

# The Critical Elements of a Conducive Local Business Environment in Selected South African Municipalities

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## DECLARATION

I, ANDREW JOHN LAYMAN declare that

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- (iii) This dissertation/thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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## ABSTRACT

It is frequently claimed that the role of government, especially that at the local level, is to facilitate the creation and sustainability of a conducive environment in which business may flourish. Indeed, in the National Framework for Local Economic Development, municipalities are urged to promote the conditions in which business enterprises may flourish, economic equitability may be achieved and jobs will be created. (DPLG, 2006) When the exact nature of a conducive environment is considered, however, there is little clarity as to the elements that contribute towards such an environment.

In various endeavours to define the desirable elements of a conducive or enabling business environment, agencies, among them the World Bank, have commissioned or produced reports on this subject. In most cases, however, it is a regulatory arena that has been given attention, and this often at the national rather than local level.

The primary concern of this study is not a regulatory framework, which in South Africa is only mildly influenced by local government, but the ways in which municipalities create or inhibit hospitable conditions for business through policies and strategies which often appear to be devoid of understanding as to how business operates and what it requires to flourish.

The researcher's experience as the manager of a chamber of commerce over fourteen years during which he has engaged with local businesses and their difficulties and successes, has provided a sense of what the factors are that, particularly, inhibit business growth. Respondents, which are companies of all sizes and types within chambers of commerce in various parts of the country, were asked to assess the extent to which these factors inhibit or promote business. They were also asked to add any others that had not been listed already. The suggested elements fall into various categories ranging from the delivery of municipal services in various spheres to assessments of the skills capacity of local communities.

It was expected that the responses would enable the researcher to describe more accurately what constitutes a conducive environment in the experience of business enterprises. The South African Chamber of Commerce and Industry (SACCI) was interested in, and sanctioned, this research which, it is believed could be expanded later into the development of a Hospitality Index by which municipalities may benchmark their establishment and maintenance of an environment conducive to business.

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## CHAPTER 1: INTRODUCTION

In the sphere of national economics, it is frequently claimed that the role of government is to facilitate the creation and sustainability of a conducive environment in which business may flourish. After 1994, and particularly after 1996 when the South African democratic constitution was finalised, a particular responsibility for doing this in local areas was extended to municipalities which were mandated inter alia, to “promote social and economic development” (Constitution of the Republic of South Africa, Act No. 108 of 1996, section 152(1)(c)). In linking “social” and “economic” in this way, an interdependence between the two was unequivocally established, an interdependence that has given rise to a good deal of confusion as to how such interdependence should be managed.

In 2006, following a decade during which municipalities, generally, found the mandate difficult to execute, the Department of Provincial and Local Government, later named Cooperative Governance and Traditional Affairs, published its National Framework of Local Economic Development and sub-titled it “Stimulating and Developing Sustainable Local Economies” (DPLG, 2006). This document was drafted within several interesting contexts. One recognised that there was a wave of new opinion regarding the ways in which local economic development may be advanced. The role of government as a driver of this process was not confined to South Africa. In the United Kingdom, for example, Local Enterprise Boards (DPLG, 2006) had had significant success. In other developed countries, it was the private sector that led similar stimulation initiatives. The Framework reflected that “the distinction between public and private initiative was to be blurred by the rise of coalitions and the increasingly popular concept of partnership” (DPLG, 2006 p 4). This was an important consideration, since there had been scant attempt on the part of municipalities to draw private sector and other stakeholders into the planning process for LED. Regrettably, there has been no great advance in this respect despite the injunction of the DPLG Framework.

Another context, now articulated, referred to the blurring of any distinction between “society” and the “economy”, thereby supporting, apparently, what the architects of the Constitution had had in mind (DPLG, 2006). The early decades of the 21<sup>st</sup> century have been characterised by the word “sustainability” which is part of the understanding that “society” and “economy” are two sides of a single coin. According to the writers of the Framework, it is the “new institutionalism” (DPLG, 2006 p 4) that has been largely responsible for the breakdown of distinction as described above. New institutionalism has promoted the sharing of values (DPLG, 2006), which, in the context of LED, suggests that those who are engaged in developing a local economy should seek such values and, presumably, common objectives. This as an important aspect of this study which, in some way, seeks to determine the extent to which this is done by municipalities.

Thus, having established as a first principle that “government has a decisive and unapologetic role to play in shaping the economic destiny of our country” (DPLG, 2006 p 7), the Framework sets it out very clearly: “creating an environment in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities is the responsibility of local government” (DPLG, 2006 p 7). Another important principle relates to the fact that companies and other business entities are at the “heart of the economy” (DPLG, 2006 p 7) with an indispensable partnership role in the facilitation of local economic growth and development.

The message is clear. In the development of Integrated Development Plans (IDPs), Spatial Development Frameworks and Economic Development Strategies, all of which are mandatory, consultation with private sector stakeholders is obligatory. In reality, however, as chambers of commerce well know, this consultation, if it is conducted at all, is singularly inadequate.

While the inadequacy relates to the policies and strategies to be employed, it relates, fundamentally, to a lack of understanding as to what constitutes an environment that is conducive to economic, and especially employment, growth. It is not certain that business has a better understanding than local government. While it knows what is good for its own progress in the short term, it may not understand how this relates to economic development in an environment where

poverty and unemployment are rife. As far as the public sector is concerned, it has an equally one-sided view, especially as there has been confusion about economic development within a so-called pro-poor agenda. Nel and Rogerson alluded to this in their paper entitled “Evolving Local Economic Development Policy and Practice in South Africa with Special Reference to Smaller Urban Centres” (Nel and Rogerson, 2007). What they describe as the “pro-poor leanings” of LED manuals issued by the Department of Provincial and Local Government (DPLG) in 2000 turned out to be misaligned with LED policies emanating from other departments. Later, the DPLG issued another policy document (“Refocusing Development on the Poor”) which was as clearly pro-poor as the manuals but which was not adopted as national policy by cabinet. It gave direction to municipal practitioners, however, and probably had much to do with the quite widespread adoption of pro-poor LED projects which took little account of the existing economy or the businesses responsible for driving it (Nel and Rogerson, 2007). This unrealistic view of local economies has tended to persist and, according to Nel and Rogerson, and others, “the principle of partnership is neither actively supported nor is it a significant reality outside of the larger centres” (Nel and Rogerson, 2007 p 4). Chambers of commerce in larger centres may dispute the validity of this, despite there being some relationship which is cosmetically referred to as “partnership”.

It is the essential purpose of this study to find out from business enterprises what the local conditions are that would promote the development of businesses which, in turn, would promote the development of the local economy and which, in turn, would result in social development as well.

## CHAPTER 2: LITERATURE REVIEW

In various endeavours to define the desirable elements of a conducive or enabling business environment, agencies such as the World Bank and the International Finance Corporation have commissioned or produced reports on this subject. The International Labour Organisation has also entered the sphere with investigations into the relationship between the business environment, small enterprises and employment.

In most cases, however, it is a regulatory arena that has been given attention, and this often at the national rather than local level. The primary concern of this study is not a regulatory framework, which in South Africa is only mildly influenced by local government, but the ways in which municipalities create or inhibit hospitable conditions for business through policies and strategies which often appear to be devoid of understanding as to how business operates and what it requires to flourish.

In examining what work has been done already in relation to this topic, the South African LED Network website ([www.led.co.za](http://www.led.co.za)) has proved valuable. This is hardly surprising since the Network enjoys the support of GIZ, formerly GTZ and has been enhanced considerably by the support of the notable researcher, facilitator and champion of local economic development, the late Dr Jörg Meyer-Stamer of Mesopartner. The website provides links to important and valuable documents, many of them reports commissioned by international agencies. One of these, a Toolkit: Guideline for Reformers, produced by the World Bank's Small and Medium Enterprise department in 2006, dealt specifically with what it described as "Subnational Business Regulation". The point is made that "National regulatory policies may influence or affect investment decisions, but post investment operations are influenced by other levels of government having legal authority over such operational activities – principally those at municipal level" (World Bank, Various, 2006 p v). In the event, this document had limited value. Like many similar works accessed, its focus was on the inhibitive effects of regulation. While there are municipal by-laws which might be viewed by businesses as impediments, they are relatively few and far between, business operations being regulated mainly by national legislation and policy in South

Africa. Thus, while Business might have a unanimous view that the South African environment in which they operate is over-regulated, and over-elaborate in this regard as well, and that what the World Bank called “simplification” (ILO Various, 2006) is necessary, the hindrances in the local arena lie in other spheres. They appear to be more to do with bureaucratic procedures, inefficiencies, lack of mutual understanding and divergent agendas. Indeed, in analysing the Doing Business Report, Altenburg, von Drachenfels and Christian suggest that it “tends to overstate the relevance of the regulatory business environment” (Altenburg and von Drachenfels, 2008 p 32). There is no evidence, they suggest, that the structural weaknesses to be found in the sub-Saharan business environment<sup>1</sup> “can be overcome by focussing on regulatory simplification” (Altenburg and von Drachenfels, 2008 p 33).

However, while the functional areas identified in the ILO’s Assessment Toolkit (ILO Various, 2006)<sup>2</sup> are more relevant to the organisational framework which the ILO described as that required for the promotion, regulation and representation of small enterprises, there are lessons to be learnt in respect of how a conducive business environment may be established and sustained for the benefit of these enterprises as well as those that are larger. In respect of markets, for example, the authors have set out reasons why markets may fail. The first area identified as one that has potential for failure is public goods. These, which are the preserve of government, must be provided efficiently and cost-effectively and they must be adequate for the needs of the business community. In the

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<sup>1</sup> Wide prevalence of informal business activity  
 Limited number of medium-sized businesses  
 Stagnation; little advancement in enterprises  
 Lack of specialisation in value chains; low skills  
 Limited export capacity  
 Limited innovation  
 Lack of access to capital  
 Lack of access to market intelligence  
 (ALTENBURG, T. & VON DRACHENFELS, C. 2008. Creating an enabling environment for private sector development in sub-Saharan Africa. UNIDO and GTZ.)

<sup>2</sup> Policies, laws and regulations  
 Research and advice  
 Advocacy and representation  
 Business development services  
 Financial services  
 Provision of infrastructure”  
 (VARIOUS 2006. Toolkit: Subnational Business Regulation: Guidelines for Reformers. World Bank.)

municipal terrain, electricity, water, waste disposal and roads are the most important public goods. Externalities are costs that are not catered for in the price of a good, and are the responsibilities of government to address (Todaro and Smith, 2009). The most obvious example of an externality is pollution. In the case of air pollution, for example, it is the responsibility of local government to issue emission permits and monitor stack and ambient emissions. Failure to do so will result in a loss of economic competitiveness in the longer term, even though businesses may enjoy, in the shorter term, the cost savings that may result from lack of compliance enforcement.

There is much that local government can do to eliminate barriers to entry in markets. This cannot be achieved by exclusive focus on the group perceived to be barred, but requires facilitation to broker the means whereby entry and participation are possible. Closely allied to this are the “imbalances in the kinds and quality of information held by different parties to a transaction about the nature of the exchange” (ILO Various, 2006 p 67). This is a sound reason why municipalities should do all they can to promote the existence of chambers of commerce and assist them to meet public expectations of this nature. Finally, attention is drawn to the fact that market failure is often the consequence of excessive costs of doing business. These matters are of particular importance to South African municipalities since the establishment and sustenance of a conducive environment are less likely to be effected by the private sector on its own. Gnyawali and Fogel, who researched the business environmental elements that support entrepreneurship, made the point that the need for the active and conscious development of a conducive environment is thought to be greater in emerging economies where there are often elements that may be considered “hostile” to business development (El-Namaki, 1988 and Segura, 1988 in Gnyawali and Fogel, 1994 p 45).

## **STUDIES IN MUNICIPALITIES**

Among the works accessed in preparation for this research is a study done by Christian Rogerson who examined the local business environments in sixteen local municipalities in Mpumalanga and the Eastern Cape (Rogerson, 2010). This

seemed to offer exactly the kind of direction that was needed: “Ruecker and Trah (2007, p. 57) emphasize that a conducive local business environment „reduces the costs of doing business, unleashes economic potential and attracts investment.’ By contrast, if the local business climate is dominated by problematic governance patterns, cumbersome political guidelines, laws and regulations, and ineffective administration, enormous and unnecessary costs are imposed upon the private sector with correspondingly negative impacts for local economic growth. In most contexts the existing business environment is biased toward larger formal enterprises to the disadvantage of small and medium enterprises” (Rogerson, 2010 p 349). The fact that Professor Rogerson deliberately chose to examine sixteen municipalities in “lagging” provinces is indicative of the fact that his scope is not wide enough to address the questions raised in this project. Even in viable municipalities, the environment may be less than conducive, if not for all businesses, at least for some groups. The view that small and medium enterprises are “disadvantaged” relative to their larger counterparts could stand testing and it will be interesting to discover whether their relative perceptions of what constitutes conducive are different.

Rogerson is not the only researcher who has concerned himself more with the impediments to small businesses and entrepreneurship than Business as a whole. Mahadea and Pillay also examined “Environmental Conditions for SMME Development in a South African Province” (Mahadea and Pillay, 2008). They focussed on SMMEs in Pietermaritzburg and analysed the external and internal factors that were responsible for inhibiting growth. It is understandable, of course, that the small and medium business sectors should receive prior attention in the context of economic growth and, particularly, employment, for it is generally accepted that it is within this sector that there is greater chance of growth occurring. It is unfortunate for growth prospects in South Africa that this country is weak in entrepreneurial activity and, according to the findings of Mahadea and Pillay, strong in inhibitors to entrepreneurial development. This is despite the extensive, and costly, institutional plans and programmes which have been instituted over time. The Global Entrepreneurship Monitor’s (GEM) Total Early-stage Entrepreneurial Activity index (TEA) measures the successes of individual entrepreneurs from age eighteen to sixty-four who start enterprises and

operate them for up to three and a half years (Mahadea and Pillay, 2008). From 2001 to 2006, the South African TEA rate decreased from 9,43 to 5,29. This represented a decline in ranking from fourteenth (out of twenty eight countries) to thirtieth (out of forty two). There has been an improvement since then. In the 2010 report, South Africa's TEA rate was recorded as 8,9. Of greater concern is the fact that several African countries, ostensibly less developed than ours, have fared significantly better in terms of this index. For example, the rates in 2010 in Angola were 32,4, Ghana 33,9, Uganda 31,3 and Zambia 32,6 (Global Entrepreneurship Monitor, Kelley et al., 2011).

Perhaps the most important feature of the external environment analysed by Mahadea and Pillay is the high cost of doing business. This is not a problem unique to South Africa, however. The authors reported that the costs of doing business in Africa were anything between twenty and forty percent higher than in developing countries elsewhere (Mahadea and Pillay, 2008). These costs emanate from high tax levels, the charges payable for access to infrastructure and high interest rates. These are complemented by the relative inaccessibility and unreliability of infrastructure, excessive regulation and red tape, high rates of crime and the fact that finance is difficult to access, despite numerous promises to the contrary (Mahadea and Pillay, 2008).

Insofar as municipalities regulate spatial usage through zoning restrictions, pass by-laws which may prove restrictive (in respect of signage, for example), set tariffs for electricity, water and waste disposal, they contribute to the cost of doing business, but in many cases the factors to which Mahadea and Pillay have referred are not strictly local in nature and reflect a nation-wide business environment. In some cases, local government is powerless to intervene to improve conditions for SMMEs.

### **ADDITIONAL MUNICIPAL CHARGES**

A very recent development in metropolitan municipalities has been the introduction of additional charges, ostensibly to offset the costs of providing infrastructure to greenfield development projects. In the eThekweni Municipality



(Durban) at present these are imposed as surcharges to be paid when plans are submitted for approval, but the longer term intention is that there should be a development levy payable by developers prior to the commencement of their projects. While this is regarded as a local initiative, the Durban Chamber of Commerce and Industry has been told that the idea emanated in the national treasury and is to be extended to all municipalities.

During September 2011 it was reported that five metropolitan municipalities had proposed to the South African Local Government Association (SALGA) that a business tax should be introduced. (Kumar, 2011) This follows the scrapping in 2006 of the Regional Services Levies which were payable on the basis of turnover and payroll by all registered employers. While these levies were collected by district municipalities, levy payers in metropolitan cities paid them directly to their municipalities for metropolitan use. On the face of it, therefore, a re-introduction might appear to be justifiable, but for the past two years, these metropolitans have been compensated by a share of the fuel levy collected within their boundaries.

At the time that the questionnaire underpinning this study was developed, these additional charges had not been put in place and their effects on business progress are not to be assessed. It is a common perception, however, that they will increase the cost of doing business significantly and, particularly in the sphere of physical development, impede growth.

## **HOSPITABILITY**

In local areas the factors regarded as impediments are not only those that result directly in higher costs. In any event, an impediment is not necessarily the direct converse of a factor that might be regarded as conducive. There is a factor of hospitability that is also relevant, and hospitability is a local attitude, of course.

This point is made in the ILO's Assessment Tool Kit. Here, it is emphasised that a local business environment that may support the development of SMMEs may also "maximise the contribution small enterprises can make to the reduction of

poverty” (ILO, Various, 2006 p 5), while another local business environment may “inadvertently constrain employment growth” (ILO, Various, 2006 p 5).

It must be recognised, however, that the business community in any municipality will also include large companies that employ many people. These are mostly manufacturers and their contributions towards employment and the economy of any town are extremely important, important enough for it to be acknowledged that they, too, are impeded in their progress and profitability by some elements within the local environment and may feel stimulated by others that are positively conducive. In the aftermath of the global economic crisis of 2008, the sustainability of many manufacturing concerns was threatened by cancelled orders and a slow-down, if not a cessation, of new ones. Retrenchments followed at a rate which far exceeded the creation of jobs in the SMME sector which was also adversely affected. Thus, given stable economic conditions and freedom from recession, while the prospect of employment growth in the SMME sector is important, the retention of jobs in the large business sector retains a significance that cannot be disregarded. De Meirleir has made the point that job retention is no less important than the creation of new jobs (De Meirleir, 2006). This, too, requires an environment that is considered conducive and hospitable. Yet, few writers have gone beyond either matters of regulation or small business and entrepreneurship.

## **UTILITIES**

In an endeavour to better understand the requirements of big business, especially manufacturing, so as to develop a questionnaire with relevant and credible interrogations, it was reasoned that the factors that attract companies to particular locations may offer meaningful assistance. Professor Marcel De Meirleir is an international guru on plant location. In his book, unsurprisingly called “Location, location, location”, and by-lined as “A Plant Location and Site Selection Guide” (De Meirleir, 2006), he highlights the importance of the utilities, viz energy, waste and water. There are two aspects that are critical: cost and reliability. Both of these elements require further analysis. While total cost is clearly the „bottom line’, the imposition of variable tariffs which are seasonal in

the sense that energy during the peak usage winter months may cost a great deal more than during the summer months when the grid is not subject to such pressure, was not a factor mentioned by De Meirleir but remains a matter of significance in this country where Eskom has had to act in this way in order to ensure integrity of service. Eskom has also introduced so-called „time-of-use’ tariffs to incentivise the greater use of electricity during non-peak periods during the day. In the experience of the student, who has engaged with business people for fourteen years in the course of his work in a chamber of commerce, the reactions of manufacturers to these measures have varied. For some, they have found an opportunity to reduce their annual expenditure on electricity, but for others, the much higher winter tariff, for example, has proved very difficult to accommodate. (A major steel manufacturer had to close its plant for the three winter months during 2011 in order to avoid the much higher winter energy tariff.) In the Msunduzi Municipality where a revision of tariffs was introduced in 2010 following agitation from, among others, the Pietermaritzburg Chamber of Business, the theoretical benefits offered by a newly-introduced time-of-use dispensation, for which the Chamber had argued, were not universally embraced in practice. At the same time, the Municipality introduced a seasonal structure along the lines that Eskom had already imposed on its customers, the Msunduzi Municipality being one of them. While manufacturers would pay a good deal less than the amount to which they were accustomed during nine non-winter months, the increase in their costs for the premium three was astronomical. Particularly at short notice and after their financial years had commenced, such drastic increases played havoc with cash flow and pre-determined spending patterns. These events were a clear illustration of the ways in which a municipality may impede economic development by thoughtlessness as far as the engine of the local economy is concerned.

Among other aggravations accompanying the tariff review was the sudden withdrawal of some concessions which had been offered over time to some companies, more or less on an ad hoc basis. These concessions reflected a desire on the part of previous municipal leaders to accommodate particular companies whose presence in the city was considered to be desirable. The process was neither equitable nor transparent, however, and may even have favoured some at the expense of others.

## **INCENTIVE SCHEMES**

The role of incentives in investment and expansion attraction was also addressed by De Meirleir. It is not uncommon for municipalities to introduce incentive schemes to encourage greenfield investment and expansion of existing businesses. Most often, the incentives are designed for the former purpose rather than the latter. Yet, so-called “smoke-stacking” is quite widely discredited and De Meirleir expresses his grave reservations as to its value; “the more they offer, the worse the area”, he wrote (De Meirleir, 2006 p 137). The extension of special concessions to some companies clearly improves the enabling environment for them, but it is an intervention that does not do much to make the environment conducive generally. Indeed, it may introduce cross-subsidisation that is undesirable.

