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COMPETITION COMMISSION'S GROCERY RETAIL MARKET INQUIRY TRANSCRIPT

5 July

Competition Commission: Chair

1. I would like to open the third day of the hearing in Durban and about to introduce myself. I am Halton Cheadle, I am a Professor [inaudible] at the University of Cape Town and I am chairing the panel. Secondly, we have Ms. Lulama Mtanga who is a Competition lawyer expert with extensive experience and through her previous roles in the competition commission as the Director of the law firm Bowman Gilfillan. We also have Ms. Louise du Plessis from the Competition Commission, who is here in the capacity as the head of the inquiry's technical team and evidence leader. She and the team of lawyers and economists in the front row here will be assisting the panel in soliciting evidence and analyzing it for the inquiry.

2. I have given a fairly lengthy introduction on the 1st day of the hearing, I don't want to do that again, but I do want to just draw your attention to how we conduct the hearing. And this is not a court case, it is an inquiry, it is an attempt by us to try and understand the manner in which the retail market operates and so although we ask questions, our questions are not, our questions are directed really to getting more information, more evidence, coming to some understanding of the market. If a stakeholder wishes to give evidence which is confidential, then it is permissible for that stakeholder to request us to allow him or her to give evidence in a closed session. Which should mean that the confidential information will be passed on to us and would remain confidential.

3. In so far as any person wants to seek clarification, has an objection to something that a stakeholder might submit or evidence that might be led, we don't permit questions from the floor again because this is an inquiry. But that doesn't prevent you from submitting a written objection or question or clarification to the commission. You will see the address, the email address, the physical address and the contact details, will be on the screen, again and again and again during the course of the day. So, if you don't accept what someone, some evidence that someone has given or some statement that has been made and you question it, then please do so in writing.

4. Me and Ms. Mtanga will ask questions and so will Ms. du Plessis the evidence leader, in order to illicit further information from the stakeholders. And with that, I think I would like to call the first set which is the Department of Economic Development and Tourism Environmental Affairs, Mr. Dumi Mtsila. Oh, excellent. Mtsila you have pre-empted me, I was going to ask you if you had a presentation. Mr. Mtsila, would you introduce your panel members, one of them has already been here. Mr. Selepe. And I do also want to thank you for coming on such notice. We really do appreciate your cooperation.

Department of Economic Development and Tourism Environmental Affairs: Mr. Tshepiso Selepe

5. Okay, thank you very much. You already know me, Tshepiso Selepe from Department of Economic Development. We are from business regulations which consisting of consumer protection services and regulation services. I have got my colleagues here as I promised and they will be presenting. Can I just let the introduce themselves? They will just introduce themselves.

Department of Economic Development and Tourism Environmental Affairs, Mr. Dumi Mzila

6. Good morning, my name is Dumi Mzila from the regulation services from the Department of Economic Development and Tourism Environmental Affairs. Thank you.

Department of Economic Development and Tourism Environmental Affairs, Mr. Sanele Ngubane

7. Morning everyone, my name is Sanele Ngubane. I am also from the same department under regulation services. We are responsible for regulating services both formal and informal business in the province of KwaZulu Natal. Thank you.

Department of Economic Development and Tourism Environmental Affairs, Mr. Dumi Mzila

8. Good morning again, I have been told to stop there, alright. Oh, okay. We have prepared a very short presentation for this purpose and as Sanele has just

mentioned, our purpose is to give support and regulation to both formal and informal businesses in the province. I have been led to understand that there has been a lot of questions around informal economy as to what government is doing about it. So, most part of the presentation will dwell on that one and try to highlight the inroads or the interventions that are positive that have been granted this sector.

9. But just to give you a short brief as to who we are, we are governed or we take our operational mandate from other Businesses Act of 1991, as well as the provincial policy on informal economy that was approved by [inaudible] in 2010. Our objective mainly is to create a conducive regulatory environment for the sustained development and support to both formal and informal businesses in the province. But our role as regulators largely is to build, strengthen and align institutions of economic development as well as establish and manage policy framework that is implemented by municipalities so that we can monitor regulatory compliance. By that way we aim to create an enabling environment that support those kind of businesses.
10. I want to go now to the legislative milestones. When we say we want to achieve a conducive regulatory framework, we cannot as government go at it alone. It is a participatory and inclusive process that has to include the bigger segment of our population. So, what happened with the informal economy in the past is that it was seen as a nuisance. In every corner of our country, we know the harassment that has happened. People forcefully removed from where they are trading, their goods or trading assets being impounded from them, put to jail, made to pay hefty fines. But government actually in 2007 said *enough is enough*. Informal economy is one of the largest contributors to our economy. And when they say not verified yet they say informal economy alone surpasses the contribution of mining sector combined to the economy of the country.
11. And if we look at the stats done by the independent group around Durban, if we take the 1000 traders a day buying stock of R1000 each, how much is that, that they are spending to sustain our economy? Multiply that by 30, it is a huge amount of money, Durban alone. But if you take the entire province and entire

country, it is a huge contribution. So, government said in KZN, we have to take informal economy seriously.

12. So, the requisite papers, the green paper, the white paper were developed in provincial cabinet, which then led to the establishment of the think tank which was made up of government, civil society, labour, municipalities and other organs to direct the development of the provincial informal economy policy. That mandate was derived largely from the Business Development Act and the [inaudible] of 1991. This Act as we speak now is about to be repealed, that I must say upfront because it is pre-constitutional. It is a 1991 legislation when our constitution came into effect in 1996. So, we found out that most of the provisions contained in there do not directly speak to the political, economic and social landscape as we find it today.
13. So, what happened is that, we will speak about it towards the end, that development of the new KZN Bill which we will give reference to in terms of what it aims to do to achieve the development of the informal economy. So, in 2010 that policy was adopted by the provincial cabinet and 2011 provided by that policy, the Department facilitated the establishment of municipal, district and informal economy chambers because one of the things that were raised by the people at the grassroot level is that, if government has to go and speak to people, if government has to provide resources, if government has to provide support mechanisms, funding business support services, who do they speak to? So, the policy provides for the creation of a one body that speaks for all traders. So, it cannot, never be imposed on people. It was a consultative process which took a lot of years to prepare. But eventually in 2011 the policy was launched together with the provincial, municipal and district informal economy chambers by the then former MEC.
14. And in 2013, the MEC convened what we call a provincial informal economy summit which was aimed to say since 2010 when the policy was launched, how much has the province achieved, where are the bottlenecks, what needs to be done, how it should be done. So that gave rise to a lot of other issues that need to be done in the support of that particular sector. So, in 2014 there was a

massive interest in the informal economy countrywide. We had your International Labor Organization coming to KZN to benchmark as to what actually has happened, what are the successes, what has been achieved, how can they help to assist the province and the country in achieving the necessary support mechanisms for the sector. Also, at the, in that instance, the small business development department has just been established, they also used the KZN policy developed what is called NIBUS, which is a National Informal Business Uplifting Strategy, which now is a national document regulating and supporting the sector.

15. In that instant as well, KZN was part and parcel of the deliberations and negotiations around the International Labor Organizations' Recommendations 204, which was eventually adopted by the [inaudible] of the world in 2015, in Geneva. And it was led by our colleagues at the Department of Labour and we participated in that Conference and we are happy that we were able to give credence to those processes because of the inroads that the province has managed to achieve for the development for the informal economy.
16. Also, in 2015, the KZN Business Deal was developed, we are going to speak more on that one towards the end. And in 2016, that bill enjoyed the in-principle approval by the KZN cabinet. After the ILO recommendation was adopted by the [inaudible] of the world, they came a necessity for the province as well to say, what are we doing? Because in the past our policy and strategy were concentrated on the enterprise side of the informal economy. But we understand from the definition of the ILO and the definition of the KZN government in terms of formality, it doesn't only affect enterprises. It also affects the people employed in the informal sector. Like you would find that in one Pick n Pay, there is a register of 500 people but only 30 are formally employed. The rest of them are casual workers, they are wage workers, they have got no benefits. It speaks of things of social protection and everything else.
17. So, we said we need to focus on a wider informal economy sector, although our department's mandate is only on enterprised development and enterprises as well. But we need to come up with a plan that is going to be transversal to be supported by all sectors of the government to say, we need to do something

about informality. So, the master plan that was developed in 2016, is still in draft stages because of the transversality of Recommendation 204, it needs a lot of consultation and participation by other sector departments as well.

