BLACKHEATH BUSINESS RETENTION AND EXPANSION STRATEGY

REPORT

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REPORT COMPILED FOR THE CITY OF CAPE TOWN BY:
ASHRAF ADAM
LU HEIDEMAN
BEVERLEY APRIL

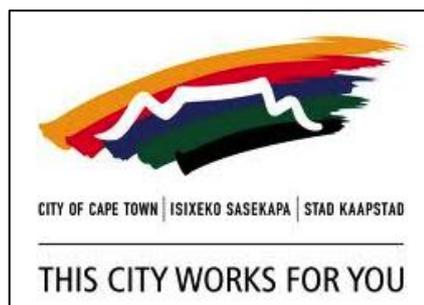# TABLE OF CONTENTS

Introduction and Brief

The City of Cape Town embarked on a study to determine the challenges and opportunities to retaining and expanding businesses in Blackheath Industria. The area appears to be have become blighted, despite the relatively successful operations of the Blackheath City Improvement District (CID).

Consequently, the municipality decided to prepare a Business Retention and Expansion (BR&E) programme in order to:

- Identify ideas, concerns, priorities and obstacles to expansion
- Respond immediately to urgent concerns
- Action plan for problems, improvements, opportunities
- Build a broad-based partnership for implementation and sustained development
- Enhance relationship between business and the wider community
- Inform policies and programmes more broadly

The specific brief was to develop a questionnaire that would solicit the appropriate responses from a representative sample of industrial and services orientated companies in the areas identified. To analyse these findings and present it in a report which will ensure that the municipality has an understanding of a comprehensive, practical guide to address the challenges, concerns and specific needs of the companies operating within this local environment in order to:

- Identify constraints and business needs that hinder sustainability of companies in the target areas
- Identify and prioritise the issues to be addressed in terms of the challenges, problems and needs of these companies
- Make recommendations to implement practical solutions for the stabilisation and sustainability of the companies operating within these areas
- Assist in the development of an implementation plan to address the issues, concerns and challenges faced by these companies

The project focus was to help the City respond to the industrial area which is under stress by advising on what can be done to improve the situation. The primary method was the administration of the survey and a set of consultations with local business owners and the sub-council. This report is the presentation of the findings of the questionnaire.

Blackheath Industria in Context

Blackheath Industria was established in the late 1960's as a major industrial park on the outskirts of the Cape Town urban area to promote large-scale manufacturing industries. With the urban growth of metropolitan Cape Town this area is no longer on the periphery, but instead, is well located in the broader metropolitan region. Access is off the Stellenbosch Arterial which intersects with the R300 that provides access to the N1 and N2. Cape Town International Airport is within a ten-minute driving distance, see Figure 1.

Blackheath is centrally located between Brackenfell, Kuils River, Stellenbosch, Somerset West and Cape Town Airport. It has always accommodated large-scale industries, even with the decline of large industrial plants in the 1990's. Large-scale users such as Peninsula Beverages, Trident Steel, Continental China and Homechoice are located in the area. With the changes in industrial manufacturing, the area has attracted a number of smaller scale industrial parks. Large construction related businesses are also located in Blackheath Industria.

There are still large portions of vacant land in the area (see Figure 2), which is an advantage it has over other industrial estates in other parts of the Cape Town Metropolitan area such as Epping and Montague Gardens. Information derived from the Blackheath Improvement District and from property agents' websites, indicate that rentals and sales prices are very competitive compared to other industrial areas. Some rentals of factory units are under R30 per square metre excluding value added tax (VAT) for a property of approximately 2000 square metres. This is relatively low when compared to Epping where similar sized units are approximately R45 per square metre, or in Montague Gardens where the lowest rentals range from R35 to R45 per square metre all excluding VAT. While building sales are generally linked to size and potential use, vacant land is also cheaper in Blackheath Industria when compared to other areas because the vacant industrially-zoned land is generally difficult to obtain in the main industrial areas of the metropolitan area. Vacant land in Blackheath Industria presently markets for between R500 and R800 per square metre.

"The obvious intrinsic value of the node becomes more obvious when considering that the Blackheath CID is spearheading the gentrification and upliftment of the area through better policing that has contributed to record low crime statistics in the area, the upgrading of roads, street lighting and general greening of the area". (Blackheath CID)

Yet, despite these favourable conditions, there are still several factors which the municipality believes it is in a position to improve on in order to promote industrial and economic investment in this locale.

BR&E as a tool

BR&E is a methodology that assists decision-makers in the public sector to understand local economic conditions and what the relevant authorities need to do to support existing business and enable them to expand their operations from the local base. BR&E is based on the concept that it is easier to retain existing businesses and help them to expand than it is to attract new businesses to an area. In the case of Blackheath Industria, the specific methodology was to help the City of Cape Town respond to the industrial area by advising on what can be done to improve the situation. The primary method was the administration of the survey and a set of consultations with local business owners and the sub-council.

Methodology

The BR&E tool has gained considerable traction around the world in the past decade, with the leading proponents being Australia and Canada. The results of these exercises have been made accessible through numerous websites. These local economic development endeavours fall within the public goods domain and therefore access to otherwise proprietary information has been eased. In South Africa there have been a number of business BR&E exercises, most notably in Kwazulu-Natal where German Technical Co-operation (GIZ) developed manual has been used with some success.

For the purposes of this contract, the GIZ model was used as a basis for designing the methods selected. However the fundamental departure was that the survey of businesses was not conducted by local business people themselves, but rather Community Development Workers (CDWs), trained and managed by the consultant team. While the use of CDW's was innovative and sustainable, the involvement of business owners themselves was limited to being interviewed and receiving feedback on the results. This curtails the extent to which the process is driven and owned by local actors. However the need for the BR&E exercise was initiated by the City of Cape Town, rather than Blackheath business people themselves, thus the use of the CDWs was both practical and appropriate. The involvement of businesses in the action planning determines the extent to which the public-private collaboration to improve the competitiveness of the industrial area is

effective. The brief of the consulting team only went so far as to implement the survey and report feedback, with final recommendations aimed at facilitating actions which the City of Cape Town could implement or initiate.

The questionnaire developed for this project was based on an example used in Western Australia, which had been further refined in exercises of BR&E in the Western Cape, specifically Cape Agulhas and Hessequa municipalities. This was further refined with the input of City of Cape Town officials. The questionnaire formed the bulk of the research component, with 63 responses collected. In addition key informant interviews were carried out with city planning officials, local businesses and notably the City Improvement District for Blackheath. These more qualitative engagements have also contributed to the key findings and recommendations.

The Questionnaire

Typically a BR&E survey questionnaire is grouped into sections dealing with:

- Opinions about local business environment
- Opportunities for growth
- Obstacles to expansion
- Future plans
- Particular needs
- Opinions about existing local services and support organizations

The final questionnaire consisted of 55 questions looking at doing business in Blackheath, details of the business itself, perceptions of the City of Cape Town, and business support services. A copy of the questionnaire is annexed to this report as Annexure A.

The questions were mostly multiple-choice options, and some open-ended narrative questions. The multiple choice options allowed for quantitative statistical trends to be plotted, while the narrative questions sought to uncover more nuanced qualitative input that would enhance the quantitative findings.

A credible BR&E programme typically visits 50-100 local firms in a 2-3 week period and collects data from these businesses. The Blackheath project gathered 63 responses over a one week period, and thus falls well within the range of a credible research process. A cross-section of firms was covered in the sample in order to ensure a representative sample.

Sampling

Optimal sample size

The original proposal required a minimum of 50 questionnaires to be filled. This was based on optimal sample size calculations.

The margin of error in a survey is a measure of accuracy of the data, and goes toward substantiating the extent to which one can extrapolate trends from the sample data to the entire target population. The margin of error is calculated based on the total target population and the number of questionnaires filled. A confidence level of 95% is used as a benchmark of accuracy in the research industry, and measures the extent to which one can be sure of the same result if one were to enlarge the sample size. This is shown in the table below. The plus, minus and percentage (+/-, %) figures represent margins of error, which need to be defensible if the data is to be taken seriously. Key to note from the table below is how the sample size needed grows in relation to the overall margin of error rate. For example if the total target population (number of businesses) is 3000, 94 filled questionnaires are needed to achieve a confidence level of 95% and an acceptable margin of error of +/-10%. If the total target population is much larger at 100 000,

only 96 filled questionnaires are needed (2 extra) in order to get the same levels of confidence and margin of error.

| Number of businesses	Sample Size Needed (to achieve 95% Confidence Level)		
	+/-3%	+/-5%	+/-10%
2,000	696	323	92
3,000	788	341	94
5,000	880	357	95
10,000	965	370	96
20,000	1,014	370	96
50,000	1,045	382	96
100,000	1,058	383	96

With a sample frame or population of 279 businesses on 486 erven registered in the Blackheath Industrial area, the survey of 63 responses meets the 95% confidence level and falls within the +/-10% margin of error. Out of 279 businesses, 62 responses were collected which represents 22.5% of all businesses in the area, or roughly just over 1 in 5 businesses participated in the survey. This translates to a 95% confidence level with a confidence interval (also called margin of error) of 10.88.

