



RENTAL POLICY FOR INFORMAL TRADERS

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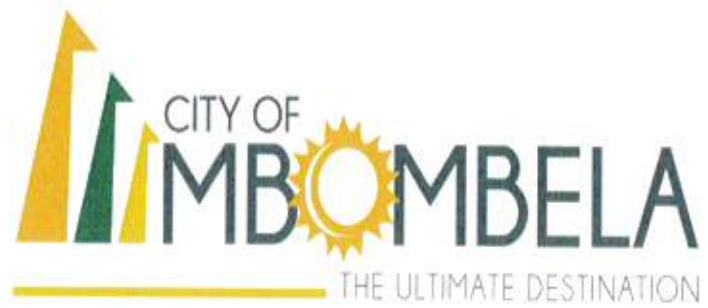
Signed



WJ Khumalo

City Manager

Date



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A RENTAL POLICY FOR INFORMAL TRADING IN THE CITY OF MBOMBELA

PREAMBLE

This document deals with the formulation of a consistent rentals policy for informal traders across the City of Mbombela. The policy in this document is still in draft format and will only be finalised after broad consultation has taken place.

The draft policy has been prepared following discussions and engagements with some of the key role players involved in the informal trader economy. Desk top research has been conducted and the lessons of experience of national and international cities, with particular reference to Cape Town, Johannesburg, Ekurhuleni and Ethekewini have also been considered and applied in drafting this policy.

The process for preparing the policy has been purposefully designed in such a way that the Business Regulation & Governance Unit of the City of Mbombela first drafts the policy before it is distributed for broad based deliberation and comments. This has not been done to pre-empt any of the positions of the stakeholders or to bias the results in favour of any particular interest group, but has been done in order to focus and direct the discussions around the key issues and topics pertaining to the informal traders. The policy will only be finalised after all stakeholders had ample opportunity to comment on the draft.

1. INTRODUCTION

This document deals with the establishment of a consistent policy for all street traders across the City of Mbombela

The policy deals with the structure of rentals, the setting of the levels of rental, the methods of rental collection, issues surrounding the non-payment of rentals, procedure for allocation of trading and trading regulations.

The existing rental system that is currently applied in the City of Mbombela is fragmented leading to ad hoc decisions and the application of uncoordinated principles in the management and regulation of the informal traders.

The existing system emerged over a number of years mostly from the application of operational considerations by the then independent local municipalities (Mbombela and Umjindi Local Municipalities) and it took place in the absence of an overriding policy and strategy. The result is that the existing rentals that are charged at the various sites and markets in the City are disparate and leads to unnecessary management complexities, confusion and dissatisfaction among the traders and other stakeholders.

The level of rental collection from informal traders in then Mbombela Local Municipality was lately not done and from the then Umjindi is in order.

There is a need for consistency and fairness in paying rents, the allocation of sites and the issuing of permits. The perceived unfairness of the informal trader system was closely related to the large number of illegal or unauthorised traders that operate in the City. It is reasonable to assume that the uncoordinated rental system that currently operates in the City and the low levels of law enforcement contributed to the non-rental payment.

It has therefore become necessary to urgently address the implementation of a consistent rental policy and system across the City. The formulation of the rental policy is taking place within the context of the City of Mbombela's draft Informal Economy Policy that has been formulated and must be informed by this policy in terms of the allocation of informal trading sites and payment of rentals.

It is important that the system that is devised take the following requirements into consideration:

- the policy must be rational and easy to understand by the traders and it must enjoy broad based support from all the key stakeholders;
- the policy must be easy to implement and to manage by the City's personnel;
- the policy must be seen to be fair and supportive of the developmental approach that the City has towards the informal economy;
- although simple to understand and implement, the policy must give adequate expression to the complexities and flexibility of the informal markets;
- the policy must be supportive of new informal traders and entrants into the economy;

- the policy must be reflective of the business approach that the City is adopting to the informal economy;
- the policy must account for the facilities and services that the municipality provides to the informal economy; and
- the rental policy must be fully integrated and aligned to other related informal policies of the City, such as the registration and site allocation policies and procedures.

This document outlines the broader context within which the policy operates; it defines the scope of the policy; it investigates alternative policy approaches and it recommends rental structures and levels. The rental collection methods and treatment of non-payment, procedure for allocation of trading sites and trading regulation issues are also dealt with in the document.

2. CONTEXTUALISING THE RENTAL POLICY

The rental policy for informal trade must work towards the achievement of the goals and objectives of the City's Development of the Informal Economy. The rental policy should also fit in with the approaches that the City have to other related issues and initiatives. The purpose of this section is to establish a common understanding between all stakeholders on the goals that the City have with respect to the informal economy and the parameters within which the policy is to operate.

2.1 A DEVELOPMENTAL APPROACH TO THE INFORMAL ECONOMY

The City is moving towards dealing with informal traders as Small Business People and/ or Informal Entrepreneurs and is consequently committed to the growth and development of the informal economy. The first point of departure of the City in the policy for the informal economy is that it should promote the creation of job opportunities and is as such supportive of innovative programmes that would contribute to the development of the informal economy.