18. But in 2017, we just concluded yesterday the public consultative [inaudible] on the bill. So, before I go to highlight what the bill was supposed to give, I just want to give a short status quo report in KZN as yet, that we are the first province ever to have developed an informal economy policy and the first province to develop an instrument aligned to Recommendation 204 which is the master plan. And the first to produce a developmental legislation that supports informal economy. It is no longer a nuisance, informal economy is here to stay and it is a cushion for those people who have lost jobs in the formal sector. We know that the job loses in retrenchments happen every other day. So, where do people find refuge to support their families and their livelihoods? They find that refuge in the informal economy. But that is the least supported sector in the entire country.
19. So, we are saying by developing these instruments, we are saying we need to focus more on the support mechanisms for that. So, and also, what is noticeable, we had 54 municipalities in the past, no, sorry, 52, now we have got 43. And all of those municipalities now have an informal economy in place with about 40% having been approved by full council. Which means that all municipalities in the province are able to provide resources in the informal economy sector. What is nice about it as well, we have been able to work with COGTA to ensure that their municipal planning tool called the IDP in the Integrated Development Plan, now has informal economy as an indicator. Which means now that informal economy will have to be budgeted for and services and infrastructure provided for, for the informal economy.
20. Also, the small Business Development Department has developed instruments within its NIBUS strategy to support informality. One of them is ITUP which stands for Informal Trade Upliftment Project which aims to recruit a certain number of informal economy actors, provide facilitation in training, skills development, skills transferring and also fund infrastructure. And also IMEDP

which is Informal Micro Enterprise Development Program which works in the same line as ITUP.

21. And also, since we derive our mandate from the Businesses Act, Businesses Act also provides for licensing for businesses. When we define informal businesses per definition, those people are given permits to be able to trade. But for the formal businesses they had to be licensed in a way that it suits their formal business. Largely, it is your food vending outlets, your entertainment facilities, your adult entertainment and then hawking perishable food stuffs. Right now, all municipalities in the province have authority to issue or refuse to issue business licenses and also because of the number of illegal businesses we find in our midst, in our economy spaces, we have been having a problem and a lot of complaints to our office of consumer protector of businesses who do not comply with minimum standards of health, minimum standards of product purchasing, minimum standards of doing anything else and they are continuously flouting regulations and also affecting consumer right and consumer health.
22. So, together we have been able to garner support from other agencies of state and other entities to form what you call ICORP I think we have spoken to that one. So, it is an integrated forum to be able to forcefully compliant from those people. Because it has been a long time, you can't go to a shop and do something and after 2 days you do not have recourse. So, we are trying to say KZN, we are here to stay, we need to comply with the laws because if you do not protect the health and the safety of our public, then we are not doing our job.
23. So, the Bill, the one that I mentioned in the beginning, is there to provide for an integrated business regulatory framework so that we can have uniformity in the province. And also, to protect consumers against unhealthy and unsafe goods and business practices. That we need to establish officially people that will deal with licensing and permitting registration within the municipal space. Also, we need to have a standardized framework for regulation of informal trading. That one is contained largely in Section 47 of the Bill which gives direction to the Department and other entities to say, you need to provide support financially,

skills transference and everything else to the informal economy. It is now a legislative imperative.

24. Yes, we had a policy. A policy is suggestive for government and entities to do a, b, c and d but now we seek to compel everybody else involved in this space to say, we need to garner support and provide resources. And also, that section speaks of the graduation of small businesses. You know, if you look at Recommendation 204, it is a recommendation which deals with transitioning informality into formality, but as government, what is it that we need to do? What enablers do we need to put into place? So, that particular section deals in this Bill with the support of the Sector.
25. Also, the Bill provides for the appointment of Provincial Inspectorate to be able to enter businesses whether they comply or not. Also, we are proposing an establishment of 24-hour zone because we feel the province is rich in so many aspects that it can develop economy. But the lack of dedicated and purposefully designed areas for 24-hour trading are lacking. You look at the road between N2 South to North, you do not get an 24-hour zone. You go to the back, no 24-hour trading zones. But if you go to similar countries of the same size across the world, you will find those zones are there and are able to contribute positively to the economy of those places. So, we are asking ourselves, why not in this province? So, that is one provision that is here.
26. And also, if you look at the way our economy is structured, everybody wants a piece of the cake. So, you have so many different formations, you have got your NAFCOCS, your whatever. It is good to be associated with those agencies, but when the government wants to plan across, who do we speak to? So, the Bill is proposing for the establishment of one provincial association of business to be able to garner support from its constituencies to be able to engage government for the provision of services and support to their constituencies.
27. If you look at this Bill in summary, it is very developmental rather than being punitive and regulatory, it is giving in fact to the development and support of businesses. But, I want to touch base in the 2nd last slide as to what other

programs we have in place, not only for the informal economy but for the entire business support.

28. The former MEC 2 years back tasked the Department to come up with a bulk buying model. In the past 3 years, we have been dealing with what people call xenophobia, xenophobic attacks on foreign nationals. The research that has been done by different people and agencies and organizations saw that it is really not xenophobia but it is a war for space, a war for markets, it is a war on prices. Some people have taken over the price market, the supply market and everything market. But as government we are sitting back and doing nothing about it.
29. So, from the engagement that we have had from that research, people are saying, if we are to win against competition and be competitive as the African or as black people living in townships and rural areas, government needs to support programs that gives us a leverage to be able to be competitive. So, we as a Department have developed a, which has been in principle been approved by the MEC, yet to be approved by the cabinet and be launched by the MEC, what we call a bulk buying and warehousing model where we as a Department and our agencies like ITALA approached directly your producers like your Unilever, like your Tiger Brands for them to supply directly to those warehouses for accessing by the local traders. From your informal traders to your school supply nutrition program, to all those people that supply food stuffs.
30. So, these warehouses are going to be 11 of them in the entire province. The first one has already been identified and refurbished in Yestern in KZN which the MEC will be launching any time soon to say as government we are serious about bringing productivity to our people that they are competitive. Because at the end of the day, if we are going to be fighting for prices, we must fight in a way that we must provide enablers for our people for them to be able to have enough access or direct access to those producers. Then if a single fish you would get from Makro for R21, you would be able to get the same tin for R11 directly from your Tiger Brand, then how much are you going to sell that tinned stuff? You are going to sell, it for R15, you are getting a competitive advantage.

31. So, as government, it is what we are trying to create so that we will be able to say our people are having a fair share of the market. There are sort of businesses that I have spoken about. Also, there is another program called Multi [inaudible] Framework which is provided for in the Bill as well. The reason being, if you go to the rural areas and the urban areas, your township areas, there have been long standing business entities from great grandfathers going to their sons and grandsons of businesses that have been there. But because of the advent of development of malls going to the township areas and the rural areas, all those businesses fail and stop to trade. But if you go to look at the mall, there is not even one single person from the community who owns even one single shop. The only people that own anything would be your big shops, your national brands because the entry is of an exclusive nature.
32. So, this framework is trying to say, for any new mall development in any rural or township area, there needs to be a component, a dedicated component to benefit the locals, the local businesses entering of tenancy and also ownership of that particular mall. So, that framework is in the pipeline. Our sister business unit, will be working on the document and it is still going to go for public participation as well. But I can tell you, some people don't like that.
33. Also, what we intending to do, we are creating what we call an SMME academy. We are promoting that one of the deficiencies that our business people have, are skills. You can have this big dream wanting to do that, but if you don't have the skills, necessary skills and competencies to do it, you are going to fail. So, the SMME academy, they are going the be one major in KZN but disseminated per district so that each district will have its own academy that is managed at provincial level for the purposes of upskilling people giving the necessary support, mentoring, incubation, simulation. Because in those warehouses, they are going to be there in those districts. Parts of the function of those warehouse is to provide simulation for those people.
34. And over and above that KZN has developed and is about to launch a [inaudible] website which is responsible for that. An automated informal trading registration and permitting system. That one is if as government you don't know who is where and doing what, how can we probably plan? How can we develop the

indices to tell us how the informally economy and business center is doing. So, that automated system is going to help us to be able to report, to identify, to plan and be able to monitor how we are doing in terms of support to the businesses.