The quantitative statistical data is therefore defensible and cost effective. The value of the qualitative data is in the implementation planning part of the project that responds to the specific needs of business in the area that may be unique.

Structure of the sample

Random sampling would not have been appropriate for this kind of study, as the target population (business) is not homogenous. Snowball sampling would not have been sufficiently representative. The sample was structured on the basis of the overall profile developed in week 1 of the project to reflect a balance of business focii and size.

Initially 100 businesses were targeted, with the sample structured to access 80 manufacturing concerns, with a balance of 50 local and 30 multi-national firms. In addition 20 retail and small support industries (such as takeaways and car repair small business) were targeted as represented in the chart below.
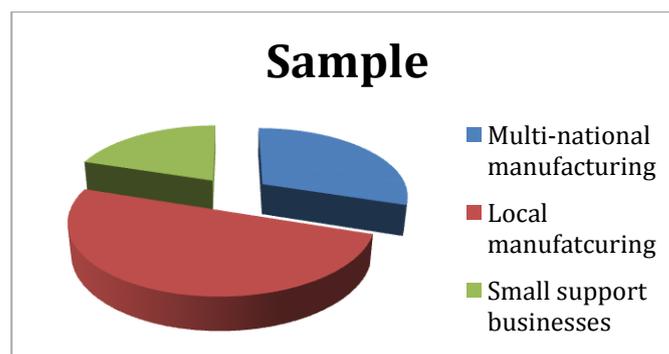
Research teams of five pairs were sent into the area using these guidelines to select businesses. The Geographical area was divided into five sections on a map of Blackheath (see Figure 3), so that teams could be allocated and focus on individual areas and ensure that no duplication across areas occurred. Quotas for each area were then filled.

A letter of introduction from the city was used to introduce the researchers and gain access to the business owners in each of the five delineated sections. Face-to-face interviewing was done as this provides the best kind of feedback. One team member posed the questions, while the other recorded the results.

Response rates were good overall, with most businesses approached agreeing to an interview either on the day, or on a return visit the following day. Some businesses requested a hard copy of the questionnaire which they would fill in themselves to be collected later during the week. This option seldom yielded a return, and was actively discouraged from the start of the survey.

Data analysis software

A BR&E survey questionnaire generates both quantitative and qualitative data. The Blackheath project used a simple on-line data package for organizing the results and presentation in very visual, user-friendly format. This had been used effectively in the Cape Agulhas municipality during 2011. The consultants were licensed to use the full package of 'Survey Monkey'. The questionnaire was built online through Survey Monkey, with the data analysis in mind. The quantitative data was translated into charts and tables, while the more qualitative data used word cloud analysis.

The data generated is annexed to this report as a series of slides used to present feedback to stakeholders and participants, see Annexure B. This form of data presentation is highly user-friendly and easy to understand.

Printed versions of the questionnaire were used in the field, and later entered into the database by a data capturer. The data remains on the Survey monkey website and therefore forms external on-line storage accessible only by user-name and password. The hard copies of the questionnaire remain with the City of Cape Town should it wish to use the information in a follow-up exercise, including contact details of respondents. It is suggested that the results will be highly useful to the City Improvement District, which is already a membership based organization. It is therefore suggested that the originals e held in its offices.

Confidentiality (ethics)

It should be noted that confidentiality was ensured in the data feedback by not specifically linking any answers with questionnaires or respondents. While each filled questionnaire does contain the name and contact details of the business, this is to be used for communication purposes only. No sensitive information such as turnover and profit was included in the survey questions in order to increase levels of participation and accuracy of responses.

Ten Community Development Workers (CDW's) were trained. The purpose of training the Community Development Workers (CDW's) was to:

- Ensure that they were equipped with skills and knowledge to:
    o Understand the need for a BR&E process in Blackheath
    o Understand the steps of BR&E process
    o Understand the role of the interviewer in the process
    o Conducting interviews with businesses
    o Understand the survey questionnaire (data collection tool)
    o Gain insight of obtaining information from the survey questionnaire
- Build a closer working relationship with staff within the City Of Cape Town and the CID as well as the business community
- Enable CDW's to gain a deeper insight into the concerns of businesses within the Blackheath CID community.

The information gained from the surveys could give the CDW's a platform to give feedback to the City of Cape Town

CDW's could adapt and make use of the BR&E tool in other business areas in which they operate.

After the training the ten CDW's indicated that they felt comfortable with conducting the interviews with the business community. The CDW's worked in pairs and were divided into areas that they were responsible for within the Blackheath City Improvement District (CID).

As businesses were busy during the time of the visits, the CDW's set up appointments for them to conduct the visits. Many businesses however felt that they did not have the time to sit down for an interview and rather opted for completing a questionnaire in their own time. These questionnaires were then collected by the CDW's later during the week.

The introductory letter explaining the purpose of the BR&E survey assisted the CDW's to gain entrance to some of the businesses as well as ensuring the smooth operation of the interviews. The CDW's reported that they were received favourably by most of the businesses although some businesses also posed some hard questions and comments about the involvement of the City of Cape Town in the business community.

However, the CID too received compliments about the professional manner in which the interviews were conducted. Some of the businesses were pleased that the City of Cape Town were conducting interviews and enquired about the purpose and results of the surveys.

The CDW's were keen to know the results of the survey and indicated that they would like to be present when we met with the BR&E team and the political stakeholders. They indicated that they could adapt some of the questions and use these to do similar surveys with smaller local enterprises in the respective areas that they work in.

As mentioned, a range of stakeholders were interviewed based on the geographic and sectoral split of the area. A list of stakeholders is attached as Annexure C

Key Findings from the survey

Business Sectors
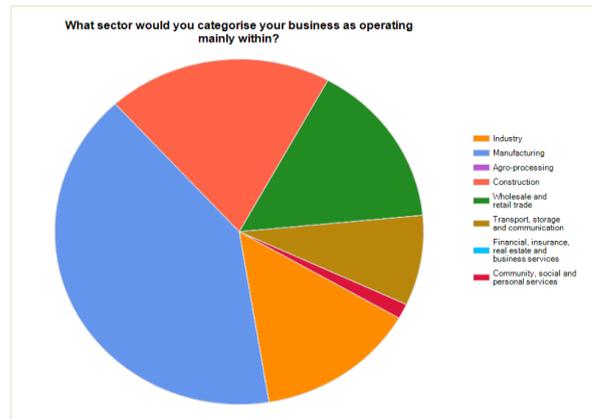
In line with the zoning of the area, the majority of businesses are in the manufacturing sector although they range from small scale to large scale manufacturing enterprises. Industry and construction form the majority of foci of businesses in Blackheath. The main products and services in the Blackheath area focus on manufacturing with a focus on the engineering sector, particularly related to the building industry (concrete, bricks, steel). Most products are sold locally (78%), with still a significant number sold overseas. It emerged that these markets are mostly into Africa rather than any other continent. The lack of manufacturing in African countries to the north of South Africa means that Africa represents a significant growth market.

