

African Cross-Border Shoppers and Traders in Johannesburg

SBP REPORT

A survey funded by ComMark Trust

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Chapter One: Introduction

1.1. Project background

This report presents the results of a survey on African cross-border shopping and trading activity in Johannesburg conducted by SBP in June and July 2006.

One hundred and twenty cross-border African shoppers and traders were interviewed in the Johannesburg CBD and surrounds. The survey gathered information about the profile and activities of cross-border shoppers and traders and probed challenges to the expansion of the sector and, in particular, the regulatory barriers to the expansion of cross-border shopping and trading activity.

This report on a specific aspect of the tourism industry adds a new dimension to SBP's research agenda on regulatory barriers to economic growth, investment and job creation.

In June 2005 SBP published a ground-breaking study of compliance costs across the South African economy, *Counting the cost of red tape for business in South Africa*, which found that regulatory compliance cost South African businesses R79 billion in 2004.

SBP's 2005 study identified tourism as a sector where compliance costs appeared to be considerably higher than average. This finding generated much interest, and also some scepticism, from public and private sector players in the tourism industry. This created the impetus for SBP to undertake a much more detailed, sector-specific study to explore regulatory requirements and the associated costs in the tourism industry.

With financial support from the Friedrich-Naumann-Stiftung, SBP undertook a scoping exercise that provided further evidence of exceptionally high compliance costs. Against this background, the ComMark Trust provided funding for a major study of the tourism industry, and helped shape the brief to include not only the formal sector but also the cross-border shopping dimension of the tourism industry.

SBP's findings for formal sector tourism firms are published in a separate report, *Counting the cost of red tape for tourism in South Africa* (November, 2006).

The tourism industry is one of the ComMark Trust's research focus areas because of its importance for the South African economy and also offers the potential for pro-poor growth. Its research and advocacy work in this sector has involved a focus on the cross-border retail sector, more specifically through a project to identify and remove obstacles to cross-border shopping and trading between Johannesburg and South Africa's neighbours. A survey of regulatory costs faced by the tourism sector thus provided a

good opportunity to probe the regulations faced by this less conventional but important part of the tourism economy.

The survey of cross-border shoppers and traders in Johannesburg was undertaken by SBP in conjunction with its survey on the conventional tourism sector. Survey fieldwork was undertaken by MarkData. Survey design was developed by SBP and MarkData, in consultation with ComMark Trust and representatives of the cross-border shopping sector. The project was wholly funded by ComMark Trust.

1.2. Cross-border shoppers and traders in South Africa

Cross-border shoppers are foreigners who come to South Africa for short periods of time, with shopping as their main purpose of travel. In the case of African cross-border shoppers, the goods they buy are generally taken back to their families or sold in their home countries. These shoppers are conventionally recognised as a sub-sector of the tourism industry. Their activities range from the purchase of low-end consumer goods for use by friends and family in their home countries, to entrepreneurial buying of crafted and manufactured goods for resale in their home countries and South Africa.

Those shoppers who buy goods in South Africa for resale may be considered *cross-border traders*—significantly expanding the concept of cross-border shopping. They are part of a sector of people who buy and sell goods across the national borders of Africa. They are generally low income, small-scale entrepreneurs operating in the informal sector, but this trade also includes larger import-export concerns of middle income entrepreneurs.

Africa is an important export market for South Africa¹ as trade statistics show. But these statistics capture trade figures only for formal sector businesses. In addition to formal trade, informal trade across South Africa's borders is contributing significantly to South Africa's economy— and in particular, to the Johannesburg economy. Johannesburg is the primary shopping destination for cross-border shoppers and traders.

According to SA Tourism's *Annual Tourism Report* (2005) visitors from African countries contributed the largest proportion of total foreign direct spend in 2005, contributing R12,1bn.² One third of African visitors to South Africa in 2005 came with the express purpose of shopping, versus one percent of visitors from the Americas, Australasia and Asia.³

¹ Peberdy, S. 2002. 'Hurdles to trade? South Africa's Immigration Policy and Informal Sector Cross-Border Traders in the SADC.' Paper presented at SAMP/LHR/HSRC Workshop on Regional Integration, Poverty and South Africa's Proposed Migration Policy, Pretoria, 39.

² SA Tourism, *2005 Annual Tourism Report*, August 2006, 23.

³ SA Tourism, *2005 Annual Tourism Report*, 19.

In addition to its growing contribution to the economy in South Africa, African cross-border shopping and trading has several pro-poor features, as ComMark recognises. For example, cross-border shoppers and traders from African countries are particularly likely to rent accommodation from poorer South Africans. The activities of these traders also support dependents throughout southern Africa and in some cases as far north as Nigeria and Senegal. Interestingly the majority of these shoppers and traders are female, creating empowerment opportunities for women in this sector.⁴ Lastly, the sector also develops entrepreneurial and small business activity.

1.3. The survey methodology

SBP designed the questionnaire in consultation with ComMark, MarkData, and contacts made through the Johannesburg Cross-border Shopping Forum.

In June and July 2006 120 African cross-border shoppers and traders were interviewed in the Johannesburg CBD and surrounds. The survey concentrated on Johannesburg because it is the primary shopping location for cross-border shoppers in South Africa.

Clearly, there is no formally defined universe of cross-border shoppers from which to sample. Various sources were consulted to compile a list of places where cross-border shoppers and traders meet to trade or buy goods, and stay while in Johannesburg. Places included accommodation, transportation nodes and selling points. The list of places was used as a starting point from which snowball sampling was used to locate other shoppers and traders, in order to achieve a varied selection of typical shoppers and traders for purposes of study.

A non-probability sampling procedure was chosen for the survey. The nature of the sampling means that statistical values and quantitative estimates or rankings have to be treated with caution. However, while the estimates are not necessarily representative, they are indicative of the activity of cross-border shoppers and traders. The composition of the sample is such as to provide a fairly comprehensive cross section of the target group, and as such delivers meaningful insights into trends and areas of concern regarding the cross-border shopping and trading sector in the City, and in some cases it provides insight into trends across the country. (For example, shoppers and traders in other cities in South Africa will face the same regulatory costs regarding visas and passports for entering South Africa, but might face different regulatory costs imposed by municipal government in trading in South African cities.) The data also provides an important baseline on which further studies may build.

⁴ Peberdy, 'Hurdles to trade?', 37. Peberdy also points out that this creates specific challenges and problems for women as well.

Respondents were asked a range of questions in the form of a structured questionnaire by experienced fieldworkers fluent in vernacular languages, in face-to-face interviews.

It should be noted that the sample captures both shoppers and traders. It was impossible to distinguish clearly between the categories as there is a fair degree of overlap in activities. Some respondents are simply buying supplies to take back home while others are engaged in entrepreneurial activity to varying degrees. The vast majority in our sample buy in South Africa, irrespective of whether they trade in South Africa or elsewhere, and thus the majority may be referred to as cross-border shoppers. Throughout the report however, respondents will be referred to as 'cross-border shoppers and traders' but their activities will be differentiated where relevant.

