know it is a very grey murky area. And SARS require you to have all of the receipts for the cigarettes that you sell, the SARS are very much on this, right.

I go around the township and every single out that is selling fifty Cent cigarettes and no one has a permit to trade and no one has a license to sell cigarettes not that you need one and I think this is a great example where need a regulatory approach we need to say look if you want to sell cigarettes you need permit and you need to have you'll lose that permit if you can not demonstrate where they came from and not only that but we've got this whole argument in South Africa about plain packaging of cigarettes and we're gonna stop cigarette companies from using nice pictures and you know pretty women to kind of sell the smoking habit. But in the township every single cigarette is sold as a loose item so the packaging is relevant.

So once again it's like you've got this situation where because we don't even know how many retailers they are and that we barely even controlling the wholesale end I mean we should at a minimum you're never going to deal with the hundreds of thousands of spaza shops but we we need to regulate the wholesale sector. We must control the wholesale sector because they're the people selling on these products and I mean the thing around cigarettes the quality control of goods there's newspaper articles I'm seeing about counterfeit there's a lot that's going on that requires a stronger state approach and I think that this is where under regulations are real issue and particularly around the licensing of businesses maybe not

necessarily the township businesses I'm kind of backtracking a little bit but certainly at the wholesale level if not the retail level.

Competition Commission

I mean. The regulation is light in relation to the spaza the shop and and and and more and more intense and as as as you get above a hundred thousand as you as you move into wholesale.

Dr Peterson

Yeah and there has to be a reason why you would want to do that. At the moment there's no reason why would you.

Competition Commission

Thank you. I have got a number of questions for you Mr Peterson. In one of your earlier slides you had that slide where you had the different types of businesses that are found in the township and the largest one being the house shops and third largest being the spaza shops and the fourth largest were street trading or traders and then you also made some distinction between house shops and spaza shops that distinction or that distinction the distinction that you attribute to the two does it come from your own observation or does it come from the owners themselves as to what constitutes a house shop and what constitutes a spaza shop.

Dr Peterson

It came from ourselves because when we started the work initially when we started in Delft in 2010 we were really interested to understand one of our colleagues wrote his master's thesis on the penetration of Somali nationals into the Delft South supermarket trade his name is Royal Lytham and I think you have referred to some of his work in some of your own. And, when we went out on the bikes and we

started way pointing we started finding grocery shops absolutely everywhere we couldn't They were but they weren't comparable to each other. The house shop is very very clearly different to a spaza shop because a spaza stop is effectively a standalone business and a house shop is something that gogo does in her spare time to make a bit of money. And so we had to draw some very clear distinctions so yes the definition is our own.

They also the same kinds of things but I think the grocery selling definition was the most useful so we had a list of I think it was ten products so it was like cigarettes, maize meal rice, and bread milk, cold drinks....a number of others and if you didn't have 8 of those ten products then you were we did not consider you to be a spaza shop and if you weren't trading every single or five days a week or more and if you didn't have a glass door fridge and if you didn't have a sign you were much more and that rule of thumb was very very useful in that I think statistically I'll have to go back and look at the numbers but you could see very clearly what was a professional business and what was a house business.

Competition Commission

OK And then amongst your street traders were you able to see what that street trading was made up of that is the split between those who sold food that's already cooked and those who sold groceries, fruit and veg and those who sold for example clothing if there were any. What was it made up of?

Dr Peterson

Yeah it's a real mix.

Competition Commission

And do you have do you have the figures at all on the split?

Dr Peterson

So, in our initial work. We had this concept called street trade which in hindsight we should never have used tot because street is not important but street trade is how you trade not what you trade so of course we were OK there all street traders so we just street trade way pointed them all street traders but this one street trading sheep's heads and this one's street trading belts and this one's got cigarettes and it was actually only as the research process evolves did we really start to get our heads around what it was we were looking at. I mean initially when we went out we had no idea what we were doing.

I mean it was a like this is really a left field. Let's go on bicycles and go and try and we tried it but over time the processes involved and I'll have to go back and check on the data but when we went back to Delft for the second time in 2015 we collected data not just on street trade but we looked at what were people trying what were the key things they were selling and yeah it's highly variable highly variable. It's a very important modality of trading.

So, in Johannesburg I mean we include street trade to be both. It could be a blanket on the side of the road with stuff on it, it could be a hand stall a handmade knocked up kind of shelterish kind of thing on the street or it could be someone literally pushing a shopping trolley down the road full of vegetables and going from door to door. So it's quite a variable category but as time has gone by we've refined the work considerably to be able to take away the emphasis of how they trade and more as to what they trade.