35. Also, we have signed MOUs, several of them bilateral and multi-laterals like the one with COGTA, SALGA and [inaudible] because we said we are responsible for certain legislation and policy but COGTA is impossible to manage, administer phase at municipal level with SALGA. So, if you do not have a common understanding as to how we are going to use our resources wisely and effectively and efficiently, we are going to be duplicating what we do. So, we have had an MOU signed between the 4 parties and it is working very well and it is directed by the communications forum which meets at least 4 times a year and as and when it required.
36. Also, we have developed an MOU and signed it to the wholesale and Retail SETA. Why? Because a large component of the people that are in the informal economy sector are in wholesale and retail trade. So, we said it will be better if we can have the SETA onboard so that we can be able to provide the necessary enablers for the support and graduation of those people in the particular sector. With Home Affairs, as well because if we are to legitimize businesses, we will need to know the legitimacy of residency. We can't just sign everybody willy nilly to give permits and licenses because as per immigration Act, it is illegal to have assisted an illegal immigrant in this country. So, we needed to make our municipalities and our government departments are able to vet any possible applications from a foreign national. Not being xenophobic per se, but we have to as government, make sure that anybody who is in our trading spaces is legitimate and is allowed to do a good job. And lastly, with the CIPC and SARS for the same purposes of legitimacy of businesses and legitimacy of residence.
37. So, where to from now? We are hoping that we are going to be creating an environment that provides for voluntary compliance that is through the inspections and regulatory enforcement that we are doing. And also, we need to create a business ethic that protects the rights of workers and of consumers, extension of social protection for all, eradication of informalizing formal jobs.

Like, I made an example of Pick n Pay whereby you supposed to be formal business, employ people full time, subscribe to your UIF and all other requirements by your Labour Act, of which, it doesn't happen. So, we are looking at a space whereby formal businesses remain formal, they don't informalize what they do.

38. Also, through these processes, we need to arrive at a platform at a dialogue that will promote social and economic cohesion. And also, we need to ensure all organs of state recognizes the role of informal economy and contribution to the economy and provide adequate support. Thank you. I don't know whether my colleague Sanele would like to add something.

Competition Commission: Chair

39. Thank you very much indeed. I just, I wonder, just explain the bulk buying arrangement. Who will run the warehouse? As I understand, you are going to create a warehouse in every district, just how is that going to be established? Who is going to be responsible for running it? Who contracts with the suppliers? To what extent are local suppliers going to be incorporated? I wonder if you could just flesh that out for us.

Department of Economic Development and Tourism Environmental Affairs: Mr. Dumi Mzila

40. Thank you Chair. The model that has been developed took about 18 months to be developed. It was all fights and whatever. But the way that it is going to work, we have got an entity called ITALA, which is ITALA Finance, but the ITALA portion of Micro Enterprise Development. We have tasked them to develop a automated system whereby we are going to use the physical warehouse and the virtual warehouse. How it is going to work is that people who are developing these associations of traders, so the Traders Association will have members, members who are the informal traders, the SMME, whoever is going to be there in business. And they are going to have their cards like your Makro card, like your Spar card, whatever it is. That card gives access to funding that is going to vest with ITALA through which the access the stock orders from the warehouse. Either they pick up stuff or they get delivered to them. But the way it is going to work, you have got your fund sitting there under your name, under

that ITALA account, you have got a card which you could go to that warehouse and swipe your card and it reduces that amount which you supplement with your profits however you want to do it.

41. But what we are doing is separating a capital amount and the profit side of things so that you can be able to say from my capital account which I had, I have worked like for nine months, my profit has been this. So, that card is like your mirror that your business looks through to say am I making a difference in my life or not. But what is most important with this one is that the warehouse not only provides goods and services, it has to be a center of business support. It has to provide those in the – let us say the school distribution in the program, people supply schools for school feeding schemes that go to your local supermarket to buy bread. They will buy 15 loaves of bread from your local shop or whatever. At the end of the day, there is no profit margin for them because they maybe escalate that by R1, by 20cents.
42. So, what we are saying is you are able to get the products directly from Tiger Brand, if you have a contract with Albany bread, you buy 10 000 bread every day, how much discount are you having there? So, you transfer the same discount to your traders. So, what happens as well is the Department initially it is going to invest in the infrastructure. But, we are hoping that once the Association of Traders is capacitated in life to take over the ownership and the running of those businesses, slowly it is going to transfer that kind of business processes to the association.
43. But, because government does not have capacity like in this Department maybe there is 5 of us in the SMME sector, so we are hoping to get the services of either NPOs that would deliver on behalf of the Department services like your procurement, your negotiation for pricing, for distribution, everything else under the particular NPO that will be working with us.
44. So, we are going for the NPO, not for institutions like your PTY limited because we know NPOs are non-profit making organizations. And secondly, being non-profit making organizations, they have a different mandate to those who are

profit making people. So, that is the kind of model. Although it has been in principle been approved, still yet to go for more negotiation and deliberation amongst stakeholders.

Competition Commission: Chair

45. Just to summarize. The idea is that you have a non-profit making organization, an NPO. Now who would be running that NPO?

Department of Economic Development and Tourism Environmental Affairs: Mr. Dumi Mzila

46. The NPO is an NPO tasked by the Department on its behalf to run the businesses of that particular warehouse.

Competition Commission: Chair

47. The question is, how do you, who is going to establish the NPO? It is really what I am getting at. I can see, are you going to have a tender process of people who come up and say listen, I want to be the NPO for this, you know for the 10th district. I mean, if you take the Waste Management Act for example, the system that is established there is that a waste management plan or an extended producer responsibility organization which really an NPO who will be responsible for managing waste. You would have people who would apply for this plan and then this extended producer responsibility organization would then carry it out under a budget either funded by the state or funded directly by the producers. So, I am just interested in knowing how you are going to fund the NPO, who is going to fund the NPO, how do you see this process evolving?

Department of Economic Development and Tourism Environmental Affairs: Mr. Dumi Mzila

48. What has been agreed as yet is that as government we cannot just have a waiver to appoint just anybody that you want. You have to go open. So, we will be calling for an expression of interest for those people who are able to do what we want them to do and then from those expression of interest then we will be able to appoint the NPO that will be able to do that work.

Competition Commission: Chair

49. Then it will be a contract between the Department and the NPO which involve initial support or support for setup and for the like. And then this automated card system, I mean the is essentially, that IP will become, the NPO would have a royalty arrangement with you and not royalties but I mean a useful relationship. And then they will go through and contract with the suppliers and contract with the traders. On a more tenancy framework, this framework, I know that it is still in the process of being finalized, it would be very useful for us to even see your, you know, what that framework looks like. I also certainly would like to see the documentation that you have around the bulk buying program of yours as well.