Business confidence/satisfaction
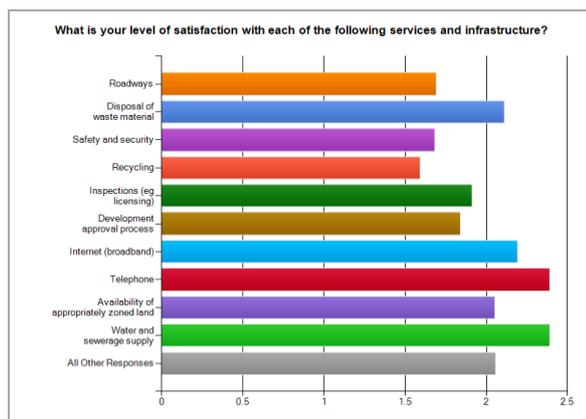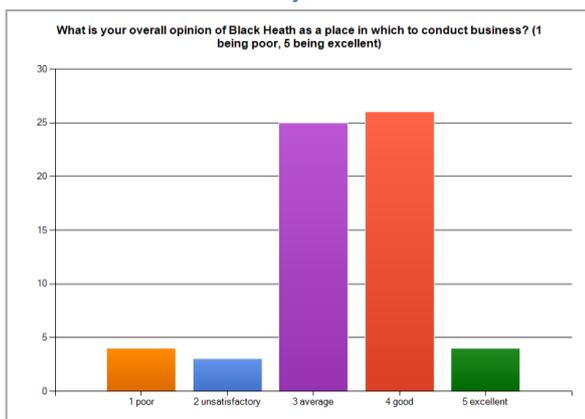
The overall opinion of the location of Blackheath Industrial area was overwhelmingly good or average, with very few extreme views such as excellent or poor. This reflects well on the area from the outset.

The key assets of the area were generally linked to location and infrastructure, with labour also featuring prominently as an asset.

With regard to job creation the factors identified to unlock potential varied from factors within the control of the city such as:

- Crime and security
- Infrastructure upgrade
- Electricity costs

The factors on the periphery of the City's realm of influence such as:

1. Red-tape reduction
2. Skills and training
3. Support -schemes and incentives to business

The factors outside of the City's realm of influence such as:

- Deregulation of the labour market
- Reducing inflation on raw inputs
- Internal networking and cooperation among business

The overwhelming sentiment expressed during the survey on the future outlook for business was positive. A more measured grouping was neutral, with very few extreme views of very negative or very positive.

Age of businesses
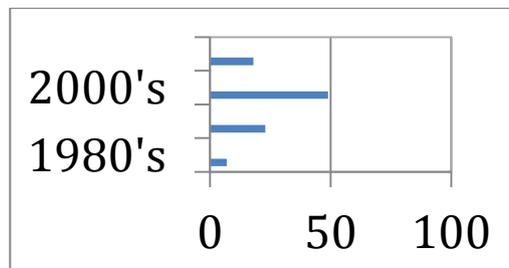
Most businesses surveyed were founded in the decade 2000-2010. Nonetheless a significant number were founded between 2010 and 2012, indicating sustained growth and no obvious slow-down in the number of new businesses to the area.
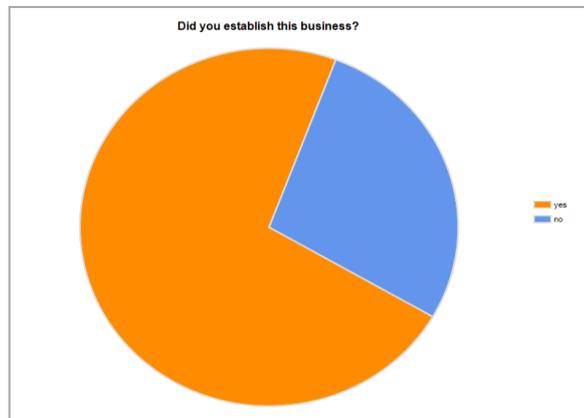

More than two thirds of business owners had started the business themselves, which bodes well for commitment to the area and level of buy-in to participate in improvements to the area. These businesses are less likely to move than those founded by external players. BR&E exercises internationally have shown that the best ambassadors for an area are the existing residents or tenants. Given the generally good ratings from respondents this rings true for Blackheath Industria as well.
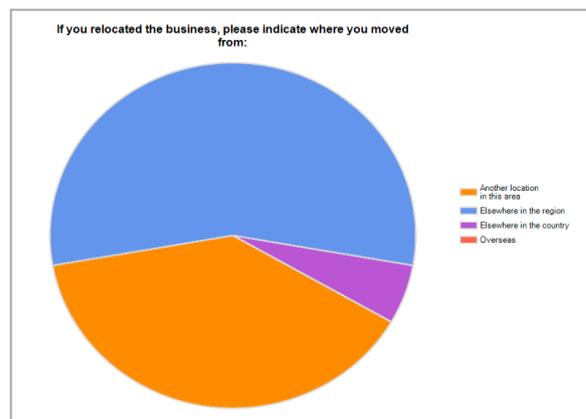
It is significant to note that a large percentage of the business relocated to their current location from elsewhere in Blackheath Industria whilst others located here from elsewhere in the region. This is an indication of locational choices made on the basis of cost, space, expansion opportunities and availability of property.

Products produced and sold

The range of products produces and sold focussed mainly on goods, most of which are manufactured on-site. There range from large durable industrial goods such as wine fermentation tanks to perishables such as bread rolls. Other products manufactured include bricks and pavers while panel beating and heavy duty vehicle repair and storage appear to be significant services provided.

What percentage of your products/services do you sell?
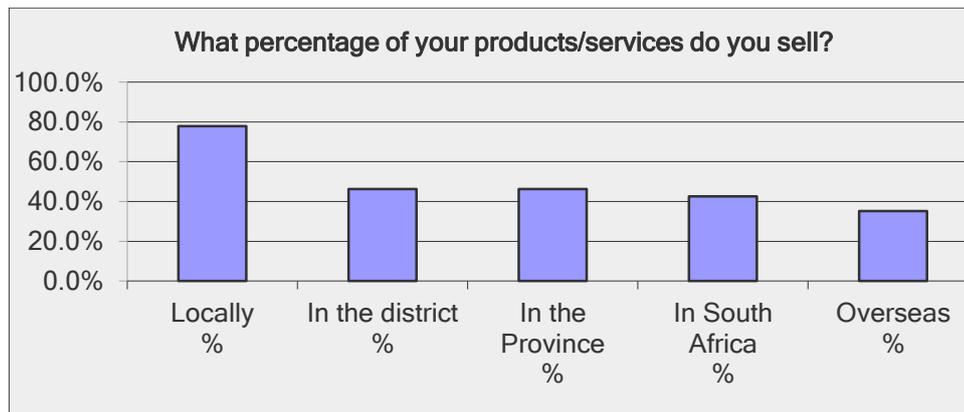
Almost 80% of goods and services produces are sold locally in the Cape Metropolitan Area, a significant number of respondents also sell their products elsewhere in the region, the country and overseas. Exported products include children's shoes, furniture and baking equipment with a strong geographical trend towards Africa, most specifically to Namibia.

Changes required

Interestingly the concrete changes to improve the area suggested by respondents were largely within municipal functions, except for the desire for 'cheaper rentals'. The remaining factors can form key priorities for the area:

- Roads and entrances to Blackheath upgrade
- Electricity supply
- Shade (trees)
- Advertising and (road) signage
- Paving and stormwater drainage
- Visible policing and streetlights
- Range road upgrade
- Safety and night security

Levels of satisfaction with services and infrastructure were remarkably good, with the highest ranking factors receiving good ratings being telephones, water and sewerage supply and broadband internet services. The lowest ranking feedback was given to recycling of waste and safety and security. Generally BR&E processes encounter the 'crime and grime' issues, however the grime issue in Blackheath was less pronounced than usual, with the only real criticism being a lack of recycling facilities rather than issues with waste removal. To a large extent the City is getting the basics right in the Blackheath area as all ratings were above average.

Similarly ratings of access were above average with no obvious issues requiring intervention. This implies that there is no single overwhelming shortcoming within t Blackheath Industria that could be changed to turn the area around. This lack of an obvious 'silver bullet' or panacea means that the City needs to build on the current strengths of the area and focus on a package of improvements.

Labour availability
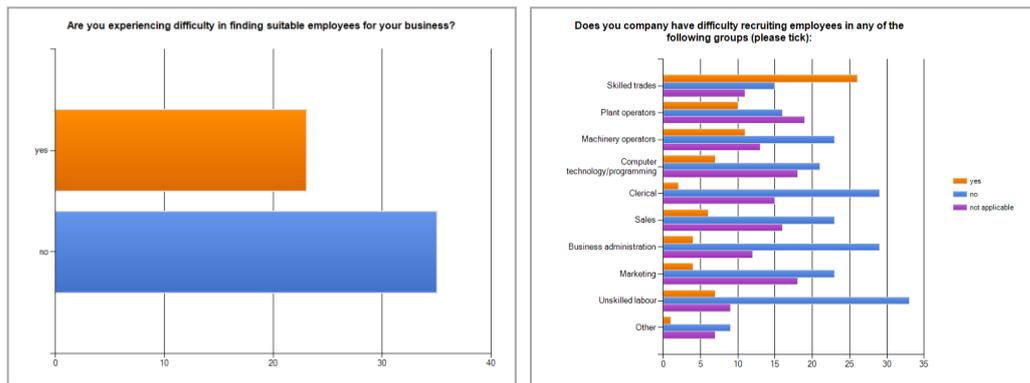
Locational factors showed that while the availability of unskilled labour rates highly, there is a dip in ability to both source skilled labour, as well as the educational level of residents. With adjoining low-income settlements receiving infrastructure development from the City Council, the pool of stable unskilled labour is at hand. The flip-side of this is the absence of more skilled trades such as electricians and plumbers. Consequently many of the suggestions for improvement relate to 'educating residents' and 'building skills'. Straightforward suggestions for improvement in roads and sidewalks are more simple . These improvements are the low-hanging fruit which could achieve immediate and visible results in the area.