Christian Rogerson is more measured in his analysis of incentives (Rogerson, 2009). They were very popular in the United States from about the nineteen-fifties onwards. Rogerson quotes Peters and Fisher as having written that incentives were the “mainstays of economic development policy” (Peters and Fisher, 2004 in Rogerson, 2009 p 439). This did not mean that there were as an absence of criticism. If competitive edge is a matter of discounts and concessions it must surely lose its value when everyone is doing it. Critics, as quoted by Rogerson, described it as “a race to the bottom” (Charlton, 2004 in Rogerson, 2009 p 441 ), and “an ambiguous impact on growth and probably little or no impact at all” (Markusen and Nesse, 2004 in Rogerson, 2009 p 441). However, other research done in the US, notably by Bartik (Bartik, 2003 in Rogerson, 2009 p 441-2) suggested that incentives will increase the number of new plants in a particular area by two or three percent (Bartik, 2003 in Rogerson, 2009). While it is difficult to quantify the success of an incentive policy to ensure that there is a positive return on the government’s investment, logic suggests that someone has to make up the loss of revenue that results from a discount incentive. Also, the attraction of greenfield investment by strategies of this nature, cannot be construed as creating and sustaining a conducive business environment. This was taken into account by the eThekweni Municipality when it adopted an incentive policy in 2001. (It has since been subject to review). This policy regarded incentives as the “cherry on the top” (Rogerson, 2009 p 444) and

based investment promotion on six essential foundations. These dealt with the kind of service ethic that should be offered to potential investors and ranged from processes that are efficient to the provision of adequate and honest information and to a culture of hospitality to investors. It also included concerted support for the post-investment period.

At the heart of smoke-stacking is a marketing strategy that is unlikely to reflect honestly the strengths and weaknesses of a particular locality. De Meirleir advocates frank disclosure of a locality's shortcomings together with a commitment to address them (De Meirleir, 2006). Such an approach on the part of local government would constitute the foundation of a Business Retention and Expansion programme (BR&E) which at best is a formalised programme of constructive engagement between the public and private sectors in the local sphere. Organised Business often plays a critical facilitative role in such a programme. At its most sophisticated, BR&E involves statistical research relating to the needs and expectations of Business, mechanisms for implementation and monitoring and evaluation. However, even an informal meeting between a manufacturer and the mayor may be regarded as an element of BR&E, particularly if the mayor listens and acts so as to address the businessperson's concerns. Somewhere in between is the valuable strategy of a municipality "being in constant dialogue with private investors" (Altenburg and von Drachenfels, 2008 p 53), the purposes of which are to enhance understanding of markets, assess where to provide or withhold government support, build trust and "make policies more predictable, and thus minimise risk" (Altenburg and von Drachenfels, 2008 p 35-36). Such interest in the welfare and progress of existing local businesses is very much the exception rather than the rule throughout many South African municipalities. This anecdotal perception will be tested in the survey, although it is also substantiated by the research of Nel and Rogerson who found that a comfortable majority of surveyed municipalities have no formal mechanism for contact with local businesses (Nel and Rogerson, 2007). Based on discussions among people who manage chambers of commerce throughout the country, this researcher believes that even where a structural arrangement may have been established, the contact, often erratic and lacking in commitment, does not produce an outcome which reflects that the engagement has been mutually constructive.

Professor De Meirleir describes a case study in which the city of Mechelen in Belgium (De Meirleir, 2006 p 143) managed to facilitate and promote the expansion of an existing large company that already employed about a thousand local people. This was not done by the detached provision of discounts or other concessionary means, but by the understanding of the investor's needs, economic creativity, a broad view of the possible and an underlying belief in co-operation with those who employ and generate economic activity. The introduction of a new product line was obstructed by the inadequacy of facilities for waste-water treatment and the red tape required (not from the local government) for the company to obtain the necessary permit to build a suitable facility on its own property, which, was also unsuitably small. The city made its own land available and commissioned the project under the supervision of the company that wished to expand. On completion, the new plant was sold to the company at cost. The project resulted in several hundred new jobs, the company expanded to the long-term advantage of the city and the city, having recovered its costs, had lost nothing (De Meirleir, 2006 p 143). There are few examples of BR&E which are as compelling.

## **CLUSTERING**

It is quite clear from De Meirleir's experience that the factors that influence choices of location are not confined to direct tariffs and costs. The availability of accessible, reliable and affordable transport facilities is also critical. These apply to backward and forward parts of the value chain. Can the materials required for business operation be brought in, and can finished product be taken out? In this context, the accessibility of both suppliers and markets is another important factor. The significance of these considerations have been studied at greater length by Michael Porter who has advanced the case of clustering as a means of promoting local economic development.

He has defined clusters as "geographic concentrations of interconnected companies and institutions in a particular field" (Porter, 1998 p 78). In many cases clusters have arisen in particular localities not so much by design but by a

kind of momentum that may arise within the business environment itself. Porter describes this as a “self-reinforcing cycle” (Porter, 1998 p 84) sustained by the inherent strengths of a cluster. Clusters grow as a result of the curious paradox by which competitiveness is promoted by co-operation. While the competitive advantages of a particular locality are shared by all enterprises, to their benefit, competitiveness is stimulated by the complementarities that are characteristic of clusters, shared learning and the accessibility of suppliers and markets that are attracted by the greater economies of scale that a cluster offers. “A cluster allows each member to benefit as *if* it had greater scale or as *if* it had joined others without sacrificing its flexibility” (Porter, 1998 p 81).

It is commonly understood that local economic development involves the recognition of an area’s so-called competitive advantage. If this is identified and deliberately advanced, there is a better chance that the local economy will grow endogenously, and not only as a result of exogenous factors that would have impacted anyway and regardless of what intervention, or non-intervention, there was from local government. It is possible, and desirable, for local authorities to exploit the advantages of clustering, even though the cluster might not have been initiated as a result of a conscious policy decision. According to Porter, “the sophistication with which companies compete in a particular location, however, is strongly influenced by the quality of the local business environment (Porter, 1998 p 80). The complementarities that advance clusters include strong and relevant institutional capacity, an appropriately-skilled workforce and infrastructural reliability, together with the support that may be provided by both the local council and a chamber of commerce. For both these institutions, the guidance of Porter is important. He stresses that the competitive advantages of a cluster requires engagement between people, “face-to-face contact, a sense of common interest and „insider’ status” (Porter, 1998 p 88). Altenburg and his co-writers cited evidence which proves that “where countries have managed to build lasting competitive advantages, this was in almost any case achieved on the basis of concerted public-private efforts” (Altenburg and von Drachenfels, 2008 p 33).

At the same time, of course, it is possible for government to impede clustering, a phenomenon not uncommon in developing countries, in Porter’s view (Porter, 1998 p 86). Policies aimed at achieving certain social objectives may inhibit

cluster formation. Incentives for the location of companies in poor areas in need of economic stimulation may result in the dispersal of companies rather than their congregation, for example, while a lack of appreciation of the value of economic growth and the prosperity of business may lead to over-taxation, either directly or indirectly. The most serious impediment may be introduced when, as Porter says, “increases in the cost of doing business begin to outrun the ability to upgrade” (Porter, 1998 p 85).

## **MUTUAL COOPERATION AND DIALOGUE**

While many of the issues referred to hitherto have been inhibitive, the removal of obstacles alone may not be enough for the establishment and maintenance of a conducive environment. Business progress and competitiveness in a local environment almost inevitably reflects “concerted public-private efforts” (Altenburg and von Drachenfels, 2008 p 33). The role of incentives has been addressed previously, and what is necessary now is to give attention to the ways in which the public and private sectors may work together to enhance local economic development. As has been mentioned previously, a healthy relationship in which trust and better mutual understanding are built, begins with dialogue and may progress to the establishment of institutional structures which are appropriately mandated to drive local economic development with some independence of action. For the most part in South Africa, such institutions tend to be funded by government or government agencies and there is limited input from the private sector. The Industrial Development Corporation (IDC) has funded the establishment of thirty four such agencies since 2002 (<http://www.idc.co.za/agency-dev/agency-dev-support.asp>). In every case, the applicant was a municipality, this being one of the criteria for eligibility.

In the eThekweni Municipality, the Durban Investment Promotion Agency, which had been established as an entity with an independent board, has now been absorbed into the city’s municipal structure. The private sector, which has a vested interest in the promotion of investment in Durban, had made no financial contribution over many years. Both Durban Tourism and the Durban and KZN Convention Bureau are similar agencies mandated to promote tourism,



specifically business tourism in the case of the latter, in the city. The funding of these bodies is entirely in the hands of government, despite their value to private sector interests. These three agencies would all be more successful if it were acknowledged, both in terms of funding and governance, that they reflected constructive public/private partnership.

### CHAPTER 3: THEORETICAL FRAMEWORK

Commerce and industry are activities conducted within an environment that comprises all elements of a supply chain. At the furthest end of this chain is the consumer who buys a product or a service. At the beginning of the chain is a primary element, an ore, a chemical or a product from the soil or, in the case of a service, its origination. Along the chain there are numerous active participants in buying and selling as well as others that either facilitate or impede these processes. Thus, business is essentially an activity of response to all these forces along the supply chain. It depends upon the availability of the primary elements and the needs of the market, and all the other intermediary elements in between. Successful and sustainable businesses are those that are able to respond most profitably to all these influences.

As has been established in the literature review above, the role of government, in the interests of a growing national economy, is to be, as far as possible, the facilitator of a conducive business environment, rather than a creator of impediments which constrain business and inhibit its growth. Because governments have other important responsibilities as well, and must ensure that business is conducted acceptably in terms of the rights of consumers, for example, they have developed regulatory frameworks which are often complex balances between the desire for profit on the part of entrepreneurs on the one hand and the welfare of the nation's people on the other. It is not surprising that such frameworks are often characterised by tensions which exist because the different aspirations are essentially incompatible.

In South Africa, for example, the labour regimen is dominated by several pieces of legislation which reflect ideological positions relating to the country's constitutional aspirations and, in particular, anti-capitalist standpoints of worker unions. While Organised Labour maintains strong pressure on government to improve the working environment for workers, employers complain that the regimen, including the ways in which the legislation is interpreted, inhibits business growth by making employment both more difficult and more costly.

## **MUNICIPAL DYNAMICS**

There are other dynamics in municipal areas which are the localities in which businesses are sited. Here, local government has no significant source of regular income other than that which accrues from property rates and charges levied for the provision of services. Municipalities receive conditional grant funding from the national fiscus. Apart from some ad hoc grants made for specific purposes, the funding comes in the form of the Municipal Infrastructure Grant (MIG) or Equitable Share programmes. The former is dedicated to capital expenditure on infrastructure development, including the extension of infrastructure to previously-disadvantaged areas so as to cater for the delivery of basic services. The latter is compensation for the provision of free basic services to indigent households. Prior to 2006, all employers should have paid the so-called regional services levy (RSC) to the district or metropolitan municipality in which they were located. The amounts payable were based on each employer's turnover and payroll. These levies have not been replaced although there is now a strong lobby from five or six of the country's metropolitans to re-introduce a local business tax. All the metros, by the way, now receive a portion of the nationally-imposed fuel levy to compensate them for the loss of the RSC revenue.

During the years when the national economy boomed by achieving the highest GDP growth in the country's history, and later with the prospect of the country hosting the FIFA Soccer World Cup in 2010, larger municipalities, and the metropolitans in particular, were faced with voracious demands for the development of infrastructure to meet the development agendas of investors and property speculators. Often, these new developments were quite remote from the core of the cities and necessitated additional costs related to these distances. The eThekweni Municipality's experience epitomised this trend. Developments in the Umhlanga area, thirty or more kilometres from the centre of the city, required water, electricity and roads. These demands compromised the cities' capacity to address the long-standing infrastructural backlogs in deprived areas and, among other things, the continued degeneration of older, inner city areas. At the same time, the appetite for development has been tempered by rising costs which in eThekweni include a surcharge on the fee for the application of building plans and

a planned levy which will necessitate developers paying towards the cost of their infrastructure requirements up front.

## **SOCIO-POLITICAL DEVELOPMENTS**

Within the national context there have been three very significant socio-political developments over the past few years. Firstly, communities have aired their grievances and frustrations at the slow pace of basic service delivery through vigorous demonstrations. These have sparked a revival in government of a development agenda somewhat different from that which occupied the country in its preparations for the football extravaganza. Secondly, labour unions have become much more aggressive in their demands which in recent years have frequently exceeded the rate of inflation by significant margins. To no insignificant extent, this may be attributed to the country's rating in the as measured by the Gini co-efficient which has changed to reflect South Africa as among the most unequal societies in the world. Thirdly, employment in the formal sector has declined even further and job creation has not taken place.

## **GLOBAL INFLUENCES**

To these circumstances, may be added the global recession (out of which neither the country nor the world have yet managed to extricate themselves completely), several cases of corporate malfeasance in respect of competition law, rampant corruption in which business people have clearly participated, astronomical increases in the prices of oil and electricity and strong hints that water will become a scarce commodity. Government has become a major investor in infrastructure development and continues, often through municipalities, to fund initiatives which are supposed to engender and sustain economic growth. In eThekweni, for example, the Municipality is a funder of Durban Tourism, the Durban Business Enhancement Initiative (called Durban Invest), Tradepoint, SEDA eThekweni, uShaka, the Chief Albert Luthuli International Convention Centre and the KZN Durban Convention Bureau, among others. The main beneficiary of these investments would appear to be the private sector. But the

real issue is that they all have ongoing costs which, together with the priority socio-political obligations, result in a serious fiscal gap.

## **THE MUNICIPAL CHALLENGE OF ESTABLISHING A CONDUCTIVE ENVIRONMENT**

The question may be asked, then: to what extent can a municipality be expected to establish and maintain a conducive local environment for business? The capacity of business to pay, or at least the perception of such capacity, is easier to exploit than risking the wrath of ratepayers and domestic service users who are voters. In any event, the capacity of the latter to pay is declining because of rising unemployment. Thus, the costs of doing business are rising consistently and are being augmented by new obligations. But it is not true to consider that a conducive business environment is a matter of costs alone. In the case of the proposed local business tax, for example, businesses might accept this with greater alacrity if several conditions were met. One is that government should be trusted to spend the money wisely and prudently and not indulge in the kind of wasteful expenditure that has become so characteristic. The Durban Chamber of Commerce and Industry has estimated that the R19 billion that would accrue from this tax across all metros represents a mere 3% of government's total expenditure, an amount that could very easily be saved in a prudent regimen. The second condition might be that the revenue should be used directly and exclusively for purposes for which the tax is raised. It has been motivated for "economic services", but there is considerable scepticism as to what this means in practice.

At the heart of these reasons for opposition to the tax is a lack of trust. Notwithstanding the funding initiatives that have been listed above, business in Durban remains unconvinced that the Municipality has its welfare at heart. In common with its counterparts across the country, it has made too little effort to find out what business would like the Municipality to do in order to promote its growth. Complaints against inefficiency in the city's administration abound as business people endeavour to engage with officials to have their particular concerns addressed. All too frequently, such officials are not accessible, and even when they are, their receptiveness to the business case is often cool and

unhelpful. Business people are left with the impression that these officials are intent on raising obstacles to economic development instead of finding ways to facilitate it. One business person in conversation referred to this as “red tape instead of the red carpet”.

It is not always fair to attribute this kind of attitude to individual officials as if they have a personal grudge against business. They are ordered by bureaucratic protocols, not to mention a plethora of regulations and procedural rules, which relate to the ways in which municipalities are generally structured in departments and without sufficient cross-cutting functionality by which their various responsibilities may be co-ordinated. This is the human side of the general lack of local government hospitality to business. The relationship can be improved markedly by regular engagement. Such engagement would take place more comfortably if business were more sensitive to the challenges facing municipalities and also more readily accessible to learn about these. On the other hand, local government people, whether officials or political leaders, should acknowledge that a local economy is not as much about greenfield investments and the establishment of start-up business among disadvantaged people as it is about the business base which already exists and which is the engine of the municipality's economy. While projects may have their place in the implementation of LED (if, indeed, LED can be “implemented”; it is an outcome of various processes, after all), it must include some nurturing of established businesses which employ and produce and bring money into the area.

This appears to be forgotten, or ignored, quite frequently. Business believes that it constitutes a cash cow to be milked whenever additional revenue is required. This is not a view peculiar to Durban where the researcher is in regular contact with business people, but one which is more or less universal wherever there are chambers of commerce whose representatives gather under the banner of the South African Chamber of Commerce and Industry (SACCI) to share common concerns. In this forum, few chambers are able to report a healthy and constructive relationship with municipal structures. Relationships range from complete stand-off to amicable meetings from time to time in which the people relate well to one another but the emergence of any constructive outcome is either limited or absent altogether. This reflects a fundamental misalignment of

objectives. While municipalities devote effort and resources to LED (although in variable quantities, which are often inadequate), they do not seem to understand the needs of business and how they should be using those resources to create and sustain conducive business environments.

The nature of business is such that each enterprise is likely to have its own particular needs. However, there is surely a common thread, a series of elements that all businesses, at least within particular sectors, would identify as important for their progress. This research, therefore, does not only seek to identify the critical elements so that municipalities may learn, but hopes to provide some consolidation of the views of various types of businesses so as to better understand their needs.

## **MOTIVATION FOR THE RESEARCH**

The subject of the research has its roots in the latter half of 2009 when GTZ offered to the South African Chamber of Commerce and Industry (SACCI) funding for a pilot study in a local municipality to be conducted by a consultant working with the local chamber of commerce and the municipality to identify what the consultant called “smart” indicators. These would be the elements, identified by businesses, which, if properly addressed by the local government, would increase the hospitability of the local business environment. The intention was that the study should be extended later to all municipalities in which a SACCI affiliate chamber is located. The Pietermaritzburg Chamber of Business, of which the researcher was the CEO at the time, was selected by SACCI to be the pilot chamber and preliminary meetings were held to put the project in motion. However, prior to this happening, the funding became unavailable after all and nothing was done to pursue the study. In the meantime, SACCI had informed the Minister of Local Government that this study was in the offing and would assist municipalities by providing benchmarks against which they could measure their performances in creating conducive local environments for business. There was a good deal of enthusiasm for this outcome and it is the reason that the choice was made to pursue the research, albeit at a level which will fall short at this stage of developing the envisaged index.

## **CHAPTER 4: METHODOLOGY AND RESEARCH QUESTIONS**

This was to be an empirical study using primary data. Responses from operating businesses would be analysed to reveal what factors are most important, and what least important, in the evaluation of the hospitability of a local business environment. Since respondents would be asked to provide details of their businesses, including locality, size (in terms of the National Small Business Act) and sector, it will be possible to identify any differences in perception that exist. One would expect, for example, that electricity tariffs would have a very significant impact on the progress of a manufacturer, while the availability of parking for customers might be of particular importance to retailers. The expectations of business operators in smaller more rural towns may prove to be significantly different from those based in large towns.

### **COMPOSITION OF THE QUESTIONNAIRE**

A number of elements were identified on the basis of experience. Over fourteen years in the service of a chamber of commerce, the researcher has engaged with businesses of all sizes and types and built up knowledge of those issues which they have commonly identified as critical in relation to an environment conducive for good business. These fall into various categories which may be defined as infrastructural facilities and services, (roads, rail, electricity, water, for example), the local regulatory environment (by-laws controlling signage comes to mind), local policies and systems that impact on Business (such as the control and management of parking and waste disposal, for example), aspects of the national regulatory framework which have local relevance because municipalities are the agents of enforcement. In this latter category, environmental issues are pre-eminent. Whether a municipality monitors air quality properly, or fails to do so because of lack of adequate resources, has some impact on the comfort of Business within the economic landscape.

The commercial environment over which a municipality may or may not have any control is also relevant. What impact on the municipality's hospitability to business does the availability of financial services have, or business support



facilities for small businesses, or the size and viability of the local market or the availability of raw materials in the area? Is there a local chamber of commerce that constitutes a rallying point for the business community? What approach, if any, does a municipality have towards the development of clusters, which, as Michael Porter among others has asserted,: “A cluster allows each member to benefit as if it had greater scale or as if it had joined with others without sacrificing its flexibility.” (Porter, 1998 p 81) A progressive municipality may consciously develop clusters to enhance the growth and success of business and may also adopt a Business Retention and Expansion programme to harmonise relations between the public and private sectors in the local context.

The initial list of selected elements was distributed to all member chambers of SACCI who were requested to suggest any others that they thought were relevant. A few suggestions were received and accommodated in the questionnaire.

Each of the elements listed would require a respondent to rate it as “very inhibitive”, “inhibitive”, “has no significant impact”, “moderately positive” or “very positive”. Provision was made for respondents to add any elements which were critical to their businesses and which had not been listed. Since many of the respondents were expected to be members of the Durban Chamber of Commerce and Industry (this proved to be the case), the researcher was concerned about having omitted any specific reference to the port and its operations. It was a conscious decision to do so, however, for while the port of Durban is integral to the local business community, it is not managed by the municipality. Nevertheless, had it been included, it might have emerged as a very strong inhibitor to business in Durban (and even further afield, perhaps) because the period during which the questionnaire was „live’ was also a period during which there was a succession of aggravations at the port.

One was very conscious of the fact that, owing to the experience on which the choice of elements was based, they might all constitute impediments, to a lesser or greater extent. The five-point rating scale was chosen to give a full range of responses. It was thought to be conceivable, for example, that in a particular municipality all the responding companies might rate the municipality’s parking systems and arrangements as “very positive”. Certainly, the introduction of “time

of use” electricity tariffs in some areas proved very advantageous to manufacturers that were able to re-adjust their production schedules to take advantage of lower tariffs at off-peak times.

Companies were requested to base their assessments on their actual experience and not on perceptions of the individual respondent. Personal views being what they are, especially where there is a tendency for a negative perception of municipal performance and delivery, it is likely that the responses are tainted by personal perception.

Before considering the various elements, respondents were asked to provide details of their companies to allow for the comparison of assessments in terms of sector, size and location. This necessitated a second upgrade in the QuestionPro subscription, the first having been required to accommodate a “stop and resume” feature.

## **DATA COLLECTION**

The original intention was that the questionnaire would be distributed by e mail to all chambers and thence to individual member companies. (Chambers were not to be involved in the collection at all). Respondents would be given the option of printing the questionnaire, completing it, and faxing it to the researcher or scanning it and returning it by e mail. They could also complete the questionnaire on the screen and e mail it straight back. Clear instructions were given as to what was required regarding informed consent for each of the options. (The questionnaire is to be found in Appendix 2).

