



destea

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economic, small business development
tourism and environmental affairs
FREE STATE PROVINCE

**Report on Opportunities for Small, Medium and Micro Enterprises (SMMEs)
in the Free State Priority Sectors**



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In the short to medium term, most jobs are likely to be created in small, often service-oriented businesses aimed at a market of larger firms and households with income (NDP, 2012: 115).

A large percentage of the jobs will be created in domestic-oriented activities and in the services sector. Some 90 percent of jobs will be created in small and expanding firms. The economy will be more enabling of business entry and expansion, with an eye to credit and market access. By 2030, the share of small and medium-sized firms in output will grow substantially. Regulatory reform and support will boost mass entrepreneurship. Export growth, with appropriate linkages to the domestic economy, will play a major role in boosting growth and employment, with small- and medium-sized firms being the main employment creators (NDP, 2012: 119).

1. Introduction

The passages quoted above from the National Development Plan (NDP) places the centrality of SMMEs in the creation of jobs in South Africa. The imperative of job creation has been reaffirmed by President Cyril Ramaphosa's State of the Nation address in early February which placed employment creation at the centre of the South African national agenda in 2018. (Ramphosa, 2018: online). This is also in keeping with the New Growth Path which sets out to position the country's resource capacity towards activities that will "maximise the creation of decent work opportunities" (New Growth Path, 2010: 6).

The importance of SMMEs in job creation, particularly for young people, was accentuated in former Finance Minister Malusi Gigaba's 2018 Budget Speech's quotation of the runner up tipster, Mr Karabo Tladi who suggested that "government must ensure that youth are equipped with sufficient skills in business and look critically at the policies that involve funding for youth owned business. If the funding for small businesses could be accessible, unemployment will be cut in half through small business initiatives" (Gigaba, 2018: online). In agreeing with Mr. Tladi, the Minister committed government to "create an enabling environment for small businesses to thrive..." and further indicated that a fund with an allocation of R2.1 billion would be

created over the medium term “to benefit small and medium enterprises during the early start-up phase...” (Gigaba, 2018: online).

Kongolo (2288: 2010) contends that SMMEs have the “ability to adapt easily to changing market conditions” and their labour-intensive production processes reduce their capital costs associated with employment creation than larger firms. In this context SMMEs, if properly supported, can help in achieving important socio-economic goals like rural and urban development as well as poverty eradication faster.

However, the irony is that when the number of SMMEs in the first quarter of 2008 is compared with the second quarter of 2015, the number of SMMEs increased from 2.18 million to 2.25 million, representing a mere 3% growth nationally. Limpopo experienced the highest growth rate of 34% in the number of SMMEs with Gauteng in the second spot with a rate of 14%. Unfortunately, the two provinces that have been leading the pack in terms of high rates of unemployment, the Northern Cape and the Free State, are also on top in terms of the decline in the number of SMMEs with 31% and 16% respectively. . This means the total number of SMMEs, both formal and informal, in the Free State province dropped from 114 949 in 2008 to 96 846 in 2015 (Bureau for Economic Research, 2016: 16).

In the light of the foregoing, the purpose of this report is to identify various opportunities for SMMEs within the Free State’s priority sectors namely; tourism, mining, agriculture, manufacturing and transport. The report will provide a brief overview of the policy and institutional framework supporting the SMME sector; as well as the opportunities for both existing and emerging SMMEs in the province. The report is based on a desktop research and interviews conducted with sector experts.

2. SMME Support: Policy and Institutional Framework

Small businesses include cooperatives and non-governmental organisations, managed by one owner or more which and can be classified as a micro, a very small, a small or a medium enterprise. Microenterprises employ less than 5 full-time employees; very small enterprises employ less than 10 and 20 depending on the sector in which they operate; small enterprises employ less than 50 employees and

medium enterprises employ less than 100 and 200 depending on the sector in which they operate. A large percentage of SMMEs operating in the country are clustered in the very lowest end of the spectrum. These survivalist firms take the form of street vendors, backyard manufacturing and services as well as part-time homebased jobs. By nature, survivalist firms have a very limited growth potential and do not have the capacity to create much needed employment (Department of Trade and Industry, 2008).

Government policy on South African SMME development post-1994 was initially documented in the 1995 White Paper on SMME development. The White paper postulated that with the appropriate enabling environment SMMEs in South Africa would follow the example of the developed world and make a significant contribution towards the broader national economy (Department of Trade and Industry, 1995; 4). Following on the principles set out in the White Paper, the Integrated Small Business Development Strategy provided an action plan focusing on:

- increasing financial and non-financial support;
- creating a demand for the products and services provided by the SMMEs; and
- reducing regulatory constraints to the sector (Department of Trade and Industry, 2008).

Aligned to this action plan, a number of institutions were established by the government to implement small business development strategy (Department of Trade and Industry, 2008).

The Small Enterprise Development Agency (Seda) is an agency of the Department of Small Business Development established in 2004 through to:

- implement government's small business strategy;
- design and implement a standard and common national delivery network for small enterprise development; and
- and integrate government-funded small enterprise support agencies across all tiers of government.

The Small Enterprise Finance Agency (SEFA) caters for small businesses requiring funding up to a limit of R3 million. SEFA offers bridging finance, revolving loans, term loans, asset finance and funds working capital needs (Bureau for Economic Research, 2016: 6). The National Youth Development Agency (NYDA) was formed with the purpose of assisting young South Africans to start businesses and to finance existing businesses. According to the Free State Regional Manager, Mr B. Dithebe at the NYDA the assistance to entrepreneurs has been segmented to formal and informal. Informal business training is provided with a scheme called “Generate Your Business” where applicants are trained in formulating the business plans. A grant of a minimum of R1000 to a maximum R10 000 is available to informal businesses. There is also a “Voucher Program” which helps with business plans, marketing strategy, HR policy and accounting systems. Start-up funding was traditionally capped at R10 000; but now that policy is under review and the now, depending on the feasibility of the business plan, the applicant can be funded by up to R100 000. Businesses that are operational qualify for a grant that has been extended to up to R250 000, although the proviso is that these businesses need to be agriculture and technology businesses. A youth fund of up to R5 million is in the works, which would not be a grant but be a loan. The mentorship programme is extended support for entrepreneurs who have been aided and they are put in contact with experts in the field (Dithebe, 2018).