Cost of doing business

When looking at cost factors for business in the area, no single cost factor stood out among others. The highest scoring cost factors were marginally those of land and storage. This fits with the observation that Blackheath has one of the lowest rental charges per square meter compared to other industrial parks in the metropolitan area such as Epping, Airport Industria or Montague Gardens. Rentals as low as R23 per square meter were encountered in parts of Blackheath. When compared to high-end retail space in other parts of the city costing over R300 a meter this makes the area price competitive.

Movement

In terms of relocation trends, the movement patterns of businesses surveyed showed quite localized patterns with movement within the locality and region featuring most prominently. A very small portion had moved from elsewhere in the country and none from beyond the borders of South Africa.

Where relocation of the business had occurred, the reasons most often cited were:

- Cost
- Space
- Expansion
- Premises
- Property Rental

Most businesses surveyed were not considering relocating. This correlates with relative business stability emerging as findings from other questions in the survey. Those respondents that were considering relocated cited reasons as:
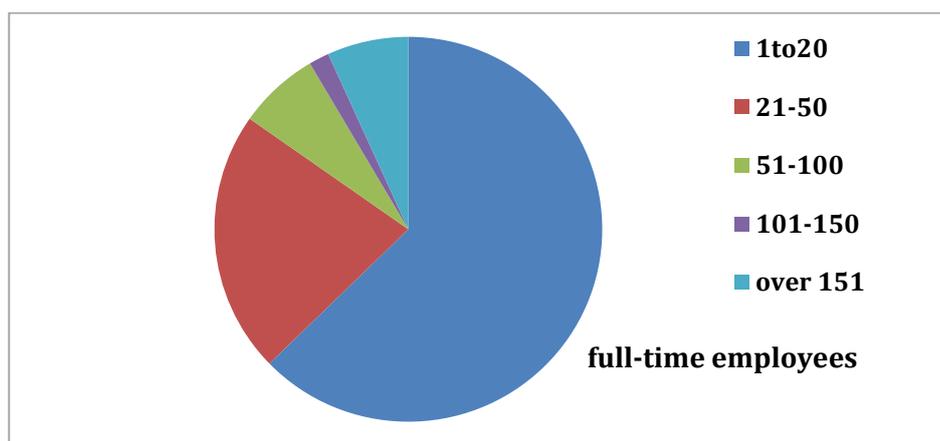
- Theft
- Unsuitable premises
- Central services
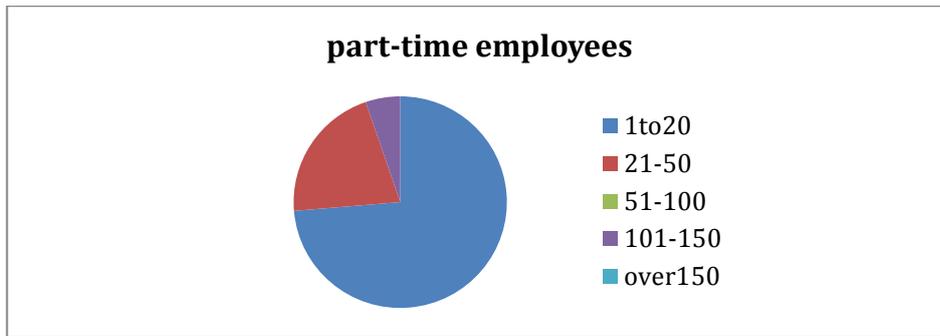- Proximity to suppliers
- Safety
- Space

When asked where they might relocate to, the majority answered another place in the City. Some were considering elsewhere in the region and none further afield. Possible relocation benefits cited were:

- Space and safety
- More central
- Suitable premises
- Access
- Increase market base and clientele
- Security
- Exports

Opinions on exporting products were split, with existing products as the main option for export rather than new product lines. The majority were interested in exporting goods, with only one respondent wishing to export services. The goods ranged from large industrial goods such as steel wine fermentation tanks to light goods such as uncooked bread rolls. Currently a large range of goods are exported from the Blackheath area, from children shoes to furniture to baking equipment. The geographical trend of exports is into Africa, with Namibia being a key destination. The economic growth in the corridor from Namibia north towards Angola appears to be a competitive advantage of the Blackheath area.

Employment related issues

full-time employees

- **1to20**
- **21-50**
- **51-100**
- **101-150**
- **over 151**

part-time employees
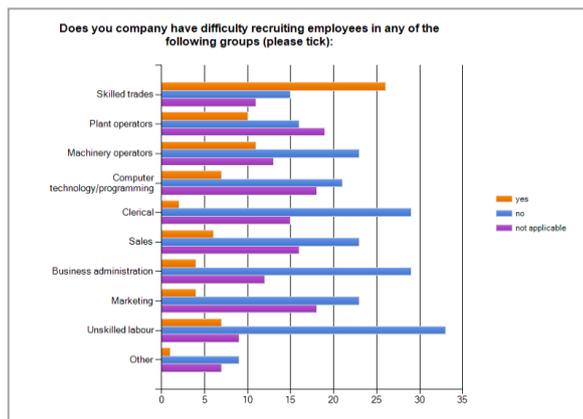
- 1to20
- 21-50
- 51-100
- 101-150
- over150

Employment data showed most businesses to have under 20 full-time employees, while a significant number had 20-50 employees. There were also a number of large employers, with over 150 permanent employees in the area. Part-time and casual employees followed a similar trend as the following figure shows.

Staff changes in the past two years revealed that full time employee numbers were stable, with some increasing and some decreasing in almost equal measure. Part-time employees showed an equal spread of businesses stayed the same, increased and decreased. Only casual employees increased most commonly, rather than decreased or stayed the same over the last two years. This shows some level of stability despite the global economic downturn triggered in 2008. As an emerging market South Africa has fared better than developed economies such as Europe. Other African countries to the north, such as Botswana, have had some of the higher annual growth rates internationally. South Africa is able to benefit from these growing markets to off-set slower growth with its European trading partners.

In terms of employment patterns predicted for the next two years, respondents were expecting permanent and part-time staff to increase or stay the same in equal measure. There was an expectation of some reduction of casual staff, but nothing dramatic was predicted. This correlated with the overall optimism about the future of business elicited in other questions.

Does you company have difficulty recruiting employees in any of the following groups (please tick):

Finding employees was not seen as a major problem, presumably for the unskilled segment of the market. Unskilled labour was cited as the easiest to source. Skilled trades showed a clear spike of recruiting difficulty.

Staff retention was not seen as a problem area in the survey results. Retention issues tend to emerge in more remote and rural locations. The proximity of Blackheath between Cape Town and Stellenbosch means that it is well located between two growing economic nodes. As the second-largest city in South Africa there are many assets attracting people to live and work in the area.

Cape Town is renowned for its lifestyle offerings, as well as maintained infrastructure and services delivered and good transport links.