The City fully accepts that informal traders are here to stay and that they could and should make a positive contribution to the City's economy and contribute positively to the richness of the urban fabric. In this sense the City is adopting a developmental approach to the informal economy and would want to see a move of informal workers into the formal economy.

Some of the important realities that follow from this approach are:

- the informal economy offers diverse opportunities for absorbing unemployed persons and accepting new entrants into the economy. The rental policy should therefore make a positive contribution towards maximising the employment opportunities and not be widely restrictive in promoting informal activities;
- the formality and rule-bound procedures of the City needs to be reconciled with the diversity, fluidity and rapid changing environment of the informal economy;
- the informal economy provides a means for the survival of many poor people while it also creates opportunities for the development of entrepreneurs; and
- it implies that a value is to be placed on the different informal trading sites

2.2 RENT AS A MANAGEMENT TOOL

The rental policy is one of a set of the tools available to the City to manage and develop the informal economy. There are four broad tools that are available to the City to manage the informal traders.

These tools are the registration of traders; the allocation of sites; the structure and level of rental charges and enforcement of by-laws and regulations.

The tools available to the City by which the informal trade economy can be promoted and developed are the provision and development of sites and markets for trading; the provision of facilities and infrastructure and; the supply of supporting services.

The rental policy is therefore to complement, and be complemented by, the other management and development tools of the City with respect to the informal economy. The effectiveness of the rental policy therefore largely depends on the success with which the registration and allocation tools are implemented and applied.

The full integration and alignment of the rental, registration and the allocation procedures and mechanisms is therefore a prerequisite to the effective management of the informal traders.

This means that the implementation of this rental policy and the non-payment of rent cannot be effectively addressed on its own, but needs to be dealt with in context of the other management tools.

2.3 THE MEANING OF RENT

The term 'rental' commonly refers to the payment for a *place*. The policy however advocates a move away from this common understanding of the term towards the payment for a *right to operate*. This Policy therefore needs to clearly define the meaning of the term "rent" as it applies in this policy.

All informal traders trading in the designated trading areas within the jurisdictional area of the City are to be registered and allocated trading space for which they shall pay rentals, the amount of which shall be determined from time to time by the City. The Business Regulation & Governance unit shall facilitate that role in conjunction with the Financial Services Department of the City. It is therefore necessary to clearly define the meaning of the term 'rent' as it is applied in this policy. All rental collected shall be treated in line with applicable revenue collection policies of the City.

The term 'rent' and 'rental policy' is used here to refer to the payment for the right of access and use of an informal trader site, whether as part of a street, an informal market area or a mobile unit.

This policy makes a distinction between a registration or operator's fee and rent. The former is understood to be part of an administrative process during which informal traders are registered and thereby obtain the 'right to operate'.

The right to operate, however, only becomes effective once an approved site has been obtained and the rent for the site, or mobile unit, has been paid.

Rent in this policy is therefore taken to reflect the 'price' that a trader has to pay in order to gain access to a particular site, or mobile unit, and it is accompanied by a particular set of facilities and services.

Seen from the City's point of view, rent is the 'price' at which a site or mobile unit together with a particular combination of facilities and services, are made available to informal traders.

It is argued in this policy that since the 'right to operate' of a trader cannot be exercised separately from having access to a site, or alternatively an approved mobile unit, that the registration, allocation of sites and rental payment procedures be integrated into a single procedure.

The structure and level of the rent that is set for a site and its facilities and services depends on a number of factors. One of which is the economic value of the site. There are, however, other important factors that the City also need to take into consideration, such as the developmental objective of encouraging new entrants to also gain access to trader sites. The structure and level of rent is the subject of subsequent sections of this policy.

2.4 THE SCOPE OF THE RENTAL POLICY

The rental policy formulated in this document focuses on the informal street, market and mobile unit traders and does not address the home-based operators, flea markets, marquees, hives and incubators, special events, special areas and periodic markets.

The rental policy relates by definition only to "authorised" or "legal" traders and is not applicable or of relevance to the large number of unauthorised informal traders that operate throughout the City. This is important and relates back to the fact that the rental policy is but one of the set of tools available to the City for the management of the informal traders and, to the fact that the high level of illegal traders undermine the credibility of any rental system that is introduced.

3. A MODEL FOR RENT DETERMINATION

3.1 ALTERNATIVE RENTAL MODELS

It is the responsibility of the Business Regulation & Governance unit to ensure that all informal traders who have been successful in obtaining an informal trading license pay rental for the trading space allocated to them.

The Business Regulation & Governance unit shall develop criteria for the determination of rentals payable for trading space allocated in accordance with this policy.

The methodology used to determine an amount of rental payable should take into account, inter alia, the services and infrastructure available at the trading space allocated.

