

Blackheath Business Retention and Expansion Survey

Report to Stakeholders

July 2014

A Partnership of the Blackheath City Improvement District and the City of Cape Town



City Improvement District
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CONTENTS

Acknowledgements.....	2
Introduction	4
Blackheath Industria in Context.....	4
SURVEY FINDINGS	5
SURVEY CONCLUSIONS	11
RECOMMENDATIONS FOR ACTION	12
Expand the CID Operations	12
Implement additional visible changes to infrastructure.....	13
Short-term action by the City of Cape Town	13
Medium-term action by the City of Cape Town	14
Next Steps	14
Action Plan	16

Introduction

The City of Cape Town in 2013 commissioned on a business retention and expansion (BR&E) in Blackheath Industria to support the Blackheath City Improvement District's (CID) urban regeneration efforts.

The aim of the BR&E study was to

- Identify ideas, concerns, priorities and obstacles to expansion
- Respond immediately to urgent concerns
- Develop an action plan for problems, improvements, and 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

These objectives were to be achieved by means of a survey of a representative sample of companies located in Blackheath. A total of 62 businesses were surveyed out of a sample population of 279 businesses in Blackheath. This translates into a 9.23% margin of error at a 90% level of confidence which is within the acceptable range for a survey of this type. This report presents an analysis of the findings of the survey.

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.

Despite the decline of large manufacturing concerns in the 1990s, there are still a number of large-scale users, such as Peninsula Beverages, Trident Steel, Continental China and Homechoice, located in the area. Since the 1990s and in response to a changing economic environment, Blackheath has smaller scale industrial activity located in small industrial parks. Blackheath is also characterised by large construction related businesses.

There are still large portions of vacant land in the area, an advantage the area 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/m² per square metre excluding value added tax (VAT) for a property of approximately 2 000 m². This is relatively low when compared to Epping where rents for similar sized units are approximately R45/m², or in Montague Gardens where the lowest rentals range from R35/m² to R45/m² per square metre. While building sales are generally linked to size and potential use, vacant land is also cheaper in Blackheath when compared to other areas despite the fact that the vacant industrially-zoned land is generally difficult to obtain in the main industrial areas of the metropolitan area. Vacant land in Blackheath presently sells for between R500/m² and R800/m².

“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).

Despite these favourable conditions there are still several factors that the CID and the municipality believe it can improve on in order to promote industrial and economic investment in Blackheath.

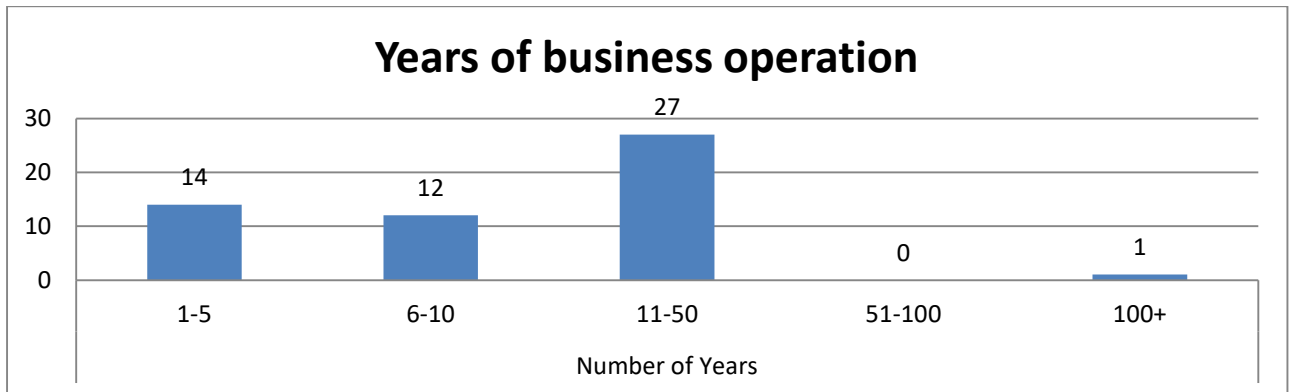
SURVEY FINDINGS

Business Structure and History

Reflecting its origins as an area dominated by heavy industry, business activities in Blackheath are dominated by industry (16%), manufacturing (46%) and construction (22%) activities. Combined these three activities make up 84% of business activity in Blackheath.



