

**REPORT TO: EXECUTIVE MAYOR TOGETHER WITH THE MAYORAL COMMITTEE
COUNCIL**

1. ITEM NUMBER: MC 73/05/22

2. SUBJECT

REQUEST FOR A FINAL EXTENSION OF THE INFORMAL TRADING PERMIT RELIEF TO BE GRANTED FOR THE PERIOD 1ST JULY 2022 TO 31ST DECEMBER 2022 DUE TO THE UNPRECEDENTED NEGATIVE IMPACT OF THE COVID-19 PANDEMIC ON THE INFORMAL TRADING SECTOR AND TO BRING IT INTO ALIGNMENT WITH THE NATIONAL COVID PROCLAMATION REGARDING A 12 MONTH PERMIT RELIEF

ISIHLOKO

ISICELO SOKUKHULULELWA KWIPHEMITHI ENGORHWEBO LASESITRATWENI KWISITHUBA ESISUSELA KOWO1 KWEYEKHALA (JULAYI) UKUYA KOWAMA31 KWEYOMNGA (DISEMBA) 2022 NGENXA YEMPEMBELELO ENGATSHONGO KHONA YENTSHOLONGWANE IKHORONA (ICOVID-19) KWICANDELO ELINGORHWEBO LASESITRATWENI SECTOR KWAKHONA KULUNGELELANISWE KUNYE NOMMISELO WESIZWE ONGECOVID NGOKUJOLISWE KUKHULULELO LWEPPHEMITHI ENGORHWEBO LEENYANGA EZILI12

ONDERWERP

VERSOEK OM VERDERE INFORMELEHANDELSPERMITVERLIGTING VIR DIE TYDPERK 1 JULIE 2022 TOT 31 DESEMBER 2022 AS GEVOLG VAN DIE ONGEKENDE NEGATIEWE IMPAK VAN DIE COVID-19-PANDEMIE OP DIE INFORMELEHANDELSEKTOR EN OM DIT IN OOREENSTEMMING MET DIE NASIONALE COVID-PROKLAMASIE OOR DIE 12 MAANDE-PERMITVERLIGTING TE BRING

N.2863

3. DELEGATED AUTHORITY DELEGATED AUTHORITY

In terms of delegation

This report is for

☐ **Committee name :**

☒ The Executive Mayor together with the Mayoral Committee (MAYCO)

☒ Council

4. DISCUSSION DISCUSSION: WHAT, WHY, HOW

On 15th December 2021 Council resolved:

- (a) Council approve an informal trading permit fee amnesty to active informal traders for the period 01 January 2022 to 30 June 2022, where no informal trading tariffs will be payable to the City
- (b) all informal trading permit fees paid in advance be credited into informal traders trading accounts
- (c) the Acting Executive Director: Urban Management to authorise SAP ERP to effect the payment moratorium on the City's Informal Trading Permitting system (ITPS) for the period 01 January 2022 to 30 June 2022.

This report requests consideration and approval for an extension of the informal trading permit relief for the period 1st July 2022 to 31st December 2022 due to the unprecedented negative impact of the covid-19 pandemic on the informal trading sector. This report also seeks to bring the informal trading permit relief into alignment with the national COVID Proclamation, which made reference to a 12 month informal trading permit relief for informal traders across South Africa.

The Informal Sector has been hugely appreciative of the informal trading permit relief that was granted for the period 1st January 2022 to 30th June 2022. This report seeks to extend that relief for a further 6 months and it must be emphasised that no further extensions will be requested from the Enterprise and Investment Department.

The Area Economic Development Branch can testify that the Informal Sector is still struggling with the impact of the Pandemic and are struggling to survive financially and put their businesses back on a sustainable financial footing. The Department firmly believes that the extension of the informal trading permit relief for the period 1st July 2022 to 31st December 2022 will go a long way in bringing much needed relief to the

Sector and also importantly allow those traders who generated arrears during the COVID period to pay those off to the City.

It is accepted globally and in South Africa that the COVID-19 pandemic and its restrictions have disproportionately harmed the informal trading sector. It is also well known that the economic fortunes of the informal trading sector are directly dependent on the daily retail footfall of customers for earnings and survival. Put differently, the COVID-19 pandemic and its accompanying restrictions drastically reduced the demand side, i.e.: the customers for the informal traders.

To a large extent, even the supply side was also negatively affected by the COVID-19 pandemic. Many informal traders could not freely trade as usual; the City of Cape Town, in terms of the National COVID-19 Regulations, issued new special COVID-19 permits to City permitted traders. Furthermore, authorized traders were legally required to have social distancing spacing between each other, which inadvertently reduced the number of traders at any given point in time. The COVID-19 Regulations also required informal traders to have onsite the sometimes-costly personal protective equipment (PPE).

