



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo leNtshona Koloni

Ref Number:

Report of the Standing Committee on Finance, Economic Opportunities and Tourism on its oversight visit to the Pick 'n Pay Market Stores in Langa, 25 August 2021, as follows:

Delegation

Members

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Maseko, M (DA)
Nkondlo, N (ANC)
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Cloete, L (Senior Procedural Officer)
Motsapi-Mrubata, M (Committee Assistant)
Naidoo, W (COVID Compliance Officer)
Abbas, T (Senior Logistics Officer)

1. Introduction

The Standing Committee on Finance, Economic Opportunities and Tourism (SCFEOT) embarked on an oversight visit to two Pick 'n Pay (PnP) market stores in Langa on 25 August 2021. The PnP Market Store Project forms part of the Department of Economic Development and Tourism's (the Department) Enterprise Development Programme.

The Minister of Finance and Economic Opportunities, Mr D Maynier, made opening remarks, informing the Committee that the PnP Market Store Project was an example of what could be achieved when the public and private sector joined hands to execute a programme that created new businesses and new employment opportunities in the township environment. There have been conversations about how this programme can be extended to other sectors, beyond retail.

The briefing was held in the Chamber of the Provincial Legislature Building (7 Wale Street, Cape Town). Once the briefings were concluded, the delegation engaged with the owners of Nabe Market and Thembi's Market and did a walkabout of the stores.

This report highlights the Committee’s findings and recommendations stemming from the briefing and visit.

2. Briefing by the Department of Economic Development and Tourism on the Pick ‘n Pay Market Store Project

2.1 Overview

The day commenced with a briefing from the Department of Economic Development and Tourism (the Department) on the Pick ‘n Pay (PnP) Market Store Project, the challenges encountered and the employment opportunities created by the project.

The Department’s delegation consisted of Mr Joshua Wolmarans, the Director for Enterprise Development, and Mr Sharief Davids, the Deputy Director for Enterprise Development.

2.2 Observations

2.2.1 The Department endeavoured to prioritise the enablement and development of township-based businesses. This has largely been done through the Enterprise Development Programme. The PnP Market Store Project focused on the establishment of mini super markets, either from existing spaza shops, or vacant and suitably located sites within townships. The initiative involved improving infrastructure (building, machinery and equipment) in the township retail sector. The Department has provided financial assistance to qualifying beneficiaries in the form of grant funding to facilitate the refurbishment and set up of the market stores.

2.2.2 The first market store opened in 2017. To date, a further seven stores have been opened. Two existing sites were upgraded, which resulted in employment increasing from 24 to 67 employees. The current employment within the stores amounted to 177 employees.

2.2.3 The PnP Market Store Project consists of various partners from the public and private sectors. PnP provided grant funding, the facilitation of loan funding, systems implementation and mentorship, while the Department contributed to grant funding, the facilitation of municipal applications and loan funding. The City of Cape Town contributed to electricity upgrades, and organisations such as the Old Mutual Foundation, Masisizane Fund, the National Empowerment Fund, Brimstone Investments, private sector banks and the Small Enterprise Finance Agency contributed towards grant and loan funding.

2.2.4 PnP experienced challenges related to municipal planning regulations, finding suitable locations for market stores, identifying appropriate store owners and finding low-cost funding options. However, PnP has had constant interaction with municipal officials to fast-track applications, held intensive training sessions with store owners, and have reached agreements with funders to access development funding.

2.2.5 PnP market store owners have indicated challenges concerning limited trading hours (related to the COVID-19 lockdowns) and the impact of their cash flow, high electricity costs, salary and wage challenges, recent taxi violence and subsequent disruptions, and issues around the ordering of stock for stores. The Department was in the process of engaging the City of Cape Town about the electricity charges and appointing a “consumption” consultant to identify potential power savings. The Department was also reviewing the roles of staff members within

the stores. There were dedicated project team members on standby to assist owners with daily operations.

- 2.2.6 The financial statements for all seven PnP market stores showed a general trend of a slight decrease in sales in June 2021, which PnP indicated was normal for the winter season.
- 2.2.7 The Department continues to do research around township economy and what the challenges are, in order to understand the landscape of townships in which they are going to operate in. It was critical to look at the development of the township economy in the context of infrastructure development, planning legislation, low-cost funding as well as crime and safety. The Department engaged extensively with the City of Cape Town as well as other municipalities to identify sites for market stores.
- 2.2.8 The Department has been working on a Township Economic Growth Strategy, which will be reviewed as part of a larger Western Cape Economic Growth Strategy.
- 2.2.9 Once a store launches, there is aftercare support in the form of a team that engages with all the owners of the different market stores. The manager responsible for a store is deployed to that store when there are any challenges. PnP has also deployed other managers to stores where specific skills were needed. The Department and PnP engages regularly to ensure that the stores operate smoothly and that the owners receive the support that they need.
- 2.2.10 In order to identify store owners, PnP engaged extensively with various business forums in identified areas. These business forums would then enquire within the community whether there were any persons/entrepreneurs interested in opening a market store. PnP would then visit the area and assess the entrepreneurs. If the outcome was favourable, PnP would move forward with the market store project.
- 2.2.11 PnP market store owners have access to PnP's supplier database, where the owners are able to purchase products at the same price as other PnP stores. However, PnP also allows for store owners to purchase from local suppliers, for up to 30% of their supply. The Department indicated that they would engage further with PnP about maximising the benefit of including local supply into the market stores in townships, especially from small businesses. The challenge was that PnP audited all their suppliers in respect of quality of the produce. If a customer became ill because of a product, it was possible that they would not blame the local market store owner, but would place the blame on PnP, in general.
- 2.2.12 The Department indicated that the partnership with PnP came about after extensive calls for engagement with "retail giants". The Department will embark on this process again in the future to ascertain the appetite of other retailers to launch more market stores in townships.