There are a number of different models that could be used to provide a framework for determine the rentals in the City and that gives expression to the principles that is to be applied. Such different models are the following:

- A rental model that of applying a flat and equal rental rate system that applies to all trader sites irrespective of its location or site size. The only distinguishing factor would be the level of service that is available at the site. The main advantage of this model is that it is easy to understand and simple to implement administratively. This model has however already proved to be seen to be unfair and might be not acceptable to the some traders or officials.
- A model closely related to the above is a 'no-rental model'. The current level of payment of rentals is very low or non-existence and the site rentals are already heavily subsidised. Since the City currently gains little revenue from rentals it is debateable whether any rentals should be charged at all. The benefits of this model are that all administrative costs and complexities related to the collecting, monitoring and enforcement of rental, are done away with. The importance of the site allocation procedures and the registration of traders as management tools increases in this model, and the need to enforce the procedures and regulations remain as important as always. The disadvantages of this model however is that the application of business principles to the traders is lost and the little revenue that is generated, is foregone.
- A model for determining rentals that is favoured by some stakeholders is one where the rentals are determined through a process of collective bargaining between the traders, their associations and the municipality at street, city precinct level. This model requires the introduction of complex systems of negotiation, the building of capacities of officials and traders alike in negotiating skills and therefore is a danger that the same principles are not applied uniformly throughout the City.
- The last and preferred model is one that contains elements from all the above and that gives expression to the various developmental goals and objectives of the City and the traders. In this model a simple yet differentiated rental structure is devised that applies the same principles consistently throughout the City and that takes account of all the key factors determining the value of the trader sites. The difficulty of this model is that it does not accurately reflect the market value of sites, but it does give the City the opportunity to achieve its developmental objectives.

3.2 THE GOALS OF THE RENTAL POLICY

The City is moving towards dealing with informal traders as Small Business People and/ or Informal Entrepreneurs and that it is important to place a value on the different informal trading sites. The principle of rental payment is well accepted by the traders although few actually pay the rentals. The principle of differentiating between the rentals for different sites seems to be a fair approach and would needs to be debated by all affected stakeholders for consideration. The City would like to expand the differentiated rentals to include street traders, itinerant traders and those people trading from built markets.

The following important criteria are suggested for the development of the rentals structures:

- the policy suggests that rentals per site will be linked to size, desirability of location and the level of the services that are provided;
- the level of the rentals are to be linked to the cost of providing the sites and services to the traders, bearing in mind that the need for the City to subsidise new trading opportunities;
- a basic rental should be set for street traders. Differential rentals could then be set for the different service levels that are provided. The components of a basic package should include a shelter, solid waste removal, water, toilets, lighting and storage facilities.

3.3 THE RENTALS MODEL AND ITS BASIC STRUCTURE

3.3.1 Factors Determining Rentals

In order to formulate the basic structure of the rentals model it is necessary to take account of the factors that impact on rentals.

The most obvious factors are those that influence the value of the sites as trading sites. There are, however, also additional criteria that the City may want to take into consideration in determining the rentals.

The most important of the factors and criteria that could influence the rentals are the following:

- The macro and micro location of the site. The location of the site is one of the most obvious determinants of the value of the site and therefore impacts on the potential rent that the site could generate. The macro location refers to the position of the site within the broader metropolitan area, such as the location of the site in the CBD as opposed to sites that are located in Townships and Rural areas where the overall potential of the sites are seen to be lower than in the CBD. The micro local of the sites refer to the specific location of the site with respect to the position in the street, be it on the street corner or in a less favourable location such as mid-block that is further removed from the main pedestrian and traffic flows.
- The demand for and supply of sites impact directly on the level and nature of rentals that could be charged. The current situation is that the demand for good trading sites far exceeds the supply of sites with the effect that market related rentals could be pitched higher than what may be desirable from a developmental point of view.
- The value of the site to the traders due to the nature of the infrastructure, facilities and services that is available at the sites. The availability of a shelter or table on the site or the accessibility to water and electricity on the site, are important determinants of the value of the site and hence the rent that the site could generate.

- The size of the site may be important in determining the value of the site as a trading space. Larger site tend to attract higher value due to the greater market exposure that the site offers and the potential for storing a larger volume of stock on-site.
- The nature and value of the goods that could be sold from the site. This factor relates closely to the location of the site with respect to particular niche markets, such as the location of the site in the music market as opposed to the vegetable markets. In some instances the rent for a site is determined in terms of the value of the goods that are displayed or sold. The value of the stock and the value of the goods sold are used as a mechanism to estimate the inherent potential of the site, based in the assumption that high potential sites attract higher sales and therefore also a need for larger stockholding. Some areas such as Johannesburg, uses a system of differentiating between sites based on the location of the site and in terms of how profitable the trader that operates from the site are.
- The frequency of trading from the site where the trader is located. The rental structure in markets that only meet periodically would be different from those markets that operate daily. Also the nature and character of the market would have an impact on the rental values that different sites can attract. General hawker markets such as the markets in Kabokweni, Matsulu, Kanyamazane, White River, Barberton would attract lower rentals than the more lucrative area in Short Brown Street in the Mbombela CBD.
- There are a number of additional exogenous social-developmental factors that could be used to distinguish between different rental values for sites. These factors are used to influence the composition of the informal trader market in order to achieve socio-economic development goals. Factors that would fall into the category are gender, age and race differences of the traders that apply for access to sites and its associated facilities and services. It is, however, not considered to be appropriate to accommodate these factors in the rentals policy and they could better be dealt with in the allocations and registration procedures.