The Department of Science and Technology established the Technology and Innovation Agency (TIA) in an effort to enable and support technological innovation, as well as to enhance the global competitiveness of South African businesses. Lastly, the National Empowerment Fund (NEF) was founded with the intention of offering financial and non-financial support to black empowered businesses (Bureau for Economic Research, 2016: 6). Provincially, the Free State Development Corporation (FDC) offers SMME support both financial through the use of loans and non-financial support; property development and management, providing investors with a comprehensive service in setting up businesses, and provides export ready Free State companies with assistance in identifying new markets and export opportunities for their products (Matee, 2018)

The Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) recognises the importance of the SMME sector in

developing the Free State economy. DESTEA provides access to financial and non-financial support to SMMEs. The department's Enterprise Development and Support Programme was created in to support SMMEs and to help them to move toward sustainability by, amongst others, improving formalization processes and access to enterprise funding.

Sectors prioritised for support are those highlighted in the Free State Growth and Development Strategy (FSGDS), Medium Term Strategic Framework (MTSF), the NDP and the NGP. Furthermore, enterprises which are at the centre of the township and rural economies are prioritised; these include, but not limited to:

1. Hair salons
2. Automotive outlets – panel beaters and motor mechanics
3. Chisanyamas and restaurants
4. Textile and fashion enterprises
5. Bed and Breakfast establishments
6. Agro-processing enterprises
7. Manufacturing

DESTEA is also supporting and assisting SMME's through various financial and non-financial programmes to enhance economic development and growth in the province as follows:

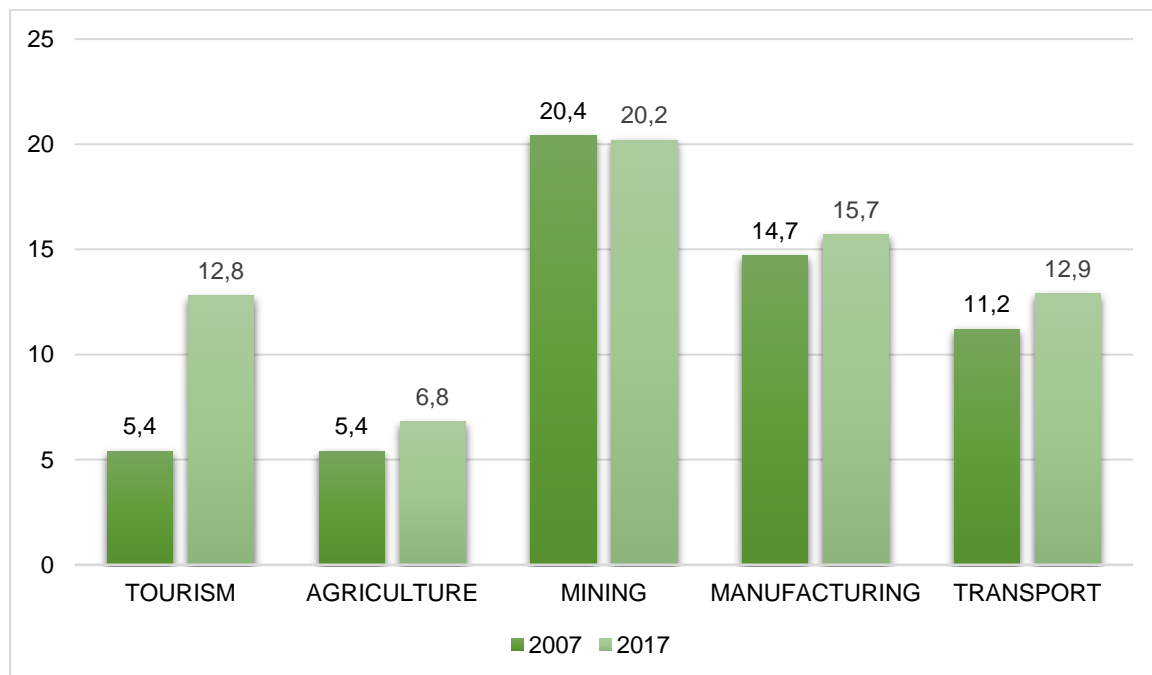
- Market access by linking SMME's to local and international markets through exhibitions and platforms, such as SAITEX, Cherry Festival
- Developing of new markets by participating in outward and inward missions
- Linking of SMMEs to big business.
- Capacity building programmes and workshops to enhance entrepreneurial culture.

3. Sectorial Overview

While all economic sectors are important at varying degrees in terms of their contribution to the Free State economic output, the FSGDS (2013:25), recognises

agriculture, mining, manufacturing, transport and tourism as the key drivers that will guarantee inclusive economic growth and sustainable job creation (Department of Economic, Small Business Development, Tourism and Environmental Affairs, 2016: 36). Figure 1 below indicates the Free State priority sectors' contribution to the GDP between 2007 and 2017. With the exception of the mining industry, which recorded a decrease of R0.2 billion over the ten year period, the contribution of all of the priority sectors has increased from 2007. The highest increase has been recorded in the tourism sector which increased by R7.4 billion over the same period. This was followed by the transport (R1.4 billion increase), agriculture (R1.4 billion increase) and manufacturing (R1.3 billion increase) sectors. The growth in the various sectors' contribution to the provincial GDP over ten years shows the potential that these sectors have in growing the Free State economy.