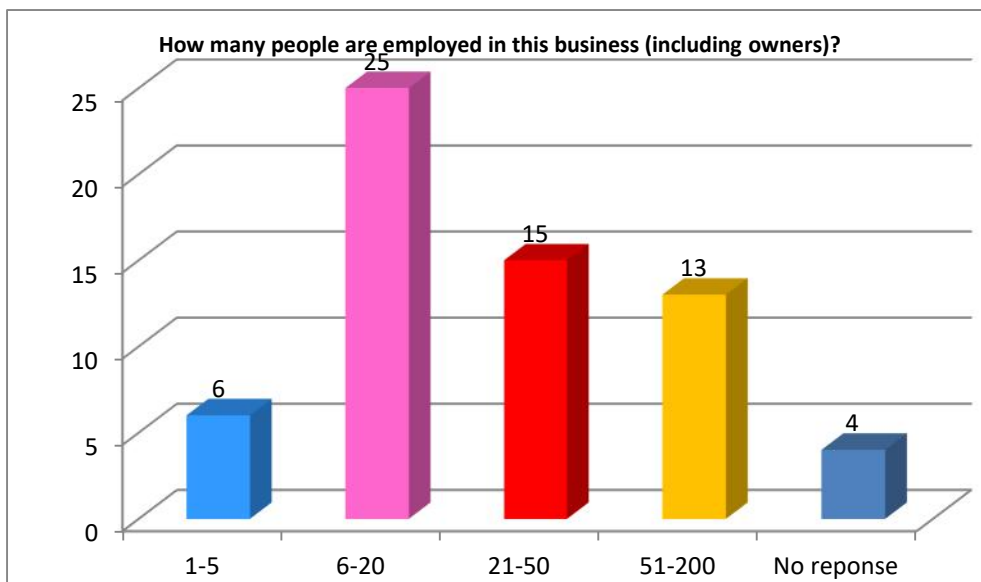
A high (78%) proportion of businesses surveyed were established by the interviewees and a notable 51% of businesses have been in operation for 10 years or more.



The businesses surveyed offer a wide variety of services and products although the profile of the area is dominated by construction and building. Seventy nine percent (79%) of the market for goods and services provided by the businesses surveyed are in the Province, 14.6% in the rest of South Africa and 6.4% internationally.

Employment Patterns

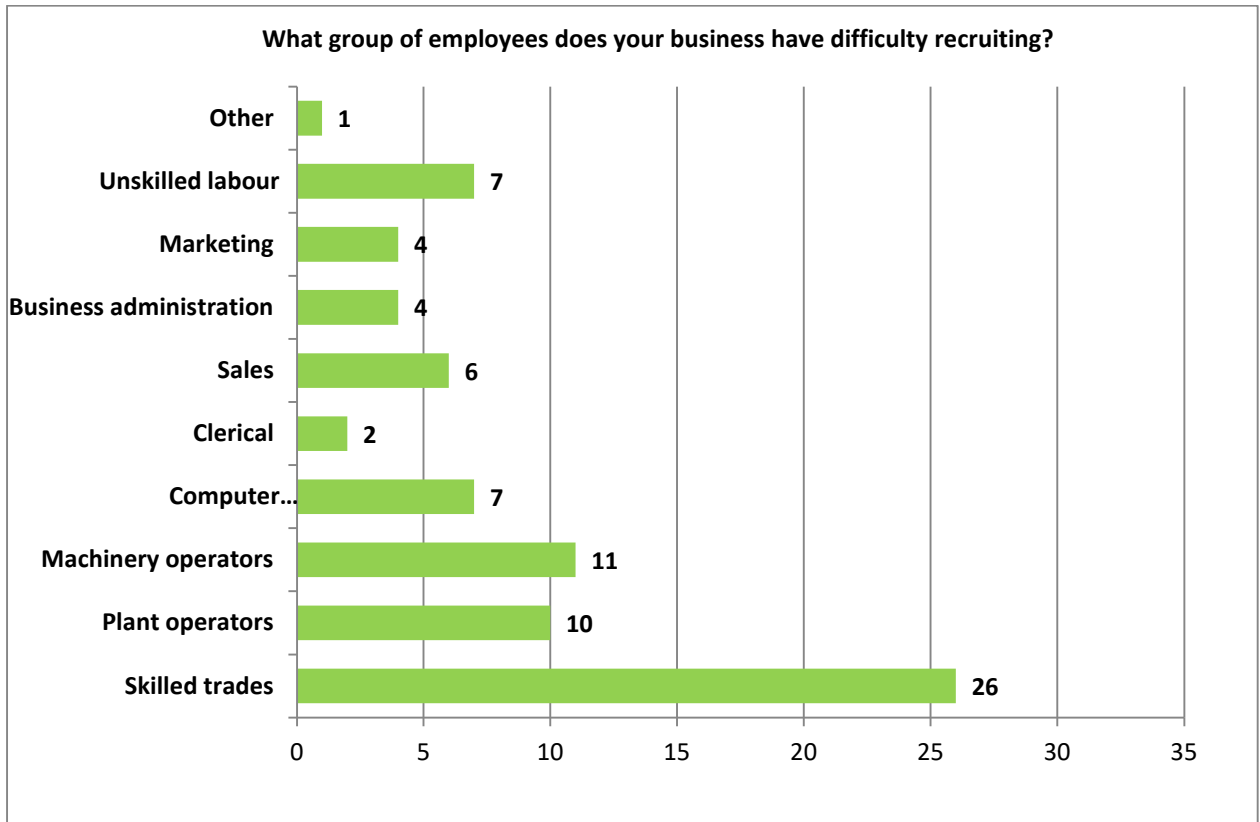
Between them, the businesses surveyed employ 3040 people. By far the majority (77%) of the employees were in permanently employment. The sizes of the businesses surveyed vary widely with the majority (52%) of the businesses surveyed employing 20 or less people.