Before the questionnaire was distributed, however, the researcher registered on QuestionPro and posted the questionnaire on this site to provide respondents with a simpler option. A particular restraint was encountered which caused one aspect of the original design to be omitted. This related to the intention that those elements rated by respondents as “very inhibitive” should be ranked in importance. As it happened, this had been questioned at an earlier stage when it was feared that respondents might not understand what they had to do, so its omission was thought to be wise anyway.

After the first distribution of the questionnaire, it became clear that the QuestionPro option was by far the favoured one and thence emphasis was put on this in communication with chamber members. Indeed, in time only the QuestionPro link was sent with an invitation for companies to request the questionnaire to be e mailed if that was preferred. The questionnaire, or the link, was distributed on three different occasions.

It is not possible to say how many companies actually received the questionnaire or the link. There was reliance on chambers to distribute these to their members, but they have different capacities to engage their members electronically, and, indeed, varying communication policies which accommodate members' annoyance at being sent too much unsolicited mail. Initially, the researcher himself sent questionnaires to forty chambers appealing for their assistance (which had been given previously in SACCI Chamber Forum meetings) and requesting that the questionnaire, the link and his personal message be passed on. He communicated directly with members of the Durban Chamber which, understandably, responded more willingly than others.

## **LIMITATIONS AND DISAPPOINTMENTS**

There were quite a number of disappointing aspects. Some recipients complained that the QuestionPro link did not lead them to the questionnaire. On each occasion that this feedback was received, the researcher checked and found that it was indeed operational. It is not known, of course, how many people tried and gave up without communicating with the researcher. The reason for the failure of the link in some cases is not understood.

Another disappointment was the number of people who either opened the questionnaire on QuestionPro and did not go beyond the introductory page (304), or started the questionnaire but did not complete it (147). At first, there was no facility for a respondent to stop and then resume later, but when it became apparent that so many were not completing it, the facility was added and the QuestionPro subscription upgraded accordingly. It is difficult to understand this „drop-out' rate. A shorter questionnaire would not have been instructive enough, while the mechanism for recording responses was thought to be very simple and

straightforward. The average time taken for completion was 17 minutes, a few minutes longer than the researcher's estimate.

If the questionnaire had been distributed by the 40 chambers to all of their members, it would have reached some 35 000 businesses. The Durban Chamber has about 2 600 member companies and there is little doubt that the request to engage in the research reached a substantial majority of them, the Chamber's communication system and database being efficient. Thus, a total response of 197 completed on QuestonPro and another 15 e mailed, faxed or hand-delivered must be considered very disappointing.

## CHAPTER 5: ANALYSIS OF THE DATA

### THE RESPONSES

The QuestionPro report reveals that 644 people viewed the questionnaire and of these only 344 started completing it. It was completed by 197 respondents who took an average time of seventeen minutes to do so. This was five to ten minutes longer than had been estimated and probably accounts, at least in part, for the fact that the completion rate was no more than 57.27%. A total of fifteen other questionnaires were submitted by e mail, fax or hand. Of these, only six could be used. The eThekweni Municipality's SMME Support division very kindly distributed the questionnaire among its clients and encouraged them to complete it, but it was clear that many did not understand what was required and their responses could not be used. Even among those included in the results there were a few which lacked credibility, mainly because they indicated that the delivery and support from the Municipality was flawless by marking the response "very positive" in answer to one question after another.

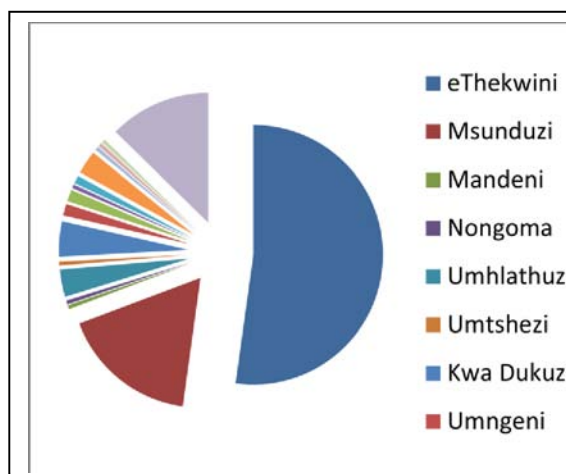
Indeed, it was a concern, even in the preparation stage, that respondents would react to the questions by way of perception rather than base their responses on the actual experiences of their businesses. Overall, therefore, there is a suggestion of an anti-municipality (or anti-government) sentiment which in the case of the eThekweni SMMEs mentioned above was refuted by conversely positive responses.

Another matter of concern, which is difficult to understand, is that in the responses made on QuestionPro, there were seventeen respondents who „completed' the questionnaire but failed to record any responses to individual prompts. In addition, the majority of respondents did not answer every question and the number of blanks, in addition to those mentioned above, averaged between three and ten for just about every question.

## THE RESPONDENTS

### *Municipal Distribution*

eThekwini	107
Msunduzi	35
Mandeni	1
Nongoma	1
Umhlathuze	7
Umtshezi	1
KwaDukuza	9
Umngeni	3
Ilembe	3
Ugu	1
Emalahleni	2
Buffalo City	6
Kai !Garib	1
Mokopane	1
Mogale City	1
Unnamed	26
<b>TOTAL</b>	<b>205</b>



*Table/Figure 5-1: Municipalities in which respondents are located*

It is not surprising that the majority of respondents are located in the eThekwini Metropolitan municipality. The Durban Chamber of Commerce and Industry is able to reach at least eighty percent of its members by email and can do so almost immediately that a decision is taken to communicate with them. The Chamber also distributes an electronic newsletter on a daily basis. Moreover, it has a policy, that has been communicated to members, that relevant research

will be supported by the Chamber and members requested to assist by completing surveys. Since the researcher is the Chief Executive of the Durban Chamber, and formerly occupied a similar position in the Pietermaritzburg Chamber, the fact that his appeal to potential respondents in these chambers had a personal element, was a factor that is reflected by the municipal distribution of respondents.

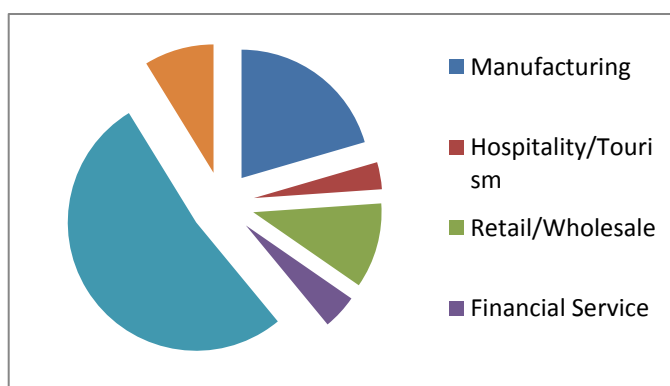
The Pietermaritzburg Chamber of Business is also able to reach its members in similar ways. Other chambers have different communication policies and different capacities to communicate with their members. The Border-Kei Chamber of Business, for example, declined to send the questionnaire to all its members, but agreed to distribute it to selected companies whose representatives were connected in some way to the leadership of the chamber.

As it transpired, the early decision to use a questionnaire that would be emailed to potential respondents was subsequently overtaken by the reality that the QuestionPro web-based option was far preferable, both for the researcher and the respondents. After the first notice to chambers requesting them to distribute the questionnaire, they were subsequently requested to send the QuestionPro link and this was also the way in which members of the Durban Chamber were approached. (The Durban Chamber members were the last to be contacted.)

The table above (5-1) shows that the respondents are located in at least fifteen municipalities across the country. Approximately ten percent of respondents did not name the municipality in which they are situated. Considering that those that did name a municipality offered a wide variety of names, it is possible that those that left the question unanswered do not actually know the official name of their municipality. It proved to be a time-consuming exercise to match the names given to official municipalities and it showed that it had been a mistake to deal with this as an open-ended question.

#### *Sectoral Distribution*

Manufacturing	42
Hospitality/Tourism	7
Retail/Wholesale	22
Financial Service	9
Other Service	107
Unnamed	18
<b>TOTAL</b>	<b>205</b>



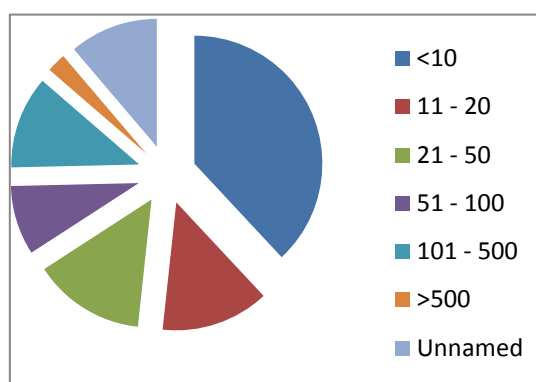
*Table/Figure 5-2: Sectors in which respondents are active*

It is clear from these data that more sectors should have been identified. The number in the “other services” category is not helpful. In the experience of the

researcher, industrialists are the business people most sensitive to municipal actions, policies and strategies. To some extent, therefore, the elements listed in the questionnaire had a bias towards the manufacturing sector since this is the one that tended to lodge the most complaints about the local business environment. There are considered to be a sufficient number of respondents from this sector, however, to permit meaningful analysis of the responses, particularly in a comparative way with responses from other sectors. This will be done later.

*Size of companies: Number of employees*

<10	78
11 - 20	28
21 - 50	29
51 - 100	18
101 - 500	24
>500	5
Unnamed	23
<b>TOTAL</b>	<b>205</b>

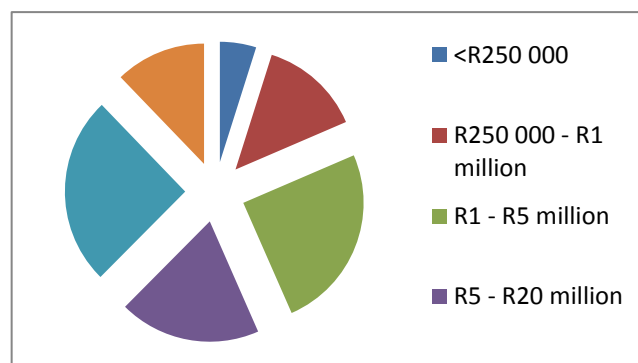


*Table/Figure 5-3: Number of employees of respondent companies*

Considering the typical membership of chambers of commerce, a preponderance of small businesses among the respondents is not surprising. This may not be ideal for the value of the research considering that small business demands and expectations of local government are not generally as exacting as those of larger companies. At the same time, of course, there are significant factors that inhibit the easy establishment and growth of micro and small enterprises, but these are usually elements of the broader business environment, as the data will show when analysed from this perspective.

*Size of companies: Annual Turnover*

<R250 000	10
R250 000 - R1 million	28
R1 - R5 million	51
R5 - R20 million	39
>R20 million	52
Unnamed	25
<b>TOTAL</b>	<b>205</b>



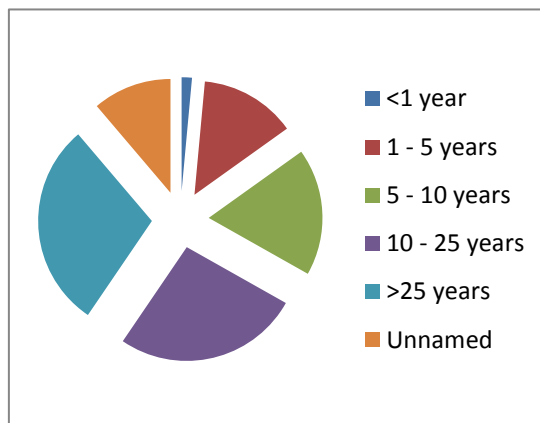
*Table/Figure 5-4: Annual Turnover of respondent companies*



This set of data (5-4) reveals that the micro and small businesses that responded have had reasonable success in terms of turnover and most appear to be well-established enterprises. This is also borne out by the ages of the respondent businesses tabulated below. Just about 50% (91 of 180) of respondent companies declared a turnover in excess of R5 million while this percentage increases to nearly 79% if the threshold is considered to be R1 million.

*Age of companies*

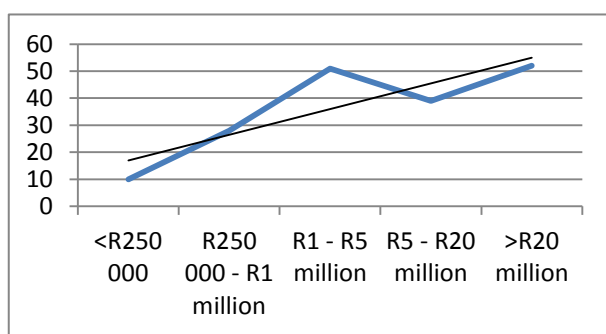
<1 year	3
1 - 5 years	28
5 - 10 years	37
10 - 25 years	54
>25 years	60
Unnamed	23
<b>TOTAL</b>	<b>205</b>



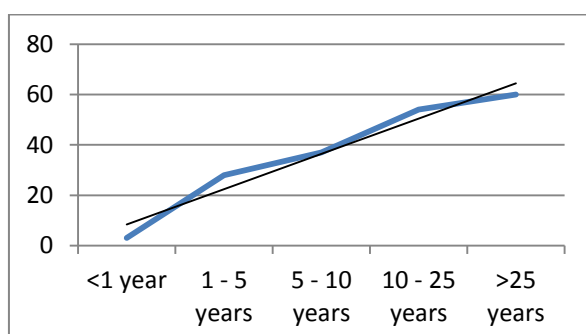
*Table/Figure 5-5: Age of respondent companies*

The value of the research is enhanced by the fact that 82,9% of companies that responded are older than 5 years and just about one third of them older than 25 years.

The association between turnover and age of business among the respondent companies is strong as can be seen in the graphs below (5-6).



*Respondents showing annual turnover*



*Respondents showing age*

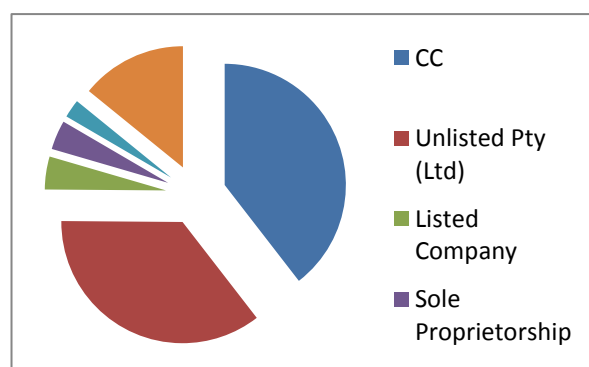
*Table/Figure 5-6: Comparison: Turnover of respondents and age*

*Statutory status of companies*

Of the declarations recorded there are just about the same number of CCs (81) as (Pty) Limited companies (82). Since the latter status is usually associated

with larger and more established enterprises, the credibility of the data is enhanced.

CC	81
Unlisted Pty (Ltd)	73
Listed Company	9
Sole Proprietorship	8
Partnership	5
Other/unnamed	29
TOTAL	205

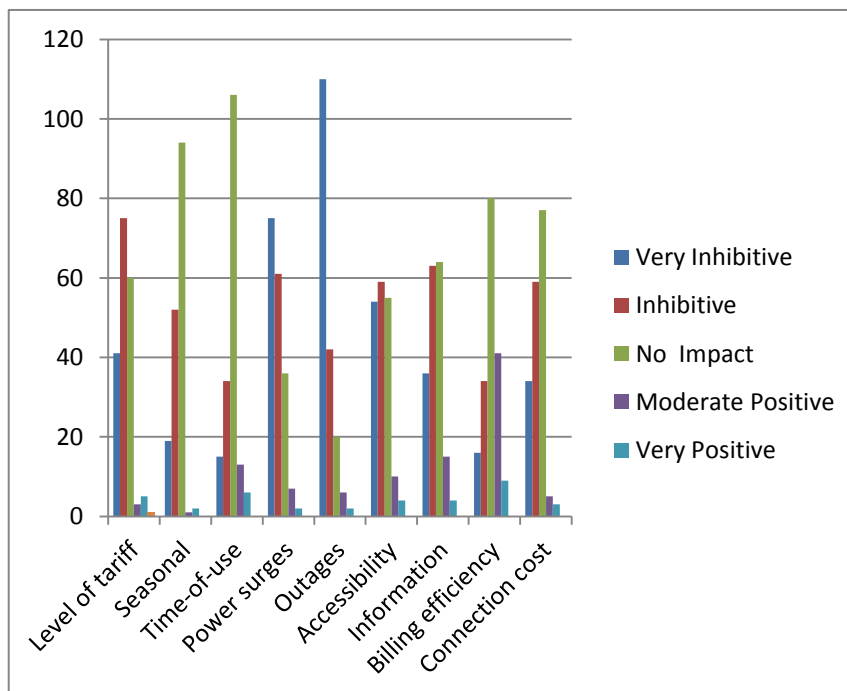


Table/Figure 5-7: Status of companies

## RESPONSES TO THE VARIOUS ELEMENTS

### *Electricity*

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Level of tariff	41	75	60	3	5	184
Seasonal	19	52	94	1	2	168
Time-of-use	15	34	106	13	6	174
Power surges	75	61	36	7	2	181
Outages	110	42	20	6	2	180
Accessibility	54	59	55	10	4	182
Information	36	63	64	15	4	182
Billing efficiency	16	34	80	41	9	180
Connection cost	34	59	77	5	3	178
	400	479	592	101	37	1609



Table/Figure 5-8: Effects of elements associated with electricity

Although more respondents (5-8) claimed that the elements associated with electricity, when taken together, had no significant impact on the progress of their companies, 86,4% of the rest who provided responses indicated that their businesses found electricity issues to be “inhibitive” or “very inhibitive”. The most inhibitive aspects of the provision of electricity proved to be the level of the tariff imposed, the unreliability of supply as manifested by power surges and outages and the inaccessibility of municipal officials when they were needed. These four elements were rated as “inhibitive” or “very inhibitive” by a majority of companies. In respect of the supply of timely information by electricity providers, in order to allow companies to adjust their budgets to meet tariff increases, for example, this, too, is a significantly inhibitive factor. Even more significant than the tariff levels, were the impediments associated with power surges and outages.

While one would associate these elements in particular with the difficulties of manufacturers, the number of companies that rated these as “very inhibitive” exceeded the number of manufacturers in the survey by substantial margins. The particular examination of the ways in which manufacturers responded, to be covered later, will show whether there is significance in the fact that 42 manufacturers responded to the survey and 41 companies rated electricity tariffs as “very inhibitive”.

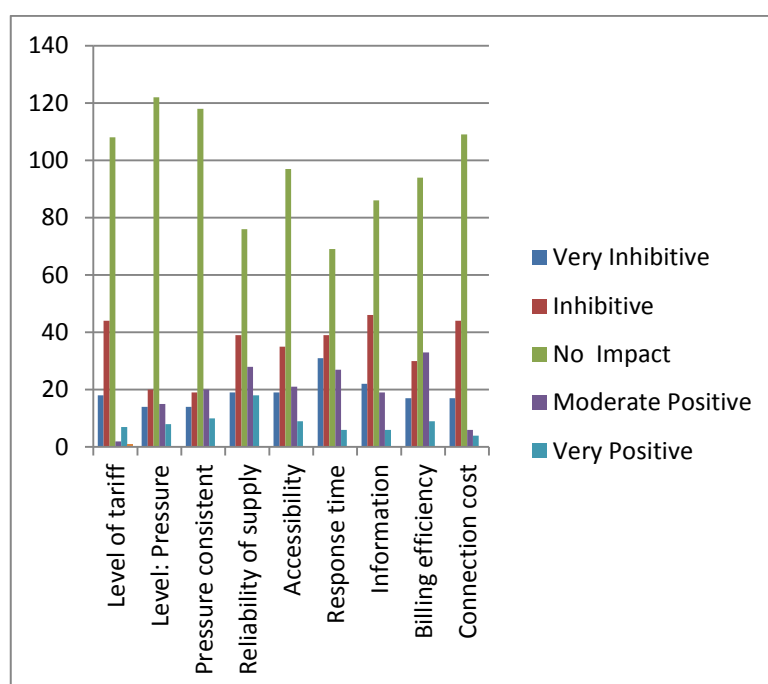
Comparatively few respondents reported that aspects of electricity supply were positive for the progress of their businesses. It is worth noting that even the so-called time-of-use tariffs, which have the potential of allowing manufacturers to effect considerable savings by adjusting their shift arrangements and utilising off-peak hours for production, were not rated as having any significantly positive

influence. In the experience of the researcher, the theory is compelling but the practical implementation of new shift arrangements were impeded by worker resistance and worker transport difficulties after normal working hours. Moreover, companies that produce 24 hours, 7 days a week, are not able to take any advantage from lower off-peak tariffs anyway.

### Water

The effects of delivery and costs associated with water proved to be considerably less inhibitive than electricity.

