

Cape Higher Education Consortium (CHEC) /

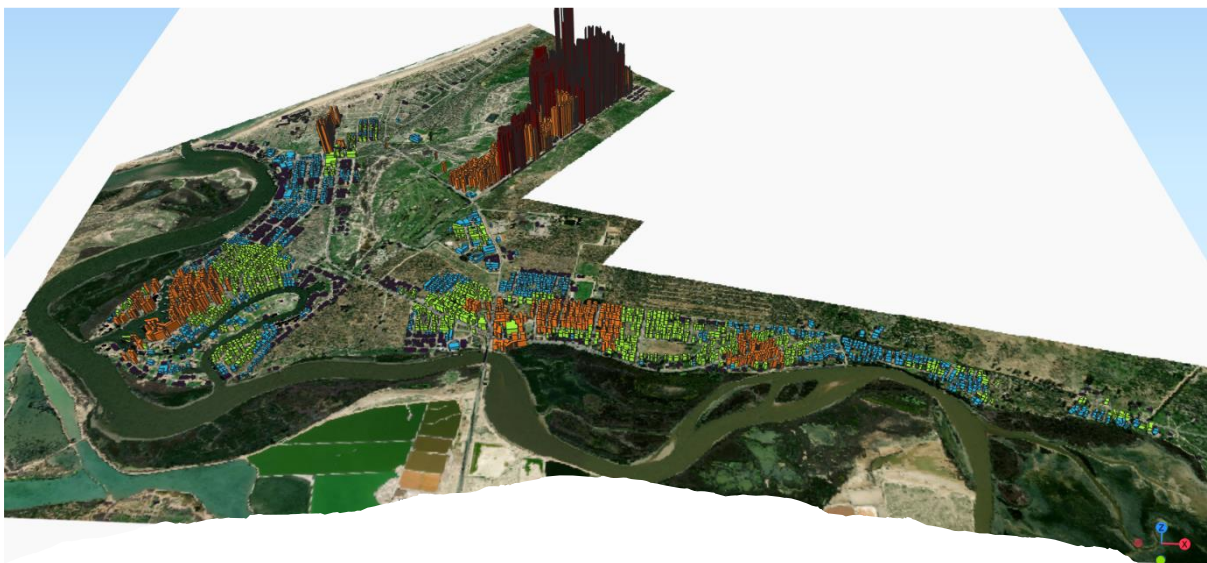
Western Cape Government (WCG)

JOINT RESEARCH PROGRAMME 2021/2022

Final Research Project Report

**A Micro-Economic Study of the Town of Velddrif?**

Purchases by:	Intermediate Users Sectors/Industries					Final Demands				Total Demand	
	1	2	3	...	n	C	I	G	E	X	
Sales by:	1	X <sub>11</sub>	X <sub>12</sub>	X <sub>13</sub>	...	X <sub>1n</sub>	C <sub>1</sub>	I <sub>1</sub>	G <sub>1</sub>	E <sub>1</sub>	X <sub>1</sub>
	2	X <sub>21</sub>	X <sub>22</sub>	X <sub>23</sub>	...	X <sub>2n</sub>	C <sub>2</sub>	I <sub>2</sub>	G <sub>2</sub>	E <sub>2</sub>	X <sub>2</sub>
	3	X <sub>31</sub>	X <sub>32</sub>	X <sub>33</sub>	...	X <sub>3n</sub>	C <sub>3</sub>	I <sub>3</sub>	G <sub>3</sub>	E <sub>3</sub>	X <sub>3</sub>
Sectors/ Industries	·	·	·	·	...	·	·	·	·	·	?
	·	·	·	·	...	·	·	·	·	·	?
	n	X <sub>n1</sub>	X <sub>n2</sub>	X <sub>n3</sub>	...	X <sub>nn</sub>	C <sub>n</sub>	I <sub>n</sub>	G <sub>n</sub>	E <sub>n</sub>	X <sub>n</sub>
Value- Added	W	W <sub>1</sub>	W <sub>2</sub>	W <sub>3</sub>	...	W <sub>n</sub>	W <sub>C</sub>		W <sub>G</sub>		W
Imports	R	R <sub>1</sub>	R <sub>2</sub>	R <sub>3</sub>	...	R <sub>n</sub>	M <sub>C</sub>	M <sub>I</sub>	M <sub>G</sub>		M
Total Supply	X	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	...	X <sub>n</sub>	C	I	G	E	



## 1. COVER PAGE

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## 2. ABSTRACT

As an outcome of globalization, geographers and demographers have noted the significant demise of small towns. Economic rationalization and the related decline of services within small towns that once thrived a century ago have also seen the growth of large regional centers. Economies of agglomeration and telecommunications technology are leading to the centralization of business services into a relatively small number of world cities. This process has a cascade effect through the urban system: from the national level to the regional level and then to the local level. The result at the local level is the decline, and even the demise, of many small towns. Certainly, it also leads to a marked reduction in services that are no longer economically viable in a competitive business environment.