Thirty-nine percent (39%) of businesses surveyed indicated that their staff establishments have remained unchanged in the past two years. A total of 29% of businesses indicated an increase in staff establishment, while 32% of businesses surveyed reported having to reduce their staff establishment in the past 2 years.

Thirty-six percent (36%) of businesses are anticipating an increase in staff complement, while 33% expect their staff complement to remain the same and only 7% expect a decrease in the next two years.

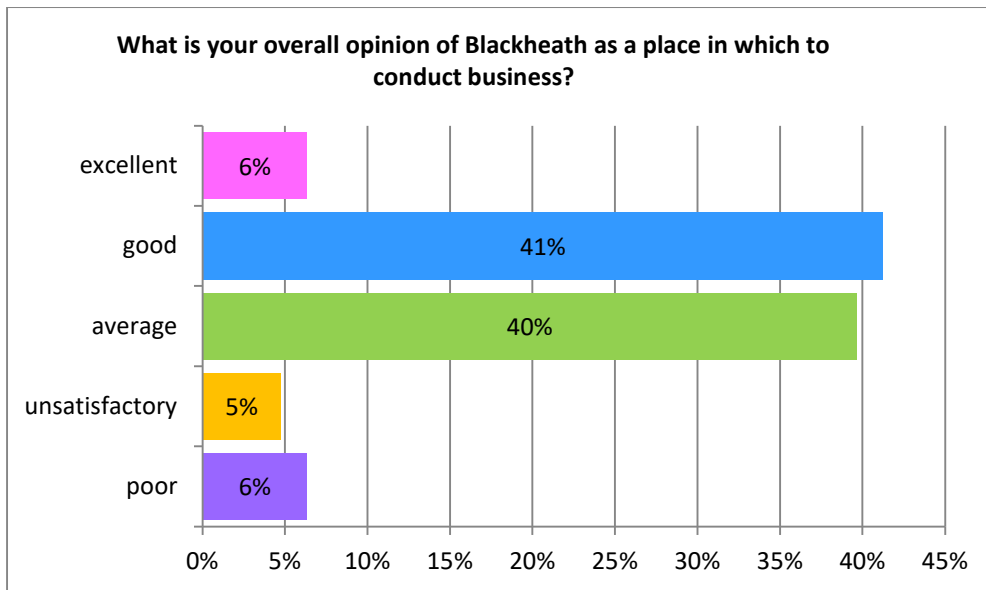
Businesses surveyed are generally able to find suitable employees with 56% reporting that this is not a problem. The most common areas where difficulty is experienced finding suitable employees are: skilled trades, plant operators, machinery operators and computer technology/programming.



