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south africa

COMPETITION COMMISSION'S GROCERY RETAIL MARKET INQUIRY TRANSCRIPT

9 June

Competition Commission: Chair

Good morning ladies and gentlemen. Our first submission this morning will be made by Liquor City. I just want to clarify something there they are players or staples who appeared here yesterday who thought we were cross-examining them, we are not it is clarification, it is clarification because at times in making submissions there are bold bold assertions that are made which we cannot rely on unless we unpack them and this we we tease them out and get the evidence that backs the these assertions. So I would like like it be understood that we are not there's no cross-examination of any stakeholder in this hearing. In fact what the public hearings are about, they are about hearing the stories from the stakeholders, their experiences, their practical experiences of the grocery retail market and we will that's what this is about.

We know nothing about the about the about the sector so the more questions we're asking is because we seeking to understand the sector from the parties themselves because they are the ones who are on the ground we are not, thank you. You may proceed with that. Can I request that you first introduce yourself yourselves and by placing all your names on record all of you and then and then you proceed with your submission, Thank you.

Sorry Sir, you can sit down. You can make your submission through out sitting down.

Liquor City: Manny de Atouguia.

Well my name is Ben de Atouguia. I've been in South Africa for the last 61 years. I've been well, when I really started unfortunately we come from a very poor background. I arrived in South Africa, I went seven months to school. You know and eventually you know I had to I put the leave school at the states and it was something that maybe I shouldn't have done but I took a transfer from Boksburg were a town I first arrived in South Africa which I'm still there. I transfer to Johannesburg.

Those days there were computers or anything like this I managed to get away. I said I'm going to Johannesburg school and fortunately I went to work in a green grocer two years and I was so pride and thought well I'm now a professor that instead of schooling but in business. Anywhere it went on. I started, I worked two years for the boss and I went another year for another boss and afterwards I was lucky that one of

the bosses the second boss he says listen I'm going to start giving you shares in my little little fish and chips shop because those days especially the Portuguese community we call it the maderian community that we are come from and those are the people that get involved in small business not anymore because unfortunately the small businesses disappear.

As a say he eventually they have become my own business. From about the age of 65 now. At the age of about seventeen eighteen I start earning shares in the business and they eventually I grew up. I made a good living and in 1970 I decided to start a property business which was called Academy States The Property Boys. Then in 1970 then now and then I used to sell business, houses and insurance. We had three departments. Nobody gave me a chance. Everybody says what is this Portuguese guy coming here to to be an estate agent when he couldn't even read and write.

Anywhere so from there on I started and also the way our people handle bottle stores and eventually there was an old person that he wanted to retire and I bought his bottle store. I used to have a property business and a liquor store on the side. And eventually eventually I enjoyed the bottle still and that I was making a little bit of a living or that was not running the bottle store and bottle store to me think it becomes something a passion with me . Especially I could could make a good living and that's what I eventually really love. So I think eventually we had a couple of bottles stores with through with partnerships.

You know and then of course they say's he is a black man who could never grow a business store who under privileges whatever that used to call them there was even uglier names that you can't mention here you know because then... So as it went on for many many years. And in 1991 we could try , I thought let's apply for more liquor stores because things looking at the government is changing because we could not apply for a liquor store. Because I think there was a bit of something it was unfortunate I can't tell you but it was a Jewish Boer department.

And you know eventually sorry to repeat, I should not say the Boer department but every member of the board I think they were all Afrikaans and you know when it came to the Western province..... and the guys used to sort of rule. For a private guy to try

and get a liquor store so it was not easy. But somehow we couldn't get liquor stores we started to buy a little bit of liquor store here and liquor store there and so on and so on. Until it came to about I would say 2008 or 2009. somewhere around there.

Then the supermarkets come in more and more and more flushing they weren' happy with a bang to make because the supermarkets Spar, Pick n Pay they don' need a liquor store but eventually they convince out government which is ANC because there was no such thing before.

That Supermarkets and things like this can get the liquor stores they felt that the liquor store is almost being a a small industry. A lot of this under privileged people made a living selling Shebeens doing this and doing that. And today still they must criticize the industry is a shebeen but there was people there was things that were worse than a shebeen now

If I go back and see a little bit to people that are them there are some very premium in black business men and educated business men because they come from the parents that used to have shebeens to be bale to put them into a better schooling because you know those days our schooling even Portuguese because they didn't want to go to school or because they came here all black people because they didn't want to go to school because they couldn't afford. They were poor. I am not embarrassed to say that that the first pair of school I got when I came to South Africa at the age of 13, that's the first time I got a pair of shoes to come on the plane to come to South Africa. Not me like everybody. Those days things were very tough but fortunately we had a chance to flourish here but the black had no chance to me I always say they were kept in the kraal like cattle until 1990 or 91, 92 . But I don't think even much has changed as far as giving an opportunity for a black person to get a business.

OK. anyway sorry that I'm talking too much but I'm not talking from notes or anything. I am talking from my heart. As I said the little company in 1991 I decided to close the property business because I concentrate in bottle stores because bottle stores were slightly better.

I start doing franchises I think it was in 1996, 97 no it was before. The first franchise that I did with a black community it was a guy with a name called Tshepo, George which we still in partnership. I know it was 7 of them and was now with the first shopping centre already got a liquor store for the black or the underprivileged . It was Southgate shopping centre.

When they went to the shopping center, they still got that attitude that a black man can't do business. Eventually they couldn't do it and this group came to me and said we see you giving franchises why don't you give us the franchise because you black. I said no its not because I am not going to give you franchise because you are black. I have got some black business man that I'm with and I mentioned their names that it's this and this and this and anywhere we went I went with them to South Gate shopping centre which as I said 5 of the partners are still alive unfortunately two of the partners passed away but the widows are still there and they are still getting benefit.

Competition Commission: Chair

Sorry Sir, South Gate

Liquor City: Manny de Atouguia.

In South Gate. Its still existing that South Gate. The same group we got our second shop in Dobsonville. Ok. I might be prejudicing myself and prejudicing these partners of mine Anyway as I said we have done very well and we still doing well. We not doing as well in South Gate as what we used to do.

You see Liquor City got a policy, I think there is one or two that says I will not give a liquor store next to a super market. My attitude if you look where there is Liquor Cities, they are situated on the worsted part of the centre. I believe that liquor must be a destination because liquor cannot just leads to ...criminals and things you know but if become an alcoholic your life is being destroyed. OK

So the supermarket like for example Southgate, we in a value mall but the main business is in the centre. So eventually Pick n Pay started pushing to say right we want a liquor store we want a liquor store we want a liquor store when we were there. We went to the centre and said we've been here on the value mall, you know the value

mall is not the same traffic, I think we got about 6 or 7% of the traffic in the mall has got which is the truth. Ah but Pick n Pay you know they insisting they pushing us to give them a liquor store. And the Pick n Pay liquor store is still there. If you go to Southgate, here is entrance to Pick n Pay, I am not sure if there are anyone from Pick n Pay or any other supermarkets here but what I telling you is the truth, eventually convinced at the centre that we want a liquor store.

And I told the Southgate that with myself I think I went with George and there was another guy that passed away just can't remember his name. We went there and said listen we want to have a liquor store here, seeing that we there I feel that we should deserve the first priority but we're not interested in putting a liquor store right next to the supper market. We got principals and supermarkets they got they got no scruples.

What they looking for is to make business because a liquor store next to a supermarket will do seventy percent better than if you now in the south of the south of the centre because then our liquor is going to be the destination but if you park and go and do your groceries and you liquor store is next automatic its one stop and it tempts people to buy and buy and by more liquor.

Please when it's enough time to tell me to shut up tell me to stop because as I say I been angry very much so since this story of the supermarket and make sure that under privileged and small businessman has got no chance. So to cut a long story. They convince and then the shopping centers say unfortunately we got a shop in a value mall and and we decided to get even to Pick n Pay because you know they are huge supermarkets and they got experience and so on and so on. SO what happened they gave that liquor store to the supermarket to Pick n Pay. It is there.

What happened to us. We had to retrench 7 workers and we no longer the same as what used to be. Of course business especially now following the famous recession which I gave credibility to the Guptas because this where our country is going. It will go it will take these what you call them Indians whatever it because ether is many good people take them put them in Dubai, put them in Jail they don't come here again.

And this is off the record about liquor but that the way I feel angry about these other things.

So from there on the supermarket started getting strong. If you look at at the last seven years, I don't think there is underprivileged that or small business man that's got a business that's succeeded to get to the premises that you can put a license with these shopping centers and I didn't not want to even think I don't knowmy nephew and he has been working with me. I got three nephews and some its not working for me there are also shareholders in a lot. I mean the youngest one is the one who start the latest but anyway So it's gotten more and more awful so for the last seven years nobody's getting a liquor a license. If you see the supermarkets, , they have destroyed everything. I will tell you 94,92,91% all business small business in the black areas has closed down If you go to Soweto 90% of the black small liquor store owners is now closed down an I can tel you in Soweto alone I can give you a list of about 20 of my franchises that have now closed down. They have now closed down in Soweto. We are natural , we get the same prices as any other you know any institutions gets, we can't get the same prices that when people buy stock you know stock that is going for export. I don't know if you people are aware that a bottle of brandy on duty for export is R80 on duties and of course them I don't blame all these guys that doe these monkey businesses I blame the suppliers. They all this to go to Mozambique to go to Botswana to go wherever it that take the documents, go to the boarders, stamp. That liquor doesn't even leave Johannesburg whatever it is.

It stays in the warehouse. They get a stamp. They go give it to whoever it is and the companies knowing that because I have been telling those suppliers what is going on. What you people doing. Your children, your grandchildren you are milking millionaires. It's public and public companies that you must know that it's not billions millions monthly or Gold's there's also something different and that's way also a small man hasn't got a chance to get involved on that Mafia. A South African mafia.

To get to buy liquor for next to nothing. Even the big boys do that which is they have been not caught and nothing gets anything. Everything gets away. So 90% of the shop let's say 88% of the shop from black areas have now closed down, Soweto...all I know I closed about 80 or 90 underprivileged and small business man because if you got a little business and a supermarket comes there, even if you are not in the same sector, if you are in the same sector when the..... you will go you have no choice of staying . The landlord will increase your rent, he will charge you four times or six times he will make sure that you got to leave the centre if you are not forced and the supermarkets doesn't fight with the tenant to leave the centre which I will come to what happened with me a couple of times recently. So, I mean there was one guy I mean what was his name that shebeen there in Soweto, Zack Zack which is the biggest Shebeen there in South Africa he was there for about 20 years until the supermarket came the which I can mention the supermarket but I don't want to sued.

Competition Commission: Chair

Sorry Can you repeat that name

Liquor City: Ben de Atouguia.

Zack Zack (in Diepkloof)

It was the biggest in South Africa. Eventually when the supermarket comes they come very poor full supermarket they starting to sell 30 or 40% are stronger than how big this man was is now went insolvent, lost everything. And you know today who is in that premises, a huge supermarket that bought his property that he owned for nothing and they are trading there its one of the biggest liquor stores in Soweto.

So, now these people are opening in small centers, next to the supermarkets especially in the black areas, any market as well. You see that Wits, today is Friday, you will see Game will challenge anyone who can beat our prices. We are the cheapest, basket per basket when Walmart come to South Africa. They says they are not coming here to destroy small business, Ok. Since then Game never use to have liquor stores, Liquor licenses. Today since they came one of the first things they bought was liquor licenses which you can see. Every Game has got a liquor license because they will even take the prices from a poor guy that sell i the centre and give it to Game. So everything Game liquor store on a township to even anywhere you will

see there is a liquor store at Game, this is Walmart the smoothie that got into South Africa which is part of Makro, is part of everything.

Makro has got about 14 of 15 subsidies under different names that sell off sale liquors to even to within you can't compete with them. They got what you call on elf the biggest one CC -(cambridge) Now Cambridge is a supermarket CCW, its cheaper, they sell cheaper than if you buying direct rom the company from the suppliers . The reason is this. They sell that they sell groceries they sell everything. If you're going to these supermarket sometimes or Makro. Makro delivers in Soweto, beers less than R5 per quart of beer less than the man that can buy in Soweto.

First of al they buy in huge huge quantities and the other thing is this, when sell they can sell for nothing they can even sell the give it away because they sell big they so huge. They got groceries, they got the you name it. I think they got everything that you need you will be able to get it at Makro, you know.

I don't care of they I am not saying nothing here but they must just competition and we can't compete there again. I mean I am a black person, white person or whatever and I mean I am want to buy liquor from a black friend or my colleague and things like that I mean this is my quantity I can't buy from you because I can it so much from this guy I can get it so much from the supermarkets. They delivering it to my door, not the wholesalers, not the manufacturers, not the breweries, not the distributors which is one thing I have always said listen anybody can cut but if you want to become a wholesale, you want to deliver, you hire local drivers and say listen you cannot buy from your suppliers, you must not buy liquor from wholesalers today, there are so many off sellers. They are also buying huge quantities and you want to you went to companies want this. So they distribute cheaper than if you buy from the companies and they sell below cost price. How did they that.

Not just below cost price maybe sometimes ten or twelve percent how they get it either they manufacture, either they steal it which I don't think or accuse anybody to do that I am very proud that after forty something years that I have been in liquor store my record is clean. I have never been caught from buying a bottle because you have enough things in South Africa we don't need to buy things from people that

are stealing. My policy with the franchises is if anyone is caught buying stolen goods or buying export goods it's in my contract they will be terminated which I have terminated. I don't want to accuse Chinese people or Indian people or Portuguese people the people we have more than others they will but that business and we have told them that firstly to try and set an example . Anybody that buys when we feel is not right we don't want that get out in our company but unfortunately it's getting worse especially this in the supermarket sells two three four ten lines below cost.

What they want they want to to draw feet into the Spar. They want to draw feet into the Pick n Pay , they want to this because the more they have the clients the more bargains that they sell. People can't up and get this anywhere else. I am going to go out there and once I am there, the liquor store is next to the supermarkets but maybe I will go and buy some bread and cigarette let me buy this and that.

Let me tell you and its more more and more by the day even as Liquor City has been one of the oldest one. I think Liquor City being brought in the mall not because we better than anybody. We don't buy and pay anybody to give us but have been voted the best Liquor store in South Africa for the last seven years. If you people want our certificates, we will gladly bring it and show.

Business, Beeld, Pretoria News, Cape Times, Star, Ekurhuleni, I mean Nelspruit, Cape Town so on and so one. Vote number one the cleanest, the biggest variety because we got the best variety. On thing it says Liquor Cities we import about 250 brands from 250 companies more than 250 brands that we buy direct from the supplier overseas, from the distilleries from wherever it is we cut the middle man, we cut any agents. And did we survive. Not survive we do very well with it and people sometimes they come to Liquor City, why is it that other Liquor Stores they don't sell Label 5 or why don't they sell ...Vodaka, why don't they sell Evan Williams Kentucky bourbon whiskeys because they can't compete compete with our prices.

They can buy from us. We don't put anything. We are not suppliers. We are not wholesalers. We, our business is people that come into our door. We don't do deliveries and we work on a different business and unfortunately we can't sell at prices where we can compete with these ah because can incompatible and we are not interested. So as I said, go back on the last seven years. How many private whites, blacks, Indians, that managed to secure a liquor store in an shopping centre. It doesn't exist.

We have been. We went to the competition, competition board, not just the competition board, we went to the minister of Trade and Industry who wasn't there, we wanted to see him, who was the person that we there (Last year, Zodwa Ntuli) she is very senior, I think she is involved with the direct with the minister which it beats my heart. It's not the first time or second time or their time that we write to each and every minister we've written the president.

We've written, we've see MECs not by myself with about 20 under privilege. OK 20 underprivileged guys I says can I bring 40 or can i bring 50. I put a thing together. I thought let me think of something that most probably show them the realities and the rot that is about the supermarkets. There is a black business man, I can't mention his name he went with us and I can do this together to DTI. He is a developer he says look fortunately he is lucky, you know he is an educated man he is an advocate and he says he brought three plans or three shopping centers that he is busy at this stage that h his busy with about 4 or 5. He says here I wrote a letter an offer from I can't mention names, Checkers Shoprite, I will only anchor your tenant if you I get the sole rights in the liquor store.

He got another letter from Spar says , I anchor your tenant and this and this such area if I get the sole rights in the liquor store. Pick n Pay the same thing. These three centres, are we want to take a copy of these letters no no I came hereto help my brothers and to help a small business but I couldn't give you a letter because if I give you a letter then it means that I will have no anchor tenants in future. This is proven and we can show it to you, we can guide you and they will so, what chance have we got as a small an if a supermarkets and their liquor stores at the furthest part of the centre It is given a choice even if you're outside of the center making a living. But you knew you had your liquor store right next to the centre where children go and they might not like to see Kaizer Chief or football or whatever it you pass there there is you

sort of get tempted that ei ei let me go to my cupboard and come and get a taste of liquor which that is the worsted thing that we done especially in South Africa, unfortunately we got a weakness for drinking and in fact if that liquor is not right in front of the door, it will give us a chance to a smaller man because they currently grew less. 70% turnover because if you see any supermarket its a immediate reaction of the shopping centre that's where people buy food, that people buy groceries. The people buy everything there at that supermarket and that is unfortunately one of the worstest things.

Selling below cost. There is liquor store I can take you right inside the supermarket not outside . Inside the supermarkets which I don't know how they get it right but I can assure you buy don't want to accuse anybody but I don't think we've got inspectors in South Africa as far as the liquor industry.

We have many times, some of our franchises is white and they how can you allow thing thing. You are franchisor, you are here to help us at the shopping centre . If you feel like we also feel. We go to the chairman of Charles Rose one of them we went to the chairman about ten of us . I says please man , I want you to help us> I am a black person, under privileged or whatever I can't get a license in Soweto, I can't get a license in town how come those supermarkets come and get a license because ever supermarket they granted to get a liquor store. If they don't get a liquor store they liquor board turns them down again the appeal to the Supreme Court to go to the minister and the minister gives them the chair gives them a license which the tax payer has paid not millions but billions.

Because they go to the Supreme Court, they win the case and our tax payer pays for this cost which is sometimes hundreds. I am not too sure of figures because I am not privy to that information. But I have not seen any supermarket that the license was refused. That they go to court and they succeed on the ruling I don't believe that. Which I've been seeing small businessmen doing that look I don't know I'm not that.

This thing is rotten and I beg of you it's any one way please, your side you can do but you can only do so much. Now too our president if we got one other sorry. Go to the ministers, we know that our president is busy, we know that our deputy president is busy. We know that our ministers are busy, we write to each and every minister in South Africa. We write to each and every MEC, we write to the chairman all the chairman of the Liquor Board in South Africa which I have got proof and I can bring it and gladly show it to you . That the one person that we got a reply " will look into it" it was from our deputy president Cyril Ramaphosa, after writing to them 3 or 4 times , not every month, every year, we never get a reply from them. It looks like they have a great job, I agree that they are busy but to men on the street that is battling to put food on his table can't get help.

I estimate that we lost R60 to R70 000 in jobs from the supermarket but supermarkets got one policy they put two poor cashiers one per cashier for ten years he is a cashier for 20 years he is a cashier. She has got no chance of promotion because the supermarket to stop and use relations labour all the control of any supermarket, I can tell Spar, Pick n Pay, Shoprite, what you call it which I call the main ones which one (Checkers) all the control of the liquor store. You got a manager which is a cashier, you haven't got managers in a liquor store. Everything is controlled, everything.

When they want to do packing in a liquor store they keep old liquor inside of the supermarket which is illegal. You can only keep old liquor inside an area which the liquor board allows you to have . You can't take your liquor and guys from the supermarket can show you photos that we took. The liquor doesn't come in to the liquor store it comes in to the supermarket.

When they want something that the opening I'm nervous but you know this is my attitude that is my anger. And I first thank you to get an opportunity like this to express. I am not looking for myself, I am looking for us for small businessmen and underprivileged business guy. When you got so many and seeing that the black areas people lost 90% of the liquor stores of their businesses that you fight to feed the family.