3. Engagement with Mr B Ntshuntshe, the owner of Nabe Market, a Pick 'n Pay Market Store in Langa, as well as Pick 'n Pay Stakeholders

- 3.1 Nabe Market commenced trade on 21 August 2020 and has 18 employees. Nabe Market's latest turnover in June 2021 was R784 386,00.
- 3.2 The owner of Nabe Market, Mr B Ntshuntshe, was born in Langa. His grandfather owned a spaza shop, which was where Mr Ntshuntshe gained experience with spaza shops.
- 3.3 Human resources and labour processes were determined by the owner of the market store.
- 3.4 If there were any "waste" products, these were often donated to different places that needed them as well as funerals.

- 3.5 Nabe Market had an advantage in the area over surrounding businesses because it offered hot foods/meals via its deli section, in-store.
- 3.6 PnP provided Nabe Market with grant funding, which contributed to the purchase of machinery, tills and computer equipment etc.
- 3.7 Mr Ntshuntshe has increased his revenue since opening Nabe Liquor, next to Nabe Market. The liquor is also purchased through the PnP supplier database system.
- 3.8 Mr Ntshuntshe has implemented a local bicycle delivery system since there are many older residents in Langa, who would like to purchase from Nabe Market but cannot come to the store.
- 3.9 Market store owners are able to purchase up to 30% of their stock from local suppliers. PnP does not give the owners approval for this, instead, the owners are given guidelines by which to conduct their business. The guidelines also enable owners to understand their budgets and how to sell and promote their products.
- 3.10 Nabe Market recently opened its bakery and has started selling rolls to local businesses. They receive the specifications for what these businesses need and bake the goods according to those specifications.
- 3.11 Mr Ntshuntshe indicated that in order to be successful and get the approval from the community in Langa, one had to be very involved in the community beforehand.
- 3.12 Mr Ntshuntshe leases the property from the Nabe family.

4. Engagement with Ms J Thembi Dike, the owner of Thembi’s Market, a Pick ‘n Pay Market Store in Langa, as well as Pick ‘n Pay Stakeholders

- 4.1 Thembi’s Market commenced trade on 28 August 2020 and has 10 employees. The latest monthly revenue for June 2021 was R426 199,00.
- 4.2 Ms Dike indicated that she did not open a market store to become wealthy; she saw it as a means to support herself and her children.
- 4.3 The Department of Economic Development and Tourism provides owners with a grant of R500 000, which is utilised to repair the roof, electrical work and plumbing, etc. This grant money is transferred to PnP, however, the store owners must sign off on invoices to indicate that the services have been rendered.
- 4.4 Ms Dike indicated that one of the challenges was not being able to purchase smaller-sized, canned beverages, as these were not available on PnP’s database. This was a matter that PnP was looking into.
- 4.5 Ms Dike indicated that another challenge was that she had changed to a Nedbank account, which is a requirement in the PnP model, when she opened the market store. However, when her account was debited every month, she paid extensive fees when she did not have sufficient funds in her account. PnP indicated that they were engaging with banks to see how they would be able to reduce the bank expenses for these market stores.
- 4.6 PnP indicated that they held frequent workshops with market store owners where they were able to discuss any of the challenges they were having, and where they could assess their financial statements to see where expenses could be reduced. This has created an opportunity for PnP to identify or highlight areas of concern for market store owners, however, it is the owners’ choice whether they implement the changes.

5. Resolutions/Actions

The Committee REQUESTED the following information from the Department of Economic Development and Tourism and Pick 'n Pay:

- 5.1. The breakdown of funding allocations provided by the Department and Pick 'n Pay to Nabe Market and Thembi's Market;
- 5.2. An update on the issue raised by Ms JT Thembi in respect of the high banking fees;
- 5.3. A brief report on the results of the interventions undertaken by the Department and Nedbank on issues raised by Nabe Market and Thembi's Market;
- 5.4. A brief report on (a) the recruitment and selection processes used to identify potential market stores owners, (b) the opportunities for market stores owners to add specific items to the Pick 'n Pay inventory system and to engage with Pick 'n Pay supply chain in respect of this matter, and (c) the amounts contributed to a Pick 'n Pay market store in Cape Town by various roles players such as the Department of Economic Development and Tourism, Pick 'n Pay, the City of Cape Town, etc.;
- 5.5. A list of the market stores within the programme in operation that have brought in the 30% local supply allowed by Pick 'n Pay, and the types of local products they have brought in to the market stores;
- 5.6. Clarity on whether the local supply brought in by market store owners has been integrated into Pick 'n Pay's automated supply chain system;
- 5.7. Clarity on whether the City of Cape Town or Eskom supplies these market stores with electricity, the electricity tariffs being paid by market store owners, and clarity in respect of whether bulk water, drainage and electricity infrastructure support is provided for market stores; and
- 5.8. An update, in the form of a brief report, on the Gugulethu NY 115 market store, which had experienced some challenges.

6. Acknowledgements

The Chairperson thanked the Minister, the Department of Economic Development and Tourism, Mr Ntshuntshe, Ms Dike and the stakeholders from Pick 'n Pay for their willingness to meet with the Committee and to share information with the Committee and each other.



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MR G BOSMAN, MPP

ACTING CHAIRPERSON: STANDING COMMITTEE ON FINANCE, ECONOMIC OPPORTUNITIES AND TOURISM

DATE: 26 January 2022