3.3.2 A Base Rentals Model

In the interest of developing a simple yet sophisticated model that accounts for the most important factors that impact on rentals, it is necessary to formulate a basic structure within which such rentals can be determined. Such a structure is shown in the matrix below by posing the main locational features of the sites against the provision of facilities and services.

The matrix for the different rental categories are differentiated for the different market areas in the City such as the CBD, Townships and Rural areas. Further refinement of the rental categories should take place with respect to the site sizes and specific facilities and services that are supplied to a site. It should also be noted that the matrix indicates that each of the build markets needs to be determined independently, albeit within the context of the basic model structure as presented in the matrix.

BASE MODEL PER MARKET AREA INDICATING RENTAL CATEGORIES

MAIN LOCATION FEATURES OF THE SITES		BASIC SITE without facilities or services	SITE WITH SHELTER without or with storage	FACILITIES electricity, water, and sanitation	SERVICES Security and protection services
Street Trading Sites	Low Intensity Sites	A1	A2	A3	
Street Trading Sites	Low and High Intensity Sites	B1	B2	B3	
Mobile Units		C1			
Build Markets		D1	D2	D3	

The matrix identifies or classifies the trading markets into base rental categories. The build markets refer to markets such as the Mbombela Plaza Taxi Rank markets, Ekukhanyeni Centre Trading Stalls, Kabokweni, Karino and Matsulu Informal Trading Stalls.

It follows from the above that the structure of the rental for each site and mobile unit will be determined by taking account of the following factors:

- the **macro location** of the site in terms of the market area as expressed in terms of the CBD, Kabokweni, Matsulu, Kanyamazane, Hazyview, White River, Umjindi (Barberton) and others.
- the **micro location** of the site in terms of the street and mobile positioning differentiated by the trading intensity of the site;
- the **level of services and facilities** that are provided at the sites;
- the **level of specialisation and market potential** of the build markets and the frequency of the market trading days;
- the **size of the individual sites** as compared to the average sites in the area; and
- **additional factors** as may be relevant to specific sites.

3.3.3 Application of the Rentals Model

Section Four of this document deals with the setting of levels of rental payments as expressed in the rental model. It would, however, be necessary to develop a set of weights and measures based on the existing rental levels between the different market areas, before the base model could be applied to specific sites.

In order to apply the basic rentals model to each individual trade site it would be necessary to compile a comprehensive database of all the sites recording the basic characteristics of the sites as required by the model. The most important factor is the trading intensity of each site.

Additional factors that need to be taken into account in the application of the rentals model are the following:

The trading intensity of the sites could be determined in a number of ways involving agreements with the street committees or the classification of the sites into high and low intensity levels by officials. The most important fact that determines the classification of sites are the pedestrian volumes passing the site as compared to the other sites in the vicinity.

- the rentals charged would be an inclusive amount incorporating all fees and charges that the traders have to pay that are related to obtaining the right to trade and gaining access to facilities related to the trading activities. This means that there should not be a separate charge for the registration of traders, the rental of trading stalls, trolleys and usage of additional facilities.
- an additional component to the rental payment that may be introduced is a refundable deposit that is due on the first day of trading together with the first rental payment.
- rentals are payable in advance. This means the traders only gain access to the sites and the right to trade once the rental payments have been made. Traders should therefore not be in a position by which the rentals are allowed to accumulate before making payments. A default in rental payment or late payment means that the trader forfeits the right to trade and access to the site.
- The rental payment secures the trader the right of having access to the additional services of the City such as training and capacity building services, information distribution and mentoring services that the Business Regulation & Governance Unit provides.

4. SETTING THE BASE RENTAL LEVELS

There are a number of factors that need to be taken into consideration in determining the level at which the rentals are to be introduced within the base rental framework outlined in the previous section. The most important of these factors are:

- The extent to which the rentals are to contribute to the revenue of the City. Important in this respect is the cost of the provision of the sites, facilities and services and the extent to which such costs are to be recovered, or alternatively, the extent to which rental income should contribute to the funding of new site and service developments.

- A further important factor is the affordability levels of the informal traders. Although impressive figures are often quoted to illustrate the importance of the informal sector and the significance of the contribution that it makes to the economy of the city, it is still a fundamental fact that informal workers are generally poor and ill resourced. It is therefore important that the rentals be pitched at a level that is affordable to the traders.
- Closely related to the above factor is the development objective of the City to encourage new entry into the informal economy as an alternative to unemployment. This implies that rental should be at a level to accommodate new entrants into the informal economy.

4.1 COST OF FACILITIES AND SERVICES

Estimating the cost of providing sites, facilities and services to the informal traders are difficult and complex to determine. For the purpose of this analysis an average cost per site is derived from the cost estimates and budget provisions that are made for a selection of the build markets. The estimated average monthly cost per informal trading is shown in the table below. The cost information on which the estimate are based is shown in Annexure

It is important to point out that the rentals only apply to the legal or authorised traders that have been allocated a site. Illegal traders are not impacted by the rentals and rental levels.