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Level of tariff	18	44	108	2	7	179
Level: Pressure	14	20	122	15	8	179
Pressure consistent	14	19	118	20	10	181
Reliability of supply	19	39	76	28	18	180
Accessibility	19	35	97	21	9	181
Response time	31	39	69	27	6	172
Information	22	46	86	19	6	179
Billing efficiency	17	30	94	33	9	183
Connection cost	17	44	109	6	4	180
	171	316	879	171	77	1614



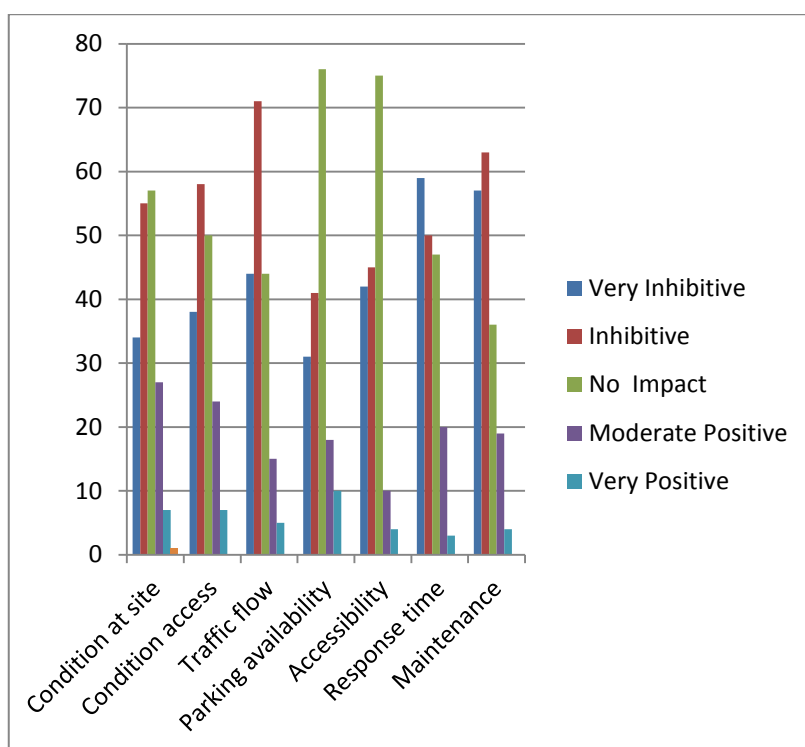
Table/Figure 5-9: Effect of elements associated with Water

A substantial majority of companies reported that issues around water provision had no significant impact on their businesses (5-9). About half this number, however, did find that there were inhibitions, almost all of which relate to either cost (tariff, connection cost) or the levels of customer service on the part of the municipality or water provider (unreliability of supply, inaccessibility of staff, lack of adequate information in advance, slow response to emergencies in supply and billing inefficiency).

The matter of consistency of pressure was included as a result of a particular time in Msunduzi when the municipality deliberately reduced the water pressure as a means to avoid wastage through burst pipes. Although it was claimed that this action had been confined to residential areas, there were instances where these overlapped with industrial sites and some manufacturers found that the water pressure not only impeded their production, if water was involved in it, but also rendered their fire control systems useless without the installation of pumps to boost the pressure. There was a good deal of unhappiness about this municipal decision, but it is clear from the data collected that this was not a factor that had, or has, a detrimental effect on a wide scale.

### *Roads*

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Condition at site	34	55	57	27	7	180
Condition access	38	58	50	24	7	177
Traffic flow	44	71	44	15	5	179
Parking availability	31	41	76	18	10	176
Accessibility	42	45	75	10	4	176
Response time	59	50	47	20	3	179
Maintenance	57	63	36	19	4	179
	305	383	385	133	40	1246

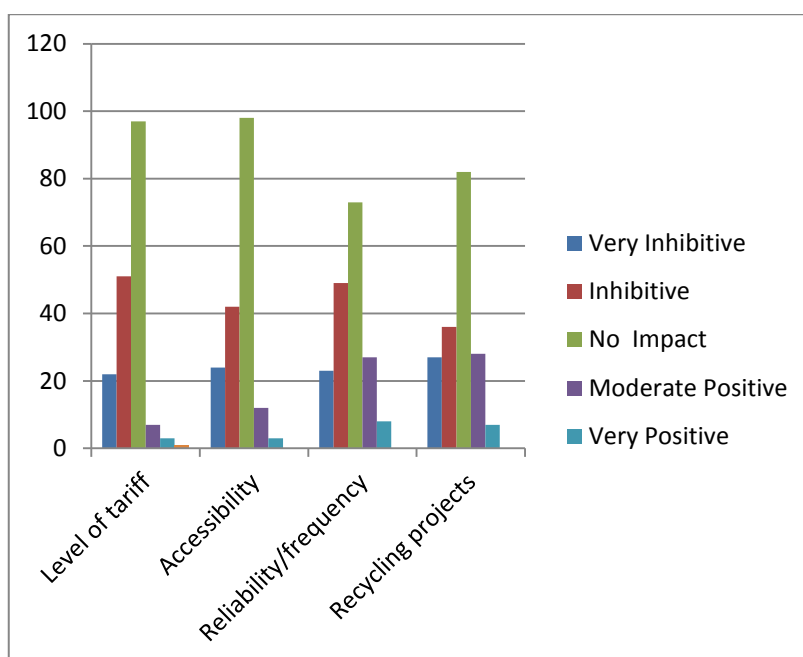


Table/Figure 5-10: Effects of elements associated with Roads

The most significant inhibitor within this group of elements is related to the response time of the municipality when urgent attention is required. The mode is to be found in the “very inhibitive” bracket, while 109 out of 179 companies (60,8%) rated this factor as inhibitive. Also rated as inhibitive by a majority of companies was the poor condition of access roads, congestion (poor traffic flow) and inadequate road maintenance. Generally, aspects relating to roads were seen to be inhibitive and, on the assumption that this rating is counter to the requirement for a conducive environment, municipalities should give greater attention to roads if they wish to enable business to progress.

### Waste Disposal

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Level of tariff	22	51	97	7	3	180
Accessibility	24	42	98	12	3	179
Reliability/frequency	23	49	73	27	8	180
Recycling projects	27	36	82	28	7	180
	96	178	350	74	21	719



Table/Figure 5-11: Effects of elements associated with Waste

This data (5-11) is dominated by “no significant impact” responses, although, as in all previous groups of elements, far more companies rated the elements as inhibitive than positive. On reflection, the reference to recycling projects was confusing because respondents may not have understood what the intention of question was. (In what way, for example, could such projects be “inhibitive”?) Apart from those that indicated that waste disposal matters were not impactful, companies were clearly concerned about the cost of waste disposal, accessibility of disposal facilities (landfill sites, for example) and the reliability and frequency of a municipal waste service.

#### Property rates

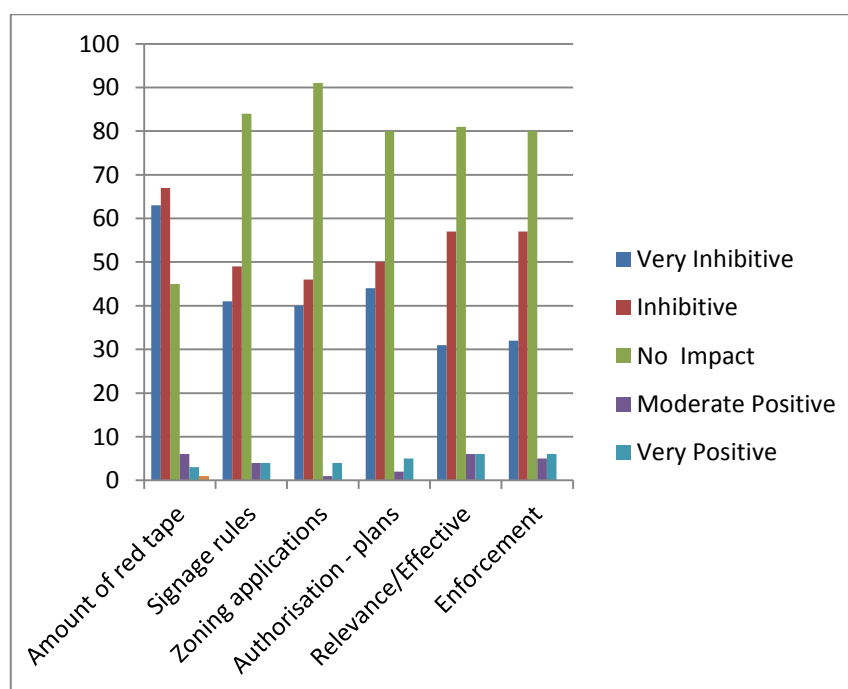
	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Cost	63	83	34	2	2	184

Table 5-12: Effect of property rates

Nearly 80% of respondents reported that property rates are “inhibitive” or “very inhibitive”. In fact, more than one third (34,2%) of all respondents said they were “very inhibitive”. Only power surges (41,4%) and electricity outages (61,1%) have invited a more adverse rating.

*By-laws, regulations and procedures*

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Amount of red tape	63	67	45	6	3	184
Signage rules	41	49	84	4	4	182
Zoning applications	40	46	91	1	4	182
Authorisation - plans	44	50	80	2	5	181
Relevance/Effective	31	57	81	6	6	181
Enforcement	32	57	80	5	6	180
	251	326	461	24	28	1090



*Table/Figure 5-13: Effects of elements associated with by-laws, regulations and procedures*

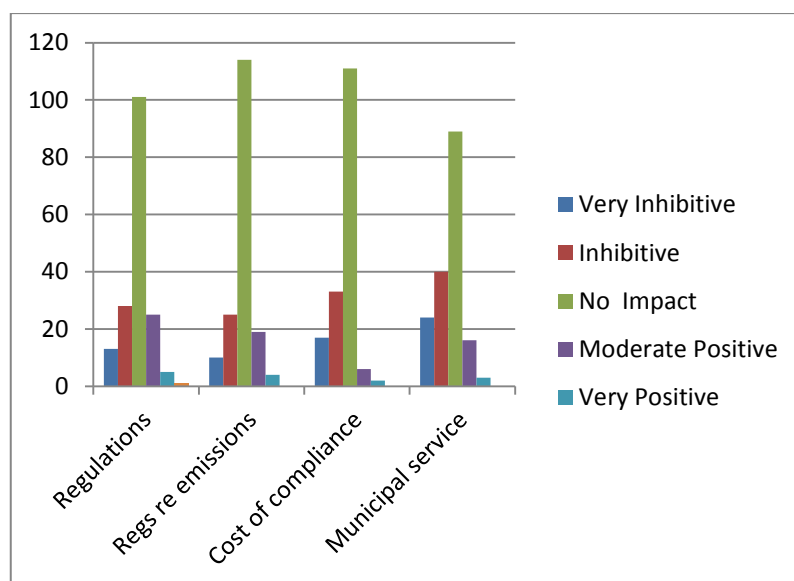
As might have been anticipated, the adverse effects of red tape have been highlighted with 70,6% of respondents recording ratings of “very inhibitive” and “inhibitive”. It would be interesting to interrogate these to ascertain exactly what the impediments have been, “red tape” being a very loose description of bureaucratic obstacles. What is made clear in this data is that in terms of their regulations, by-laws and procedures, municipalities do not facilitate business progress. The number of companies that have rated the various elements as obstructive exceeds the number that find them to have no significant impact or positive in terms of business advancement by 12%.



While the question relating to red tape elicited most of the inhibitive responses relative to others (5-13), other significantly inhibitive aspects were identified as the authorisation of plans, regulations and procedures relating to signage and the poor enforcement of by-laws and regulations.

### *Environmental Factors*

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Regulations	13	28	101	25	5	172
Regulations re emissions	10	25	114	19	4	172
Cost of compliance	17	33	111	6	2	169
Municipal service	24	40	89	16	3	172
	64	126	415	66	14	685



Table/Figure 5-14: Effects of environmental regulations

The responses within this grouping of elements, which show that the majority of companies (by more than double the number that rated the elements as inhibitive) find environmental regulation to have “no significant impact”, are surprising. In the two questions dealing with regulations, not even all the manufacturers (of which there were 42 respondents) indicated a rating of “inhibitive” or “very inhibitive”. Considering the demands that have been legislated in terms of the National Environment Management Act (Act 107 of 1998) and the stringent standards which have been set to govern stack emissions, one suggests that enforcement has not yet begun in earnest. A carbon tax is also looming, so it might be confidently anticipated that in the not-

too-distant future, companies may hold a different view about the extent to which environmental issues are inhibitive or facilitative.

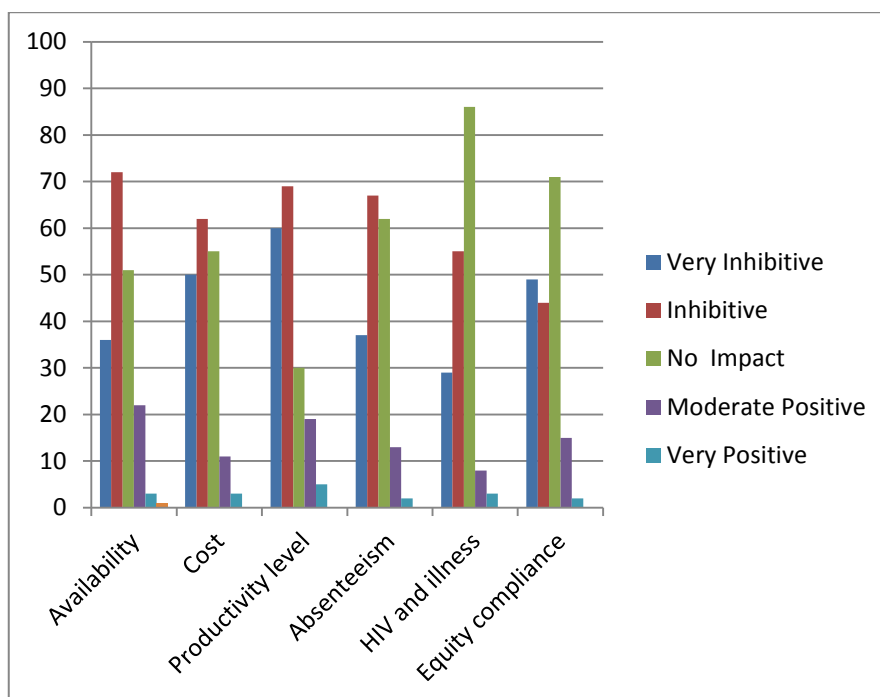
The fourth element listed in this group (5-14) was more about the quality of the municipality's cleaning and sanitation services. Although this drew more adverse ratings than other elements, it did not reveal a significant impediment to business.

### *Labour*

While labour matters are essentially governed by policies and decisions taken at national level, local labour markets may have unique characteristics that set them apart from others. For example, in some municipalities there may be a more plentiful supply of suitable labour than in others, while some local areas are more heavily affected by HIV and AIDS and this, in turn, may affect absenteeism rates.

The data (5-15) reveals that companies find labour to be an inhibition to progress. They have reported adversely on the availability of suitable labour, the cost of labour, the levels of productivity and absenteeism. In each of these cases, the mode is to be found in the rating of "inhibitive". In total, the number of responses with "inhibitive" and "very inhibitive" ratings outnumbered all the rest by 630 to 461, a substantial indication of the business impediments inherent in local labour markets. Compliance with equity legislation also rated quite highly as an impediment although not as highly as the elements mentioned above, while HIV and AIDS and illness of workers generally came across as far less of an inhibitive factor.

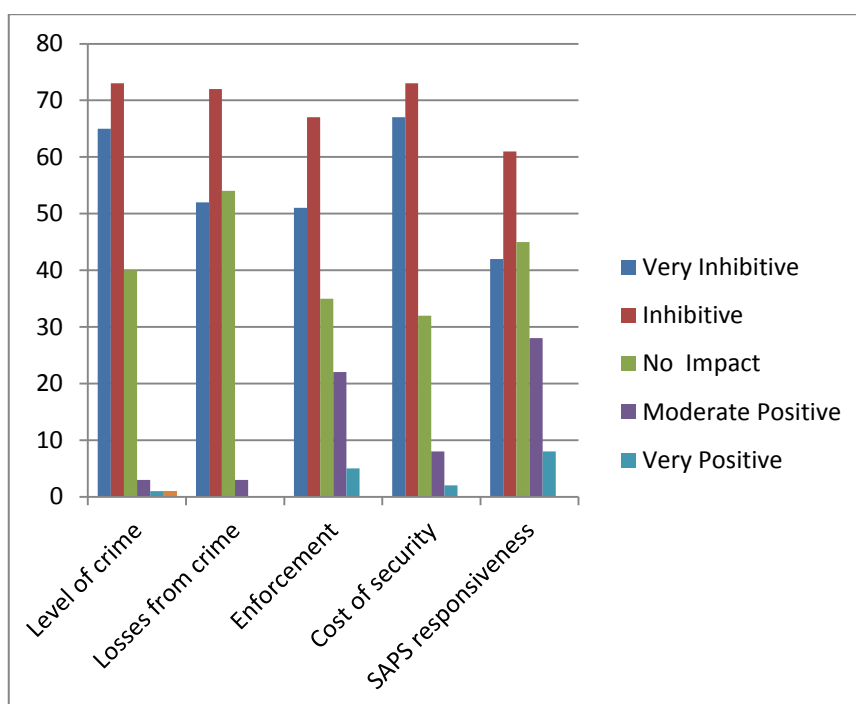
	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Availability	36	72	51	22	3	184
Cost	50	62	55	11	3	181
Productivity level	60	69	30	19	5	183
Absenteeism	37	67	62	13	2	181
HIV and illness	29	55	86	8	3	181
Equity compliance	49	44	71	15	2	181
	261	369	355	88	18	1091



Table/Figure 5-15: Effects of labour

### Crime and security

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Level of crime	65	73	40	3	1	182
Losses from crime	52	72	54	3	0	181
Enforcement	51	67	35	22	5	180
Cost of security	67	73	32	8	2	182
SAPS responsiveness	42	61	45	28	8	184
	277	346	206	64	16	909



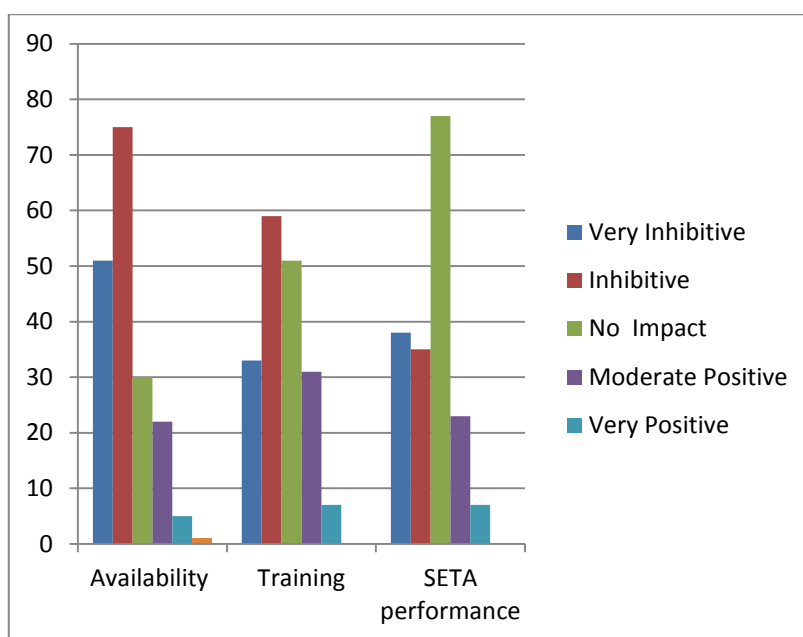
Table/Figure 5-16: Effects of elements associated with crime and security

This data (5-16) is not unexpected, particularly in view of the fact that small businesses, including those run by black entrepreneurs, are not immune from the negative impacts of crime. Indeed, the report of the Small Business Project, commissioned by the President in 2006, shows clearly the detrimental effects that crime has on small business development and progress; it is the threat of victimisation as much as the victimisation itself that inhibits development (Small Business Project, 2008)

In respect of every element in this group, the mode is to be found under the heading of “inhibitive”, while “very inhibitive” is the second most popular response, except in the cases of the cost of losses from crime and SAPS responsiveness. An analysis of the total responses to all elements in the group shows that there were 623 inhibitive responses of a total of 909: a percentage of 68,5%. The most inhibitive element in this group is the cost of security which is generally beyond the capacity of small businesses.

### Skills

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Availability	51	75	30	22	5	183
Training	33	59	51	31	7	181
SETA performance	38	35	77	23	7	180
	122	169	158	76	19	544



Table/Figure 5-17: Effect of elements associated with skills

It is no surprise that many companies have rated the availability of suitable skills as adverse, to a lesser or greater degree, to their progress. 68,85% of respondents (5-17) believe that their businesses are inhibited by this factor. It appears that the availability of suitable training facilities is also inhibitive, despite the fact that there appears to be sufficient institutions doing training. Most of the respondents have businesses located in the eThekweni Metropolitan Municipality where there are far more institutions than in other towns, yet this is not revealed in the data where Durban-based companies seem to be no more satisfied than any other. Anecdotal evidence suggests that SETAs have performed poorly, generally, yet in terms of the responses, a majority of companies have experienced no significant impact on their businesses. Considering the reason for the SETAs to have been established, however, the fact that the number of companies that have reported that their performances have enhanced business success is comparatively small – only 16,6% - is surely disappointing.

### *Black economic empowerment*

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Cost of compliance	37	69	65	9	2	182
Difficulty	46	56	66	10	3	181
	83	125	131	19	5	363

Table 5-18: Effect of elements of BEE

As in the case of labour matters, black economic empowerment is not a regulatory competence of municipalities. Both the cost of difficulty compliance may be affected by local circumstances, however. The enforced use of remote verification agencies that include travelling costs in their fees results in higher costs, while access to well-rated companies may also be more difficult and more costly for companies outside of major municipal areas. It is clear from the data (5-18) that companies consider these elements of BEE to be inhibitive, even despite the fact that the mode in respect of difficulty of compliance occurred in the “no significant impact” zone.