Competition Commission

But, isn't that the problem with your house shop isn't the difference between the house shop and the spaza house trade rather than

Dr Peterson

Right, It is a volume game and I mean of we came to learn very quickly with the Spaza market that the spaza trade is lots of people sell groceries you know I mean there's there's there's a grocer sellers and there's grocery sellers and initially fruit and veg we didn't even treat separately but then over time you realize actually these are very distinct kinds of businesses and I think house shops and spaza shops they are very similar concepts and many spaza shops particularly for South African started out as house shops and grew into spaza shops there was like an evolutionary process of business growth whereas with street trade it's a very amorphous kind of category you could include absolutely anything.

So we had to make a distinction between house shops and spas shops because a house shop is not open for the same amount of time as a spaza the shop it doesn't have employees. And at the top of my head I can't even think of an example of how shops that employed anybody it was literally like gogo . Whereas spaza shops we saw models of employment we saw wide range of products whilst they sell the same things they're not the same business.

Competition Commission

And then I think its the same slide I could see then I can't seen now, the very last business segment I think it was the wholesaler markets which seem to be very low.

What were they wholeselling, what business were these in? Was it groceries or something else?

Dr Peterson

It's all groceries. I mean remember these sites are literally they're literally like two maybe three square kilometers a tiny size so in some sites like here in Ivory Park I think there were three or four wholesalers but they're effectively for want of the better term oversize spaza shops they're enormous spaza shops with like bulk packets of crisps and lots of crosses or master case of cigarettes and all the kinds of things that that all things a spaza market sell so they effectively were the wholesalers for the spaza markets. But generally there would be one in some cases non or two or three wholesalers they are very low.

The wholesalers we've been finding generally aren't within the township context they're on the fringe just like the super markets in the malls.

Competition Commission

And we able to pick up on who owned them that is making a distinction between local owners and foreign owners?

Dr Peterson

For the wholesalers?

Competition Commission

.....of these wholesalers, yes

Dr Peterson

With respect to this work there were so few to be honest I can't remember. A couple of South Africans at the time although it was 2012 .

Competition Commission

I guess the 2012 issue is also something that I wanted to comment on. You know from the competition law point of view we There's that we tend to rely there's an assumption that a market will change after four years and I wanted to know how often how often would you do do you do this kind of work. I'll tell you why if you were to this is good this is good for us but then if there's a later work that contradicts what you say it becomes difficult for us to compare the two because we are not comparing apples to apples. I just want to know how often do you think you'll do your bicycle trips to update your work and how often can you do so if it's possible?

Dr Peterson

As often as I can find generous benefactors that can pay. Because we are a nonprofit organization and we literally we are not core funded so we started this process in 2010 And we had a small grant from South African Breweries and we've subsequently been funded from a whole range of organizations including scholarships my post-doctoral scholarship. And other funding sources local and international. And our funding for this particular aspect of the work in terms of doing whole business censuses for townships across South Africa is finished.

So we concluded the funding for that the access to work that work we concluded it we looked at nine sites across the country and then we went to the first site and did

the panel study there for the second time so we were able to compare Delft 2010, Delft to 2015 but other than that we've not been funded and if the opportunity presents itself we would definitely go and do it again because it's a core interest of ours and that's exactly the what we mandated to do as an organization but our focus has moved, Mal in particular has moved into the post doctoral scholarship sector. So all the post-doctoral scholarship which with a particular food center of excellence and working with plus So we're looking at informal food markets but it's all food particularly So yeah.

Competition Commission

And also you made the comment that a huge number of these informal sector businesses from a government point of view they don't exist. And, yet Stats SA which would be a government entity would have done some kind of work. Have you done any comparison between how different from your perspective, this is just a comment from you how different is the work of the Stats SA and to what you've done so that we when we have presented figures from Stats SA we kind of pick up what the differences or what the nuances are in terms of the differences.

Dr Peterson

This very question is a very difficult question. Our work is very qualitatively driven and it's very very granular So I mean there's a couple of square kilometers there and there's like one and a half thousand businesses thereabouts that piece of research just that side a whole township census of all micro enterprises about a million rands worth of work there. In terms of us as an organization, just what it costs to go and collect the data. That's the cost.

So Stats SA don't have anything at this level of granularity because it's just not feasible for them to go do it. So Stats SA work at a very much a quantitative levels. So they're very interested in this work and we do a lot of work with Sol Drew the

labour resource demography you know UCT and another in a number of other kind of broader groups some linked to national treasury to try and use this information to bolster what's being produced by Stats SA but we have a major issue with Stats SA in that we're seeing the informal economy growing and they're saying that its shrinking and that is a really interesting dilemma and but their data is based on using the Q A L F S. The Quarterlife survey, the NIDS or the national income dynamics study and a number of other things. Wwhereas our work is very , its quite a nich. So great question.