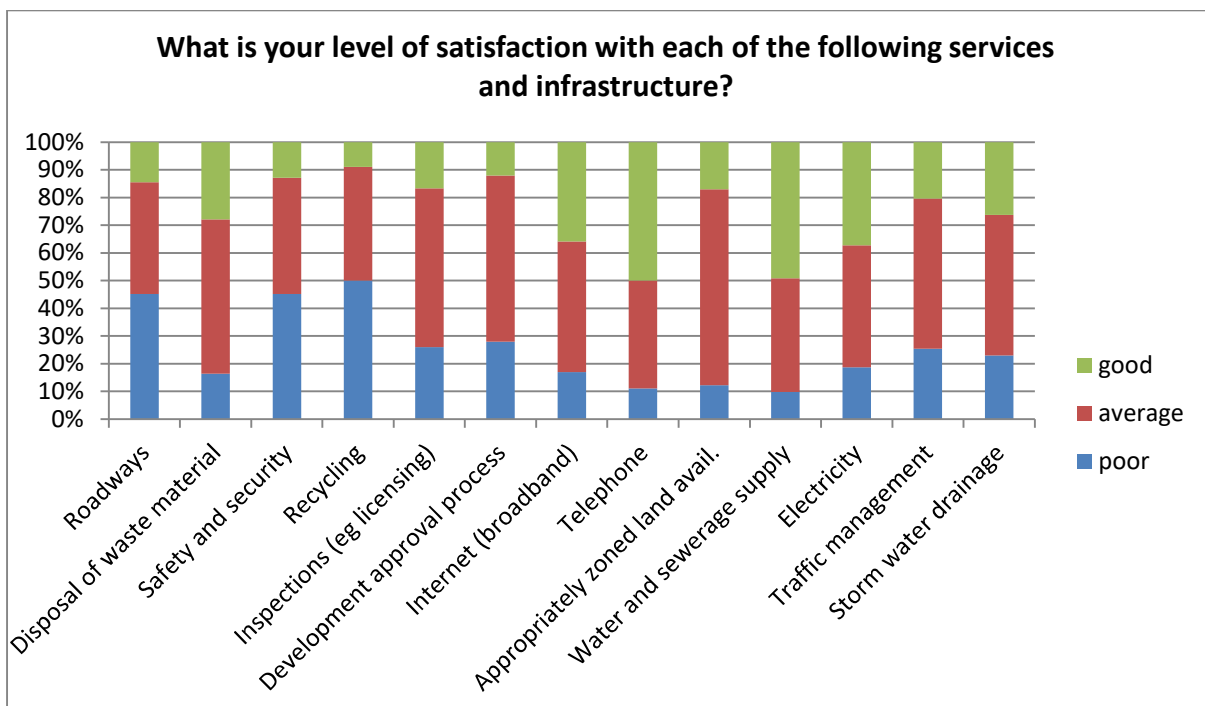
Staff retention is not a problem for the businesses surveyed as most (82%) of them communicated being able to retain employees.

Business Environment

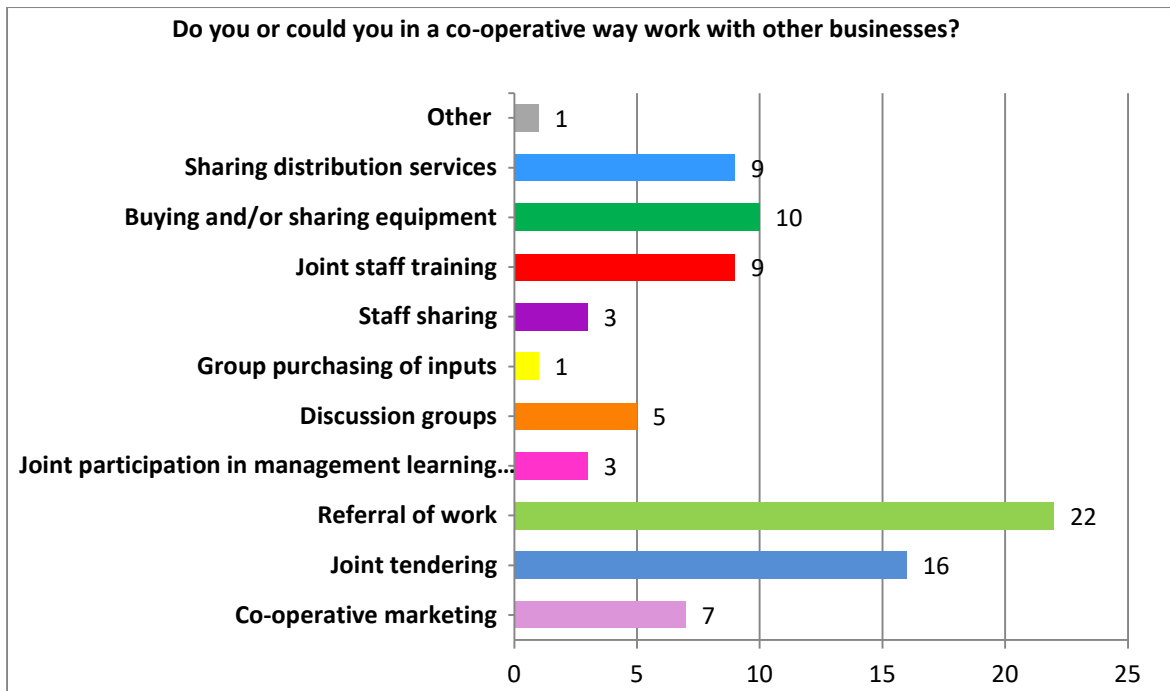
In terms of desirability of Blackheath as a place to conduct business, the vast majority (81%) of businesses surveyed consider Blackheath a good or average place to conduct business.