The large number of illegal traders operating in the City undermine the credibility of the rental system and leads to the non-payment of rentals. It is therefore important that a sound enforcement strategy be made for a selection of the build markets. The estimated average monthly cost per informal trading site is shown in the table below.

ESTIMATED ADJUSTED AVERAGE COST OF SITES, FACILITIES AND SERVICES (RAND PER SITE PER MONTH)

Cost Items	Mobile Units	Street Site (without facilities)	Street Site (without facilities)	Market Site (with facilities)
Administration	70.00	50.00	50.00	50.00
Unit, Shelter, Trolley		10.00 (Trolley)	50.00 (Unit/Shelter)	50.00 (Unit/Shelter)
Electricity				
Water				50.00
Sanitation				30.00
Cleaning	30.00	20.00	20.00	30.00
Security & Protection Services				
Repairs & Maintenance		10.00	10.00	20.00
TOTAL	100.00	90.00	130.00	230.00

It is important to note that the estimates in the above table are derived from the budgeted costs for sites located in a cross section of build markets and street paving or along the streets. The cost estimates shown in the table should be treated with caution and be used as a guide to the costs that are associated with the provision at the various sites, facilities and services. Further detailed research needs to be undertaken to improve the cost estimates per site. The most important assumptions made in estimating the cost are the following:

- the cost of land has not been included in the estimates;
- the cost estimates per site are most sensitive to the number and density of sites in an area, the nature of the specific facilities and services that are provided, the frequency and extent of the services and location of the sites.

4.2 AFFORDABILITY LEVELS AND EXISTING RENTALS

Little empirical data is available that indicates the income levels, and hence the affordability levels, of informal traders.

The existing rentals that are being charged to traders vary considerable between the two former municipalities (Mbombela and Umjindi)

The former Mbombela Local Municipality is/was charging R60.00 per month irrespective of where and what infrastructure is provided. The former Umjindi Local Municipality was charging R40.00 per annum also across the board.

5. TOWARDS A RENTALS POLICY

5.1 THE INFORMAL ECONOMY IS HERE TO STAY

The point of departure of the policy is that the informal economy is here to stay for the long term. This view is in line with the vision of the City in terms of the Informal Economy Development and is realistic given the nature and state of the national and the City's economy. The levels of unemployment are in some areas as high as 45% to 70%, and that is not going to change in the short term. It is therefore important to understand that the informal sector is an alternative for unemployment and is going to be part of the urban fabric for a long time to come.

5.2 INFORMAL TRADERS ARE SMALL BUSINESS PEOPLE/INFORMAL ENTREPRENEURS

The City has adopted the position that the informal economy traders are to be considered to be small businesses. Thus although it is accepted that the informal sector is an important alternative to unemployment and therefore caters for the poor and impoverished, the City does not consider the provision of facilities and services to this sector to fall in the realm of social welfare. The sector is seen to make an important contribution to the economy of the City. The implications of this position are that a policy of zero rentals is not an option. This in spite of the

fact that it is often argued that the collection of the rent costs more than the revenue that is generated by the rent.

5.3 THE ABILITY OF INFORMAL TRADERS TO PAY

The analysis in the previous sections has shown that economic rentals, at which cost recovery takes place, would in most instances be unrealistically high and exceeding the ability of the traders to pay such rentals.

This is, however a generalisation that does not necessarily apply to the upper end of the spectrum of informal traders. Indications are that the lower end of the informal trader spectrum, i.e. typically the pavement hawkers, would not be able to pay economic rentals as determined in the previous section. Some of the more sophisticated traders that operate in the niche and built markets, may, however, well be able to pay economic rentals that even exceed cost recovery levels.

5.4 THE PHASING IN OF PROGRESSIVELY HIGHER RENTAL IS NOT AN OPTION

It is often argued that the economic rentals should be introduced into the informal economy in a gradual and phased basis because of the inability of the traders to pay economic rentals from the beginning. This view originates for the laudable, but flawed, view that the informal markets should, in time, be developed and upgraded to become a "formal" market. Although it is correct to assume that some individual traders will grow, develop and eventually move out of the informal economy, this is not the case for the informal economy as a whole. The informal economy is here to stay in the long term, as an alternative to unemployment and it is an opportunity for new entrants to participate in the economy.

5.5 A TWO TIERED INFORMAL ECONOMY

It follows from the above that informal trader rentals may always have to be subsidised. There may be a case to be made for the development of two types of informal economies which are as follow:

- a "real" informal economy catering for the bottom poor end of the spectrum and
- a second intermediate informal economy that accommodates the upcoming entrepreneurs and more successful traders.

This two tier structure already exists to some extent in the form of the general street traders and secondly those traders that operates in the build markets.