1.4. Some methodological challenges

Respondents came from different countries and many have had very different experiences of shopping and trading in South Africa because of this, especially with regard to securing passports and visas for entry to South Africa. This made for a challenge in interpreting the data on the regulatory costs faced by respondents. When designing a survey questionnaire there is a trade-off between probing for as much detail and nuance as possible, and ensuring that the questionnaire is not so long that respondents are not prepared to be interviewed, or end the interview before all the questions have been asked. The responses regarding constraints to growth (particularly regarding regulatory costs) nevertheless provide a good picture of particularly problematic areas for cross-border shoppers and traders, and serve to identify areas in need of more detailed research or intervention.

When respondents are asked to report the costs they incur in complying with regulatory requirements, and the amount of money they spend in South Africa, it must be recognised that there are inevitably some inaccuracies in individual reporting. It needs to be considered whether or not the results are likely to be overestimates or underestimates of the costs faced and actual spending by shoppers and traders. It is often assumed that studies such as this one overestimate costs because it is in the interests of individuals to inflate their difficulties and complaints about regulations. It is indeed possible that shoppers may inflate their spending figures. We therefore cannot exclude the possibility of some degree of inflation for this reason. Furthermore, less visible or vulnerable businesses and individuals, such as many of the shoppers and traders, may not actually comply with all the regulations that they know apply to them and which they would identify in their responses. On the other hand in all surveys of this type many small costs and activities that consume time tend to be overlooked in responding to questions. This counterbalances the effects of inflating difficulties to a considerable extent.

Where possible, interviews were conducted in the respondents' choice of language. In many cases an interpreter was brought in to translate responses and questions. However, seeing that some respondents were either not interviewed in their first language or that problems arise in the translation of words such as 'permits', and 'licences' (a respondent may for example mention needing a work permit, when in fact the respondent is referring to a trading licence) some of the data concerning regulatory difficulties with obtaining documents needed to shop or trade in South Africa must be treated with caution. Where relevant, these areas will be pointed out in the report below.

SBP's survey obtained a broad cross-section of cross-border traders and shoppers in Johannesburg: from small, low income shoppers and micro-enterprises to larger middle income import-export concerns. The survey in essence covered a highly diverse set of people, and this is reflected in the data. The wide variations in experiences, income groups and countries captured by the sample is the primary reason for the wide variation (and in some cases irregularities) in the data concerning respondents' spend in South Africa (section 2.5), as well as wide variation in data concerning regulatory compliance costs (section 4.2). SBP is confident, however, that the survey data captures major trends relevant to the movements and activities of cross-border shoppers and traders and the challenges to expansion the sector faces.

Chapter Two: Cross-border shoppers and traders' origins, movements and activities

2.1. Nationality of cross-border shoppers and traders

The cross-border shoppers and traders interviewed came from a range of African countries, as can be seen from Table 1. The majority of the respondents were from Zimbabwe (18 percent) followed by Nigeria and Kenya (9 percent each) and Zambia, Angola and Mozambique (8 percent each). In some cases, cross-border traders are constantly moving from African country to African country, buying and selling goods all year round. For such traders the country in which they were born is indicated as their home country. These traders highlight the trans-national character of the sector.

Table 1: Composition of the sample by home country

Home country	Percentage of Respondents
Zimbabwe	18
Nigeria	9
Kenya	8
Zambia	8
Angola	8
Mozambique	8
Malawi	7
Botswana	5
DRC	4
Lesotho	4
Uganda	4
Namibia	3
Somalia	3
Swaziland	3
Tanzania	3
Senegal	2
Burundi	1
Sudan	1
Congo Brazzaville	1

2.2. Accommodation used

The accommodation types used by the respondents are illustrated in Figure 1. The majority (67 percent) of the respondents used hotels or motels in Johannesburg, followed by flats (20 percent). It should be noted however, that in some cases respondents who said that they were renting a flat, may have meant that they rent a room in a flat.

Table 2: Accommodation used by respondents

Accommodation used	Percentage of respondents
Hotel/ motel/ lodge	67
Renting a whole flat	20
Renting a room	8
Staying in a room (not paying)	2
Shack/informal dwelling	2
Other	2

The data shows a very different pattern to that indicated in the Fanaroff Associates study of accommodation used by cross-border shoppers in Johannesburg. Fanaroff estimated that only 20 percent of overland cross-border shoppers stay in hotels and B & Bs, a small segment rent flats or small apartments, and a number of people sleep at Park Station for the night (usually those who stay in Johannesburg for one to three days).⁵ The Fanaroff study was a qualitative investigation based on particular points of selection. While SBP's findings do not necessarily contradict Fanaroff Associates' findings, SBP's survey attempted to vary the points of selection as widely as possible.

SBP's survey did not specifically target overland shoppers and traders as such, but included a range of African shoppers (and traders), some of whom flew to South Africa. Consequently our respondents cover a broader selection of the cross-border trading and shopping sector and will thus produce different results.

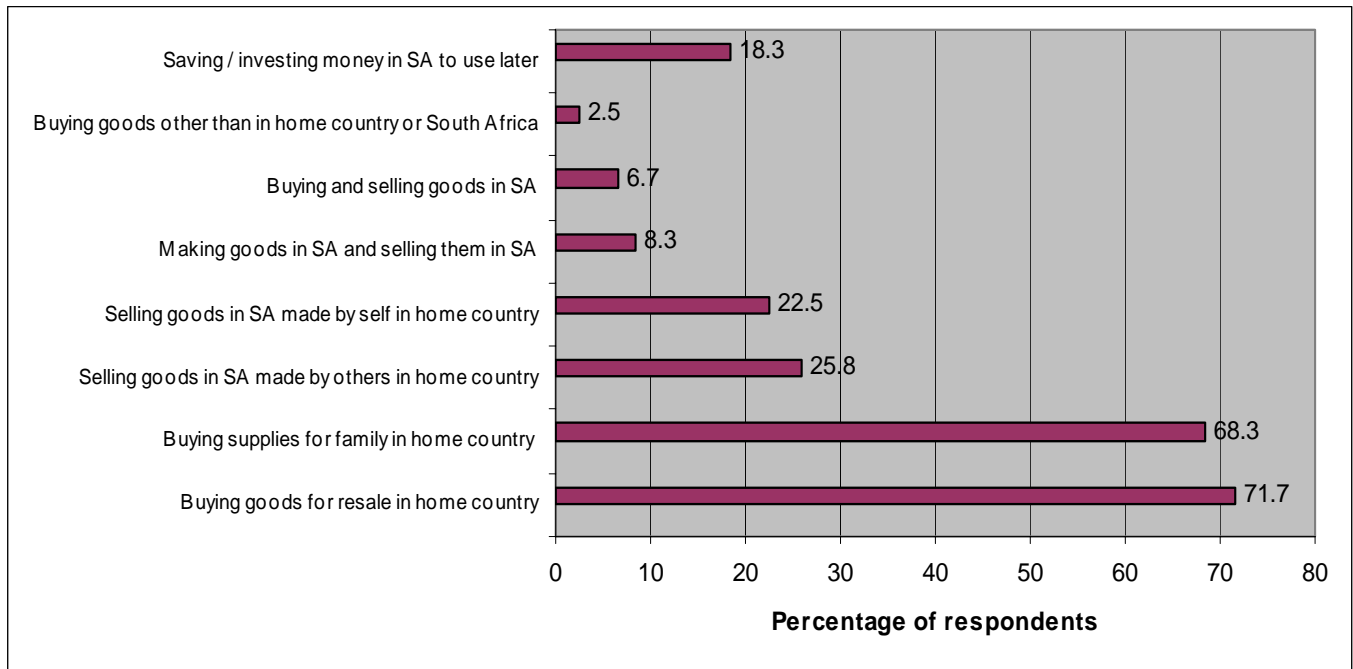
As will be shown however, lack of affordable, safe and clean accommodation is a major problem for the respondents interviewed, supporting the finding by Fanaroff Associates.