Skills development
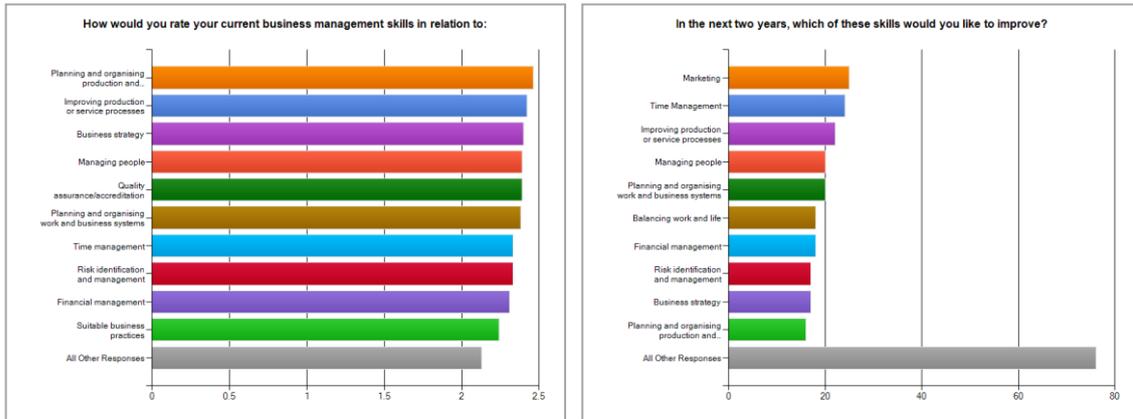
With regard to their own skills, almost all respondents mentioned those skills pertaining to managing businesses. This compares well to the follow-up question on what additional skills are required. Thus, the respondents focussed mainly on the skills they require to run their businesses successfully and contrasts with the question of trainees or apprentices.

In terms of building skills, most respondents had no trainees or apprentices. While some were interested in having trainees or apprentices, the majority were not. This may well relate to a lack of incentives for on-the-job training. The costs of on-the-job training in terms of productivity can be high, and unless subsidized by the state represent a financial input which business do not wish to risk alone. The lack of information on existing skills and training opportunities such as the Sector Education & Training Authorities (SITAs) also contribute to this finding. Many businesses see the skills levy as a tax, and do not reap direct benefits from the system. However, the absence of trainees or apprentices could also related to the matter of whether their businesses are able to find suitable candidates, given the type of industries in relation to the relatively low-skilled labour pool.

Expansion prospects
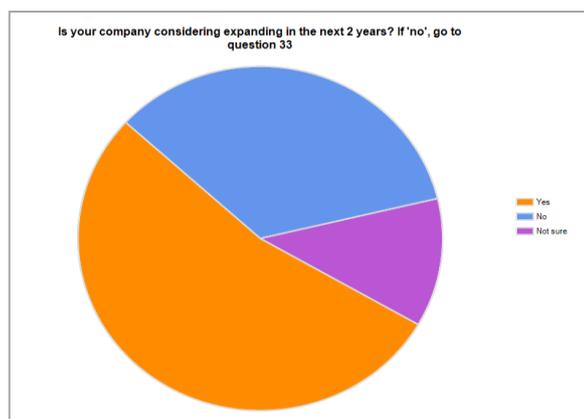
In terms of forecasts of turnover than profit, most respondents had high expectations of an increase in both turnover and profit. This would suggest expectations of both a growing market for goods and services, as well as better production techniques to increase efficiency. This was confirmed with the finding of significantly increasing demand, thus indicating a relatively high level of business confidence. Very little reduction in demand was predicted, despite the global downturn. Consequently there was expectation of business expansion from most respondents. This correlates again with the overall positive business confidence measured in other questions of the same survey.
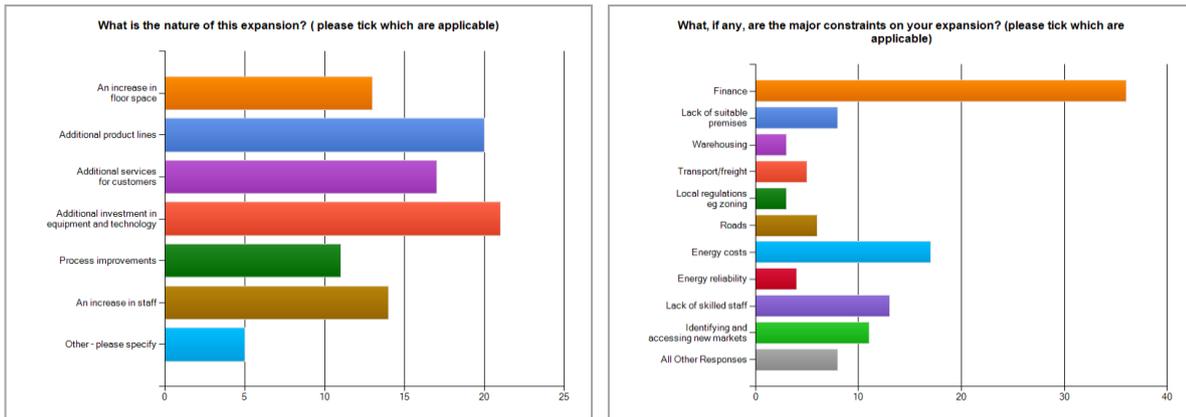
The nature of the expansion was expected to be mostly in additional product lines and investment in equipment and technology rather than new businesses. This is significant for BR&E objectives since the focus on re-investment in existing businesses.

The constraints to expansion cited were overwhelmingly finance, with only energy costs also featuring notably. When asked if respondents had approached any organization about their expansion plans, the majority said no. Those who answered yes, had approached the municipality and to some extent the chamber of commerce. It is interesting that the municipality is seen as the first port of call when expansion plans are considered.

Business networking and internal co-operation
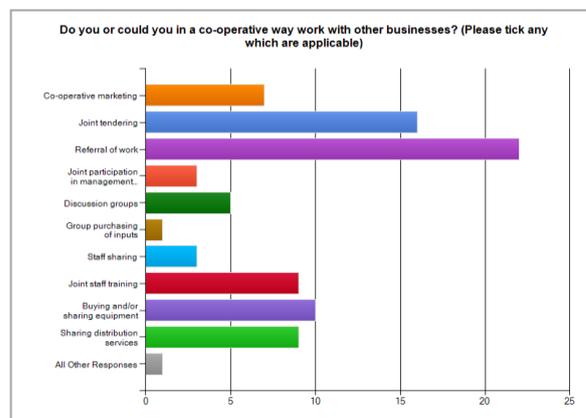
Looking at business organization and co-operation the main areas of co-operation identified were around business referral and joint tendering. Areas like group purchasing of inputs featured very

low on the scale. This suggests that businesses are not exploiting their combined economies of scale to negotiate better prices on inputs. While respondents reported the need for stronger business partnerships, the lack of concrete activity around which to build these partnerships was apparent. This suggests the need for leadership and advice on concrete tools for collective cooperation is needed. Most respondents reported not being a member of a business association, which shows a lack of mobilization and internal business organization. Assessments of existing business associations were largely neutral.

In terms of possible shifts to local purchasing, raw materials and industrial technologies were highlighted as possible shift areas.   The common limitations cited were geographical access, price and quality.

Linking this with the previous questions on internal business skills and operations, no single area of business management skills stood out as requiring improvement when assessed by owner/managers themselves. If anything, marketing featured most commonly as an area for improvement. Evidently there is some willingness to receive information on improving business skills, with most respondents expressing a desire to receive information or training on business skills improvement. The most desirable form of delivery of this information was pinpointed as a newsletter. The CID already issues a regular newsletter which seems to be appreciated by business owners in the area. There was also some willingness to participate in 2-3 hour workshops and mentoring/coaching amongst business owners.

Interaction with the City of Cape Town

In terms of interaction with the City administration, the vast majority of businesses devoted less than ten hours per month to administrative compliance. This shows a low compliance burden of so called red-tape.

Most businesses had not been affected by corruption in the past two years, and those that had been affected pinpointed the private sector as the source of corruption. National government featured somewhat as did 'other'. Provincial and city government did not feature at all, which reflects very well on clean city and provincial government.

