



*competition*commission
south africa

COMPETITION COMMISSION'S GROCERY RETAIL MARKET INQUIRY TRANSCRIPT

3 July

Competition Commission: Chair

1. Good morning everyone. I would like to just introduce myself. My name is Halton Cheadle. I am a Professor at the University of Cape Town and a practicing attorney. And my colleague here.

Competition Commission: Lulama Mtanga

2. I am Lulama Mtanga.

Competition Commission: Chair

3. And a competition lawyer of note. I want to welcome you and in fact I might say, Ms. Mtanga is a competition law expert with extensive experience and through her former roles in the Commission as well as her experience as the Director of her law firm, Bowman Gilfillan. We also have Ms. Louise du Plessis from the Competition Commission. She is sitting in the corner and is here in the capacity as the head of the inquiry's technical team and evidence leader. And she and the team of lawyers and economists will be assisting the panel and they are sitting up here in front and soliciting evidence for the inquiry.
4. To begin, I would like to explain what the inquiry entails as stipulated in Section 43 capital A of the Competition Act. So, an inquiry is a general investigation into the state, nature and form of competition in a market as opposed to an investigation of a specific conduct by specific firm. So, we are not looking at the specific conduct of a specific firm. It is initiated to pursue the purpose of the Competition Act, which is to promote and maintain competition in the Republic.
5. Now drawing from this, the Grocery Retail Market Inquiry was initiated because the Competition Commission had reason to believe that there exist features or the combination of features in this market that may prevent, distort or restrict competition. And following the publication of its terms of reference in the government gazette on 30 October 2015, the inquiry commenced on 27 November last year.
6. As many of you are aware, the Competition Commission has been very active in various markets as seen through the wide spread media coverage. We have

seen various dawn raids on cartel behavior and most recently in the Gauteng fresh food and vegetable market behavior and the exchange rate cartel by the banks. This active regulation by the Commission gives comfort to the work that will be done here by both the Competition Commission and the stakeholders and its importance in society and the economy at large.

7. The findings by the inquiry will provide a factual basis upon which its panel can make evidence based recommendations to the Minister of Economic Development in order to promote competition and the purpose of the Act. The recommendations may include but are not limited to recommendations to new or amended policy, legislation or regulations or recommendations to other regulatory authorities in respect of competition matters. The Minister will then present these findings in parliament for debate and subsequently recommendations approved in parliament will be implemented.
8. Let me give you a brief overview of the inquiry. In line with the terms of reference and the inquiry's statement of issues which are both available on the website, the inquiry will assess competition in the grocery retail market under 6 objectives. Very briefly, the effects of national supermarket chains moving into townships and what the effect of this has on small independent retailers and the informal economy within those areas.
9. Second, the effect of property developers, financiers and national supermarket chains entering into exclusive lease agreements that restrict landlords from being able to rent space within their developments to other retailers that may potentially compete with these national supermarket chains.
10. The third is the impact of regulations on municipal town planning and bylaws of small independent retailers in townships and rural areas.
11. Four, the impact of buyer power on buyer groups and other large purchases of FMCG products on small independent retailers in townships and the rural areas.
12. Five, the impact of certain identified value-chains on the operations of small independent retailers in townships and rural areas and the informal economy.

13. And the inquiry will also probe the dynamics relating to foreign and Southern African operated small independent retailers, spaza shops, general dealers etcetera in townships, rural areas and the informal economy. However, it is important to note that this aspect will not be covered during the course of these particular public hearings. It is important to reiterate that these objects are not findings of harm, nor may they be considered preliminary conclusions of the panel on the status of the grocery retail market.
14. The objectives are listed in the terms of reference and statement of issues. Our real starting points for the inquiry's analysis of this market and then may be amended as required during the course of the inquiry's assessment depending on the information received and the submissions made by stakeholders. These objectives are intended to act as a guide to stakeholders when making their submissions or relevant related issues.
15. From the time the inquiry started, the technical team and the panel have embarked on an extensive information gathering exercise. The information has been gathered through a number of avenues including 1) general stakeholder engagements, aiding and properly understanding the market. 2) Targeted consultations in the form of numerous site visits and revisits to stakeholders in townships and rural areas throughout the country to gather the information on specific information and data. 3) Calls for written submissions from stakeholders, surveys, targeted information and data requests, desktop research and public.
16. At this juncture of information gathering, the conduct of inquiry can be summarized into 4 phases. Phase one, involves the collecting of literature and existing data on the market, as well as existing data that has been collected thus far. Phase two, involves a two-pronged consultative process, the first comprised of direct meetings with various stakeholders including research institutions, consulting houses, universities, all spheres of government and business organizations dedicated to small businesses development in rural areas.

17. Secondly, the inquiry conducted country side site visits, the technical team and panel members met with, amongst others small business owners in informal market, local and foreign, government, grocery suppliers, wholesalers, new market entrants, property developers and financiers located mainly in township and rural areas throughout the country. The site visits were followed by revisits, where members of the technical team and panel further engaged the constituencies of associations and of organizations formed by more independent retailers in the informal market.
18. The third phase, the inquiry has commissioned two surveys targeting consumers and small businesses respectively. Thus far, the consumers' survey has been concluded and will be published on the inquiry's website within the next few weeks. The small business survey is due to be concluded in early July.
19. The fourth phase which is what brings everyone here is the public hearings. The public hearings give an opportunity to consumers, retailers of all sizes especially smaller and independent retailers and any other interested parties to submit their views and experiences to the inquiry. The first hearings were held in Cape Town in May, the second hearings were held in Gauteng in June and this is the third round of hearings which are being held here in KwaZulu Natal. The inquiry may also require to hold additional inquiries in other provinces should the need arise.
20. Now, it is important just for the conduct, how we conduct the public hearing. Firstly, these hearings will only cover specific objectives that have been previously stated. This is because some of the objectives in particular those dealing with informal sector were extensively discussed and probed during the inquiry site visits and revisits. The topics to be discussed include therefore the impact of the entry of national supermarket chains in townships and informal economy. The second is the impact of long-term exclusive lease agreements and the role of financiers on competition on the grocery retail market. The third is the impact of regulations and bylaws on competition in the grocery retail market. And fourthly, the impact of buyer groups and buyer power of purchases of fast moving consumer goods on competition in the grocery retail market.

21. At this point, the powers that are invested in the, by virtue of the Act include the following, if stakeholders wish to claim confidentiality they may do so through the Commission's processes as outlined in Section 44 of the Competition Act. Stakeholders should note that in accordance of Section 72, the failure to answer fully or truthfully is recognized as an offence. A person commits an offence if they fail to comply with the Act. And finally, stakeholders should note that they may be summoned should the Commission believe that person is unable to furnish any information on the subject of the investigation or to have possession control of any book or document or other object. Unfortunately, we have not had to rely on any of these powers because people have given evidence, made submissions voluntarily.
22. The rules for the public hearing are open to the public except where I rule that confidential matters are too big, witness or stakeholder wishes to make confidential submissions. In which case, it will be a closed inquiry.
23. All sessions will be recorded and streamed live online, except for those sessions that are closed. Also, to allow proper ventilation of information, we as well as the inquiry's technical team may pose questions to the person making oral submissions or to any witness. I do not permit any person either personally or through legal representatives to question witnesses or any other person making oral submissions during the hearing.
24. If a stakeholder however wants to make an objection or wants to comment or question in respect of any submission made during the proceedings then that stakeholder must submit in writing the objection, the comment or question to retail@compcom.co.za , or by telephone and the details will be given to you by members of the technical team. So, due to the available time being limited only one representative, group or entity either personally or through a legal representative will be permitted to make oral submissions other than witnesses the party may wish to call in support of their submissions. If the parties anticipate the different representatives will be needed to address different topics, appropriate arrangements will have to be made with us beforehand.

25. The panel may conduct joint hearings in terms of which any number of persons may be combined as participants in the same proceedings if their respective submissions or responses seem to us to involve the same questions of law or facts. So, in conclusion, I hope that the coming days here in KwaZulu Natal will develop a mutual trust, a sense of trust between us that is vital for the proper conduct of this inquiry. The inquiry is not merely important to us the Commission and to you as a stakeholder; but it is important to the nation as a whole. The grocery retail market is important as it is part of the chain that ensures food security, creates jobs, allows Southern companies to plan and provides a lot of young people entrepreneurial opportunities. We hope its results would be to promote the Commission in South Africa and in so doing promote an inclusive South African economy. So, with these opening remarks, may we call up the KwaZulu Natal Youth Chamber of Commerce and Industry, Mr. William Zenzile.

KZN Youth Chamber of Commerce and Industry: William Zenzile

26. May I speak?

Competition Commission: Chair

27. Yes, please go.

KZN Youth Chamber of Commerce and Industry: William Zenzile.

28. Thank you. My name is William Zenzile, I am currently the president of KwaZulu Natal Chamber of Commerce and Industry. We have been invited here to make our presentation on behalf of the chamber. Maybe before I start I would like to inform you Chairperson that I won't be alone in presenting this. I have a delegate from the Chamber with me. We abbreviated KYCCI. We have made some kind of a presentation and would like to ask my colleague also at a certain time to come in and present. So, I don't know, given the preamble that you have given us as you were outlining the objectives whether what we have will be appropriate.

Competition Commission: Chair

29. Yes, that will be fine.

William Zenzile.

30. Thanks. May I ask Mr. Kunene to come forward please.

Competition Commission: Chair

31. Sorry, what is his name?

KZN Youth Chamber of Commerce and Industry: William Zenzile

32. Mr. Vusi Kunene

Competition commission: Chair

33. Sorry, and his position?

KZN Youth Chamber of Commerce and Industry: William Zenzile

34. The position is Retail Sector Advisor to the Chamber. In fact, we are also waiting for the CEO of the Chamber whom I am hoping can be joining. Maybe, without waste of time because I do believe that we are pressed for time. One would want to thank this invitation coming from the Commission, to come here to represent specifically about the youth in business. The youth are the main people we represent as a chamber. They are the are most vulnerable because they are always starting business, especially in the townships where they want to make some inroads into the main economy of their country because that is their objective.
35. I want to quickly first raise that we want to believe that when we speak of the informal economy, we roughly in a nutshell are speaking of the township economy in our lingo given the trajectory that we have taken as a country. So, whenever I refer to the issue of a township economy, I want to be indirectly also including the informal economy as you would want to put it. I sit in a panel called Economic, KZN Economic Council. In that panel that is where we discuss many issues that affect the economy trajectory of the province. As a chamber we have also been tasked with investigating how we can make township economy play a role given the trajectory of high unemployment rate that we are experiencing in our province, especially in the country. Therefore, it is one of our pillars or it is one of our programs that we want to run as a chamber.

36. I want to also to mention right now that specifically we have been under the township economy, we focus around the issues of spaza shops because we do believe that those are the kind of domain, when I say spaza shops, I am speaking of tuck shops. Those were the main drivers or the main players within the townships that we grew up with and have come to know them as people who were within the vicinity of township providing services of convenience stores for the people that are staying in those townships.
37. And recently, one would also want to highlight that there has been an impact that we have seen happening to that sector after 1994, especially when we were driving the issues of shopping centers moving to townships. We can confirm here that it has had a negative impact to the owners of the spazas. Maybe to the consumer a positive impact is that these big conglomerates come with low prices when they come to townships given the power that they have when they buy these products. But definitely, when we are speaking of those small independent retailers, it becomes very difficult even to compete on the pricing given the powers of the capacity that they operate under. Therefore, that is one area that we would want to believe that it has not really helped that much to create that vibrancy in terms of the local economy that we envisaged when we were trying to open up the space for the township economy. Therefore, there is a relationship there that I think we need to look into and see how these people are also protected given the power that these conglomerates have. I want to call these conglomerate because they are very big and I don't know their power, how far does it go.
38. So, definitely, we have seen a decline of those spazas and those spazas were pillars for the families in the area and especially for families that were depending on those convenient or spaza shop which today to a certain level have really been eroded. And of course that has been replaced with another type of a setup, same style like the conglomerate or maybe these big supermarkets, where instead of now single spaza shop, now they have kind of buy all the spaza shops and with they do they go and buy in bulks and of course mainly the people that use that are the foreign nationals. They have come to a point where

they have grouped themselves and they go and try and to be able to also effect the power of those super – those national supermarket groups to make sure that they can also have a voice. Well, to what extent that voice, it still depends how each group is willing to sacrifice itself because we need to work times two the rate of the normal conglomerate or these big companies to really, to match the level of the standard that they offer or maybe the level of selling for your retail. Which really also is creating a new dynamic in terms of the problems that we are facing. While these ones are being eliminated, the other new group is coming also with its own dynamic which really, it's a bit of a challenge which I think also definitely we want to also see how the Commission can play its role in trying to see how that can be averted.