Blackheath businesses are satisfied with the water and sewage, telephone, electricity and broadband services. Recycling, safety and security, and roads were identified as issues that required attention.

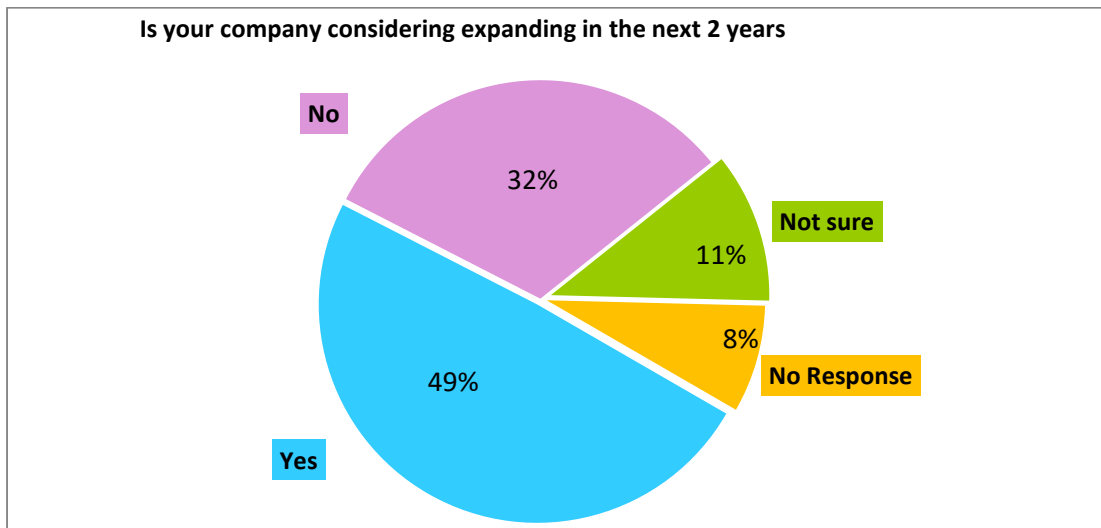


In terms of working in co-operation with other businesses 22 of the businesses surveyed refer work to other businesses in the area, while 16 businesses engage in joint tendering. Ten businesses even go as far as sharing and buying equipment in co-operation with other businesses while 9 businesses share distribution services.



Future plans

Sixty one percent (61%) of businesses surveyed expect an increase in profit over the next two years, while 62% expect an increase in turnover. Almost half (49%) of businesses surveyed indicated that they are intending expanding their businesses in the next two years.



Twenty-one percent (21%) of businesses planning to expand intended making additional investment in equipment and technology, while 20% were looking at adding additional product lines, and 17% considering expanding their range of services.