Figure 1: Gross Value Added (GVA) by Broad Economic Sector - Free State Province, 2017 [R Billions, Current Prices]



Adapted from IHS Markit Regional eXplorer version 1338.

The following section looks at the various opportunities that exist for SMMEs in these economic sectors. It is important to note that the various economic sectors do not operate in silos. As such, the opportunities identified in certain sectors are often linked to other sectors of the economy.

3.1 Tourism

Government's recognition of the critical role of tourism in the economy is evident in the sector's inclusion as one of the priority areas in a number of national plans such as the initial Industrial Policy Action Plan (IPAP, 2007), the New Growth Path (New Growth Path, 2010) and the NDP (2013). This sector is expected to make vital contributions to job creation and the continued growth of the South African economy. At provincial level, the Free State Tourism Master Plan 2010/11 - 2014/15 (FSTMP) supports and builds on its predecessor the FSGDS, setting out the province's tourism development priorities. Provided they are given the necessary support, SMMEs can continue to play a prominent role in the process of advancing the tourism sector in South Africa. The National Tourism Sector Strategy (NTSS) acknowledges this, placing a strong emphasis on the facilitation of support for rural tourism development and assistance for tourism SMEs to access markets and funding (Small Enterprise Development Agency, 2012: 22).

Research conducted by Kirsten and Rogerson (2002: 29) into the opportunities and the difficulties faced by the tourism SMME economy, with a focus on linkages between large tourism ventures and SMMEs in South Africa, found that much greater opportunities exist for SMME development in the broader travel and tourism economy¹ as opposed to the narrowly defined tourism sector. Additionally, the study concluded that development agencies and support organisations in South African tourism, involved in economic empowerment, should refocus their short-term efforts on emerging indirect opportunities in the broader travel and tourism economy. The reason for this is that greater opportunities in the short term appear to exist in supporting emerging black-owned SMMEs that are suppliers or contractors to larger tourism enterprises (Kirsten and Rogerson, 2002: 53). In this regard, the Free State province has facilitated a number of programmes to enhance tourism skills development through DESTEA. These programmes have included the Training of Chefs Programme as well as a programme aimed at assisting emerging tour guides

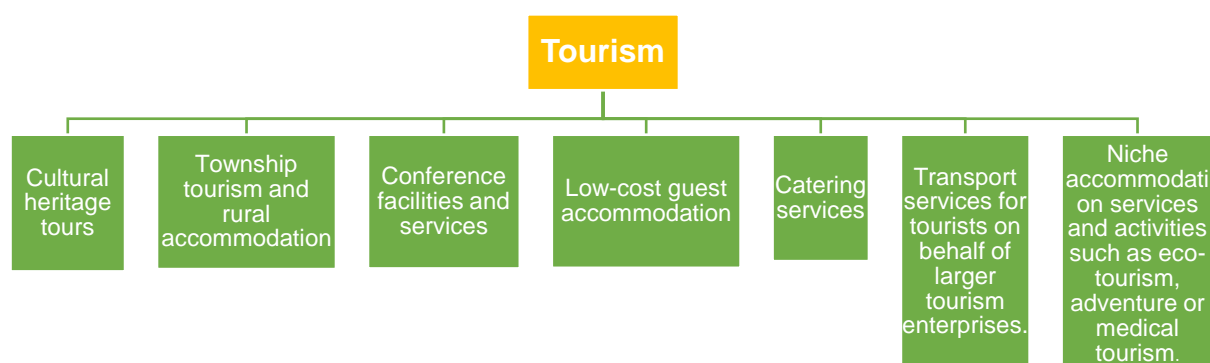
¹ Broader travel and tourism economy refers to economic activities that are directly related to the tourism experience and include transport, accommodation, tour guiding, catering and recreation sectors (Kirsten & Rogerson, 2002: 53)

(Department of Economic, Small Business Development, Tourism and Environmental Affairs, 2012: online). The DESTEA Tourism Unit intends to promote entrepreneurial culture in the tourism sector by providing mentorship, coaching and support to emerging tourism SMMEs in the province (Department of Economic, Small Business Development, Tourism and Environmental Affairs, 2018: 112).

At national level, SMME Markets Access Programme also known as the Hidden Gems Programme is an initiative aimed at developing the SMME tourism sector as well as contributing toward transformation in the sector. This programme is a collaboration between the Southern Africa Tourism Services Association (SATSA) and South African Tourism, which identifies small tourism businesses in each of the nine provinces to receive training and mentorship by industry professionals, as well as providing them with access to travel buyer and other key industry stakeholders (Daily Southern and East African Tourism Update, 2018: Online). Additionally, the Tourism Enterprise Support Programme (TEP) Grant in the tourism sector aims to encourage and facilitate the development of tourism facilities. Large operators, investors and SMMEs engaged in tourism activities stand to benefit from this grant. Benefits of the grant include skills development, market access and business support (Investment Incentives, 2017: online).

One of the most lucrative sub-sectors of tourism is business tourism. Both the FSGDS and the Free State Tourism Master Plan 2010/11 - 2012/14 (FSTMP) identify business tourism as an important opportunity for the province particularly because of the Free State's central location. (Naidoo, 2012: 34). Figure 2 below illustrates a number of market and value chain opportunities and gaps for SMMEs as identified by institutional stakeholders and SMME respondents in the tourism sector.

Figure 2: Market and Value Chain Opportunities and Gaps for SMMEs in Tourism



Adapted from Seda (2012: 81).