Towns, by far, account for the vast majority of urban settlements worldwide and in South Africa. However, most people live in large and mega cities facilitated by urbanization. People leave (flee) towns, searching for opportunities and better living standards in large and megacities. This suggests that towns will continue to suffer population losses, further amplifying the urbanization process. This follows a self-fulfilling prophecy.

In the main, the movement of people away from towns to large and mega cities suggests very few opportunities associated with towns. People express their lack of confidence in these towns through their migration away from them. Large and megacities are seen as the future, while towns are seen as the past. Does this mean that we should walk away from these towns and just let them fade away in history, or is there still value in these towns.

The continued population loss leads to lower levels of investment and skills in the towns, leading to lower levels of productivity and competitiveness. Towns cannot viable compete against large and megacities. The consequences for the remaining population in these towns are, in many cases dire, leading to higher levels of poverty and lower living standards. On the other hand, we know very well that many large and megacities have become unsustainable, struggling to cope with the significant influx of people. Cities, for many, have become prisons with no alternative, i.e., they cannot go back to their hometown because they fled them in the first place.

In theory, the revival of towns should be a winning strategy for both the towns per se and for the large and megacities. It is not in anybody's interest to let towns just die and become relics of the past. This is especially true for municipalities that rely on these towns for economic development and prosperity.

Small towns, which serve as key links between cities and rural areas, play a unique role in the integration of urban and rural areas. Moreover, their construction and development directly reflect the overall political, economic, and cultural character of a region and country. The unique status of small towns and the role they play in development have been one of the main focuses of scholarly attention for a long time. From the traditional research perspective, it is generally believed that small towns lack economic efficiency with their stagnated social-economic development. Therefore, it is also questioned whether the big cities, medium cities, or small towns would turn out to be the main driving force of development and growth in the new era. In the face of such a debate, small-town evaluations have been conducted with the aim of exploring the importance of small towns in the development and growth process

The development and growth performance of small towns is evaluated as an independent composite system of inputs and outputs. It refers to the ratio of the effective outputs of all factors to the overall inputs across diverse economic, social, and ecological fields in the development and construction of small towns under certain conditions of production technology per unit of time. It reflects the effective allocation, rational use, and management of the input resources of small towns in a comprehensive manner, concentrating on quality improvements in the development of small towns.

### 3. INTRODUCTION AND PROJECT AIMS / QUESTIONS

The study aims to comprehend the observed growth dynamic by ascertaining qualitatively the underlying economic base (flow of money and goods and services) and place identity of the town of Velddrif (including Laaiplek and Noordhoek).

The associated methodology and model can then be used to facilitate similar studies throughout the Province. As such, the study will develop a blueprint to study and model other towns in the Province. The study will also include several micro-economic reforms to support the growth and development of towns.

The aims of the study are interpreted as being an urban audit of the town of Velddrif to

- Identify salient growth criteria and indicators for urban development from the relevant literature and policy documents
- Identify the observed growth dynamic of the town
- Assess the underlying economic base and place identity of the town
- Develop a Micro-economic model of the town

The study's primary outcome is to make several microeconomic reform suggestions and present a blueprint for similar studies.