And as I said in the supermarket first of all they haven't got a they've got very few if you got minimum they are paying them minimum minimum salaries. yesterday or the day before I went to a store Shoprite and the manager says what is your salary, we have have taken many staff of Shoprite and supermarkets and I am not here to show up Shoprite whatever Shoprite pays and whatever the other supermarkets pays their people says listen I don't know if they don't make or they can't afford it or whats what there.

R3 200 as a manager. Today you cannot live R3 200. There is no person in South Africa, sorry maybe your people I am boring you with my long story. As i say what I feel is, you are a cashier today and in 20 years you get to be a cashier . You have learnt nothing ,OK. Because she doesn't know the computer. She doesn't do wording,and she doesn't do anything she's got no experience.

Even my little company I can tell you our franchises, I would say eighty percent are managers. Nothing against whites nothing again to the. I believe we ought to get them a chance to people that never had a chance before and some of them especially ladies not trying to teach you there is some managers that they can put anywhere. Our staff is about 30% black we don't just give it to black we got a tiny school at our office not at our office. It's actually separate but it is inside. It's got a good boardroom with about twenty five chair. A massive table comfortable we don't train 25 people at a time the maximum is 10 people at a time. We train them for 15 days from From zero to customer service, to computer control, to cameras, because you know today there is so little margins that you got control everything otherwise.

When we teach our franchises, we have not allowed any franchises to open until we he spends three weeks at the school. If a man is chartered accountant, the man is this the man is that because to me very senior people, with a lot of education they are they are the of business. Sometimes i tell them don't think that every cent that is in the till is yours but there is three things. Try you are doing your best because the way that you are starting I have never seen your determination to help a small business like as it is now. Secondly it should go to minister of Health to say , try and make sure that on your meetings you recommend that the liquor stores should not be next to the supermarkets because it emphasizes people to drink more.

Two, license department through the Department to trade industry there any people that can rule where to grant which areas they must only allow to grant liquor licenses on the furthest part of any way over the shopping centre OK.

And thirdly. Let's try and protect not blacks not whites not Indians not coloureds or whatever it is the small business men. Don't allow nobody should sell below cost. We are the only country in the world that sells liquor below cost. And many people that sell liquor below cost is supermarkets. We all as owners also sometimes sell a couple of Rands a couple of cents below cost but we can't afford to go R20 or R30 below cost because then where are we going to go. And that is why a lot of things, why a lot of supermarkets, I mean a lot of business go insolvent because they are trying to chase, I told them we buy correct we import correct. But. Fortunately we don't do this type of expertise which I know they do it.

Some of them they still got a large interest they still belong to the big committee they says I belong to the old school. I want to sleep properly, I don't want to sleep during the night and they come and say listen what have you bought this year and that was a stolen do you have any in in your liquor shop

Competition Commission: Chair

Can I just ask you a couple of questions on what you have just said. Just to go back you know you mentioned that when you started you it became difficult for you to open a store to break through the I don't want to call them a cartel but the group of the Jewish made up of Jewish and Afrikaans business people can you just take us through what was what were your challenges exactly. What was going on, what made it difficult for you to open a store, what was being done to prevent you to, to prevent you from starting or from setting up a store at that time back in the days. It's outside this inquiry's period but it's a history that is important to the extent that it may be repeating itself now.

Liquor City: Andrew Jordan

Good morning everyone my name is Andrew Jordan as Manny indicated I am his nephew and I am employed at Liquor City. What I wanted to touch on you were asking the question with regards to the difficulty then. I'm going to touch on the Liquor industry which is what we know. We don't know the grocery industry, we don't know

the supermarket industry, we know the liquor industry which has its own legislation across nine provinces currently.

What Manny was referring to in terms of the difficulty back then was also something that was legislation related. At that stage manufacturers could own retail liquor stores. So what manufacturers would do was they would own the majority of liquor stores within a certain area in order to sell what they manufactured through those shelves. At that stage the two bid manufacturers were South African Breweries and Distil had retail chains known as Sally Krammers and Western Province Sellers.

Upon until 1989 they were allowed to do that and I believe it was the 1989 legislation I could be incorrect, I believe it was that legislation that indicated that manufacturers could not own a retail liquor license and subsequent to that the liquor, the liquor industry opened up. I think that might answer your question.

I'm also I want to just kick off from the and try and put what Manny said into perspective. Many of you are probably taking notes and you'll probably battle to go through those notes for a long time to understand what Manny was trying to say.

The passion with which he communicates and the words that they uses to articulate his message can be a bit confusing at times. So I'm going to try and nail down some key points that we want to bring to your attention in this commission.

Liquor is governed by legislation. The supermarket groceries will have their own legislation to deal with. The competition legislation is something that we have become entangled in at the moment because of the nature of the game. In our constitutional court we've had several cases of liquor appeals, license appeals, liquor related matters and with regards to competition. The Honorable Judge Che Nickolsen noted that even though liquor license systems can constrain economic activity it's a necessity to protect the community from the the evils of alcohol.

We've heard a lot of media or press communication in the recent years about alcohol abuse and the amount it costs the South African taxpayer through the harms of alcohol abuse. Our Ministry of Health have indicated that they feel a ban in advertising of alcohol or an increase in the age limit would be beneficial in reducing the harms of alcohol. The World Health Organization have tabled ten factors which they think would contribute to the reduction of alcohol abuse in any society.

Amongst those ten include it's a limit to the availability or number of outlets relating to alcohol that comes in direct conflict with what you doing in an anti competitive environment what you're doing in an anti competitive environment is saying let there to be numerous outlets in order to create competition, reduce costs to the benefit of the community. Because liquor is a drug it is addictive, it is a problem that our Ministry of Health encounters. You have to look at it in a different light you have to look at it in a way that protects the community in as much as it embraces competition.

So we being one of the leading liquor retailers in the country have to take that into cognisance when we look at the situation. Our group is mainly a franchise model base group .

Competition Commission: Chair

Sorry Andrew, before you proceed to what extent what you said for example the constitution court judgment, the ministry of Health's utterances, because it's not yet a policy I would imagine, the World Health Organization, what do you call them 10 (key points. Strategic indicate factors to help reduce alcohol abuse) . Yeah those three, to what extent are these taken into account if if if at all that are taken into account by the liquor board when issuing licenses. I understand what competition law may be thinking but we just I just want to understand are these taken into account at all in the approach adopted by the liquor board when issuing licenses.

Liquor City: Andrew Jordan

The Liquor board there are nine liquor boards across the country because our Constitution stresses that liquor should be governed at a provincial level. This is one of the first problem areas that we see as retailers. In that when you've got nine different legislations you have nine different interpretations of the law, I believe the

liquor board do take careful attention to the harms of alcohol and in the legislation they have tried to consider increased number of outlets.

They have indicated in the past that you have a five hundred metre radius rule which is at the board's discretion to what's a word to relax and yes that's in in several of the legislations of the provinces. You cannot apply you cannot have a license within five hundred metres of an existing similar license or a place of worship or a school .The liquor board have been able to use their own discretion in granting those licenses. I believe that will become stricter going forward in order to police.

Competition Commission: Chair

So it's 500m from place of worship, a school, what's the third one?

Liquor City: Andrew Jordan

Similarly license premises.

Competition Commission: Chair

Similarly license premises. From a competitor basically

Liquor City: Andrew Jordan

Yes.

Competition Commission: Chair

So similarly license premises can include a restaurant or

Liquor City: Andrew Jordan

No. There are a number again I'm going to touch on on liquor legislation in this. There are a number of licenses that can be granted from restaurant licenses to grocers licenses and to liquor store licenses to special condition licenses, gaming license. There is a number of them.

Competition Commission: Chair

Do they define what similarly in the Act.

Liquor City: Andrew Jordan

Yes in each Act there is a clear definition of what of what license you can apply for . In our situation we have supermarkets that are apply for a grocers wine license which is allows them to sell table wine which is any wine with less than thirteen percent alcohol within the supermarket premises.

They also apply for a liquor store license which is essentially everything else alcoholic. Since two thousand and three the supermarkets have been given that opportunity to sell liquor. At the time it was perceived that liquor would be removed from the supermarkets and placed in one location to control the access to alcohol.

Recent court cases in the Eastern Cape have come to the fore in that in two thousand and three when the legislation was tabled they said that supermarkets would have ten years in which to comply with the law. They would need to remove all alcohol from the supermarkets into a licensed premises

Competition Commission: Chair

When was this case

Liquor City: Andrew Jordan

I think it was March twenty fifteen.

Competition Commission: Chair

I am surprised by that because I can speak of a supermarket right now 2017 that just opened a liquor store within their supermarket in the Eastern Cape

Liquor City: Andrew Jordan

In the Eastern Cape. In the Eastern Cape 2003 they mention in their Act that the supermarkets had ten years to comply (ten years ten years to comply) that would

have been twenty thirteen. That was extended that term was extended for a further two years I believe in which the supermarkets. To comply Yes. I think it was in March twenty fifteen when the liquor boards said right enough is enough you haven't done it you're not allowed to sell alcohol in the supermarkets and the supermarket Eastern Cape the supermarkets then took that decision on appeal to the to the courts where the judge listen to the matter.

The liquor board indicated that the reason that their criteria was in the Act was to reduce the administrative burden. I believe that wasn't really the reason intended in two thousand and three, I believe the reason intended in two thousand and three was actually to reduce exposure to alcohol access to alcohol. Be that as it may the judge ruled that because the liquor board had allowed to continue for those ten years and had set a precedent that the supermarkets could in fact carry on selling.

One of the supermarket chains then took it to the Constitutional Court to claim that the matter or that the Act was anti and unconstitutional where they lost that matter that case. So the Constitutional Court said no it is indeed constitutionally correct that this can be done. And that was twenty of after March twenty fifth twenty fifteen I think it might have been going into April twenty sixteen. I'm not sure what the status is of that.

Competition Commission: Chair

So the Liquor Board lost the appeal? Who lost

Liquor City: Andrew Jordan

No. The supermarket that took the decision to the Constitutional Court lost. They wanted the Act to be ruled as being unconstitutional. (and its the Eastern Cape Liquor Act, legislation) Yes and they lost that. So the Eastern Cape liquor Act was upheld in that respect. The rest of the province's legislation didn't factor that process into the into the Act. I think this is something happening in KZN at the moment where supermarkets are battling to sell

Competition Commission: Chair

Sorry, just going back to that Eastern Cape, I will refer to the constitutional court as the Con Court, that ConCourt judgement what year was it. Sorry who were the parties? It will be the Eastern Cape Liquor board

Liquor City: Andrew Jordan

It would be the Eastern Cape Liquor Board, the MEC for Economic Development in the Eastern Cape and I think the supermarket was Shoprite. I don't know if they were joined by another or not.

That again it's my interpretation of what events were. Legal documents will either correct, corroborate or denial and eject.

Because we are in the liquor industry we pay careful attention to legislation because it governs how we trade. There currently is draft liquor policy being tabled by the national liquor authority which is our government's cloud coverage of the liquor legislation of the country that is also very contentious at every liquor policy hearing or discussion there is a lot of animosity towards the government's attempt to control liquor on a national level.

Competition Commission Chair

At what what stage is that process

Liquor City: Andrew Jordan

The public comment has now completed and the government are looking at the policy at this point in time. If I am not mistaken I think public comment was entered in November. (Is it on the Bill?) I believe it is, yes.

So if you look at that in two thousand and three the legislation landscape changed across across the country. Supermarkets were now allowed to sell liquor and they began doing so. In two thousand and four you would you would have seen the first of

the supermarket liquor stores opening up in close proximity to their supermarket now without trying to sound without trying to make anything up or make assumptions I just want to look at the reality of the of what's happening.

A supermarket has one of its main ambitions to maximize the returns for the shareholders. How are they doing that in two thousand and three they were doing that by increasing revenues. Opening up liquor stores. Another way they would increase returns for their shareholder would be sure reduce costs in opening liquor stores what would happen is they would get a location near to their supermarkets and they would rotate Staff between the supermarket and the liquor store that pattern continues today where you can go to a liquor store and ask to see the manager of the supermarket the manager will need to be called from the grocery section that's generally that the pattern that is followed today.

So systems are all interlinked, the staff are interlinked. The processes that are followed by the supermarkets all interlinked they see liquor as a department rather than a separate business. You can look at the annual financial statements and you will see that the the liquor is merely a division of the bigger picture so the staff costs are all kept together which means that the liquor stores can operate on a very low overhead.

The storage space that these liquor stores require are minimal because they can keep the stock in their supermarket storage space. The problem that the liquor industry has now is that it is illegal to deliver to an unlicensed premises. So this process, their supplier to their manufacturers are in a tough spot because they believe they delivering to a licensed premises. License being a liquor store license when they deliver stock to a supermarket.

The problem is in Gauteng specifically the definition of a premises is is clear. It can you cannot you cannot have two licenses on one premises. One premises being an area in which there is no. It which is in with where it is a division a solid division. A wall in which there's no windows, doors or access points. So if it's under one roof for example this room, if we had a wall with the window you wouldn't be able to have two

licenses in the two sections. Now you will have seen yourself, I'm sure, in in certain supermarkets it is a window between the liquor store and the grocery store. I believe this probably for the management's security or access view point I'm not too sure. You will probably have noticed that in some cities in some centers this is a door interlinking the grocery store and the supermarket.

The problem with that is that would mean that the grocery section would not be able to sell wine because you would only be able to have one license on that premises. Some supermarkets flout that law or that take advantage of the lack of staff or the lack of time that the inspectors have to police the legislation. There is no law

Competition Commission: Chair

The lack of time that the liquor board has. Who would be enforcing this

Liquor City: Andrew Jordan

The inspectors of the liquor board. I believe they have a new

Competition Commission: Chair

SO in your view there's also an issue of poor poor or left of enforcement by the liquor board of its own rules. So there is , there is enough in Gauteng they are enough rules for example to prevent some of these ills that you mentioned but its just a function of poor enforcement.

Liquor City: Andrew Jordan

Correct. Now it's difficult, you don't want to paint everyone with the same brush. There are supermarkets that flout the law and have adhered to the law where they have noticed that they breaking the law and what they've done is they've removed the wine from within the grocery store. So they do acknowledge that the legislation is there but it's difficult to not point out the individuals that break the law without bringing everyone into the same picture.

So that enables supermarkets to reduce the cost overhead because they can use the packing staff from the supermarket to pack the shelves of the liquor store. They can use the packing staff of the supermarkets to take stock off the trucks and package

into the store. Some supermarkets don't even have access points in their rear of the liquor stores because everything comes through the front from the supermarket. These are things there are easy to to point out, easy to witness. It can be corroborated by people that all there regularly.

In 2003 one of the supermarket submitted a policy document or an interpretation of how the law be looked at and they said themselves that it is a mooted a shop within a shop in order to control access to liquor. Liquor is not for sale to persons under the age of eighteen so you don't want eighteen year olds, people less than eighteen years old being exposed to liquor when they're purchasing bread and milk.

So it was seen that the reason for the separation was clear and understood. At this point in time there supermarkets that wine in several sections of the supermarket grocery store and then still have their liquor store. The liquor Act is clear that you have to have it in a defined area. Approved by the Liquor Boards.

The, Manny touched on below cost liquor sells.

Competition Commission: Chair

You know whilst you are on this point , I just want to understand. I didn't get your surname. Mr de Atouguia touched on this on his Submission and I Kind of wondered if the if the liquor board has legislation that prevents liquor stores from being set up near schools, places of worship and I wont mention the other one because that is sort of a broad range. I will just mention the two specifically. I wondered as to what was the principal because if the principal is to make sure that you prevent access by certain people let's say schools for example by children. Children go to grocery stores every day from the smallest to 18 years olds, I mean younger than 18 they flood those stores so so so that principal then would then be sure you would would be applying would apply to grocery stores as well. (Correct) because grocery stores are frequented by children. (Correct) So that would be the same principal principal. (Correct). Is the same principal in the legislation that is what is the rationale in the separation is the the same the in the separation of or in preventing liquor stores from being set up next to churches and schools and as well as creating the separation

between the grocery store and the liquor store by the grocery by the supermarkets themselves is it is all based on the same principle.

Liquor City: Andrew Jordan

I can't confirm what it was based on I think the principle was to reduce accessibility to alcohol right in the beginning when when you look at that law it's similar similar licenses premises. It would wouldn't exclude a supermarket from applying for a grocers license and a liquor license because they aren't the same license.

My belief is that a liquor store license wouldn't be able to apply for within five hundred meters of another liquor store license. Now that it has been tested in court in the past by amongst others supermarket liquor license applications and it's basically been argued against the I think it's Section Twenty six of the Constitutional Court of the Constitution which says that everyone has the right to trade to trade freely and this is going against that right.

So that it's always been when the liquor board rejects a license because a similar license premises within five hundred meters or there's a place of worship or there's a school it normally ends up getting taken to the high court where the decision is reversed and the license is granted.

One of the biggest contentions with the policy of the bill that is being looked at at this point is that five hundred metre rule with (excuse me) a lot of traders saying but I was here before the church or I was here before school. That is a I mean that is something that the government will need to look at when they look at that bill. And they'll need to consider.

Competition Commission: Chair

There's also, Mr de Atouguia another point on the border controls situation. The export sales, the purported export sales. Can you explain more on that What exactly is happening with regards to those sales

Liquor City: Andrew Jordan

Each year we listen to the finance minister towards the end of February telling us about the budget for the forthcoming year. In that budget speech he'll mention the sin taxes and the alcohol duties levied on imported alcohol products. What happens is companies will, I will call them companies they will manufacture goods and have them listed as being export products, so they wouldn't pay the duties due to government and say it will go to send across the border to Lesotho, or Zimbabwe or where ever it is.

What ends up happening is the goods don't get across the border and they end up being sold in our own country without having the duties levied on them which means that the perpetrator is effectively stealing duties from from the government.

Competition Commission: Chair

Looking at the perpetrator and the kind of the perpetrator that we are talking about here is a dodgy person, fly by night person or some of them from your experience is as a player as players in this industry formal businesses that are actually competing directly with everyone.

Liquor City: Andrew Jordan

It's a bit of both. it's a bit of both generally it would be your fly by night, dodgy dealer taking a chance but there are established businesses that make it a mission to to pursue

Competition Commission: Chair

OK OK can we request that. If possible you make available that information confidentially to us and. And give us more a bigger submission on that and who the culprits could be

Liquor City: Andrew Jordan

What we could do is refer you to the suppliers of the products who have their own investigative systems to determine what has crossed the border and what has not whether it's serial numbers on bottles or tracking devices I'm not sure but they can tell you we've caught these people doing it regularly

Competition Commission: Chair

The supplier, the manufacturers of alcohol

Liquor City: Andrew Jordan

The manufacturers of the manufacturers of the products. Let's say for example SAB manufacturer Castle Lager, they put a specific serial code on a batch that is destined for export and they find it being sold in a store here locally locally they they able to provide you with us with their details. I think that it's entirely up to them to take us to do so or not.

Competition Commission: Chair

No no they will. We can. We will summon it if they don't. We can

OK And you also mentioned the below cost sales by supermarkets can you. Can you explain for us what would enable a supermarket to sell their alcohol below cost , at a level that even you as Liquor City who've been around for quite a while not to be able to compete with them . Is it a function of what you have just discussed now cutting costs within operation, between the supermarket and and the liquor store or is it a function of discounts that they may be getting from the supplier?

Liquor City: Andrew Jordan

I'm purely speculating in this because I don't know the their back office trends, their back office systems so I'm speculating but when we inquire from the suppliers and say the cost price of this product is X How can so and so be selling at thirty percent below that they'll return to us and say well it's not them it's not the them that are giving them a cheaper price it's what they refer to as Omo money.

Now whether or not the supermarkets will get a rebate for whatever Omo sells they do I don't know but based on the feedback I get from suppliers when questioned it would appear that the money that they would get from sales of Omo gets pumped into alcohol which is I think they would be better able to describe the definition of a loss leader. What we notice is that alcohol when it's advertised in the same pamphlets as nappies or meat it's a draw card and what is being advertised isn't being advertised

for profits but purely as as bait to draw the consumer to their store where the hope, is instead of just buying the case of beer that's below cost they also going to buy the Omo.