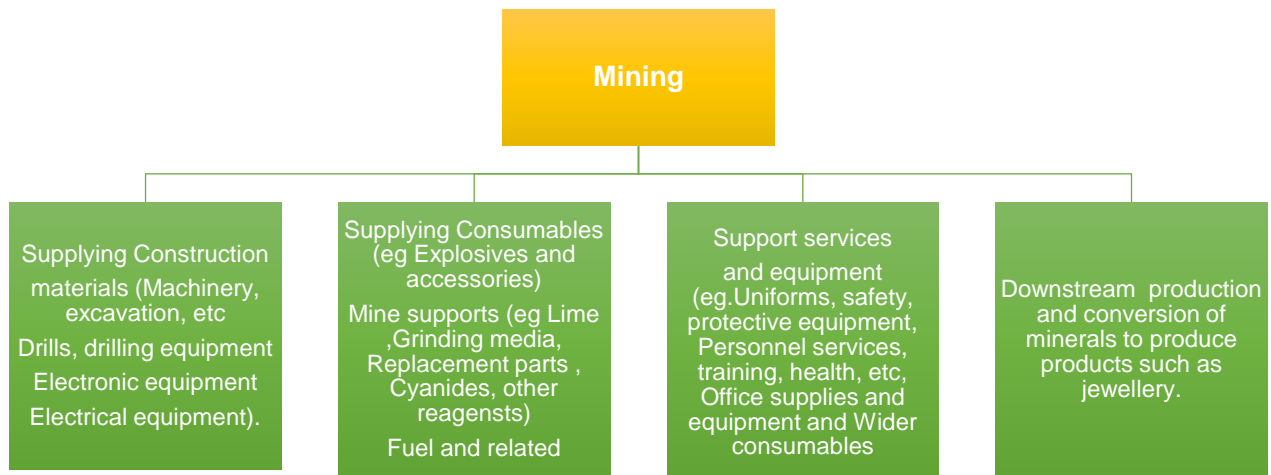
3.2 Mining

The mining industry still adds significant value to the South African economy despite its noticeable decline in the past 20 years. This is affirmed by the NDP which stipulates that 60% of South Africa's export is a result of mining, minerals and secondary beneficiation products (Provincial Economic Development Strategy 2016: 37). The South African government has taken steps towards supporting mining companies by putting policies in place that promote mineral beneficiation as well as for supplier development. The mining industry is the third largest sector and contributed approximately 7, 8% of the GDP in 2015. However, the proportion of direct mining activities in the country's GDP has dropped drastically from 21% in 1970 to a mere 6% in 2010 (NDP, 2012: 146). Up until the last decade, Free State mining's contribution was 16% of the provincial output, but this has dropped to only 9% in 2010. Employment in the sector has also declined from 180,000 in 1980 to only 33,000 in 2010, leaving a serious void that has yet to be filled with alternative economic activities. Mining companies have been involved with SMME support mainly through Supplier Development initiatives.

The South African government has developed a mineral beneficiation strategy to support economic growth and job creation. Despite the mineral beneficiation strategy, South Africa has not fully taken advantage of the opportunities mineral beneficiation (DESTEA, 2018: 19). South African government can learn from its BRICS partners

specifically India and China where their respective economies decided to focus on beneficiation of products instead of just extracting minerals (Montja, 2014: 7). Figure 3 below illustrates the various opportunities available for SMMEs in the mining sector.

Figure 3: Market and Value Chain Opportunities and Gaps for SMMEs in Mining



Adapted from Seda (2012: 81).

3.3 Agriculture

The agricultural sector’s contribution to the South African economy started to improve over the past year, more so after a period of extreme drought. In 2017, the agriculture, forestry and fishing sector contributed R68 093 million to the national GDP (Statistics South Africa, 2018a: 8). Although the provincial agricultural sector has been volatile over the last 10 years, between 2007 and 2017 the sector experienced the highest positive growth in 2017 with an average growth rate of 63.4% (IHS Markit Regional eXplorer, 2018: 24). The agricultural sector in the Free State Province has a location quotient² of 2.2, indicating that the province has a comparative advantage in agriculture as compared to other provinces in the country (IHS Markit Regional

² A specific regional economy has a comparative advantage over other regional economies if it can more efficiently produce the same good. The location quotient is one way of measuring this comparative advantage. If the location quotient is larger than one for a specified sector within a region, then that region has a comparative advantage in that sector. This is because the share of that sector of the specified regional economy is greater than the same sector in the national economy.

eXplorer, 2018: 29). In addition to this, the sector employs 89 800 people, accounting for 11% of provincial employment (IHS Markit Regional eXplorer, 2018: 37).

In 2012 KPMG conducted a report on behalf of Seda revealing that 8.5 million South Africans are either directly or indirectly reliant on the sector for income and employment (KPMG, 2012). A study conducted in 2012 by Seda identified the following barriers to entry in the sector:

- a lack of planning capacity;
- inconsistent cash flow;
- adverse climatic conditions affecting production;
- difficulty gaining access to arable land;
- high cost of agricultural inputs and machinery;
- difficulty accessing target markets and linking into supply chains of retailers;
- shortage of technical skills and capacity;
- difficulty adopting new methods of production;
- poor quality of supporting infrastructure; and
- competition from large enterprises (Small Enterprise Development Agency, 2012: iii).

There are opportunities in the aquaculture or aquafarming as a result of global decline in wild catch fisheries. This decline has increased the demand for “farmed” fish and related products in global markets. Furthermore, opportunities exist in the production of high-value products for the medicinal, aromatics and flavourants markets. Quality wines, indigenous Rooibos and Honeybush tea are additional opportunities for the export market. SMMEs may benefit more if they enter into relatively new sub-sectors with niche market potential that still rely on small-scale production such as ostrich meat farming, indigenous flowers, biofuels, essential oils, olive oils and medicinal extracts (Seda, 2012: 28).