2.2. Reasons for visiting Johannesburg

The survey asked respondents to identify their purposes for visiting South Africa, choosing from a list of activities. Respondents mentioned all activities relevant to their operations from the list, and the results are therefore not mutually exclusive. They are illustrated in Figure 1 below.

⁵ Fanaroff Associates in association with Urban Inc, for ComMark Trust, *Survey of Accommodation for Joburg's Cross-Border Shoppers*, November 2005, 8.

Figure 1: Reasons for visiting South Africa



Some respondents shop in South Africa to take supplies back to their home countries. Others are engaged in entrepreneurial activity in buying and selling goods across the South African border.

The majority of respondents (72 percent) buy goods for *resale* in their home countries. Sixty eight percent buy supplies for use by family members in their home countries. A far smaller proportion of respondents sell goods in South Africa. Twenty-six percent of respondents sell goods made by others in their home country in South Africa, and twenty-three percent sell goods they themselves have made. A very small percentage of the respondents interviewed bought goods in countries other than South Africa or their home countries. Two of these respondents brought goods as far afield as China and London.

A small percentage of respondents buy or make goods in South Africa and sell them here. Some of these respondents may not be cross-border traders as such, but may be foreigners based in South Africa who carry out entrepreneurial activity in South Africa. Others who make, and or buy *and* sell goods in South Africa may use the money generated to buy more stock to take home.

Just over 18 percent of the respondents interviewed invest money in South Africa for later use. Whilst this proportion is not large, it represents a substantial amount of money given the annual spend of cross-border shoppers in Johannesburg.

An interesting topic for further research would be to identify the proportion of shoppers and traders investing in South African or other financial institutions, versus other more informal savings mechanisms, including stokvels or cash kept by relatives and friends in South Africa.

In compiling the survey data, respondents' home countries were cross-referenced with responses to all questions in the survey, revealing some interesting variations, particularly regarding the respondents' purposes for visiting South Africa.

Only 20 percent of North East Africans (Sudanese and Somalians) bought goods for use by their families in their home countries, or for resale in their home countries, versus the sample of averages of 68 percent and 72 percent respectively.

Thirty-eight percent of Zimbabwean respondents took goods back to Zimbabwe for resale, against the sample average of 72 percent (given the exchange rate of the Zimbabwean Dollar, this is not surprising). The percentage of Zimbabweans taking supplies back for use by family members was slightly above average. Proportionately more Zimbabweans sold goods in South Africa than any other group.

Ninety percent of the Nigerians took goods back for resale in Nigeria. Only 9 percent of Nigerians sold goods brought from their home countries.

Eighteen percent of the respondents saved or invested money in South Africa. However, none of the Nigerians interviewed did so; whilst the percentage of Zimbabweans, people from neighbouring countries and North East Africans who save or invest was higher than the average.).

2.3. Goods bought and sold

Respondents were asked to list the top five goods bought in South Africa for *resale* in their home countries. Clothing and clothing accessories (scarves, belts etc) are by far the most popular goods bought for resale in other African countries. Sixty-three percent of respondents buy clothes in South Africa for resale in their home countries, and 31 percent buy clothing accessories. Compact discs, DVDs and computer games are the next most popular items, though only bought for resale by 38 percent of respondents.

Table 3: Goods purchased by shoppers and traders for resale in home country

Goods bought for resale in home country	Percentage of respondents buying goods
Clothes	64
Clothing accessories	31
CDs, DVDs, music and computer games	39
Electronic appliances and accessories	26
Beds, blankets and linen	23
Building material	21
Home décor	20
Jewellery	19
Computers, computer components and printers	16
Cell phones, cell phone accessories	14
Kitchen accessories (cutlery)	13
Bags and backpacks	13
Beauty products	11
Food	9
Stationery and accessories	8
Other ⁶	12

Significant variations exist between nationalities regarding items bought for resale in home countries. For example, 90 percent of Nigerians respondents bought CDs, DVDs and computer games for resale in their home countries, compared to just ten percent of Zimbabweans. Ninety percent of Nigerian respondents buy computers and related equipment, against an average for all nationalities of just 16 percent. A smaller proportion of Zimbabweans (38 percent) bought clothes compared with the average of other nationalities combined (63 percent), while a larger proportion of Zimbabweans bought cell phones and cell phone accessories. Proportionately more shoppers from South Africa's neighbouring countries bought food, building materials and paint and paint accessories.

These variations point to the large variations (in some cases) in demand for different goods in different countries. Nigeria for example, is well known to have a burgeoning film industry and an avid film watching population. Researcher Sally Peberdy points out that "The kind of goods traded depends on demand in various countries, and traders appear to be sensitive to changing trends and opportunities".⁷ Variations in types of goods

⁶ Other: arts and crafts; cameras; vehicle accessories, sound, security and tools; paint and paint brushes.

⁷ Peberdy, 'Hurdles to trade?', 14.

bought by different nationalities probably also reflect the varying spending power of citizens in different African countries.

The items brought from shoppers' home countries for sale in South Africa are as may be expected. Furniture, kitchen accessories (wooden bowls and spoons etc) and general arts and crafts are the items most frequently sold. These items are no doubt intended for the tourist trade in South Africa.

Of those interviewed, 27 percent sell goods in South Africa that they have made at home. Furniture and kitchen utensils (spoons, bowls etc) were sold by a third of those who sell goods they make in their home countries, followed by general crafts and woven items (25 percent of respondents who sell goods they make in their own countries). Of the 9 percent of respondents who made and sold goods in South Africa, the most frequently mentioned items were: metal work and welding, followed by jewellery and building materials (wooden doors and window frames for example).