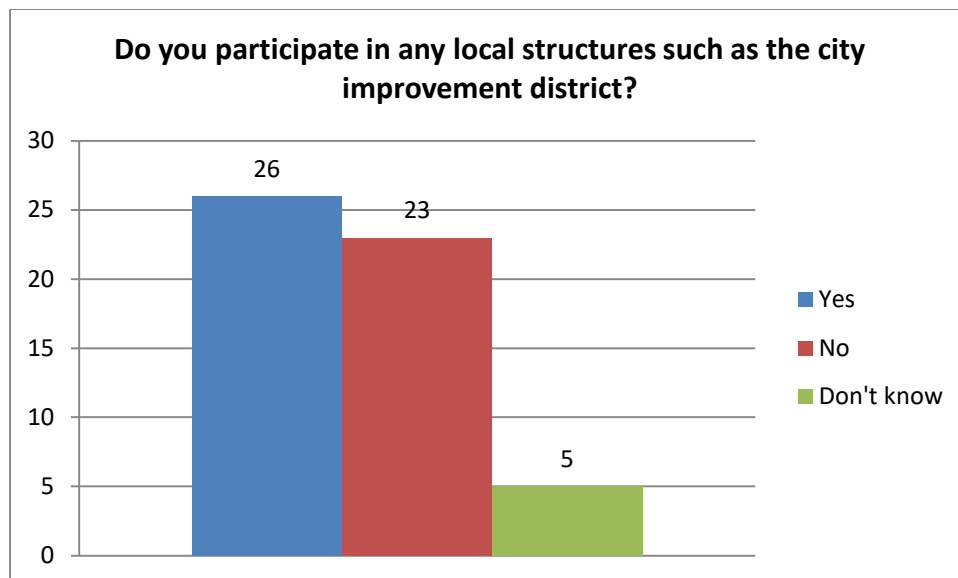
Finance is the overriding constraint to expansion for 57% of the businesses surveyed. Energy cost and lack of skilled labour are the other predominant constraints as identified by 27% and 20% of the businesses respectively.

Eighty-nine percent (89%) of the businesses surveyed have not approached government or business development organisations to discuss expansion plans. Sixty percent (60%) of business that sought outside assistance with expansion approached the local municipality for discussion, with the remainder approaching the chamber of commerce.

On the subject of relocation, 70% of the businesses surveyed are not considering relocating their business out of Blackheath. The remaining 30% was divided, between either not being sure about relocating and definitely relocating, where the former is 10% and the latter 20%. Those businesses considering relocation are intending to relocate within the region (20%) and others to cities (80%).

Support environment

Generally businesses in Blackheath do not spend a lot of time dealing with the City of Cape Town with 85% of businesses spending 10 or less hours a month interacting with the City of Cape Town municipality.



The majority (60%) of the businesses surveyed are not affiliated with any business organisation or association. Forty eight percent (48%) of businesses surveyed participated in local structures such as the City Improvement District. The City Improvement District is generally well regarded with 81% of businesses having a positive or very perception of its activities.

SURVEY CONCLUSIONS

In a workshop held on the 20th May 2014 with the Board of the Blackheath CID, the following were the key conclusions drawn from the results of the survey.

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 and logistics
- Wood related manufacturing
- Recycling moving in
- Less glamorous than other industrial areas in the City – older more functional area with a heavy industrial legacy

Levels of Optimism

- High levels of satisfaction despite unattractive environment
- Almost 2/3 of those surveyed started their own business – positive impacts 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
- Open culverts
- Lack of stormwater
- Limited verge maintenance
- No kerbing in some places
- Pedestrian infrastructure lacking
- Having the basic infrastructure in place not enough for growth and re-investment
- Business activity has outgrown the infrastructure
- Impact of recession on occupancy and investment – also despite lower rentals
- Traffic impacts of surrounding residential areas on the movement of freight in and out of the area

Labour and Skills

- Range of employment offered based on types of the industry
- Skills are in short supply and affect investment – need apprenticeships to be re-introduced
- Flexible laws to allow 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 the management level
- Training people to leave – need to retain trained staff
- During labour unrest – the area can be easily shut down –disrupts operations

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 still needed
- Local with respect to arterial roads and airport is important
- Growth of surrounding residential areas having an impact on crime
- Safety and security an issue
- The area is used as a through route to the station

RECOMMENDATIONS FOR ACTION

Based on the key findings, the following recommendations were made by the service providers:

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.

Implement additional visible changes to infrastructure

Based on the survey findings, the following recommendations are made with respect to infrastructure:

- 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 an 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 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

Next Steps

The recommendations discussed in detail in a workshop with the Blackheath CID facilitated by the City on the 20th and 27th May 2014. Due to the large number of recommendations, it was necessary to undertake a prioritisation exercise. Cards with the recommendations written on them were then stuck up and grouped around similar issues. Workshop participants were each given three dots and invited to identify the most important issues facing Blackheath by placing the dots on the relevant card.