5.6 WAY FORWARD

It follows from the above arguments that:

- the rentals in the informal economy would in all probability always have to be subsidised by the City. It is important that the value of the subsidy be quantified and

that arrangements between the different City Departments be formalised as to how the subsidy is to be accounted for;

- rentals should be charged and be differentiated in terms of the location and cost of facilities and service delivery to the traders;
- provision should be made for a two tier rental system with differentiating subsidy levels catering for i) an informal street trading market and ii) the more sophisticated build market areas. It is not recommended that increases in rentals be phased in over time in the same informal market area, but that the two tier system of rental subsidisation cater for the growth and development of the informal economy;
- opportunities to privatise components of the informal markets, or to involve the private sector in PPP relationships in the markets should at all times be considered. This could most effectively be done through the involvement of the trader associations and street committees. This would contribute to greater efficiencies in the informal markets and thereby reduce the overall subsidy levels of the City;
- the payment of rentals must at all times take place together with the site allocation process and the process of registering traders. Rental payment should be made in advance of the occupation of the site;
- it would be necessary that sound management structures be implemented at a level where the informal market areas can be logically clustered. The clusters should relate to the different rental categories as is illustrated below;
- a database system of recording all the trader sites and the characteristics for determining the specific rental levels will need to be introduced;
- the implementation of a sound and effective enforcement system to monitor the payment of rentals, is critical to the successful implementation of a rentals policy and collection system. This may even entail the introduction of dedicated informal sector law enforcement officers; and
- Guidelines for the implementation of a rental structure is shown in the following table. The guidelines take the affordability levels into account and the level at which future subsidies may be pitched.

GUIDELINES FOR MINIMUM RENTAL LEVELS (RAND PER MONTH)

MAIN LOCATION FEATURES OF THE SITES		BASIC SITE Without facilities or services	SITE WITH SHELTER Without or with storage	FACILITIES Water and sanitation	% Subsidy
Street Trading Sites	Low Intensity Sites	R40			54%
Street Trading Sites	High Intensity Sites	R60			33%
Mobile Units	Low and High Intensity Areas	R70			30%
Build Markets	Differentiated by Market		R70	R100	46% (without facilities) 56% (with facilities)

A formula for calculating rentals per site would consist of the following parameters:

- The macro location of the site within the broader City. A weighting factor based on existing differentials between the different market areas would;
- The micro location of the site differentiated in terms of the volume of pedestrian traffic that pass the site;
- The specific level and quality of facilities and services that are available to the site;
- The relative size of the site; and
- The base rental as reflected in the table above,

6. COLLECTION AND NON-PAYMENT OF RENT

6.1 EXISTING PRACTICES

The present system of rental payment for informal traders in the City of Mbombela area is organised around formal pay points in the City in all Service Centres.

Although, the vast majority of street traders agree with the principal of payment, many have not paid for months or years. Consequently, under present budgetary and financial policy, it is not possible to earmark money paid in rentals for the further development of trading facilities.

The general indications are that the existing rent collection system is reliable and generally trusted by the traders. The major complaints against the existing system are the fact that the traders have to pay rent whilst illegal traders that do not pay rent enjoy the same privileges as the rent paying traders.

6.2 TRENDS IN COLLECTION AND MANAGEMENT PRACTICES

The existing system is based on the principle that the individual traders pay rent directly to the City. Alternative mechanisms involve among others the outsourcing of the collection and management of the traders to external role players.

There are three major trends in the management of street trading areas involving outsourcing by the local authorities: the outsourcing of street trading management to street trader organisations; the outsourcing of management to property owners; and the creation of dedicated markets.

The first model can be seen in parts of Cape Town, where the street traders' organisations effectively manage activities on the street, and the traders pay their site rentals directly to the organisation and not to the municipality. The rates charged have been judged to be quite high, and unaffordable to poorer traders. The Cape Town City Council saw outsourcing as a preferred option for management of street trading, which was not considered to be a core function of the City administration. There had been resistance to this arrangement from traders in some areas of the city who wished to deal directly with the city authorities, due the fact that the system was one which was open to abuse.

The outsourcing of management functions to property owners has been the model developed in significant parts of the Johannesburg Inner City, where two systems are in place. In the first, landowners can apply for a sidewalk lease from the local council, and can then erect their own structures upon it, and can manage the traders outside the buildings they own. The second model is based on Business Improvement Districts (BID), which are precinct-based systems of management, dominated by the private sector. A private company manages the area, focussing on crime, waste and informal trade. Rental collection takes place through the management organisations.

This latter system seems to work well because the streets are more orderly, there is stricter enforcement of the by-laws, there are more security guards visible and crime is said to have declined in these areas. Traders are protected by law, and cannot be removed, but the permit pricing structures could in fact have the effect of keeping poorer traders out of the areas. The property owners run the BID companies, without any form of trader representation on the management structures. The City of Mbombela has a similar Management Bodies within the City called City Improvement Districts (CID). The CID's can be utilised to collect rent from traders only on their areas of operation.

The major principles to which a rent collection system should adhere to are the following:

- The rental collection system should be seen to be fair, visible, reliable and the traders should have confidence in the system;
- the rent collection method should be inexpensive to operate; and
- the system should allow for a range of mechanisms in order to maximize the payment opportunities for the traders without increasing the cost of the service.