Speaking to SME South Africa, an online publication aimed at supporting and promoting SME participation, Dimakatso Sekhoto³ founder of GrowthShoot and a

³ Dimakatso Sekhoto is the founder of GrowthShoot which promotes youth employment in agriculture, she is the managing director of Makolobane Farmers Enterprises, as well as a member of the African Farmers’ Association of South Africa.

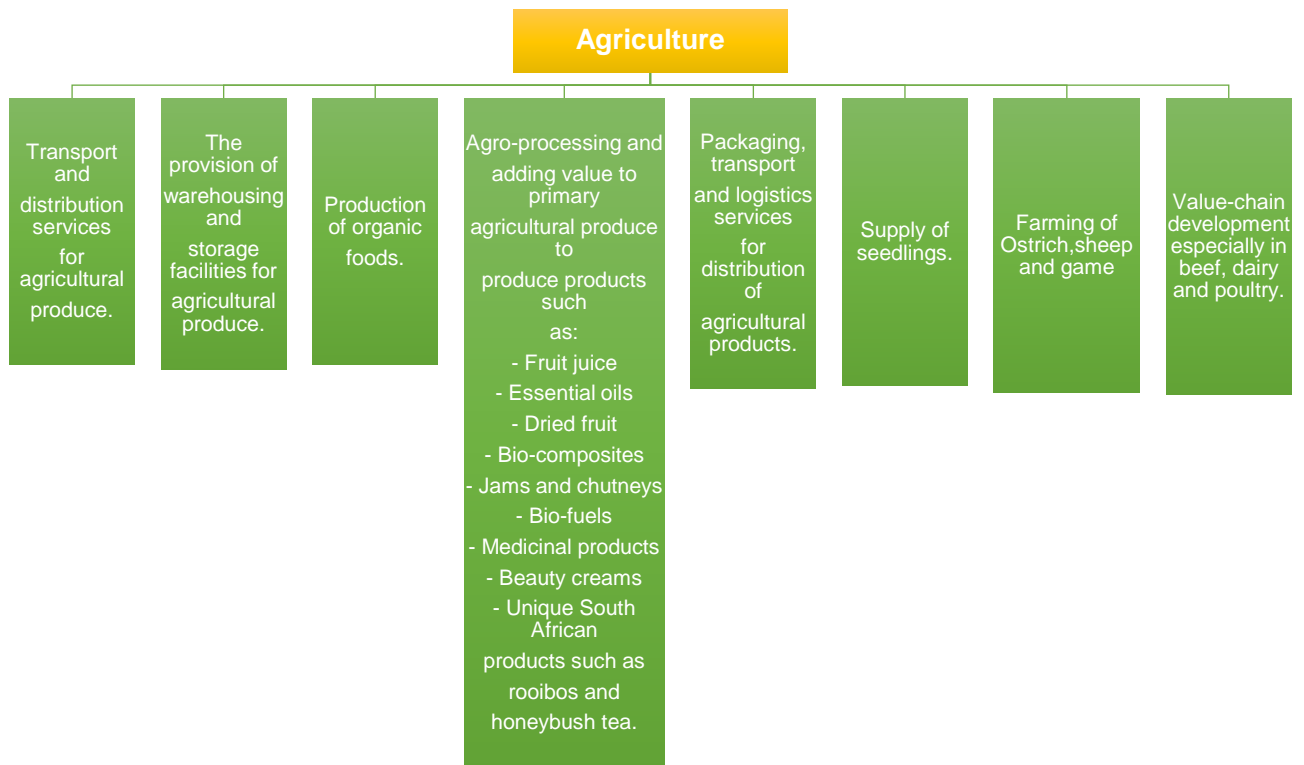
young Free State farmer herself noted a number of alternative opportunities for new SMMEs in agriculture. Sekhoto highlighted that entrepreneurs should think “beyond farming” in the traditional sense and consider opportunities such as providing branding for farmers as well as providing operations technology to assist farmers run their farms more efficiently. These technological innovations could encompass operational necessities such as farm related weather and climate considerations, information on prices in the agricultural market and other pertinent market related information. Also addressing SME South Africa, Naude Malan⁴, convener of the Izindaba Zokudla is in agreement that alternative farming such as organic, agro-ecological and permaculture techniques are more profitable than mainstream farming. Therefore, it is probable to make a profit from farm rooftops, in containers and using technology like hydroponics intensively” (SME South Africa, 2018).

The Free State Department of Agriculture and Rural Development facilitate and provide education, this include Tertiary agricultural and non-formal training at Glen College of Agriculture which is an accredited institution with the Higher Education Qualification Committee (HEQC). The informal training consist of short courses to any persons who are interested in farming with special focus on emerging farmers as beneficiaries of development programmes and farmworkers (Free State Department of Agriculture, 2017: Internet). Furthermore, the Free State Department of Agriculture and Rural Development has committed itself to supporting 50 black farmers in the province which will later translate to 250 black commercial producers to be commercialized by the end of 2021/22 (Department of Agriculture and Rural Development, 2018: 8).

Figure 4 below illustrate the different market and value chain opportunities and gaps for SMMEs as identified by institutional stakeholders and SMME respondents in the agricultural sector.

⁴ Naude Malan is the convener of the Izindaba Zokudla, a multi-stakeholder engagement project aiming to drive sustainable urban farming in Johannesburg. He is also a senior lecturer in Development Studies at the University of Johannesburg.

Figure 4: Market and Value Chain Opportunities and Gaps for SMEs in Agriculture



Adapted from Seda (2012: 8).