Competition Commission: Chair

And whilst we are on that point, on the liquor retailers in the country do you have any sense at all of who the top five retailers and more or less what their market share could be. Is that information that is readily available that you can even estimate from where you are sitting.

Liquor City: Andrew Jordan

I wouldn't be comfortable estimating. I know that if you ever get it in terms of number of stores you would have to have Spar, Pick n Pay, Shoprite up there in the top three.

Competition Commission: Chair

Let's say who would who could be number one at the top for example in that list

Liquor City: Andrew Jordan

I don't know their entire numbers, I think Spar would be number one with number of stores. I think Shoprite would be second

Competition Commission: Chair

From a grocery point of view, Shoprite is number one. So you saying from a liquor point of view Spar would be number one.

Liquor City: Andrew Jordan

Only in terms of the number of stores. In terms of volume you can't rule out someone like Makro or Massmart in terms of volume

Competition Commission: Chair

OK, so give me the list

Liquor City: Andrew Jordan

So you would have Spar, Shoprite, Pick n Pay, Massmart. And then in terms of volume we'd have ourselves and Ultra which would be the two independents that aren't listed companies or who have a supermarket affiliate. What we've had and we've provided evidence to the Competition Commission is we've had letters from a supermarket who holds a master lease on the premises where we traded for eighteen years. Our lease was coming up a year and a half later and they gave us notice to vacate when asked for reasons we indicated that we had been there for eighteen years we had been what we believed to be ideal tenants.

Competition Commission: Chair

In which Province?

Liquor City: Andrew Jordan

In Gauteng and we needed to know why was it that we were being asked to vacate and pay for costs to return the store to a white shell

Competition Commission: Chair

Which area was that

Liquor City: Andrew Jordan

In Bokburg.

Competition Commission: Chair

Was it in mall

Liquor City: Andrew Jordan

It was a centre. It was a center we were asked to vacate and when when we were pressed for reasons the reason we were given was that they were going to take. I just want to read what it says here: " Since two thousand and four this particular group has opened their own liquor stores and it's for this reason that the group therefore has to give preference to their own brands when it comes to center leases"

Liquor City: Manny de Atouguia

That was not how they put. This is at Checkers Shoprite hyperama in Boksburg. In Colorado street I was there not for eighteen years but for twenty two years. After that their decided not to give me a lease but i ask them why they are not giving me a lease I knew the reason they wanted was to put their own liquor store. They wouldn't give me a reason. They say you have been here. I says I have never defaulted in 22 years of the rent or something like that I know they wanted to kick me out just for that.

Competition Commission: Chair

Sorry sir, before you proceed. How long had Shoprite been in that shopping centre.

Liquor City: Manny de Atouguia

They had been in there for 22 years also.

Liquor City: Andrew Jordan

We opened together

Competition Commission: Chair

So, you all started at the same time

Liquor City: Manny de Atouguia

Yes, then this liquor store has been there unfortunately we were forced to close. I says I am not closing until you give my staff

Competition Commission: Chair

Ok, let's go back. So, when you say 22 years . 22 years from now? What year would that be

Liquor City: Andrew Jordan

We opened in 1996

Competition Commission: Chair

So you all opened in 1996 at that time supermarket could not get could not operate a liquor store at all when you set up yourselves in 1996 and they come in 2004

Liquor City: Andrew Jordan

They came in 2014

Competition Commission: Chair

Sorry, they came in 2014 and saved you with a notice to vacate because they now could trade in liquor

Liquor City: Manny de Atouguia

Which they are trading in and the sad thing it was

Competition Commission: Chair

You vacated the premises

Liquor City: Manny de Atouguia

Yeah, and they are trading in the same premises I can't understand why the liquor board. They chase us away after 22 years and the liquor board goes there and gives them a license in the same premises which I feel. I even objected to the liquor policy and say you can't give them after 22 years but anywhere to cut a long story short is this eventually, I am not a fighter . I said listen do me a favor I will move out peacefully as long as you give my 15 staff, 14, 15, 13 a job they must keep their job that i gave to them. Please take their CVs and a letter of recommendation and you keep the staff because i cannot afford it. My staff to me is my business. I cannot afford to see a man that is 68 years there which it was, one of my staff so. We then closed down and they didn't take one of my employees that I had not one. As a matter of fact I got also one of them is passed away. That man of 69 years old he went he was a Zulu, he even had such big ears he was strong man after two months he passed away. he couldn't bear. . I even got him a I still use to give him a couple races I can't stay without working. As he passed away there's still eight or nine of them unemployed, we took some they still looking for a job. Why because if there was law you can take the bottle store you can do anything you cannot retrench people you there was a liquor employ these and know you took this store they did not even employed one and if I knew, I'm sorry that I got out without saying this thing I will go out in condition that you keep the staff, and these staff doesn't get peanuts they get the decent salary.

Competition Commission: Chair: You said how many employees you had employed in that store, is it fifteen or thirteen?

Liquor City: Manny de Atouguia

Thirteen normally fourteen, fourteen

Competition Commission: Chair

fourteen and out of that fourteen nine of them still don't have employment.

Gentleman: No the other five I kept them, I managed to accommodate here because we can't obtain new premises to open a liquor stores but fortunately that was one of my not my first but is was a liquor store and I could afford to lose that what about all these small businessman its only at that when they lost it where was he, like me this is one case but there are many other cases.

Competition Commission: Chair

Mr de Atouguia in the interest of saving time, lets pass we have the facts. If we need further information on this we will follow up on you on everything, and we don't even need you to do that we are happy with the facts that you have given because we wanted to get the details around that story. And just to around that incident and just to move back anyone can answer, did you what to say something (no) okay sure. You also mentioned Zack Zack in Diepkloof which lost everything can you again tell us who Zack Zack was and the circumstances of Zac Zac losing their store, losing the operations what happened there?

Liquor City

Zack Zack was one of the most prominent liquor retailers in Soweto he was based in Diepkloof.

Competition Commission: Chair

Oh in Diepkloof

Liquor City:

and at a later stage (get interrupted by Competition Commission: Chair)

Competition Commission: Chair:

Do you know when he started that store

Liquor City:

In the 80s yah in the 80s I remember when I was still a National sales manager for Destel he was one of my big customers. Yes, and one of these group stores came in and and bought him out and in the process he started developing some diabetic because of stress and then last year he passed on.

Competition Commission: Chair

This gentleman?

Liquor City

Yah he passed on and it was I was too close to him he was a dear friend.

Competition Commission: Chair

Yah, okay sure. Did he work alone in his store

Liquor City

What do you mean working alone?

Competition Commission: Chair

Was it a family business

Liquor City

Yah he was independent

Competition Commission: Chair

So it was a family business is there someone that we can speak to from Zac Zac or can you refer us to someone?

Liquor City

Yah his son, his son and his former partner I was with him yesterday he came to see him yesterday.

Competition Commission: Chair

Ok we would like the contact details

Liquor City

Okay I will give you his contact details.

Competition Commission: Chair

Ok, and when did he lose his store when did he close down.

Liquor City

It's almost four years ago when one of his big corporate bought him out Shoprite

Competition Commission: Chair

Shoprite, in Diepkloof.

Liquor City

In Diepkloof, in Diepkloof yah

Competition Commission: Chair

There was also a eeh Manny de Atouguia you mentioned CCW and you mentioned its cheaper that buying directly can you can you expand on that what CCW is.

Liquor City: Manny de Atouguia

Like Makro for example, like Makro is one of the biggest and you must get very special prices and by selling it below cost they still benefit they do billions within over a month and they are attracting feet for them they are selling lower costs even whites or blacks anybody that whats to buy goes to Makro because Makro is cheap and once they get the feet at a liquor store, they've got the feet of everything. Use liquor as a draw sell for nothing which kills any opposition because nobody that sells liquor only and sells at lower cost they get the feet there.

Liquor City

By law is not permissible to sell at cost price

Liquor City: Manny de Atouguia

Yes

Liquor City: Andrew Jordan:

The liquor board had difficulty with Hyer Rama in rejecting their licence because one of the requirements for licence is right to occupy because we no longer had a lease agreement and Shoprite could give themselves a lease agreement they were able to secure the liquor licence so the liquor board didn't have any ground to to reject the licences despite what what transpired.

Competition Commission: Chair

Why did you know take this matter to The Competition Commission for example at the time.

Liquor City: Andrew Jordan

We did, we did. We aren't the only independent group that's injorned this first there are many independent stores that have been told look your time's up it's time to move. Since 2003 when supermarkets have been able to apply for liquor licences there has been a trend that the independent in a development has disappeared and has being replaced by a supermarket liquor store, how that came about again I would be speculating. I can only talk from experience where we were told listen your lease is up get out and return and return to your white shell. We've we've often had objections to we've often submitted objections to supermarket liquor licences on a recent occasion we were threatened by our landlord that unless we withdraw our objection we won't get a lease renewed.

Competition Commission: Chair

Mr de Atouguia said I'm going to the last of questions indicated that I made that made the comment that this thing is rotten I just want to understand. What what what do you think is going, is this an industry where certain layers have decided that take over and take control it and take out anyone or is it a function of competition, just speak openly about it we just want to know, the attitudes, the approach. What is it?

Liquor City: Manny de Atouguia

monopoly that's monopoly in two years' time I can tell in front of these audience here, there will not be a private liquor store the way it's going. The way that the supermarkets a carrying on, the way that they cutting, there will be no body who will survive as a say sixty or seventy percent small but most of the underprivileged especially in townships they have now closed down because they cannot compete and the way it's going to be worse and worse. First of all the licenses up the landlords they force the landlords to increase the rent by twenty, thirty, forty triple of it. For example sorry I will never stop talking must stop me please in Jeffrey's Bay we has a business for twenty two years not me twelve years sorry Jeffrey's Bay. Liquor City Jeffrey's Bay it was a franchisee now the Spar, Jeffrey's Bay Spar bought the property were we where there. He increased the rental about 300 percent to make sure that it is impossible for the men to trade there even if this is six months ago alright. What he had nothing to do he packed and he went. And the the same place applied for the liquor store the Eastern Cape (get interrupted by Competition Commission: Chair)

Competition Commission: Chair

Can I ask the Jeffreys Bay incident the increase by the rentals by three hundred percent was as a result of some refurbishment of the center, what happened, did they renovate, did they do anything.

Liquor City: Manny de Atouguia

They just bought the rental by seventy percent the landloard can you imagine the opportunity that he had. But what I say if there is a liquor store at a certain center and they cancel, they chase that tenant that's existing there they don't want want any liquor store to be existing there therefore they should be no one allowed to trade in that center again. And if that happens again the shop my say listen if I chase this guy away I can't get a licence again I will have to negotiate with him to buy his licence make sure that the man does not get something straight for nothing because the liquor board should consider very carefully and our government, Minister of Trade and Industry has accepted no man this man is going to go to the street and the supermarket is gonna get whatever it is. And if that happens, this is the building. This is the licence that means the landlord is forced into consideration that they do not liquor at this center. And this thing will stop, whatever the tolls I give you two years in front of everybody

there will be no private liquor store opened. We will become a monopoly, In Europe 33% or 30% monopoly supermarket is big thing 6% is a small business man. There nobody will be helping small business man he is Zulu or whatever couple of time, ten time, twenty times they dont get a reply. Is this a way of your people, people pledge, pledge about small business I think your statements are false. No reply.

Competition Commission: Chair

Going back to the Jeffery's Bay incident where there any competitors, liquor outlets other than liquor city?

Liquor City: Manny de Atouguia

Yes there's about fifteen or twenty next to right next to Liquor city there are other two liquor stores, two other big liquor stores. The Spar is about five kilometers away but they feel that was a good trading area and they decided to make sure bought the property chase a liquor store away they didn't case anybody else except the liquor store. Ad then now they have applied to put it in the Tops liquor store if they've got it or haven't got it I have not even asked Chris. And unfortunately, it's not because of that this tenant is dying in the hospital there's nothing give him there because he's got a tuma. I don't say it's because of that the men become miserable he went to the clinic for depression two or three times he's not working he's not in business again because of that. It's not because he could sick because of that Competition Commission: Chair: He was stress because of the situation. From my side I have there's a lot that we could be asking you on there's a lot to understand about the liquor side industry and how trade is happening especially the competitive aspect of it. But in the interest of time I'm just going to hand over to the to Competition Commission: Du Plessis , she's the head of the technical team in this inquiry I'm the panelist. She has a couple of questions to ask you but we think beyond this public hearing we will try and make time for you to that we have a meeting with you where we can get more details of your experience as Liquor City because you seem to have a number of incidents and therefore beyond this this after this public hearing would request that you do some kind of preparation of everything that you would like to put forward to the inquiry and we can discuss at that meeting. Thank you

Liquor City: Manny de Atouguia

six hundred thousand people, sixty thousand people lost their jobs from sixty thousand people

Competition Commission: Chair

In Jeffreys Bay?

Liquor City: Manny de Atouguia

All over from the supermarkets taking liquor stores or sixty thousand people lost jobs where they can feed seven in the wake of the thousand people they sixty thousand people a lot of them and more people because the supermarket plus the liquor they employ about ten people they do not employ one and they retrench all of them. Thank you.

Competition Commission: Chair

Thank you.

Competition Commission: Du Plessis

Thank you, the below selling cost selling by Mass Mart that you spoke about is the any differentiation in terms of the products that are sold that are sourced domestically and those that are sourced internationally have you seen any any differentiation in the trending below cost pricing, price selling.

Liquor City: Manny de Atouguia

It's a local price selling they do not export or imported anything direct. Makro or any other there's that might there one or two bullets were the only people that the import things direct to be able to survive and to give the public better prices but we don't sell below cost. Those prices that they sell below low cost the supermarket is local things that are in South Africa products, they selling below cost and I tell you and It's aimed at to attract feet into the center they come to buy the liquor and right there is supermarket by the supermarket and Makro It's got huge millions of turn-over monthly and once they come to the liquor store they say let me let me go and buy a packet of toothpaste let me by some because its much cheaper. Last thing that I wanna say if you don't save this if you don't say this if you don't do something there another I mean

it's a bit too late. But as I can tell you go to the UK you're not to sell liquor you're not allowed to sell liquor minimum you're going to make a profit of ten percent because if they allow you to make a profit then percent you're going to survive if anybody sells liquor below cost there will withdraw the licences and you would be able to sell liquor and not just in UK other parts of the world as well.

Competition Commission: Du Plessis

Thanks on the liquor licenses the allocation of liquor licenses we not that familiar with that do you know whether there is in the decision making to you to award a license where the ownership is taken into consideration at all and in the awarding of those licenses

Liquor City: Andrew Jordan

Ownership of

Competition Commission: Du Plessis

Well a spread of ownership in other words that it's not to be awarded to one party.

Liquor City: Andrew Jordan

Yes and when you apply for a liquor license you need to indicate whether you have shareholding or ownership of any other liquor licence premises or business. It is a requirement when submitting an application for a liquor licence. And then one last question from I agree with Ms Mtanga that we can that we can take this offline and and going to a lot more detail but I just to, It's not entirely clear to me how many how many shops in total Liquor City shops have had to close down in the last couple of years as a result of of the phenomenon of retailers opening up liquor stores.

Liquor City: Andrew Jordan

In the last two years we've had to close twenty four stores. That's Liquor City stores.

Liquor City: Manny de Atouguia

I think it's close to sixty or seventy in the last two years

Competition Commission: Du Plessis

Thanks and then just in terms of attempts to open up stores in malls how many of those have been turned down

Liquor City: Andrew Jordan:

Many, ninety nine percent of what amount.

Competition Commission: Du Plessis

ninety nine percent of what amount.

Liquor City: Manny de Atouguia

Ninety nine percent of all the supermarkets. What we do at Liquor Cities, when we open every Liquor City we've got black partners chose us. We are not looking for black partners we are looking for franchise for the last two I do not think there's stores that have been opened in shopping centers opened early because the shopping they are forced to give it to the supermarkets and when I am talking here I'm prepared to proof it to you in writing. I can bring it to you to say if I do not get the supermarket, if I do not get the liquor licence I am not gonna enter in your shopping center we've got it in black and white from all the supermarkets. The landlords like they say we held the gun into our heads we can't, first of all we have to give them the shop at the best spot which where the main traffic by the supermarkets they don't want to shop further away and that's the thing.

Competition Commission: Du Plessis

Ok would you be able to offline give us the number of malls that you had approached the way you went to turn down to open up a store.

Liquor City: Manny de Atouguia

I will get the detail over many shopping centers that's been in the last seven years and give an indication I mean the Spar, Pick n Pay, Shoprite they never even had a licence six seven years ago. Where now they have got seven hundred, six hundred, five hundred in all the shops are in the malls it shows you the proof. I think a black person has not had an opportunity even with us I am prepared upfront there's a lot of opportunity for these under-privileged people

That's, that's fine I think we take that point and we we note that. Just one last question from my side that you've spoken about the number of employees bestow and generally it's been fifteen people per Liquor City franchise that I employed is that correct.

Liquor City: Andrew Jordan

They vary in numbers the larger the store the larger the numbers some stores will have as many as twenty five employees those will have his lowest seven but never less than ten, seven.

Competition Commission: Du Plessis

And what is the general composition of those employees what they typically what roles with they typically play.

Liquor City: Andrew Jordan

a management, and assistant manager two assistant managers you'd have supervising cashiers you'd have cashiers you'd have packers you'd have floor stores that would deal with customer relations.

Liquor City: Manny de Atouguia

We employ five percent our policy tom say you are Induna, you are in charge of packing, you are in charge of cleaning,, you are in charge of packing, you are in charge of stock taking, so if you stuf. There's 3 departments he is the boss of the floor and that is what we want from you. I'm just elaborating on an operational procedure but it's generally the structure.

Competition Commission: Du Plessis

Thank you as as Ms Mtanga indicated I think there's a lot more detail that we can get from you but we will do so out of line.

Liquor City: Manny de Atouguia

Before before we wrap up just because you're in a public forum is. This situations where we've looked at this anticompetitive behaviour and supermarkets try to claim that Liquor City are trying to protect their own monopoly they'll claim that they have to have exclusivity and lease agreements to protect their risk because they investing so

much money we have a solution that we believe would work for the liquor industry. That would be competitive by nature and would be all inclusive in terms of economy, we think that if for the benefit of the community it's good to have a number of operators where the pricing is competitive where it's to the benefit of the consumer. We are responsible liquor retailers so we know that there is harm that comes with excessive alcohol abuse. And we think that the best solution would be to force landlords to allocate what they would perceive as the worst part of the center to be a liquor court you know you have a food court we have KFC, Chicken Licken all in the same vicinity. We think allocation the worst part of the center away from the anchor tenant that sell the groceries would be beneficial to the community and it would create competition amongst the liquor retailers, you can have three four or five liquor retailers in the worst part of a center. That would increase job creation it would increase competitiveness in the liquor industry and reduce facilitate the control and sale of liquor we think there is a good solution. The fact that supermarkets claim they they have to have exclusivities with regards to the risk that they absorb when they're opening a store we've seen in liquor licence applications by the supermarkets that they request the landlords to pay for the shop fitting in certain cases so they can't state that they assume the risk all entirely on their own.

Competition Commission: Chair

So just my comment on that liquor court it wouldn't just be liquor similar to the food court because the food court is where people sit in so it's not on a consumption it's off consumption.

Liquor City: Manny de Atouguia

So you would walk into and you'd walk into if you if you if you picture a food source
Competition Commission: Chair: So we talking off consumption sites.

Liquor City: Manny de Atouguia

Yes, they have a choice of three or four stores in which to purchase from because you know just in the evening and loneliness that would be not too that in that clip that I need to purchase and to leave that again comes right down to liquor legislation you can get a license for on consumption and a licence for off consumption you wouldn't be able to have both in that vicinity.

Liquor City: Andrew Jordan

And ofcourse to stop exposing illegal products to the young people you know when they are walking in this mall which is very immoral from the Liquor City point of view.