The City Improvement District (CID)
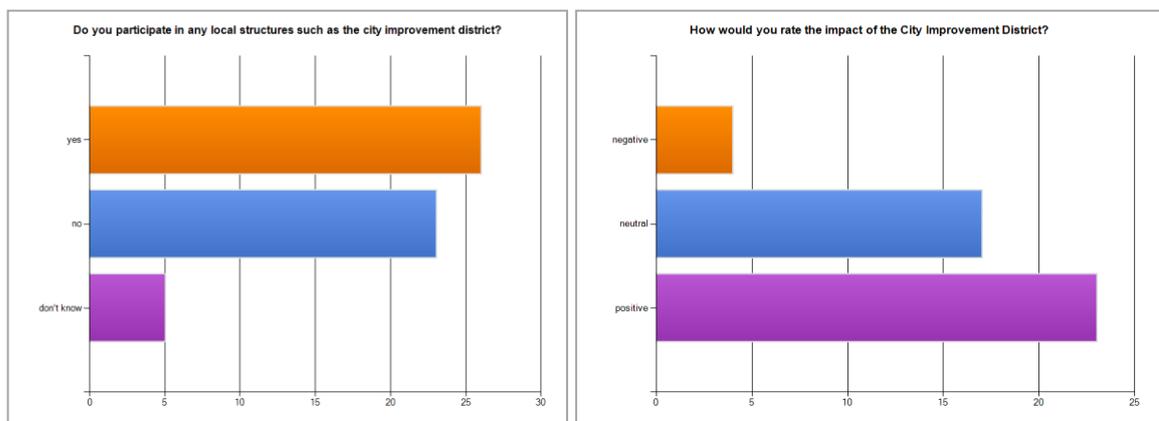
Most respondents reported participating in the CID, and the overall rating of the CID was positive. Very few respondents offered a negative rating of the CID. This reflects particularly well on the functioning and visibility of the local Blackheath CID. When asked about the desired role of the CID, respondents most commonly cited:

- Cleaning, planting trees, environment
- Advocate for Blackheath with decision-makers
- Security and traffic control
- Influence city budget
- Area upliftment and facilities
- Infrastructure maintenance

These functions fall largely within the existing mandate of the CID in partnership with the City of Cape Town.

Survey Conclusions

Core industries

- Range of construction related industries including building material manufacturing and plant hire
- Mix of manufacturing - large-scale high tech, steel, food and small scale burglar bars
- Panel-beating, heavy vehicle repairs and maintenance
- Services – warehousing and transport

Levels of Optimism

- High levels of satisfaction despite unattractive environment
- Almost 2/3 of those surveyed started their own business - positive impact on optimism
- Intermediary organisations such as the CID have high impacts on levels of optimism

Infrastructure

- Operations and maintenance of public infrastructure needs urgent attention
- Having the basic infrastructure in place not enough for growth and re-investment
- Impact of recession on occupancy and investment – also despite lower rentals

Labour and skills

- Range of employment offered based on types of industries
- Skills are in short supply and affect investment – need apprenticeships to be re-introduced
- Flexible laws to enable more people to be employed – or incentives to employ more people
- Not much info on investment incentives, ambivalence of businesses to pay, SETA
- Most skills improvement listed at management level

Locational issues

- Geography of services provided is national and for some industries international
- Blackheath considered to be an affordable locality, but aesthetic and some infrastructure improvements are still needed
- Location with respect to arterial roads and airport is important

Recommendations

Expand the CID Operations

In the absence of an effective business organization to improve networking and collaboration among Blackheath businesses, the CID should consider expanding its institutional role to become a broader platform for joint action. As a membership-based organization it has the credibility to build on its existing base and take up additional roles as a platform for local business co-operation which improves the competitiveness of the locality. It should also provide information to members about government support for expansion.

Business in Blackheath Industria generally lack information on opportunities for skills development and training as well as business investment support from national government. Better business leadership could improve this by making information available through the CID as a networking portal.

Numerous businesses of a similar nature are already local in close proximity to one another, but tend to operate independently and compete against one another in a winner or loser scenario. The CID should consider expanding its services to purchase from businesses within the industrial area. It could start by having a series supply chain related workshops coupled with an inventory of local businesses located within that supply chain. By synchronizing their supply chains businesses could use their combined economies of scale to obtain better leverage as a purchasing block.

The City of Cape Town working with the CID could help facilitate this.

Implement additional visible changes to infrastructure

The survey findings provide concrete statistical evidence for the need to:

- Upgrade roads and entrances to Blackheath
- Stabilise the electricity supply
- Create shade by planting trees (landscaping)
- Additional advertising and signage to make the area easier to navigate and accessible for people wanting to visit factory shops (retail may not be allowed in certain zones)
- Paving and stormwater drainage which is an issue during the winter rainy season
- Visible policing and street lights to improve security
- Range road upgrade (heavy traffic)
- Safety and night security

- Improved skills
- Upscaled role of the CID
- Information on skills development to be better packaged and disseminated

Short-term action by the City of Cape Town

Calls to upgrade Range road, improve paving and stormwater drainage, signage and plant trees for future shade are all relatively simple improvements some of which can be viewed as low-hanging fruit by the City.   Therefore, it is within its capacity within 6 months for the municipality to achieve the following:

- Share the outcomes of the survey with the CDWs (they requested it)
- Implement the upgrade of Range Road
- Landscaping to provide for shading (trees)
- Advertising and signage policy - regularized or standardized
- Visible policing and streetlights should be improved
- Improve safety and night security
- Agreement with the CID on a up-scaled role in business networking and supply chain co-ordination
- Working with the CID, SETAs and the DTI, develop a local skills development plan, including managerial skills

Medium-term action by the City of Cape Town

Between six and twelve months, the municipality should have been able to implement the following:

- Protect the industrial character of the area by charging higher rates for retail related uses. Restriction of factory shops on retail/mixed use in the area – something that needs consideration to keep rentals appropriate to industrial properties
- Consider investment incentives such as lower rates, electricity unity charges or subsidised alternative energy
- Monitor the scaling up of the CID to help businesses which need to access national government grants and business support; and to consolidate local supply chains
- Roads and entrances to Blackheath should be upgraded and designed for designed for extra-heavy truck loads
- Side walk paving and stormwater drainage should be improved
- Electricity supply to be regular and stable
- Work with WESGRO, DTI and the CID to look at the export opportunities beyond the current destinations for products manufactured in Blackheath Industria
- Work with the IDC to improve access to credit for local businesses
- Using the CDWs, implement a local skills development programme based on industry requirements, including managerial skills

Conclusion

While Europe as South Africa's largest trading partner is in recession and implements unpopular austerity measures across its length and breadth, business confidence in areas of South Africa like Blackheath seem to be moving in the opposite direction. The survey findings show that investment in technology and new product lines are the chosen route for expansion in the Blackheath area, with the stated limitation being access to finance. If indeed the commercial banking sector continues to curtail its lending it would appear that a growth-led model will require investment from more focused state sources such as the IDC.

A common trend in the area is manufacturing for export into Africa. Almost 90% of South African exports go to the SADC countries that are relatively accessible from Cape Town. By combining logistics and supply chains it may be possible to lower the cost of transporting goods out of Blackheath up the northern corridor into Namibia and beyond.

Existing government incentives and opportunities may not be fully understood by businesses in the Blackheath area, and there is a need to fill the gap with information that brings the public and private sector together to form meaningful partnerships for growth and employment.