#### 4. RESEARCH APPROACH AND METHODS

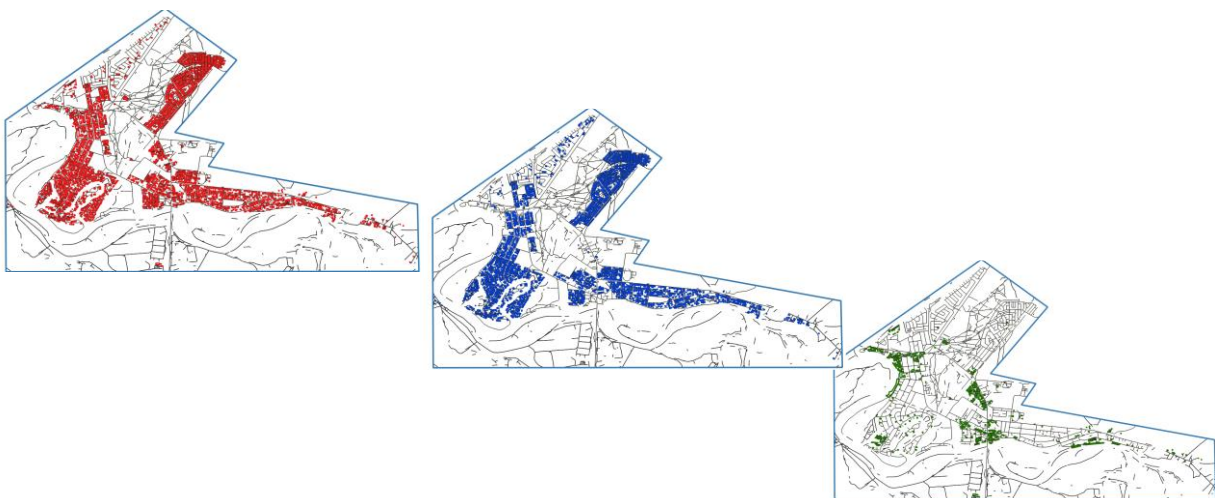
In the main, the approach is quantitative in nature. The focus of the research was to generate primary data since data that focus on businesses at the town (local) level does not exist in SA. Therefore, conducting research on a town level is, first and foremost, based on primary data generation.

The method of primary data generation follows a survey methodology. To this end, a decision was made to conduct three "small" surveys rather than one "extensive" survey. The reason is that the response rate would be better if we did the surveys in small pieces. This also gave the research team time to assess/evaluate the responses in order to improve the next round of surveys. It was essential to consider the time constraints of business people and the knowledge base of the business people. We found that many business people could not supply our requested information.

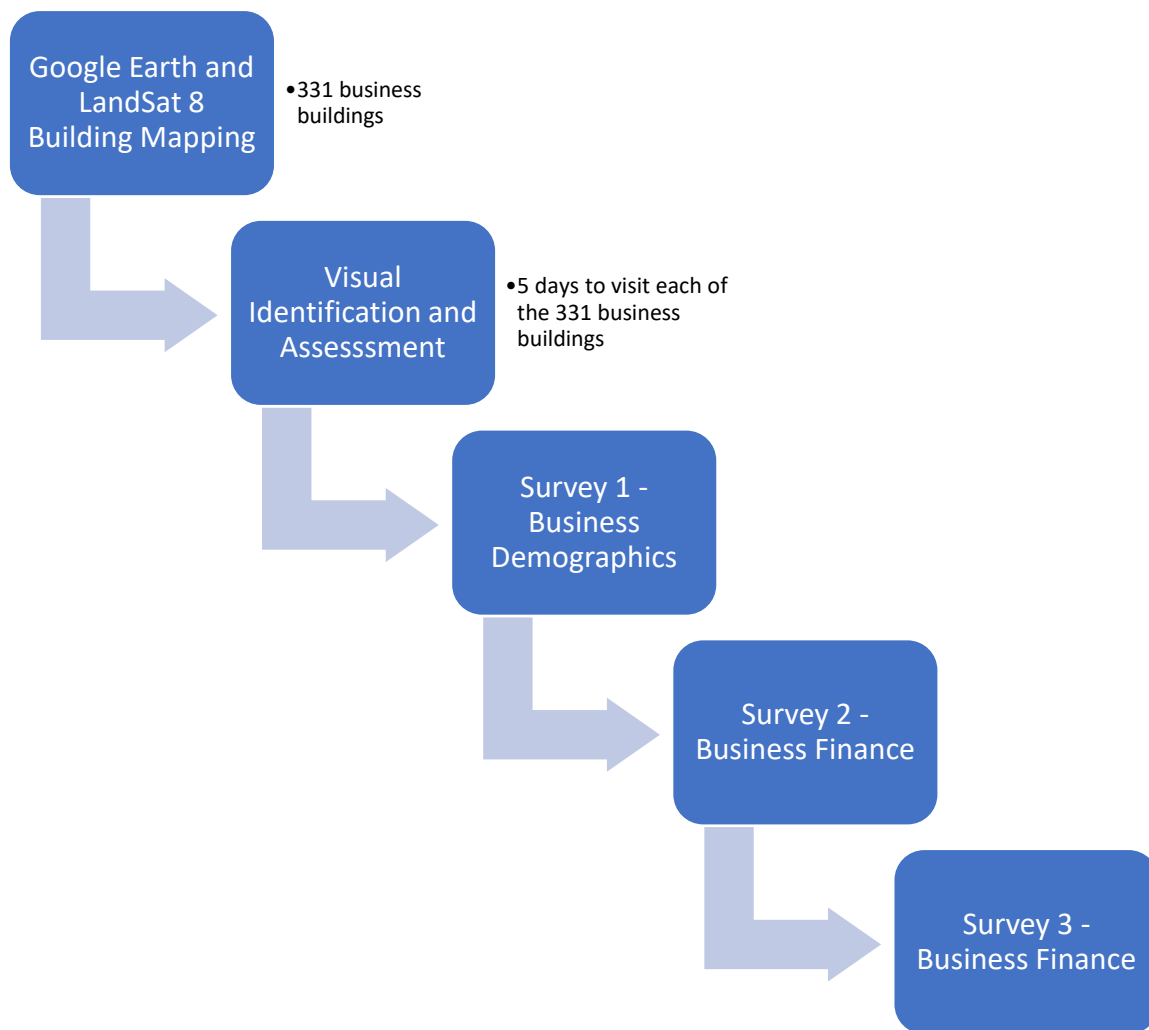
We implemented three structured surveys that focused primarily on demographic and financial questions. The first survey focus on demographic information, while surveys two and three focus on financial information. The surveys were all question-based.