The prioritisation exercise identified the following priorities:

Recommendation	Votes
Upgrade stormwater drainage	5
Upgrade sidewalk paving	4
Upgrade roads and entrances to cope with extra-heavy truck loads	3
Parking at Blackheath Station	3
Develop a formal taxi rank (within Blackheath)	3
Street signs and road names	2
Improve Telkom broadband	2
Reliable electricity supply	2
Grime/ street sweeping/ area cleaning	1

The workshop adjourned at this point and agreed to meet again on the 27th May 2014 to continue the process.

The purpose of the workshop on the 27th May 2014 was to develop an action plan for the top three priorities. The upgrade of stormwater drainage and the upgrade of sidewalk paving were the top two priorities. However, three recommendations got three votes each.

Upgrade roads and entrances to cope with extra-heavy truck loads
Parking at Blackheath Station
Develop a formal taxi rank (within Blackheath)

After discussion the workshop suggested that the formal taxi rank be dropped and participants got a single vote on the remaining two recommendations. Using this method the recommendation to upgrade roads and entrances was identified as the third priority.

Workshop participants brainstormed activities that were required for recommendations to be implemented by writing these activities on cards. The cards were collected, shuffled and read out to the workshop. They were then stuck up on the wall and grouped. In the case of groups a discussion took place on how best to capture the proposed action. Actions were then prioritised using the PASTA process¹. The question was first asked if the action was possible in the short-term, if it wasn't no further questions were asked and the action was not included in the action plan

¹ The question was asked is the action: **Popular, Achievable, Short Term, Affordable**

Action Plan

The following action plan for the three priority recommendations was developed using the PASTA technique. Annexure C contains more details of the outcomes of this exercise. Priority actions are highlighted in blue.

Priority 1: Upgrade Stormwater Drainage					
Activity	Popular (Champion) (Support)	Achievable	Short Term	Affordable	Notes
1. Storm water connection policy	✓ (CID) (EconDev)	✓	✓	✓	
2. Identify main stormwater problem areas	✓	✓	✓	✓	See also Priority 2: Action 2
3. Plan – area plan and future	✓ City	✓	X	?	
4. Discussion on management of stormwater finance from DC perspective and from that of increasing local contributions	✓ (CID) (EconDev)	✓	✓	✓	
5. Are there local businesses that can supply at reasonable cost	✓ (CID)	✓	✓	✓	
6. Increase volume where needed			X		
7. Cover existing culverts			X		

Priority 2: Upgrade Sidewalk Paving/Safe NMT and pedestrian routes and crossings					
Activity	Popular	Achievable	Short Term	Affordable	Notes
1. Develop a proper plan and design	✓ (CID)	✓	✓	✓	
2. Identify risk areas/ urgent needs	✓ (CID)	✓	✓	✓	This could be done on the same map where the main stormwater problems are identified. See also Priority 1: Action 2.
3. Allow queueing for heavy vehicles (hard surface)			X		
4. Formal kerbs and inlays			X		
5. Identify beautification projects	✓ (CID)	✓	✓	✓	This could be done on the same map where the main stormwater problems are identified. See also Priority 1: Action 2.
6. Pave or tar side walks			X		
7. Project involve local community to do work			X		

Priority 3: Upgrade roads and entrances to cope with extra-heavy truck loads					
Activity	Popular	Achievable	Short Term	Affordable	Notes
1. Identify needs	✓ (CID)	✓	✓	✓	This could be done on the same map where the main stormwater problems are identified. See also Priority 1: Action 2.
2. Develop implementation plan			X		
3. Traffic light or circle at Range and Wimbledon			X		
4. Build barrier curbing into design			X		
5. Allocate stop/parking areas for trucks in the area (could incorporate a truck stop)			X		
6. Identify kerbs especially at intersections that need rehabilitation	✓ (CID)	✓	✓	✓	This could be done on the same map where the main stormwater problems are identified. See also Priority 1: Action 2.
7. Road surfacing to be upgraded at high traffic locations			X		
8. Road markings need to be more pronounced (physical and painted)			X		
9. Identify roads that require widening	✓ (CID)	✓	✓	✓	This could be done on the same map where the main stormwater problems are identified. See also Priority 1: Action 2.