Depending on the goods bought and sold in South Africa shoppers and traders will have differing storage needs. The report by Fanaroff Associates points out that lack of sufficient storage facilities in Johannesburg is a significant problem for those shoppers who buy large goods (building material for example) or those who buy in bulk.⁸

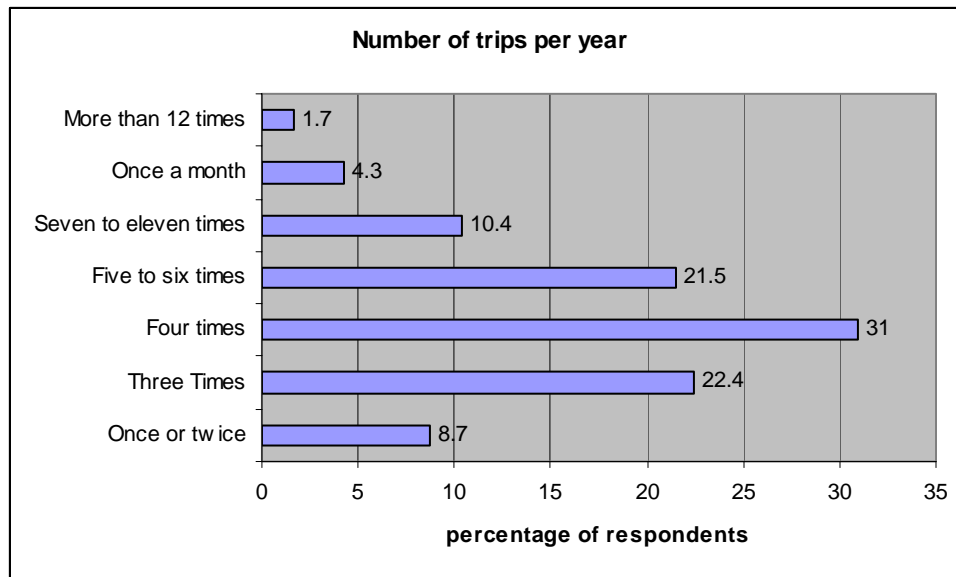
2.4. Frequency and duration of visits to Johannesburg

Of the respondents interviewed, one had first visited Johannesburg for the purposes of shopping or trading as long ago as 1985. Just over 85 percent however, made their first visit after 1999. Half of the respondents have been to South Africa more than ten times since their first visit, and a quarter have been more than twenty times.

Respondents were asked how many times a year they plan to visit South Africa. The results are shown in figure 2. The average number of trips planned per year is four, with just under 40 percent planned to visit South Africa more than four times a year. The data showed no correlation between number of visits and nationality of respondents, or number of visits and purpose of stay. The data illustrate that for many of the cross-border African shoppers and traders, shopping and visiting South Africa is a regular activity, and a part of their occupation.

⁸ Fanaroff Associates, *Survey of Accommodation for Joburg's Cross-Border Shoppers*, 13.

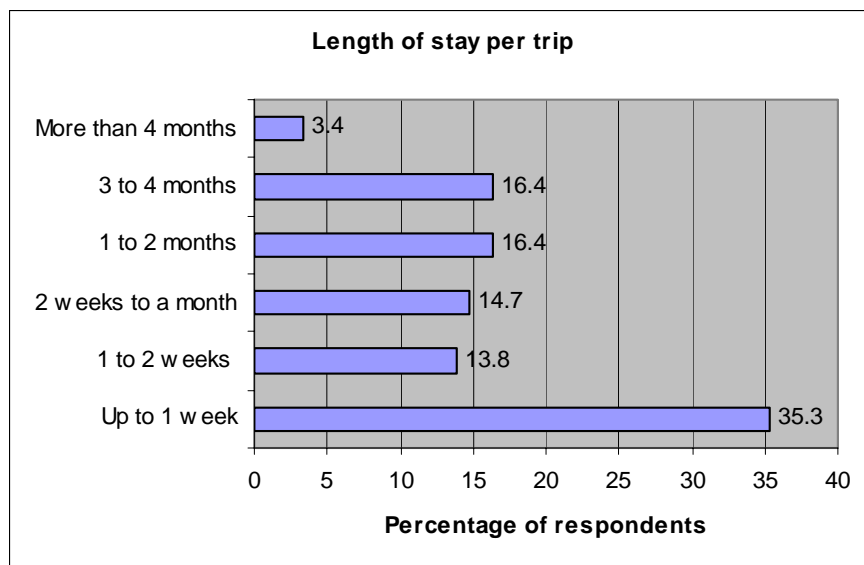
Figure 2: Number of trips to South Africa per year



Just over a third of respondents stay for a week or less, as illustrated in Figure 3. Twenty percent stay for a month or longer. When the results are cross-referenced with respondents' purpose of visit (see figure 1), it is apparent that those who come to Johannesburg to sell goods (some of whom may also buy goods) stay in South Africa longer. A third of those who sell goods from their home countries in South Africa stay in Johannesburg for 3 for 4 months.

Over half (57 percent) of those who save or invest in South Africa, stay for 3 months or more. This raises the possibility that many of the shoppers and traders are people with business or work permits (whether legally acquired or otherwise) who are based in South Africa and simply return home sometimes with supplies.

