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SOUTH AFRICAN
INSTITUTE OF
RACE RELATIONS

South Africa's Leading Research and Policy Organisation

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Making work for bureaucrats to do

The Licensing of Businesses Bill of 2013 (the Bill), recently gazetted by the Department of Trade and Industry (DTI), will need an army of bureaucrats to implement, says the South African Institute of Race Relations in a submission made to the DTI last week.

The Bill obliges every business in the country, no matter how large or small, to register with and obtain a licence to operate from its local municipality, acting as a 'licensing authority'. Inability to produce a licence on demand will be punishable by fines and/or prison terms of up to ten years.

"If the Bill becomes law, millions of businesses will be affected," says Dr Anthea Jeffery, Head of Special Research at the Institute. "Though exact numbers are hard to obtain, there are more than 1.3m businesses that are already registered under the Companies Act of 2008. In addition, there are around 3.8m one-person survivalist enterprises, another 759 000 micro businesses that employ one other person, and roughly 472 000 firms with two employees each. This suggests that at least 6.3m businesses will have to apply for licences to continue operating."

Applications will go to local authorities, which will have to evaluate them, ask for more information if necessary, and decide them within 30 days. Each municipality will also have to maintain 'an up-to-date central registry of all licensed businesses'.

In addition, every municipality will have to report to the provincial MEC for local government 'at least twice a year' and possibly more often. This report must include 'a business registry of all licensed businesses and any other prescribed information'.

The MEC, in turn, must report – also at least twice a year and perhaps more often – to both the minister of trade and industry and the minister responsible for local government. The MEC must provide 'a consolidated report' covering 'all the licensed businesses' within his province. "This means," says Dr Jeffery, "that he will have to start by collating all the information submitted by all local, district, and metropolitan authorities within his area – in itself a major task."

Notes Dr Jeffery: "The DTI claims that the Bill will not create 'any additional bureaucracy'. But if many more officials are not employed to issue licences, maintain registries, and write reports, the many other tasks already resting on often inept municipalities – the need to keep accurate financial records, for one – are even more likely to remain undone.

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“The Bill will also add to the costs of the public service. Yet this has risen so fast in recent years that it is already crowding out essential infrastructure spending. It’s also adding to the budget deficit and the Government’s interest bill.

“This year alone, the State plans to spend R99.7bn on servicing its debt. Thereafter, its interest bill will rise to R108.7bn in 2014 and then to R118.2bn in 2015. Even without this Bill and the extra bureaucracy it will require, interest payments are expected to increase by 18.6% in three years.

“Why add to the debt burden via a Bill the DTI says is needed to ‘promote the right to freedom of trade’ but will, of course, have the opposite effect – especially for small and micro enterprises?”

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