Blackheath shows that simply by providing sound infrastructure and services such as land, zoning, roads and water; a city administration can create better conditions for growth, but these alone will not ensure significant job creation. The mix of factors impacting on doing business in a locality includes broader risks outside the control of city government, such as rising inflation on raw inputs so often mentioned by respondents. This poses a challenge to the City since it might risk spending resources in areas where decline is inevitable due to external factors. However, based on the outcomes of the survey, this is a limited risk in Blackheath Industria.
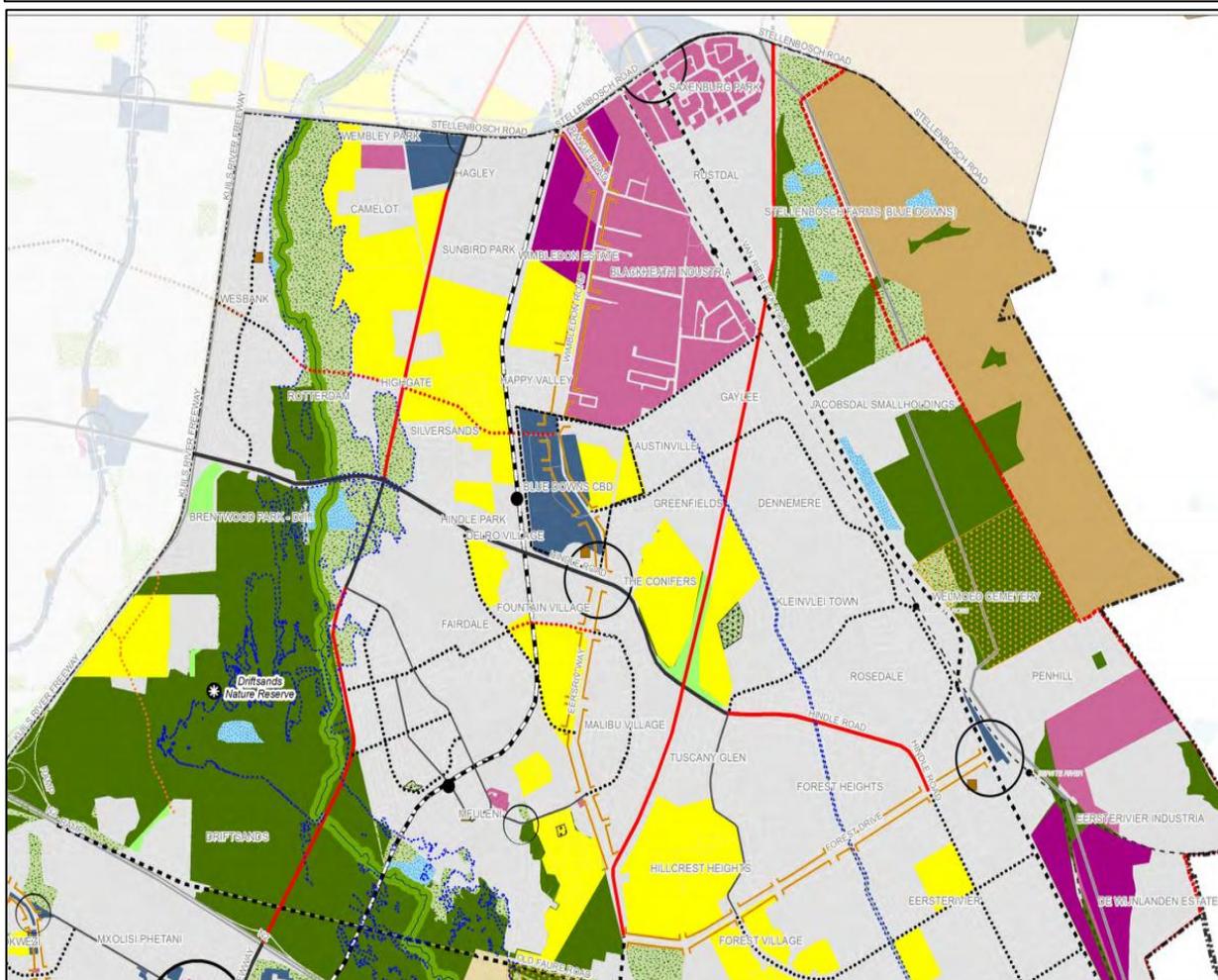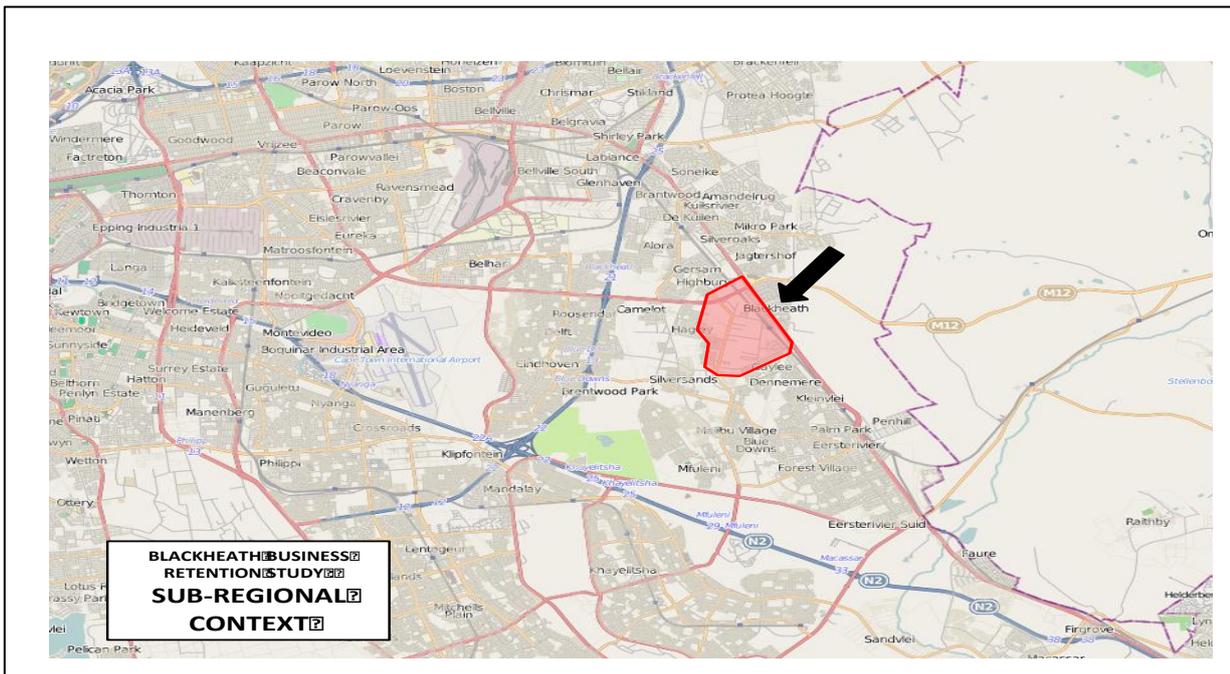
Figure 1: Blackheath Industria: Locality