Competition Commission: Lulama Mtanga

50. Thank you. Mr. Mzila you mentioned the KZN Informal economy policy that was adopted in 2010. Can you provide us with a copy of that policy? I have got a whole list of those documents that I would like as well as the NIBUS document. We would also like to see the 2015 KZN Business Bill, the Bill will be important for us. And then the draft KZN master plan for transitioning of informality that was developed. We know it is a draft, it is in draft form but we would like to see that draft anyway. And then you said consultations will take place this year, they have taken place already in 2017, okay. And then you mentioned that in KwaZulu Natal there were 54 municipalities and there are currently 43 municipalities, just explain to us how are you interacting? What kind of work are you doing with the municipalities and what their role is in everything that you have explained here today?

Department of Economic Development and Tourism Environmental Affairs: Mr. Dumi Mzila

51. Thank you, I think I will just put some clarity with regards to that. The Businesses Act was assigned to provinces and as such the MEC responsible for Economic Development and then appointed the municipalities as licensing authorities. As we all understand, all trade whether formal or informal happened at the local level, at the municipal level. However, we are custodians of the legislation at the provincial level that the municipality are responsible for actually issuing or refusal of permit or licenses. And how we work, through the

licenses are actually approved, we were tasked then by the cabinet then in 2010 that we now need to go to each municipality to have their own policy on informal economy.

52. So, for them to be able to issue permits, they will need space for trading and be able to come up with bylaw that are actually in line with the provincial policy. And which is our Annual Performance Plan, we have a one-liner there that says support the municipality in terms of their adoption of their policies. And what we do, we visit each municipality. We actually present in terms of this is what the provincial policy expect as the municipality to do and then we sit down with the municipality who do not have capacity to go and actually appoint external service providers. We had them in terms of development of the municipal policy. As Dumisani has indicated, we have done that in all 43 municipality. But as the province, we can only go as far as developing a final draft and it is up to the municipality to take it through to MANCO, EXCO Food Council for adoption. As it stands now as Dumisani has indicated 43% have undergone that process and others are still in the tracks whereby the Council was still not functional or it went to the council and the Councilor made a comment. So, that is where it actually sits right now.
53. But we currently have a team that is solely responsible for assisting municipalities in terms of development of policies and also monitoring in terms of our municipalities implementing the legislation as it is supposed to because some indicated that the MEC is solely the – the buck stops with him because he is the one who actually appoints municipalities in that space.

Competition Commission: Lulama Mtanga

54. Do you have any internal document that sets out the policy as you have explained to each of those 43 municipalities? And can you make that available to us so that we see what was communicated and what was expected of that municipalities to do.

Department of Economic Development and Tourism Environmental Affairs: Mr. Dumi Mzila

55. Definitely we do have. In fact, we have developed a standardized policy for municipalities. It is a matter of the municipality to just change and tweak it here and there, cross the T's, dot the I's. But we can actually provide with the report in terms of from 2010 with what we have been doing and what kind of support we are providing. Also, together with the standardized provincial policy for municipalities.

Competition Commission: Lulama Mtanga

56. And when you do provide us with that document, I would like to request that you also give us the names of the 43 municipalities so that we don't have to go back and redo that work because you already have it anyway, ja. And then you also mentioned that the implementation, obviously lies with the municipality itself and the adoption of that policy lies with the municipality. Who is monitoring the implementation?

Department of Economic Development and Tourism Environmental Affairs:

57. Again, it is our Section regulation services. Part of it is that we visit municipalities, we sit down with them and say as the Businesses Act you are expected as the municipality to do 1, 2, 3, 4, 5, can we see from your files if you are actually doing this as per the Provincial policy of informal economy, you are supposed to be doing 1, 2, 3, let us see what you have been doing. And we have been getting information from the municipality. Solely we are the unit that is responsible for monitoring the implementation of these legislations.

Competition Commission: Lulama Mthanga

58. Can you give us the flavor, just a sense of how far that implementation has gone or is going. And so that we know which municipalities have not done this or which ones are doing it or which ones are so far ahead with it. Is there, are you able to do that?

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

59. I think Mr Mzila will actually touch base on this because the official that do the monitoring reports directly to him. He can give us more flesh with regards to that.

Competition Commission: Lulama Mtanga

60. Just a flavour. You don't have to

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

61. What we do as per our reporting function might be different from what you require but on an ongoing basis we just monitor and we can say like the stats that are provided there are current there. You see that is the 40% that we can say are there but if you would need proof of that we might have to give you copies of the adoption or the council books. We don't keep that, it is kept by the municipality, it their role to ensure that but when they report to us that our policy has passed through council they always send not all of them but some of them do send us what you call their council resolution.

62. What I can definitely give to you is a survey that we did two years ago.

Competition Commission: Lulama Mtanga

63. My colleague is pointing out we don't really need proof but you could maybe just identify those that have adopted.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

64. In the spreadsheet that we are going to give you

Department of Economic Development and Tourism Environmental Affairs: Tshepiso Selepe

65. But also what you can provide is the study that we did 2 years ago. Which was asking specifically questions as to how municipalities are fairing in terms of compliance to the provincial policy. The study is in a like a thirty page document that we can provide as well

Competition Commission: Lulama Mtanga

66. That's fine. That will do. Thank you and. You know you mentioned you know Mr Mzila, you mentioned in your presentation I'll just speak to that at a high level, I don't think I will speak specifically on the point that you were making on the licensing; What do you see to be value of licensing and to be the purpose of licensing informal businesses.

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

67. Thank you. For informal businesses we saying it's permitting. The reason being when this policy was developed there was a huge cry that some people own about ten trading spaces, twelve trading spaces while some people are still wanting to get into the sector but they can't because one person is just like monopolizing the sector.
68. So the policy then according to their submissions was very clear that one household or one store or stall. For the reason that there is such an influx and saturation of the market so we needed to find a way in which to balance the need and the demand, I mean the demand and the supply. So it what has happened is that the policy itself is very clear on the role of the municipality in enabling it to demarcate positively for the sector. So that so the demarcation plan is very clear that the municipality needs to even go as far as doing G.P.S. coordinates for each trader in their municipality so that we can know exactly who is when doing what.
69. The reason being when we have everybody permitted, because of the saturation of the market, almost half of the people that are in this sector illegitimate by virtue of that either they are foreign nationals that are illegal in the country or they are in the market as a smokescreen to do other shoddy business using informal trading as a front and a lot of other issues. So if we have everybody permitted, placed exactly where they have to trade, on a particular sector within which they trade then we are able to say but that is not what should be, what is it that is there. We are able to monitor compliance,

we're able to plan if we are to say we need to do it budget for stalls you know in our municipality for how many people are doing it for; we don't even know because you don't even have a register or a permit system that allows people to trade because we're trying to promote compliance. If we're not compliant at any level of our economy we are calling for disaster because we are going to have a lot of illegal and illicit businesses mushrooming there and that destroys the caliber of our economy.

Competition Commission: Lulama Mtanga

70. Thank You. Not specifically attribute, I don't attribute this to KZN specifically but we have picked up for example that the licensing aspect or the permitting aspect by municipal requirement by municipalities on small businesses tends not to be well explained to the actual operators and there's a so there's a gap between the purpose and the enforcement and-the manner in which things are done to what extent are you making sure or have you made sure that there's good consultation where the operators on the ground have actually bought in or understood the purpose and therefore are almost self-regulating so to speak or just wanting to comply because they know this is also serving it's good for them it's just a little for those that are legitimate operators.

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

71. Thank you I submitted there in the fourth in their bullet of the slide that all 43 municipalities have functional informal economic chambers. Informal economic chambers are democratically elected, they represent all the sectors of the informal economy actors in that municipality and their committee sits with the planning LED and the municipality task teams to determine where the trading spaces should be. There are designs for stores if any is to plan the budgets and everything so that is the responsible component of the entire informal economic sector. It represents all traders in there. So in this instance all municipality traders are aware of the policy. They are advocates of the policy and up to the provincial level because from the municipality there is a district chamber then a provincial chamber. It is a fully constituted body representing those traders, so we don't have a problem in this province whereby there is a

discord between the need and the understanding of the beneficiaries of that particular thing. Maybe Sanele

Competition Commission: Lulama Mtanga

72. And when were those chambers established.

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

73. In twenty eleven May, when the MEC launched the policy on informal economy. There were there by end of July that particular year and this year towards the end of the year, their term is about to expire so new elections will be happening at municipal level.