Liquor City: Manny de Atouguia

At Liquor City we stop we do not sell to anyone intoxicated, if the person comes intoxicated we will not sell to him. And the last thing I say I've said many things the last the last and I will never stop if you allow me, please stop me. Ok if we are I can challenge anybody that not think so, we basket for basket we are still the cheapest liquor store in South Africa there to basically the story we compete that's why we're doing well. That's why we proud when we put our flags up at Liquor City because our prices are transparently and variety, we've got more variety and nobody sells as much in South Africa as Liquor City.

Competition Commission: Chair

I'm sure the consumers can testify to that. Thank you very much thank you ladies and gentlemen we will now take a break and return and 11:55 that a tea break will come back at 11:55. Is that too short? Ok, and then we will have a submission from by then by the time of the submission from Gros Corner Supermarket so if they could also make sure that during the break time they set themselves up if they have a presentation that gets done during this break so we can start as soon as possible, thank you.

SESSION 2

Competition Commission: Chair

Ok, we are now ready to proceed we will be hearing we'll be getting a submission from Gros Corner Supermarket. Sir you may proceed an I request that you start by introducing yourself, the place or place and the by placing your names and your full names and record and then take a and then tell us who Gros Corner Market is or what Gros Corner Supermarket is. give us the whole history of the business and then go

into your submission as to what it is that you would like this inquiry to take from your submission to take forward with regards to submission Thank you, you may proceed.

Mr Trully Masinge

Thank you I'm going to speak English, Sesotho my name is Trully Masinge. I am from Sebokeng, the name of my shop I run a store called Gros Corner Supermarket and it's also based in Sebokeng.

Competition Commission: Chair

Just repeating your name for..

Mr Trully Masinge

Oh my name is Trully Masinge (spelling both his name and surname). I run a store a shop called Gros Super Market in Sebokeng, I've run the shop for more than fifteen years. I've been running the shop and I had, it used to operate smoothly we did our profits well and it used to I used to employ twelve people that used to work there. But after malls started coming into the townships we started having a strong competition and our business started to drop and our profits started to drop. So we started looking into how how can we survive because we started noticing that our business is not running well so the first thing that we started to do because they now had strong competition from malls we started to retrench people that were employed so from twelve people we went down to six people. And we continued to operate as we operated our business we found that I never challenge is from foreign nationals that came and there were also strong competition. There also were a big challenge to us because they started renting from shops or locations that were close to our shops. And they had and they found cheap discounts because they had group themselves but we didn't group ourselves we worked in as individuals. So our challenge was very heavy because we've discovered that we need to retrench people from six people now we ended up with three people. And business has dropped in and this is an all time low it's so low that we can close any time from now on, we now need customers that will support this because we can't compete with these people we can compete with malls we can compete with foreign nationals because they have grouped themselves we have group themselves but we haven't we sell as individuals. So when you go and buy a stock, where you buy your stock because

you're buying a little stock you don't buy sufficient stock the prices are always high. So that's why you want to see what options are there if we want to continue operating our business because right now it's close to closing down our business because we don't get any profit that is why we continue as we are here today at this hearing because we hear to us we ask for assistance to hear how you can help us in this a little time that we have how can, how can we receive help so that we don't close down our businesses so that our businesses can be assisted to grow so that we can compete in the current market so this is a major problem that we're facing so that's why we're here so that we can receive some help maybe we can receive assistance and we get direction as to what we should do so that we can continue with our business.

Because currently it's heartbreaking when you've employed twelve people these twelve people have children and they're supporting those children we give them a salary and that's what they use when you retrench them it's a problem it's a big problem. When you look at our country there's many people unemployed and this is one of the factors that contributes to that. So this is the problem that we're facing currently. So (get interrupted by Competition Commission: Chair:

Competition Commission: Chair:

I just want to come in on the on the on the on the point that you you are raising where you say you are here to to see how we can assist you. Just want to explain that the inquiry is not intended to us just individual businesses in any way or form, what the inquiry is about it's looking at the challenges hurdles that are being experienced by small and independent retailers like yourselves you have pointed out you've pointed those to us already you've mentioned the supermarket supermarket mall or the mall in the the mall phenomenon coming into the Sebokeng and what it is doing to business, you've also mentioned competition from foreign nationals as a a. concern for you those are the two challenges you've highlighted is there any other challenge that you want to mention before we ask you more questions on this.

Mr Trully Masinge

No no. What I want, what I think is that those are only challenges these are only strong challenges that I'm facing currently the ones that I've just told you now. There is nothing else that I would like to these are my only concerns that I have.

Competition Commission: Chair: Can you please with regards to the malls malls coming into Sebokeng can you tell us how which malls when, did these malls you said you said you started your business more than fifteen years ago which year was that exactly.

Mr Trully Masinge

It was around and. Let me see it was around 2003, in 2003 I was already in business.

Competition Commission: Chair

So did you start in 2002 ten. And call yourself a supermarket can you just tell us more about how big was the store and the and how many grocery items you sold at at that at the peak of that business when you were doing well.

Mr Trully Masinge: Especially what I used to sell a lot it was groceries, groceries as when I started noticing that things are not going well we started putting in ready made food and now that food is what's more sellable than could then groceries. Competition Commission: Chair: How big is the store?

Mr Trully Masinge

The store is quite large because it's how many square meters let me think because from one point, It's about twenty meters by ten.

Competition Commission: Chair

So this it is a supermarket it's not it's not a special spaza it's not it's a bigger store.

Mr Trully Masinge

Yes it's a bigger store.

Competition Commission: Chair

And you mentioned that you started having problems when the malls entered the township, can you explain which malls are entering entering Sebokeng and which year. Can you take us through those malls.

Mr Trully Masinge

The malls that started to crop to us was Checkers.

Competition Commission: Chair

Is that a mall?

Mr Trully Masinge

Yes it's a mall.

Competition Commission: Chair

Its called Checkers mall?

Mr Trully Masinge

Yes its a mall.

Competition Commission: Chair

If we were to go to Sebokeng and would be looking for the mall, we would be looking at Checkers mall?

Mr Trully Masinge

Yes it's called Checkers mall in Evaton, when did this mall open and how far is it?

Mr Trully Masinge

It's about fifty five kilometers.

Competition Commission: Chair

Five kilometers from your store and which supermarket stores are located within or inside that mall, grocery just grocery the ones that are competing with you.

Mr Trully Masinge

The grocery is Spar and Checkers and the other shops are clothing shops.

Competition Commission: Chair: And then that other one came in, so when this mall came in that was. this is the first one to come into that area?

Mr Trully Masinge

Yes its the first one.

Competition Commission: Chair

Ok can you speak on the effects of this mall, what effect did you have did you feel in your business what effect did it have on your business when it opened five years ago can you speak specifically on that if you if you still recall.

Mr Trully Masinge

Yes, for the mall to start many people used to buy from a store and we used to work very well. So when the mall started people used to buy in small quantities from my store stuff that they needed at that time or what they used to pass us though with lots of groceries in there and their plastic bags, so we used to sell small I terms now so this affected as because every single time we used to to buy with large items so that's how my store was affected.

Competition Commission: Chair

And is this the only mall that came or are there malls that came into that area.

Mr Trully Masinge

From then on these others are not malls, from two kilometers from me there is a Spar there that just opened now. At a place called Sebokeng zone three. So when that Spar opened that also could pose as a huge challenge to us because now just closer to where my business operated. So people just walk to that store because it's that close.

Competition Commission: Chair

And this Spar is it located in a mall or is it a stand alone Spar.

Mr Tully Masinge

It's not a mall its a stand alone, its just a Spar a stand alone Spar, it's at a corner.

Competition Commission: Chair

And then and then you say this this Spar when did it when did they come through, when did they establish themselves in.

Mr Trully Masinge

They have two years in operation.

Competition Commission: Chair

So they opened 2015. So the Spar opened in 2015. So the first mall that opened was Checkers mall and you felt the impact of the of the of the of the mall opening with Spa and Checkers in that mall. And then the second store, supermarket retailer to open was Spar two kilometers from you in this was in 2015. What effect did this have on your shop can you speak on that.

Mr Trully Masinge

That is why I'm saying that we shop was affected because that's even close to my shop because people can walk they to buy so they just walk past my store because this big retailers have lower prices, better prices than our shops we can compete with them so this has affected us because the mall was better because it's a bit further they have to take a taxi to go there but in this case they walk the they walk past my store because it's that close.

Competition Commission: Chair

So if you were to look at the, just trying to measure the impact of the entry by the two malls, earlier on you mentioned that you were when you started your supermarket or for the longest time you're operating at twelve people that it employed and then you went down to six and you're currently sitting with three employees, at which point you do did you retrench these people to go down to six employees to get it to go down to six employees.

Mr Trully Masinge

I think that was, I'm not really sure when but it's it could be about two years from now on. So after the mall opened. Not the mall but the Spar that's when I realize that I need to retrench three people because the first group where from after the first mall opened and this I started seeing that my work is not progressing well that's when I retrenched the others. But as time went on I saw that my income is not coming in clearly that's when I retrenched the others.

Competition Commission: Chair

After the spar opened in Sebokeng zone 3 you retrenched three other people, ok thank you I will hand over to my colleague.

Competition Commission: Du Plessis

Just one more further question from my side the number of people that you retrenched at what levels, what jobs did they do in your shop.

Mr Trully Masinge

Yah I had to retrench one cashier and then retrenched those who packed the shelves two of them.

Competition Commission: Du Plessis

And then you also retrenched six people before these three but what jobs did they do in your store?

Mr Trully Masinge

The first ones two were cleaners, they cleaned the store. And then there were 3 cashiers and then two securities plus one who packed the shelves.

Competition Commission: Du Plessis

Thank you. Do you know whether the employees that you've retrenched whether they have managed to get other jobs or whether they're working.

Mr Trully Masinge

No I only know of one and they have found employment but the others have not found employment because every single time they keep coming back and ask if the situation has improved have they have they gotten stuff has a situation become better life is a hard for them but there's nothing we can do to help them because we're also facing difficulties.

Competition Commission: Du Plessis

Do you know if any Well maybe not any of your employees but do you know whether the Spar and Checkers is in your area whether they've employed a lot of people that are living in your area.

Mr Trully Masinge

Yeah. Yes, Spar employs a lot of people. There's a lot of people that are employed by Spar. but from the people that used to work for with me no one was employed by Spar.

Competition Commission: Du Plessis

Will will ask this from Spar as well but do you know more or less how many people is employed by the Spire at the corner shop that is closed to you.

Mr Trully Masinge

Aah I have no idea, i don't know but I just know that there's a lot of people but I'm not sure how many people I can't give you the number.

Competition Commission: Chair

My just my last my last question, are you aware any off in the stores so of my grocery stores like yourselves that we're situated a little bit far from the Spar as well as the Checkers mall that have actually survived even though you have not been able to survive or have survived without having to retrench the employees and if you do you know any.

Mr Truly Masinge

You know the big shops, there isn't any shop that survives this most shops ran with difficulty until currently right now what I'm seeing is that there's a lot of small shops that are owned by foreign nationals even shops that were supermarkets before because they were facing the same challenges they're now opening up small shops that they can afford just to try and see if they will succeed so there's no shops that survived that is why also myself I know that I can try for a few for a year but after a year if nothing changes I'm going to close down and I'm going to try to see if I can get a small shop and see how I cannot survive because a big store cannot survive

anymore. So I'm just trying to see this year to see if I can survive and no big store survived.

Competition Commission: Chair

Thank you Sir. We will now hear the submission from Mr Lucky Kubheka of EARLJAY trading enterprise. Can I ask Mr Kubheka to take a stand. Mr Khubeka as I asked the previous speaker I would like you to first place your phone. give us your full name full names for the record and also just explain what EARLJAY Trading Enterprise does when it's just give us a bit of a playground and the business itself when it's start, what year did it start what was a doing how it came about that you went into business, because these stories are important for us and then and then you can then dive into the concerns or whatever submissions that you want to make to us today.

Mr Lucky Kubheka: Ok thanks my name is Lucky Kubheka and I saw that Beka they spelt incorrecly its Kubheka (spelling it) not that it matters but I dont think you'd like it if call you John. And LJ is It's not spelt as just an initial its EARLJAY Trading (spelling it) Enterprise and my name as I've said is Lucky Kubheka (spelling his surname for Competition Commission: Chair again). EARLJAY Trading Enterprise is like we trade in various commodities and you started infomally in 20006 and then registered in 2008 and here in Gauteng except in KZN in Tembisa in townships Fast food outlets and. Jaking depots. Why I am here today would be only two issues that I need to bring to the attention of the Commission is maybe what I would regard as barriers to (gets interrupted by Competition Commission: Chair)

Competition Commission: Chair

When did you start your stores?

Mr Lucky Kubheka

We started in 2006 and but we formalized ourselves when we registered a company in 2008. With the malls we haven't had a problem with malls per se but what happened last and this year is when we try and get into trading space at the mall one you are told the rental they charge per square meter is more than your anchor tenant Checkers pays because they say Checkers provides traffic so because of them the will be people walking pass your shop and you will be getting those customers and

that they don't beat around the bush they just say ii out cash that you pay more because you subsidize Checkers who pays less because they say you pay for traffic. And then there are that issue that we have is this the new kid on the Block, Block is invading townships in a big way and what is happening it's complex is where Block is situated like in our case in Tembisa we wanted to establish a butchery and as things stand at the moment we are still awaiting we've got everything given the excessive rate compared to what Block would be paying. They don't tell you how much Block will be paying per square meter but they tell you that it's more per square meter because sometimes even equivalent to what you pay at Kyalami or Sandton in terms of rate per square meter and they say Block will provide foot traffic that's why you pay more. But the main thing is because Block sells meat they are currently negotiating with Block to allow us to trade because we will be competition to them. So those are the issues that you would like to bring to the attention of the Commission I'm not sure if anything can be escalated. The rate per square meter issue It's no secret they will tell you that Block will provide foot traffic but the, surprisingly that Block does not want anyone who trades in the same products that are trading it's no no where in writing its all verbal but if they could communicate that, pick up the phone and phone but there are other things are in email. So I'm not sure that is deliberate was just a coincidence that when the communicate that aspect the phone and talk to in person then the other stuff you write memos goes to and from.

Competition Commission: Chair

Are you operating in a mall and what is the name of mall.

Mr Lucky Kubheka

I'm not operating in a mall but i've applied to operate in a Block it should be a Block shopping center in Tembisa that is nearing finishing in Kaalfontein.

Competition Commission: Chair

Ok let me ask that question differently, you said you started operating in 2006 was this EARLJAY trading enterprise where was located then?

Mr Lucky Kubheka

Its in the township not in malls.

Competition Commission: Chair

Where exactly in Tembisa?

Mr Lucky Kubheka

Another outlet is in Tswelopele, the other one is at Esangweni in Tembisa.

Competition Commission: Chair

Tswelopele, so you have more than one

Mr Lucky Kubheka

Yes, Tswelopele is next to Winnie Mandela in Tembisa, its a section and then Esangweni which is a section further in Tembisa.

Competition Commission: Chair

Esangweni, so those are the two outlets, so these are stand alones

Mr Lucky Kubheka

These are stand alones and they are not impacted by shopping centres.

Competition Commission: Chair

At all, and these were started in 2006.

Mr Lucky Kubheka

Yes and the Boxer Shopping Center that is being built in Kaalfontein it is a section in Tembisa .

Competition Commission: Chair

So there's a shopping center that is now coming?

Mr Lucky Kubheka

Yes, it's almost nearing finishing.

Competition Commission: Chair

And you say its where in Tembisa?

Mr Lucky Kubheka

Kaalfontein a that's section in Tembisa next to Midrand.

Competition Commission: Chair

Ok, Boxer shopping center and you approached them

Mr Lucky Kubheka

For a trading space and anchor tenant is Boxer so we negotiated the rental amount when questioned as to why that so high because I mean it to me it's the same as what we pay in Kyalami and Sandton and they said they've got to subsidize what they lose out when the rental per square meter they charge to Boxer.

Competition Commission: Chair

When did you approach, who did you approach and when.

Mr Lucky Kubheka

I don't know the guy by name but this Limmy consultant I can provide the names and list everything. When they put up the board that was the it is the mid last year that the shopping center Boxer and these are the people you must consult for leasing purposes. Then since then there's been correspondence going backwards and forwards with regard to space requirements and all those things. It's only this year where we hit a brick wall, we are now negotiating, they negotiating with Boxer for Boxer to allow us to trade as a butchery because they also have a component of it within the supermarket.

Competition Commission: Chair

So within the shopping center all you want is a butchery

Mr Lucky Kubheka

Yes it is a butchery, and what is the name of that butchery. EARJAY?

Mr Lucky Kubheka

Eeh we will probably call it Kaalfontein meat market, we haven't gone that far.

Competition Commission: Chair: Ok because you still negotiating (yes). Ok So you want so you want it you want to operate a butchery and the rental per square meter is more than the average that you would expect to pay. The reason why they have to subsidize for Boxer who pays a discounted rate because Boxer guarantees foot traffic.

Competition Commission: Chair

With regards to the rental negotiations all of this is in discussion Mr Lucky Kubheka: Yes.

Competition Commission: Chair

So they are in writing, there are email?

Mr Lucky Kubheka

There are emails backwards and forth.

Competition Commission: Chair

Do have a draft lease this agreement where this have been documented

Mr Lucky Kubheka

No no, not yet only have the terms. The lease agreement has not been drafted yet only the terms that have been negotiated.

Competition Commission: Chair

Can you make available for us copies of those e-mails we would like to have those. And then you saying the rentals that you'd be paying at this Boxer shopping center which is situated in Tembisa the rental would be higher than what you've been led to be paying in Kyalami and Sandton, how do you know?

Mr Lucky Kubheka

It's extremely high ,there is a (gets interrupted)

Competition Commission: Chair

How did how did you do that, when did you do that comparison how do you know that.

Mr Lucky Kubheka

There is a new complex that is just opened its Kyalami corner, the rates there yhoo they are half what they are charging at Tembisa.

Competition Commission: Chair

Kyalamai Corner, and are you comfortable to mention what the difference what the difference is, how much is being charged at that Boxer shopping center amd how much for Kyalami Corner.

Mr Lucky Kubheka

Umm Kyalami Corner would be, I don't think I don't have I can supply the figures but in Kaalfontein is an excess R300 per square meter and in Kyalami its about R120 per square meter.

Competition Commission: Chair

In terms of just the appearance of the two Shopping centers. Is there a market difference between Kyalami Corner and

Mr Lucky Kubheka

Yah by far

Competition Commission: Chair

Which one is nicer because times shopping centers will charge because they think they're offering a lot more than the other shopping center. So what do think what is there better offer at the Boxer Shopping center than Kyalami shopping center in your view or perspective?

Mr Lucky Kubheka

Well they say the beauty is in the eye of the beholder but Kyalami Mall, Kyalami Corner has ample parking space in the state of the art shopping center. And Boxer shopping center in Kaalfontein in Tembisa you park on top of each other, its cramped but the

trading area well as much as Kyalami shopping center is state of the art the trading area in Boxer is the kind of business that we are looking for. But when it comes to which mall would you like to go to they do not compare.

Competition Commission: Chair

Ok, thank you, thank you.

Competition Commission: Du Plessis

Good afternoon, the only question that I have is id you have any difficulty in negotiating in getting into that mall at all given that Boxer is already there, was there anything communicated to you rating to the fact that the have exclusive lease agreements and that you can't sell anything in that mall that is in competition with Boxer would that you could receive any communication via phone or via email regarding that.

Mr Lucky Kubheka

Yes that is what I was saying that surprisingly that's the communication that you get verbally, they phone that you we're finalizing lease agreements we're till in close consultation with regarding of you going in and operating a butchery because they will also be selling met. If you look at Boxers around around the townships the scale of the of their butchery is tiny compared to the grocery section, tiny tiny tiny maybe its less that twenty five percent of their floor area is attributed to a butchery but they still don't want anything that is butchery related well that's what the developer says that is related within the complex.

Competition Commission: Du Plessis

Do you have plans of them all that's going to be, plans of the retail space of the mall I now it's not been set up yet but do you have plans to do.