Figure 3: Shoppers / traders length of stay per trip

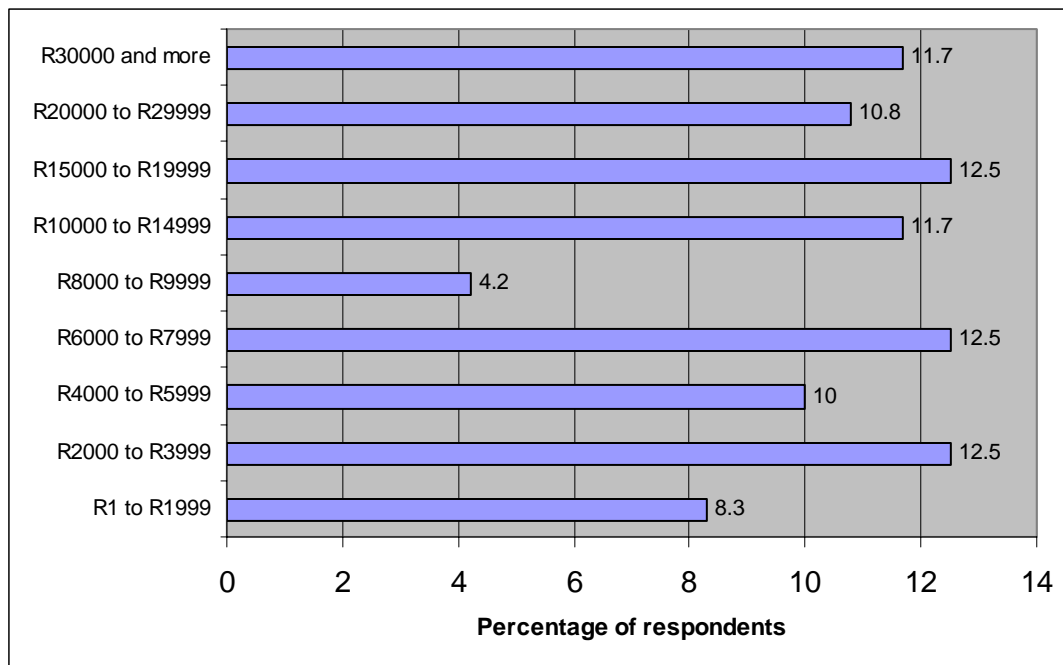


2.5. Shoppers and traders 'spend' in Johannesburg

As mentioned it is increasingly recognized that the annual spend by cross-border shoppers and traders from Africa contributes substantially to the tourism economy in South Africa, and particularly to the local economy of Johannesburg where cross-border shopping is concentrated.

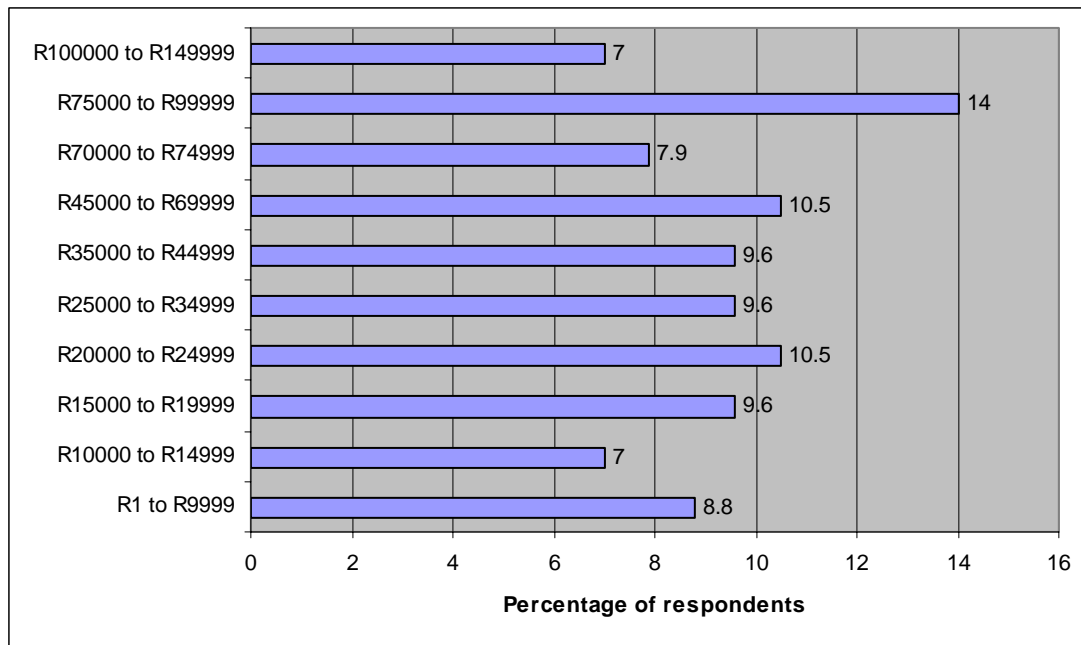
Respondents were asked to estimate how much money they spend on goods and services (including accommodation) on each trip to South Africa, excluding the costs of visas and permits needed to enter and trade in South Africa and money spent on bribing officials (where relevant). The results are depicted in figure 4 below. The average spend by the respondents per trip was R12 823, but there were substantial variations between their spends per trip, with some shoppers and traders spending 40 000 to R50 000. The median spend was R9000. Fifty-two percent estimate that they spend over R10 000 per trip.

Figure 4: Cross-Border Shoppers and Traders Spend per Trip



Shoppers' and traders' *annual* spend in South Africa shows similar variations, as can be seen in figure 5 below. On average respondents spend R51 830 per year in South Africa, excluding money spent on visas, permits and bribing officials. Fort-five percent of the shoppers and traders interviewed spend over R45 000 per year in South Africa.

Figure 5: Cross-border shoppers and traders' spend per year



Despite African cross-border shoppers and traders being associated with low income entrepreneurs, our data point to large variations in the money spent per trip and annually by respondents, as mentioned above. Research in 2002 showed that cross-border shoppers and traders vary from people selling small amounts of food at border posts to middle income traders transporting large volumes of goods across the borders.⁹ The averages are obviously inflated by the latter category of respondents.

The estimates of their annual spend provided by 114 respondents amount to a total of just under R6million.¹⁰ If these results are grossed up for shoppers' and traders' total spend in Johannesburg, it is clear that cross-border shoppers and traders are contributing a substantial amount to the local economy.

⁹ Peberdy, 'Hurdles to trade?', 42.

¹⁰ Six shoppers did not provide a response to this question.

Chapter Three: Challenges faced by cross-border shoppers and traders

3.1. General problems

Johannesburg offers cross-border shoppers and traders a significant opportunity to trade, make money and obtain supplies for their families and customers back home. They are however faced with a number of challenges in South Africa, which in some cases restrict the expansion of their businesses and their total spend in South Africa.

Forty percent of our survey respondents said that they would like to stay longer in South Africa, and just over half of the respondents would spend more money if longer stays were possible. Respondents identified a number of factors that discourage them from a longer stay, with the top restriction being the need to renew their visas, mentioned by 45 percent of respondents. Personal reasons were cited by 34 percent of respondents (such as the need to return to their home countries to manage their homes and their businesses), followed by the need to return to their home countries to obtain new stock for sale in South Africa (28 percent) and the high cost of accommodation (23 percent).

In order to get a better idea of some of the challenges to growth in the sector, the respondents in our survey were asked to identify the three worst problems they face in shopping or trading in Johannesburg. The answers are presented in Table 4.

Table 4: Problems faced by shoppers and traders in Johannesburg

Problem	Percentage of respondents
Crime: theft	39
Cost/location/condition of accommodation	29
Discrimination/harassment due to xenophobia of South Africans	24
Harassment by police	23
Visa, passport and trading license application problems/ time consuming	22
High rent of stalls	15
Transport problems	11
Tax and tax refund problems	10
Visas are not issued for long enough	8
Expensive items	8
Bad service from other stores and general public	6
Insufficient designated selling points	6
Border and customs control difficulties	5
Import duty procedures	3
Difficulties with securing work permits	3
Communication / language problems	3

Crime was the most commonly mentioned problem among respondents - specifically the theft of cash or goods. Respondents reported goods and/or cash being stolen whilst they were shopping, as well as at trading points and transport nodes (taxi ranks, and airports for example). It is possible that shoppers experience additional vulnerability to theft due to the often large volumes of stock they carry. In addition, many retailers selling to cross-border shoppers operate on a cash only basis, which means that shoppers often have to carry large amounts of cash.¹¹

The Fanaroff Associates study found that “crime and public safety around accommodation establishments, and the negative perceptions attached to crime, are significant factors in terms of their impact on the current size and the future growth potential of the overland cross-border shopping market.”¹² SBP’s study confirms the Fanaroff findings.