Competition Commission: Lulama Mtanga

74. To To what extent have these because I'm thinking of the for example the huge xenophobic attacks or violence that erupted in 2013, that was two years after the chamber, these chambers had been in place, to what extent would you say what you are doing is actually working to the extent that in future any issues that relate to competition between foreign nationals and local nationals are addressed in those chambers for example whatever issues there are regarding permitting, operation , whatever concerns informal business are addressed. The effectiveness of this

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

75. Maybe before Sanele, there is one area that you need to understand the xenophobic attacks were happening at a level of your semi-formal, semi informal status of businesses. There's those operating in your spaza shops, whatever, whatever it is which form part of the informal economy sector but I can say right now if the chambers were not present you could be seen as something worse, you could have seen something worse. They've been responsible to quell, to talk to members like I would take for instance the case of Chesterville, I mean the community would have burnt in August last year if those business forums and chambers were not in place. So that is the kind of

influence that they have because of they have constituencies that that they report to but like people are not the same and areas are not the same and the transgressions are not the same but when areas have got evidence of misconduct by those people they are fighting misconduct not the person. So we need to understand and separate those two issues because if there is evidence that shop that shop that shop are doing this and unfortunately for us it is a foreign owned shop automatically it's going to be called xenophobia because there is an attack on a foreign owned shop whereas it is not the shop or the person but the atrocity committed by the establishment . Sanele...

76. Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

77. Maybe just my submission as well in terms of moving forward I think Dumisane has touched base on the fact that if the chambers weren't there then the situation would have been worse and also I think some of the issues that when eventually the Premier commissioned a study on xenophobia it came out of that particular finding where some of the thing that the chamber as it actually brought to the fore to the government official and municipality in terms of the competition: how come they are competing with someone from Swaziland who is not paying for the space, who do not have permit but the municipality are just allowing them to trade. What we have then done, I think Dumisani did indicate that the KZN automated application system, it's an online system, I think we all live in a twenty first century it's a system whereby a trader using their cell phone can just log into that system and then put it put through the application.
78. The good thing about it is that it's linked with Home Affairs, so automatically now if Selepe put his ID number there then Home Affairs will block him and say no this number is not valid is not a South African number. If Selepe put his visa permit number it's going to say but no, according to Home Affairs, you are only here to study or work not to run a business then it stops them. So those are some of the things that we actually busy waiting in terms of just rolling them out in such a way that it addresses some of the credit they were raising in terms of how do we as a government allow someone illegal to trade in the country and then we also find wanting in terms of how then do we curb that particular

situation and I'm glad to say that the automated system we've just been finalized we should be launching in a month or two but obviously we still need to workshop it with the traders themselves and also the municipality whom are actually going to be implementing the particular system but we believe that with that system it will actually help us in great deal because we will know who is doing, who has actually been awarded a permit. Are they rightfully supposed to be in that space and again we still find out for example if I must still work for government, the system will be able to pick out that no Mr Ngubane, works for government and the system will block you because we also have those situations again whereby government officials, the councilors or someone who is supposed to be a formal owned business in Umhlanga is currently having one to two stalls here in west street Durban. So, the system will be linked with SARS and CPI just to curb those particular issues.

Competition Commission: Lulama Mtanga

79. That sounds good. I am not sure if you Mr Ngubane or Mr Mzila will answer this question. He touched on the issue, on the tension that existed in Chesterville and how the chambers managed to quell that, we would like if it's possible to maybe a document that speaks on one what happened there and how how this was successful in doing that just to see how whether it addresses the some of the concerns that arise from what we are doing. So I don't necessarily want a response on that.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

80. Maybe I can touch base with that one. It was a very long process but that engagement and the involvement of the business forum even when their lives were at risk I have to say that they were their lives and our lives were at risk because of the intensity of the situation there, yes we got the document that we have prepared for our principles in terms of recommendations as to what needs to be done not only in Chesterville but the entire province to quell further, so our principals are yet to act on those recommendations because they were tabled at Metro, the MEC for economy, our MEC, MEC for Safety and Security

and MEC for COGTA so the same document went to the three MECs for their sign off and eventual implementation.

Competition Commission: Lulama Mtanga

81. Would you be able to share that document.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

82. because you are a commission, we should share, yes.

Competition Commission: Lulama Mtanga

83. Just to see, because if it worked at in Chesterville, it probably it's something that can be considered elsewhere and you intend to roll it out in the entire province for that matter. Ok, Thanks

84. You also mentioned in relation to the warehouse what did you call them, the bulk buying warehousing that you working with Ithala Bank there, we we've had a submission on on on the dispensing of social grants and the point was made by informal business by by business operators coming from the townships, rural areas, it's an it was an organisation that came here to make a submission saying that what happened was social grants got removed from the from those areas and they were taken to cities and they lost business because when pension when I won't say pension because it's not only pensioners who get social grants but when the recipients of social grants get their money they then spend it where they are not necessarily take it back to the communities that they come from and a proposal was then a suggestion was made or even a proposal that it would have been good if Ithala Bank could set up ATM's in the informal businesses so that and not just setting up those ATMs, one but also sitting up making sure that the dates are the same as anywhere else so that you don't have your social grants recipients running to the cities because they realize in town I can actually get my social grant earlier whereas in the township or ezilaleli I'll get it on the fifteenth and that's not what they want to see they want dates that actually the same.

85. You have not mentioned in your work that you're doing with the Department of Social Services for example and on this aspect are you doing any work with Social Services on this point.

86. Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

87. Thank you ma'am. Yes, Actually maybe that was an omission because ah but part of the program of the bulk buying and warehousing model is that by virtue of bringing in cheaper priced goods back to the communities we saying if I used to spend R150 to do my groceries at Shoprite Checkers I can still spend my R135 for the same groceries here in the township where I will access my social grant. So part of the plan is that, OK, the task team members include a DSD which is your social security people and part of our program is piggybacking on some of the contracts that they already have for the a soup kitchens, for their whatever with Unilevers and Tiger Brands so we are working in tandem.

88. What is most important here is that by virtue of bringing those cheaper priced goods back to the communities, the Ithala provides those of virtual pay points in those particular shops identified in those communities we're saying ugo loantie or whoever is going to for that social grant is now able to walk twenty steps to that shop buy his groceries, get his cash and stay here so the fiscus circulates within the community. So that now brings back that economic base back to the communities so this part of the bulk buying model that we have developed. I think it was an omission. I am sorry.

Competition Commission: Lulama Mtanga

89. Thank you. You You, on the warehouse bulk buying warehouses you mentioned that you planning to have eleven but is already one that has been established. I didn't get where you said that is at.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

90. That one within Mgungundlovu district. It is under Mgungundlovu district and the area is call Eston. It's been refurbished but what is only left inside there is the mechanization.

Competition Commission: Lulala Mtanga

91. Mgungundlovu would be Pietermaritzburg

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

92. No, No , its a district

Competition Commission: Lulala Mtanga

93. Mgungundlovu in Pietermaritzburg

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

94. No Ma. Pietermaritzburg is a city within the district of Mgungundlovu which has got 5 municipalities. So this particular warehouse is situated in a one of the municipalities within the district of Mgumgundlovu.