I think Stats SA estimate the informal economy is around 12% of the G.D.P. of South Africa. I would argue it's a lot more than that because the problem there's an inherent problem it's hie I am from government would you like to tell me about your business is not registered, no one is going to talk to you. And a lot of informal business is informal for a reason and their interactions historically with the state have been fairly negative or at best benign so why would they tell you.

And there's a real issues around getting people to talk about informal things when you're strange guy on a bicycle from a nonprofit you ride to the township and say hie I would like to talk to you about your business you might get some answers but it's incredibly difficult to get honest and comprehensive understanding of the township economy if you rock up in a car and you look like you're official and it's just it's just a practical difficulty of doing this kind of work that's why not many people do it.

Competition Commission

Noted.

In relation to Ivory Park you pointed out that you identified or you were able to pick up 210 or or 212 spaza outlets in 2012 and the 100 you will correct me if I am wrong I think you said 142 of those were foreign owned

Dr Peterson

Yeah

Competition Commission

Which means then it was only 68 of them owned by locals.

Dr Peterson

Yeah Seventy Yeah

Competition Commission

I just wanted to confirm that and were you able to identify the number of liquor outlets

Dr Peterson

I could show you a map that it's horrifying. If you want to see a map. That's quite something. (searching Ivory Park liquor)

That's the liquor outlets in Ivory Park. (map shown)

But what's very very interesting. It does look awful and you can see there's little clusters of of on the on the right hand side there's a whole cluster a really tightly condensed. Liquor retailing is a function of poverty but the poor you are the more liquor retailing you do and so that is an informal settlement within Ivory Park itself so the poor you are the more liquor you find and what is interesting we interviewed every single one of these businesses. More than 80% of them sell a less than 150 cases a 150 liters of alcohol a week which is about 14 cases of beer. And the vast majority of those are selling literally two or three cases of beer a week it's it's commonly little old ladies pensioners who are selling to their neighbors and their friends and one of the things that I found really intriguing and I've spent a long long time trying to get my head around it. People come and talk to me about liquor and say they never ever keep liquor in the houses we had a household study in Delft and we asked three hundred households do you keep liquor at home and 80% said no never because my unemployed employer cousin will come and drink it and therefore I will what I do is I keep my liquor in the shebeen and I go and buy it one unit at a time whereas in my world the middle class world of the suburbs like I have a case of beer in my fridge and I've got a wine rack and I've got a spirits cupboard and I have a very different cultural outlook towards liquor it's a class outlook on a cultural outlook and I suspect that what you're looking at there is the sum total of all the liquor that exists within that community as opposed to a sum total of all businesses now if you do the map of the suburbs do you keep liquor in your house yes or no do you keep liquor in your house yes or no you probably get a map looks quite similar and the challenge lies is the regulatory approach condemns that outlook but encourages mine and that for me is a really interesting dilemma about the conflict between formal and informal and also potentially Western African outlooks on how we deal with things.

Competition Commission

You also In relation to Delft you also mentioned that in 2015 sorry in 2011 you identified about 811 business probably spaza shops I think it was and then in 2015 they over 1000

Dr Peterson

1600, I think. It doubled literally

Competition Commission

With those figures were you able to draw comparisons between the two in relation to the kind of the ownership of those spaces in 2011 in terms of local versus foreign ownership and yeah that the question .

Dr Peterson

For all businesses or for spaza shops in particular

Competition Commission

Is that from the spaza shop in particular cos I think that's where there is the most ...

Dr Peterson,

I can show you in Delft. Okay let me go to Delft

Competition Commission

That is in relation to 2011 and 2015 figures

Dr Peterson

Yeah, so in 2011 in Delft (this map is here) . 2015 I haven't got in 2011 in Delft it was exactly a fifty it was exactly a fifty fifty split. I'm talking under correction but there were 180 spaza shops of which exactly 50 were owned by South Africans, 50% were owned by South Africans and 50% were owned by foreigners literally a fifty fifty split.

If I look at Delft now in 2015 , and I do have this map. (searching spaza nationality) . So now there's a 141 spaza shops so the number has fallen by about forty outlets foreign nationals on 116 and South Africans own 25.

I think I just have to say let me do this. Distribution spaza showing old and closed so the new ones are the green ones the old ones the red ones and the closed ones of the empty docks. (map show)

So there's a considerable number of new businesses that have arrived and there's an awful lot of closed. So you're seeing a consolidation of the sector. And according to that map a large uptake of foreign nationals.