39. The third one, look we do feel that these contesting interests within the township has also in a very light way fueled the current xenophobic sentiments within the townships given the space that they are operating in. Definitely, we do believe that because people being squeezed out of business, they find themselves not being able to really to respond to the changing markets and definitely we would want to see at that time people would want to look for some scapegoats or a thing that they can relate to in trying to see what is it that is taking away my cheese or my normal income that I used to get. And definitely we would want to try and see who is it. And of course, always, it is always the people that are near to you that you want to respond to, forgetting there is a higher powers, forces that are really moving to push you out.
40. And that is another problem that I am saying this xenophobia attacks and sentiments, there is a drive by these conglomerates, these big companies that are pushing a negative impact to township which really is creating this instability that we are seeing in our township. And of course, maybe we would need to put scientific study around that one. But generally, there is that phenomenon that is happening. And to what extent I think also we want to see how the Commission can assist us in trying to really create a space.
41. We have also gone as far as to check the issue of the value-chain. It is a given five hundred billion market, controlled by four crooks, it is a problem. It doesn't

need an expert or anyone to tell that there is a problem. We can't allow four people to come and monopolize the whole value-chain, you can't move. So, the Commission must go there and see really what can be done to break down that power. It is too much, it is concentrated and definitely doesn't give people room to even to grow. Hence we are experiencing this high unemployment. In fact, South Africa currently when you speak of entrepreneurial spirit, it is sitting nowhere and it is not going to grow because there is no space for the entrepreneurial spirit for entrepreneurs to strive. Because it has been bottled up, it has been put in the corner, any youth that goes into that market is crushed. Not only crushed in terms of their business ideas, their spirit and they end up nowhere. So, it is a serious problem that I think really the commission really appreciate if they can come on board and really see how they can break out that nucleus because it is very strong from where we are looking. In fact, it is of the same nature like these mobile companies, these cell phone companies. We see that these are really serious players who knows what they are doing. But unfortunately, they have a negative impact on the general society that we are living in where we are also trying to raise future entrepreneurs and space to service the society that these entrepreneurs are working in.

42. I just wanted just to give those few background which we are hoping that maybe at a later stage, we will have a one on one opportunity with Commission where we will submit some kind of a report coming from the chamber, scientifically also backed up and in terms of whatever we will be raising. So that whatever we are saying is not just something we are saying, it is unfortunate that we, maybe let me not put it that way. We only got the invitation on Friday but we thought that it was important that we come. Because it is important that we represent our constituency. But we still believe that should we get enough time, we would have come here better prepared to present something solid. Even presenting a paper on this matter because it is a matter that is really we need to really look into it very consciously, in fact, as a matter of urgency so that we can be able to really come up with a solution for it. Because on its own we can't achieve this inclusive growth that we are envisaging as a country. Maybe without further waste of time, I would like to take also this opportunity to give to my Mr. Kunene here to further present. Maybe also in terms of with as chamber

we will be working on as we interact with the commission going forward. Thank you very much Chair.

Competition Commission: Chair

43. Thank you very much.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

44. Morning to you Chair. Let me just not waste too much time. You know my colleague has mentioned a very important point here about the five hundred billion market that the supermarket retail sector is having which is captured by the big four of supermarketing company of South Africa.
45. I think we need to go back to 1994 and you know the new government took over this country in 1994. But the economy was long taken away from us, that is a fact, we don't need to deny that. The so called big four were allowed to build their empires by the previous government. And they were protected and given land, if you look at KZN from Umhlanga Rocks right up to North of Zululand, there is a lot of sugar cane lands which was given to some of the white monopoly without any paying too much on those lands.
46. There is also an exclusive shopping center arrangement that has been dealt, run and conducted by the big four. The buying power has become so big, the buying power of this our and traditionally the manufacturers which is producers held the power, but early in the 90s just before our new government, the power shifted over to the big four. They deliberately disregarded the business cycle of retailing and thus opted to be referred as players and as referees and players at the same time. I am saying this because if you look at the business cycle of the retail, you know, it starts in the manufacturing and from manufacturing it goes to warehouse, and from warehousing there is distribution and distribution into wholesaling and then retailing at the end. But the big four have disregarded all this sector, this cycle of business. They are, that is why I am saying they are the players and they are the referees at the same time. They are now have decided to approach the farmers and that is why they have their name brand,

Spar name brand, Pick n Pay No Name brand. And everything now is, they are controlling everything of the economy.

47. The retailing is the major source of employment here in South Africa. The wholesale and retail sector of South African economy is the fourth largest contributor to the gross domestic product and it employs 22% of the South African total active workforce. So, our main concern here which I think needs to be taken care of is , our township economy was destroyed by the big four. For them to be involved in marketing, in warehousing, in distribution, in wholesaling, and yet they are retailers at the end of the day. So, there is no way that our economy in the township could have survived.
48. For our country to be serious, the distribution of wealth and levelling this inequality, licensing of this business cycle has to be revisited. No, because as retailers, the big four as retailers, they need to be having a license of retailing. But you see them now distributing with their big trucks written, Checkers, Shoprite, Spar going to and having their warehouses in the same. So, these guys are really controlling the retailing sector. And what we are saying now in retailing, the solution that we need to look at is the issue of this licensing needs to be done, given to these retailers according to their business core. And the radical transformation be urgently implemented in the current and/or present supermarketing retailing status.
49. And also, the social economic impact of the neighboring communities where they are operating their businesses, the employment of the local people. The employees housing subsidies that needs to be done by them, the education assistance like school bursaries for the employees, that also needs to be looked at.
50. We are also saying that the locals need to be given an opportunity to buy shares or even the employees need to be given the shares because we need to equally distribute the wealth of this country. The exclusive lease arrangement currently in the malls. I think needs to be scrapped because it is difficult for a small person from the township to open up a bottle store in a mall because Pick n Pay and Spar have got their own liquor outlets and no one can even be able to get a

business in the malls now. And most importantly our country needs to come up with economic policies that will take our country out of this technical recession. And that will address the present inequality and distribution of wealth to the people of this country. Thank you.

KZN Youth Chamber of Commerce and Industry: William Zenzile

51. Chairperson, just to add on as well on just what has been said. Another thing that because we thought well, we just don't want to bring problems only. We need also to be proactive and bring solutions because there must be solutions to everything. Look, for one, I don't know what type of law governs those groups first of all, but whatever law that governs those groups, I think really it must be looked into. Because really, they are compromising the food security of the country. Because if you speak of a person, of a group that can really be in charge of that power, really, we are also in their mercy should whatever they want to do. And that for me, I think it is a problem. And I don't think that we can secure the food security around few groups that can really at whatever mercy and whatever way they think they can give us a price. Because these price are no longer competitive. It is the price that they decide according to what they want to see happening into their triple bottom line of their finance. And that becomes a problem.

52. So, for me, I would want us to look into that, those groups that really they are looked into, they are known. It is unfortunately, you have guided us here Chairperson that we don't need to mention names and whatever, but they are known. They are the big four and they are there. We know all of them and you can't move without them. All those that have tried to come in, in fact, even the terms of reference did allude to others who tried to come to the market, they did try to seize the market share. But you can see that market share, it is only because they had power outside the country that they can come and buy-into, especially the likes of the Choppies because now they can be able to buy a certain portion within. The ones that we had that grew up before us, the Cambridge, it is gone today. It was bought by Makro and all that.

53. So, really there is a problem where we are saying that there is no healthy competition out there to allow a space for everyone to grow because even the one that is trying to be big is being bought or is being threatened to be taken out. So, those are the things and definitely you can see that even really if you don't sell your business now, in the next 5 years, you will be out because they will squeeze you out of your business. So, the best way is to put it at a level where it is giving you good margins in terms of profit and you quickly sell it to them so that they can manage it.
54. The Cambridge, unfortunately, you allowed them to buy Makro and all that, we can't say anything, but the truth of the matter, these people have got that power to a point, that definitely it is giving a space, it doesn't allow a space for a budding and entrepreneurial people to really play in those sectors. Worse now because they even come to the townships, where we would want to believe that because they have got settled in the formal, what do we call, areas, definitely on the township will allow these entrepreneurs to flex their muscle, learn the trick of the trade but they don't want to get into that space. But at the time they want to understand the grip of the sector they are taking out. That is what has happened with the township economy which personally, where I am sitting, it is dead. The only one that will survive are the few in terms of maybe the tourism and the like. But beyond that, nothing more will come out. So, I am saying we really want the commission to look into that.
55. The issues of the value-chain system, it is bad because the whole value system especially the buyers are the ones that are controlling this. So, definitely you will need to go inside there and check really who are the players there, how do they play around in terms of coming with the price and where it becomes a big problem is that these people can buy a product that can stay in shelf for more than 6 months. I am saying it doesn't stay in a warehouse or wherever while they are pushing they are pushing in terms of their objectives for a certain product. And definitely we are not going to move.
56. So, I am saying there are serious challenges that we do believe that has been put upon us as budding, as entrepreneurs who are also wanting to play in the space, so, that we are hoping that maybe the Competition Commission can

really assist in really breaking that power because it is not a healthy power from where we are sitting. Thank you Chair.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

57. Sorry, Mr. Chairperson. In conclusion, I think the Competition Commission needs to strongly and seriously look at the cycle that I spoke about, the retail sector. Supermarket retailing has got nothing to do with distribution, with logistics, with wholesaling, with wholesale. So, a wholesaler must be given a license to wholesale. A warehouse must be given a license because these guys, they are doing everything in one. There is no way that you can compete with these people because they go to the farmers, they even empower farmers, they even give them money, they even give them everything for them to grow their produce and they have exclusive rights of getting their produce like the Woolies of this world.

58. It is difficult for SMMEs to be able to sort of start their business afresh because these people are players, they are referees at the same time. It is difficult really for the South African economic to flourish and unemployment to be eradicated if such big four guys will be giving an opportunity to sort of continue with what they are doing now.

Competition Commission: Lulama Mtanga

59. Okay, thank you. Just for the sake of our records, can you mention what the big four that you are talking about, just for the sake of the record.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

60. Okay. The big four here we are talking of Woolworths, we are talking of Spar, we are talking of Pick n Pay, we are talking of Shoprite, Checkers.

Competition Commission: Lulama Mtanga

61. Is Woolworths operating in the townships?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

62. Not really in the townships, but they do operate in garages.

Competition Commission: Lulama Mtanga

63. And then Mr. Zenzile mentioned that the entry of, when the malls were developed or the idea of having malls in townships or in the townships and rural areas was to create a vibrant economy, can you speak to that idea? What exactly was envisaged? What was hoped to be achieved by having malls, having supermarkets? What exactly, what has failed about that idea or about that which was envisaged and what is it that was envisaged for us? We need to understand that.

KZN Youth Chamber of Commerce and Industry: William Zenzile

64. No, thanks Ms. Mtanga. Look, what we were saying is that the economy right now, we know it has centers that it operates where it is active like the City of Durban. That is where you find economic activity happening. So, there was a plan that was saying we need to diversify or distribute this wealth, also go into townships so that we also can have centers of economy, local economies. So that in that areas people cannot flock to the cities, so that whatever that is happening in the cities can also be found in the KwaMashu and the likes. And of course, the thing that whatever, whoever when they were planning was that in those economies people in that areas must be active so that they can also like almost do the same activities that are happening in the cities but within the townships.
65. It can be in the form of food, clothing and everything that can be done nearer. It is unfortunately and one calculated the impact that will by those because now people, I think is not going to be easy to build, what do you call? Buildings and the likes, rather put it in the form of a shopping center where everyone will be there. It is unfortunately, they never anticipated that maybe the people that are in the township they don't have money to buy into the spaces and the like.
66. So, I think that was just like kind of an idea that was envisaged when they proposed the issues of local economies which I believe the execution, maybe they didn't have an understanding that even if we want to create these noble objectives in trying to give people space to be active and their local economies.

But also, you need to be regulated or managed so that the bigger ones will not come in and manipulate the space as they have done now because they have maneuvered everyone in the townships to a point now everyone now is reliant on these malls to get the services, I always said the convenient grocery kind of for the family households. That was the background to distribute the economy activities within these local economies.

Competition Commission: Lulama Mtanga

67. Okay, I get you. You also mentioned the liquor licenses that you say should be scrapped, am I correct?

KZN Youth Chamber of Commerce and Industry: Vusi Zenzile

68. The liquor license to be scrapped, no, no, no. I was just referring to these big four that when they get into these shopping centers, it is difficult for the township SMMEs to get into the shopping centers because those big guys have got their own liquor trading licenses for their own. So, it is difficult. They come to the township to monopolize and they take everything that can be done by the local people.

Competition Commission: Lulama Mtanga

69. So, you are basically saying that they are selling food, they are selling meat, they are selling baked goods and liquor. So, now your specialty retailers are now housed under one store?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

70. They have even gone a step further now. They even have their pharmacies in their shops, inside their supermarkets. And they have got counters where you are able to sort of – they do everything. You can get, you can buy tickets for the buses. You can do anything in the counters now. So, that is taking everything that you think about in terms of retail. They monopolize the whole of retail.

Competition Commission: Lulama Mtanga

71. Would you say the problem with them is, with the big four or the big three, let us say big four you said, having these specialty retail segments within their

supermarkets that is the problem or is it the manner in which they operate, in the manner in which they will be – where does the biggest problem lie? If you were to deal with this, what would you say needs to be done?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

72. The main problem is the licensing, I keep on saying this. You cannot be, you cannot have a warehouse, you cannot have a distribution and at the same time be a retailer. Let me give you a good example. There is a friend of mine who sells liquor somewhere in the township. And one day he was asked by his customer that you know what, how can I buy a bottle of whiskey for so much money and yet we buy it from Makro at the same price with you. And in other words, the SMMEs in the township, where they replenish their products is the same place that any person from the township can go and get it from Makro for the same price. And that is killing, that is killing the business of the township at the same time. I don't know whether I have explained it fully?