6.3 THE EXISTING COLLECTION SYSTEM

It is suggested that the existing rental collection system be retained as the existing method of collection do not appear to be a major problem.

Changing the collection method while, at the same time, introducing a new rental structure would be too involved to undertake all at once. The alternative mechanisms of rent collection, such as the new management formats discussed earlier and the use of new technology are generally more complex, sophisticated and expensive, than the existing collection system.

The principles of the existing collection system are sound and understood by all and should be retained since it is a type of account that allows payment at all the pay points where electricity and rates accounts are paid. The following refinements may, however, be made to the existing system:

- The rental payments must take place at the beginning of the contract period and should be paid three months in advance. Rents should not be allowed to accumulate for a number of months before payment is made. This implies that improved enforcement practices should be practiced;
- traders should be encouraged to pay rentals for periods longer than three months by the introduction of a discount system when an annual rental is paid in full;
- a decentralised billing system should be introduced that reminds traders to make their payments.

6.4 THE NON-PAYMENTS OF RENT

A culture of non-payment of rentals currently exists although there is a general acceptance and recognition by the traders and their associations, officials and other stakeholders that rental payments should take place. The culture of non-payment may be traced to historical factors where that informal economy emerged from a resistance environment; from a perceived unfairness of the system where non-paying traders enjoy the same privileges as the paying traders; the non-enforcement of the regulations.

Measures that should be introduced to address the non-payment of rentals are the following:

- a renewed communication and awareness creation action should be launched making the rental regulations and levels known to all the role players and stakeholders. The importance of paying rent and the need for income to fund further developments need to be brought to the attention of all the role players;
- a renewed programme to enforce the regulations should be introduced. The enforcement of the regulations needs to take place both with respect to dealing with the large number of illegal traders as well as dealing with the non-payment of rentals. The implementation of law enforcement officials dedicated to informal trade should be further investigated; and
- closely related to the above is the application of the principle that rental payments are due at the beginning of the month and that late payments means that the traders forfeit their right to a trading site.

7. IMPLEMENTATION RECOMMENDATIONS

The implementation of the new rentals policy and rentals structure should take place in an integrated way, giving ample attention to the technical aspects, communication and the buy-in of the role players into the initiative. It is anticipated that the programme of implementation could extend over a 12 month period. It is important that the full cooperation of all the role players be obtained and that each step of the programme is visible and transparent. The main action steps are listed below:

- Obtain broad based approval of the rentals policy from all role players;
- undertake an improved analysis of the cost profiles of the various informal trader sites and markets;
- obtain agreement between the City departments of how the subsidisation of the traders will be accounted for in the respective budgets;
- obtain formal approval of the rentals policy from Council;
- an integrated strategy in terms of which the site allocation mechanisms, registration procedures and rental payment systems are integrated into one management programme i.e. the process for the approval of the draft Informal Economy Policy should be completed;
- communication strategy informing all the role players of the eminent changes; preparing the role players for the site surveys and assessment of the individual sites;
- plan for the implementation of the rentals policy by finalising the rentals formula;
- compile the database recording all the site parameters required to implement the rentals formula;

- complete the detail assessment of all site rentals;
- workshop the new policy and rentals with the traders;
- improvement of the law enforcement actions and the investigation of the possibility of appointing dedicated informal trader law enforcement officials;
- plan for the further development and upgrading of the informal trade markets;
- implementation of the rentals per site.

It is recommended that the rental policy be implemented initially in a pilot project area such as the Ekukhanyeni Centre (Short Brown & Currie Streets) and the Plaza Taxi Rent in the Mbombela CBD. It is important that an area of a manageable size and complexity be selected for the pilot area.

8. TRADING SITES ALLOCATION PROCEDURE AND TRADING REGULATIONS

8.1. ALLOCATION PROCEDURE

- Street traders shall be allocated site and facility only by a designated employee and or official of City of Mbombela in consultation with the street trader, Street traders and or associations or organization of street traders.
- A strict criteria shall be complied with by employees and or officials of the City in consultation with the street trader, street traders and or associations or organization of street traders within the City of Mbombela
- All legislative requirements shall be complied with by employees and or officials of The City and the street trader, Street traders and or associations or organization of street traders within City of Mbombela area.
- A street trader shall be allocated a trading site and or trading facility after the trader has adhered to the procedure outlined below in which he/she must:
 - a) Fully complete an application form for the request of permission to trade in a designated area at a site with facilities provided by the City of Mbombela
 - b) Submit such fully completed application form at the Business Regulation & Governance Unit and upon submission shall be given confirmation slip of receipt by a designated employee and or official of the City of Mbombela
 - c) The designated employee and or official of the City of Mbombela shall within reasonable time (not exceeding 28 working days) notify in writing the applicant of the approval and or disapproval of the application
 - d) An applicant whose application is disapproved may apply in writing for an appeal against the decision of the Business Regulation & Governance Manager. Such an appeal shall be referred to the dispute resolutions committee as per Annexure C below.