Mr Lucky Kubheka

Yes I do

Competition Commission: Du Plessis

Can you provide that to us as well please

Mr Lucky Kubheka

Yes I can

Competition Commission: Du Plessis

Thank you.

Mr Lucky Kubheka

The proposed subject of negotiation need to point out that this is the shop we are talking about .

Competition Commission: Du Plessis

Even though you still in the negotiation phase as I understand it of getting that space in the mall it you you are still in it negotiating and it's not a done deal that you can't get in there is that correct

Mr Lucky Kubheka

Barring permission from Boxer we almost there

Competition Commission: Du Plessis

So you're only waiting for permission from Boxer.

Mr Lucky Kubheka

That you can operate a butchery, we will kill you on prices whatever but they need to consent to as operating a butchery out before we can sign the dotted line.

Competition Commission: Du Plessis

Did you try enter any other mall before?

Mr Lucky Kubheka

I have but I did not have this restraint of trade it was either the space is not big enough or it's not situated way I think I'd be comfortable with behind everything else and won't be assessable to people I'm not sure there was a space that I was interested in I would have encountered the same thing. There's Ke Rona Shopping Center also in Tembisa their problem was that the space that they have is not big enough to cater for what we

require in the Shoprite there but they didn't mention anything about Shoprite not wanting people to operate something that they sell. And also there's another one further in Tembisa I don't remember what its name is I don't think there would be a problem there because we've Pick n Pay and two butcheries operating there within the same complex so I don't think there is any issue of what you want to operate.

Competition Commission: Du Plessis

Why do you want to open a shop in a mall specifically, what is the benefit of opening it up in a mall.

Mr Lucky Kubheka

Its same as Boxer argument its foot traffic, people prefer something where they get everything together rather than going picking up something then picking up something there. There's another thing that we tend to we we don't want to admit it but most of up some of our people still believe in catching a taxi to go and buy and then they feel that they have gone done shopping and shopping malls they do not have a problem with that. But if you have a corner shop there they go past and only come back in only if they forgot from where they went, they took a taxi to. So a mall bring everybody together.

Competition Commission: Du Plessis

Ok and how many do you employ now on your business now?

Mr Lucky Kubheka

Yes we do

Competition Commission: Du Plessis

How many people do you employ?

Mr Lucky Kubheka

Fourteen

Competition Commission: Du Plessis

Fourteen and how many people do you think you can employ when you're in the mall?

Mr Lucky Kubheka

In the mall alone we're probably looking about minimum of eight people for a start and then as we get known we increase that number.

Competition Commission: Du Plessis

How big is the shop that you want to occupy?

Mr Lucky Kubheka:

130 square meters

Competition Commission: Du Plessis

130

Mr Lucky Kubheka

square meters but that 130 will include the cold room and the back side store area that 130 square meter will be able to accommodate everything.

Competition Commission: Du Plessis

All right and you still are you still going umm to keep your business open now when you open up you open up the shop?

Mr Lucky Kubheka

Yes

Competition Commission: Du Plessis

Ok thank you.

Competition Commission: Du Plessis

Ok just want to find out which other is there any other shopping center around Kaalfontain Boxer the the the or the Boxer shopping center is there other shopping center in that vicinity and how far is that shopping center.

Mr Lucky Kubheka

There is one that is being built by the monument developments I think it's about a kilometer from the Boxer one

Competition Commission: Du Plessis

Ok

Mr Lucky Kubheka

It's also nearing completion the problem there was they already secured Meat World so they cannot jah which explains which answers the first question we had there will be Shoprite there and there'll also be Meat World so I think they don't have those

Competition Commission: Du Plessis

they don't have a room for a third umm Shoprite

Mr Lucky Kubheka

No that's our decision we don't think we can compete on Meat World so.

Competition Commission: Du Plessis

Meat World

Mr Lucky Kubheka

Jah Meat World

Competition Commission: Du Plessis

Wh whY why would you not be able to compete with Meat World?

Mr Lucky Kubheka

They are huge and I think that buying power would far beat us they'll beat us on the market jah it will be just committing suicide

Competition Commission: Du Plessis:

OK

Mr Lucky Kubheka

Jah

Competition Commission: Du Plessis

And then you mentioned the other shopping center is it Kerona

Mr Lucky Kubheka

Kerona shopping center

Competition Commission: Du Plessis

Kerona ok

Mr Lucky Kubheka

Kerona shopping center it's housing the anchor tenant there is eeh Shoprite

Competition Commission: Du Plessis

Shoprite

Mr Lucky Kubheka

Yes Shoprite

Competition Commission: Du Plessis

Ok and the new one that's coming will also be Shoprite

Mr Lucky Kubheka

Yes

Competition Commission: Du Plessis

Ok

Mr Lucky Kubheka

It will be Shoprite or Checkers I talking under correction

Competition Commission: Du Plessis

I'm not sure

Mr Lucky Kubheka

There's one what what I know for sure is that the liquor people will be Checkers liquor so probably probably the Supermaket will be Checkers but the OK group doesn't the haven't up to now have had in township they OK have Shoprites or if they do it will be the first one I am not sure I am talking under correction.

Competition Commission: Chair

So you think it will be a Shoprite that's coming?

Mr Lucky Kubheka

It will be a Shoprite yah.

Competition Commission: Chair

Ok, Kerona. How far is Kerona from Kaalfontein?

Mr Lucky Kubheka

Yhoo if you stand there and shout they will hear you it's very close.

Competition Commission: Chair:

Laughing, so Boxer shopping center, Kerona and the other one

Mr Lucky Kubheka

Moromani one

Competition Commission: Chair

The Moromani one is being build by Kaalfontein but you don't know its name

Mr Lucky Kubheka

It's Kaalfontein crossing. They are all in the same area. Yah 8 kilometer radius.

Competition Commission: Chair

Can I ask you something that we have not asked yet these malls judging by what you are saying they're all in the same in the same space basically. What was there before these malls were build?

Mr Lucky Kubheka

It was barring ground there's nothing was nothing.

Competition Commission: Chair

It was barring ground why why why did why didn't you let the traders in the township business people in the township like yourselves look at the space and take it up for your business.

Mr Lucky Kubheka

There's a lot of red tape in the municipalities when you want to secure a site, Yhoo

Competition Commission: Chair

Ok, please tell us what is that red tape, what would you have have to go through to get a site?

Mr Lucky Kubheka

They seem not to know who is responsible for the site. You get taken to this person from this person you go to the other, from this person you go to the other one. There was a site in Tembisa there was an Engen service station

Competition Commission: Chair:

Engine service station?

Mr Lucky Kubheka

Yes Engen service station and the owner passed on and the kids could not run it into was dilapidated to the ground. And if you went to, ok at Tembisa forget it you will not get any help they send you to Kempton Park, Kempton Park they send you to Edenvale.

Competition Commission: Chair

Sorry what was your first point in Tembisa?

Mr Lucky Kubheka

There is a Tembisa customer care center which is a township office,yes.

Competition Commission: Chair

Tembisa customer care center then they'll send you to Kempton Park. What is Kempton. No no no no.

Mr Lucky Kubheka

It's a municipality

Competition Commission: Chair

That's is what I wanted to know

Mr Lucky Kubheka

It's Ekurhuleni Metro there they would say it is handled in Edenvale. And then Edenvale they will tell you no that thing is being owned it's a privately-owned land (ok) and the argument then would be if it's a privately owned land then it should be doing a lot of risk because there's no operation and the kids are fighting among themselves I mean you start by going to the previous family and get to talk to the people that were owning that thing then you get to understand that no one is responsible for this thing. Edenvale will tell you that a privately-owned land but if there's no rates that are being paid to should be something happening and then two months down the line there's a building coming up which goes to show that at Edenvale at the municipality office they had no no clue what was going on with regard to that site.

Competition Commission: Chair

So at the Engen service station there's something now happening

Mr Lucky Kubheka

Yah there there is something now happening, I think is another service station that is being done by other people.

Competition Commission: Chair

So you made an inquiry, when did you make make an inquiry about about Engen service station?

Mr Lucky Kubheka

Shoo I think it was three four years ago

Competition Commission: Chair

Three, four years ago.

Mr Lucky Kubheka

And I spoke to the children of the Late

Competition Commission: Chair

You first went to the children of the late on and then you went to the Tembisa customer care center from there to Kempton Park municipality

Mr Lucky Kubheka

Kempton park they send me to Edenvale

Competition Commission: Chair

Edenvale, what is Edenvale

Mr Lucky Kubheka

It's the same thing but they have various departments are housed in different places then they say go to the Estate Department in in Edenvale but when you get there they tell you no that's a privately owned and we don't do anything and if you now the people that are developing there, I knew people there they've nothing to do with the previous owners they bought that land from the municipality but the municipality does not know that that land was no longer owned by those people.

Competition Commission: Chair

What written there, who are the new owners, it it visible?

Mr Lucky Kubheka

It's a private family

Competition Commission: Chair

Do you know who they are because usually they will have boards

Mr Lucky Kubheka

No the board that is there says development of a service station there haven't got the owner but I think I can find out who they are

Competition Commission: Chair

Please do, please do would like to get that information from you

Mr Lucky Kubheka

Yes I can

Competition Commission: Chair

Ok thank you so so that that's another, so there's Kerona, there's Kaalfontein, there's Engen

Mr Lucky Kubheka

Engine is a site

Competition Commission: Chair

Yeah yeah I understand that, onther one. Is there any other shopping center in the area

Mr Lucky Kubheka

Yhoo in Tembisa there is a lot of them. There is another they called it Tembisa Plaza.

Competition Commission: Chair

Is it far from where you are situated, its far

Mr Lucky Kubheka

Very far

Competition Commission: Chair

So its not a mall that you would have considered for example.

Mr Lucky Kubheka

I think the market of the people around that mall I would not have been interested in

Competition Commission: Chair

Ok, what is different with this market, with the markets in Kaalfontein and Engen service station as well as Kerona.

Mr Lucky Kubheka

I think the, ok the Engen was for the purposes of a service station within an upmarket type of site of the township. The one, the SLM between Kaalfontein and where is Tembisa plaza there is a vast difference. Tembisa plaza people around there drive cars they probably buy in Kempton Park and come back with their groceries. At Kaalfontein the SLM is probably between two and four most people they don't have cars so they walk to the shopping center to come and buy compared to a person who would have driven from Germiston and would have brought his meat or grocery from Germiston.

Competition Commission: Chair

Ok, so the target that you are looking at

Mr Lucky Kubheka

The lowest end of the market, repeating the lowest end of the market

Competition Commission: Chair

But it wouldn't Tembisa plaza present that for you?

Mr Lucky Kubheka

Not exactly it would mix so it would not exclusively be the lowest SLM. There are a lot of upmarket

Competition Commission: Chair

In Tembisa plaza

Mr Lucky Khubeka

Yes in Tembisa plaza, and within a kilometer from Tembisa plaza there's Burchacres mall it compares with any mall you can think of there's Edgars there's anything that you can think of to there's Truworths what have you Spar and Pick n Pay.

Competition Commission: Chair

Alright ok sure.

Competition Commission: Du Plessis

And just one last question from our side where you operating now and when these malls opened up did that have any impact on your business when when the malls around you that are now ready to open up.

Mr Lucky Kubheka

Sometimes it becomes difficult to say whether the impact is a result of the mall or it's the deep in the economist everyone knows but I'm not too close to mall to have felt that difference. The malls that are close to where I operate that is Tswelopele. At Tswelopele the closest mall will be one where there's the Shoprite that has opened and the other one there's Pick n Pay and Roots.

Competition Commission: Chair

The sales?

Mr Lucky Kubheka

The sales dropped but not to an extent where you can pack your bags and go.

Competition Commission: Du Plessis

And in the shop where you want to open where there's a Boxer will you be priced will your prices compare well with Boxer's prices.

Mr Lucky Kubheka

If you look at what if I go around and look at their prices probably be able to beat them, yah they are extremely expensive if you come to think of it but I'm not sure I mean they can lower them by half if they want to but currently if you go to places like Diepsloot and you go into their Boxer and you look at their prices you see that no one can beat them hands down and Shoprite as well. Their prices is slightly higher but I don't know whether it's because there's no competition around the moment you come init might be a different ball game I'm not sure if that might be.

Competition Commission: Chair

When you when you applied for to to take up space in the in that shopping center in the Boxer a shopping center other than mentioning that you'd be operating a butchery where you asked to to give it to give details of the products that your butchery would be offering, were you asked that.

Mr Lucky Kubheka

No, no you know not detailed they just wanted an overall of what you are going to do.

Competition Commission: Chair

Ok, ok, ok without mentioning then what products you would be offering, do you think don't mention the products that's because that's your business plan really and I don't think it would be wise to do that at this stage because they've not yet opened either. What products sorry sorry, do you think what what you'd be offering that your product range or quality would be better than Boxer butchery offering. How would your offering compare to that of butcher I comparing having I mean comparing to the one in Diepsloot for example that is that you've say you had a look at.

Mr Lucky Kubheka

It's a difficult one

Competition Commission: Chair

Will it be better, better in terms of kind of quality it's better in terms of what the what the people there in the area in the area there require, need needs the needs of the community because it times those are the key things you do not sell irrelevant things

to people and then you know the community better and you know exactly how you gonna package your shelves. So just speak broadly about the product offering for me.

Mr Lucky Kubheka

In terms of the product offering I probably beat them, quality it's difficult to tell they buy in bulk which might compromise their quality and secondly they they're not specializing in meat which I will be. So all being equal I should be able to be just a notch above them but I can't.

Competition Commission: Chair

It's difficult to say

Mr Lucky Kubheka

But what I know price wise no I would be able to unless the price that that they are charging now is because there's no competition and the moment there's somebody in the area then they'll be reasonable.

Competition Commission: Chair

Ok thank you

Mr Lucky Kubheka

I'll give you an example there's a Cambridge in Tembisa they sell meat in bulk. They've got a wholesale at the back and you can buy from there and sell and still beat Shoprite.

Competition Commission: Chair

What do we mean by buying milk, bulk what is bulk buying in the meat.

Mr Lucky Kubheka

Like when carcasses

Competition Commission: Chair

Or you buy the whole sheep

Mr Lucky Kubheka

Well everybody even the small corner butchery buys sheep but what I mean I mean if they deliver meat four trucks come at a time. Unlike myself maybe it will be a truck or maybe inside it will not even be full they buy four full trucks and they offload them all at once and then they go. Those guys in December around the 18th they put R2 per kilo on everything

Competition Commission: Chair:

Increase?

Mr Lucky Kubheka

Yah they don't announce it they don't say anything when you say no man come on what happened no its that time of the year, close that board R2 and then they lower it in January so they take advantage of the craves where people have bonuses and they don't look at the price in all those things so even at those prices you'd still, they don't compare with Boxer's prices currently and with Shoprite's current butchery prices currently.

Competition Commission: Chair

So Boxer's current prices are even higher than Cambridge's December price.

Mr Lucky Kubheka

Yes, and the other thing what they do Checkers, Shoprite I dont know what they've done I don't know whether its deliberately or it's the marketing strategy they don't say chunk is for R74

Competition Commission: Chair:

They don't say ?

Mr Lucky Kubheka

Chunk ok steak, t-bone they don't say R74.95 per kg they would tell you R8.40 per hundred grams so if you come look at R8 only when you work it out that no this is far more than what I pay per kg than what they are offering me per kg than what they are offering here but it works for them.

Competition Commission: Chair

Ok

Mr Lucky Kubheka

Those are the things that I have observed hands I'm seeing price wise I think I'll be able to beat them unless they adjust them.

Competition Commission: Chair: Ok, alright. Thank you very much Mr Kubheka we will we will get in contact with you to get the details of the other thing as well as the copies that we asked for.

Mr Lucky Kubheka

Ok that's fine, thanks

Competition Commission: Chair

Sure, we will now break for lunch and we will reconvene at 14:30 o'clock Thank you.

SESSION 3

Competition Commission: Chair

Ladies and gentlemen we now reconvene our hearings. We will be getting our next submission from the MEC. for Economic Development for the Gauteng province that is Mr Lebogang Maile .

MEC we welcome you and we thank you very much for coming here today. You are the the first government personnel participate in this hearing so we do feel honored to have you you may proceed with your submission

MEC. for Economic Development: Lebogang Maile

Thank you very much, chairperson. We also had some of the officials of the department of development of economic development who have been attending the hearings just to pick up on some of the issues which have been raised and I also have my economic advisor who's joining us for this presentation to the trolley plea to be grown in. The compilation of this presentation. Actually played a bigger role in the compilation of this presentation. I was told I was given forty minutes but I will try to summarize in twenty minutes because I think we rather have more engagements than speaking more because I think at this point you are clear about the issues that are being raised by several people and what has to be dealt with so we would rather focus on dealing with more issues related to the way forward.

I'm trying to control this or there we go so that I will take you through that structure. Of the presentation. And I also will not waste much time on the introduction and I think by now everybody knows I mean since 2014 when the premier announced in his state of the province address that as Gauteng government, as part of radical economic transformation we going to champion what is called the township economic revitalization program we have since done a whole range of things that I'll take you through there and I will not raise issues around the monopoly because everybody has been speaking about these issues and I think by now we all know that that is the problem.

The next slide we dealing there with I think there is an issue that was raised about. our relationship with Pick n Pay and I think one of the things we did was to give the Competition Commission a draft MOU to look at the time so that they you can look at the at the content and advise whether this will disadvantage the players or not and we got the thumbs up from them but what made us to be interested in dealing and working with with them and all other big retailers is all the issues we know about, monopoly, lack of jobs, the foreign owned shops in the townships and all of that.

The first thing is that those shops are not owned by Pick n Pay, so they're owned by the shop owners who have been owning them. And the second thing is that those shop owners are given capital by government and training and systems by Pick n Pay

the fourth important thing for us is that that relationship created a potential and possibility for the reindustrialization of township economies because the the agreement is that Pick n Pay will supply them with about sixty percent of the goods and other forty percent they can source anywhere and we want to use that percentage specifically to propel the capacity of those who are in manufacturing to start manufacturing and supply the shops but not just this shops to also supply their major retailers which is the biggest problem because it's not easy to get shelf space for these up and coming because of a whole range of issues.

So the fifth thing is that that we didn't have to give Pick n Pay money because it won't make sense for government to give business money and especially big business like Pick n Pay . I know that a whole range of allegations were made who's the guy he was here yesterday who who Mphuthi Mphuthi, yes . I think it's because him through his Soweto business something is business Access yes, so they I think where we had a fall out is because they are saying no you must give us the money and we will distribute the money to any everybody else but we say we don't work like that we want to work with individual entrepreneurs.

If Government was to give anybody money we must give individuals and some of the people who benefited there are the their members, like Ntate Munaheng, somewhere in Soweto there. So its not like we just went around picking out our friends and doing this. So I thought I should clear the air and I had hoped that he would be here today so that I must say in his presence that is just mischievous and not interested in the development of the people that there.

So the narrative continues there trends in what are the problems I will not take you through the issues of big retailers, foreign national owned shops. And how they are operating and in fact maybe to make a general point here I think as the provincial government we don't have a problem with the existence of big companies in the townships . I think that's the first important.

The second important thing which is a principal matter we however have a problem with how they conduct their businesses because township economies are estimated to be worth about 100 billion but that money does not circulate in the townships

because what they do they used our ships as dumping grounds for their goods and what we want to do with township economy revitalization is to achieve two things basically to bolster the manufacturing and productive capacity of the townships so that there is significant number of products that are consumed there can be manufactured in the townships and it will also help to create jobs but secondly we want to facilitate the integration of this township economies into the mainstream because we don't want to create a parallel economy. It will never succeed.

There's a lot of potential in that space. I think there's a point to be made there. And I would also like and we've done a bit of work because we've been to about sixty five townships in Gauteng out of the 104, Palisa you are saying they are 150 but but I think about 104 that at there and we we spoke with in fact not five thousand but fifty thousand enterprises that was in between 2014 between July and November and then we had a summit which adopted a township economy revitalization strategy.