Competition Commission: Lulama Mtanga

73. No, I hear you. What I also, this is not critical examination. I just want to understand. For example, when you raise concerns about supermarket chains owning warehouses and distribution facilities or systems or being players in that segment of the value-chain. Can I ask this question to you? If for example you had a township business person who grew up, who started a retail store and grew the store, wouldn't the next level of that retail store when they want to be efficient as a store, wouldn't their next level be saying, for me to be efficient in me operating my store, the first thing that I will need will be my own warehouse, what would be wrong with that? Forget that it is being done by the big four, for any retailer for that matter. What is wrong with any retailer owning a warehouse facility? What is wrong with any retailer owning a distribution facility as a starting point?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

74. You see, if you want to join this as a new player in the industry, you come in that you open a new business. It is difficult to compete with people that are fully muscled in terms of financial background. And those guys they have got all that.

And if for instance Spar goes to the township, and you want to open up a supermarket, there is no way that you can compete. Those guys have got their buyers that sits in their warehouse and they buy, they deal directly with the suppliers. And you cannot be a small business and at the same time employ buyers for you to sort of furnish your products, it is difficult. So, these guys, that is why I am saying retailer must be given a retailing license, a warehouse must do the warehousing, a distributor must buy trucks and distribute those products. And if you do all of those things as these guys are doing, it is difficult for small players to come into play, it is difficult.

Competition Commission: Lulama Mtanga

75. Okay, so for example, if we were to, if the big four were to be prevented from owning warehouses and distribution facilities, this as a starting point will enable, would it enable other player to come in, smaller players to do distribution for them to offer warehousing?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

76. Exactly. That would be distribution of wealth because I will open a correct company to distribute and go to Spar and say guys can I distribute for you? Then that will be the proper distribution of wealth. But presently, they are doing everything for themselves. It is difficult for people to display their skills, their business skills because these guys are doing everything at once.

Competition Commission: Lulama Mtanga

77. You know I just want to understand because there are in terms of how the supermarket chains, it is things that have developed over time. Let us say the ownership of warehouses, the ownership of distribution facilities. I mean, their distribution centers, it is things that have, they were not there at the beginning. It is things that they did later, and we could be asked or you could be asked or anyone could be asked as to why hasn't anyone approached them before to make these offers to them. Were there any offers? Like is it something as a youth, as youth, or as business owners, as entrepreneurs in these areas would have wanted to do, did you offer, come forward asking to come forward or you

only complaining that we are doing this, offering these services to themselves? Because it could have been a lack of services being efficiently offered to them.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

78. In my introduction I said, these empires were given by the previous government and they were protected by them, and when we were busy elating and being happy about us and the country and these guys, the economy was already taken by them. And these guys sat down and they strategized and they said to themselves, if we can give them the land but not the economy. So, the way the strategize the whole operation in supermarkets , it is not only the supermarkets, it is all the sectors of business.
79. Just think about it seriously, it is difficult for a small player to go into the shopping center at the present moment when these guys are given really the leeway for them to do. I think the licensing, when each and every license, surely it is renewed on a yearly basis, but I think they need to be revisited, policy needs to be reintroduced seriously for each and every sector to sort of operate under. Because warehousing is another sector, logistics another. But these guys are taking all these to operate a Spar, for them to operate a Pick n Pay.

Competition Commission: Lulama Mtanga

80. My last question, you also said that they have become referees as well as players in the sector and then to, an example that you gave to that, you mentioned the fact that they now have the No Name brands in their stores where they directly approach farmers. Can you just expand on that as to how does the ownership or selling of No Name brands in their stores make them referees and players in this sector?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

81. Let me just tell you, retailing, I have worked in retailing for 16 years and I have worked under one of these big four, and I was one of the guys that was seen as the future Director in that company. You know we are talking about this but surely they are not even, the way they are so ignorant, I am sure they are not even present here. That is the first thing that I noticed. They are not even

present here. But we are talking about a very important issue. We are talking about a five hundred billion market, and they are not here obviously. And if you do, if you do your name brand, the other thing that you have to take into consideration, you go to the farmer, you give them the manures, you give them everything and you get a good product, these guys have gone into an extent of doing branding, they do their own branding now. And when it comes to merchandising their supermarket, they even look at the space which they call eye level merchandising whereby even in their store, when they do their stalling, they know that the entrance is there, they will put their service departments where you would look and the customer traffic, they strategize it so good that you end up not having money in your pocket. That is how they do it with their name brands. They have strategized, I know that, I have been there and I have worked with them. And their name brands mind you they are the cheapest. They even put compare prices on their shelf checkers.

82. And the name brand, Baked Beans name brand of Spar, they merchandise it next to Koo Baked Beans. And the price, their brand will be cheaper than the Koo. So, these guys have done it, they have done the research, they know exactly what they are doing. And that is why I am still saying that the licensing of those guys needs to be taken into consideration. Talking about what is happening in terms of that, it is all the branches. Guys, let us go to the roots of this problem. The branches and the flowers and all that about what is happening in township, the root of the problem is, let us look at the licensing of these guys.

Competition Commission: Lulama Mtanga

83. This is my very last question. You also mentioned the point that the entry of malls and supermarkets into townships has resulted in a negative impact on small and independent retailers, that is how I will call them, you said spaza shops, I will say small and independent retailers, that is what it has done. But also, it has had a positive impact on the consumers. Now, if you were sitting where we are sitting and you are faced with the two, what would say, how would we say the township economy is worse off? Is it worse off when your small and independent retailers are no more or is it worse off, why must we choose between the two? What are we supposed to do with what has happened where

there is a decline in small and independent retailers, and yet, consumers have benefitted. How would you say this inquiry must address this?

KZN Youth Chamber of Commerce and Industry: William Zenzile

84. I think I am the one who raised that. You know, I believe in the –

Competition Commission: Lulama Mtanga

85. Noting the importance of the benefit of the consumer in this.

KZN Youth Chamber of Commerce and Industry: William Zenzile

86. Yes, true. Look, I think we are one for progress in anything that is happening. So, one would want to say that we must always welcome new and innovative ways of doing things so that we can progress. It is unfortunate sometimes when those things happen, there will be people that will be eliminated. It is a nature of the business that you are in. So, for me where we are coming in is that, it must be done in a way that is done progressively without hampering those who are already in the business. In fact, they need also to be assisted because no one goes in those types of sectors just for the sake of being there. They have a wish also of growing up, in fact, for their business to grow and also be of the same level as others. But if the level that you are offering is not equal, then it becomes a problem.
87. So, I am saying it can be good for consumers that they can be happy because they are getting it at a certain price. But it is happening in an environment that is not fair. If I can use that word, because we are using two people here like the Goliath and the David, and they are all offering a service. But definitely this time Goliath, eh David dies, it is unfortunate because these ones have power because definitely they are coming up with the resources, they are coming up with the backup. They know how, they come up with everything, they are very, there is precision with what they are doing and it is very easy, they have money. If you have money you can have anything before you, there is nothing that can stop you.

88. So, I am saying, what is happening is unfortunate because the people that are there are being squashed out without being given a fair chance to compete equally for the consumers. That is where we are saying we need some protection from the Commission to assist those to grow in an environment that will allow them in the future. Those who are big must compete alone in a certain environment. If they come to this level, they must also understand that at this level they are protected and there are people that need to grow to be like them in the future because they can be there forever, they must given space as well for others so that they can all participate and grow into whatever direction.
89. So, I am saying maybe to answer you short is that the level of competition is not equal. So, it is allowing others to be more powerful than the other. Then it squashes them out of the markets.

Competition Commission: Lulama Mtanga

90. So, you basically, I think you touched a bit on this in your submission. So, at the core of the advantage that the big four has is the fact that they were able to operate pre-94 and they were able to grow their businesses and come 95 where your small and independent retailers in the township could start operating legally, you then have to face businesses that were well established and therefore, you are just out competed and this what you are dealing with?

KZN Youth Chamber of Commerce and Industry: William Zenzile

91. It is not a fair competition given the scale.

Competition Commission: Lulama Mtanga

92. They could not have been a fair competition given the –

KZN Youth Chamber of Commerce and Industry: William Zenzile

93. Exactly, given the resources and the powers that they have.

Competition Commission: Lulama Mtanga

94. That they came with.

KZN Youth Chamber of Commerce and Industry: William Zenzile

95. That they came with in the townships or even any other places but for now let us focus on the township. It can be urban areas or whatever.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

96. And again, the township retailers, it is difficult for them to get finance. You go to the bank, the bank will ask for deposit and all that. And these guys have financial muscle. I am just adding to what my colleague has just said. It is really difficult for the SMMEs to operate in the township.

KZN Youth Chamber of Commerce and Industry: William Zenzile

97. Maybe Chair, just to also assist, I think maybe also, because at the end of the day everyone is going to business to make profit, that is the bottom line. That you cannot take away from, but what I want to maybe even propose to the Commission is that we need to do some investigation, but we know that down the line there is some collaboration of information somewhere where they are operating. It is an obvious thing, of course you guys have the expertise to do that. In fact, I can guarantee you sitting here that it cannot only be in retail, in fact, all the sectors in South Africa. Somewhere down the line these people have really monopolized it. It is a matter of just getting you guys to maybe drill to and see how we go.
98. But since we are focusing on the retail, mine will be to say that maybe as they come in to these township there must be some regulation that will assist those that are in township also to grow. So it must be imbedded in their regulatory framework of these big companies so that we can see these small guys flourishing. Because all we want here is a flourishing of other people within a healthy environment. Because the environment that is happening out there is a very scary one to be honest.
99. So, you can see that things are happening very abnormally to a point that, it is not giving space for the SMMEs to grow. And I have even alluded that when they start to grow, they are also being bought out. In fact, you go yourself and surrender before they even buy you out because you know that soon, I know

one company the they have done that to. In fact, Cambridge they did that, Oxford they did that and many others that definitely they want to come to you, they buy you in. Of course, they offer you money. And others, entrepreneurs because they understand that you have to go for another mileage or another period where they are growing it, others they just take a shortcut. But those are the other industries that I believe they are supposed to be the others that challenge these big ones. But they are turning out of the game before they go to that level.

100. So, definitely we will never find anyone rising to that level because every time you raise up your head, they calculate and they sort you out and you are out and they still maintain themselves where they are. So, it is set for life. It is like something that is there forever. Thanks Chair.

Competition Commission: Lulama Mtanga

101. Okay. Thank you very much. So, you are basically asking this inquiry to create an enabling environment for small and independent retailers to operate in this space? Thank you.

KZN Youth Chamber of Commerce and Industry: William Zenzile

102. Yes.

Competition Commission: Louise du Plessis

103. Good afternoon, just a few follow-up questions or questions of clarity from my side. With regards with the competition placed on spaza shops by your large supermarkets, my understanding of this sector so far is that spaza shops are generally used by consumers for convenience purposes. So, you know, you are not going to do your monthly shopping there but maybe you are going to buy bread or something small from the spaza shop on your way home or late at night or early in the mornings. And for that reason, consumers are a little bit more willing to pay a little bit more for products in those shops. So, how then does the large supermarket place a competitive constraint? What is the degree of the competitive constraint of the large supermarkets on the spaza shops given that it seems to me that there is a slightly different product that they are

providing, not in the sense of the actual product but the service offering. The fact that the spaza shop are providing more convenient service, whereas the supermarket seems to be there for maybe monthly shopping as opposed to convenient shopping.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

104. Sorry, to answer your question, I will also ask you a question. Until when are we going to remain a spaza shop, until when in the townships are we going to be seen as little players. Until when are we going to be players, for many years the SMMEs have been struggling and you cannot tell me now that we need to remain a spaza shop. Can we remain a spaza shop for life? We just want to be big players, we just want to be there. My colleague has said that clearly that transfer of information and also the bank must come in and help us. There are many young intelligent guys that can operate supermarkets exactly as Spar, exactly as Pick n Pay. Spaza shop and tuck shops, we don't need to be there. We don't.

KZN Youth Chamber of Commerce and Industry: William Zenzile

105. If I can also add to what my colleague is saying. Look, the convenience stores definitely were supposed to be doing just that. But given the pricing of these commodities that are found in the convenience stores, the big shops have become now convenience stores for the community. So, definitely how is that? It is because they offer whatever commodity at a better price and because they can do that, they have got muscle, they have got money. In fact, I just want to be specific, they have got money. Therefore as I have said, they can buy a product, keep it in the warehouse for as much as they want because if you have a big company that is very easy to do and drive a certain agenda, a certain interest to what you want to achieve. And it is easy with this guy.
106. But unfortunately, in fact, people now what they usually do, they wake up and say, the Rama, the small one that we are talking about is R10, if I go quickly to Spar, I can get a bigger one at R10. So, anyone when you have to do a decision, you just say, I would rather spend another R5 quickly to go to the shopping mall, buy that big Rama, at least it is no longer going to last for just two weeks, it is

going to last for a month at a cheaper price. So, that is where it becomes a problem, that is where they are squeezed off if I am trying to answer what you are raising.