### *Financial Services*

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Availability	19	43	73	36	14	185
Cost	30	60	68	20	4	182
	49	103	141	56	18	367

*Table/Figure 5-19: Effects of elements associated with Financial Services*

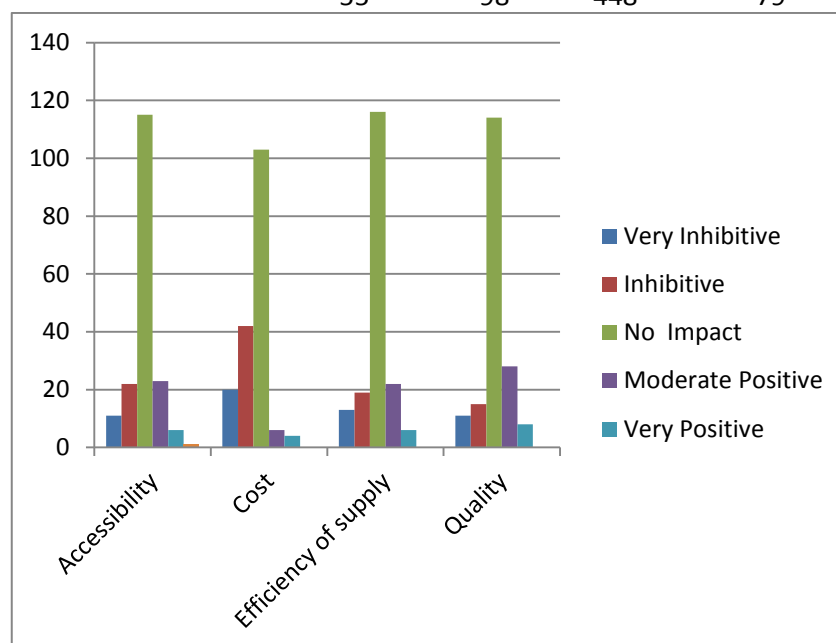
In this grouping, cost appears again as a significant factor. While 68 companies reported “no significant impact”, a total of 90 recorded a response that was either “very inhibitive” of “inhibitive”. The availability of financial services was less of an inhibitive factor.

### *Raw materials*

The extent to which municipalities may influence the availability of raw materials depends on the level of sophistication that might be achieved in local economic development strategies and policies. Most are really very far from developing clusters that promote supply chains that would be of support to local businesses. A very successful cosmetic manufacturer in Pietermaritzburg (it has since relocated) was unable to source a single product in the city. None of the local companies could even meet the requirements for packaging and printing. A functional Business Retention and Expansion programme would have uncovered this difficulty and by working with local businesses, through the chamber of commerce, perhaps, a solution might have been found, or promoted.

Nevertheless, even discounting intervention from either local government or a chamber, some local environments will be far better in respect of the availability and price of raw materials than others.

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Accessibility	11	22	115	23	6	177
Cost	20	42	103	6	4	175
Efficiency of supply	13	19	116	22	6	176
Quality	11	15	114	28	8	176
	55	98	448	79	24	704

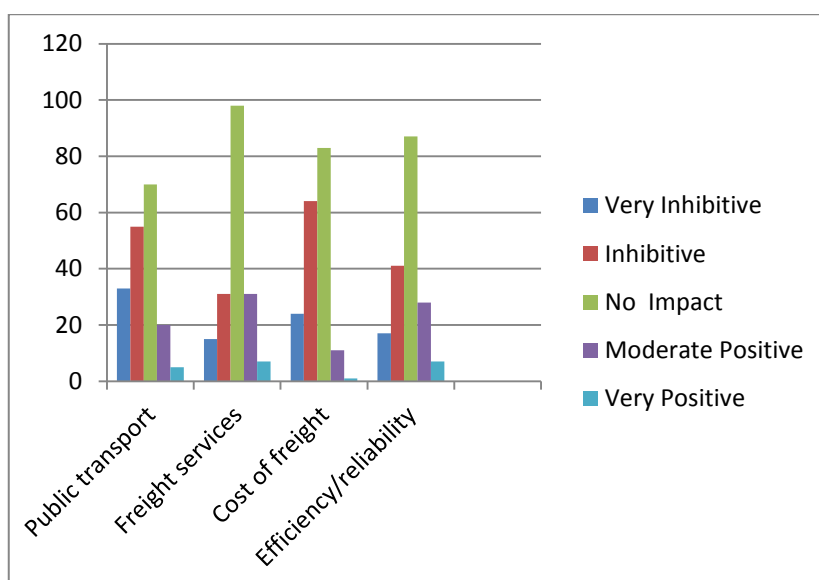


Table/Figure 5-20: Effects of elements associated with raw materials

The responses show (5-20) that comparatively few of the companies experience difficulties in terms of raw materials. In continuation of a pattern that has already emerged, it is the cost of raw materials that solicited most adverse responses. Unusually in terms of the survey results, more companies were “moderately positive” in respect of accessibility, efficiency of supply and quality than rated these aspects as “inhibitive”.

### Logistics

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Public transport	33	55	70	20	5	183
Freight services	15	31	98	31	7	182
Cost of freight	24	64	83	11	1	183
Efficiency/reliability	17	41	87	28	7	180
	89	191	338	90	20	728



Table/Figure 5-21: Effects of elements associated with logistics

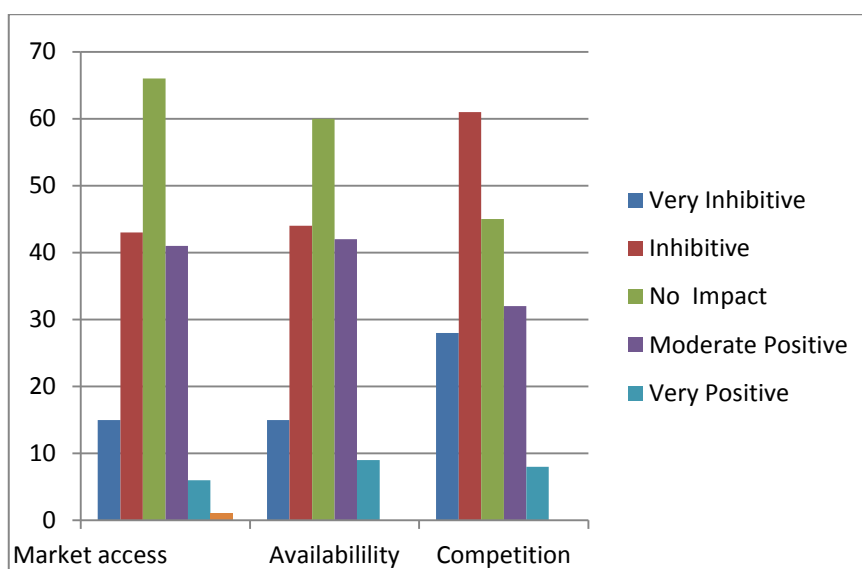
Here is a repeat of what has emerged as a typical pattern across several groups of elements: a preponderance of “no impact” responses (46,4%) and a sufficient number of “inhibitive” or “very inhibitive” (26,2% and 12,2% respectively) ones (5-21) to suggest that these elements are significantly adverse in respect of the progress of some businesses. In this case, however, there are as many companies that believe logistical arrangements in their local areas to be “moderately positive” as there are those that have rated them as “very inhibitive”.

### Market Conditions

In the case of both market access and availability, the responses (5-22) represent a reasonably well-balanced bell curve with a similar number of “inhibitive” and “moderately positive” responses. In respect of competition, however, the distribution reflects inhibitions on the part of 89 companies (28 of them regard competition as “very inhibitive”), a figure that represents 56,9% of respondents.

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Market access	15	43	66	41	6	171
Availability	15	44	60	42	9	170
Competition	28	61	45	32	8	174
	58	148	171	115	23	515





Table/Figure 5-22: Effects of elements associated with market conditions

### Business support services

While 168 companies found that these two elements had no significant impact on their success, 90 believed the services available to be positive to either a moderate or great degree (5-23). By contrast, 102 companies reported that business support services were either not accessible enough or lacking in effectiveness.

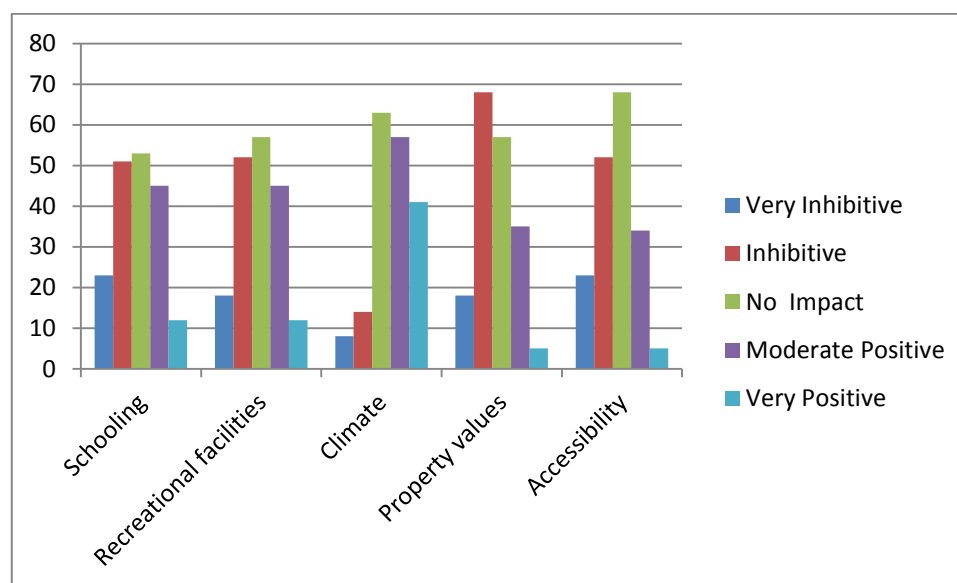
	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Accessibility	17	34	83	39	8	181
Effectiveness	17	34	85	36	7	179
	34	68	168	75	15	360

Table 5-23: Effects of elements associated with business support services

### Quality of life

The various local factors that contribute towards the quality of life of workers and executives are considered to be very important, especially with regard to decisions that result in location or relocation. Some local areas offer a better quality of life than others and to some extent, albeit quite a limited one, municipalities are able to improve the amenities and facilities that are attractive.

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive	TOTAL
Schooling	23	51	53	45	12	184
Recreational facilities	18	52	57	45	12	184
Climate	8	14	63	57	41	183
Property values	18	68	57	35	5	183
Accessibility	23	52	68	34	5	182
	90	237	298	216	75	916



Table/Figure 5-24: Effects of elements associated with quality of life

The elements of schooling, recreational facilities and accessibility of property reflect a reasonably balanced distribution with a slight bias towards inhibition. The number of respondents who rated schooling as “inhibitive” is surprising considering that most of them are located in Durban or Pietermaritzburg, cities which are not thought to be short of good schools.

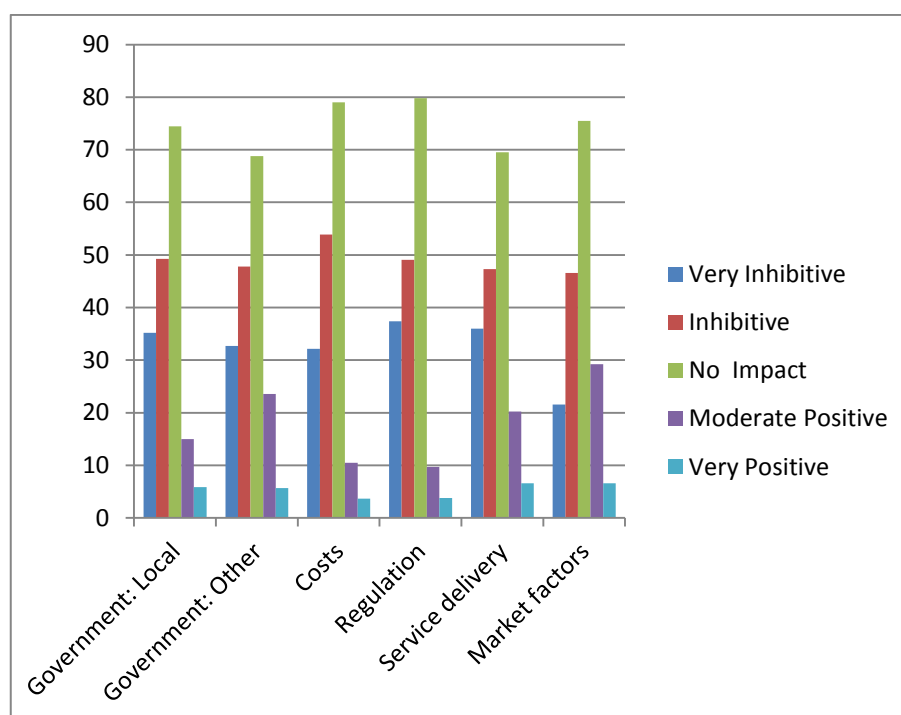
Climate is one of the very few elements across the survey which reveals a strong bias towards the positive, while property values show a contrary trend.

#### *Comparison of different fields of elements*

It is possible to group elements in such a way that reflects whether they are related to costs, government (local or national), regulation, service delivery or market factors. The value of this exercise is to ascertain which of these fields are most impactful either in a negative or positive direction.

(Mean scores)

	Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive
Government: Local	35	49	74	15	6
Government: Other	33	48	69	24	6
Costs	32	54	79	10	4
Regulation	37	49	80	10	4
Service delivery	36	47	70	20	7
Market factors	22	47	76	29	7



Table/Figure 5-25: Comparison of fields of elements

In order to produce this table, all the elements were allocated to one or other of the fields in the table above. There was no over-lapping. The number of responses at each level was tabulated and the mean calculated for each response level for each field. (see Appendix 1 for this table).

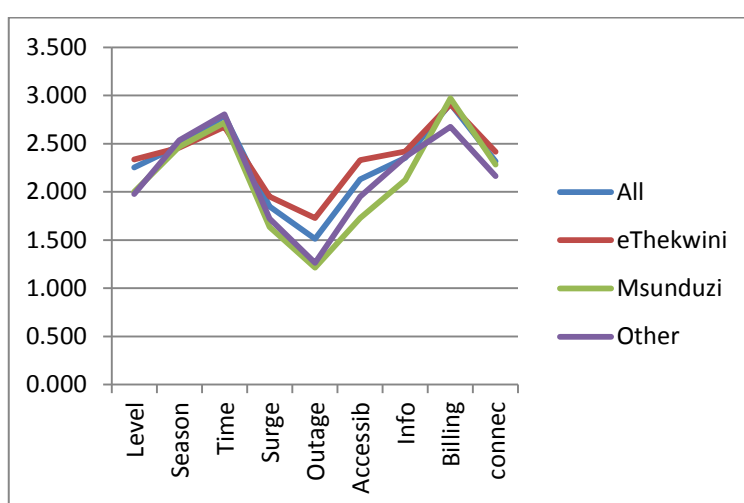
The outcome does not show significant variances. For example, while the elements that constitute factors relating to regulation have the highest mean score of 37, all other fields, except market factors, had means that are not far removed from the peak score. As it happens, factors relating to regulation also recorded the highest mean score at the level of “no significant impact”.

Market factors earned the most “moderately positive” responses, while the responses at the “very positive” were too few to denote any significance.

## MUNICIPALITY COMPARISON

The sparse number of responses reduced the opportunity of doing a comparative analysis to the degree that was hoped. However, the number from Msunduzi and eThekwini are sufficient to make a comparison of responses from these municipalities meaningful. The average response to each question was tabulated to show the total response, that for eThekwini, that for Msunduzi and that for the rest of the municipalities collectively. The “very inhibitive” level was attributed with a score of 1, while the “very positive” warranted 5.

### *Electricity*



	Level	Season	Time	Surge	Outage	Accessib	Info	Billing	connec
All	2.251	2.479	2.787	1.847	1.514	2.129	2.352	2.914	2.316
eThekwini	2.337	2.458	2.673	1.950	1.728	2.330	2.417	2.912	2.416
Msunduzi	2.000	2.469	2.719	1.636	1.212	1.727	2.125	2.970	2.281
Other	1.977	2.537	2.805	1.721	1.262	1.952	2.364	2.674	2.163

*Table/Figure 5-26: Elements associated with electricity*

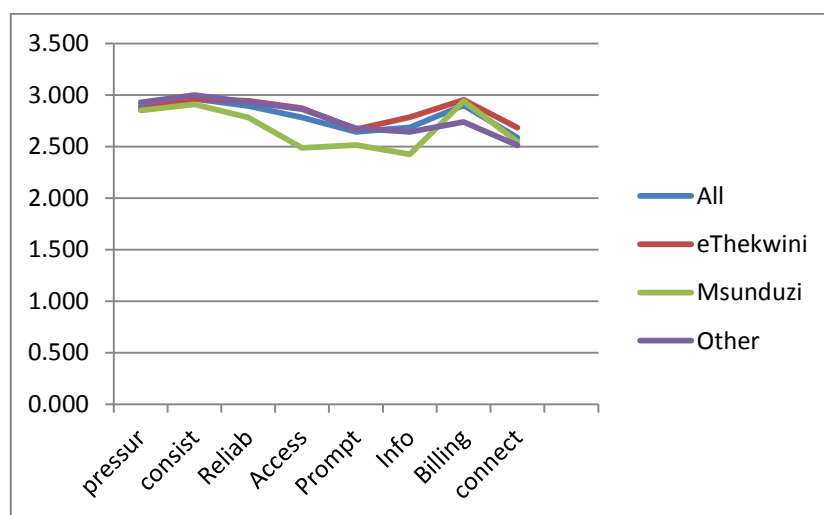
The eThekwini Municipality drew, on average, the most adverse responses in relation to seasonal and time-of-use tariffs, but these responses were not as negatively viewed as the tariff level in which category the other municipalities were rated most inhibitive. Msunduzi was the worst municipality in terms of unreliable power (surges and outages), the inaccessibility of its officials and the lack of timely information. Its tariff levels were also rated poorly; a close second to the other municipalities. As for billing efficiency and the cost of connections, the other municipalities fared worst.

Every one of these mean scores is less than 3, which equates to the “no significant impact” level. It is clear that electricity issues are of great concern to businesses across the spectrum, especially insofar as disruptions from surges and outages are concerned, for none of these mean responses are as high as 2.

### *Water*

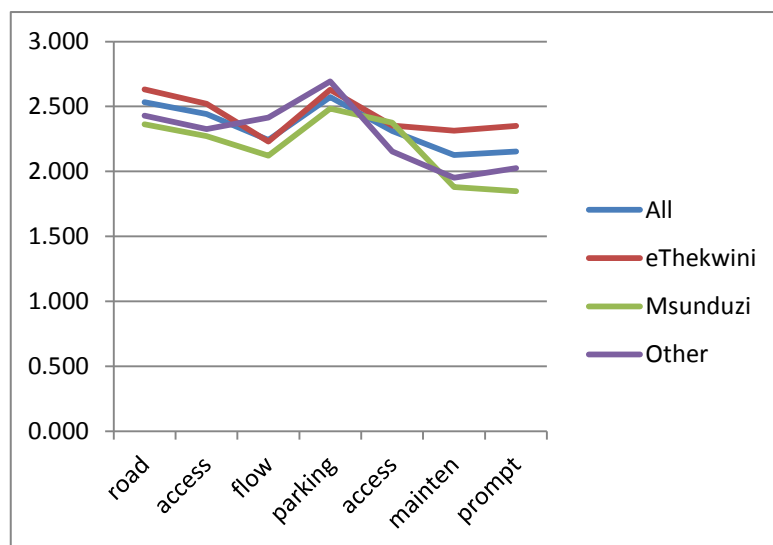
Once again, the „other’ group of municipalities were rated most inhibitive in terms of billing efficiency and connection tariffs, while Msunduzi scored lowest in all other categories (5-27). In this case, however, there was a less noticeable difference among the municipalities and the mean response scores are significantly higher than in the case of electricity. Notwithstanding this, only in the case of consistency of water pressure and in other municipalities is the mean as high as 3. On the basis of the mean response scores, it may be asserted that water has comparatively little detrimental effect on the conduct of business, but its supply, delivery and cost are not conducive for business advancement either.

	tariff	pressur	consist	Reliab	Access	Prompt	Info	Billing	connect
All	2.621	2.891	2.961	2.893	2.782	2.640	2.684	2.899	2.587
eThekwini	2.657	2.860	2.961	2.941	2.873	2.667	2.784	2.951	2.683
Msunduzi	2.545	2.848	2.909	2.781	2.485	2.515	2.424	2.939	2.545
Other	2.595	2.929	3.000	2.930	2.860	2.674	2.643	2.738	2.512



Table/Figure 5-27: Elements associated with water

## Roads



	road	access	flow	parking	access	mainten	prompt
All	2.534	2.443	2.243	2.571	2.312	2.125	2.153
eThekwini	2.631	2.520	2.231	2.630	2.353	2.314	2.350
Msunduzi	2.364	2.273	2.121	2.485	2.375	1.879	1.848
Other	2.429	2.325	2.415	2.692	2.154	1.951	2.024

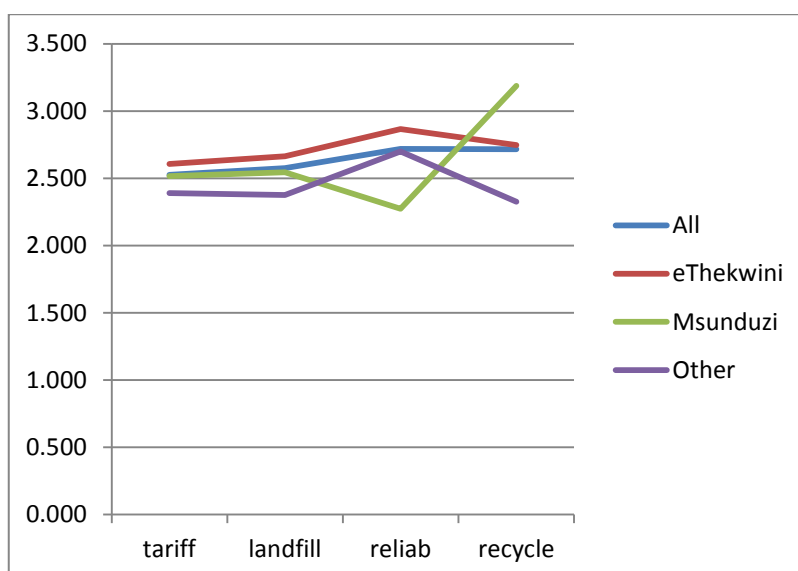
Table/Figure 5-28: Elements associated with roads

The Msunduzi municipality again emerges as the one that inhibits business most by its poor service in respect of roads. In respect of its maintenance of roads and its promptness in dealing with emergencies requiring attention, it scored less than 2 on average. The accessibility of officials in the „other’ municipalities recorded the lowest score in this category.