3.4 Manufacturing

The New Growth Path identifies manufacturing as one of the six core pillars of growth to drive the South African economy. It envisages creation of 80 000 jobs in South Africa in the manufacturing sector by 2020 (New Growth Path, 2011). The South African government further notes the importance of the manufacturing sector stating in the IPAP that the sector has the highest economic and employment multipliers of any economic sector. The sector through its backward linkages pulls through inputs from various primary and secondary sectors, transforming them into products of a higher value. This process further stimulates employment and economic linkages along the whole value chain (Department of Trade and Industry, 2014: 13). In 2017 the manufacturing industry contributed R551.6million to the national economy and R24.4 (12%) to the Free State provincial economy. Nationally the sector employs

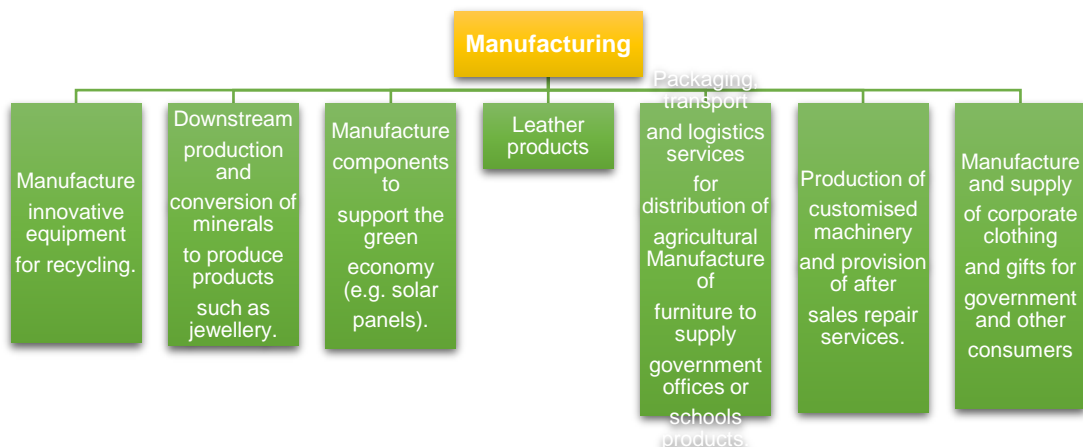
1,668,395 while the provincial figure is 61,400 (IHS Markit Regional eXplorer, 2018: 20).

Seda has identified the following barriers to entry into the manufacturing sector:

- high cost of inputs;
- lack of access to finance;
- lack of access to appropriate equipment and technology.
- limited product differentiation;
- insufficient opportunities for training staff;
- shortage of technical skills;
- difficulty competing with large, established manufacturers and foreign imports;
- poor quality and inconsistency of supporting infrastructure; and
- difficulty securing industry-specific accreditation or certification (Small Enterprise Development Agency, 2012: iii).

Figure 5 below indicate the numerous opportunities that exist for SMEs in the manufacturing sector. A positive aspect of the manufacturing sector is that it relies highly on continues innovation and new technological frontiers (Department of Trade and Industry, 2014: 14). This continued demand for new ideas increases the potential; of productive gains across the sector.

Figure 5: Market and Value Chain Opportunities and Gaps for SMMEs in Manufacturing



Adapted from Seda (2012: 81).

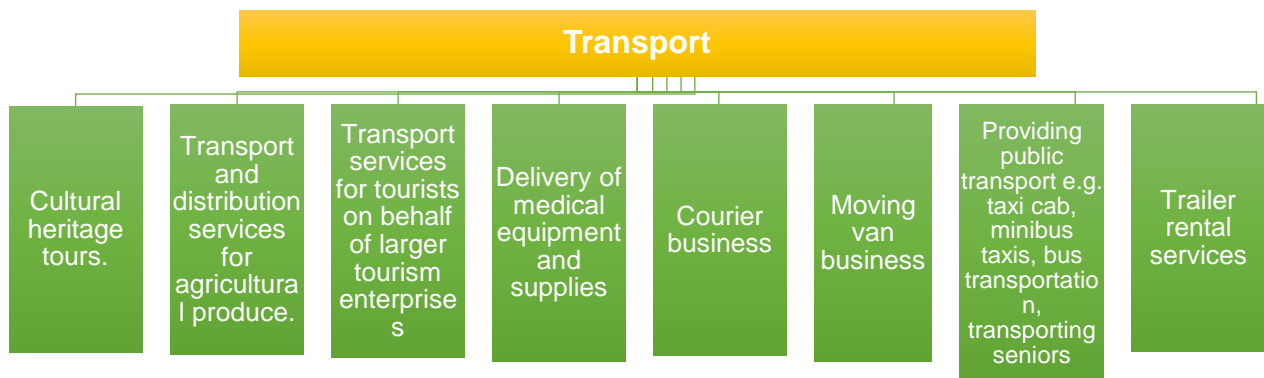
According to the Budget Speech of 2018, the Minister of Finance is set to approve six special economic zones that will stand to benefit from additional tax incentives including a reduced corporate tax rate for qualifying firms and the ability to claim an employment tax incentive for workers of all ages. This overall policy is driven by the Department of Trade and Industry and seeks to encourage investment in the manufacturing and tradable services sectors, and, as such, will provide opportunities for SMEs to tap into by either supplying infrastructure or material in these zones (Gigaba, 2018). Another policy which stands to benefit SMMEs in the manufacturing sector is the Preferential Procurement Policy Framework (PPPFA) Act No5 of 2000. The Preferential Procurement Regulations specify that the dti is able to designate specific industries of critical and strategic importance, for tenders in which it is indicated that only locally-manufactured products with a prescribed minimum threshold for local content will be considered (National Treasury, 2017). The procurement of locally manufactured goods serves to benefit SMEs throughout the country.