KZN Youth Chamber of Commerce and Industry: William Zenzile

107. Can I just add on? I think this will also be important. Let me tell you, let me give you what is really happening in township now as far as spaza shop are concerned. The spaza shop had been taken by the foreigners and the foreigners are being financed by the Indian wholesalers. And you go to a spaza shop which is run by a foreigner, it is fully, it has every product but those products are being given by the Indian wholesalers. And what is happening to the locals, nothing. That is why you see in the service deliveries, the first thing that they do, they will burn those tuck shops. Why? Because they are not owned by the locals anymore.

Competition Commission: Louise du Plessis

108. Then just another follow-up question and I think we touched on it already. You indicated on large malls come in or shopping centers come into township areas that is bad for small businesses. But it is also good for consumers. Can we break down? I think we are clear on what the impact on small businesses are, they are closed down. What is the impact on the consumer? I think we have alluded to price differences. Are there any other benefits that this has brought for the consumer?

KZN Youth Chamber of Commerce and Industry: William Zenzile

109. Look, to be honest, when it comes to consumers, consumers are tight strapped when it comes to money, we don't have their purse, we don't have enough money. So, anything that will come to them that will make their rand go long, go far they'll take it. So, that is why I am saying when it comes to the consumers in terms of what have been offered, definitely it can be a plus for them because what is happening, if you have R10 then I can buy more in the shopping malls, given as I have said the buying power of these companies and also, they can push promotion whatever way they would want it. In fact, they can even push promotion even for bread, something that these convenience stores are living

on. Because we know that maybe we want to sell bread at R15 or maybe they can get it for R10 or whatever, it will depend.

110. So, I am saying definitely it is a plus for consumers. But we would have loved that plus to be done within the SMMEs, not to be forced. Maybe it can be forced but in whatever direction to a point that those SMMEs they can also sell at that level which will also be able to assist the consumers so their rand can go a long way.
111. So, but currently what is happening is that these are being forced out of the market and people now instead of choosing them, they are going straight to – because of price consciousness if I can put it that way. The other one, I don't want to dwell much. I think I did raise the issue of who now is operating spaza shops and how they operate spaza shops, which I do not want to dwell much around that other than to say that it is unfortunate because even to say that the foreigners we are talking about, others are now being employed by these big companies to just push their merchandise. So, in fact, they are using spaza shops as points of sales for their, what do you call? For their merchandise. So, when you are looking, you see when you go to these spaza shops, people that are there no longer, in fact, a person who owns a spaza shop now takes rent only. The foreign nationals, they just take a percentage for pushing the goods in terms of whatever is there. But the whole thing goes back to these big companies. That is the main thing. Whatever is happening there is just like employing somebody to manage your business, an extension on the business of Shoprite in the townships. I think that is what is happening.
112. So, the issues of SMMEs and all that is gone, it is gone all together. It is just directly, it is a moving of goods to the consumer through the channel which a person just plays a role of taking rent, the other one just taking logistic issues of moving things to the distribution point. But the whole thing is it is not managed by you. You are just a person who is just being, in fact, you are being employed if I can put it that way.

Competition Commission: Louise du Plessis

113. Just to clarify there. So, I understand when you say people in the, in some of those spaza shops then are employees rather than the owners and that the money goes to a big corporation. That corporation, are you saying those corporations are the full major players or there are other corporations?

KZN Youth Chamber of Commerce and Industry: William Zenzile

114. You know when you speak of the spaza shops....., I would want to say there are distribution centers which also indirect you will find that they also linked into because they are sharing the same space. Of course, without really maybe, because I don't have full information which I am hoping by me raising it maybe just go and get more details. But the big distribution centers, they all go buy from the same, what do you call? People who produce these, maybe – they go there, all of them. So, in a way you will find out that the people here, they are just employees for the company to just move their goods directly to the consumer and get the money back to the main company. The only thing that they are just doing there is serve as point of sales for their goods which really defeats the whole purpose of an SMME growing a business, getting the challenges and doing whatever he needs to do in getting the business to grow.

Competition Commission: Louise du Plessis

115. Okay, on exclusive lease agreements, I think you have both touched on the issue of exclusive lease agreements. In your experience, the businesses that are excluded as a result of these exclusive lease agreements, are they full on supermarkets, independent supermarkets or are they more specialty shops like a bakery or a butchery. In your experience which businesses are mostly excluded by those lease agreements?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

116. You see a mall, any developer will look for an anchor tenant and it is a business that is bringing feet in the malls and the big four are always anchor tenants. And when they come to the mall, they come with their bakery, they come with their service department, they come with their liquor, they come with their

pharmacies. And those are the, and if you give them a space for them to be anchor tenants they will dictate to you who is the property, who is the owner of that land. So, it is difficult for young guys, for SMMEs to sort of go in the mall and operate.

Competition Commission: Louise du Plessis

117. I understand that and I don't think we are questioning that. What I would like to know is that in your experience, what are the types of businesses that are often excluded from the malls because of those lease agreements? Are they usually a large supermarket or a supermarket selling all kinds of products? Or are they more specialty shops such as a bakery or a butchery selling only specific products?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

118. A supermarket consists of what? A supermarket now, they, if you go to a supermarket there is a bakery, there is a butchery, there is the fresh produce inside. And the township SMMEs, those are their specialties, and there is no way that they can now operate in a mall.

Competition Commission: Louise du Plessis

119. One of the things the we need to do when we do our analysis is to show the effects of exclusive lease agreements on small businesses and on the consumer. And in order to do that, we need to understand or find more information around who is it that is excluded. And I hear what you are saying, everybody is selling everything that is sold in a supermarket is excluded. But in order for us to really assess this and in order for us to really have ammunition to do something about it, we need to know what the scale is and who exactly is excluded from these malls. So, in your experience, and your, you know the time that you have spent and worked in this sector, in your experience, is it more, who are the small bakeries excluded from the malls or is it more so a large independent retailer that would have been excluded from these malls? In your experience, who are the ones that are mostly excluded from the malls because of these exclusive lease agreements?

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

120. You know retailing, a totality of the retailing, a store will go, a supermarket, one of the big four will go in there and they have got their own servicing department. And same answer that I will be giving you. The liquor, the bakery, the grocery and those are things that the locals are good at. And it is difficult for them to operate.

KZN Youth Chamber of Commerce and Industry: William Zenzile

121. Sorry, just to be specific here, I think butchery, bakery, liquor store, those are the other things that I think, and of course also the issues of grocery and your grocery is your supermarket which I think also they are open to operate in that space. But definitely, butchery, bakery and the liquor, those are the main thing that you will find within the township that used to sustain people in the township, of course including the convenience store and the supermarket in the main, they are doing.

Competition Commission: Louise du Plessis

122. Okay, thank you. Do you perhaps have a list or would you be able after this, these hearings compile a list perhaps of businesses that you know of that have been excluded number one, have already been excluded from the mall or are about to close down as a result of the mall in the area. I think if you can provide us with that, that can assist us greatly.
123. One last question from my side and that is something that you mentioned earlier that with regards with bulk buying and that you are seeing a trend in spaza shops that are now moving into bulk buying in order to also to provide lower prices to consumers. Can you perhaps talk a little bit about that, where have you seen that, what is the format that, that takes on and perhaps tips or things that you have seen that has worked that other local operating spaza shops could for example could also think about to make their businesses more competitive.

KZN Youth Chamber of Commerce and Industry: William Zenzile

124. With this one it depends, it is unfortunately South Africa is a racial, it is a country you can't divorce race when you deal with issues. You can't, it is one of the big main issue which sometimes do play a role in terms of buying and all that which is big, it creates also a challenge for whoever that may want to play into that space. Which may be from where we are sitting would be to say the buying, the people coming together as spazas of trying to buy, of course out of being squeezed by the big ones so that they can also try and come up with the price where they can be competitive to their consumers or to their market to a point that sometimes they squeeze themselves out of even what their intentions in terms of them opening business. Because when you open a business you want to be in charge of your business and be able to make a profit and all that.
125. But sometimes you will find yourself as I said being an employee in a business because now you want to fit a certain range where only the top guns are playing. Which I am saying that I would say it was going to be a positive if those people who were in the next sector were really buying for themselves. But now it is no longer for them, it is for these big companies to buy for them and go and push merchandise on behalf of them. Then it loses whole objective of saying SMMEs are buying in bulks rather than pushing a commodity for a certain company. Which is where I am saying it is a bit negative because it was nice if I said with the intention of growing or whatever, then this they have a share in the company, they have 20% or 40%. Then they are pushing goods, also they will come to be part and parcel. But here, they are just being used as employees. I want to go further than that. They are being used. So, it defeats the purpose of SMME. So, maybe if you ask me, is it a good thing? It is a bad thing because it is not giving a good opportunity for these companies to grow and become what they want or maybe be like them in the future.
126. So, that would be the disadvantage that I think I have seen coming. And again, why they go as far as that? Because they don't have capacity, they don't have resources, they don't have money, they don't have anything. Therefore, whoever controls, dictates. That is the law of the jungle. You control, you will dictate. So, it is being dictated to them that look, you don't have money

whatever. Rather than you going out, you will just make sure that at least you are in the chain, in the channel.

127. And again, what you are doing, you will find yourself, you will see the you can do within the channel, but you are not in charge, you are not the owner, you are not the person who determines that this product when I push it I know that at the end of the year I know that whatever I am getting my money wherever. It is just something like I said you are more like an employee to push things to go to the market. So, it is not achieving the objective of saying that maybe in the near future we will have other companies that will come and play in the same space, it is not going to happen because already their power is gone, if maybe I am trying to answer your question.

Competition Commission: Louise du Plessis

128. Yes, thank you. Is there a scope though for local, if you know the owner of the shop and you don't know the number of employees, not the model that you are talking about now? But do you think that it would help for people that own their own businesses to work with another business owner and maybe five other business owners to buy together so that you can get a lower price.

KZN Youth Chamber of Commerce and Industry: Vusi Kunene

129. I think that is one of the solution. You know, we are not saying that these guys must leave the township. We are saying, rope in the local guys, rope in the people that have got a passion, that have got love to operate in a supermarket. Bring them in as they speak for and give them shares on those companies. And it has to be something after 5 or 6 years then they move away and they give over. There must be that. We need to share this cake. It mustn't be taken by these monopolies only. We also need to have a share of what is really happening.

KZN Youth Chamber of Commerce and Industry: William Zenzile

130. In fact, to add to what you are raising, is what one would envisage as a solution. But unfortunately, those who are in charge, they don't open space for that. They will only open space for you as someone who is going to be a carrier. And

definitely once now you negotiate beyond that, then now you are negotiating in an area where really it is not your forte because it is us who is bringing the money you see. So, yes, if that channeling and all that was empowering people on the far end, that was going to be good.

131. But unfortunately, it is not. In fact, it is taking them out and it is just giving them space just to be part players, and not to be key players within what is happening. And after 5 years, they will just end up being me and you sitting here and you ask them what have they achieved? They achieved nothing because they are all being used, if I can put it that way. They are used, they are no longer pursuing their passion or their objectives in terms of what they want to achieve as business people.
132. So, that is where I say maybe we need to look into details and check really. And unfortunately, those people are not willing. Truth be told, that is why I believe they are coming with all of these terms of radical – in fact, I always believe that they are not supposed to speak about these terms if really people were willing to interact. But now we are coming with these terms because we can see there is a stubbornness coming from other quarters. And really the status quo is remaining as strong as it is. So, there must be some interventions to make sure that we break the status quo. Because if really people were coming forth, they know each other, all of them they know each other, I don't think that they talk. Say from my sector this is what we are going to – and then we grow and we make sure that after certain period we know that we are no longer speaking of 3%, we are speaking of only 15, 20, then we know that there is some cooperation. But to go from maybe 17 in the past down to 3%. It shows that we are regressing. So, there is a blockade, there is a barrier, there are people who are refusing and that is what I am trying to say exactly that it is not going to work. Because again, even if you can put them in this channel, definitely those who are in charge will say we will just give you the part so that you play the role of delivering and all that. But the ownership lies intact. I think it is a problem, so they are not gaining anything by them being in those, they can form 5 or 10 or everything, but if really if there cannot be people in the filter that can participate

to a point that they can become like them then it becomes a bad exercise, which I can see it is happening currently.

Competition Commission: Louise du Plessis

133. Thank you.

Competition Commission: Lulama Mtanga

134. I have one follow-up question. When you say spaza shop are being used to channel goods, who is using them? In fact, do you have specific examples of the corporates or the businesses or the entities that are using them?

KZN Youth Chamber of Commerce and Industry: William Zenzile

135. Must I bring names?

Competition Commission: Lulama Mtanga

136. Yes, please

KZN Youth Chamber of Commerce and Industry: William Zenzile

137. One company is the company for Phoenix, what is the name, I forgot the name. It is a Phoenix wholesaler. They are very big. In fact, they have taken all the foreign nationals who are driving these spaza shops to come underneath them so that they can be able to interact with them so that they can push their product and whatever. So, from the distribution point of things, I am raising that company. From the side of the, what do you call? The supermarket, the big ones. I am raising the issues of managing things within their sales driving people out in terms of price. That is how they push you out from the side of the supermarkets, these big ones. They push you via price because they have power. From the side of distribution points all that, that is how they collude and be able to drive things. And there is one company in Phoenix I think that does that. I think it is supply mainly the whole network of intra – what do you call – of spaza shops within these townships, where really they are driving people out. It is just that I forgot the name but I will remember.