A second major obstacle to longer stays was the lack of affordable, safe, well-located and clean accommodation. This was a problem mentioned by 29 percent of respondents. Fanaroff Associates suggest that the top end of the sector may be adequately catered for in terms of accommodation and transport as there appears to be a sufficient number of reasonably priced hotels in Johannesburg. However, supply does not seem to have kept up with demand for those seeking cheaper accommodation. There is a lack of accommodation for those who cannot afford accommodation at rates of more than R60 per night.¹³

Xenophobia was the third most commonly mentioned issue, followed by harassment by police. These issues have been recognised by the Johannesburg Metro. The City of Johannesburg tourism strategy notes that, while traditionally most cross border shopping was based in the Johannesburg CBD, incidents of violence, civilian and police harassment and general xenophobia have displaced shoppers from the CBD towards Fordsburg and the East Rand Mall.¹⁴

Combining all responses related to regulatory requirements reveals the extent to which the costs and hassles associated with regulations present an obstacle to longer stays. Just over 50 percent of respondents referred to regulatory issues as a factor preventing them from spending longer periods in the country. These included problems in respect of visas (including the short periods for which visas are issued), passports and trading licenses, tax and tax refunds, border and customs hassles, payments and procedures

¹¹ McGregor, S. ‘Joburg’s Bermuda Triangle lures African trade’ in *Business Report*, 26 September 2006: www.busrep.co.za

¹² Fanaroff Associates, *Survey of Accommodation for Joburg’s Cross-Border Shoppers*, 12.

¹³ Fanaroff Associates, *Survey of Accommodation for Joburg’s Cross-Border Shoppers*, 10.

¹⁴ http://www.joburg.org.za/unicity/tourism_ch3_4.stm

for customs control and difficulties securing work permits (it can be inferred that a small percentage of traders interviewed are thus based in South Africa). The dark bars in Table 3 represent difficulties associated with regulatory issues

3.2. Respondents' suggestions for Government intervention

Respondents were asked what the South African government or Johannesburg Metro could do to make shoppers and traders stay longer and spend or trade more. Respondents' suggestions are presented in table 5. Regulatory solutions are again indicated by the dark bars.

Table 5: Measures government should take to increase cross-border shopping and trade

Recommendation	Percentage of respondents
Provide affordable/clean accommodation	34
Fight crime	28
Stop police harassment / corruption	16
Provide more areas in which to trade	15
Scrap visa requirements	14
Reduce xenophobia	14
Free trade / free trade in SADC	13
Issue visas for longer period	11
Better infrastructure (transport and storage facilities)	11
Reduce time-consuming regulations	11
Reduce or exempt traders from tax	8
Lower rent for trading stands	8
Control prices of goods	7
One currency for SADC members	5
Close illegal wholesalers	3

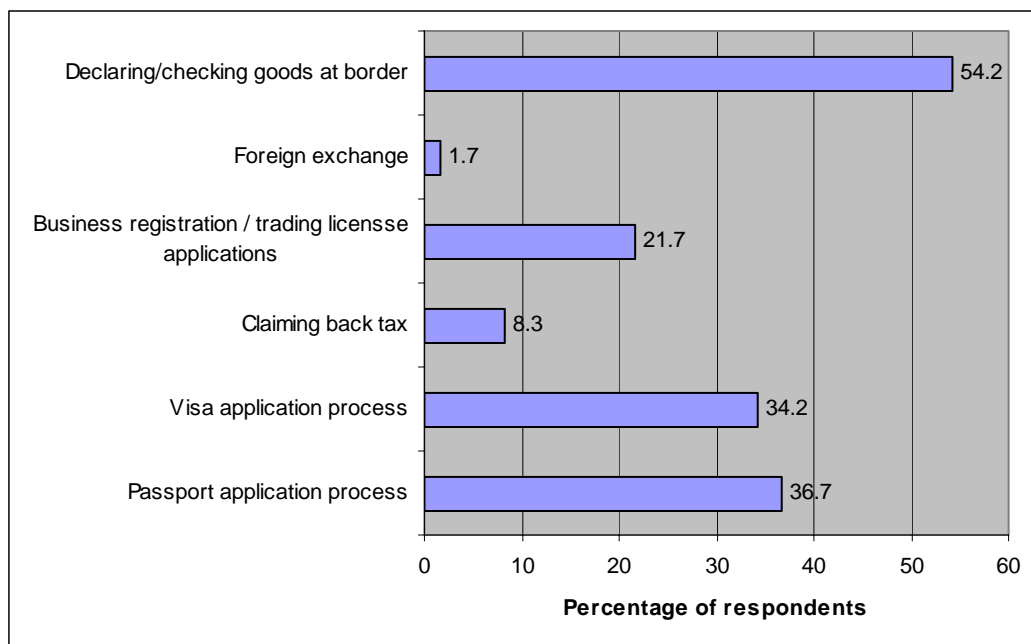
Respondents' primary concern is for better accommodation, together with effective measures to combat crime, and an end to police harassment. Suggestions regarding changes to regulations in general were mentioned by 58 percent of the respondents. Regulatory issues mentioned included: extending visas for longer periods, or scrapping visa requirements for certain African countries, trading license issues, customs declarations problems, reducing or scrapping import duties, instituting tax exemptions for shoppers and traders and reducing time consuming regulations in general.

Chapter Four: Regulatory costs faced by cross-border shoppers and traders

4.1. Most troublesome regulations

Respondents were asked to identify the three most troublesome or time-consuming regulations that they are meant to comply with. The results are illustrated in figure 6.

Figure 6: Most troublesome regulations for shoppers / traders



Just over half the respondents mentioned that declaring goods at the border was time consuming and a major hassle. Peberdy's research conducted in 2002 also suggests that traders who carry small amounts of goods across the border also find the cost of customs duties onerous.¹⁵

Difficulties or delays with claiming back tax was mentioned by 8 percent of respondents. It seems however that many shoppers and traders may not be aware that they can receive tax refunds. In addition, given that tax is not refunded in cash, many low-income shoppers and traders who are not banked cannot make use of the tax refund system.

Passport and visa applications problems were mentioned by just over a third of respondents. Passport applications are handled by respondents' home country officials, and problems in this regard are therefore not directly pertinent to this study. Visas will generally be secured in their home countries – at the South African embassies. Others

¹⁵ Peberdy, 'Hurdles to trade?' 45.

obtain visas at the borders (depending on the country from which they travel). Visa requirements (and thus hassles with obtaining visas) will vary from country to country. Mozambicans, for example, no longer require a visa to enter South Africa. In order to renew visas or change their purpose of visit, shoppers and traders from all countries will engage with local offices of the Department of Home Affairs in South Africa.