These mean response scores are worse than those recorded for water services, but not as bad as those relating to electricity.

## Waste

	tariff	landfill	reliab	recycle
All	2.525	2.576	2.718	2.716
eThekwini	2.606	2.663	2.865	2.748
Msunduzi	2.515	2.545	2.273	3.188
Other	2.390	2.375	2.700	2.325



Table/Figure 5-29: Elements associated with waste disposal

With the exception of East London (Buffalo City), the municipalities that make up the group of „other’ are smaller by some margin than either eThekwini or Msunduzi. For this reason, it is not surprising that it is the „others’ that are rated most inhibitive to business in all but one of the elements (5-29). In this – reliability of service – Msunduzi is the worst offender, and by a notable difference.

The general level of mean response scores reveals that waste issues, though generally inhibitive in a moderate way, are not as serious as impediments to business as electricity or roads, but more so than water.

### Rates

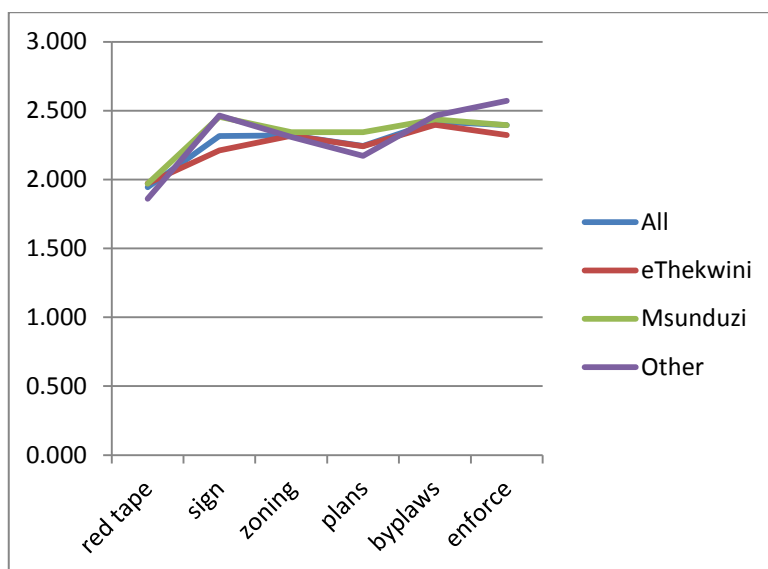
All	1.851
eThekwini	1.894
Msunduzi	1.848
Other	1.750

Table 5-30: Property rates (level)

The level of property rates rivals various factors relating to electricity as inhibitors to the advancement of business. While the „other’ group has the most inhibitive rating, there is little to choose between the mean response scores for Msunduzi and eThekwini, with the latter emerging slightly less inhibitive.

### By-laws and Regulation

	red tape	sign	zoning	plans	bylaws	enforce
All	1.945	2.317	2.320	2.243	2.421	2.395
eThekwini	1.971	2.212	2.317	2.240	2.398	2.324
Msunduzi	1.970	2.455	2.344	2.344	2.438	2.394
Other	1.860	2.465	2.310	2.171	2.465	2.571



Table/Figure 5-31: Elements associated with by-laws and regulation

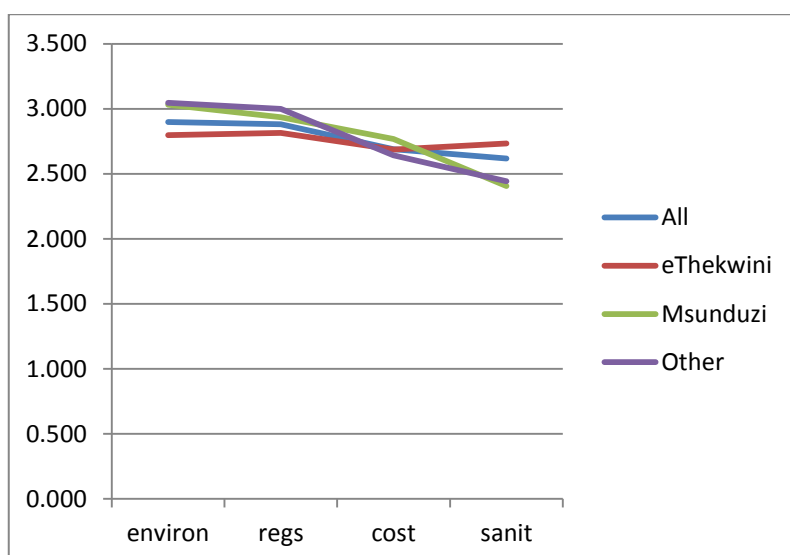
The range of mean response scores is from 1.86 to 2.571 (5-31) which illustrates that these elements of regulation are generally inhibitive. Although the lowest mean in respect of zoning application obstacles is recorded by responses in the „other’ group of municipalities, the difference between this and other mean scores within this category is very small. It is interesting that eThekwini should have recorded the most inhibitive mean scores in respect of the relevance of by-laws and their enforcement.

#### *Environmental issues*

The graph (5-32) shows that there is little to choose between the municipalities in respect of these environmental elements. eThekwini has the most exacting environmental demands and the most onerous emission regulations according to the respondents, while Msunduzi scores lowest in respect of its ability to keep the city clean.

	environ	regs	cost	sanit
All	2.899	2.881	2.690	2.617
eThekwini	2.798	2.816	2.686	2.733
Msunduzi	3.032	2.935	2.767	2.406
Other	3.047	3.000	2.643	2.442



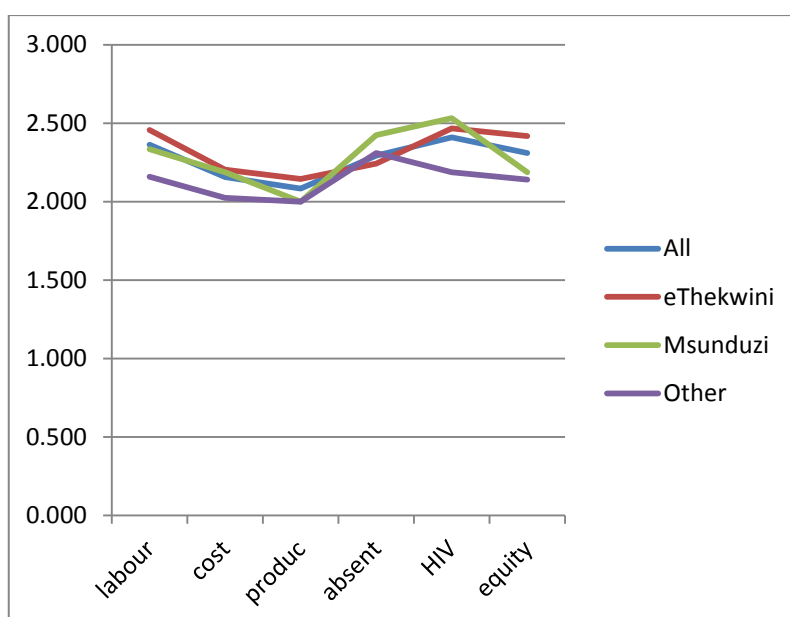


Table/Figure 5-32: Elements associated with the environment

### Labour

In this group of elements it is the businesses in the smaller municipalities that have significantly more difficulties in accessing suitable labour and meeting its cost.

	labour	cost	produc	absent	HIV	equity
All	2.363	2.156	2.083	2.292	2.410	2.309
eThekweni	2.457	2.204	2.144	2.243	2.466	2.417
Msunduzi	2.333	2.188	2.000	2.424	2.531	2.188
Other	2.159	2.023	2.000	2.310	2.186	2.140

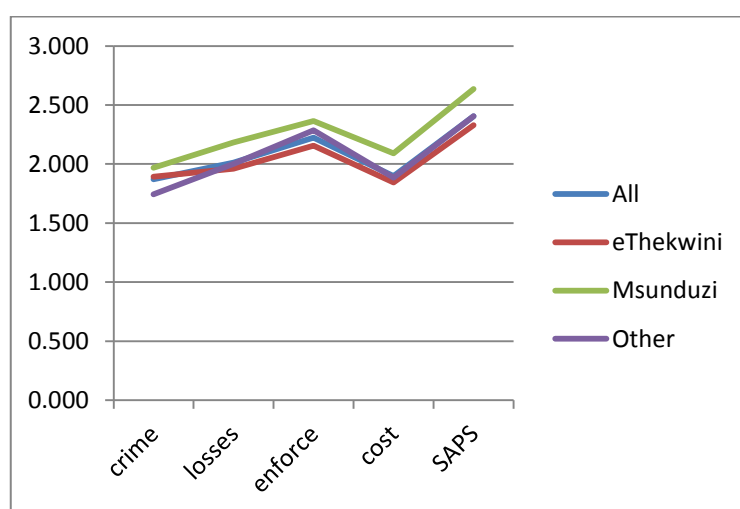


Table/Figure 5-33: Elements associated with labour

Together with Msunduzi, they are also rated as most inhibitive in respect of productivity (5-33), while matters relating to HIV and AIDS and the difficulty of complying with employment equity legislation also prove to be most inhibitive to businesses in this group of municipalities. Absenteeism appears to be more of a difficulty to employers in eThekweni than in other municipalities.

### Security

	crime	losses	enforce	cost	SAPS
All	1.872	2.011	2.225	1.899	2.404
eThekwini	1.894	1.961	2.155	1.845	2.330
Msunduzi	1.970	2.182	2.364	2.091	2.636
Other	1.744	2.000	2.286	1.884	2.405



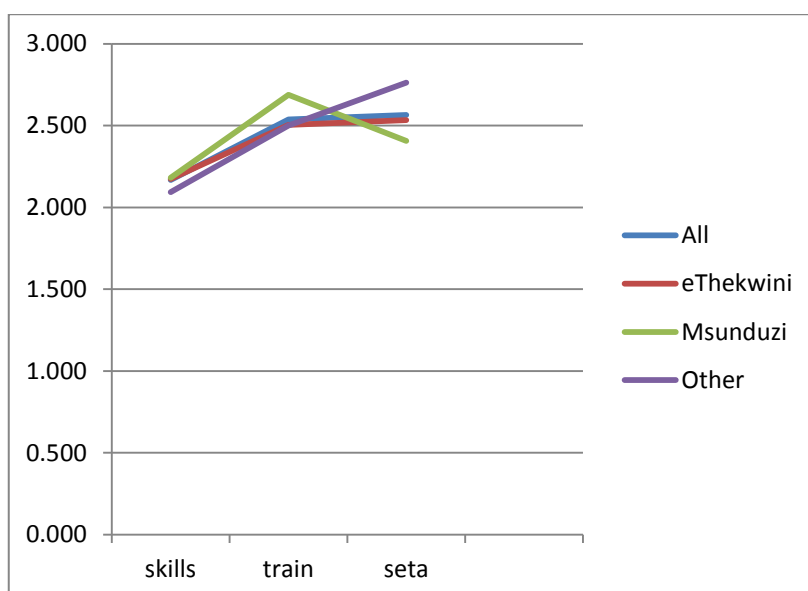
Table/Figure 5-34: Elements associated with crime and security

This data (5-34) reveals a distribution across the municipalities that follows a clear and similar pattern from one category to another. With the exception of levels of crime, which appear to be most inhibitive to business in the „other’ municipalities, eThekwini fares worse in all other categories. A significant feature of this distribution is that Msunduzi rates least inhibitive in every category.

The levels of the mean scores – there is only one that exceeds 2.5 – shows that business perceives issues relating to crime to be inhibitive, or even very inhibitive.

### Skills

	skills	train	seta
All	2.168	2.537	2.565
eThekwini	2.173	2.505	2.534
Msunduzi	2.182	2.688	2.406
Other	2.093	2.500	2.762



Table/Figure 5-35: Elements associated with skills

It is not surprising that the availability of both suitable skills and training facilities should be more inhibitive to business in the smaller municipalities, many of which are more remote from main centres.

The levels of these scores – none being higher than 2.762 – reveal (in 5-35) that businesses are frustrated by the shortage of suitable skills, and, indeed, the performance of SETAs.

#### *Black economic empowerment*

Across all municipalities, businesses have identified BEE as an inhibiting factor, both in respect of the cost and difficulty of compliance. Businesses in the „other’ group are more adversely affected than businesses elsewhere, with eThekwini businesses being least critical.

	<b>BEE</b>	<b>diffic</b>
All	2.247	2.217
eThekwini	2.308	2.330
Msunduzi	2.188	2.161
Other	2.143	1.976

Table 5-36: Elements associated with BEE

### *Financial Services*

	<b>finance</b>	<b>cost</b>
All	2.873	2.450
eThekwini	2.800	2.462
Msunduzi	3.094	2.394
Other	2.886	2.465

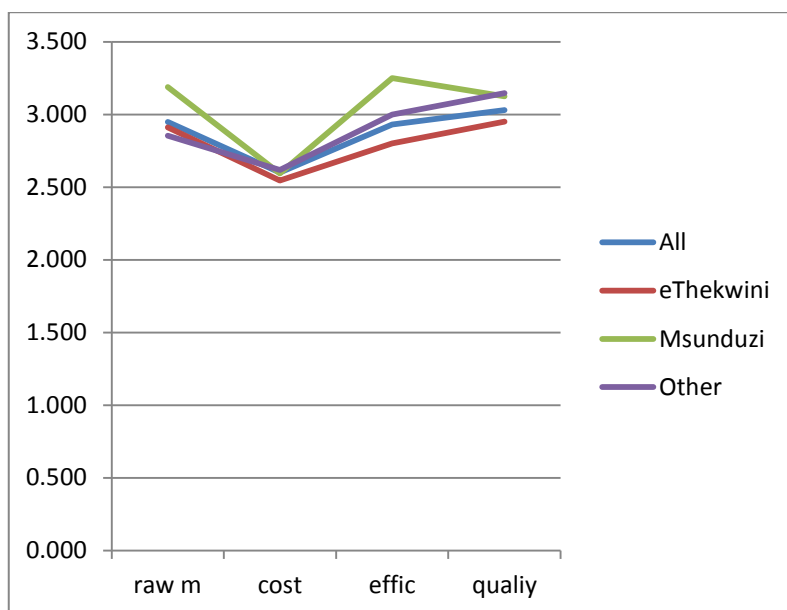
*Table 5-37: Elements associated with financial services*

It is hard to believe that the availability of financial services in a city the size of Durban can be rated as being on the inhibitive side of “no significant impact”. While the cost of services may justify an inhibitive rating, there is no reason, other than average perception, that costs in Msunduzi should be any more inhibitive than anywhere else.

### *Raw materials*

These data (5-38) are also difficult to understand. Logic suggests that in all aspects of raw material supply, businesses in eThekwini have a distinct advantage over their counterparts in other municipalities. Yet in respect of cost, efficiency of supply and quality, these businesses are the least satisfied. It is understandable that businesses in the „other’ group should experience the greatest difficulties in respect of the availability of required raw materials.

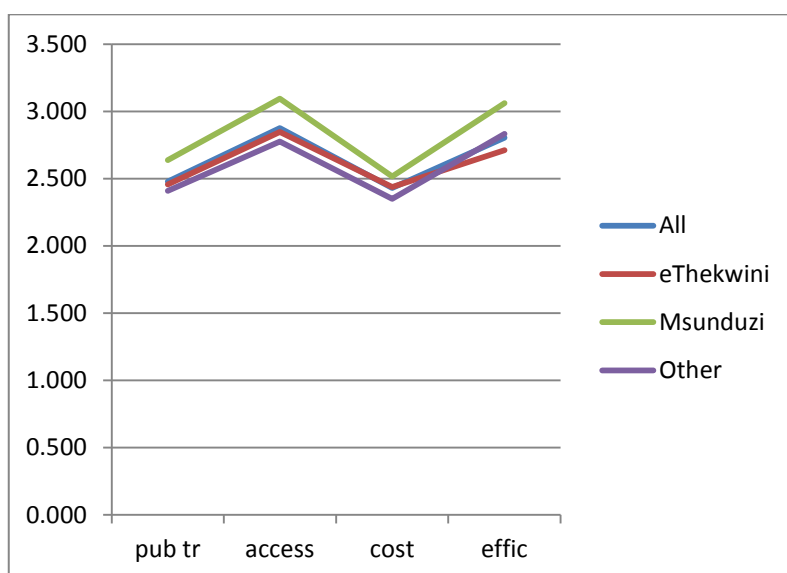
	<b>raw m</b>	<b>cost</b>	<b>effic</b>	<b>quality</b>
All	2.948	2.601	2.931	3.029
eThekwini	2.911	2.545	2.800	2.950
Msunduzi	3.188	2.594	3.250	3.125
Other	2.854	2.619	3.000	3.146



Table/Figure 5-38: Elements associated with raw materials

### Logistics

	pub tr	access	cost	effic
All	2.478	2.875	2.430	2.804
eThekwini	2.457	2.846	2.437	2.712
Msunduzi	2.636	3.094	2.515	3.061
Other	2.409	2.775	2.349	2.833



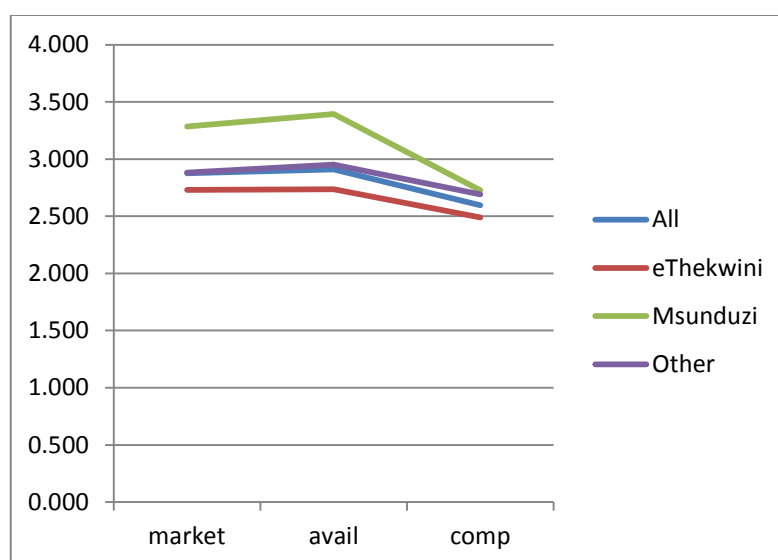
Table/Figure 5-39: Elements associated with logistics

These data represent another „win’ for Msunduzi whose businesses are more satisfied with their business environment in elements that do not involve the municipality.

It is little wonder that the „other’ group’s businesses should experience the greatest inhibitors in respect of accessibility of both public and freight transport facilities, as well as the cost of the latter, eThekweni is rated as most inhibitive in respect of the efficiency and reliability of the freight transport facilities available.

### *Market Conditions*

	market	avail	comp
All	2.876	2.909	2.596
eThekwini	2.730	2.735	2.490
Msunduzi	3.286	3.394	2.727
Other	2.881	2.951	2.690



*Table/Figure 5-40: Elements associated with market conditions*

In this category, Msunduzi’s businesses are most satisfied; eThekwini’s are least satisfied. This is despite the fact that the latter, being a good deal larger, would be expected to have easier access to the market which is also more available. On the other hand, the city’s businesses are likely to face more competition, a factor which is reflected in their responses.

### *Business support services*

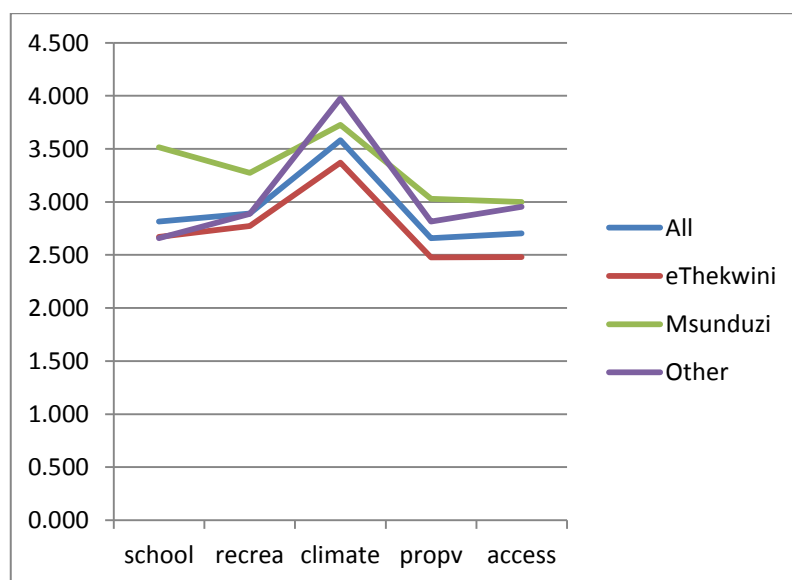
<b>Business Support</b>	
All	2.880
eThekwini	2.745
Msunduzi	3.226
Other	2.952

*Table 5-41: Availability of business support*

The validity of these responses (5-41) is also questionable. The researcher is well aware of the fact that the eThekweni Municipality has a substantial SMME support unit (managed separately from Economic Development) while Msunduzi has hardly any similar services, if it has any at all. Furthermore, there are two SEDA offices in eThekweni; one that is supported financially by the Municipality.