Competition Commission: Lulama Mtanga

138. It is fine, when we do follow-up on some of the things that you said you will follow-up on we will then remind you. Thank you.

KZN Youth Chamber of Commerce and Industry: William Zenzile

139. Ja, no true, I really appreciate that. Yes.

Competition Commission: Chair

140. You mentioned that you would have prepared a report, you are going to prepare a report. We would certainly welcome that.

KZN Youth Chamber of Commerce and Industry: William Zenzile

141. No, that will be wanting to put it in writing. Definitely, we will do that.

Competition Commission: Chair

142. With that then, I would like to thank you very much very much for your submissions, we are going to break for lunch. There is as I understand a change in schedule for the afternoon. We will have the Association of Business I think after lunch. What time, we will – up until 2. So, we will reconvene at 14:00.

SESSION 2

Competition Commission: Chair

143. As we reconvene we have the UGU Association of Business, who is the spokesperson? Would you introduce yourself and also explain UGU is it an acronym.

Spokesperson of UGU Association of Business: Thandoxolo

144. Good Afternoon my name is Thandoxolo Ncane, the Chairperson of UGU Association of Business which is the chapter of Kwazulu Natal Association of Business. The association is representing some business forums in the rural areas and townships. Our membership is institutional based which means it's

an organisational membership not an individual membership. I am the secretary general in the province under Kwazulu Natal Association of Business then I am the Chairperson of UGU Association of Business Thank you.

Competition Commission: Chair

145. And what does UGU stand for? U.G.U

Spokesperson of UGU Association of Business: Thandoxolo

146. UGU is a district municipality which is in the South coast of the Kwazulu Natal the name UGU which means in the coast.

Competition Commission: Chair

147. Oh in the Coast?

Spokesperson of UGU Association of Business: Thandoxolo

148. Yes, Ugwini.

Competition Commission: Chair

149. Yes, thank you very much do you want to, Uhm can I just ask you when you say it is organisational, roughly how may organisations do you represent? Would you say.

Spokesperson of UGU Association of Business: Thandoxolo

150. We have got different organisations that we represent in KZN. We have got 11 districts each district we have Organisations like Chambers, Business Forums, Business Association Sector, Associations, Secondary Co-ops and other organisations that are representing farmers our members are now almost 58.

Competition Commission: Professor Halton Cheadle

151. Thank you do you wish to make submissions now, to address us.

Spokesperson of UGU Association of Business: Thandoxolo

152. What we want to submit to the commission, we thank you for that opportunity that has been given to us to present what is the concerning in the retail sector,

especially in the township and the rural area as our motive is the revitalisation of the economy in the rural area and the townships. The issue in the retail sector that is concerning us is the competition between the big businesses like wholesalers and chain stores and also the rural shops like spaza shops, general dealer's supermarkets that are run by our black people in the rural areas that are suffering because of the competition that we have.

153. The problem is that our people don't have a capacity to compete with these chain stores because of some challenges that they face. Firstly, there is no developmental skills in place that help them to be able to compete, also the funding side they do not have easy access to the funding, the main one is the way they are treated by these wholesalers and chain stores since 2013. We did a study, to find out why our businesses are closing down and they have been taken over by our brothers from other African countries and then we found out that there is no system in place that enables them to compete.
154. The issue of prices, the issue of the market, the issue of this counts, when we did our research we found out that the wholesalers in our area have got a big one which is called bargain wholesalers, that is the main one that we have, what they do there when you are a local person you are South African, you are not a first choice. They start with our brothers from other African countries. They give them some discounts, that we are not able to get because we are not buying in group. We know that the reasons these African brothers are getting discounts, because they are buying in groups, they have got their buyers, people that are buying for them, buying in bulk so they are able to buy the big amount of goods. We have a problem because we are going there to buy as individuals and we are not able to meet their way of buying.
155. But we are submitting to the Commission that we are not happy with the way our people are treated. They are treated in the manner that when you try to approach these groceries wholesalers and chain stores they don't want to talk to you. Our members have proof of the slips that when you go to the shelves you find that there is a seal or something, when you take to the till to pay it shows that when you scan it, it shows in the bottom that, that is the amount that

is on the till but when it go back on the total, it starts to go back on the original price so we are saying that is not a fair practice in the business because if you are telling me your rice is R68.00 but when I came to the till to look to my slip then I find that, that is not the price and it R92.00 and maybe it was the original price. As the association we feel that there is manipulation and exploitation of our people that I cannot able to compete with other groups or with other races or African people, so I will stop there. That is my submission.

156. We already wrote a report, maybe it will assist you also if we can submit it later to you by the email or post it to you, but I have got my brothers here if there is something else that I have left, I have Themba Zondi left and I have got Johanes Shabane on my right and Baba UMcoyi they are part of the team, they will add if anything that I left out. Thank you very much.

UGU Association of business: Themba Zondi

157. Thank you very much I am Themba Zondi from UGU Association of Business. I think what I need to add is the challenge of this mushrooming of malls in rural areas and in townships. The mushrooming of malls is actually putting our members into a disadvantage situation, whereby as we are aware those are the chain stores, they buy in bulk, wherever they go you find out that our own existing businesses are being closed down and all of a sudden there are no space that is actually open for those spaza shops and businesses which are actually operating in the area and then people are actually being forced now to actually go to these malls, and also the challenge is that those chain stores when they came into the area like for instance one practical example Boxer, when Boxer come into the area, they come in sort of a combo where you have got a supermarket, you have got a warehouse, you have got your bottle store, liquor store.
158. We challenged the Liquor Board with regards to that because across the road there is a bottle store, the owner of the bottle store who had been there for years and here comes the Boxer store putting their mall complex and Liquor Board actually providing the licence to the very same person who is Boxer just across the road about 30 meters, 50 meters away from them and we feel that,

that is actually not fair to the original, because in terms of the conditions of actually issuing those licences as per Liquor Board with presentation that is not fair to those shops and our people are put into a disadvantaged situation, the Liquor Board cannot provide us with answers as to what is the process because the system and the process that is applicable to township and rural areas, simply means is not simply applicable to those big sort of franchise stores in our areas and as I am saying that when they close, actually putting those malls they don't open the space for those existing shops and businesses to trade, you go there you find out that there is somebody who is actually running the renting, the rent is so high nobody can actually afford, you try to persuade them at least put some shelters outside so that those people can actually trade as normal, but that is actually a sort of happening and under no circumstances can you actually compete with those people on those areas, I think that's the major challenge.

159. We are also trying to negotiate with the very same chain stores, the Boxers and so on and we find that, we are saying that we have our members in agriculture who are producing vegetables, for those chain stores to actually procure goods from the local people and find that this is actually not happening. Something that is simple like cabbage, they can import cabbage from far away as far as Free State but local people that means the introduction of the malls in rural areas and townships is not fair is not being fair in terms of competition to the ordinary people on the ground and it is also not benefiting our own people on the ground. I understand that there has been a commission, I think my Chairperson has actually presented clearly with regards to the competition, with regards to our foreign guys. One, our finding is that the issue of religion also plays a leading role as most of our brothers from African countries they are Muslims and most of the big wholesalers are run by Muslims, so that means because of the religion relationship, they are able to get a bigger discount.
160. Let me give you a practical example. One of my relatives was renting her supermarket because she could not afford putting the supermarket to these guys, who are our brothers from African countries and she was in a position of

the loyal card for Bargain as a trader. She leased out the premises and she gave the lessee the loyal card which is actually going to give him opportunity to get her a discount and when that fellow goes to Bargain Wholesalers to go and purchase stock and then you find out he gets the better sort of discount compared to the previous owner, who is original from the area and he came back and said no, your card is not working for me or your number is not working for me and then I went in there and I negotiated my price am getting 30% discount compared to you who is getting 3 or 4 % discount or 5% discount. We feel that is not fair over and above that there has been a complaint commission which was set up after xenophobia to say what is the contributing factor trigger of the xenophobia. It came out very clear that issue of xenophobia is because our people are frustrated, they are angry, they are devastated they don't have any hope and they believe that if our government has let us down as the local people because of the fact that if I run a shop the government is explaining to me as citizen of this country to comply in each and everything , while our foreign guys the government is sort of very lenient to them, they can sleep in the shop, they can eat in the shop they can make babies in the shop and all of a sudden at the very same time they can cook the food for our people and then the government is actually not doing anything about it, but if you are a local person and you are running your shop you are not allowed to sleep in the shop, you are not allowed to do all those things that they are actually doing in the shop, and we feel that our government has actually let us down.

161. In the issue of xenophobia was actually contributed, this is the reason why, when we conducted our investigation why our members are losing out those shops to those foreign guys and then why are these guys when they are taking over, they become so successful in running those business compared to ours and we feel that there is these manipulations and monopoly that actually does exist in the process and we are a little bit concerned because the issue of xenophobia is not over as yet and it is just a sleeping child that can rise at any time if those issues are actually not being addressed, the issue of competition.
162. We had a meeting with Bargain Wholesalers, we presented our case, these are the concerns, these are the challenges, these are the frustrations from our

members and it seems as if nobody is actually prepared to listen to those things and we are trying our level best to prevent any further arising of xenophobia in the area, but we feel very strong that, one way or the other this thing is actually going to come up. One of the major issue is that when we grow up we knew exactly that there must be a distance between the shop in rural and township areas but in terms of the foreign guys they can set up the shop. When you expel them from your shop, they can go out and put the shop right across your road and we feel that this is also unfair competition in the area. I thank you very much Mr Chairperson.

UGU Association of Business: Johanesh Mashabane

163. Thank you I am Mr Johanesh Mashabane from UGU Association of Business. A lot of things my colleagues have covered but few point that I am going to mention, like my brother has got a shop, three months back the foreign guy opened the shop across the road, that is the first challenge.
164. The second challenge is that even if you try to address your issue or your challenge, they can go as far as speak to the iNkosi. They can pay whatever money that the iNkosi charges from R15 000 upwards. They can render that price easily that shows you how much damage this issue of exploiting has done. So the second challenge that our people have in our areas is the pricing as they mentioned, when you go to Bargain its one shop but it has got two prices for African which is our guys and for South African and African which is the biggest challenge otherwise a lot of our points has been covered by our colleagues. So we thank you very much.

UGU Association of Business: Wiseman Mcoyi

165. Thank you Chairman the name is Wiseman Mcoyi, I am one of the veterans in the over counselling of the black retailing section in the KZN. I take this day as a very important day that we have such a hearing after so many years and I hope that the people that are having a hearing are also having some teeth to bite, because it will be useless if we present our cases and there are no results thereafter.

166. I have noticed that we talk about radical economic transformation but the big business is engaged in what I can call radical economic exploitation. We find that they are taking the chance within the time of uncertainty. They are taking the chance and then the one bearing the brunt who is suffering, it is the black business. Even the customer now we find that people, let's talk about especially these malls the system is that we were put in several areas by the previous system and then when the new system came up there is no change with that and because of the openness of the new regulations and the free market and then the business people are taking the opportunity of means exploiting the situation.
167. The easiest part people are placed there, let's call them the hostels even the four rooms and two rooms we have there, let's call them the hostels where the workers stay and they must all the time move to town and work and earn some money, when they come back there is the big business ready to receive the money, bring, bring all the money and they take it back and we find that our people remain where they are or even worse. All the promising business people that were in the KZN they are no more there. We had some very promising business people, they are no more there because of the wrong system.
168. This system would have been right though, I hate glossing up or polishing up the system of townships that was caused by the previous government, but the better system would have been getting the people, the business people to occupy those malls. If they needed empowerment, let them be empowered through training them, otherwise and then be put in those places so that they can also find some empowerment. But as it is now, a kombi from Chatsworth or from Phoenix will drive in the morning to the township with managers and whoever is there and then we are told our children get lot of work. There is work for sweeping, work for loading the stuff on the shelves. We have got lot of them working there that is where they are kept to be down there.
169. In the Afternoon there is the kombi with all the high class performers going back and we will find also the money collector. These big cars coming to collect the money away and nothing is left. The normal system which we used to call it

was a communalism whereby the people, the communities used to share and work together and empower one another, it is dying off , say for instance a businessman in the township you wouldn't find him getting a "Makoti" from Chatsworth or Hillcrest but they would get a "Makoti" from within, that is now communalism a person will have some other activities and invite the people locally.