Competition Commission

And do you have any figures on it relation to 2015 figures. I would like to consider it would be nice to consider the latest the latest one your figures or the number that closed the number of the spaza shops that closed in 2015 just to compare . I'll tell you why. In that Pick n Pay submission there's a whole lot of things that they say about the lifespan of these shops and how difficult and therefore any arguments that are made against whatever is happening they say remember you are dealing with businesses that have a very short lifespan.

Dr Peterson

Interesting. In our work the average I can't say this specifically for the Spaza sector. Another work we did for Western Cape provincial government we interviewed 1500 businesses I think the average business had been going for four and a half years 4,2 years which I would argue is a sign of overwhelming success I mean you wouldn't stick out of business for that length of time if you were making something out of it . Certainly lifestyle arrangements or money or something else has an average so Yeah we do have a paper I think I may have forwarded it to your office at some point about closed businesses in Delft why businesses have closed down.

It's a very very difficult topic because of course the people close businesses and move on and you have to go and find them and that becomes very very difficult and strategically hard and expensive so. I do remember in that paper we talk about the issue of a number of South African spaza shop owners who talked about they couldn't escape for one of the better term the black tax the fact that you've got poor cousins and you have to pay for this and medical bills and school fees and and that crises emerge and those crises facilitate you having to shell out money and you get enough of them in a year and you just wipe out. That's one of the big stories in the paper. If you haven't got the paperwork I can send it again.

Competition Commission

I think this question you may have partly answered it in in the first question that my colleague Prof asked you. You you made the point that looking into the family economy it is important for government to look into the formal economy seriously and I wanted to understand what do you mean by that because if you present that line to government at times it could mean clamping down on these people. So up to it it's important sometimes to unpack such statements and as to what it means and whether it means positive looking into them to enable them to grow better or It means more regulation what does it mean from your perspective more regulating and yeah

Dr Peterson

Yeah there's a we need to look I mean South Africa's economic situation is dire if you are poor and there's no possibility that the formal economy will grow to create the jobs that are required we need to look at the informal economy more seriously. It needs to be looked at more seriously with respect to how do you foster growth in the market enterprise there because these are entrepreneurs that with no state investment whatsoever have started and created businesses and operated businesses and made like at a certain scale a level of success for themselves and I think that that warrants a response of a very positive response to say that is the kind of people we need in this country we need more and more entrepreneurs or more people doing these kinds of things that said. I don't think you can have an informal economy operating in the kind of vacuum that we see right now and I think that the this that all these blue dots on the map are a great representation of where you just let it go completely to the wolves. Without for want of better term but it's like this is the bare face of capitalism here where there is no state control and no kind of like there's no consequences for poor behavior and I think that we need to have a level of control and it was very controversial the licensing of in the small businesses bill but I can see where it came from. I totally understand why people want to do it and

many of my colleagues would disagree with me. They'd say no that's a terrible thing but it's not feasible for a state to have a large informal economy that is completely divorced from the formal sector we need to have integration and and it's possibly as much that we have to think about the formal sector as we expect as we think about the informal sector we need to make the formal sector easier to run business and less regulatory and and more accountable for its behavior as is what the role of the competition is all about Competition Commission is all about. But I think at the same time there has to be an onus of responsibility on informal businesses to come into the fold.

That's not to say that you go out there and the rest of you want to doesn't but you need carrot and you need stick and that's the state's job surely. I find it strange that we would just persist with this world of Informality and that we kind of can't talk about it. We all know it's there we see it every day but it's never discussed this is considered like a non-entity yet this is the grassroots of entrepreneurship. I mean I'm in a process where I hope this comes out the right way but I mean I'm 9 or 10 generations into like running businesses and being entrepreneurial for me this is who I am. This what I do and you going out to the township and you seeing people who literally one generation out of a rural community moving to a city starting a business with no investment other than what they bring to the table themselves and making successes of it. I mean these people should be put on pedestals they should be celebrated.

The scale of their entrepreneurship is small but the children of those people will do better and the children of those children will do even better and we need to foster that kind of cultural approach now and instead we just ignore it . So when I say we need to take it seriously I mean why don't we have an award in South Africa for the best taxi driver in the country you know or the businesses that have been able to really take stuff forward within the context of where they operate their good businesses that most of these enterprises and I am not trying to romanticize it. Most

of these enterprises will probably never grow beyond where they are but that's fine because they're not a burden on the state and they're doing things which are good for their families they are doing things which are good for communities and they're fostering a kind of entrepreneurship that in time will become more normal but they're ahead of the curve and we should do more to embrace that.