### *Quality of life*

	school	recrea	climate	propv	access
All	2.814	2.890	3.582	2.657	2.704
eThekweni	2.670	2.771	3.371	2.476	2.481
Msunduzi	3.515	3.273	3.727	3.030	3.000
Other	2.659	2.886	3.977	2.814	2.953



*Table/Figure 5-42: Elements associated with quality of life*

Businesses in eThekweni appear to be least enthusiastic about their quality of life, even in respect of climate. They are inhibited by the availability of good schooling, mediocre recreational facilities, high property values and difficult access to suitable property.

## SECTORAL COMPARISON

It was thought that there might be significant differences in the responses made by companies in different sectors, notably manufacturers as opposed to other types of business. The ability to do such cross tabulation analyses was available in QuestionPro, although an extra subscription had to be paid for this higher level of functionality.

Having spent a great deal of time adapting the data available from QuestionPro in order to compare responses in terms of respondents located in different municipalities, the researcher was disappointed to find that this exercise did not add any great value to the research, although the differences in perceptions and experiences related to those elements that are in the local government's control did provide some valuable insights.

Before embarking on a similar exercise to make sectoral comparisons across all categories of elements, the researcher investigated the differences in responses of manufacturers and the rest of the respondents (the number of respondents in the hospitality/tourism, retail/wholesale and financial services sectors was so small as to nullify any value in considering these sectors separately) within the basket of elements related to electricity. It was felt that this category of elements, more than any other, was likely to produce data that showed a significant variance between the responses of manufacturers and the rest. It was anticipated that manufacturers would find the various elements more inhibitive than other businesses.

It proved not to be the case overall. The tables below show the percentage of respondents that gave ratings at the various levels.

### *Elements associated with electricity*

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	17	14	6	2	1	40
	%	42.5%	35%	15%	5%	2.5%	
Others	Number	24	58	51	1	2	136
	%	17.6%	42.6%	37.5%	0,7%	1.4%	

*Table 5-43: Level of tariffs*

In the case of the tariff levels, manufacturers did record a greater level of inhibition than other businesses. However, others did find the tariffs inhibitive to the extent that over 60% of them rated tariffs "very inhibitive" or "inhibitive". A



substantial number of businesses indicated that the tariffs had little significant impact, while this rating was advanced by only 15% of manufacturers.

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	5	16	16	0	1	38
	%	13.16	42.11	42.11	0.00	2.63	
Others	Number	14	36	78	1	1	130
	%	10.77	27.69	60.00	0.77	0.77	

*Table 5-44: Seasonal electricity tariffs*

In this case, 42% of manufacturers rated seasonal tariffs as “inhibitive” and another 42% rated them as having “no significant impact”. The majority of the rest (60%) did not find seasonal tariffs a factor of importance, which is not surprising since it is only the larger categories of users that are affected by seasonal differentiations in tariffs.

Time-of-use tariffs are also not applicable to small users, among whom are most small commercial or service enterprises. This table also shows that time-of-use tariffs are moderately more inhibitive to manufacturers than others, but a majority of manufacturers are not inhibited by these mechanisms.

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	4	8	21	3	2	38
	%	10.53	21.05	55.26	7.89	5.26	
Others	Number	11	25	83	8	2	129
	%	8.53	19.38	64.34	6.20	1.55	

*Table 5-45: Time-of-use tariffs*

One might think that manufacturers are likely to be affected more adversely by power surges and outages. Manufacturing processes rely on consistent electricity supply and outages, in particular, can be extremely disruptive and wasteful. If a process is arrested midstream, there might be a significant waste of input materials when the process has to be abandoned. But the data collected has revealed that other businesses have been more acutely affected by both surges (which have caused damage to computers, no doubt) and outages. A surprisingly high percentage of manufacturers (26,3%) reported that surges had no significant impact, while in the case of outages, as well, manufacturers were less affected than other businesses.

One should treat this with some scepticism, perhaps, since anecdotally manufacturers are very adversely affected by disruptions to electricity supply. The difference in the number of industrial respondents, relative to the others, may account for the surprising results. There are too few manufacturers in the survey to get a really good sense of what an accurate view across the sector might be.

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	13	14	10	1	0	38
	%	34.2	36.8	26.3	2.6	0	
Others	Number	58	46	26	5	1	136
	%	42.6	33.8	19.1	3.7	0.7	

*Table 5-46: Power surges*

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	23	9	7	1	0	40
	%	57.5	22.5	17.5	2.5	0	
Others	Number	84	33	12	3	2	134
	%	62.7	24.6	9.0	2.2	1.5	

*Table 5-47: Power outages*

As far as the accessibility of officials is concerned, this was also a greater sense of frustration for respondents among the rest than manufacturers.

And a similar pattern emerged as far as the provision of information timeously is concerned.

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	7	13	17	1	1	39
	%	17.9	33.3	43.6	2.6	2.6	
Others	Number	45	45	35	8	2	135
	%	33.3	33.3	25.9	5.9	1.5	

*Table 5-48: Accessibility of officials*

		Very Inhibitive	Inhibitive	No impact	Moderately positive	Very positive	
Manufacturers	Number	5	15	12	6	1	39
	%	12.8	38.4	30.8	15.4	2.6	
Others	Number	28	46	51	8	2	135
	%	20.7	34.0	37.8	5.9	1.5	

*Table 5-49: Provision of information*

After careful scrutiny of the data available on QuestionPro, the conclusion was reached that the overall views of businesses in all sectors, and of all sizes, were more valuable in meeting the objectives of the survey than making comparisons of the type done above. The number of respondents was too few to make a comparative analysis really worthwhile. As the exercise done in respect of the sectors of the respondents in relation to the various elements within the electricity category showed, conclusions might lack credibility.

## **OTHER ELEMENTS**

Respondents were invited to list other elements which they considered were important in the make-up of a conducive environment. They were also asked, in a later question, to indicate what measures the municipality could take to improve the local business environment.

A total of 53 respondents suggested elements of a conducive environment, but the majority of these had already been covered and the respondents put them into different words. To the later question, 93 respondents made input. Most of these, too, were repetitious.

After careful examination of these contributions, the following emerged as elements that might have been included in the survey, although few of them warranted more than one or two comments, suggesting that they were not that critical to business across the board.

**Telecommunication.** Telkom came in for a good deal of criticism from one respondent. Particularly considering the cost of phone calls and connectivity, telecommunication should have been included as an element that has the potential to inhibit business progress.

**Access to funding.** Of particular concern to SMMEs, it was a significant omission not to have listed this as one of the elements for which a rating was invited. The section on Financial Services dealt with the accessibility of services, not of funding. This was mentioned by several respondents as a additional element that has a profound influence.

**Political interference in markets and cheap imports** were elements that might have been included in the group of elements associated with market conditions. No more than a handful of respondents mentioned these issues, but they are matters that have the potential to inhibit or advance business.

Other comments which might have been echoed by many and which were considered to be pertinent to the questions posed in the survey were:

**“Council appears to be anti-business”**. The survey showed that many businesses shared a lack of confidence and trust in, and respect for, the municipality in which they are located.

A comment that business objects to the **“blanket increasing of tariffs without consultation”** resonates with the ratings that related to the provision of information with regard to electricity, water and waste tariffs.

There was also a comment regarding the lack of **“transparency re tenders”**. It shows that within the context of market conditions, the municipality, and wider government perhaps, are significant consumers in the market. For this reason their role as a fair player must be considered very important.

A few respondents, obviously based in eThekweni, were very critical of the municipality’s **Business Support Unit**, claiming that it is ineffectual. If this is a widespread view among those who feel in need of such support, the rather surprising ratings among eThekweni respondents to the question on Business Support might well be justified.

### RESPONSES TO PART 3

In this section of the survey, respondents were asked to respond to questions which had the purpose of discovering the effectiveness of chambers and the extent to which businesses, either through chambers or directly, had any input into municipal economic development policies.

*What value does your business derive from membership of the chamber?*

Little	Some	A good deal	A great deal
34	91	33	16

Table 5-50: Value of chamber membership

This represents a poor return for chambers in the various municipalities. It might well reflect the chambers’ inability to have the necessary influence to remove

some of the inhibitive elements and make the business environment more conducive.

An examination of the particular responses in terms of the sectors in which respondents operated and in terms of their size (number of employees) revealed no differences in the distribution. In both cases, whether manufacturers or retailers/wholesalers, or whether small or large, the majority at a level between 50 and 55% reported “some” benefit from chamber membership, while roughly the same number rated their membership as having “little” benefit as having “a good deal” of benefit. The smallest number of responses (about 8 – 10%) revealed a high level of satisfaction.

*How frequently during the past year have you engaged with your municipality (councillors or officials) at their instigation?*

Never	Hardly ever	A few times	Often
82	42	39	14

*Table 5-51: Engagement with municipality*

While this data does not point to anti-business sentiment, it certainly reveals considerable indifference to the business community in a particular municipality. A municipality cannot hope to meet the needs of business, or create and sustain a conducive environment for business if there is so little engagement.

*As far as you know, does your municipality have any sort of business retention and expansion programme?*

Yes	No
40	134

*Table 5-52: Business Retention and Expansion*

The eThekweni Municipality’s Durban Investment Promotion Agency (DIPA) initiated a BR and E programme some years ago and this was supported by the Durban Chamber and TIKZN. It appears to have become inactive at the present time. The Msunduzi Municipality does not have such a programme, having once engaged in discussions about introducing one.

*Have you ever been asked to make input into a municipal economic strategy?*

No	Yes, through the chamber	Yes, directly by the municipality
105	58	11

*Table 5-53: Input into municipal economic strategy*

The interesting thing about this set of data is that chambers appear to have had some engagement with municipalities in the development of LED strategies, or perhaps IDPs. All the respondents, supposedly, are members of chambers. The question is whether they were given an opportunity by their chambers to participate in such engagement, or whether they simply did not take advantage of it when offered.

*Is your business part of a cluster that has developed, or been deliberately promoted, in your municipality?*

No	Yes – deliberate municipal policy	Yes – evolution owing to circumstances
149	13	12

*Table 5-54: Clustering*

Insofar as clustering is recognised as an effective means of growing a local economy, such a strategy has been comprehensively ignored by municipalities.

## CHAPTER 6: CONCLUSIONS

### DRAWBACKS

The survey proved to be less definitive than was hoped. Some sense of obligation to the South African Chamber of Commerce and Industry and its member chambers, who appeared to have embraced the project with enthusiasm, encouraged the researcher to spread the scope of the survey to include all municipalities where SACCI chambers exist. In doing so, he overruled the advice of his supervisor who cautioned against such an approach. As it transpired, the researcher's faith in chambers to co-operate and support the research was misplaced, and the poor response from businesses outside of Msunduzi and eThekweni added no great value to the project at all.

With hindsight, it was also clear that there were flaws in the design of the survey. Considering the paltry response from those who preferred to use the hard-copy questionnaire as opposed to the online QuestionPro version, the latter should have been the only method of responding. This would have obviated the necessity for people to sign letters of informed consent and comply with the different expectations associated with either submitting a return by fax, or including the questionnaire in the body of a return email, or attaching the completed questionnaire to a return email. Explanation of these options created a good deal of confusion even before a questionnaire was completed. It was a great deal simpler to ask potential respondents to log on to QuestionPro website and complete the questionnaire there.

Even this was not plain-sailing, however. Several companies claimed to have had difficulty in using the link provided to get to the site and requested that the questionnaire be emailed to them. This was done promptly in every case, but few completed questionnaires were subsequently returned. The questionnaire proved to be too daunting, it is believed. This might also explain why only 57% of respondents who started filling in the questionnaire on QuestionPro completed it. The researcher had estimated that completion should take about 10 minutes; the average proved to be 17. Why it was that only 53% of people who viewed the first page of the questionnaire did not go on to the second remains a mystery. It is probably explained by the fact that people wanted to have a look at the survey but could not do so unless they formally started the completion process. It is often a good intention to return to it later when one has the time, but this does not happen very frequently. Indeed, requests to chamber members, sent twice to most chambers, but three times to those in Durban and Pietermaritzburg, where the researcher felt he would get most responses, produced a short flurry of responses for a few days, after which the number of respondents declined to a trickle until the next reminder.

More meticulous attention should have been given to the questions. Some were ambiguous, as it turned out. (The one referring to recycling is a case in point.) Although exogenous factors have an important impact on a local business environment, this survey might have been more valuable had there been an exclusive focus on endogenous factors. The responses appeared to have greater credibility when issues relating to municipalities were the focus.

The survey needed at least three times as many respondents (and a good deal more, in fact) distributed more evenly across municipalities, sectors and business sizes to produce more compelling conclusions. Nevertheless, the results should not be discounted. Even despite some wariness about their accuracy in terms of the actual experiences of responding companies, they do give some valuable pointers to what actions on the part of municipalities would make local business environments more conducive to business and economic advancement.

## **ELEMENTS OF A CONDUCTIVE ENVIRONMENT**

The average responses for all elements have been tabulated in the appendix. Those for which the mean response score was above 2.5, being closer to the “no significant impact” rating are the least inhibitive to business. Some elements are seen to be totally beyond the control of local government; they are elements which affect local businesses, but relate to the national business landscape. There are those, too, which appear to be national in character, but a municipality with a progressive and consultative approach to local economic development may be able to exert sufficient influence to make the element less inhibitive.

### *Most inhibitive elements*

The most inhibitive element, which implies that it is the least conducive, is the unreliable delivery of power which results in **outages**. This element has a mean response score of 1.514. The difference between this and the next lowest mean is 0.333 which is by some distance the largest gap between one mean score and the next throughout the whole table. Outages are not deliberate occurrences: they occur as a result of system failure and this relates to poor infrastructure maintenance. Over years, financial constraints in municipalities have led to sacrifices being made in the sphere of asset management. But short-term savings have usually resulted in higher costs later when equipment, that could have been properly maintained, has to be replaced.

Next on the list is **power surges**, another facet of reliability of supply. This occurs, too, as a result of faulty equipment, although it may also be related to a lack of appropriate skills on the part of technical staff. It is more a phenomenon of the modern era in which there is such a reliance on digital technology. Power surges damage computers and similar equipment. It is for this reason that



respondents not in the field of manufacturing have also pointed to this as a significant inhibitor.

The third least conducive element is **property rates**. In the experience of the researcher, companies have not been inclined to complain about the levels of commercial or industrial property rates. Individuals, on the other hand, have been bitter in their condemnation of high rates on residential property which have accompanied the implementation of the Municipal Property Rates Act (Act Number 6 of 2004). This very controversial piece of national legislation was followed by two important occurrences. Some municipalities took advantage of the absence of interim controls (ie the process by which application should move from the old to the new legislation) to impose radical increases in rate randage. Secondly, the new legislation required a valuation process which resulted in the values of properties escalating significantly since their previous valuation at least five years earlier and prior to the boom of 2006/7. Residential rates increased by large amounts as a result. Commercial and industrial properties seemed to have been less affected. The valuations (now based on market value of the whole property) of non-residential properties may not have shown such considerable changes over the period since the previous valuation. It should also be considered that many commercial and industrial businesses rent premises and may not be responsible directly for the payment of rates. In considering that businesses have identified this as the third most inhibitive factor, nevertheless, cannot be refuted, even if it is surprising to the researcher. He is conscious, however, that the respondents are individuals who own residential properties and pay rates that they inevitably regard as being too high. He is also aware that ratepayers assess the amounts they have to pay in conjunction with service delivery which, for the most part, has deteriorated despite the increases in rates.

### *Crime*

Issues of crime are substantially beyond the control of municipalities, except in the case of the eThekweni Metropolitan which has its own police force. The most recent crime statistics (South African Police Service, 2011) reveal that crimes involving business and its premises have increased markedly since 2007/8. If what the SAPS designates as “burglary” and “robbery” of “non-residential premises” are combined, there has been an increase in these crimes of 14.9% from April 2007 to March 2011. It is noted, however, that there has been a 3% decline in these crimes over the past year to March 2011. On the other hand, there has been a very large increase in commercial (white collar) crime. The number reported increased from 65 286 in 2007/8 to 88 388 in 2010/11, an increase of 35.4%. Taking account of the majority of respondents, however, it is likely that their experiences (and perceptions) are related to the burglary/robbery incidents and, as the Small Business Project report highlighted, the constant threat of becoming victims (Small Business Project, 2008). It is this that leads to elaborate security provisions, often at high cost. While the **levels of crime** are rated fourth on the list, the **cost of security** is fifth. And seventh on

the list is the **cost of losses** resulting from crime. Also with regard to crime, respondents rated **enforcement** as weak (15<sup>th</sup> most inhibitive) and **responsiveness of SAPS** as inhibitive to a conducive business environment, rating it at 29<sup>th</sup> position.

In the Msunduzi Municipality the installation of CCTV cameras throughout the central area and other parts of the city was initiated by the private sector. The Municipality entered the partnership by undertaking to bear the costs, but left the management of the project in the hands of an autonomous non-profit entity. The so-called Safe City Project has done a great deal to control crime levels in the areas where cameras are sited. The relationship between the Municipality and the directors of the company has not always been without tension occasioned mainly by municipal financial constraints and interpretations of the Municipal Finance Management Act which necessitated a review of the status of the non-profit entity. There is a similar facility in the eThekweni Municipality, which, however, is entirely a municipal initiative and often criticised because the project is inadequately resourced. Nevertheless, these projects show that local government can perform activities that are crime preventative, but are not able to influence the fundamental problems of a crime-ridden society and matters of enforcement.

#### *Red tape*

**Red tape** features as the sixth-least conducive element. As has been suggested earlier, this is a common perception of government and its bureaucracy and reflects a number of different instances where bureaucratic procedures and rules obstruct progress at a rate desired by business. It is also linked in citizens' minds to the common frustration of dealing with municipalities – inaccessible officials, phones not being answered, letters and written communications being ignored and the like. These are strictly customer service issues, however. Interestingly, the specific instances of red tape that were tested, namely applications for the **approval of plans, signage regulations and zoning applications**, featured at 17<sup>th</sup>, 24<sup>th</sup> and 25<sup>th</sup> respectively in the list, quite some distance from 6<sup>th</sup>.

A number of respondents rated **municipal by-laws** as being inhibitive – this element is at 31<sup>st</sup> position – while **enforcement** of them was also rated as weak and detrimental to the progress of business. This element occupies 28<sup>th</sup> position.

#### *Customer service*

Frustrations relating to poor service on the part of municipalities are reflected in the ratings attributed to **inaccessibility of officials** - 10<sup>th</sup> in respect of electricity, 22<sup>nd</sup> in respect of roads and 55<sup>th</sup> in respect of water. One doubts whether this shows that water officials are considered to provide better service than the other divisions, although this is possible, of course. Rather, it points to the fact that

there are fewer reasons for companies to engage officials over issues relating to water. This, indeed, is borne out by the responses which show that the provision of water is not nearly as important to business as other services.

Poor service is also reflected in the mean response scores for the promptness of municipalities in dealing with incidents requiring their attention. **Promptness** in attention to road issues is 9<sup>th</sup> on the list, while in the case of water this is much less inhibitive at 48<sup>th</sup>.

**Maintenance of roads** has been identified as the 11<sup>th</sup> most inhibitive element. A former Roads Engineer in Msunduzi estimated (at least five years ago) that the Municipality required R58 million a year to maintain its roads. Over several years, budgetary constraints had resulted in no more than 60% of this being allocated. The deterioration of roads, unlike that of the infrastructure required for water or electricity, is clearly visible to citizens on a daily basis. Asset management and the maintenance of infrastructure are notable weaknesses of municipalities, despite the fact that there is a legislated budgetary minimum that should be allocated to these components.

There is a good deal of dissatisfaction regarding traffic flow and the amount of **congestion** which inhibits business by occupying wasteful time. This element is the 11<sup>th</sup> most inhibitive factor. Despite this reflection of frustration, and that mentioned earlier that relates to maintenance, the **condition of roads at site** and that of **access** roads were rated at 38<sup>th</sup> and 33<sup>rd</sup> respectively.

### *Labour*

Levels of **productivity** dominate the frustrations of respondents in the labour field. This element is the 8<sup>th</sup> least conducive. Several other components of labour, including skills, feature at 12<sup>th</sup> (the **cost of labour**), 13<sup>th</sup> and 14<sup>th</sup> (**availability of suitable skills and the difficulty of finding appropriate skills**), 18<sup>th</sup> (cost of **implementing BEE**), 20<sup>th</sup> (absenteeism) and 21<sup>st</sup> (difficulty of dealing with **employment equity compliance**). Availability of suitable labour is a less important factor, although still inhibitive (27<sup>th</sup> position), while the prevalence of HIV and AIDS among workers also has an inhibitive effect (30<sup>th</sup>). It is difficult to find a role for municipalities in mitigating these conditions, although in the sphere of training they might be in a position to facilitate the necessary engagement that is required between training institutions, notably FET colleges, and business. With effective basic health services available in municipal clinics, the effects of HIV and AIDS might be ameliorated to some extent.

### *Tariffs*

The **level of electricity tariffs** appears at 19<sup>th</sup> in the rankings. One might have assumed that this would be rated more inhibitive by manufacturers, but as was recorded earlier, this was not the case. The higher-than-expected ranking is attributable, it seems, to the large number of respondents (60) that indicated that this element had “no significant impact” on their businesses. **Seasonal** and

**time-of-use** tariffs are elements peculiar to industry and they are well done the list at 36<sup>th</sup> and 56<sup>th</sup>, respectively.

A mean response score of 2.5 has been considered as a threshold. Even though those elements rated higher are still within the inhibitive zone, they are thought to be less significant than those where the mean was lower.

**Waste tariffs** are just on the other side of the threshold at 37<sup>th</sup>, but two other costs, that of **freight transport** and **financial services** feature at 32<sup>nd</sup> and 34<sup>th</sup>, respectively. Of these, it is only waste tariffs that might be in the hands of municipalities to control. It must be mentioned that **accessibility of public transport** is also considered to be inhibitive (at 35<sup>th</sup> position).