A number of respondents mentioned hassles with obtaining trading licences for selling goods in Johannesburg. In coding the survey results, trading licences and business permit issues were included in the same category.

In Johannesburg, street trading or hawking is managed by the Metro Trading Company, a municipal entity. The Company issues permits and registers traders as long as traders are selling goods in a designated trading area (markets, and certain streets for example). It appears from the Immigration Act of 2002 that technically foreign traders cannot sell or trade goods on a visitor's permit, on which the majority of respondents will enter the country. Some traders may be trading illegally. Others may be trading legally on asylum seekers' and refugees' permits, or may have acquired South African residence via marriage.

Respondents' mention of issues regarding business licences and registration issues, suggests that a few cross-border traders may be registered in South Africa as business entities, and must therefore have obtained a business permit, some legally, and others illegally. If this is the case, then the survey results point to the *large variation in the profile* of cross-border traders in Johannesburg.

4.2. Compliance costs

The *compliance* costs of regulation include the time and money spent on complying with regulations – filling in forms, fulfilling reporting requirements, obtaining necessary licences and registrations and so on, and on procuring expert input, including auditors, lawyers, and consultants, to assist with compliance requirements. Compliance costs are experienced in terms of time (which often involves opportunity costs) and financial costs.

Respondents were asked how much time they spent in obtaining the relevant documents and permits for shopping and trading in South Africa. The results varied widely (and varied within home country too) partly because some respondents were indicating the time they stood in queues, filling in forms, etc while others indicated the total time it took for their documents to be issued.

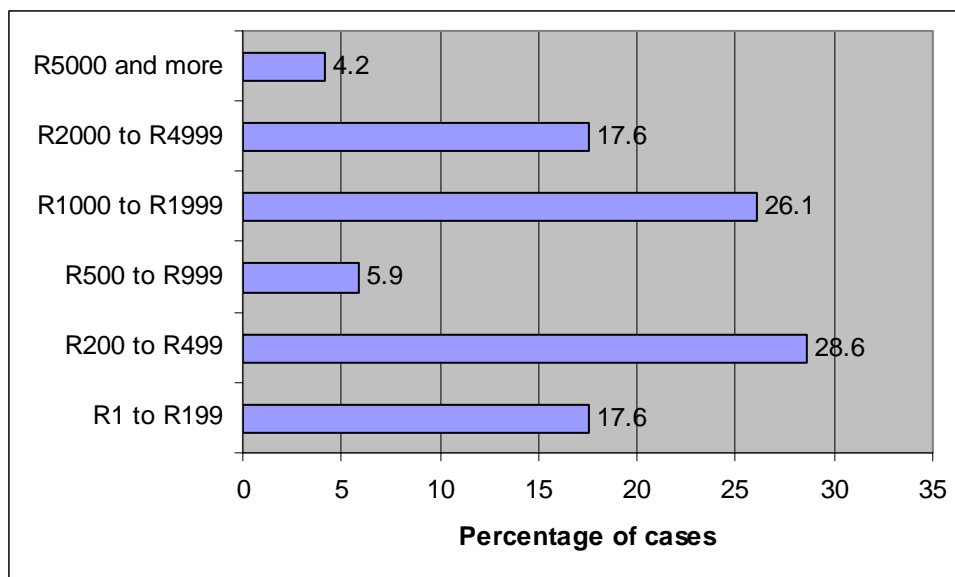
In any event, the results point to high compliance costs (especially opportunity costs) in terms of time and potential income lost. A third of respondents noted that their documents took over a month to arrive and ten percent of respondents claimed that documents took longer than 110 days to arrive. There is a need for in-depth qualitative

research on the specific bottlenecks and delays in issuing permits needed to shop or trade in South Africa, and the extent to which delays are caused by inefficiencies in the South African Department of Home Affairs offices and South African embassies in Africa. In some cases the delays could be caused by passport applications (which is not the South African government's responsibility), but given that obtaining visas for South Africa was mentioned as one of the most troublesome and time-consuming regulations by just over a third of respondents, there appears to be a need for a review of the efficiency (or lack thereof) in handling visa applications in South African embassies.

As said, the time spent waiting for relevant documentation translates to lost income on the part of traders, who buy goods in South Africa for resale (particularly for those who wish to travel to South Africa regularly).

Respondents were asked to state how much money they spent on securing necessary documents and licences to trade or shop in South Africa every year. The results are illustrated in figure 7 below. It should be noted that technically this is not a compliance cost as compliance costs as generally defined do not include the cost of the actual permit/fee.

Figure 7: Cost of securing necessary documentation to shop and trade in SA per year



The compliance costs of securing documents and licenses needed to shop and or trade in South Africa per year are on average R1432 (the total compliance cost figure for all respondents combined is R170 408).

The data showed large variations in experiences of regulatory costs by shoppers and traders in Johannesburg. When these costs are cross-referenced with the number of

trips each respondent makes per year, the results still show a huge variation in average cost of relevant documents needed per trip. It is possible that the cost of bribes (that are selectively required) contribute to these large variations. It should be noted though, that in some cases the shoppers and traders may not be aware of the fact that they are paying bribes or unofficial 'fees'.

When respondents were asked how much they spend on obtaining visas for South Africa in their own countries, the answers varied from R17 to R4800. The majority of the traders and shoppers will have to secure a visitors visa to enter South Africa, which officially costs R425, but visa documentation requirements vary from country to country. As mentioned, in some countries such as Mozambique, visas are not needed at all. Zimbabweans on the other hand are required to submit detailed documentation which increases the compliance cost. Compliance costs therefore vary by country.

The primary reason for the large variations in the data is *the large variations in types of shoppers and traders interviewed*, particularly regarding their personal or business income. As mentioned earlier in the report, SBP sought to capture the experiences of a reasonably representative cross-section of the African cross-border shopping and trade sector in Johannesburg. Some of the respondents interviewed were small low income and single operator concerns, or low income shoppers, whilst others appear to be medium scale business concerns that possibly require frequent extensions of visas. *The data point to hidden complexities in compliance that can only be properly understood after more intensive follow-up research.*

The effects of bribery and corruption will also influence large variations in reported compliance costs. Respondents may be reporting different amounts for visas and passports because they encounter differing costs depending on the official they face, whether they know someone who is able to get them a 'discount', etc.