Competition Commission

That's true. ummm unfortunately I will have to ask this question to you because we have not had much much participation from municipalities but from the work you have done what is your observation on the by laws that are applicable especially on the point where you say some people end up breaking the law. Has there been any any update any updating of the law since the old regime into the new regime in your perception you know because there's apartheid law that treats people in a certain way there is law that treats people in another way, You know more dignified way. In the work you have done have you picked any concerns or positives.

Dr Peterson

The municipalities are absolutely the key interface here, provincial government play literally other than liquor licensing play literally no role in the informal economy. National Government can drive large and important policy in certain directions but the D.T.I. have the Department of Small Business Development I think their annual budget is like R8 million, its pathetic. So, municipalities are the key institution and and they're the key interface and so much of the issues we face going forward in South Africa out of about 234 there is not that many of them that really work very well if you look at the yearly audit outcomes.

So in most cases these businesses operate in a vacuum with any kind of bylaws or regulatory approach. City of Joburg had an interesting thing where they just kind of

left informal trade for as long as possible and then they had Operation Clean Sweep where they literally smashed 6000 businesses in the course of two weeks and it was found to be unconstitutionally valid. So, I think some municipal approaches leave a lot to be desired.

The city of Cape Town the last few years I think they've made some pretty strong strides in trying to do the right thing but I think the problem that they have is that they don't really understand what goes on in the informal economy and there's always this sense that the informal economy is street trade so a lot of the whole informal economy strategy in the city of Cape Town we assisted them in helping develop a lot of work around trying to embrace township business and embrace the enterprises and I think structurally it's difficult for the City to accept that because their structural and policy positioning is set in particular kinds of ways very hard for them to innovate and think outside the box because literally they just kind of straight jacketed into the approaches they have.

But there have been some efforts. I think a lot of the efforts can fairly misguided more because there's a lack of knowledge than any willful kind of wanting to see it go wrong or unhappiness towards it I think people just don't really know how to engage with it . I think that's a big challenge as such a knowledge vacuum I think we as a nonprofit struggle to engage with government when because government struggles to see the informal economy as a serious thing.

Its kinda like yes there but these are not really important businesses. And look there are issues of the informal economy it doesn't manufacture a lot there's not a huge amount of manufacturing all value adding going on which is problematic. You want to create real wealth you take a raw material you add value to it. Selling Tiger Brands products and adding a 20% margin on it is not really that much wealth creating all

the money is being made in the Tiger brands not in the spaza shop but that said it's a business and it's important business and it does make a lot of people a lot of money and we should probably think about it more seriously.

Competition Commission

In fact taking about that I kinda of wonder the as you were presenting whether I should ask you whether you had done any have you presented your work to government or municipalities or has government or nay municipality shown any interest in what you doing and in the work that you are doing because it just is quite important and relevant in their planning.

Dr Peterson

Thank You.

Yeah the City of Cape Town shows quite a bit of interest over here so we were involved in helping them set up or do a major piece of research on township informal economy business and help them devise a new vision towards how to work with informal enterprise but it's a very long process of getting a government agency no matter where it is to adopt a new approach because you've got to get by in and the City has real problems because it's a terrible cliché but everyone operates in silos so what economic development sees as positive, town planning says no we don't want that.

And so you've got a lot of conflict within the structures within a big city like Cape Town. City of Johannesburg, no not really in terms of major involvement or interest. We've presented a lot, we've presented to present to Pravin Gordon, we've presented to a lot of provincial government officials and there's a mixed responses. A lot of people really like it but I think people really struggle with how do you engage

with it this seriously because you're talking about a whole world hey it's not just like one OK I mean here you could just talk about spaza shops and we could talk the whole day but I mean we're talking about every single kind of business you can think of in a context that no one's ever really engaged with properly before.

And it's a whole economy thing and it's like if what you do for one business might be bad for another. So, it's a very It's a very meaty sandwich you wanna get your teeth into it and I think it's very hard to come up with a blanket policies that may or may not work and I think that's why people are hesitant to do much with it.

Competition Commission

You also mentioned in your presentation on the regulatory side on the regulatory side by the municipalities signages new sense and you saying there is lack of that but you find that the tool was used in one place and I think its **Vrygrond**, Oh why was it why was it used only in the can you explain why that town or place.

Dr Peterson

You started a political party and contested the local election. (laughs) Politics. That's what he says anyway.