95. Its Mgungungundlovu, well in the past was the typical name for Pietermaritzburg but now it's a district.

Competition Commission: Lulala Mtanga

96. Ok. You mentioned eleven and I would imagine is there a plan to grow these warehouses beyond eleven in time. So you are not going to end up sitting with those eleven warehouses is there a plan to grow to make sure that you spread because I would I can't imagine them being enough.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

97. Yes, they will never be up enough like for instance the introduction that we had a couple of weeks back even though we are going to have that massive warehouse in Ethekekwini which represents the district warehouse for Ethekekwini, if we still have satellite warehouses like in your PINK areas, Western areas, in your Southern areas feeding from the main warehouse nothing stops that particular growth. It's been under discussion as well but the focus is that let's first do the eleven conclude them and then that can replicate to other secondary warehouses that supports that one as well like if you look at the Durban area, PINK on its own is like another Soweto, your down south, your Mlazi, Lamontville whatever, your Western Pinetwon. There are lot of regions in Durban so one warehouse will never be enough for everybody but as a start you need to start somewhere.

Competition Commission: Chair

98. Can I ask a question on that? So you have so you have a nonprofit organization established for that for Eston.

99. Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

100. Not, yet. The process was that the MEC will sign it off with cabinet, we have got an in principle approval by our MEC who is in consultation with the MEC for Education for the nutrition and supply feeding scheme with your social service, with your health MEC for hospitals, clinics, with the correctional services for your prisons and stuff so we want to have that all state supplied or state institutions that receive food would have to work through this program. So, we are finalizing that first before we know the extent to which the operation us going to be. So, when the MEC launches, he launches that particular warehouse with contracts, so that the following day people are really going to come and be doing that work. So, the expression of interest will our await that confirmation first then expression of interest then the appointment and the launch so that when he launches the actual warehouse not a building as such

Competition Commission: Chair

101. Can I just ask a further question, I mean what? Why would they express an interest, I mean I understand when a normal tender? You tender because you hope to you know to profit from it .

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

102. The trick of it is that with government process we need transparencies. You know the legislation that govern transparency in government and your PFMA and those type of things. If Ngubane owns an NGO, Selepe owns an NGO, I own the NGO, then how do we know if any one of us get appointed without any public advertisement, is that transparent enough. What gave that department to be able to hire Ngubane over and above the others. So, it is an issue of saying, are you capable and we need to be transparent about everything else.

Competition Commission: Chair

103. I suppose the question is you know NGOs operate in a certain sector, I mean to run a warehouse with the kind of system that you're talking about seems to me would require someone with business acumen. Rather than the organizational acumen, I mean an NGOs maybe I'm not to characterizing correctly but they tend to be pressure groups, they tend to be organizing and good at organizing matters they good at research they're going to do all those kinds of things but the warehousing is it's really a wholesale operation. It's very it's a business skill and I just wonder if we if you're going to get the right time first it's like I think this is a great idea so don't misunderstand me.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

104. Can I just make an example I don't know if anyone here remembers this NPO that used to be call Food Bank? Yeah you can go to your Google and find it. Do you know what it started as an NGO assisting schools in the rural areas and peri urban to get access to nutrition. So, they used to develop gardens, they

used to source cheaper food stuff for distribution. They were funded by your agencies whatever it is but in the way they perfected the idea of warehousing and bulk buying that's where the notion of bulk buying and warehousing came from. So, those people are now, I think they have been diluted and there is a there's a small branch left in the Western Cape but those guys did a very good job as an NPO because they perfected the model that would work for the impoverished, for the poor ,for the needy so it's along those kind of models that we said It can happen as well.

105. So, if we could find a similar NPO that could do what for the food bank used to do then you would have won.
106. That is why we are saying if you say expression of interest we need to know what expertise you bring on the table you know. What have you done before. What are your success stories then based on the success stories then we can say you're appointed to run those and also the notion whether you want one for the entire province or one for each district that's still under negotiation as well?

Competition Commission: Lulama Mtanga

107. My last point on this warehousing issue you know the issue of bulk buying and storage facilities has come out very strongly in the submissions coming from the informal sector and lack of these facilities especially by local or national, what do you call them Locals local traders as opposed to foreign owned business owners and you then say in the model this the warehouse will then source goods from you mention Tiger brands, Unilever and there's also and in a very important aspect but has come through from most communities, township both township and rural where they feel they have their own producers and suppliers are left out in supplying to the retail to what extent will this program take into account goods produced by those communities whether in the township or Ezilaleni.

Department of Economic Development and Tourism Environmental Affairs: Tshepiso Selepe

108. Thank you, Ma'am. I want to inform this house that our MEC is the champion of the program called RASET. RASET Stands for a Rural Agrarian Social Economic Transformation program which is a local procurement program. To procure from local people. So those warehouses whatever dry goods ether are available, whatever vegetables are there, they will be supplying those warehouses. We will be procuring here locally.
109. Right now, what has happen is that all regions of the province, agricultural regional manager have submitted to RASET secretariat business plans for their districts. How many cooperatives are here, what crops are being planted here. What are the yields in tonnage, in kilos and whatever it is. So that when RASET kicks it's just been launched when RASET said kicks in to say now we start those warehouses will be drawing their supplies from those people.
110. Also, we saying, in the sectors for instance like chicken industry, we are buying something like half a million chickens every month for one the sector of the program, the DSD warehouses. We haven't touched base with your school nutrition supply program. We haven't touched base with the other retail sectors. In total, we are looking at about two million worth of chicken that needs to be slaughtered every month. So where do we get the chicken, we get it from your established people like your Rainbow, your Goldie, your whatever it is. Where are your localized chicken abattoirs producers? So, on that other hand the government is pretty is saying we need to provide enablers for the establishment of those local abattoirs. So, if we're saying we are serious about a social economic transformation we need to provide those enablers for the local people to be able to do that. So, what I'm trying to say is the side the supply side is taken care of in terms of RASET but not all sectors are yet on board so it's a gradual process to get everything else that's going to go to that warehouse being produced locally. So whatever that we cannot produce as communities then we have to source from your other producers as well.

111. Also, the bulk buying thing also touches base with your breaking and repackaging. Like for instance if we had to import as an association of traders or as a province, five containers of rice every week from whatever they are produced so the association must be responsible for repackaging of that rice and the rebranding because they were saying some people here are so poor they can't even afford one kilogram so we need to break the bulk and repackage is smaller quantities for the benefit of each committee that we save. So those are part of the program bulk buying that we take care of the nitty gritty of the needs of our society and RASET is one vehicle we are using to to achieve that.

Competition Commission: Lulama Mtanga

112. More or less when do you think this first warehouse will be up and running.

Department of Economic Development and Tourism Environmental Affairs: Tshepiso Selepe

113. Sanele did say that we have done all of that as officials it is now vesting with our principles to conclude on their deliberations in terms of getting like we said the school nutrition program vest with education, your clinics and hospitals vest with health, correctional services is a national department that controls your correctional centers and then you've got all the other different so the discussion is almost towards the end but we are hoping our MEC was telling my boss here we need to launch the association by the close of this year. So, we're hoping we'll be launching the warehouse and that's the association of traders by the end of the year, yes.

Competition Commission: Lulama Mtanga

114. You also mentioned the mall tenancy framework on which you said any new mall that is being built in KwaZulu Natal will now take into account and will try and accommodate local traders, what about the existing malls what's the plan about the existing malls in those areas why because you are basically imposing you kind of burdening anyone who is coming up with a new mall whereas the existing ones are exempted so to speak so how are you addressing that.

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

115. The association of traders is gunning to apply this new framework in retrospect. But there's been differing legal implications to apply it for the malls that are already exist because if they existed long before that legislation was in place there so that when it was in place it might be it might cause room for litigation against government but that has not been finalized yet like we are saying it is eighty percent finalized but is still going to go for public participation so that we can have those views in say how legal this, how legal that because some of the things that we don't want to find ourselves in is to work nine months, twenty months until at the end we are told our document is unconstitutional. So, we need to be aware of those provisions that direct us in the way we prepare our laws and frameworks but I can tell you that the associations wants it to be backdated to the first mall that was that it was ever built but for now we are saying any new mall the that is being legally correct or maybe politically correct, I would say.