170. There is no such with the new system. It is breaking down the social fibre of our people. Going further, let's talk about the employment of people within this. We talk about Boxer and others, when you go to head offices, say for instance Boxer, 99 point something percent of their things are sold to the black people or go to their offices you will find the black people are in the switchboard, bringing tea and but you go up first floor you will find lots of Indians working there in the offices and whites and you just wonder how many Indians spend their money with Boxer and if there are any whites spending money with Boxer. It's our people that spend money there, but they are not employed in better positions by these people who make money from ourselves.
171. Let's come to the profit margins; we find at times when there is a mall to be built the Municipality will give some millions to the infrastructure, for instance I know of one at Mpumalanga, where they gave more than 40 million for the infrastructure and getting land which is "Mahala", in that case it should, the reasoning says the things that are sold in the township should be far better than the things that are sold in Smit Street because Smit are very expensive, but there where they got money free money from the Municipality, free land but the things are more expensive or even the same price as the one which is in town, but that is the profit margin nobody is looking at. The profit margin for instance making a loaf of bread is not more than R4.00 or R4.50 but because it is known where to hit the black people the most hit them in the tummy and is a house with no bread in the black area, is a house with no food so you find now bread is R13.00,R14.00, R15.00 and R16.00, what percentage profit is that because if I told people who come to the township bringing services to the township the must also think about the situation, the earnings of the people and

make things to be cheaper and easier for them but that is not the case, it is all radical economic exploitation.

172. We talk about these brothers from our African countries who are mushrooming the place. The banking system is not there; I would say they have a wrong banking system. They don't have a banking system. You come to them there is cash with them and that is not the behaviour of our business in South Africa. It means there is a lot which the country is losing because of overlooking what is happening. Before there were strict rules you can't open a business on such and such, but there are no rules now as our brothers have been mentioning people sleeping there, people sell whatever they sell. There is no rule about that and then.

173. The other thing when we come to the profit, mostly in the townships they are called they are from eh, okay there are money there even if we can go to the wholesaler and buy this thing for R10, for me to earn a living I must sell it for about R13.50 or R14.00 they are able to sell it for R11.50 or R12.00 because our Rand is worth far more with their money at home. They have got two homes. This one where they are making business and the one where the R10.00 they make is worth far more than the money back at home. Even the other Indians who are mushrooming our townships the Pakistani's, you take our R10.00 is worth far more that side and then how can I as a South African buying airtime for R10.00 be able to sell it for R10.50 to be able to push it because I won't be anywhere, but they are able to do that because we are not in the same status, even others are here with no papers illegally. But they perform these businesses in broad daylight and openly and thus pulling down the black business side.

174. We also find at times other township, these shops, big shops the outdated shop food which is from the towns is pushing to the townships and then at the same price we find out that cheaper is a sale only to find that most of our people are ignorant and they are poor and they only want to get food they will buy that only to find that the thing is already outdated.

175. That is the radical economical exploitation by the big guys exploiting the poor black people. This is a political history that okay, you people have got the legal side the parliament, you are in power it has not been a good thing or a nice thing or a pleasant thing for the people that lost the power and they have to kick to show their last kicks and they know where we are it's the tummy. It is the tummy and then now as they do all this they do it with purpose lets fix them. They sit together, they have meetings at times they have one buyer, maybe two or three buyers that go to them and say I have given Checkers so much and even Boxer so much and giving Spar so much, they are able to play around with the poor ignorant hungry customers coming in there. You will find the latest way of selling now it has been you get three for R100.00 which means the thing is about R33.00 and if you buy one its R36.00, but the price is usually R33.00 or R32.00 so the poor person who doesn't know is hit hard and must buy that thing for R36.00 because they can't even pay R100.00 for the three. Our people are not looked after and then our people are made to remain poor and at the position where they were before.
176. When we find these malls we find that there are complaints by the street traders. They are not allowed to sell closer to the malls or if they are lucky they are given space at the back of the mall, where there isn't much traffic, disadvantaging them, like when you come to town here you can find them streaming right through the pavements, because there is no other place to go to but we find that now even those people, street traders are even harassed by these big people that come into the place and it is not making any good for us.
177. You wonder at times but then you get the answer that is all politically motivated. Why aren't these people coming in not flooding Chatsworth, Phoenix, Hillcrest, Kloof, but they flood the black areas as a form of exploitation. Our people are not protected. In anyway, I repeat all the business people we had before they are no more there through this system at time we can blame the municipalities we can blame the government, but we find that it so happens that the whole idea comes on their table and they must deal with it. We find that most of these people who are in politics have never even bought a packet of sweets at a

certain corner but they must make decisions on business, hence our people suffer. May I stop there thank you.

Competition Commission: Chair

178. Thank you very much

Competition Commission: Lulama Mtanga

179. At the beginning of your submission you mentioned that you represent or you have members in 11 Districts. Can you mention which districts are those, we just want to know which districts are these.

Spokesperson of UGU Association of Business: Thandoxolo

180. Thank you very much. The 11 districts are UGU District Municipality, There is eThekunato, there is Ilembe District Municipality, There is King Cetshwayo District Municipality. There is Umkhanyakude District Municipality. There is Zululand District Municipality, Amajuba District Municipality, Umzinyati District Municipality, Uthukela District Municipality, UmgunguNdlovu District Municipality, Harry Gwala District Municipality.

Competition Commission: Lulama Mtanga

181. Okay lets go through them again UGU, Etheke,I lembe, King Cetshwayo and after that Umkhanyakude and then after that Amajuba

Spokesperson of UGU Association of Business: Thandoxolo

182. Okay there is UGU, Etheke, Ilembe, King Cetshwayo, Umkhanyakude, Amajuba, Zululand Umzinyati, UThukela and then there is UmgungNdlovu, and there is Harry Gwala. In each of these districts we got two members that are representing their district in our board in the province. So we are represented they are taken the chairpersons of the chamber or the forums where they come from, so they represent them and they sit as a board member in our board in the province.

Competition Commission: Lulama Mtanga

183. And your members what do they do? Are they Spaza shop owners, general dealers or storeowners? What do they do the 58 members? Are these 58 members individuals.

Spokesperson of UGU Association of Business: Thandoxolo

184. No, the 58 members are forums and Chamber.

Competition Commission: Lulama Mtanga

185. So the 58 members are different formations within the organisations?

Spokesperson of UGU Association of Business: Thandoxolo

186. Yes.

Competition Commission: Lulama Mtanga

187. And what do your individual members do? Just the range.

Spokesperson of UGU Association of Business: Thandoxolo

188. The range, we are 26 sectors, as our business principal in South Africa, but it depends on the area which sectors that are active. Like in our area in UGU we have agriculture, we have tourism, we have retail ,we have your construction, you have got your manufacture, but if you come here in Durban you will find that there is more retailing, more tourism and fishery not the same sectors but according to our membership we cover all the sectors in what we specialise on.

Competition Commission: Lulama Mtanga

189. So when you say agriculture, this includes people who are in farming.

Spokesperson of UGU Association of Business: Thandoxolo

190. Yes, in farming.

Competition Commission: Lulama Mtanga

191. So you have people right from farming through the retail sector on the retail side, do you have Spaza shops, general dealers, supermarkets.

Spokesperson of UGU Association of Business: Thandoxolo

192. Exactly we have all those ones.

Competition Commission: Lulama Mtanga

193. And then you also mentioned that in 2013 you conducted a study on the stores, stores that closed down and that and were taken over by foreign nationals. Do you have any document on that study that you can give to us just for us to consider or

Spokesperson of UGU Association of Business: Thandoxolo

194. yeah we can collect all that information and try to forward it to you.

Competition Commission: Lulama Mtanga

195. OK, We would like to have that please. We're not going to ask any question on that will just look at what you've done. And then you mentioned Bargain Wholesalers and the fact that they come from the same religion as the owners of Bargain Wholesalers foreign nationals or other local Muslims.

Spokesperson of UGU Association of Business: Thandoxolo

196. No, Bargain is actually local Muslims. It's more of a family business in the south coast which covers almost the entirety of Ugu and to the extreme of Eastern Cape to the part of Eastern Cape. They are specializing in wholesales and property.

Competition Commission: Lulama Mtanga

197. And then you also have some mention that you have proof of how they priced like the prices you see on the shelf and if you are South African is not the price that you end up paying at the till.

Spokesperson of UGU Association of Business: Thandoxolo

198. Yes, It's precisely . We have got that proof. We convened a meeting with Bargain to bring to the attention of Bargain as to what concerns our members because the our members have brought the till slip and some of them they have

taken the prices on the shelf to show us that the price on the shelf is not the price on the till slip you know. Some of our people are actually very ignorant, they don't consider that they just rush into the shop. Also...

Competition Commission: Lulama Mtanga

199. Sorry, what was the outcome of that meeting that you held with Bargain Wholesalers?

Spokesperson of UGU Association of Business: Thandoxolo

200. No Bargain was sort very Ignorant. He just dismiss everything, you just take people for granted and then you end up saying that people must come up front with the proof and they say that though he wanted to have a meeting he does not want us to represent these people. He want all those people who are complaining to come before him and he wanted to convene a meeting with all the spaza shop and the shop owners to present their case and we explained to him that no we are here representing our members and they were doing that for your own benefit.

Competition Commission: Lulama Mtanga

201. What proof did you actually present to Bargain Wholesalers.

Spokesperson of UGU Association of Business: Thandoxolo

202. As I'm saying that the proof of till slip. Members have kept the till slip.

Competition Commission: Lulama Mtanga

203. But do you have; it's one thing to have the till slip that shows the price it's another do you also have the proof of the price that was on the shelf for example?

Spokesperson of UGU Association of Business: Thandoxolo

204. Yes, that is precisely what the members actually presented. The proof of the price on the shelf and the proof of the price on the till slip.

Competition Commission: Lulama Mtanga

205. OK, when you when you provide us with a copy of the study that you conducted in 2013, would you mind to provide us those that proof both the shelf price and what you paid at the store.

Spokesperson of UGU Association of Business: Thandoxolo

206. Yes, that can be provided. And also the major concern is that most of the wholesalers are open for public and the prices just the same for the retailers. For the retailer that means anybody can walk into a wholesale and buy a packet of sweets with the same price that is actually bought by the retailers.

Competition Commission: Lulama Mtanga

207. But then if you're saying they work differently with foreign nationals who are Muslims how do they then work differently if individuals can go in and buy for the same price. Just explain how exactly does this happen? How do they sell to individuals how do they sell to locals and how do they sell to foreign nationals who are Muslims?

Spokesperson of UGU Association of Business: Thandoxolo

208. There is a special till for foreigners. The foreigners, they just pick up the phone. They phone and submit their order and when they enter the wholesale you find that there is a special till for the foreigners and their trolleys and then there is nobody who is local who is allowed to that particular till. It's specific for the foreigners. And then you have got the other tills which is actually open for the public and also for the retailers to use it.

Competition Commission: Lulama Mtanga

209. So as local retailers you are treated you get the same you buy you know your goods are the same price as any individual who walks into that wholesaler.

UGU Association of Business: Wiseman Mcoyi

210. OK maybe. All right OK Another thing that divides the African and South Africans is the number. Sometimes they give a foreigner a number that says 1450, that I know exactly. 1450. That got their own price. Then when you come

you're given as a South African you are given number of ten. The whole of us in this room we are buying using even if you didn't tell them what number maybe sometimes they ask you what number do you have you don't have a number then you fall under ten if you don't say there's my number you fall under ten that's how they divide.

Competition Commission: Lulama Mtanga

211. Is this a customer number?

UGU Association of Business: Wiseman Mcoyi

212. Exactly.

Competition Commission: Lulama Mtanga

213. So they can tell from a customer number which segment of the customer you belong to.

Spokesperson of UGU Association of Business: Thandoxolo

214. One of the thing that they retailers is concerned about is this exclusive lease that are coming to our rural areas when there is a mall coming there. You find that you are told the anchor tenant are already there, so you cannot negotiate the issue of the anchor tenants. You only allow you have been given 10% of the space here and you're not allowed to have shares on those malls but the concern of the people is that how can you come in the area you don't allow us to have shares in your mall and also we closing our shop but we don't have a space? You'll say all these rental shops are already taken by the anchor tenant maybe your Shoprite, your Spar, your Kentucky, your Pep and other stores. These are the concerns of our members.

215. Mr Price, you find that they don't allow the local businesses to find their own anchor tenant to come in or to rent that space with a reasonable price like in Port Shepstone in town. Three families are owning the town of Port Shepstone. Only three families. All the town. All the buildings. You find that Mr Bucks is owning 30%, Bargain is owning 50%, Lucky's is owning almost another 20%.

216. So when you rent those properties out as a South African, when you go there you'll find that the prices of rent is R15 000 but when you go there you are told that no the price here is R21 000. You don't know how it's being calculated. If you are African that's why even last week when we have a strategy plan they say we must approach the land owners, the landlords of Port Shepstone because they are suffering the lawyers they are professionals they have been putting on their back building when you want the front is too expensive but you find the same person who is doing your services is getting a lower price because he is not the South African, he is another brother from another country. So these are the issues that we have.

Competition Commission: Lulama Mtanga

217. The three families that own Port Shepstone, do you just mention the surnames, please?

Spokesperson of UGU Association of Business: Thandoxolo

218. It's Bargain, Bargain Wholesalers, the Bargain is Moosa that is the surname and then Dr Bucks it's a surname and Lucky's.

Competition Commission: Lulama Mtanga

219. Dr Bucks what does he own. What does that family own?

Spokesperson of UGU Association of Business: Thandoxolo

220. It's properties in town.

Competition Commission: Lulama Mtanga

221. OK, they are on the property side.

Spokesperson of UGU Association of Business: Thandoxolo

222. Even Lucky's is on the properties in town. (as well as Bargain). Three of them are major share holders, major property owners .