Though plausible, the government restrictions on the movement of people to curb the spread of COVID-19; had unintended consequences for the informal trading sector, including traders experiencing a massive loss of income and others being entirely taken out of business. In addition, this economic crisis was further deepened by some parts of the National COVID-19 Regulations restricting trading in certain types of goods. Therefore, it is no exaggeration that the informal trading sector in the City of Cape Town has been hit extremely hard by the COVID-19 crisis. As a result, the informal trading sector is currently on its knees, trying to recover from this significant unprecedented negative impact.

While the entire economy, both formal and informal sector suffered major job losses due to the COVID-19 pandemic and the resultant lockdown conditions, the informal sector suffered disproportionately. Between quarter two of 2019 and quarter two of 2020 (which was the period of harshest lockdown), total employment shrank by 13 percent or nearly 2.2 million in the country. However, informal employment contracted by nearly a third (29%) with formal employment suffering an 8 percent loss during the period. Additionally, it should be noted that while formal employees are typically covered by the Unemployment Insurance Fund as well as additional measures such as Temporary Employer / Employee Relief Scheme (TERS), informal sector workers typically are not.

In Cape Town a similar trend can be seen with the informal sector contracting by a massive 36.2% between quarter two of 2019 and quarter two of 2020 (vs. 8.3% contraction for the formal sector). Specifically, the informal wholesale and trade sector, the biggest sub-sector, as illustrated in the attached Annexure “A” suffered a 31.1% decrease, or 26 492 job losses (Q2 19’ – Q2 20’). While there has been some marginal improvement since early 2020, the overall employment in the informal sector remains depressed. Recent NIDS-CRAM data suggests that the second wave of COVID-19 in January 2021 has again impacted on overall employment and it is likely that future waves and lockdown regulations will impact the informal sector.

As the informal sector participant often lacks savings and resources to deal with periods of reduced income, studies by WEIGO and others suggest that the reduction in the ability to trade and reduced income has also increased food insecurity of individuals in the informal sector. It is crucial to note that women have been disproportionately impacted by the crisis, suffering more job losses and productive working hours and were less likely to regain employment.

Furthermore, this relief should be seen as a direct contribution by the City of Cape Town to save jobs in the informal trading sector which contributes about 5% to the City’s in the reduction of the City’s unemployment rate (based on the 2013 informal economy study). This should be viewed in the context of the caring City as appeals have been made to the former Urban Management Directorate (now Economic Growth) by the representatives of the Informal Traders sector, for financial amnesty and immediate relief.

The proposed relief is focussed on existing permitted informal traders who have endured immense financial hardship for the last two and a half years during the COVID pandemic. Importantly, this permit relief will also help the informal traders to address their financial arrears accumulated to the City during the relief period. Enterprise and Investment (Area Economic Development) have approached all these traders and entered into an arrears payment plan to address the trader arrears. It is the intention of the Enterprise and Investment department that all these arrears are addressed by the end of this extended relief period. Extending this relief period will in fact make it easier for this objective to be achieved.

Additionally it is important to note that the Informal Trader e-Permit System (the Informal Trading Permit System) which is already operational will ensure that the individual trader contracts continue to be very closely monitored and managed by Enterprise and Investment (Area Economic Development) to ensure, amongst others, financial compliance by all the permitted traders.

- 4.1. Financial Implications ☐ None ☒ Opex ☐ Capex
- ☐ Capex: New Projects
- ☐ Capex: Existing projects requiring additional funding
- ☐ Capex: Existing projects with no Additional funding requirements

See below:


Potential Loss of Income

Economic Growth Directorate under-recovered on Informal Trading Permits by R470 863.53 [13.44%] during 2019/20 financial year due to the direct impact of COVID-19 pandemic. Subsequently, the revenue from Informal Trading Permits were under-recovered by R2,6 million [65.10% of the planned recoveries] in the 2020/21 financial year due to COVID-19 conditions.

As mentioned in paragraph 4 above, on 15th December 2021 Council resolved, inter alia, that Council approve an informal trading permit fee amnesty to active informal traders for the period 01 January 2022 to 30 June 2022, where no informal trading tariffs will be payable to the City. The estimated cost of this amnesty is approximately R2 024 846.

This report requests consideration and approval of a further informal trading permit relief for the period 1st July 2022 to 31st December 2022 due to the unprecedented negative impact of covid-19 pandemic on informal trading sector. This further relief will result in a under recovery of revenue on profit centre P19060032 Informal Trading & Business and revenue element 811810 Informal Trading Levy in the amount of R2 183 646.

A corresponding reduction of the operating expenditure of equal proportion will be effected on Area Economic Development / Enterprise and Investments / Economic Growth Cost Elements for 2022/23 financial year.

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- 4.2. Policy and Strategy ☐ Yes ☒ No

- 4.3. Legislative Vetting ☐ Yes ☒ No

4.4. Legal Implications ☐ Yes ☒ No

4.5. Staff Implications ☐ Yes ☒ No

4.6. Risk Implications ☐ Yes The risks for approving and/or not approving the recommendations are listed below:

☒ No Report is for decision and has no risk implications.