3.5 Transport

The Free State province is located in the centre of South Africa, border by six provinces and the neighbouring country of Lesotho. The province currently leverages its geographic strategic position to boost its transport and logistics sector. Numerous national roads pass through the province including the N3 linking Gauteng to the ports of Durban and Richards Bay; the N5 joining the N1 at Winburg with the N3 at Harrismth via Senekal, Paul Roux and Bethlehem, the N1 and N6 highways heading to the sea ports of Port Elizabeth and East London with the N1 ending at the port city of Cape Town (DESTEA, 2015: 56). An estimated 40bn tons of freight cross the Free State on an annual basis; 75% of this freight is on the N3 between KwaZulu-Natal and Gauteng, while the rest is from Gauteng to the Western Cape and the Eastern Cape, via the Free State and vice versa (Department of Economic, Small Business Development, Tourism and Environmental Affairs, 2015: 56). The transport sector is heavily linked with other economic sectors, hauling both inputs and outputs associated to various sectors. Transporting on a large scale may be extremely costly, especially for new entrepreneurs. There are many opportunities which accommodate SMMEs with a limited capital. Figure 6 on the preceding page is an illustration of the market and

value chain opportunities and gaps for SMMEs in Transport Sector and highlights both small and large scale opportunities.

Figure 6: Market and Value Chain Opportunities and Gaps for SMMEs in Transport Sector



Adapted from Seda (2012: 81).

The Department of Transport asserts that there are many opportunities for SMMEs in the transport sector. However, the department indicates that accessing those opportunities is difficult for Black SMMEs due to lack of access to both information and resources. Black SMMEs are particularly encouraged to register their companies on different databases within the transport sector to gain access to opportunities for their businesses (Department of Transport, *n.d.*: 18). Table 1 on the proceeding pages indicate both the opportunities available and current challenges for SMMEs in the transport sector.

Table 1: Opportunities in sub-sectors of the transport industry

Sub-sectors	Activities	Opportunities	Challenges
TAXI	NTV Operator	Pre-booked tours Curio sales	<ul style="list-style-type: none"> • Poor education • Lengthy negotiations • Failure to comply with rules and regulations • Resistance
	NTV Manufacturing	Catering Delivery of goods JV with NTV manufacturers, Tourism opportunities Improved business operation, vehicle warehousing Refurbishment	
RAIL	Transporting Commenters	Harmonization (ensuring that a proper schedule is kept will be both cost and time effective. This has the potential to save millions)	<ul style="list-style-type: none"> • Infrastructure challenges such as cable theft. • Poor management • Lack of financing • Entry barriers is a dominant challenge • Capital intensive and funding • Old rolling stock • The current market is being dominated by the South African government. • Backlogs exist because of the lack of rail infrastructure and expansion of networks in South Africa.
	Freight Transference	Repairing buildings and structures	
	Railway support activities and Information Transfer	Operation of depots, distribution of goods, warehousing and cargo collection. Ensure that commuters have access to the correct information.	
	Maintenance of lines	Preventative maintenance is needed to ensure that lines are maintained at an operational level.	

Source: Department of Roads and Transport (n.d:5- 6).

Sub-sectors	Activities	Opportunities	Challenges
AVIATION	Rotor and Fixed wing aviation equipment and service	Fixed wing – a patient unit box (one that is designed to hold the stretcher securely fastened to the box. Opportunity also for rotor wing-wing that can change into variable position that depends on need of a client).	<ul style="list-style-type: none"> • Lack of adequate knowledge on the industry and skills especially amongst Black people is a continued barrier. • In this industry, security is non-negotiable when providing a service.
	Manufacturing of Helicopters	This involves great levels of sophistication and skills and is appropriate for people with engineering background.	
	Aviation Training Service	There are individuals that provide this type of services, it is a transference of knowledge and experience in the Aviation industry.	
	International Airport	Services that can be provided include; security for airport area and booking services, cleaning and marketing services.	
	Rotary Type Aircraft Engine	Providing this temperamental piece of machinery inclined to seize in a spectacular shower of debris.	
	Microlight	Providing small aircrafts that are meant for playing and cruising around in the air. Usual size does not exceed 450kg.	
	Aircraft seats and parts	This service is provided during the manufacturing of an aircraft, such as light, seats, etc.	
PUBLIC SECTOR	Tenders: National, Provincial, Municipal	The South African government at different spheres of government advertises tender opportunities for SMMEs. These are advertised on different forms of media platforms. Also visit (www.treasury.gov.za)	<ul style="list-style-type: none"> • The dreary process of applying for tenders. • Government enterprises are not easily accessible.
	Specific Organisations	Opportunity exist to assist government organisations to enhance their profit imagines such as the dti and Umsobomvu (now absorbed into the NYDA).	

Source: Department of Roads and Transport (n.d: 11, 17).

Sub-sectors	Activities	Opportunities	Challenges
BUS	Joint Venture	Joint venture established for ad-hoc projects with two or more parties that equally share the obligations, risks and regards.	<ul style="list-style-type: none"> • Monthly Interim Contracts that complicate investments and empowerment agreements. • Insecure labour force (not only from a tendering point but also policy indecision). • There are still unresolved matters facing learner transport provision and not enough funds available to fund the contracts or negotiated contract system currently in place. • Refunding of vehicles of operators outside the contract system. • Very high insurance cost • High cost of fuel and at the toll gates.
	Sub-contracting	Opportunity to sub-contract certain routes to small operators.	
	Cooperatives FTHAND Associations	Opportunity to form cooperatives that jointly own enterprise and democratically control it.	
	Twining	A bigger company acts in a mentorship capacity to a small company (a strategic alliance).	
	Outsourcing	Outsourcing such as equipment, manufacturing and suppliers to the industry and fuel.	
	Maintenance	Maintaining the busses such as washing and cleaning busses.	
	Scholar Transport	Transporting children	
	Set aside Contracts	Certain contracts are put aside for bidding for qualifying enterprises (specifically small, black, women owned enterprises) which excludes large companies bidding.	

Source: Department of Roads and Transport (n.d: 15-16).