Competition Commission: Lulama Mtanga

223. As well as retailers and wholesalers. So they actually own most of the business and shops in Port Shepstone.

Spokesperson of UGU Association of Business: Thandoxolo

224. Yes, you can see even along the coast when you start from Port Edward coming to Port Shepstone, you can start to see that when you find that who has bought this building now, they say this one is already owned by Bargain. It was sold last year and it was bought by Bargain.
225. You go to market taxi rank, you find that there is Lucky's who is owning that whole complex. So we are not even given that opportunity to be exposed in owning property as South Africans. That is what our members say. If we've been given an opportunity we can also compete but this thing is too close. There is people who are first preference when you sell your property in town which means you know if you want to sell your property you start from Bargain, Lucky's and Bucks. Those are the people who are owning most of the land that is in the commercial areas.

Competition Commission: Lulama Mtanga

226. And then you mentioned the price of R15 000. How would you have found out the R15 000 price and then you land up with R21 000 just explain what would have happened there.

Spokesperson of UGU Association of Business: Thandoxolo

227. Although I cannot be accurate but is what our members is giving us. Maybe we have to give you the details, the direct details so they can explain to you because what we are reporting is what has been given in our offices. People write something they say this is our complaint, you are representing us, can you please address this issue because we have a problem here.

Competition Commission: Lulama Mtanga

228. Can you can you also flag that for as one of the items that you must provide to us please. OK.

229. And then you also mention.

UGU Association of Business: Wiseman Mcoyi

230. Sorry sorry sorry ma'm, can I just explain. Or maybe I must, the other thing that maybe it will assist, our spaza shops before this whole situation SASSA pensioners they were getting grants at the local shops. It used to be when they come SASSA, I don't think it was SASSA before, when they come to make payments at the pay points they come at 8 O'clock because of traffic and the business that was taking place it used to started at eight and up to three o'clock in the afternoon.

231. Maybe the other thing that was disadvantage then the old grannies they used to come at three in the night waiting in the queue up until eight o'clock but that alone take away the disadvantages of the time that they were coming on site but the situation was like keeping the money for the local and it was they were getting pension there. They were buying at the shop there and everything was getting sorted out there, then that's why that the business in South Africa was running so far so fairly. But now what is happening now is that the whole thing you go they go to town they go to the FNB, First National, Ithala, what you call. So the banks alone, they are making money out of these pension people.

232. Now we go to the garage you will find a queue. You go to Pick n Pay, your Spar, Boxer, everyone. Now that like maybe let's just take one example there's a ten million now are like one million in a ward, like in ward 31 where I am. One million now and that one million has taken away is in town because you can't go to town and get paid R1, 600 and come with that R1, 600 and go and spend it in the rural area. So because you are nearby the shops, you must get paid here and buy here and go with a few bags but with no money in your bag back on your own where you stay.

233. So I think that will assist us a lot if you can penetrate on SASSA governmental institutions, thanks a lot.

Competition Commission: Lulama Mtanga

234. On that point then, on the payment of social grants what is it that shops and the outlets that you mentioned in town are offering in the payment of social grants that township and rural stores cannot offer? What is it, why would that business have been taken, why couldn't our government establish the same systems in the township, in the rural areas, what is it that you could not, is it a capacity, a capability issue, what is it, what's happening?

Spokesperson of UGU Association of Business: Thandoxolo

235. There is nothing better that they get in town. It's just that in the rural the differing dates that affect the grannies because you find that in other areas they only get paid on the 15th on the other area on the 25th but when you go to town from the first up to the 5th you get your money, everyone. So people they say it's very easy to go to town because I can get my money easily, even on the first I can get my money rather than waiting in the rural areas for that 25th or the 20th of the month to get the money. That is the difference also.

Competition Commission: Lulama Mtanga

236. No no, what I am asking is, are you saying that the same service that they are getting in town is exactly the same service that they were getting in rural areas, the difference is just the dates or is it that there is the facility that is being used in issuing out social grants payment different in town in the townships.

Spokesperson of UGU Association of Business: Thandoxolo

237. Ya, its the facilities that are being used.

Competition Commission: Lulama Mtanga

238. So what makes it impossible for townships and rural businesses, your members for example not to be able to offer those facilities so that you can also offer social grants, I just want to understand why would that business have been taken away instead of enabling those businesses to have that facility. If we are to do anything we need to understand that.

Spokesperson of UGU Association of Business: Thandoxolo

239. So since we have started as an organization. We have decided to negotiate with the banks. The one is of Ithala Bank where we say put the ATMs and the systems that are used by the banks and another shop because you are a banking institution, work with us to revive the shops by putting this system where people will come easily and get their grants. Also our members are saying have the stuff to sell to these people like whatever they need try to have it. That's what we are trying to work in but at this stage we are disadvantaged because we don't have these facilities. It's what we are working on as we are coming even now we have come to we're meeting with two CEO at Ithala Bank to address this issue of bringing the banking sector closer to our community. So our grannies cannot walk to the town because of the of the disadvantage of the facilities.
240. We are busy with that. We are trying but before there was no one who was addressing that people were just doing whatever they do but now we are trying to work out on that one.

Competition Commission: Lulama Mtanga

241. So the answer to my question is that all you need is to have an ATM in your stores so that the money can be dispensed out of the ATM. That's it.

Spokesperson of UGU Association of Business: Thandoxolo

242. And the changing of the date. The date must be similar whether you are in town or in the rural area not to be told that your money will come in on the 15th while in town from the first up to fifth they can get their money.

Competition Commission: Lulama Mtanga

243. Thank you, bhuti. You also mentioned the issue with the liquor boards system and I think it was Mr Zondi, you mentioned that there is a demarcation, there is a system within the liquor board where one cannot open a store within a certain distance from the other store. Am I correct? Is that what you're questioning there with regards to Boxer?

UGU Association of business: Themba Zondi

244. Yes, definite, sure. When liquor board was actually presenting the process of issuing the licensing they were talking about a demarcation, the distance between the church, the schools. You cannot be actually offered the license. They cannot issue a license if you are 100 metres away from the church or 200 metres away from the school or 500 metres away from the school and they also consider the fact that where is another liquor store.
245. You know, there is a certain distance from other liquor store. Those are the conditions of issuing the liquor licenses but when it comes to these big shops and chain stores there is a different rule for them. They can actually, because they are. In their own response when we asked that question they were saying that no, the application is not made specific to you for the liquor store but it's made for the shopping complex then you said that even it is made for the complex. But you are saying that you have got your field inspectors who are actually going there physical to check if there is no closer liquor store on that particular area. And they said no, I think the lady who was actually doing presentations does not some of these issues are out of our hands. And we said, we are in the same country, doing same business but different rules for different people that's the major challenge.

Competition Commission: Lulama Mtanga

246. So the issue you are raising with regards to Boxer, it's not just specific to Boxer? You are saying that most of the big retailers have this advantage over you where the rules that the Liquor Board operates by are not actually equally applied to them.

UGU Association of business: Themba Zondi

247. Definitely, sure. That's precisely what I am saying.

Competition Commission: Lulama Mtanga

248. Can we ask then , again on that submission that you made to us, if you can give us examples because it's better when we work with factual stuff as well,

when we approach the liquor boards whichever Liquor Board it is. Just examples of instances or instances where you have identified these problems within your organization, one. Secondly, we would like to know which Liquor Board is this that you spoke to?

UGU Association of business: Themba Zondi

249. We will do so.

Competition Commission: Lulama Mtanga

250. Which Liquor Board is it anywhere because that should be or is it a number of different liquor boards?

UGU Association of business: Themba Zondi

251. No, it's one Liquor Board. It's under Economic Development. It's here at Gardiner Street.

Competition Commission: Lulama Mtanga

252. The provincial one?

UGU Association of business: Themba Zondi

253. Yes, the provincial one. It's the same one. We have one licensing.

Competition Commission: Lulama Mtanga

254. What is it called? KZN....

UGU Association of business: Themba Zondi

255. KZN Liquor Board.

Spokesperson of UGU Association of Business: Thandoxolo

256. You find it here at 22 Dorothy Nyembe Street. That is where you will find it on the second floor, Marine building.

Competition Commission: Lulama Mtanga

257. So, they are contravening their own rules basically. Their own..

Spokesperson of UGU Association of Business: Thandoxolo

258. That's what we believe.

Spokesperson of UGU Association of Business: Thandoxolo

259. Whilst we are still on the Liquor Board, also the challenge is that they are claiming that they are because we have got some concerns from the schools and the churches that they are approving licenses to liquor stores close to schools, close within 100 to 200 meters from the school, from the church and while on the other hand do but they were saying that they've got inspectors who go physically on site, but we said no there's no such thing because these things are happening in rural areas especially in rural areas.

260. And, we feel very strongly that they are actually not doing that's why we are saying that they've got different rules. That means there is a problem. Somebody is not doing his job or the inspectors are not doing their job because we find that there are liquor stores close to schools, close to churches, close to public amenities, Thank you.

Competition Commission: Lulama Mtanga

261. Mr Zondi, again on that point, can you give us examples of those liquor stores that have been opened close to schools, close to churches in contravention of the liquor board rules. It's again very important for us to work with evidence than just allegations thank you. And with regards to religion....

262. With regards to Bargain Wholesalers, so you said you went and met with them and nothing happened so the matter was never resolved on the pricing issue.

UGU Association of business: Themba Zondi

263. And the first instance and the first meeting we agree that we have to call our members and then they will come.

Competition Commission: Lulama Mtanga

264. They wanted them to come.

UGU Association of business: Themba Zondi

265. Yes, we say OK, let us have a plan because you have so much, so many shops, let us have a date so we can visit each shop and can call our people there, to those shops. On the second meeting when we tried to go to the planning now that we want to plan the meetings it's where Bargain was very arrogant telling us we cannot, we cannot do anything. "We started this sixty eight years ago, your government and you, you cannot do anything, you can try it now to open your shop. I'm the only one who started this with the wheelbarrow when I was starting selling so I've got the experience, you can go to your government ask to start your own but I've got my own business I'm sure you will fall within months".
266. So that's the arrogance we get when we are trying. Then we decide, no, let us leave him because we will end up agreeing with something that is not assisting our people but let us have another way as we have this opportunity to come to the Competition Commission to say we see this is not a business practice or the business ethics they practicing.

Competition Commission: Lulama Mtanga

267. Mr Mcwi, Mr Mcoyi in your presentation you mentioned that you spoke about radical economic exploitation of black people and black customers, I just want to understand what do you mean by the exploitation of customers.

UGU Association of business: Wiseman Mcoyi

268. I mean the old system. When now there was the new dispensation where people were expecting to be in the forefront. So the people with the money, which is mostly the white and the Indians then took the chance to run in not for the betterment of the black business or the black customer but for their own good we find this. As I was mentioning, I've been in the retailing business. When you consider pricing, you consider number of things: where I got the thing, for how much and what is the distance, what are the people and what is the rent I am paying and I know they got most of these things for free.

269. As I mentioned R40 million was given to the Mpumalanga mall by the Ethekewini Municipality. So as to facilitate that mall and I know the land which was there is not of any match to the land which is here in town so those are the things that you consider when you make business but you find that now they have a chance of charging higher prices or even prices just the same as the ones in towns.
270. So, the hike that we get before these things comes say you'll get these big shops coming closer to you. You'll be able to get things quicker and easier and fresh and all that and cheaper that is not the position but because there's nobody monitoring that that and our people get exploited. Our black businesses get closed down. Go to Mlazi, no more big black business person. Go to KwaMashu no more big black business person there. We used to have a number of them. Go to Clermont, Hammarsdale in Mpumalanga, Kwandengezi, nothing because of the introduction of these big big shops either malls or the big shops coming in and then thus exploiting the opportunity of the black people during the new dispensation.

Competition Commission: Lulama Mtanga

271. And then you say this exploitation has also happened during a time of uncertainty what do you mean by time of uncertainty. What is uncertain?

UGU Association of business: Wiseman Mcoyi

272. I say the time of uncertainty, we know that the government is busy coming up with changes and all and they are talking about radical economic transformation. Is still in the drawing board but these are already foot soldiers within our areas that's taking the chance that is where we find that we might talk about this radical transformation, economic transformation for the next two or three years and day by day our people are facing the heat.

Competition Commission: Lulama Mtanga

273. You also say there were, the big businesses that used to exist in Umlazi, Kwamashu no longer exist now. Are these supermarkets, were these supermarkets and also Mr Mcoyi do they, would they have offered and

I'm not questioning, I'm just I just want to understand this just speak to us in terms of the type of businesses because we've seen submissions or had some submissions from some of the retailers saying that when they come into the townships, when they go into these rural areas they are offering better quality, better range, better prices. So are these stores that would've been equivalent at least more or less of the same standards with what you see coming into the townships now.