So this is important because we are having a strategy that helps us to work systematically with

Competition Commission: Chair

Sorry, you said you spoke to how many businesses

MEC. for Economic Development: Lebogang Maile

Fifty thousand, yes, in the townships for from the sixty five townships and the summit was attended by one thousand delegates and it adopted a strategy called township economic revitalization strategy and that's strategy has got about seven pillars which helps us to intervene systematically. So I won't take you through that you'll be able to look at the document there but you also be able to look at there's two documents there's this one this beamed here and there's a comprehensive document which has got more information that you will go through because like I've said we want to spend more time engaging with specific issues. And I think there were just what is it. emphasizing the fact that the the retail and grocery sector in the townships has used to be big before the building of the malls and many people used to have successful supermarkets and spaza shops and all that and that's the point I'm making and we're

just demonstrating some of the mall that just came up now and the figures that have been spent and all that information is also available.

So government has to respond and what is the response of government. So we firstly I said we have got a township strategy that's the first thing which is what seven pillars and we didn't articulate here one of the pillars its economic infrastructure. Because there's a big big challenge for people who wants to do business in the townships there is why most of them operate from garages or from their houses because there is no space to do businesses.

There's a big problem with access to Internet and this is why we're rolling out a Broadband project that by 2020 all the different parts of Gauteng not just the townships will have access to free Wifi. Issues of electricity and water those are those are problems. And in the strategy as well we dealing with a funding which is one big big issue that makes it difficult for any business that wants to and then there's a market access.

Despite the fact that you want me to expand on funding.

Competition Commission: Chair

I just wanted to know as you are listing are you listing the seven pillars of the strategy? If you don't mind can you go back because we have not been taking it

MEC. for Economic Development: Lebogang Maile

OK, the economic infrastructure which deals with spaces for operation. Broadband, and then electricity and water. Transport as well I think it's very important and then I spoke about funding and I spoke about market access like market access yes. Then there's innovation and research there is what what else those are some of them and oh entrepreneurship . Those are some that I can remember.

So if you look they will also say oh and then the second thing that we did when we came in and I think this is important because I know that many township based entrepreneurs some people who are township based entrepreneurs are saying government is not helping us. Which is not true , I want to say is not true . Yes there

there are people who have still not received any help from government by the doesn't mean government is not doing anything practical steps we've taken Firstly when we came into office 2014 Gauteng government was spending about eight hundred million on township based entrepreneurs in terms of our procurement spend as I speak now we spend about seven billion and that's significant. It's huge and at the time we used to do business with about more than one thousand five hundred businesses. We have got which would now about seven thousand on our database as the provincial government.

We have made a firm commitment that by 2019, 30% of our overall procurement spent will go to Township based entrepreneurs and that goes to show our commitment towards taking township economies to the next level but our biggest worry is that this seven billion that we've spent still goes back to these big companies because our township base entrepreneurs don't have capacity to produce these goods for instance in education we spend about one billion every year feeding more than one million kids we have issued contracts to different and all of them are township based companies and you know they stock they go to Massmart.

So that money is going back there so unless we deal with the productive capacity of the township economy we will not be able to deal with this monopoly that's the point we're making and they have several options we're looking there which should help us to mobilize and organize people to get involved in the economy.

As you can see there to get about cooperative as one of the forms of ownership that can help us going forward and we also to talk about the benefits there and all that so what we want this is where I want to spend time because I don't want to spend time complaining. One of the things we would want to firmly put on the table which it's not is that there is that well it's clear that the the big companies are monopolistic, they are controlling the space and there's there's a lot of barriers to entry.

For many of our and I hope if the commission finds them guilty and they are ordered to pay whatever they pay would want to edge the Commission to consider a ruling that that money must be used as as an equity fund for this township based retailer so that those who want to go into business can access that money to build a business

because one of the big problems is funding like I have said and government will not solve that issue in of in a very long time. I know everybody who is an entrepreneur believes government must give them money but the truth of the matter is that there isn't enough money because most of the money goes to other competing priorities like education. If you want to go in to take the national budget for instance, one point three trillion look at what we spend: about seventy percent of that is spent in the social sector, in social grants, in education, in health and those are not stimulating necessarily immediately helping people to get into the economy, there are of course benefits because they buy do all sorts of things and all that.

If you look at the economy sector they get very limited resources so the issue of funding it's a big big big issue. It doesn't matter what we do how many companies we form, if we don't deal with that issue we will not be able to and there is two issues funding and the productive capacity because the market is there. The reason why big companies are going to the township is because there's a market. So the market issue is sorted it's not a problem the problem for these entrepreneurs is it's money and whatever what is this. It's Money and. When it's it's money. And the other issue I have raised.

So broadly going forward I think we also need to have what we call it retail sector chatter. It might not be in the powers of the Commission perhaps to impose that. But it's one of the issues that we will raise with the Trade and Industry Minister and it's an issue that maybe in your accommodations you need to look at as well and we'll see how far we can go as a province because there are limitations in the Constitutions in the constitution terms of how far can we go in the regulating some of these aspects but we would look at it at all that.

And then we think there must be some township community trusts in these communities. I think some of these malls when they're established they do establish these trusts distrusts but one of the things we might have to do is to is investigate how far, how efficient are these trusts and whether these these developers remain true to their commitments. And what monies are going there and how are these monies being utilized. So, it's one of the issues that I think the commission must take interest in,

because these monies should be going towards enterprise development, skills development and all of that and then....

This is this big issue of big retail stores with think they should be limited to certain number of stores per geographic area. Thi has got a huge implications and it's an issue that can end up in the Constitutional Court, I think, because they are you know. It's how we we deal with it and without restraining people's right to trade because it can be seen as such and maybe in the Chatter, it's how we we must deal with it so that we don't appear to be saying we're restraining people from trading.

And and this one is an issue of municipalities I think largely because they are responsible for zoning. So when they zone these business areas and when they issue their rights for development what what what conditions are they putting because they must be conditions that municipalities impose so that municipalities must not just give people a public land to develop and yet the public does not benefit, so it's one of those issues that.

In my other portfolio for environment because we issue what we cal environmental impact assessments. We do try to impose certain conditions, for instance if we give you this or that maybe build a school or this but we might have to have government speaking with one voice at different levels. And it's an issue that is beyond the commission as well but we think going forward these are the issues we must deal with.

And then there's a big issue the trading permits and licenses for spaza shops. The sector is not regulated and that is why there's a lot of illicit trading. There is especially your foreign owned businesses there are allegations tat some of them are selling illicit goods and that is why why they're able to survive and compete with the big retailers. And because I think to a large extent government does not have capacity to monitor these this industry but so we need to.

So we need to regulate regulate this industry, this industry is not regulated. We will as Gauteng look at the possibility of having a provincial legislation on this, but we still have to look at the Constitution and engage as well with the Minister of Small

Businesses so that we have a national norms and standards at least that can guide us on this.

And then there is this township based shelf space occupancy; you know getting shelf space it's a there are a lot of demands from these, you must pay for shelf space, you must pay for marketing, you must pay for all sorts of things. So if the industry gets regulated these are some of the issues that we should be able to deal with.

And then there's a big big issue in this exclusive property lease agreements we think this is the biggest hindrance because there are lot of butcheries for instance, bottle stores in fact because we also regulate liquor, one of the big issues we've been having for liquor traders is that your big retail stores are squeezing them out of business because most of them they got liquor outlets and they've been saying to us we must stop licensing them but we can't by law. They're entitled to and I think the problem now it's not whether we regulate them or not it's that they will say to whoever that builds a mall you can't give a liquor outlet to somebody, we want it if you don't, we don't come.

So I think there must be a law that outlaws this exclusive property lease agreement. I think that's one clear recommendation that the commission can come with and that we have to engage with national government so that as a matter of agency we outlaw because I think this is illegal. And I'm sure it can pass the test in the in the Constitutional Court, we need to. And we must consider a few few options but we will wait for your report so that we don't move. As if we don't proceed as if this process has not started because as I'm sitting here we can even petition the Constitution Court even before coming with the law to to to say they as express themselves on this issue because the law might take long.

It might take us two years and yet this people are continuing to, so I think after your report we look at that issue but it's one of the areas we want to express a strong view on.

Ok, the issues of monopoly anyway if you look at the economy generally all the sectors because we conducted a study in Gaugin looking at the different sectors of our

economy and the shocking thing is that all the sectors of our economy all of them with no exception including the taxi industry by the way, and that is an interesting industry. I will come to that point now. All the sectors are dominated by between four and eight companies who own at least 80 % share of each of those sectors all of them without exception. So the problem is not just in the retail sector the problem is widespread.

If you take the the tax industry and I think even soccer which are supposed to be black owned they are not necessarily a black owned if you look at the people who own the advertising through in sport and soccer. Sail dominates If you look at the management of hospitality areas which is where more money is . Money is not in the gate takings in soccer is in the hospitality who dominates, it it's Sail.

If you go to the taxi industry the funding part of it is dominated by taxi SA taxi. I think they're responsible for more than sixty percent of the fleet that you see on the road. If you look at the at the interest they charge, up to twenty five thirty percent and most taxi owners are not able to pay off in the specified 5 year period because you know these taxi's lifespan it's not long. So in three years time they take back the car and after taking back the car, what do they they do; In Midrand the replenish the car and take it back to the market. The taxi owner.

So, I think the Competition Commission will have to look into just different sectors of the economy but we don't have to wait for the Competition Commission we know what is the problem so as government we should also be proactive in helping small up and coming businesses through the black industrialists program which I think seeks to to respond to these challenges and of course they must be a diverse ownership of the economy. I think everybody will agree.

And then there's issues of buying power, how we deal with this issues it's something else and we might need to have a code of practice. And then there must be I think a mandatory supply development fund by the retail Industry. There are I know Pick n Pay through the Chairman's Foundation they are working with UJ. They've got something they do but it's not mandatory it's not that big. If you look at what they

make, so we have to make this mandatory and then there must of course be certifications and assurances so as the provincial government we believe this initiative by ourselves is very important it must be supported and that is what we are here.

So we will continue to to intervene where we can as the provisional government as we're already started and we we call on the Commission to look at the various several variables in dealing with these investigations. There is issues of bylaws in the municipality sometimes makes it difficult for small business to in fact one of the pillars in the in the strategy township is regulation and and the the laws regulations because it's a big big issue.

So some of these things may not be in the mandate in the preview but they they should help you to formulate a view that's what we think. I've tried to summarize so that we can have more time to engage. Thank you very much.

Competition Commission: Chair

Thank you MEC. And thank you for the interventions that you've suggested. A number of them will go a long way in assisting us in coming to our own recommendations for in this inquiry. Just a couple of things for me on the revitalization program of the townships where the malls considered to be at the core of this, I'm asking this question because we have seen especially this week players coming from Sebokeng where there is only a population of about eight hundred people and they are already six mall and more malls being built and the ownership of these mall from our of understanding is actually foreign some referred to them as foreigners basically saying they are not township people that own the malls.

What would what is your view on that ?

MEC. for Economic Development: Lebogang Maile

No, It's true; if you look at these malls most of them are built using worker's money. They are built using this township peoples money because if you look at the stockvels and burial industries and its worth about seventy billion but where does that money reside the money is with the banks, with the financial institutions. If you look at the Stock Exchange.

First look at PIC, there's about three trillion rands worth of assets there. Whose assets are those, it's pension funds of the and what what happens the they invest in these malls because if we were to do to conduct a quick study move good who funds all these malls you'll realize that most of them are funded either by PIC, funded by IDC has got stake in some of them. They're funded by some of the pension funds which are listed with the Stock Exchange they are sitting with about seven trillion rands there and all that so the problem comes back again to the issue of finance because the locals are not able to raise money and build this mall because they don't have finance.

So it's true that they're not owned by local people but it's also true that in most cases these malls are not are not operating in the best interest of the locals there. Because they've got all these big retail retailers who come there and unfortunately in certain instances they don't even hire local people they come with people from other areas and all that and and this has become a source of serious divisions in a lot of communities. They will co-opt some few people there and you end up having a lot of so my my my my take is like I've said we the model must change. If a mall is going to be built in a community it must be clear. What becomes the shareholding of the community and how do we raise that money.

So it means government at national level as well must look at the role of its funding institutions like PIC. That money it's there I mean why we need to insist that if PIC is to invest in any venture it must be in the interest of the people. If there's a community trust or whatever and I think that's one of the things so that this funding the role of government funding agencies must be different because they can't operate like the banks you know. Sure

Competition Commission: Chair

Just to go back to this point again so would it be would it be correct from our from my understanding that the developments the development of malls in the township is not any initiative by government or of government it's a private initiative.

MEC. for Economic Development: Lebogang Maile

Yes it's pure it's purely just purely private. What happens in most cases a private developer will identify land and if that land is owned by the municipality or a provincial government or national government they will approach them for rights. The rights to use it. And then they would have to undergo through a process of impact environment and the rezoning and all that but government does not contribute any money at all and it's a purely private private.

Competition Commission: Chair

On this point then would it be possible to is what role can a department like yours across provinces have engagements with various municipalities as to how this malls are built, where they are built, the impact that they have when they are built. For example a lot of a number of people have come before us and others have written to us others we met with them with where it is so clear that when you are township resident you're not able to access any land and and yet you can wake up one day there's a mall, you see a field you can enquire there's no information on it you never you never given any clear direction as to what's happening with with this land that could be available for business for local township rural and economic people and then you wake up one there is a mall being built and that mall is that mall that will then come and drive out most businesses in the area most of these small independent businesses so how how can who how can this be managed and and how would you suggest we recommend that this be managed by through our recommendations in our inquiry here.

MEC. for Economic Development: Lebogang Maile

I think one of the things we must do is to have a comprehensive approach to the land question in the country because as you know that the Minister of Rural Development is is championing a process of fast tracking land redistribution program but unfortunately it is largely focusing on agriculture in most cases and private title and all that and I think one of the things we must do in that process there must be a clause that speaks to a communal Land. It's communal in a sense that it is owned now by the municipality or national on behalf of the people what must happen in terms of development and there must be quarters that are set strictly so it must firstly be done. At the at the level of the law that's one.

And then two the member we have now established is called the is it the Land Surveyor General, yes as in the Land Surveyor General. We must strengthen so that they're they've got capacity to can oversee that and it's not something that must just be left to government departments and municipalities. It must there must be a body that also holds them accountable and then there must be a yearly commendation sorry not recommendation a report provided by government at in all different spheres on the utilization of land that is owned to say we had so many hectares of land we gave it away to this people the conditions were this and how far are they saw so that it becomes it becomes law how government disposes land.

Because you also have a situation where because of corruption people give their friends this land without following process, without looking at the benefit of the community and all that. So I think the last few years has helped us to identify the gaps the policy gaps and we just need to be firm in how we deal with this issue.

Competition Commission: Chair

The other issue for me is that would it be possible to put some of the planned developments; mall developments therefore in view of all the issues that have been raised before us on hold pending a determ...some kind of strategy and a determination on how these things are done. I know when I say this I'll frustrate most businesses because the wheels of government can be extremely slow, extremely. And having said this is even with our process our recommendations we cannot guarantee that come to 31st 2018 we'll have a recommendation even when we even if we do that recommendations our recommendations will still have to go to the National Assembly. So isn't there a process that government can at in the meantime in view of everything that is being done here put on hold some of the of the developments that are occurring or about to occur and a message goes out across the country that these must be put on hold pending a better strategy in in handling these situations until there is a proper ventilation of the issues that are arising here obviously with all of the state party stakeholders involved to reach the big retailers themselves have to state say on this obviously.

But given the extent of the of the of the problems that we have had just in Gauteng alone on what the mall phenomenon or the advent of the mall of the

malls in townships have caused, I think it's something that I'm wondering if it's not possible to do that.

MEC. for Economic Development: Lebogang Maile

You know. We're in recession now. We've been downgraded and I think one of the things we have to do is to try and stimulate the economy there must be more economic activities, spend on infrastructure and all that. So economically it won't make sense to do that. Economically thing economists would agree with us and the people will suffer more but the second thing I think I don't think we should use bureaucracy and red tape as an excuse for not doing certain things.

There are things that we can for instance this exclusivity lease agreements we can we can we can we can petition the Con Court, it won't take Con Court a year to to render this illegal because we're all agreeing it's not a good practice. It's illegal so there are certain things that we might have to firstly ask Con Court to rule illegal.

Secondly engage as government with these developers because some of them are keen I think not all of them are not interested because they know what are the ramifications for their own developments and all that . And in fact in most cases in most cases they have given what is called ten or twenty percent through trust to communities or another but the problem it's how these shares are disbursed. They end up in the hands of few individuals who call themselves community leaders like this chap who was here yesterday. What he wants my organization if they get something so that's one of the things we need to fight and make sure that there is an acceptable structure that is democratic enough, that is transparent, that is accountable so that if they go into these In fact I don't think there's any mall where they will tell you there's no community shareholding there isn't any but the issue is how many of those are benefiting in communities.

Competition Commission: Chair

Again link to this issue of for me from what has has come up here on when you spoke about expediting your land distribution or redistribution program as government and again considering in view of the fact that there are the wheels of the government can be slow because you have to you are bound to have a consultative process doing

whatever you're doing and and if if if there is certain if if if with with with with private businesses they're able to just go, buy and once and once a structure is the there's nothing you can do about it.

You can only regulate the behavior and what has become through these hearings both in Cape Town and here in Gauteng is the lack of as you say as you've mentioned also access to land and land ownership. I remembered a submission that a submissions that was made in Cape Town, I think it was one of our first submissions there where where it was said that some of the businesses had been owned by families in the township for the longest time ever and yet despite having this length of time having traded as a family you cannot they these families cannot all of these businesses cannot access funding because for them to access funding they need to have some kind of asset and that asset would be land and they don't own the land they live in, they don't own the land they operate the business in from so that's why I'm saying.

If you let one side go ahead if it made it might overtake whatever other initiative you have by the time you wake up, there is already, you you you have you have a nice policy but you have nothing to be implement it on that's why that that's what I'm it's a debate it's not the Commission's view, it's not the inquire's view it's a debate.

MEC. for Economic Development: Lebogang Maile

I agree, I think what we must do one of the biggest problems with South Africans is that we we tend to debate the issue over debate no belabour we know what is the problem, the problem is monopolistic behavior. We know the problem is big businesses conniving against small business preventing them. So what we must say is what are the three or four things

Competition Commission: Chair

Sorry Minister, on that point but you cannot prevent anyone from buying or acquiring land in the township at the moment. That's the issue for us.

MEC. for Economic Development: Lebogang Maile

Yes, I agree with you

Competition Commission: Chair

By the time, by the time you implement any initiative the land, the prime land for business that want to expand in the township maybe in the hands of a few that's what I am trying

MEC. for Economic Development: Lebogang Maile

I agree with you that is why as Gauteng provincial government one of the things we have done is we've taken a conscious and deliberate decision that we're not going to sell any government land to anybody, that is the first decision we have taken and we will want to encourage municipalities to do the same but if people want to come and develop government land we can give them a long term lease. But it will be based on conditions and one of the conditions is the participation of the locals in whatever development that is taking place there.

So the point I want to make is that we must say what are the three or four things that we can do immediately whilst we are busy with the law and I agree with you. You've got a I think you have hit it on the nail to say we can have this hearings here, sit here analyze the problem and we all agree that it's a problem but the issue is what must be done.

I don't have a solution to all those but one of the things I think must be done is to put a moratorium on the selling of government land not on the development that's one but two we must then just ensure that there are certain developmental imperatives that must be met for whoever that wants to and one of them is the issue of shareholding by the locals, is the issue of skills transfer, is the issue of enterprise development ,is the issue of employment and decent and to what I do not just employment is also decent employment and decent salaries. So so so it must not be this R3 000 the NADLAC is agreeing to because I think it's it's not it's not right but we're not talking about that.

Competition Commission: Chair

You also mentioned procurement, government procurement and that I think you said by 2019 it is your goal to have thirty percent of government procurement going to the townships. And then you said it's thirty percent because it could be it could have been higher it could have been more but it's it's limited due to lack of capacity by township businesses at the moment.