So we went there and he had his business closed down because he broke some kinda like municipal by law and then it turned out he was a local. We he formed party some SDP the Social Democrat Party or something and he contest the election and he didn't win and then his business is closed down. And the

last municipal election he stood for the EFF. So there's obviously some kind of political thing going on amongst someone somewhere, yeah it's politics but we've never really seen any enforcement at that level at all.

Competition Commission

Moving to your slide where you dealt with the relationship between supermarkets and their suppliers mainly the farming sector and the pressure and costed that is being shifted to the farmers and the terms of payment that they have to deal with and a whole lot of change a modification that they've had to do to their business of farming to do all these other things and embarking on other processes that were never quite considered farming. What I find interesting is that we have not had any farmer coming forward and raising concerns on this and in your interaction with them or have you had into interactions with the farming community for you to to have this country I mean what are your concerns based on.

Dr Peterson

So my colleagues, Plaas in particular wrote that part of the submission so they have not I .

Competition Commission

So PLAA is like farm , so I don't speak Afrikaans

Dr Peterson

Yeah, so they are an Institute within UWC they're headed up by Ben Cup Professor Ben's Cousins. Yeah so Ben, would be able to give really good insight from that

side. I would definitely recommend if you wanted to chat to him about that he would be able to help you a lot.

Oh, there's another chap there Steven Greenberg he writes a little bit about farms, value chains, supply chain systems and how they work and how supermarkets played a role there . That would definitely be worth talking to him.

Competition Commission

On the point that you made towards the end of your submission that (sound in audible)

We had a submission by in that submission what one of the issues that came out of his submission was the issue of not owning land and therefore owning an asset if you are small business and you want to approach the bank the asset ownership becomes key and given our history given the history and when I say I mean South African history, given the South African history of black people not being allowed to own land you find that with In that formal economy that you raised that issue that you are concerned on land ownership was raised as an issue for them because they could not even approach the bank because they don't own the land on which they operate and in instances where the land is owned by the municipality but you later pointed out later in your presentation regarding municipality selling the land to a big player is exactly what tends to happen so they never ever get to own any land and ah so what I was going to say is when you say market ownership versus what is your comment on that because If you were to make your recommendation what would you recommend. Do we say what gets pushed the most based on what you have said there is a person who says we do need to own the land on which we operate because then we have an asset to present to the banks in order to be able to get financing .

Dr Peterson

It's a very good question and the whole idea about owning a market and it really struck with this morning was thinking through a lot of these kind of topics. I mean if you're if you're in a shack in a township you don't own the ground upon which you said you don't have title, you don't even have zoning there's no possibility you formalize. This is disaster. Even if you do own the piece of ground upon which you sit if zoning hasn't been put over it you can't get rezoning to get your permit organized.

The land and the land zoning is a a disaster it's my colleague Dr Andrew Charming has written a paper on its kaf ka haste try and organize you go into you end up in these situations of like you get trapped into cycles you can't get out of because you just impossibilities to navigate the legal bureaucratic framework to organize land.

Why I say markets need to be thought about the same way we think about land Absolutely, I mean there's a there's a real ownership of property was the cornerstone to my entire business I am talking at personal level I mean I borrowed money from the bank bought a piece of property paid off a bit of a cheap source of credit which allowed me to get through the hard months when business was not so good and only by owning that piece of ground was I able to do so and in the township context where titles are a total disaster it's terrible and while I'm applying the same logic to markets is that it doesn't matter.

If you own like what I'm seeing in South Africa which is interesting wenow part of the global economy. Now UBER or a AB and B rock up these are these are companies based in the USA They have no property in South Africa. They have now taken over

whole markets for themselves so it's irrelevant whether you own the land or not these markets are now effectively controlled externally within South Africa.

So if you want to catch a taxi Anyway your entire their entire business model doesn't even need to be here and they own the market so that thinking about land it's almost like that so last century we need to actually think about how do we control markets because in some respects the focus on land and it a very important one a very critical one is a reflection of something that was happening two hundred three hundred years ago that is not ever been remedied but what we're seeing in terms of changes of markets now we're going to want to rectify in one hundred years time we won't be able to because the same thing is happening again the difference is you can see and feel the land but the market is all around us and everything in that market is being sown up and tied up into and I'm not trying to sound like some kind of conspiracy theorist.

But when you look at the behavior of supermarkets and the control of the markets now and I think about UBER I think about AB and B. and I think this is an amazing story of like how whole systems are being co-opted into certain directions and out of the hands of the people who need to actually do them the most. And that is for me rather problematic. This is quiet abstract as well but is quite problematic.

Competition Commission

I hear you, that was my last question. Thank You

Competition Commission

Just one or two questions from my side. I think I'm right in the beginning you have of your present I interpreted correctly you indicated that fast food or take away enterprises are on the increase in the areas that you looked at what do in your view life would possibly be even reasons for that.