BLACKHEATH BUSINESS RETENTION STUDY : **SUB-REGIONAL CONTEXT**
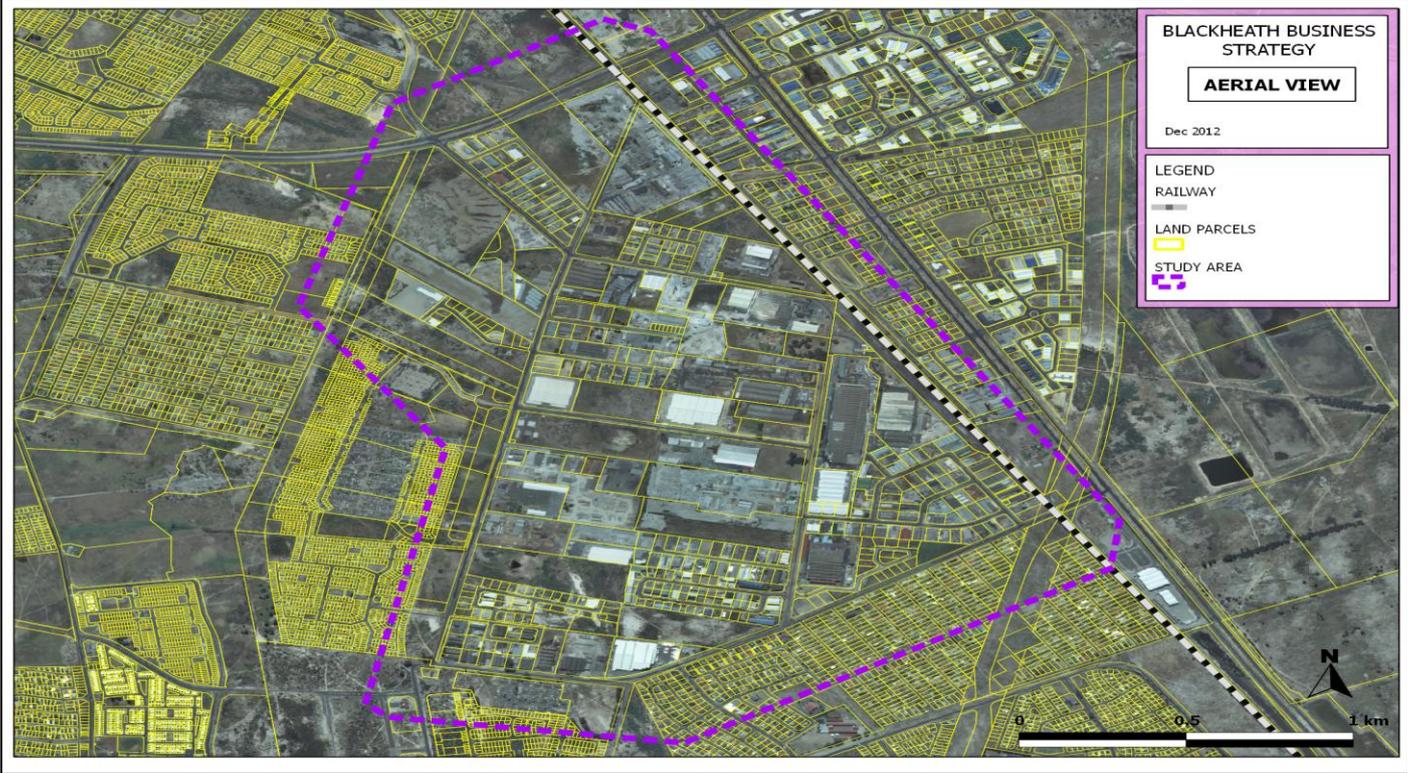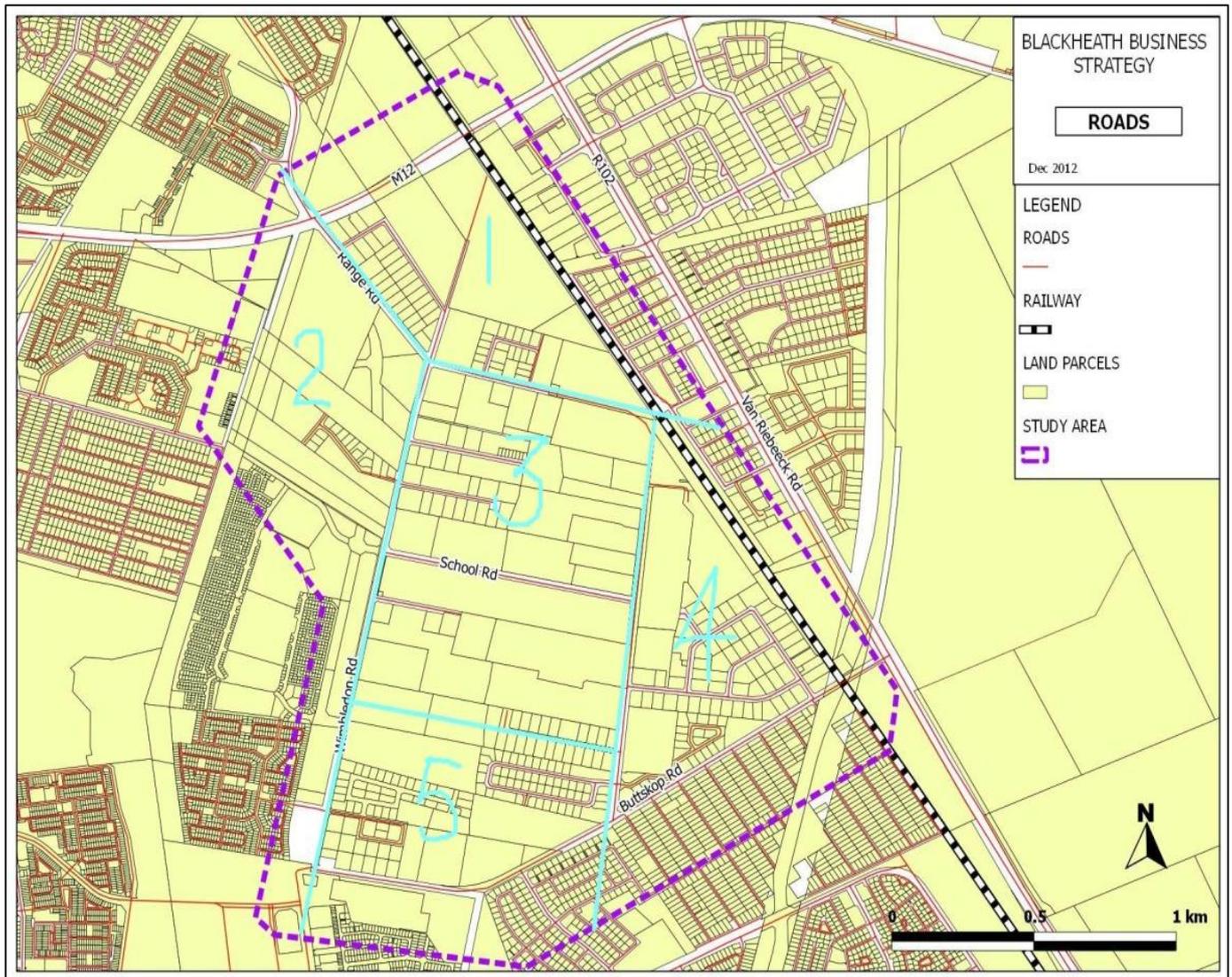
Figure 2: Vacant Land

Figure 3: Geographical Areas Surveyed

Annexure A: Questionnaire

Provided as a separate document

Annexure B: Questionnaire Data

Provided as a separate document

Annexure C: List of Questionnaire Participants

1. Name: W. Jantjies
   Company: Work with Mini Diggers
   PTY LTD

2. Name: Barry Worthington
   Company: Industri – BOTT CC

3. Name: Stephen Pugh
   Company: Kwela Logistics (PTY) LTD

4. Name: D Comper
   Company: CEL

5. Name: No Name
   Company: Pearly Rock Invest

6. Name: Benjamin
   Company: Dewed Company

7. Name: Lizelle
   Company: M&L Wendy's

8. Name: Collin Isaacs
   Company: CFN Recycling

9. Name: Mark Wilson
   Company: ER Pipelines/IISAT

10. Name: Martin Goosen
    Company: SA Crane

11. Name: James Hulse
    Company: Hulse Reinforcing

12. Name: Steven
    Company: AA Roller Shutter Doors

13. Name: Elverchia
    Company: Geustyn & Horat
    Aluminium

14. Name: G Francis
    Company: SLAB

15. Name: Mark Hinrichsen
    Company: BGGOTEX

16. Name: Frans Du Toit
    Company: Cbe

17. Name: No Name
    Company: Hendrik Fisch, Heinz
    Panelbeating & Spay painting

18. Name: Mrs M Gouws
    Company: Power treads CC

19. Name: Sylvia McGregor
    Company: Mag Extreme

20. Name: Alan Human
    Company: HH Furniture Remover

21. Name: Mahmood
    Company: HH Foods

22. Name: Nazmie Tape
    Company: RNB ENG.

23. Name: Shann Hector
    Company: Strand Steel and Roofing

24. Name: Patrick Hornlein
    Company: Energy Oil

25. Name: C. Kotze
    Company: Columbia DBL

26. Name: Charlotte James
    Company: Kay and C Panel & Spray

27. Name: Mr Lambert
    Company: HLC manufacture CC T/A
    Spar Furnitures.

28. Name: K. Reeves
    Company: Colcab

29. Name: Avril Kloppers
    Company: Corlin Engirneering

30. Name: no name
    Company: no name

31. Name: Goos Leon Jantjies
    Company: Goosebumps distributors pty

32. Name: George Ferreirra
    Company: SUDWEST

33. Name: Edwin Blatt
    Company: Cape Anodising and Powder coating

34. Name: Eric Van Duuren
    Company: Siyazama Steel (PTY) LTD

35. Name: Natalie Niemand
    Company: Mokwena Surficing

36. Name: Arlene Andrews
    Company: ER Pipelines. CC

37. Name: Emile Ilruger
    Company: Valtom Reticulation (PTY) LTD

38. Name: Clive Damon
    Company: Kwikspace

39. Name: Mr EG Gurah
    Company: Hurricane Show Manfac

40. Name: M Alves
    Company: Snack and

41. Name: Gary Keitzman
    Company: Ezeetile WC

42. Name: G Modman
    Company: MacAdams

43. Name: D De Stadler
    Company: Peri

44. Name: Stanley
    Company: no name

45. Name: Craig Thaysen
    Company: CJ Woodworks

46. Name: Mrs F Karriem
    Company: Kauthars Bites

47. Name: George Boltman
    Company: GB Tyre Services

48. Name: J.D. Koegelenberg
    Company: Ribdek

49. Name: Winifred Dickson
    Company: Umkhombe Bulki Bags

50. Name: Mimi Cronje
    Company: Esani Boayshop

51. Name: Mr Steve Scott
    Company: Alan Mescho

52. Name: Clyfe Johnson
    Company: JCR engineering PTY Limited

53. Name: Johannes Oelf
    Company: Speeder Panel and spray CC

54. Name: J. Damonse
    Company: Jotun Paints

55. Name: N. King
    Company: Burger and Wallace

56. Name: M.A. Sulaiman
    Company: Massteel

57. Name: K. Papier
    Company: P.K. Joinery

58. Name: Yaasir Abrahams
    Company: No name

59. Name: David Timothy
    Company: Hamblin Engineering

60. Name: No name
    Company: Thomco Engineering

61. Name: No name
    Company: Home choice

62. Name: Anthony Woolgar
    Company: AC Knitwear