UGU Association of business: Wiseman Mcoyi

274. We say the local business people need to have been empowered from their situation rather than be just obliterated and be done away with. The person who knows about the price better is the one who is selling. But as a way of promoting my business. You have a lot of sweet talk coming through: you get every , we will bring you a big shop where you will get everything and everything fresh and everything's cheap. Who is monitoring that? You as a business person you can go around and see these people are fast in their move and our people are not aware . And then yet the money that our people have is not to much for them to keep anything aside.
275. So, the big business people have got people that do studies. They know how much people get, they know how much money comes into this township. They know how much they expect. They can tell you business was bad this time we didn't make R20 million because we made R20 million last month and this month we made R18 million something. They have all of those figures. They can play around with the poor, ignorant buyer and then because it is not monitored and unfortunately it is we may complain about our brothers coming from somewhere but we also have our local foreigners who are Indians and Whites coming taking the chance of the best one townships which were caused by the previous government.
276. Townships were not of our make but it was a way of promoting the apartheid regime. And then as such, the business people are getting the spoils of what happened before. They are not there to help anybody but they are there to take the chance that there you are and wait it is only the legal side, the hulumende

side, it's okay but we are there with the money and the charm we can. And there is also a feeling we're going to fix you people. We have that feeling that now in some cases we're being fixed. How can you sell bread for R15 when you only make it for R4,50. And you know every house, black man's house must have bread. When there is no bread there is no food. It's easy to catch us. Thank you

Competition Commission: Lulama Mtanga

277. And you also mentioned that the existing business people in the township should have been enabled to operate shops in the malls. How do you suggest that , how do you suggest this to be done.

UGU Association of business: Wiseman Mcoyi

278. In fact when, it if it were me I would say if I come to a zoned township with all these good things that I want to bring to the people, first of all I would get to the business people who are running day to day business: Business people we have got this idea of having a mall here. We would like you to come on board. But not to be there to take away business from them because the whole system has taken business away from them but they were not even brought in. Even people who came there are strangers, are not the local people. Everything was just taken away and then the businesses have fallen off.
279. Let's go to Mlazi, no more big business. Let's go to Kwamashu, I can tell you about the shop at Kwamashu station it used to be owned by, I am just forgetting the surname. When they wanted to put in Shoprite they went to him and asked him to sell his shop to the to them otherwise because they are going to put in Shoprite. Once they put in Shoprite they won't be able to, he won't be able to survive. He refused and then said you can go ahead and then they got another space fot Shoprite. The Shoprite which is gone down today that's gone down.
280. He did stand his ground but what happened lately after he was after he had passed on, there were children were not running the business well, then they took over that business and I have seen now Cambridge is running that part of

business and at a certain time when the children started to refusing they were threatened with their expropriation. So those are the things disadvantaging the business people not empowering the businesspeople.

Competition Commission: Lulama Mtanga

281. The other question I have for you is you've mentioned malls and do you have any examples as an Association, where instances where malls were established in an area where there were existing local businesses and those businesses had to be removed? If you do have these, we would like you to make a note of that and provide a list of those stores that had to be closed in order for a mall to be opened and when you do indicate the mall, please do indicate which supermarket operates in that mall.

UGU Association of business: Wiseman Mcoyi

282. How many would you like to have because I don't want you to have pages and pages, is ten enough.

Competition Commission: Lulama Mtanga

283. It can be as long as you want it to be. We will be happy with that, as long as you want it to be. And then lastly, you mentioned outdated food being sold from these stores coming into the township and taking food from the city, from the towns and outdated goods being sold in the townships, do you have evidence of this other than it just being an allegation.

UGU Association of business: Wiseman Mcoyi

284. No no no it's not just talk, but I'm thinking about the part of evidence because now it means the time when I found this bad food at the time I should be carrying it today, is perishable. And I have witnessed that. They also have some bad food and where should it be coming from? My supposition is that it must be coming from the affluent areas because they are so much concerned about that coming to our places. At one time, I got sheep which we found to be already spoilt and then when I went to complain to the head office. They said they had it sent specially fresh to me they don't know how they gave me that one. They

must have got it from another shop, but now you say bring proof, what proof do I bring on that.

Competition Commission: Lulama Mtanga

285. No no, I just meant proof that it came from the town to the area and it was outdated. I thought you would mention specific shops that you know where you know this occurs. But you saying it's something that you experience but you never actually took or wrote down or kept note of.

UGU Association of business: Wiseman Mcoyi

286. And also at times when you go even when our children and our wives when you go to these shops to better look at the date there because it is common that you can find something which is old without that thing being brought from somewhere else even from their shelves it can stay there until it gets bad. You must always check the date.

Spokesperson of UGU Association of Business: Thandoxolo

287. Maybe to help you. We in the province, we work with the compliance section on the economic development. As we work with compliance section so we need our members to comply. We've got a proof of conducting the visitation of the shop, the inspections. We've got proof, we can try to find them and then submit it to you, because what we are saying, we working with the departments that are running the compliance side. These things we are saying they provide the proof as the department and say what you are saying is not wrong and on a certain date we conducted in Pietermaritzburg, Church street, we find that so many shops are selling old things and other things have been packed in the toilets, in a very bad space for the consumption of the people. So, what we are saying, us, as Association we will try by all means to provide and being assistance with our department we working with as a partner, so we will provide these things because we've got the proof of it.

Competition Commission: Lulama Mtanga

288. Thank you.

289. Competition Commission: Louise du Plessis

290. And just one of two questions for clarification on my side. You indicated that once at one point a mall had opened up and you had tried to negotiate to have shade around the mall so that some spaza shops could trade around the mall, is my understanding there correct? Who did you try to negotiate with there, was that with a developer, with the municipality, who did that happen with?

Spokesperson of UGU Association of Business: Thandoxolo

291. No, I think that one was actually negotiated with the developer to say in your development stage, in your developmental stage would you please provide that kind of a shelter but they were saying that their sort of tenants they have to get an approval from their tenants because we're saying that here we can actually provide a shelter for the people to produce some vegetables outside but they said that it will be against our tenants and the agreements between them and the tenants. So that is the major challenge, because as we're seeing that the malls are not benefiting the ordinary people. Hence we suggested that over and above that, can you then buy the goods or the products from the woman who are actually doing farming on the area and they said that is out of our control. It must be the tenants, the agents of the tenants and they're not in charge of that. Theirs was to actually make sure that there is a development in place. They pay for that to look for the tenants and that's it.

Competition Commission: Louise du Plessis

292. When did this meeting with the developer take place? Was it one meeting where this was discussed?

Spokesperson of UGU Association of Business: Thandoxolo

293. There were consultative meetings, in fact there were a number of meetings. In fact, we were discussing a number of issues in those particular meeting not specifically for that particular because when the mall is being initiated there is a process of consultation. Bringing all stakeholders on board, getting ideas, putting some ideas on the table.

Competition Commission: Louise du Plessis

294. Which mall was this specifically that was built?

Spokesperson of UGU Association of Business: Thandoxolo

295. The mall, that I am talking about is in Gamalakhe and the one that is being proposed now at Boboi.

Competition Commission: Louise du Plessis

296. OK, and are there any other? Do they take minutes at these meetings that are then available to you afterwards?

Spokesperson of UGU Association of Business: Thandoxolo

297. Well, that I can check because the municipality was actually part of those meeting. The traditional council was part of that. I can check the minutes as to the discussion that took place on that point.

Competition Commission: Louise du Plessis

298. And which municipality are we talking about here for this mall that they are opening?

Spokesperson of UGU Association of Business: Thandoxolo

299. Now, its Ray Nkonyeni it used to be Hibiscus Coast within Ugu, Ray Nkonyeni municipality in the lower south coast.

Competition Commission: Louise du Plessis

300. Just a general question from my side: spaza shops, do spaza shops want to open up in malls? So the exclusive lease agreements that you referred to earlier, is that applicable for spaza shops specifically or which types of shops would want to open up in malls?

Spokesperson of UGU Association of Business: Thandoxolo

301. I don't think you can open up a spaza shop in mall because in the malls you have your Spar, you've got your big retail retailers and then under no circumstances that you've got your spaza shop can actually compete. All what

we are saying was to say, can there be a sort of a percentage that can be negotiated which is going to be reserved for the local people not specifically for the spaza at all because we are aware of the fact that if there is no Spar, there is no Checkers, there's no Boxer, there's no mall. So all these big retailers are the ones who are main anchors in the area.

302. So we're saying that this space must be opened and that space is not exclusive for the Spars. It will actually be accommodated by anybody within the community whether is doing hairdressing or whatever that is actually doing but it must be reserved for the local people to benefit on that particular space.

UGU Association of business: Wiseman Mcoyi

303. Sorry sorry man can I just add on that actually this thing is it's broad as you ask if there is a space for spaza shops, no. But if the mall or they can help the local businesses to provide cabbage, butternut, green paper, pele pele or whatever you call it and chillies and beetroot that can play a big role if that mall was there and they opened that particular space; to say local people maybe we will help you, we will monitor you, we want this type of grade when you sell to that that duty small you want this grade that would be super.

304. Thank you.

Competition Commission: Chair

305. So to understand you. What you are suggesting is that a certain percentage should be reserved for local businesses in the sense that that would allow somebody who had a spaza shop in the area to grow and develop a business, a particular business in the area and the second is procurement of local produce, OK. So it's not saying they shouldn't be malls. It's just that when a mall comes in it must take must take into account local business and the two mechanisms that you suggest as a recommendation is reserving a certain percentage and the other is procurement of local produce with that be summarize what you've got to suggesting.

Spokesperson of UGU Association of Business: Thandoxolo

306. Maybe to make easier and clear when you do a feasibility study. You know who is running business in the area where you want to open your mall or your shopping complex. So you consider those people to call them in those meetings that you discussed the design of the area and the business participation. So you consider, you know on your notes that there was a spaza shop there, there was a liquor shop that side or there was a fruit shop on that corner. So you consider those things then you include in your lease, the lease must be inclusive, also in the percentage, the local participation must be included in that.
307. So if you do that you will have no complaint because they will know that although our shops can be closed down but we have been offered a space of a butchery or a space of bakery, a little bakery there also, whatever operation that is happening in the mall, a certain percentage belong to us as business people of the local area.

UGU Association of business: Wiseman Mcoyi

308. I am of the idea that why should the malls be brought to us. Why are they not born within ourselves that now if they are born within ourselves it means they involve the local business people. This thing now of bringing them is they have been brought in. They have caused damage. Now we say to run away from that damage OK if there is a mall trend now let the malls be born within our areas by our people, with our people. Thank you.

Competition Commission: Louise du Plessis

309. One more question. You mentioned that in the consultations that were done by the developer that traditional leaders were also there, can you tell maybe tell us a little bit more about the role of traditional leaders if you want to open up a business whether it's a big mall or even a small spaza shop. What is the role of traditional leaders in that context?

Spokesperson of UGU Association of Business: Thandoxolo

310. The role of our of the traditional leaders, the traditional leaders are actually administering the land on behalf of Ingonyama Trust. That means prior to you

getting your piece of land, first you must consult with iNkosi, identify the piece of land, sign an ITB2 form which will be submitted to Ingonyama Trust for the approval of Ingonyama Trust and if the Nkosi then agree because when the Nkosi is signing that ITB2 form that means the consultation iNkosi has been finalized. The land has been identified and then that sort of a letter, ITB2 form is submitted to a planning department of the municipality so that they actually rezone because most of the land in the rural areas is actually zoned for agriculture.

311. So the zoning process is actually being conducted and in consultation with the planning division from the municipality then after that the developers can start the process. After Ingonyama Trust has actually approved and in consultation with the municipality to say that land has never been identified for any other part of development because you with money in municipality IDP processes they have to identify the pieces of land in rural areas and identify the project.
312. If the municipality say no, we are exempting that land there is no development that is planned for that piece of land then they go ahead is being given to the developer.

Competition Commission: Louise du Plessis

313. And does it cost money to get that approval from the traditional leaders do you have to pay a fee?

Spokesperson of UGU Association of Business: Thandoxolo

314. In terms of that, there is no fee that is actually paid. But, you know there is a greeting fee. So if you go to iNkosi, you must greet iNkosi or you get a can of coke for iNkosi but that that is not receipted. So there's no fee.

UGU Association of business: Wiseman Mcoyi

315. Yeah I don't know but there is a fee of R100

Spokesperson of UGU Association of Business: Thandoxolo

316. That R100 is just after that they've actually approved, then you pay a monthly of R100. You know the issue that is being raised by the developer when you talk about this contribution of a certain percentage to the land accommodation and stuff they said no they are actually obliged by the Ingonyama Trust, the piece of legislation that regulate Ingonyama Trust to pay because the land must be leased for 40 years and they're saying that no every year they have to pay a certain percentage to Ingonyama Trust and that money can actual is going to be claimed by the traditional leaders for the development of their area. To them, that contribution is sufficient for them to contributed to the community if you negotiating anything above that then they said no we cannot actually afford that.

Competition Commission: Louise du Plessis

317. Thank you.

Competition Commission: Chair

318. Thank you for your submissions. And that brings afternoon session to a close. We will begin again tomorrow at ten o'clock.

Spokesperson of UGU Association of Business: Thandoxolo

319. So sorry one more question, there are a number of proofs and submissions to be made after that ,where do we send this thing to ?

Competition Commission: Louise du Plessis

320. You can send it to the email is retail@Compcom.co.za there is a slide here.

Competition Commission: Chair

321. I think you can just do it afterwards and I think you actually just give them the details it's not just the email

Competition Commission: Louise du Plessis

322. That's fine.