#### *General observations*

The survey revealed comparatively little significance regarding the impacts of environmental requirements. Yet compliance is onerous, and set to become more so in the short term as a rack of new demands are expected in relation to waste management among other aspects of the environment. Experts are expecting new measures to have a serious impact on costs. At the same time, enforcement of environmental standards is very weak at present. Municipalities have a good deal of responsibility for such enforcement and they lack the capacity to do it properly. This is expected to change, however, and one imagines that if a survey similar to this were to be done a year or two hence, environmental compliance, and its costs might feature much more prominently as inhibitive elements.

In the case of only two listed elements was the mean response score above 3. This means that all 74 others require attention if the business environment is to be considered conducive. Not all are the responsibility of local government. However, if municipal attitudes towards business and the local economic environment were revised and broadened, municipal intervention may yield positive results. The possibility of reducing crime by effective CCTV surveillance is a good example. Municipalities should promote the development of clusters which facilitate economic development in local areas. This kind of more sophisticated approach to LED requires expertise within the public sector. It is not sufficient that LED is just one of many sections in the municipality's IDP; it requires the recognition of its core value. LED is a cross-cutting issue that must influence decisions taken in all departments. For this reason, the responsibility for LED should be entrusted to one of the most senior officials who is in a position to assess the impact of all decisions, from whatever quarter they emanate, on the local business environment. It is this environment that is key to the potential of the local economy to grow. The objective of the municipality, in partnership with the business community represented by the local chamber of commerce, should be to find the mechanisms for the endogenous development of the local economy. Where local economies do no more than mirror the

performance of the national economy, local economic development is not taking place.

The responses relating to chambers of commerce and the extent to which municipalities engage with businesses, either directly or through chambers, reflects far too little by way of partnership between the public and private sectors. Indeed, there is too little understanding of business by municipalities, but, equally, local government challenges are not well-understood by business. It is this that gives rise to some uninformed criticism which, it is thought, has emerged to some degree in this survey.

A Business Retention and Expansion programme, conducted even quite informally, would yield benefits to both parties because it would bring them into conversation with one another. Understanding is unlikely to emerge between parties who do not talk.

What has emerged from this study is that a municipality that wishes to create and sustain a conducive environment for business must be conscious of the rising costs of doing business. The effects on business and the local economy should be taken into careful account when tariff increases are contemplated. Engagement with business may result in creative solutions being found so that the simple imposition of higher tariffs or levels or taxes may be avoided.

The provision of infrastructure is not as important as the proper maintenance of it. Municipalities need to give very careful attention to “sweating the assets” so as to achieve maximum and most effective usage. This is possible only if maintenance is considered a priority. Power outages and surges could be eliminated for the most part by skilled management and maintenance.

In this context, the condition of roads does not seem to warrant as much attention as other aspects of infrastructure, yet the survey shows that business is very sensitive to this. Good roads, and good traffic flow, are in demand as important elements in a conducive business environment.

There is no excuse for poor service. While the shortcomings mentioned above are linked to financial constraints to some degree or other, complaints about inaccessible officials and lack of prompt attention to problems are entirely avoidable. Many of the issues raised under the heading of red tape could be eliminated by a good customer service ethic.

Recently a business man reported that when he approached the municipality to raise a question regarding zoning, the official said to him: “What can I do to obstruct your business today?”

Herein, perhaps, lies the very nub of why municipalities are not creating conducive business environments.

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## APPENDIX 1

Table showing elements in various fields

		Very Inhibitive	Inhibitive	No Impact	Moderate Positive	Very Positive
<b>GOVERNMENT: LOCAL</b>						
Electricity	Tariffs	41	75	60	3	5
	Seasonal tariffs	19	52	94	1	2
	Time-of-use tariffs	15	34	106	13	6
	Surges	75	61	36	7	2
	Outages	110	42	20	6	2
	Accessibility of officials	54	59	55	10	4
	Information dissemination	36	63	64	15	4
	Efficiency of billing	16	34	80	41	9
	Cost of connection	34	59	77	5	3
Water	Tariffs	18	44	108	2	7
	Pressure level	14	20	122	15	8
	Consistency of pressure	14	19	118	20	10
	Reliability of supply	19	39	76	28	18
	Accessibility of officials	19	35	97	21	9
	Promptness of response	31	39	69	27	6
	Information dissemination	22	46	86	19	6
	Efficiency of billing	17	30	94	33	9
	Cost of connection	17	44	109	6	4
Roads	Conditions of road at site	34	55	57	27	7
	Conditions of access roads	38	58	50	24	7
	Traffic flow	44	71	44	15	5
	Parking for clients	31	41	76	18	10
	Accessibility of officials	42	45	75	10	4
	Promptness of response	59	50	47	20	3
	Maintenance of roads	57	63	36	19	4
Waste	Tariffs	22	51	97	7	3

	Accessibility of landfill	24	42	98	12	3
	Removal service	23	49	73	27	8
	Recycling projects	27	36	82	28	7
Rates	Cost of rates	63	83	34	2	2
By-laws	Red tape	63	67	45	6	3
	Signage regulations	41	49	84	4	4
	Applications for zoning	40	46	91	1	4
	Passing of plans	44	50	80	2	5
	Relevance of by-laws	31	57	81	6	6
	Enforcement of by-laws	32	57	80	5	6
Logistics	Availability of public transport	33	55	70	20	5
Lifestyle	Recreational facilities	18	52	57	45	12
	<b>MEAN</b>	<b>35</b>	<b>49</b>	<b>74</b>	<b>15</b>	<b>6</b>
<b>GOVERNMENT: OTHER</b>						
Environment	Environmental regulation	13	28	101	25	5
	Regulations re emissions	10	25	114	19	4
	Cost of compliance	17	33	111	6	2
Labour	Equity compliance	49	44	71	15	2
Crime/Security	Enforcement of law	51	67	35	22	5
	Responsiveness of SAPS	42	61	45	28	8
Skills	Availability of suitable skills	51	75	30	22	5
	Availability suitable training	33	59	51	31	7
	SETA Performance	38	35	77	23	7
Lifestyle	Good schooling	23	51	53	45	12
	<b>MEAN</b>	<b>33</b>	<b>48</b>	<b>69</b>	<b>24</b>	<b>6</b>
<b>COSTS</b>						
Electricity	Tariffs	41	75	60	3	5
	Seasonal tariffs	19	52	94	1	2
	Time-of-use tariff	15	34	106	13	6
	Connection fee	34	59	77	5	3
Water	Tariffs	18	44	108	2	7
	Connection fee	17	44	109	6	4
Waste	Tariffs/Disposal cost	22	51	97	7	3
Rates	Cost of rates	63	83	34	2	2
Environment	Cost of compliance	17	33	111	6	2
Labour	Cost	50	62	55	11	3
	Productivity	60	69	30	19	5
	Absenteeism	37	67	62	13	2
	HIV and health	29	55	86	8	3
Crime/Security	Losses due to crime	52	72	54	3	0
	Cost of security	67	73	32	8	2
Financial Services	Cost of financial services	30	60	68	20	4



Raw materials	Cost of raw materials	20	42	103	6	4
	Efficiency of supply	13	19	116	22	6
	Quality of raw materials	11	15	114	28	8
Logistics	Cost of freight transport	24	64	83	11	1
	Reliability of freight transport	17	41	87	28	7
BEE	Cost of BEE compliance	37	69	65	9	2
	Difficulty of BEE compliance	46	56	66	10	3
	<b>MEAN</b>	<b>32</b>	<b>54</b>	<b>79</b>	<b>10</b>	<b>4</b>
<b>REGULATION</b>						
Environmental	Regulation	13	28	101	25	5
	Emission regulations	10	25	114	19	4
By-laws	Red tape	63	67	45	6	3
	Signage regulation	41	49	84	4	4
	Zoning applications	40	46	91	1	4
	Passing plans	44	50	80	2	5
	Relevance/effectiveness	31	57	81	6	6
Labour	Equity compliance	49	44	71	15	2
BEE	Cost of compliance	37	69	65	9	2
	Difficulty of compliance	46	56	66	10	3
	<b>MEAN</b>	<b>37</b>	<b>49</b>	<b>80</b>	<b>10</b>	<b>4</b>
<b>SERVICE DELIVERY</b>						
Electricity	Surges	75	61	36	7	2
	Outages	110	42	20	6	2
	Accessibility of officials	54	59	55	10	4
	Provision of information	36	63	64	15	4
	Efficiency of billing	16	34	80	41	9
Water	Water pressure levels	14	20	122	15	8
	Consistency of pressure	14	19	118	20	10
	Reliability of supply	19	39	76	28	18
	Accessibility of officials	19	35	97	21	9
	Promptness of response	31	39	69	27	6
	Provision of information	22	46	86	19	6
	Efficiency of billing	17	30	94	33	9
Roads	Condition of road at site	34	55	57	27	7
	General condition of roads	38	58	50	24	7
	Traffic flow	44	71	44	15	5
	Availability of parking	31	41	76	18	10
	Accessibility of officials	42	45	75	10	4
	Promptness of response	59	50	47	20	3
	Maintenance	57	63	36	19	4
Waste	Access to landfill/waste	24	42	98	12	3
	Waste removal service	23	49	73	27	8
	Recycling projects	27	36	82	28	7
By-laws	Effectiveness of by-laws	31	57	81	6	6

	Enforcement	32	57	80	5	6
Environment	Cleaning service	24	40	89	16	3
Crime/Security	Enforcement	51	67	35	22	5
	Responsiveness of SAPS	42	61	45	28	8
Skills	SETA performance	38	35	77	23	7
Logistics	Public transport	33	55	70	20	5
Lifestyle	Good schooling	23	51	53	45	12
	<b>MEAN</b>	<b>36</b>	<b>47</b>	<b>70</b>	<b>20</b>	<b>7</b>
<b>MARKET FACTORS</b>						
Labour	Availability	36	72	51	22	3
Skills	Availability of required skills	51	75	30	22	5
	Availability of training	33	59	51	31	7
Financial Services	Availability of financial services	19	43	73	36	14
	Cost of services	30	60	68	20	4
Raw materials	Access to raw materials	11	22	115	23	6
	Cost of raw materials	20	42	103	6	4
	Efficiency of supply	13	19	116	22	6
	Quality of raw materials	11	15	114	28	8
Logistics	Availability of freight transport	15	31	98	31	7
	Cost of freight transportation	24	64	83	11	1
	Reliability of freight transport	17	41	87	28	7
Markets	Accessibility of market	15	43	66	41	6
	Availability of market	15	44	60	42	9
	Competitiveness	28	61	45	32	8
Business Support	Accessibility	17	34	83	39	8
	Effectiveness	17	34	85	36	7
Lifestyle	Property prices	18	68	57	35	5
	Access to suitable property	23	52	68	34	5
	Recreational facilities	18	52	57	45	12
	<b>MEAN</b>	<b>22</b>	<b>47</b>	<b>76</b>	<b>29</b>	<b>7</b>

## Ranking of elements



Elements with no municipal control



Elements over which municipality might have influence

1	Outage	1.514	Elec
2	Power surges	1.847	Elec
3	Rates	1.851	Rates
4	Levels of crime	1.872	Crime
5	cost of security	1.899	Crime
6	Red Tape	1.945	Regs
7	cost of losses	2.011	Crime
8	Productivity	2.083	Labour
9	Promptness	2.125	Roads
10	Accessibility	2.129	Elec
11	Maintenance	2.153	Roads
12	Cost	2.156	Labour
13	Suitable skills	2.168	Skills
14	Difficulty	2.217	Skills
15	Enforcement	2.225	Crime
16	Traffic flow	2.243	Roads
17	Plans	2.243	Regs
18	Cost of BEE	2.247	Skills
19	Tariff level	2.251	Elec
20	Absenteeism	2.292	Labour
21	Equity	2.309	Labour
22	Accessibility	2.312	Roads
23	Connection	2.316	Elec
24	Rules - signage	2.317	Regs
25	Zoning	2.32	Regs
26	Information	2.352	Elec
27	Availability of labour	2.363	Labour
28	Enforcement	2.395	Regs
29	responsiveness	2.404	Crime
30	HIV	2.41	Labour
31	By-laws	2.421	Regs
32	Cost	2.43	Logis
33	Access roads	2.443	Roads
34	Cost	2.45	Fin ser
35	accessibility of pub transport	2.478	Logis
36	Seasonal	2.479	Elec
37	Waste tariff	2.525	Waste
38	Roads condition	2.534	Roads
39	training	2.537	Skills
40	SETA	2.565	Skills
41	Parking	2.571	Roads
42	Accessibility	2.576	Waste
43	Connection	2.587	Water
44	competition	2.596	Market
45	cost	2.601	Raw mat

46	Services	2.617	Environ
47	Water tariff	2.621	Water
48	Response time	2.64	Water
49	property values	2.657	Life
50	Information	2.684	Water
51	Compliance cost	2.69	Environ
52	accessibility	2.704	Life
53	Recycling	2.716	Waste
54	Reliability	2.718	Waste
55	Accessibility	2.782	Water
56	Time-of-use	2.787	Elec
57	efficiency	2.804	Logis
58	good schooling	2.814	Life
59	Availability of financial	2.873	Fin Ser
60	accessibility freight	2.875	Logis
61	ease of market access	2.876	Market
62	effectiveness	2.88	Bus Supp
63	Emissions	2.887	Environ
64	recreation	2.89	Life
65	Pressure level	2.891	Water
66	Reliability	2.893	Water
67	Billing	2.899	Water
68	Environ regs	2.899	Environ
69	availability	2.909	Market
70	Billing	2.914	Elec
71	Bus Support Access	2.916	Bus Supp
72	supply efficiency	2.931	raw mat
73	Accessibility raw mate	2.948	Raw mat
74	Pressure consist	2.961	Water
75	quality	3.029	raw mat
76	climate	3.582	Life

## APPENDIX 2

### *The Questionnaire*

#### **WHAT CONSTITUTES A CONDUCTIVE BUSINESS ENVIRONMENT?**

This study has the support of SACCI and its affiliate chambers represented in the SACCI Chamber Forum. The purpose is to identify the most common elements that **in the experience of businesses** make up a local business environment that may be considered conducive.

The knowledge of these characteristics of such an environment will be of great value to municipalities as they wrestle with creating and sustaining an environment in which businesses may flourish and where job creation may occur.

The study is being done by Andrew Layman, a Director of SACCI and currently the CEO of the Durban Chamber of Commerce and Industry. The study will be submitted as a dissertation required for the completion of an M Com degree in Leadership (LED) for which the researcher is enrolled at the University of KwaZulu-Natal.

COMPLETION OF THE QUESTIONNAIRE IS ENTIRELY VOLUNTARY AND THERE IS NO OBLIGATION FOR ANY CHAMBER MEMBER TO RESPOND.

ALL INFORMATION PROVIDED BY RESPONDENTS WILL BE ANALYSED IN THE AGGREGATE AND STRICT CONFIDENTIALITY WILL BE OBSERVED SO THAT NO INDIVIDUAL RESPONSE WILL BE PUBLICLY LINKED TO THE COMPANY OR PERSON PROVIDING IT.

THE QUESTIONNAIRE SHOULD TAKE ABOUT 10 MINUTES TO COMPLETE

#### **PLEASE NOTE**

**THE PREFERRED AND EASIEST WAY OF RESPONDING IS TO COMPLETE THE QUESTIONNAIRE ONLINE.**

Log on to <http://questionpro.com/t/AGwdWZLDmA>

There are three other ways in which the completed questionnaire may be submitted, however.

1. By **copying the completed questionnaire into the body of an email** and sending it to [andrewlayman@durbanchamber.co.za](mailto:andrewlayman@durbanchamber.co.za)
2. By **attaching the completed questionnaire to an email message** and sending it to [andrewlayman@durbanchamber.co.za](mailto:andrewlayman@durbanchamber.co.za)

*IF YOU USE THIS METHOD, PLEASE PUT THE FOLLOWING WORDING INTO THE EMAIL MESSAGE:*

“This confirms that we are returning a completed questionnaire to aid Mr Andrew Layman in his research.”

3. By **faxing** the completed questionnaire to 086 7422429.

*IN THIS EVENT, THE ATTACHED LETTER OF INFORMED CONSENT SHOULD BE SIGNED AND RETURNED AS ONE OF THE FAXED PAGES.*

***THE PROOF OF RESPONSE REQUIRED IN THE SECOND OR THIRD OPTION ABOVE IS EXTREMELY IMPORTANT. WITHOUT IT YOUR RESPONSE MAY NOT BE USED.***

**IF YOU ARE GOING TO RETURN THE QUESTIONNAIRE BY EMAIL, PLEASE REMEMBER TO SAVE IT BEFORE SENDING.**

### PART 1

#### ABOUT YOUR BUSINESS

In which local municipality is your business located?							
Mark with an X the sector in which your business operates	Manufacturing		Hospitality/ Tourism		Retail/ Wholesale		
	Financial services			Other services			
Describe your principal and secondary products/services	Principal						
	Secondary						
How many full-time employees does your business currently employ? (Mark with X)		<10	11-20	21-50	51-100	101-500	>500
What is the annual turnover of the business? (Use X)	<R250 000	R250 000 – R1 million	R1 million – R5 million	R5 million – R20 million	>R20 million		
What is the legal status of your business? (Use X)	CC	Pty (Ltd) (Unlisted)	Listed Company	Sole Proprietorship	Partnership		
How old is your business? (Use X)	< 1 year	1 – 5 years	5 – 10 years	10 – 25 years	>25 years		

## PART 2

## IMPORTANT FACTORS

Listed below are a number of elements that might be considered as important either to the advancement or inhibition of business progress in a local environment. Please respond to each by placing a X in the appropriate column to reflect the experience of your business.

<b>Electricity</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Level of tariff					
<b>Electricity</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Time-of-use tariffs					
Power surges					
Electricity outages					
Accessibility of service provider					
Provision of information from service provider (eg planned tariffs)					
Efficiency of billing					
Cost of connection					
<b>Water</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Level of tariff					
Water pressure – level					
Water pressure consistency					
Reliability of supply					
Accessibility of service provider					
Provision of information from service provider					
Efficiency of billing					

<i>Cost of connection</i>					
<b>Roads</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Condition of road/s at site</i>					
<i>Condition of other access roads</i>					
<i>Traffic flow/congestion</i>					
<i>0</i>					
<i>Availability of parking for customers</i>					
<i>Accessibility of municipal officials</i>					
<i>Promptness of provider response to damage</i>					
<i>Level of road maintenance</i>					
<i>Promptness of municipal response to damage</i>					
<b>Waste Disposal</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Tariffs/cost of disposal</i>					
<i>Accessibility of landfill or other disposal site</i>					
<i>Reliability and frequency of removal service</i>					
<i>Recycling programmes</i>					
<b>Property rates</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Cost of rates</i>					
<b>By-laws/ regulations/ procedures</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Amount of red tape (municipal)</i>					
<i>Rules and procedures re signage</i>					
<i>Zoning</i>					



<i>applications</i>					
<i>Process for authorisation of plans</i>					
<i>Relevance and effectiveness of by-laws</i>					
<i>Enforcement of by-laws</i>					
<b>Environmental factors</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Environmental regulations (general)</i>					
<i>Regulations re emissions</i>					
<i>Cost of environmental compliance</i>					
<i>Municipal services re sanitation and cleanliness</i>					
<b>Labour</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Availability of suitable labour</i>					
<i>Cost of labour</i>					
<i>Levels of productivity</i>					
<i>Absenteeism rates</i>					
<i>HIV/ Aids and other illnesses</i>					
<i>Compliance with equity legislation</i>					
<b>Crime and security</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Levels of crime</i>					
<i>Cost of losses as a result of crime</i>					
<i>Quality of enforcement</i>					
<i>Cost of security</i>					
<i>Response by SAPS</i>					
<b>Skills</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>

Availability of suitably skilled people					
Availability of suitable training					
Interaction with SETA re levy refunds etc					
<b>Black Economic Empowerment</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Cost of compliance					
Difficulty of compliance					
<b>Financial services</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Availability of necessary services					
Cost of services					
<b>Raw Materials</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Accessibility of materials					
Cost of materials					
Efficiency of supply of materials					
Quality of materials					
<b>Logistical issues</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
Accessibility of public transport services (passenger)					
Accessibility of transport services (freight)					
Cost of freight transport services					
Efficiency and reliability of freight transport					

<i>services</i>					
<b>Market conditions</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Ease of access</i>					
<i>Availability of market</i>					
<i>Competition in the market</i>					
<b>Business Support Services</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Accessibility</i>					
<i>Effectiveness</i>					
<b>Quality of life (affecting staff)</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>
<i>Availability of good schooling</i>					
<i>Availability of recreational facilities</i>					
<i>Climate</i>					
<i>Property values</i>					
<i>Accessibility of suitable property</i>					
<b>Other</b>	<b>Very inhibitive</b>	<b>Inhibitive</b>	<b>Has no significant impact</b>	<b>Moderately positive</b>	<b>Very positive</b>


### PART 3

#### OTHER CONSIDERATIONS

What value does your business derive from membership of the chamber?	Little	Some	A good deal	A great deal
How frequently during the past year have you engaged with your municipality (councillors or officials) at their instigation?	Never	Hardly ever	A few times	Often
As far as you know, does your municipality have any sort of business expansion and retention programme?	Yes		No	
Have you ever been asked to make input to a municipal economic strategy?	No	Yes, through the Chamber	Yes, directly by the municipality	
Is your business part of a cluster* that has developed, or been deliberately promoted, in your municipality? <small>(*Similar or complementary enterprises within a particular commercial or industrial sector.)</small>	No	Yes - deliberate municipal policy	Yes – evolution owing to circumstances	
Are there any other factors relating to a conducive business environment that you'd like to mention?				
What measures could the municipality take to improve the local business environment?				

YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE IS GREATLY APPRECIATED. THANK YOU.