☐ No Report is for noting only and has no risk implications.

POPIA Compliance ☒ Yes It is confirmed that this report has been checked and considered for POPIA compliance.

5 RECOMMENDATIONS

It is therefore recommended to the Executive Mayor together with the Mayoral Committee for support and onward submission to Council; and that Council:

5.1 Approve an informal trading permit fee amnesty to active informal traders for the period: 01 July 2022 to 31 December 2022, where no informal trading tariffs will be payable to the City.

5.2 Approves that all informal trading permit fees paid in advance be credited into informal traders trading accounts.

5.3 Mandates the Director: Enterprise and Investments to authorise SAP ERP to effect the payment moratorium on the City's Informal Trading Permitting system (ITPS) for the period 01 July 2022 to 31 December 2022.

IZINDULULO

Ke ngoko kundululwe ngokujoliswe kuSodolophu weSigqeba kunye nakwiKomiti yeSigqeba sakhe ukuba baxhase kwaye kugqithiselwe kwiBhunga; kwakhona iBhunga:

- 5.1 Liphumeze ukhululelo kumrhumo ongeephemithi ezingorhwebo lasesitratweni ngokujoliswe kubarhwebi bakalokunje basisitratweni, ngokwesi sithuba: esisusela kowo1 kweyeKhala ukuya kowama31 kweyoMnga 2022, apho kungasayi kubakho imirhumo yorhwebo lasesitratweni eyakuthi ihlawulwe kwiSixeko.
- 5.2 Liphumeze ukuba yonke imirhumo engeephemithi zorhwebo lasisitratweni esele ihlawulwe kufuneka ibuyielwe kwiiakhawunti zabarhwebi basesitratweni.
- 5.3 Ligunyazise uMlawuli wezoRhwebo noTyalomali ukuba agunyazise abeSAP ER ukuba baqalise ukuyekelelwa/ukurhoxiswa kwentlawulo kwinkqubo engePhemithi zoRhwebo laseSitratweni (ITPS) yeSixeko ukususela kowo1 kweyeKhala ukuya kowama31 kweyoMnga 2022.

AANBEVELINGS

Daar word dus aanbeveel dat die uitvoerende burgemeester tesame met die burgemeesterskomitee hierdie verslag steun vir voorlegging aan die Raad en dat die Raad:

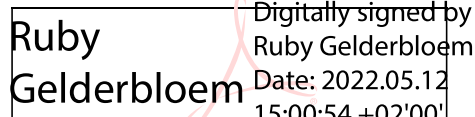
- 5.1 Amnestie vir informelehandelspermitfooie aan aktiewe informele handelaars goedkeur vir die tydperk 1 Julie 2022 tot 31 Desember 2021, waartydens geen informelehandelstariewe aan die Stad betaalbaar sal wees nie.
- 5.2 Goedkeur dat alle informelehandelspermitfooie wat vooruitbetaal is op informele handelaars se handelsrekeninge gekrediteer word.
- 5.3 Aan die direkteur: onderneming en investering die mandaat gee om SAP ERP te agtig om vir die tydperk 1 Julie 2022 tot 31 Desember 2022 'n betaalmoratorium p die Stad se informelehandelspermitstelsel (ITPS) in te stel.

FOR FURTHER DETAILS CONTACT

| | | | |
|---|---|-----------------|--|
| NAME | Paul Williamson | CONTACT NUMBER | 021-400-2808 |
| E-MAIL ADDRESS | Paul.williamson@capetown.gov.za | Paul Williamson | Digitally signed by Paul Williamson Date: 2022.05.11 07:33:48 +02'00' |
| DIRECTORATE | Area Economic Development / Enterprise and Investments | FILE REF No | |
| SIGNATURE : DIRECTOR ENTERPRISE AND INVESTMENT LANCE GREYLING |  Digitally signed by Lance Greyling Date: 2022.05.11 10:10:04 +02'00' | | |

ACTING EXECUTIVE DIRECTOR

ECONOMIC GROWTH

| | | |
|-----------|--|----------|
| NAME | Ruby Gelderbloem | COMMENT: |
| DATE | | |
| SIGNATURE |  Digitally signed by Ruby Gelderbloem Date: 2022.05.12 15:00:54 +02'00' | |

The ED's signature represents support for report content and confirms POPIA compliance.

CHIEF FINANCIAL OFFICER

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| NAME | | COMMENT: |
| DATE | | |
| SIGNATURE |  Digitally signed by Kevin Jacoby Date: 2022.05.13 10:07:33 +02'00' | |

MAYORAL COMMITTEE MEMBER

ECONOMIC GROWTH

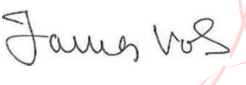
NAME

Alderman James Vos

COMMENT:

DATE

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James Vos
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LEGAL COMPLIANCE

☐ REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

☐ NON-COMPLIANT

NAME

COMMENT:

DATE

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Sanders
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Certified as legally compliant based on the
contents of the report.