The survey may also have picked up a few people in South Africa on work permits. Obtaining a work permit is expensive and would increase the average compliance cost given by these respondents. In addition, some respondents may be including the cost of securing business permits in their home countries. As shown in the World Bank's Doing Business Reports – this is a complicated and time-consuming process in many countries.¹⁶

Respondents were asked how much money per year is incurred in their own countries on securing documents for shopping and trading, and how much is incurred when actually in South Africa. The results showed that 55 percent of the costs are incurred in South Africa. The data suggest that some of our respondents are obtaining permission

¹⁶ See for example, World Bank, *Doing Business in 2005: Removing Obstacles to Growth*, Washington, 2004, 2005 and 2006.

for longer-term stays, which may be costly: either because of the cost of visa renewals or the existence of bribery. Once again, further research is needed on the regulatory complexities that can arise for longer-term visitors who trade in South Africa.

4.3. Official interference and bribery

SBP's survey probed for information about police harassment and official corruption as issues facing cross-border shoppers and traders. Respondents were asked to identify ways in which people might avoid the costs of official documents and permits. A third of respondents reported that people buy fake ID or passports or permits, or bribe officials for documents. It should be noted that accounts of bribery and general corruption are most likely to be understated, as people will be cautious, and even wary, about mentioning this subject.

Respondents were asked whether government officials or police had ever interfered with their businesses, or ordered them to move or close down. A quarter said that they had experienced government interference of this kind. The nature of this interference included the confiscation or vandalising of their goods by officials or police, and arrest or removal from trading posts, and checking of respondents' documents. It should be noted however that in the category of police 'interference', as perceived and reported, may include legitimate policing municipal by-laws regarding hawking and trading.

Twelve percent of respondents who had experienced official interference had been asked for bribes. One again this may be understated. The average cost of this interference was estimated by respondents at R1873 per occurrence. Thirty percent of respondents said that they *had heard* of traders needing to pay bribes to operate in Johannesburg, and 20 percent said they had heard of traders needing to pay bribes to obtain visas for South Africa. It is possible that this percentage does not reflect the extent of bribery in obtaining official documentation for trading and shopping in South Africa. Not all bribery is necessarily understood as bribery by foreigners, as a government official may charge a trader an amount which is not an official cost, or claim to be legitimately fining a trader, when in fact a bribe is being sought.

As noted in the section above, harassment by police was noted as a significant problem by respondents, who ranked it in the top five problems they face in shopping and trading in Johannesburg.

Chapter Five: Conclusion

The results from SBP's survey show a sector that contributes a substantial amount to the local economy of Johannesburg, via spending on goods and services (such as accommodation). The survey paints a picture very different to common popular perceptions of foreigners being a drain to the state. The presence of these shoppers and traders is undoubtedly a net gain for the South African economy, and stimulates trade and enterprise development throughout Southern Africa.

The results showed large variations in the activities and movements of shoppers and traders. Whilst most shoppers and traders are low -income small entrepreneurs, variations exist regarding business income and socio-economic status. Some of our respondents are evidently owners or employers of larger import – export concerns. The informal nature of much of this trade belies the collective spending power of these shoppers and traders, as well as the large amounts of goods crossing South Africa's borders every day.

Johannesburg City has set its sights on becoming 'Jobai', the Dubai of Southern Africa, by attracting increasing numbers of cross-border shoppers to the city.¹⁷ Johannesburg has recognized that this sector is faced by a number of constraints to expansion. Their research shows that these problems include, "the safety and security of the shoppers while they are here... a lack of appropriately priced accommodation and of storage facilities; poor transport to and from the city but particularly within the city; problems encountered with customs, visas, VAT and excise; a lack of reliable information for the shoppers; and, sadly, the South African syndrome of xenophobia".¹⁸

These findings are reinforced by SBP's survey covering both shoppers and traders. Respondents consistently referred to the following difficulties in shopping and trading in Johannesburg: lack of affordable accommodation; fear, and experiences of crime (especially theft); xenophobia; police harassment; and regulatory issues regarding visas, passports, trading licences, tax refunds and customs control.

It is widely accepted that crime has a major negative effect on business in South Africa, and cross- border shoppers and traders are not immune to the general problem affecting the country. Police harassment was also highlighted in the survey findings. In some cases of reported police harassment, police may be legitimately policing municipal by-laws regarding hawking and trading, but reports of bribery and the vandalism of traders' goods are cause for concern.

¹⁷ Fraser, N. 'Cross-border shopping – moving to 'Jobai', 20 March 2006 posted on CitiChat: www.joburg.org.za

¹⁸ Fraser, N. 'Cross-border shopping – moving to 'Jobai'.

Joined-up thinking is required to reduce the regulatory barriers to the expansion of this sector. Given the frequency of visits to South Africa for some shoppers and traders, the Immigration Act of 2002 may need to be reviewed to provide for the a category of people regularly shopping and trading in South Africa. The time spent waiting to declare goods at the border was mentioned as the most troublesome consequence of regulation by most shoppers and traders. The development of this sector requires that the transnational character of the sector is recognised¹⁹ and that customs regulations are designed and simplified with this in mind.

SBP's survey found that regulatory issues account for a significant proportion of the problems faced by cross-border African shoppers and traders in Johannesburg. Whilst compliance costs arise from a range of regulations, including those not handled by the South African government or missions abroad, hassles with visa applications featured heavily. There is a need for further specific research in this regard and possibly a need for an administrative review of the procedures and processes involved in obtaining visas in overseas missions and local Home Affairs offices.

More generally, our data point to the presence of difficulties and complexities in the interaction of shoppers and traders with the regulatory regime, with significant associated costs. These issues and the associated costs appear to be of such a magnitude as to warrant intensive follow up research aimed at unpacking the specific patterns and problem areas. This research would require the selection of a relatively small number of cross border shoppers and traders to interview in depth, following up these interviews with further interviews and discussions with relevant authorities and central government officials.

The study has confirmed that cross-border shoppers and traders comprise a category that is diverse and varied, in terms the kinds of activities in which they engage, the levels of income and expenditure, and the status of the people as visitors. Clearly a section of the group comprises people who are in effect 'immigrants' who will spend the rest of their working lives as locally based cross-border traders. SBP can safely say that the activities of cross-border traders and shoppers such as those interviewed in this survey, are not only (or even primarily) a 'tourist' phenomenon. The sector needs to be reassessed by relevant policy makers and authorities, as a special sector of economic activity. Regulations will have to be adapted with this in mind if the sector is to be effectively supported to the benefit of the local economy.

SBP considers this burgeoning sector a significant contributor to small business and entrepreneur development in Africa. Developing a generally enabling policy and administrative environment for cross-border shoppers and traders has the potential to open up the market further for poor and low-income South Africans (who provide

¹⁹ Peberdy, 'Hurdles to trade?' 47.

services for the foreigners) and for low income and poor foreign nationals, who stimulate local trade.

Cross-border African trading and shopping activity in South Africa is a significant social and economic phenomenon. It is important that the substantial contribution that this sub-sector is increasingly making to the economy is understood, and that steps are taken to create an enabling environment for the continued growth in cross-border shopping and trade in South Africa.

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