- e) An applicant whose application is approved shall be notified in writing by designated employee and or official of the City of Mbombela wherein the applicant shall be notified of the exact location of the trading site and facilities within 28 working days.
- f) Applicant whose application is approved shall enter into a written agreement with the City of Mbombela represented by designated employee and or official and the applicant either in person, or represented by the street trader association and or street trader organization
- g) The trading site and facility on Council owned land allocated to a trader shall remain the sole property of City of Mbombela and shall be let to a trader at agreed terms and conditions.
- h) The management of trading areas shall be the responsibility of the City of Mbombela and or designated official or third party (i.e. CID) and street traders, their association or organization at agreed terms and conditions.
- i) No trader or street trader association or organization shall sub-let or allocate any other person if not the trader allocated the site and or facility by designated employee and or official of the City of Mbombela.
- No trader or street trader association or organization shall transfer any trading site and or facility without prior consent from a designated employee and or official of the City of Mbombela
- No trader or trader organization / association shall make structural changes to facilities allocated without prior written permission from a designated City official or employee.
- No trader or street trader association or organization shall be allocated more one trading site unless only agreed to by the City of Mbombela.
- Each trader in an officially approved and allocated trading site shall be issued with a trading permit valid for twelve months with clearly stipulated terms and conditions. This permit (see annexure) shall be issued by a designated employee and or official of the City of Mbombela.
- The City of Mbombela may impose fines agreed and approved from time to time to a trader who violates the stipulated terms and conditions of such a trading permit.
- All Councillors, residents, employees and officials of the City of Mbombela and street traders and street trader associations or organization within the City of Mbombela shall abide to all the legislations, policies, procedures and regulation applicable to the City in the execution and enforcement of Informal and street trading policies.

8.2. ALLOCATION CRITERIA IN ORDER OF PREFERENCE

- Only traders who have attained the age of 18 and above.

- Street Traders who are in possession of green Barcoded South African Identity Document / Smart Identity Card
- Street Traders who are in possession of valid trading permit issued by a designated employee or official of the City of Mbombela
- Street Traders who are residents of the City of Mbombela
- Street Traders who are foreign nationals and who reside in Mbombela with valid and legal documents issued by a National Department and are in possession of these documents
- Street Traders who traded prior to the adoption of this policy and new entrants and applicants who comply with the requirements as laid down by the City of Mbombela
- Street Traders who are members of recognized Street Trader Committee, Association and or Organization
- New street traders who obtained approval from a designated employee or official of the City in consultation with street traders, street trader association or organization
- Traders who occupy one Trading Stall, Site and or Facility allocated by designated employee or official of the City
- Traders are not allowed to sell any counterfeit goods stipulated in the different regulations.
- Traders are not allowed to advertise prohibited and restricted goods and services in terms of the different regulations.

8.3. RESTRICTIONS AND PROHIBITIONS

- No street trader shall be allocated more than one trading site and or facility
- No street trader shall transfer or enter into a sales transaction about the trading site or facility allocated without obtain prior approval from a designated employee and or official of the City of Mbombela
- Transfer of trading site or facility by a registered trader to the next of kin or any other person shall be by prior approval by a designated employee and or official of the City of Mbombela
- No trader shall trade in illegal goods and services counter fait goods and or sell or promote piracy

- Traders are not allowed to sell fireworks. Trading of fireworks must comply with Explosive Act 15 of 2003. The granting of licenses to deal in fireworks is the sole prerogative of the Chief Inspector of Explosives.
- Traders are not allowed to use open energy sources
- The utilization of liquefied petroleum gas must comply with SANS 087 Part I: 2004. No dangerous goods including LPG allowed unless in compliance with all relevant standards and legislation.
- Hydrants should be accessible at all times for fire- fighting purposes. (5m clearance to be enforced in front of hydrant)
- Sufficient access should be made available for kerbside or street trading not to impact on any business for evacuation purposes.

8.4. DISPUTE RESOLUTION/APPEALS PROCEDURE

Any dispute arising out of interpretation and application of the City of Mbombela

– Rental Policy and Trading Sites Allocation Procedures & Trade Regulations shall be resolved following the following procedure:

- Any aggrieved party shall launch his/her dispute in writing immediately (within five working days) of the dispute arising with the appointed official of the City of Mbombela in writing
- The appointed official shall within seven working days of the receipt of the dispute convene a hearing where a dispute would be heard and there after shall within three working days announce his/her findings to the parties
- Any party who is not satisfied with the outcome of the dispute, shall launch in writing to the appointed Head of the Department his/her appeal
- Such Head of the department shall within ten working days convene an independent tribunal consisting of three senior officials of the City of Mbombela that will include the Legal Department to hear the dispute
- The tribunal shall hear the case and make its findings within three working days of the conclusion of the hearing
- The turnaround time for any appeals process/disputes initiated in terms of this Policy should not exceed 60 (sixty) days
- The outcome and findings of the tribunal shall be final and binding to the parties, and thereafter parties are at liberty to proceed following their rights as accorded by law