Competition Commission: Lulama Mtanga

116. That's all from me, thank you.

Competition Commission: Louise du Plessis

117. A. Good morning just a few questions for clarification from my side. In your presentation, you mentioned that you had an independent group in Durban that did research on the informal sector and the State of the informal sector as I understood it is that correct. Firstly, can we, is it possible for us to get the document that was prepared by that independent group that contains that information. And then secondly, I would like to ask your views on the statistics contained in that document. I think from our side in our statement of issues that inquiry statement of issues that is available on our website. We've seen different views as regards the state of the informal sector and specifically small independent retailers in the country in general, I think some of the research show that that that there's been a decline in activity and in they are other research that actually show an increase in the informal sector and specifically as regards independent retailers so for us if you know that it's difficult to you

know to weigh up these different sources of information what did your research show?

118. What specifically did it show? Did it show a decline in the number of businesses or a decline in the growth of the business or maybe if you could talk a little bit about what that research said as regards the state of the informal economy specifically relating to the retail sector in your area.

Department of Economic Development and Tourism Environmental Affairs: Dumisani Mzila

119. Thank you ma'am on the first one a number of studies are available around Durban but the other provincial or national studies that we will provide one of them was done by the ILO which is the International Labor Organization, the other one was done by StreetNet. So those two are readily available from their websites but we can provide them as well.
120. On the state of informal economy I was speaking to the statistician from the department of Statistics there is a time last year, I think about August when they released stats that they've been job losses in the informal economy sector. My question to them was, I think it's Mr Thema, yes. My question to him was how did you determine that and what is your definition of informality because that is where it starts. I mean your definition in your sector of informality might mean that it's all the people that are employed in the informal way but in the formal business. My definition might be it's all the people that trade in the street. My definition would be all businesses that are not registered with SARS. So it depends on the definition of informality.
121. So when you see stats being released then you need to go back and say that the rationale behind the research that is being done what was it. What did it aim to achieve because with that understanding the stats will say whatever it wants to say.
122. To answer your question according to our own ongoing like I mean Sanele was saying our staff is always in the field interacting with municipalities and stuff, I

can tell you on any one day on any one street that there is a new trade or there is growth in business that if it's a question. Whether they are sustainable or not that can be only determined once our on line database registration, registration works because then we'll be able to say on the fourteenth of June twenty seventeen we had one million traders in the entire province, the following day we had nine hundred and fifty. In three weeks time with one point five million traders so without that online web based system we cannot determine truly and effectively and even if you want to develop your indexes for this is for informal economy; how many women are in the informal economy nobody can say. How many people in agriculture, how many people in services, how many people in whatever it's difficult to quantify it let alone to qualify it because like I'm saying it depends on the reasoning behind the study being carried out.

123. So but to answer the last one, the retail sector is some people only the come to town to sell on the last day of the month. Some come twice a month, some come only on holidays. So what kind of traders are we looking at. So that's why we are saying the permitting system will give credibility to the information that you always have published. This online system that we are developing as a province is going to give us the those answers. I can tell you in eighteen months time from now I can answer that question truthfully saying it's declining by the sector or it's increasing by this sector and the numbers are like this because we will be having that working perfectly for the provinces as well and we aiming to influence other provinces to to develop. Actually Gauteng has come through to ask us to assist them to develop the system as well because we feel as a country without the proper statistics you can not even plan effectively for this sector. We will be failing those people at that level.

Competition Commission: Louise du Plessis

124. Thank you and then you also mentioned data on employment that and I think you specifically mentioned one large retailer when you looked closely at the level of employment a lot of it was informal or not on a permanent basis would you be able to share that research with us as well.

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

125. And unfortunately, no, because like we spoke of ICOREF. ICOREF is a body reprising your department of labour, your Home Affairs, SARS, us and the rest of the team. So, in our meetings they record that this is what we find when we do our inspections and also if you look at the actually there is some research on the ILO database, Website as well not specifically on this country but in the southern, in SADEC where it's highlights most of the formal business operating in informal space by not defending worker rights not giving them proper wages, not giving them enough benefits, no social security whatever it is. So, it's a detail study which cannot, I cannot say as a departmental we've got the study but from our interactions with our colleagues at ICOREF as well as the ILO stats that they give us now and again that's where we get our source of information and besides from my own observation I would say our office is next to Spar, I'm sorry to mention names but in the end of the day all retailers are doing the same thing. I mean we've spoken to the Consumer Goods Council which is responsible for your Woolworths, your Spars whatever and says these are the types of things that you guys must be looking into. These are the reports that we get and most of the people Tshepiso will tell you they get complaints every now and again. Some they refer to them to the necessary bodies like your labour, your CCMA but the trend shows us that the informality is rife in the formal sector. So, the question is having to say we cannot informalized the formal sector rather we transition informally to more formality because there are more benefits to formalize than to remain informal.

Competition Commission: Louise du Plessis

126. Would you be able to put us in touch with the relevant organizations that you are aware of that may have done a study like that? Thank you.
127. The MSME academy that you mentioned in one of your slides. Could you perhaps tell us a little bit more about that and a specific question that I have regarding that is will that academy only be focusing on the retail sector and who

will be doing the training in in that academy and perhaps when will that academy be up and running.

**Department of Economic Development and Tourism Environmental Affairs:
Tshepiso Selepe**

128. Thank you, Ma'am. The MSME academy is linked to the township and rural economy revitalization program. The reason why our businesses fail in the first three years is because of the lack of skills to run their businesses and sometimes we can say it's lack of finance you can give the person R20 million run a business they'll forfeit in three years and the majority of those businesses is because of the lack of necessary and adequate skills to run the business. So, the academy is aimed to say let's identify the sectors that are poor that are performing poorly. Let's look at the reasons why they are performing poorly. Let's do, let's make interventions that would reverse those deficiencies and then let's monitor over eighteen to three years and to see how we are improving.
129. If we have a positive impact in three to five years then we know that we are working. Then we continue, so the academy is not going to be focused on only one sector, it's all sectors of economy but like you know the province or all provinces identify five main sectors that they want to work with in a particular timeframe. So, like with us we've got manufacturing, we've got your agriculture, you've got tourism, you've got I think is five of them anyway. So, the Academy will be focusing on those five as well but you won't be taking five all at one time. We will say which is our weakest performing sector here, let's work on that one and the launch of the Academy we were hoping is going to people concurrent to the launch of the association and the warehouse but it's being delayed because the documentation that is being prepared by the same unit that is preparing the mall tenancy framework so we need to give the guys some break. So, they're working parallel to each document but we cannot give a date of the launch but we can give the detail of the colleague at work that deals with those two documents. Then you can be in contact with him that he can give more credibility to what I'm saying.

Competition Commission: Louise du Plessis

130. Thank you, that would be useful. To come back to the issue of the voluntary compliance by traders and licensing and then the system that you envisage setting up, what would it cost a trader that is informal to register to become compliant.

Department of Economic Development and Tourism Environmental Affairs: Sanele Ngubane

131. Thank you, ma'am. For informal trader to register on the same level in informal trading space it would of cost virtually nothing during the application process however each municipality charges a minimum amount of R30 per store per month but it depends, for example in Durban if you look at West street or beach front, those are your prime areas the rental space there might be much higher which is why again we still indicate that the introduction of that automated system is so that limits the time for the trader to actually wait in the queue at the municipality, they can actually do it on their phones, put through an application, scan whatever needs to be scanned , so we trying to move away from paper to electronics and then that is actually virtually nothing except from the data that they may have to pay for when they actually doing the actually application but in terms of the costs it's just a matter of the monthly costs that the municipalities charge per store.