Is with with a goal like that for example ,I'm saying this because I've seen this elsewhere, I was involved in another inquiry that the commission conducted in a different capacity where government will have a plan to do something let's say thirty percent by 2019 and then that 2019 can actually go on for the next 30 years where that procurement sits at 30% and it never goes up which means seventy percent sits permanently almost permanently elsewhere. Is there a do you have a strategy as to over time how that could be done to ensure that we you not faced with a situation where this is a permanent solution where you're saying Communities,black communities, the eighty percent is sitting with eighty percent of that procurement and basically. And also going against your integration. Your integrating integrative goal that you mentioned.

MEC. for Economic Development: Lebogang Maile

Very profound point. It is why what we did

When we started, Firstly we made it clear that our vision is to build an inclusive growth. That is our vision as a provincial government government and what does it mean then spoke township economy this and that and all that. So the first thing I'm a say is that when we started in the first year. We started with twelve percent and we said the second year would be 18% and the third year will be, so we'll roll it over gradually because we appreciated that there's no capacity in the township businesses.

And then we also didn't just say there is a problem in town I mean there's no capacity we initiated a program called "Qondisa ishishini lakho" meaning fix your business. We went out to the townships, mobilize them and that's why sitting with a database of about one thousand seven hundred we know sitting with a database of about seven thousand plus from township based entrepreneurs but you also have

to appreciate that government is not just saving township based entrepreneurs. This is why it was a minimum to say for those were in the township space minimum already as the provincial government we're far exceeded our target in terms of SMMEs and historically disadvantaged individuals we're spending 91% of our budget on SMMEs and historical disadvantage so this include township economies.

So township enterprises will just be 30% of that which is a minimum but already we are spending 91% of our budget so we have already achieved that target. That's why our worry now is how now is how do we build a sustainable business because otherwise you've got the potential of creating businesses that are just dependent on government and on tenders and then you create a culture of entitlement when people don't get these businesses the throw their toys and tantrums like the chap that was here yesterday. Who says that people make was think it's a good example of what we don't want with the township enterprises.

So what we want to do now is to now focus on the the productive side of the economy is to focus on what we call Africa's industrial revolution, the reintegration of our our township enterprises into Africa. Our strategy we are just last week I was with the premier in Nigeria and in Ghana. If you go to these African countries just starting with SADAC 90% of the goods that are being consumed there, they are from South Africa. We are the economic hub in every sense. These retailers that we are complaining about they are dominating there and why because we've created this space for them as government yet at home they're not coming to the party, yet when they go to those markets they don't take along some of our small businesses who supply them with goods.

So they also play a double standard and that is why we must be firm with them here and make sure that they understand that transformation imperatives are not negotiable they they must be executed. So we are not worried about achieving. We've already achieved our targets in fact if you ask me now. on SMMEs, on historically disadvantaged, on the township and will end.

You know what we're doing, we are monitoring this this on a monthly basis in our executive council meeting. We give a report on firstly what how are are we doing on

township economy at the MEC responsible for economic development, I coordinate all that.

We give a report on how are we doing on people living with disabilities on youth owned enterprises, on women owned enterprises, so this is something and this is in the delivery agreement of the premier and all MECs so this is not a by the way issue that is dependent on who's the MEC at that particular time even if I was to leave tomorrow whoever comes in will have to report on this because it's part of the delivery agreement. So we have put mechanisms in place because we've seen previously, government coming in good programs but those programs not succeeding because they are no mechanism to monitor, there are no tools to to enforce. So for us it's not it's not an act of charity this step of integrating township economists into the mainstream it's a developmental imperative it's part of our vision of building an inclusive economy so that they can be social cohesion because if we don't deal with this issues of inequality we don't deal with the this lack of integration into the mainstream economy you continue seeing these uprisings that you see in the country because people are unemployed, you'll continue seeing people expressing xenophobic and afrophobic sentiments because they believe that other people are responsible for their plight and all that. So we understand this very well for us it's not just about the economic side of it. It's all about building a socially cohesive society and the economic transformation part of it is very key in dealing with issues of social cohesion.

Competition Commission: Chair

Without creating the expectation that government will hand out business to business to businesses out there you know there was a there was a player a baker from Mabopane, I don't know if it's Northwest or Gauteng, it is Gauteng he was here and he spoke eloquently how impossible it was for him to access, there are two prisons in his area, there are two hospitals in his areas obviously these are over and above the community he is in and competes already with these big players, it will help him a great deal to boost his business to a build a capacity for him to grow so just without addressing necessarily addressing his issues specifically, how how do, obviously when he was talking here he had no knowledge of any procurement on any of these initiatives that the Gauteng government has embarked on or is embarking on so when we are faced with the state of stakeholders and participants in this hearings that are

coming from Gauteng raising this kind of issues how do we, do we, who do we direct them to and what do we say to them.

MEC. for Economic Development: Lebogang Maile

You know you can take them to government but I always tell this to entrepreneurs.....

Competition Commission: Chair

Just for them to know what what initiatives are there not necessarily for them to be helped in getting that tender. Just to know of the initiative

MEC. for Economic Development: Lebogang Maile

If I always say to them they must go to our portal, www.gautengonline.gov.za you are able to access the premier's office, gauging enterprise propeller which is our funding agency, all government departments and all that. Then they were able to also see what programs we engaged in and like I've said. It's not possible to give everybody a tender and you know in the same vein I can speak I can up two bakeries one of them I think it's Soshanguvhe in Tshwane it called Gura bakery, so government started that initiative, we work with them. The City of Tshwane at the time under mayor Ramugupa bought machinery for them and they started as a cooperative and all that and then there's another interesting one in Pimville Soweto, it's a bakery, it's called Sakhile Zweni they start without government help, they just came to government to ask for additional money to grow and government through our one of agencies we realize but these guys are doing well but at time they were producing about five hundred loaves of bread through government intervention they wanted to establish to 2000 to produce 2000 a day.

And you know this bread is not even given to any government because there's a market and because the product is good the locals and they were competitive because they were selling their bread for I think R6 or R7 and somewhere there I can't remember and but they were competitive in that and the community was buying the

bread. So the reason why we want people to produce and manufacture is to not just that rely on the government is to also serve the need that is there in the community, because there is a big need but coming to this specific issue. I think one of the weaknesses with government It's how we procure because if a prison is in Pretoria there the people who procure its Correctional Services head office so when they issue a tender, they don't issue a tender for a specific prison they issue a tender for all prisons and then big companies who've got monopoly like Busasa they tender and they provide everything, they provide bread ,they provide meat, they provide pap, you see so if government was to break it and say we want people to supply bread, we want those who will supply meat those who will supply this and that and all that but also we want to regionalise but but remember government has done it previously there were lessons it did not work.

The one who supplies bread might not come that day. The one who supplies meat meat might so it also brings inefficiencies. So so so so it's not an easy issue to deal with because it can be it's easy for government to be populist and say you know we'll give people of this area bread, and that area meat, that area this and that you'll end up with what is it a human rights violation record because you've got prisoners who have got a right to eat and you can't supply them with food. You end up incurring more costs, PFMA fruitless and the you are and then you are accused of corruption because there is fruitless there is wasteful because you had to it buy quickly you'll end up having ministers running with their credit cards buying chicken lickin and Nando's and McDonald's, It's a story.

So, I know where people are sitting it's frustrating, it's like but why, I'm here I mean you were people who are in Bara they are saying but we are here in Soweto. Who supplies meat here but we unfortunately have to issue a tender from our provincial office and you I mean the food industry it's big just government.

I spoke of our Department of Education spending in a billion, we spend another billion as Gauteng government only on providing food in health facilities. That's a lot of money but what happens that money goes back to the big companies and so we must also think as government outside the box in terms of how we want to procure because

some of these laws which are necessary but we've made things more difficult for ourselves because we avoiding corruption.

One of what is it strict laws of procurement tight and we tighten and I mean in Gauging now, we run on what you call an open tender. We are even introducing a bill open tender . No, it's a good thing but it might have other unintended consequences so it's those issues that we must always deal with and I understand this frustration but I always say to say to don't establish a business with the intention of getting business from government.

Getting business from government must just be a consequence of your existence NOT NOT NOT your strategic objective because we've got people people whose strategic objectives is to tender to but the issue is what product but he has got a product fortunately. So why can't he be creative and see how we distribute his product. I'm speaking about this guy who is Pimville here doesn't have any contract with the government of course he wants to because government pays more in most cases there's even inflation of prices which is a problem and all that corruption inane al that that which we must deal with so that the bread that you buy for R7 you end up buying it for R20 government at some point we had that problem with our of school feeding scheme as a result we can't reach more people and all that.

So I think there's a myriad of issues at play so it's not as simple as is is but we want people like him to say how can they assist and what solutions does he he suggest and not and not say I'm not getting work from government, who said he must?

Competition Commission: Chair

You mentioned the retail sector Charter which is something that you said you would recommend to DTI to consider. Is it your observation that industries where there's a sector where there's a Charter a sector Charter . They have been better outcomes in terms of addressing the issues that we dealing with here today, inclusiveness, integration, creating more better participation by everyone is that, what's your observation in that.

MEC. for Economic Development: Lebogang Maile

Not necessarily. And that's why we are saying we must look at variables, we must have a multi-pronged approach because there might be a Charter that says twenty percent or twenty five percent ownership and all that if you look at the financial sector for instance there's a Charter there's a certain percentage but still when you look at the governance structures, you look at management structures, decision making it's still not there transformed but there's a framework at least that you're able to work on. So what we're saying that let that be the framework for this sector like they are in there and that's why now people in mining for instance they speak of reviewing and enhancing it because there is a practice and there are lessons to be learnt and here, there's nothing at all and that's why we're saying let's create a framework. We're not saying that's a panacea to the problems. That's why we saying let's look at it holistically.

Competition Commission: Chair

On the on trading permits relating to licensing and §trading. Does the, what's the rationale behind having these at all because as you may know from the submissions that we've seen here they are they would be for local businesses or local informal places they're required to have these permits in some areas and then foreign foreign owned nationals are not and so I did what is rational behind having a permit at all that's my first question on that.

The second question is you also raised the issue of lack of capacity to monitor, I forgot to also mention something that you that needs to be done in that space and as you were talking I was thinking if you can if currently this difficulty monitoring even that will need to be monitored so there's just lack the capacity to monitor by government is becoming a big issue and it's an issue that has been raised even in this submissions made in Cape Town for us.

MEC. for Economic Development: Lebogang Maile

I think the spa shops in most cases I don't think there is a if my recollection saves me well. There is a law that says that regulates the existence. There's no law but there are certain by laws related to health and safety for instance for you to run a food outlet you must keep certain standards as well so those are the permits people are talking about.

But the rationale to have this is to Firstly make sure that you create norms and standards. Across one, but two ensure that you are able to create a database that is reliable and you can know who is where. I mean currently estimated that there's about forty thousand it's an estimation of these spaza shops seventy percent of them are own by foreign nationals or run and not even owned as the way most of them don't own, they rent. They rent from from from from South Africans and pay rent run by them.

So if you have I want to give you an example we've got a liquor Act in Gauteng which says for someone to have a license I mean to operate they must have a license and under which conditions and all that. Despite the fact that we have the law you still have a lot of illegal outlets operating and one of the reasons why you've got a lot is because you don't have a reliable database and there are certain things we have done because we already have at the law backing us.

There are certain things we have done one of them we doing a physical verification. I think it's one of its kind in the country for the first time would go street by street, yard by yard, ward by ward, township by township, region by region and have that but the second thing.....

Competition Commission: Chair

Sorry minister, that is of all informal business whether owned by locals or

MEC. for Economic Development: Lebogang Maile

No no no no this is just for the liquor outlets. I'm just making an example. So once we have that we're creating a database because some of them the reason they are operating they've got illegal permits. And now we're putting technology because the police go to them and they show them a permit but police don't have a way of verifying whether the permit is legal or not so now we're going to automate everything when the police goes with our inspectors and they they they what is it they scan your permit it will say whether it's legal or not but also we creating a GIS where we will be able wherever we are we'll know in area X. There's so many shebeens or or whatever whatever whatever.

Remember the law allows us to do that we're doing it. Because in the spaza shops it's not clear who must regulate them whether it must be municipalities, whether it's provincial or national, no one wants to take responsibility. That's why we are saying we want to investigate the feasibility in terms of the law what does it say because economic competency it's a competency of all spheres of government, constitutionally, but then the constitution says who must do what and all that .

So we are going to be looking at that so that if we are not overstepping our mandate, as a province we would start that process of regulating them. If we are overstepping our mandate we'll have to engage with whoever that is supposed to do it and that's why I said we going to investigate the feasibility of doing that.

Competition Commission: Chair

Just on that initiative, when you when you do that would be intention be to close down those illegal liquor premise for example or would it be there to ensure that they register because there's also that dynamic because should you be closing them down we'll be back to having another basis for the inquiry where people are saying we don't have jobs, we don't have this and when you try to make a living for ourselves this government ,our government comes back and it closes down our stores.

MEC. for Economic Development: Lebogang Maile

Our posture is developmental so that the first thing we want to know, where they are, those who qualify because also it's not everybody who applies for a license who would get a license because there is laws for instance there is a law that says if you operate five hundred meters from a school or from a church you don't qualify for a so we can't give you a license simply because you know so that's the first thing.

The second thing is that those who qualify because there are people who qualify but they're scared to register because they think yho I must pay this tax, I'm going to get a limited income now but also from the safety and security point of view for the police because crime is getting out of hand now and most of the crime in most cases people who were involved oh who are victims are found to be under the influence of alcohol or other substances and all that.

Once the police knows how many outlets do we have in a specific area. Where they are located and all that we think it will be it can also go a long way in helping them to plan better because if you are the commissioner of police now, what is your plan, I mean what will that plan be based on. On thumb sucking so it will also help is not just for economic benefits as well it's also for fighting crime and and .

There's a program we are engaging in with one of the big suppliers to put cameras that will link some of these hot spots with the police and all that so that it helps us to fight crime because I'm sure you'll agree with me that crime is getting out of hand now and we're all not safe so we can't just look at the economic benefits only and not look holistically.

Competition Commission: Chair

On the issue on your intervention on buying power you proposed a code of conduct coming up with code of conduct for the for the for the obvious for the players who procure goods as well as and then you also mentioned the mandatory supplier development programs or funds on that point we had we had a submission now I don't even want to mention him because you're going to to Mr Mphuthi, that's one of the things that he said. And. where he says that needs to be monitored very closely because you'll find that again I want to know to what extent government is going to if the if this causes all of this may come back to you for monitoring where there is where company can claim to have a supplier development program and then you find that there's only one supplier that they actually support or develop so are there any guidelines have you considered any guidelines as to how this can be done to make sure that big players in the in the grocery retail sector which is what we will speak for not on other sectors can be encouraged to to broaden that scope and not. Just use one entity and make sure that it empowers a broader players a broader number of players in that community in which they operate possibly.

MEC. for Economic Development: Lebogang Maile

I guess one of the provisions in the Charter will have to articulate the role of these retailers in enterprise development so that when we monitor we monitor against a certain target so that's why it becomes important that we have that Charter and

when we monitor it to be against that target. Because if it's just a broad statement that says Enterprise Development, you're right Pick n Pay will pick one person and say we are doing enterprise development so there must be specific and I think it's going to be in that in that charter.

Competition Commission: Chair

Which again I'll go back to my point it is important to to to be able to to measure the achievements of other of the existing Charters in the other sectors before there is and before this is considered. OK that's the that's my last question thank you.

Competition Commission: Du plessis

Good afternoon and just a few follow up questions from my side.

The issue of counterfeit goods that you have alluded to in your presentation. Has your department done any specific research regarding that and if so would you be able to share that with us.

MEC. for Economic Development: Lebogang Maile

Unfortunately not except through our Department of Community Safety Working with the police when they have operations but we have not done any comprehensive research as the Department of Economic Development and I think it's something we will consider.

Competition Commission: Du Plessis

Yes I think that that's fine from the inquiry side we also we also have picked up on that issue would it be possible for you to perhaps just share any information that you do have even though it's not necessarily research that was conducted by your department.

MEC. for Economic Development: Lebogang Maile

We will gladly do that. We will check with our department of community safety and and will certainly give you that information.

Competition Commission: Du Plessis

Thank you very much.

The second thing you've mentioned a lot of numbers and a database buy of small businesses that you do have. Have you done a and you've also mentioned the mapping that you're doing in terms of liquor stores. Have you been able to do any any research or do you intend to do research to map the number of spaza shops for example in townships and also if you have done it, do you know what the trends are in terms of whether they they are more or less I know we we've heard a lot from from stakeholders this week that that that that implies that that the numbers have reduced but have you may be done any any do you have any data on that.

MEC. for Economic Development: Lebogang Maile

I think there is information by other sources we can help you get that data as well which we relied on but we haven't done that. That is why I was saying here there are about forty did I say forty thousand, Yes, there's about estimated forty thousand but that was done by other sources not us. We can get you that information.

Competition Commission: Du Plessis

Thank you. The franchising initiative that you've that you've alluded to in your presentation I think you you said that it's created a number of jobs already is it possible to maybe go that back to that slide just very quickly so that we can look at that.

MEC. for Economic Development: Lebogang Maile

I think is sixty jobs that were created from four shops.

Competition Commission: Du Plessis

And are those sixty jobs are they related to the shops specifically or do they relate to the suppliers is that have been also have been able to sell through these the shops.

MEC. for Economic Development: Lebogang Maile

I think that is just the shops just the shops.

Competition Commission: Du Plessis

You did indicate that they that they've been some initiatives regarding small suppliers in the area that are able to sell through those spaza shops is that is my understanding correct

MEC. for Economic Development: Lebogang Maile

The spaza shops can source from the small guys because remember the big retailers are they are prescriptive when it comes to the shelves so you can't just put anything there so the condition was that at least forty percent of the space should be open to anybody who wants to sell. So, the local guys for instance I know there is fresh produce that they were getting. There is I think there was some archaar and what what . So there's quite a few things that they're able to allowed that flexibility

Competition Commission: Du Plessis

OK. Would it be possible for you maybe offline or your department to just give us more information regarding that specifically as well and also how successful it's been so far I think it's that would be very interesting. And I think that's all from my side.

Competition Commission: Chair

Just on the Pick n Pay spar shop programs. So those spaza shops even though they are owned by the individuals they still have Pick n Pay on them because the sixty percent of the goods sourced from Pick n Pay.

MEC. for Economic Development: Lebogang Maile

The goods and the the systems

Competition Commission: Chair

Are Pick n Pay systems. Do you know where the I mean let me start by saying: Pick n Pay owns distribution centers and we understand that from this inquiry and there and what they've been provided even by some of the retailers themselves that having these distribution centers have actually created a lot of efficiencies for them and then because they source goods from suppliers which then go to the distribution centers and then from the distribution centers which are which tend to be regional then they can then start delivering to all their outlets and I am wondering if the spaza shops in the in that have been created benefit from sourcing from the sea or do this source from another Pick n Pay because I would imagine sourcing from a distribution center and sourcing from a retailer may have different margin differences.

If you sourced from it from a distributor, if you source from a DC you you the cost price which would be cheaper, would be less and if you source from the retailer there's more pricing and then when they when the on sell that good they actually the margin is not so much in fact it doesn't even make them competitive.

MEC. for Economic Development: Lebogang Maile

You're right and I think one of the things maybe we must do is to is to is to give the commission in the contact of those those those those those those spaza shops so that they speak for themselves on this issue because these are operational things which I wouldn't know whether it was remember we signed and what is signed and what is done its two different things.

So I agree with you that we would have to give you the contacts of those.

Competition Commission: Chair

That would be lovely. Thank you thank you very much MEC. I think that is all we have for today, thank you.

MEC. for Economic Development: Lebogang Maile

Thank you very much.

Competition Commission: Chair

The next submission will come from JB's Bakery. Can you be ready.

Just as the whilst the notice the next player or participant will be preparing himself, I just want to say that all the all the presentations that were made will be uploaded on the Commission's website so even the ministers one.

Competition Commission: Du Plessis

Early next week. And then also the youtube link is of course available at any point in time and they will also be transcripts of the hearings, non-confidential versions of the transcripts that will also be available on our website.