Dr Peterson

So, the business of fast food and takeaway as is I have written a paper on this. It is predominated by women with dependent children. So what happens is that you you have children and you have the option of taking up a job maybe as a domestic worker if you're unskilled or something in the city which is generally low paid and you then have to both work for what will probably be a fairly low income and provide child or supply childcare so you send your children to a crache or something else.

What happens is that I think a lot of these women are making very proactive decisions to say well I've got children I can earn R3 000 a month in the city and then I have to spend five hundred bucks of that on taxi fares plus another five a month on childcare and I have to be gone literally fifty hours a week or I could like run a business from home what is a good business I can run from home cooking food is a great business because there's tons of foot traffic in the township context it's it's it most of the business is happening after hours so you can stay at home with your kids in the day organize and pack off to school and look after your domestic duties and then at four o'clock he then set up your braai stand and you braai on the side of the road until 8 o'clock at night.

And at point you've got other people who are back in the household who can look after your children. So I think that the business of braaing food and takeaway food is

something that has become an extension of how people perceive livelihoods it's like but I am at home and I am looking after my family I get a child support grants and I can do this business and I can actually like make as much as I would have working hard the time and I can care for my children and for my domestic duties.

So the great majority of people who are doing the braaing and the cooking are women with dependent kids and I think that's a key driver. I think the other key driver is that foreign nationals who are operating spaza shops there is a very strong cultural perception that we've learned from South Africans that people will not buy fresh food or unwrapped food from them because there's a perception that because many of them sleep and live in the shop and they keep cats in the shop and there's a whole lot voodoo and stuff linked to the cats which is also very complicated.

But there's a sense of like because you stay here and you live here and you here on your own there's a dirtiness unhygienicness around the shop that we don't want to buy unwrapped food from me and so we won't buy prepared food so we've seen a lot of South Africans who were in the Spaza sector branching out from retailing grocery businesses and selling liquor and very commonly South Africans would in their spaza shops would sell liquor as well thus the map. But also that it's less risky to get into the world of takeaway food. So I think that there's been a couple of push factors. But I think also it's turning into a fairly I wouldn't say a lucrative business but it's certainly a profitable business one can get into which has got low barriers to entry and speaks to people's needs.

And, we did a piece of work in KwaZulu Natal where the average township male in Kwamashu spends I think it's sound R128 or R138 a week on takeaway food and these are people who are getting up in the morning and they're buying street

food on the way to work they are eating at work and then buying street food on the way back from work at the end of the day because it's incredibly cheap it's it's cost effective it's convenient.

It doesn't play particular well for people's diets but then that's a secondary issue isn't it.

Competition Commission

Then in terms of the work that you've done in the various areas have you picked up on any form of skills or training initiatives that have been put in place by either government to any other entity and for these businesses.

Dr Peterson,

No, not at scale. Yeah ad hoc occasionally something here or there but nothing that I mean A P W P programs are probably the most prominent thing we've seen but they're not operating within the areas we're working. I mean remember our sites are very small. So that that's not to say that we are just missing it. No, no to be blunt.

Competition Commission

If you were to have do you have any any recommendations of views as to number one that is there a need for skill for training and secondly if so what type of training and then thirdly what would be the best way to do the training to to distribute the training If I can call it that.

Dr Peterson

I think that the fundamental thing that's most important is whatever you do don't work with people who want to run a business work with people who already do so time and time again the way I've just finished a piece of work with A.B.I. who are trying to train up young unemployed men and women who were selected from a pool of long term unemployed people who were then to be trained up to become entrepreneurs in their own businesses and I would argue that like they've already self selected themselves out of entrepreneurship by being long term unemployed. It's nonsensical, you can't train someone to be an entrepreneur you either have what it takes to be entrepreneurial or you don't.

If you go if you want to run a training program to give skills to people pick the people who already run businesses because they're already there and those people with any luck will employ the long term unemployed but at the end of the day you can't train someone to be an entrepreneur. I honestly don't think it can be done. It's it's an outlook on life that you either have or you haven't got. You either got the energy for it and the the will and the determination or you haven't and I don't think you can train that into someone. And there are lots of people in the township context who who have that and we see that in all of those dots on the map a lot of them will never take their businesses beyond the survivalist level and they're probably wouldn't benefit from any real skills interventions at all but those who are doing well. It's less training they need and more a better business environment it's about investing in things that are really basic like street lighting so that you can operate your business for an extra hour a day because it's safe at night. Its about getting the zoning right so you can run a business from your premises without the fear of having to be shut down. Or your neighbors complaining because you're breaking a bylaw.