Competition Commission: Louise du Plessis

132. And what would be the benefit for them to register.

Department of Economic Development and Tourism Environmental Affairs: Tshepiso Selepe

133. The benefit is actually [unclear] again we come from government; for us as Government as a Dumisani has indicated we need to regulate the sector. We need to know who's doing what, where and I will make an example of the taxi industry and we all know, we all fear the taxi industry mainly because no one can just quickly go and then put my taxi, it's a month end I'm going to have my taxi from Durban to Umlazi and that has worked well for the people who are within the taxi industry.

134. What the traders have been saying to us a government is that I've been on this table for past twenty years but every time during a certain time of the month, instead of me making R500 a day I end up making R200 because three or four other people just comes and set up their space next to mine and no one is complying. I think that's one of the reason why we want to have this system.
135. It is going to be linked with the municipality in such a way that the municipality inspectors are going to go with a gadget whereby they go around the store whereby they can just scan your tag, then the tag is going to reflect on the system that no, this is supposed to be Mr Ngubane trading in fruit and veg in that way then we trying to go back to the point you are saying the voluntary compliance as well. So, I think it's got some benefits for them as well but also to piggyback on other issues like the traders association at the end I think may be prof to answer you as well the running of the association,, the bulk buying, the traders association are putting their hands up in terms of saying, allow us as the traders association to actually run these warehouse again in them in them they're saying that only the registered traders will be able to actually partake and piggyback on the bulk buying, so it helps them in that way and again Dumisani mentioned that we had ITUP, the informal traders upliftment program, it was as a training for amounting to nine thousand and then a cash contribution of equal amount but it was actually not given to you cash, we government would be buying equipment that you actually need. If you need a table or a gas stove and so forth but then national department were saying that we can only give someone who actually have a valid permit issued by the municipality and then you find that municipalities up in the north whereby they do not have permits issues by the municipality did not actually end up partaking in this particular program. So it's mainly, it adds up for them in terms of trying to close the market so that they know exactly who is trading, everyone who is trading actually has permits but also in another program with a skills development or upliftment program that come from government they will be able to put their hands up and I think just few years back sorry of to take more time, there was a funding from one of the banks, Standard bank.

136. It was part of their responsible fund, then they were saying we can give you this funding provided that you actually have a permit then we were caught wanting there in the sense that it ended up being KZN and Western Cape who ended up participating in that program because we were the only province in South Africa that actually had permits but then again it was only in KZN, it was your Durban, Pietermaritzburg, Richards Bay, South Coast your major cities that actually benefitted from that particular initiative.
137. So, we're saying that through this registration system it will be easy for them to register but will also give them that legal status for a business and them hopefully, then allowing them to see the benefits and also then we can be able to monitor them as government. In the end, we want we want to collect tax from them let's be honest, and then the end would actually knowing in terms of what are they doing. There's some improvement in your income so maybe you now need to to graduate to another level so that u MEC Gigaba can have more fiscal in his accounts.

Department of Economic Development and Tourism Environmental Affairs: Dumi Mzila

138. So one more thing, on the issue of cost you know when we are doing the consultation on the bill the businessmen who are complaining on the cost of doing business that is complying with the administrative course. The municipalities were saying hooray this bill is giving us a lot of fiscus so it depends from which side of the coin you look at it but at the end of the day if you look at issue of xenophobia as such: Do you think there can be xenophobia when everybody even is known who is where and doing what even if you come from Kenya but if are a legitimate business, you get your store. That's where you sell and you become a member of the association. It's all fair competition. Licensing and permitting provides a fair advantage for everybody else because if you are unlicensed and people do unscrupulous things some people would have an upper hand show the upper hand but have an unfair advantage over others, so licensing and permitting is the only way to standardize and regularize the sector.

Competition Commission: Louise du Plessis

139. Following up on the issue of graduating to of informal businesses graduating. You mentioned earlier that that they are a couple of traders that perhaps have more or monopolizes all the stands and that you are I mean towards a one household one stand regime. So I understand the problems that are faced with perhaps one trader monopolizing all the stands, but if there is a rule of one household per stand does that not inhibit growth to a certain extent with you know with a small trader wanting to graduate but not being able to do so without having additional space to do so and then there's also the issue of economies of scale not necessarily here in Durban but in public hearings in Johannesburg we've we heard a lot of complaints regarding you know, or we've heard information to the extent that you can't really be competitive if you don't have economies of scale and if you don't have more to work with so have you incorporated that have you thought about that in this policy and if so do you have additional measures that you can put in place to further foster growth and to assist these informal traders graduate to bigger businesses.

Department of Economic Development and Tourism Environmental Affairs: Tshepiso Selepe

140. I will touch base and allow Dumisani also to respond. I think the one trader one space or one permit was actually an issue that was raised by the traders themselves. I remember in 2010 and we were actually here in Durban and that that when the situation was even worse, where they were saying a Mr. Naidoo from Chatsworth actually has seven stores that is actually operating in Durban and then you look at the about one hundred and fifty people who are actually on the what you call waiting list, waiting to get space in that particular road front, road frontage. So as such we then said or a resolution was then taken by the cabinet because when we took the policy to cabinet we gave them options in terms of maybe per household, we can have two to three then they said no let's have one per household understanding where the traders were coming from but then again one understand s the economies of scale in terms of saying that in December time the thing that are popular on the market might not necessarily be the same as in June and July and so forth but I think the problem is then we need to give everyone a fair chance in the sense that

we can't allow a situation where by Dumisani has about 4 or 5 stores because we need to cater for everyone.

141. I think Dumisani did indicate that almost everyday people are losing their jobs in the formal sector and the first thing they run to is informal trading and it's the only option that they can get. People are finishing, are graduating from varsities or schools, they are not able to get jobs and then again, they are also going to the informal trading space. So, we wanted to keep it that particular way. The system as I have indicated allows one ID. Once you put in your ID, the permit is being issued for you to trade in Richards Bay. The moment that your move from Richards Bay and go and apply for another store in Pietermaritzburg or New Castle which is about six hundred kilometers away as long as you within the KZN, the system will pick you up and say no you are registered in Richards Bay, first go and resign yourself in Richards bay before you can trade in New Castle but maybe Dumisani you will want to add something there.

Competition Commission: Louise du Plessis

142. That's all from my side, thanks.

Competition Commission: Chair

143. Thank you very much for a very informative session. We will take a break now for tea there is another stakeholder, Izwelethu butchery.

Competition Commission: Lulama Mtanga

144. I just want to comment that you know your submission is very impressive especially coming from the government and it goes a long way for us in addressing some of the many of the issues that's that this inquiry is faced with and is mandated to deal with so it would be such a great thing to see if everything you say will be done or you planning to do does get implemented especially at the level of municipality because that's where we are seriously battling from our side. We've been able to speak to some government departments and have interactions and even having our government departments like ourselves coming to appear before us but it is such a struggle

for us as an inquiry to have municipalities coming forward to enable us to understand how they actually operate so, you being the monitors of what you of the policies that you are adopting will go a long way for us in addressing addressing these issues thank you very much.

Competition Commission: Chair

145. So, we'll break for lunch time. Shall we reassembly at 11:45

Competition Commission: Chair

146. Can we recommence the hearing and the person from Izwelethu Butchery, would he come forward? What's happening? You say he is there, the one in red and white but it doesn't look like it.

Competition Commission: Lulama Mtanga

147. That's what someone said to me.

Competition Commission: Chair

148. Where is he. There is a problem. Mr Sibu Izwelethu. It is him, why would he... (I don't know) We are having some difficulties locating him. Give us 5 minutes.

149. I am going to call Mr Sibu Dube, is he here because some way or other he doesn't appear to be present. Accordingly, we will have to adjourn the proceedings, he was here he seems to have disappeared. I think we can't wait any longer. So, I am going to close the session. There won't be a hearing this afternoon and we will re-open at 10 o'clock tomorrow and 9 on Friday. It's 10 tomorrow and 9 on Friday.