4. Conclusion and Recommendations

This report has identified the numerous opportunities for SMMEs in the various economic sectors. Participants in the sector would benefit greatly from additional or improved support in the following aspects:

- securing finance;
- sector-specific incubation and mentorship;
- assistance to improve the quality of products and services to meet recognised standards;
- support to improve their understanding of, and ability to access, existing and new markets; assistance to develop new, innovative product and service offerings; and
- Support to build or strengthen relationships and supply chain linkages with large enterprises.

The polarised approach to funding start-ups without extensive skills development coupled with management training, contributes to the revolving cycle where start-ups fail on a practical level. If start-ups were treated with the same level of training that potential franchisers endure in the process of acquiring a franchise, the long term results would out-weigh the current “throw money at it” approach.

The role of the private sector should be emphasising the importance of corporate social responsibility, in terms of specialist centres that they run in the communities they work in. For instance a large manufacturing company should have artisan training centre. That would create a foundation where new and emerging enterprises would benefit, because a basic infrastructure would already exist, thus a certain level of experience would innately be present. It would be increasingly beneficial for participants in the SMME sector to familiarise themselves with government strategic goals, in so far as they can provide guidance in the various economic sectors. Information on the priority sectors should be easily ready and accessible. Agents engaging with SMME participants should have extensive knowledge about the provincial economic landscape and its potential growth areas. Literature reveals that there is general consensus on the importance of a healthy SMME sector. There are a number of policy documents that are in support of creating an enabling environment

for small businesses to thrive in South Africa. However, access to markets and the lack of capital are in the main barriers that prohibits this sector from growing. There are many different programmes and schemes designed to bridge the capital gap for start-ups and existing small businesses, in the forms of grants and loans. DFIs play a crucial role in the endeavour to strengthen the SMME sector. In the Free State the primary facilitators of the SMME sectors growth and financing are the Department of Economics, Small Business Development, Tourism and Environmental Affairs (DESTEA), National Youth Development Agency (NYDA) and the Free State Development Corporation (FDC). Seda plays the biggest role in terms of skills development and non-financial support.

Table 2 provide a summary of the findings with special reference to the various opportunities available for SMMEs in the Free State Priority Sectors.

Table 2: Summary of findings: Opportunities for SMMEs in Free State Priority Sectors

Development Finance Institutions (DFIs) and Grants	Tourism	Mining	Agriculture	Manufacturing	Transport
Free State Development Cooperation	SMME Markets Access Programme (Hidden Gems)	Downstream production and conversion of minerals to produce products such as jewellery.	Transport and distribution services for agricultural produce.	Manufacture and supply of corporate clothing and gifts for government and other consumers	Transport and distribution services for agricultural produce and Livestock transportation
Small Enterprise Development Agency (Seda)	Tourism Enterprise Support Programme (TEP) Grant	Supplying Construction materials (Machinery, excavation, etc. Drills, drilling equipment, Electronic equipment, Electrical equipment).	The provision of warehousing and storage facilities for agricultural produce.	Production of customised machinery and provision of after sales repair services.	Trailer rental services
National Empowerment Fund (NEF)	Cultural heritage tours	Supplying Consumables (e.g. Explosives and accessories) Mine supports (e.g. Lime ,Grinding media, Replacement parts , Cyanides, other reagents) Fuel and related supplies	Production of organic foods	Packaging, transport and logistics services for distribution of agricultural Manufacture of furniture to supply government offices or schools products	Transport services for tourists on behalf of larger tourism enterprises

Development Finance Institutions (DFIs) and Grants	Tourism	Mining	Agriculture	Manufacturing	Transport
Industrial development Cooperation (IDC)	Township tourism and rural accommodation	Support services and equipment (e.g. Uniforms, safety, protective equipment, Personnel services, training, health, etc., Office supplies and equipment and Wider consumables	Agro-processing and adding value to primary agricultural produce to produce products such as: - Fruit juice - Essential oils - Dried fruit - Bio-composites - Jams and chutneys - Bio-fuels - Medicinal products - Beauty creams - Unique South African products such as rooibos and honey-bush tea.	Leather products	Cultural heritage tours
Small Enterprise Finance Agency (SEFA)	Conference facilities and services		Packaging, transport and logistics services for distribution of agricultural products.	Manufacture components to support the green economy (e.g. solar panels).	Courier business
National Youth Development Agency (NYDA)	Low-cost guest accommodation		Supply of seedlings	Downstream production and conversion of minerals to produce products such as jewellery.	Delivery of medical equipment and supplies
Local Economic Development (LED) Strategies	Catering services		Providing branding for farmers as well as operations technology to help farmers run their farms more efficiently e.g. weather services and	Manufacture innovative equipment for recycling.	Providing public transport e.g. taxi cab, minibus taxis, bus transportation, transporting seniors

			agricultural market analysis		
The Department of Trade and Industry (DTI)	Transport services for tourists on behalf of larger tourism enterprises		Agro-ecological farming e.g. container or rooftop farming		Moving van business
TETA SMME Grant	Niche accommodation services and activities such as eco-tourism, adventure or medical tourism.		Small scale vegetable farming		Bus: <ul style="list-style-type: none"> • Joint venture • Sub-contracting • Cooperatives/ Associations • Twining • Outsourcing • Maintenance • Scholar transport • Contracts
SMME Markets Access Programme			Farming of ostrich, sheep and game		Public Sector: <ul style="list-style-type: none"> • Specific government organisations • Government tenders
TEP Grant			Value-chain development especially in beef, dairy and poultry		Aviation: <ul style="list-style-type: none"> • Rotor and fixed wing equipment services. • Manufacturing of helicopters • Aviation training service • International Airport • Rotary aircraft engine • Microlight • Aircraft seats and part
DESTEA Tourism Unit mentorship, coaching and support to emerging tourism SMMEs					Taxi: <ul style="list-style-type: none"> • NTV Operator and Manufacturer. • Refurbishment

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