It's about electric access to electricity, access to water. The fundamental things that I think lots of formal sector businesses take for granted which don't work as well in the township. And, I think it's about taking the foot off the regulation in certain respects to

allow businesses a little bit more freedom to get away with stuff not necessarily a bad way but to be able to trade a little bit more on the street and to be able to trade a few extra hours and then I think you know it's kind of more create the conditions for business to be better and create a better business environment and get more money into the township in whatever ways that can be done.

In terms of actual skills development and training. There's so many aspects that could add value in certain ways but I think it's just about maybe mentoring and in certain respects for certain kinds of businesses. I don't think there's a cell phone App that's going to train anyone out of poverty. That's at the big trend at the moment in South Africa is the new cell phone Apps that help people procure stock and do this and do that. I get phone calls every week. I honestly don't think there's a cell phone App that's going to take anyone out of poverty it's about a long committed process of working with people who are already running businesses and helping them refine those businesses in certain kinds of ways.

I think the states' role could be really valuable in terms of mentoring existing entrepreneurs. In particular kinds of ways to allow them to maximize their business potential. So, whether that's about cutting your input costs or thinking differently about your business strategically about your business, coming up with the right kinds of spaces and places and infrastructure to allow them to grow those are the kind of things that would make a real difference.

Competition Commission

So just another question that I've put a lot of those questions. Have you given any thought on what could be done to address the tension that exists between local

owned businesses and foreign owned businesses to address the concerns of the locals that is. Or do you think anything can be done at all .

Dr Peterson

It is a very difficult question because you're asking me a social question I am economic guy.

Competition Commission

I am putting it to you because when when we if we if you ask the shop owners themselves It's very sensitive is the answer that we're likely to get we need to take into account of cause are likely to be subjective but for you it can be an objective answer so we want weigh up your recommendations quickly and what I mean compare them to to what the owners themselves would be recommending.

Dr Peterson,

Yeah, foreign nationals have been able to deliver cheaper groceries to poor people just like supermarket that's a good thing. I find it intriguing that in South Africa we focus so much on the xenophobic violence when it comes to foreign nationals or whatever underlying causes they may have but we don't target the same level of frustration towards the corporate sector which is doing exactly the same thing in many ways more ruthlessly because it hasn't even got the the chutzpah to get into the township and hang out there it want to build a mall one edge and a car wash in the fringes you know.

I think South Africans have been remarkably accommodating. Considering the scale of the change in the rate of the changes happened with respect to foreign nationals I mean that map I showed you there in Delft tells you something profound is going on. And that South Africans have been incredibly accommodating of that and I'm surprised that we haven't had more social issues on the basis of what's going on all around us. How do we get people to get along and do more can we work together. I think we've worked together incredibly well considering how far this has gone but I think there could well be a point where does turn into something a little bit more than just talk in terms of I mean people are frustrated and we talking to the businesses that we're dealing with and I hear the frustrations of South Africans are saying this is not to excuse some of them who run pretty rubbish businesses and who could have actually worked harder and could have done more. But I think at the same time it's like South African who were trading in groceries who have now are kind of left the market because they've not been able to deal with the competition have got into retailing liquor . And then get arrested and spend five days in jail courtesy of SAPS you can't blame him for being a little bit unhappy about that, I can't.

And we've had individual say to us I say look I ran this business I couldn't compete for whatever reasons that went wrong I went into liquor trading and I got arrested now who do I fight with. Do I that I fight with government or do I fight with a neighbor who's employing this person who's running this business. So, I can see why the tensions are there and then totally see why the tensions there and I hear the frustrations of people but it is a real double edged sword I do think people have been incredibly accommodating and people have benefited from the fact that you've got cheaper groceries and that these things have become more convenient and there's a wider range of stock and that these are all things that people want. It's it's a vexed question. It really is a vexed question and I don't know. But I think people have been very accommodating when you consider how few blowups there are.

There's also tiny bits of integration going on. That's what I'm saying but not much but in some cases significant enough maybe in time.

Competition Commission

That's all thank you, thank you,

Competition Commission

Thank you, very much for the presentation I assume that you're going to give us a copy of the presentation.

Dr Peterson

Yes, you are absolutely welcome. It's not particular well put together this.

Competition Commission

I think it worked excellently. I don't think you should be embarrassed by this. And particularly since we you accommodated us by by presenting this afternoon rather than tomorrow pleasure. I think with that we close the hearing and we open again. At nine with the is the Red tape Unit of the Western Province to do a presentation on their how one gets rid of red tape .