Competition Commission: Chair

Thank you sir you may proceed will you start by placing your name on record please your full names.

JB's Bakery: Jabulani Dlamini

Good afternoon everybody. My name is Jabulani Brian Dlamini. I am from Kagiso in the Westrand. My company name, our company name and that's myself and my wifeis also here. Our company name is JB's.

We started our company last year February and you've been overwhelmed by the growth that we've been experiencing in the past 14 months now. We are both from corporate companies, Old Mutual and FNB. I worked there for a couple of years. She is also from Old Mutual so we sat down and strategized just before we opened the company and it took us three years to start the business side of things.

It hasn't been easy and indeed it has to a lot of fights and the true understanding of what are we getting ourselves into. From last year when I when we started I had to put my foot on the floor and say Kgapetsi, either we do this or we will continue to trying to work our whole lives but because we believed in ourselves as entrepreneurs and we both had the mindsets we both have been in the business and we know how to sell and we knew how to sell we had to take things on the table.

And so we had to we had to sit down and write everything that we wanted to do and it started there. The dream was to build a brand and a legacy for our children. We've got two children and we we started from there. We started by selling kotas . After we had resigned from our jobs we bought the equipment to start the business, a few things because it wasn't much that we had but after six months we managed to buy big machineries for a bakery because you know when you sell ukota, when you sell kota and amagwinya to the locals, I think that stole everything. It made us believe that we can really do it because that's when we experienced a exponential growth into the business and we managed to raise more than R360 000 in less than nine months.

So with that we managed to reinvest that money into the business without having to think about the government and without having to think of their fundings and everything we never had that in our minds but we believed in what we wanted to do we still do and we are experiencing a few challenges after buying all those big machinery we started to bake our own bread. We were making a hundred and sixty thousand sorry 160 loaves a day that we used to sell to the community but in the same process remember the business we starting it from our own space from from our yard, from our house so the challenge was the capacity, the electricity capacity.

It was demanding so we couldn't we couldn't carry on doing baking our own bread. We experienced challenges from Eskom coming over and saying we are using too much electricity and it affects the houses around. But with that, it wasn't a downfall, actually that's one of the things that made us that made us think you know we can grow our brand as we were saying. The JB's we had a slogan of from Kasi to Town that's where the slogan came from when Eskom after Eskom approached us and we thought why not take it to the to the to the town of Krugersdorp. I mean there's the town they're using the local town around there.

It's still not easy we still working on it we were supposed to have opened by February we procrastinate, we postponed that may not use procrastination we postponed to the first of June which is this current of month but we still facing a few challenges we're still working on them.

We currently employed we are sitting with five people that we've employed at JB's still in the location. We can't say we're giving them I mean enough salaries or something but we making change because we are from a very very small community. A very small extension obviously we from the township we're using extensions.

We in front of the house, we saw the demand. We know knew what we wanted to do. We understood the market very well and it's still working as an advantage for us but at the same time that doesn't mean that it's going to solve all the problems that we have. We never even even up to now it's only now I understand the process of the funding and everything from the government. That was not in our minds but it always came as a question how do other people get all those how can we be part of that.

We that's not the aim, that's not the aim to to get there but at the same time we also need assistance maybe professional assistance, yes we are professional we from from the professional industry but we still need the government to come into place into us. And we've got questions to that we ask ourselves how how are we inn building this brand. How much help can we get. Maybe from the government or maybe from the people who are experienced experienced or maybe from the big companies. The bread that selling, we selling loaf fro R7.I heard the MEC talking about that and they're the same. The demand that we have of bread has risen but we can't produce bread anymore. We need to move from our own house to the township as the slogan says and by doing so it requires a lot from us.

It requires we we need to pay rent and then we need to pay a little bit more into electricity. We need to reinvest in the business we also have staff to pay. We've put so much effort so much time into this but we still believe in our business and it's so it has shown us so much. We managed to attract people from overseas, we've managed to attract big personalities like aboDJ Sbu, abo Mam Phumzile Mlambo Ngcuka. who was at our shop last last month on the 17th of last month.

I mean doing the we never approached them they're the ones who came to us seeing what we have done and you know being identified from from from the I mean from the grassroots and somebody picking you up from there and saying we can see we can see what you're doing and we can see that you also believe in what you're doing. We believe in our product. We believe in what we are doing. We are putting so much effort into it and we are pleading for assistance, professional assistance, whatever kind of assistance, it can be advise, it can be finance, it can be whatever to make it possible not only for us but for the people who are around us and how people can help us to grow and to create a bigger brand because the idea is, in the coming two years from now it was three years last year but in the coming two years from now we have to have about four branches in the area because in our community, in Kagiso it's only two of these kind of bakeries so we believe that if we can have a little bit more around the Westrand area we can we can build a very very strong brand and we can employ obviously that's the biggest issue in the whole country not only in the whole country but in the whole world of unemployment.

How do great business people and great business personnel come into place and to assist this small companies or this small bakeries shops that we have in the location I think

Competition Commission: Chair

Thanks Mr Dlamini. I think from what you have said it is clear for me that you are raising any of the concerns that we dealing with under the inquiry, however I think the presentation that was made by the minister by the by the MEC here earlier and that portal and that website that he referred I don't know if you took that down. I didn't could be a starting point for you and then I'm not sure if my colleague will also have other other ideas she works for the commission so she may have better ideas on how else you can be assisted to grow the business but that's not something that this inquiry is specifically specifically mandated to do. Thank you or established to do

Competition Commission: Du Plessis

Thank you very much for coming today. As Llama indicated that it's not our mandate to assist in terms of funding or even in terms of professional assistance they are government departments that do have a mandate to do that and we do have your contact details. What we will do is we'll we'll call we'll give you a quick call during the course of next week and just put you in touch with the relevant departments that might be able to assist.

Competition Commission: Chair

But don't forget to look at that Website that the MEC referred to. I think let's not take any break for tea it's a Friday so let's just we've got one other submission to be made can Mr Zama Qampi from Buy Black SA come forward.

Mr Qampi will you please just start by giving us the background on who is Buy Black SA , the background. We need to understand the background and the organization or the entity what it does when it started all that and then you go into the concerns or whatever it is that you'd like this inquiry to take note of about you also your submission.

Buy Black SA: Zama Qampi

Thank you very much. My name is Zama Qampi secretary of Buy Black South Africa. Buy Black is a tertiary corporative which was set up in 2009 . Right now its busy setting up some district cooperatives, mainly secondary cooperatives so that the small businesses within different district municipalities can be able to bargain and also look in terms of localization in terms of procurement within those.

The reason why Buy Black was set is we realized that the government has got good policies but it is difficult for them to work with private sector especially in monitoring and evaluation. Things like your Charters things like your procurement policy, especially your enterprise development and localization think like you black economic empowerment. The issue of your PPPFMA in terms of maybe bargaining to loosen up so that it can enforce the next one which is things like youth employment accord. Big business colluding and enforcement of policies as well as corporate social investment. The last one I just added wow it is retrench ship there to business support so that's what Buy Black is focusing on on those.

The reason why we came for submission today is is especially when you talk about hawkers development that is something which is much more very close to us. In Tshwane over the past two years I think maybe you might recall that you have set up 200 hawkers development centers. By that I mean that we help your hawker to become a Hawkers Distribution Centers and then to sell some fresh produce as well as to sell all your bigger products which the big retails are selling but I'll take you through in terms of examples with regards to that.

We were there as Buy Black just in brief when we divulge information about the Pioneer Foods to you that's one of the things .It is us who also reported to your Tiger Brands and you'll remember when it was it claims that I mean it was penalized and eight point eight million. We were also involved in the construction companies.

Last year you saw the strike of MTN when we were striking because the MTN decided to move their procurement center to Dubai. So now whenever you want to do

procurement is decided by instead of being done here and also we were there when Blue Label bought some part of Cell C. But at the same time there was no Black Empowerment with regards to that so we enforced the Blue Label to say yes that's nice and fine you have bought a Blue Label but can you set up something for the small businesses so that's why you see now Blue Label has got a program which is called Spaza Boza where they're saying that if we can give you our profit when you buy some product from Cell C, from MTN, from Vodacom, pay your T.V. license you pay your you play Lotto. You pay your penalties, traffic fines and then and as well as you buy your electricity they are giving those machinery to the Spaza shops that is something which they haven't done it before but we said you cannot just buy Cell C and don't do anything for the Hawkers as we're talking to you we are implementing those machines to all the hawkers throughout.

But also one of the things that the MEC has spoken about it was an issue in the sport development that is soccer is a big business but we have set up also a program which is called Ibhola Lethu investments solutions where was saying that you cannot be a spectator of soccer for the rest of your life but you find that you cannot even take your kids to university so what we have done out of the proceeds now I'm talking about the whole value chain from moving from Durban taking a bus sleeping in a hotel to buying a ticket food. Everything you utilize ten percent of that it goes back to the soccer supporters so they've got their own funds and then what we're doing with them was setting up the small shops with regard to that.

So the reason why we came up we came up because we were really concerned to say especially we with the hawkers. Let's start first to the corporate social investment in our country to talk about that. Last year we attended one of their corporate social investment conference in Sandton Convention and one of the things we have realized is that when we are asking the big businesses to say how much do you spend on enterprise development especially the SMEs we got some billions there all of them B.H.P. Billiton were talking about more than hundred million, different companies and we ask ourselves to say how this money is utilized to improve some black businesses especially in the township. There was no question with that regard to that. So that's why then we realized that you need an organisation like Buy Black to enforce that so that's what we're doing now but we are using both of the your carrot and stick model.

With a MEC like this one what we normally do normally go and some break fast with the private sector in all the 21 sectors of the economy which are being organized by the Setas so what we are saying is that each and every Seta must organize a breakfast and talk to all of them. Through that we have managed now to to set up your paperless education in Gauteng because we organize two years back sixty five by city companies and those 65 companies that have contributed towards the education of Gauteng. Each and everyone our kids they've got iPads. They're not like me using papers because of that.

So we intend to do that in all of those for example now I think you have seen about two weeks back we were in KZN dealing with insurance industry what we're saying with the insurance industry we saying that. It cannot be right that when your car is involved in an accident the whole value chain doesn't go to that black market. Look at it this way for example from the time they tow your car to panelling beating there was nothing which was going to black entrepreneurs. So what we've decided to do. We have decided to set up some centers throughout the country which is focusing to say here is a panel beater center it must be accredited by Telesure, it must be created Santum, it must be accredited by all these insurance industries so that they can be able to take the so that the value chain at least thirteen percent each moving from ten percent up to thirty percent as the MEC was saying which must be enforced through that.

So the reason why we came was to say that we have proposed some solutions just In my conclusion. One of the solution is that we are saying remember that we're not focusing on Gauteng we went for example to Venda where we saw the hawkers there at Chakumba you know those ones who they're selling your fruit and veggie in the streets so with the MEC. of Agriculture and then when we have asked them to say how much are you getting out of these R20 bag we are buying from you of bananas you know the answer was that they're getting R2.

So imagine someone my mother working there for the whole day and then working there for the whole day and then come the end of the day he's only getting R40 after

he has worked for 24 hours because you can go even at night , you find that there are there.

So we said I mean there's something fundamentally wrong there with regards to that. so I can make you some example in different provinces of the things we've done but for the sake of time.

The proposed solution we suggesting maybe we work with commission community commission in the following: First we were proposing that the MEC. was talking now to say they have they're working with Pick n Pay in terms of making sure their products and systems are available to spazas we are saying as Buy Black that is not good enough, unfortunately we didn't manage to engage the MEC. Why we intend to do doing is we are proposing to say there should be community participation in retail and there must be a minimum enforcement. Look now he has just counted 12 shopping mall mall which has been set up in Gauteng but those twelve shopping more even the MEC cannot tell us that how much of that is involved as part of community participation there should be about from Pick n Pay thing. Pick n Pay is just one store but what about the rest of the stores. So if we have got Maponya Mall there how the community of Pimville, how the community of places around Soweto are benefiting from that.

Go to the Burgersfort in Limpopo if you want to want to see their. There is already about about eleven or twelve malls which are but ask yourself that there are the communities that benefiting from that the malls and the answer is no.

They don't even know about these community participation involvement that's why we have set up a cooperative just focusing on that so that's a first thing.

The second thing we were proposing to the Competition Commission is to say we should have retrenching business support system because remember since the government has introduced the income incentive schemes we're finding so many people being retrenched then replaced by and the actual the income incentive schemes. I know that it is not your forte but what we are saying is that that we need to set up some SMMEs before someone is retrenched there should be a program

which has been created to make sure that person is going to start his own business. We've done it with Telkom successfully if you remember when Telkom was retrenching two thousand staff. What we did we said no no no before you retrench them there should be a retrenchment support you know what has happened the same people who are retrenched at Telkom now they're running their own businesses supplying a Telkom even some of them they were doing their fiber optics for Telkom. So there's so many things that you can be able to do so that's a second submission we are proposing. But also we're saying with the we're proposing from the Competition Commission to join us in the breakfast show I mean breakfast meetings we're having with private sector we are asking you to be a little bit of visible.

We know that we see you towards the end end when ever there is a problem and then maybe the company call you but we're saying why don't you join us, DTI, BEE Commission and others and we go so that we talk to the private sector to say there's some ways we can be able to work with governments you see a look there is enterprise development, there is skills development there is localization procurement and so forth so are proposing that maybe it can be able to join us with regard to that.

The fourth proposal we are coming with saying that youth employment accord, this is a youth month this one and I'm still a young person and fortunately. We have managed now to loosen up a little PPPFMA which was a problem to youth employment accord. Remember it has got six points. One of the points is enterprise development, another point is the public participation, private participation that you'd set aside. We have agreed when we signing the the youth employment accord on the 18th of April in 2013 that are they should be thirty percent set asides cut across both in the public sector as well as in the private sector with regards to youth employment accord for example or make an example many private companies are issuing some tenders issuing some procurement but It is not clear that youth proportion or quarter with regards to that got to that one of the things are proposing is that when you issue a procurement to a private company there should be clear youth set aside to say we're giving you a deal of five million but you please make sure that you take a certain percentage of these utilize it for enterprise development so that as well as in government that's what I wanted to say to the MEC you see you see because that is

not clear now end of the barrier was PPPFMA we have loosened up now there's no more barrier regards to that so that our next submission with regards to to that.

The next submission is that we need to to to start creating cooperative banks with better interests you see. Obviously that is not something which can be done alone by Competition Commission but what we are saying is that. We have agreed with Treasury and we have agreed with DTI to say we should promote Cooperative banks because one of the things we're saying is that if people especial SMMEs that don't have an access to funding it would be difficult for them to run this look what we have done last year we also run Soweto festival. And in Soweto Festival one of its mandate is an SMME exposure to make sure that the SMMes they come and profile all their products there so you find that when we doing Soweto Festival we are doing some Christmas Christmas parties for for different private sectors, they come there at Nasrec and we cook for them. But also we do the SME indaba when we listen to the SMME, we do your Soweto Food and Wine Festival. And as well as as the SMME expos. But out of the. out of those things those things or things what we're saying is that we need to find a way that of these SMMEs in the Township they are able to interact with some big business. They understand something so we need to find a way that the CEOs of different entities ,the procurement managers they come to entities like this one and they talk to the SMMes to say we Tiger Foods this is our strategy for this year and this is what we intend to do in order to enhance that but lastly.

All the 21 sectors we proposed from the Competition Commission that we need some find a way of monitoring them in terms of maybe your mandate your it can be enterprise development it can be colluding it can be competition it can be as bad a Competition Commission Act you remember it says "it is unlawful agreement between competitors to fix their prices to share their market territory and to share their customers" So what we're saying is is that as you are doing some road shows with you which we are proposing we need to look at this and said how are we going to use the carrot program in terms of this and the last one we are saying that unless we work with you the Competition Commission in setting up the local municipal cooperatives the reason why I am mentioning cooperatives instead of your private companies is is that cooperatives can be able to take twenty people and

then after that you set them into a cooperatives o if we're doing cooperative for example in the City of Joburg the whole City of Joburg will be able maybe to take it twenty SMMEs and after that said let's look at all the opportunities out there so imagine if we have for example two hundred seventy eight or seventy three municipalities each and every municipality has got its own cooperative so we propose to the Competition Commission as we are setting up this local municipalities throughout the country we need to find a way of interacting with you so that they should be that carrot model we used to say big business try to support this program of the small business empowerment within this local municipality thank you very much.

Competition Commission: Chair

Thank you thank you Mr Qampi first of all I just want to make the point that you that you need to know we need to be aware that the Competition Commission is a creature of the statute its a statutory creature and therefore that means it's limited by the mandate that is stipulated in its legislation. So as to whether or not the Commission can do any of the things that you've suggested those your proposals in working with the commission would need to come would need to be related to that mandate statutory mandate one.

Secondly you also mentioned the issue of setting business support systems in the event of retrenchments just on that for example the Commission's work does not deal with retrenchments at all. The only time that they Competition Commission gets involved gets involved in retrenchments is when there is a merger that is notifiable in terms of the Act and that has been notified before it and then there are significant retrenchments that it considers not in the interests are not in the public's interest and then it interferes it's only in only within that scope that it can put it it can actually intervene.

So again it's this this comes from the fact that they are a creature of statute so there is only it is limited to what it can do but I'm a panelist at the commission I'm not going to speak for the commission but this is what you do need to be to consider in the proposals that you are putting forward.

The only question that I thought is off interest to us here for purposes of this inquiry that I would like to ask you is, you said you have use it you have set up two hundred Hawker development centers. And to do this hawkers pay a fee to to to Buy Black SA or is it something that you do pro bono without the well without any fee payment.

Buy Black SA: Zama Qampi

Thank you. Commission. We don't charge a fee for for this commission to do this remember what we have done as we're doing the breakfast with the private sector we always ask them to support it the SMMEs. So what in we have in Tshwane this 200 SMMEs I am talking about which we have set up and then we're intending also to formalize another seven thousand because there are so many SMMEs there. Our intention was to make a model so that that model we can be able then to do it through the country.

But what really happens is that each and every SMME is easy to set it up to use only thirty five thousand but with that thirty five thousand and then it can grow within the year to two hundred thousand a year but also let me take you this opportunity to say we need to work with you Competition Commission to seriously set this equity fund especially for all the penalties you have done whether you've done it to Pioneer Food or whether you have done it to Tiger Brands all those one so they should. That fund it must empower the SMME. We just need to have something like an SMME fund. Thank you

Competition Commission: Chair

Mr Qampi again I'm not the spokesperson for the Commission the penalties that are paid by in the any fee whether it's a merger filing fee or a penalty that is paid by a firm to the actually not paid to the Commission. It goes to the the fiscus. So it's not money that's kept by the Commission, so the Commission has no say in what happens to that money, it's government money.

So that that's what I think maybe you need to have set up a meeting with the commission and not use this platform for this so that they can explain their role better

to you and probably explore how if at all they can work with you and then I just wanted to ask something else that just something that you said I wanted to or your hawkers the hawker developments centres that you have established please just be short on this I Just want to find out its hawkers across all products it's not necessarily necessarily hawkers that sells groceries for example things like fruit and veg. You've touched on the Limpopo experience or Venda which has relevance to what we're doing this inquiry is solely focused on the groceries sector and we can we do have interests in whatever entity stakeholder that is that is playing a role or role has any role player across the value chain in that in the sector which is grocery retail sector and in that regard we would say whatever you doing in that space we can take it we can look at and consider and that's that's the limitation of this inquiry. Thank you.

Buy Black SA: Zama Qampi

OK OK That is all thank you very much for listening to me. Thank you colleagues for listening to me.

Competition Commission: Chair

Ladies and gentlemen thank you very much for Joining us in this public hearings. With thought that brings us to the end of the public hearings in Gauteng and the Joburg leg we hope that we will especially from the media that has truly supported us in these Gauteng hearings in particular we hope that we will you will continue to do so in in the in the public hearings that we'll be having in KwaZulu Natal. We we really do thank you for everything that you've done up to now ,thank you very much and also those participants that have come to listen just for the sake of hearing what it is that these public hearings are about we really do appreciate that thank very much thank you and goodbye.