The survey process was preceded by visually identifying and assessing all 331 businesses. To this end, Google Earth Pro and LandSat 8 images were used. The images were processed via Mapflow in QGIS to map each spatially and every building. Each building was then mapped as either business or residential.

The figure below illustrates 1) all buildings, 2) all residential buildings, and 3) all business buildings within the study region.



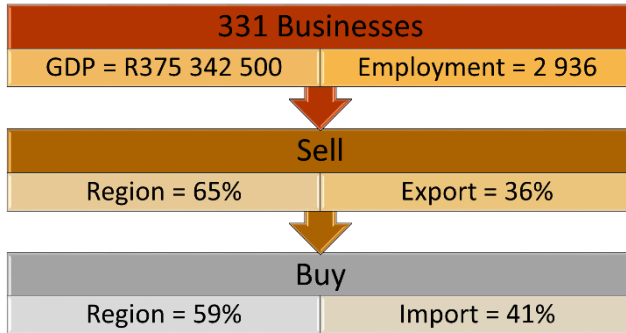
The figure below illustrates the research flow employed in the research.



The actual surveys (questionnaires) are available on request. The response rate varied between the three surveys but averaged around 10%. Significantly the same businesses were surveyed through the three survey rounds.

## 5. CONCLUSIONS AND RECOMMENDATIONS FOR FOLLOW-UP ACTION

A detailed presentation is available on request. The presentation includes the results in great detail. Below figures display some of the main results.



Veldrif Income Statement (all businesses)

Please estimate the Income and Expenditure (R)	Average (%)	Values (R)
<b>Income items</b>	<b>100</b>	<b>1 501 567 076</b>
Turnover	100	1 501 567 076
<b>Expenditure items</b>	<b>100</b>	<b>1 513 517 368</b>
Purchases	40	535 399 570
Employment costs	13	170 288 093
Marketing and Advertising	3	37 229 117
Electricity	3	46 816 222
Utilities	3	37 899 099
Maintenance and Repairs	3	36 167 426
Fuel Transport	5	69 777 756
Insurances	3	34 795 841
Internet and Software Services	2	32 242 212
Interest paid	1	18 979 550
Royalties, Franchise fees, copyright, trade names and patent rights paid	2	31 632 583
Rental/leasing of land, buildings and other structures paid	4	59 211 093
Rental/leasing for plant, machinery, vehicles and other equipment paid	2	28 460 324
Depreciation	2	22 142 808
Security	2	30 387 279
Banking, Accounting and Management Fees	2	29 189 367
Taxes	6	82 244 715
Other expenditure	4	49 346 829
<b>Capital expenditure on new buildings, machinery, furniture, vehicles and other equipment</b>	<b>2</b>	<b>36 031 340</b>
Buildings, improvement and construction works		
Plant, machinery, furniture, fittings and other equipment		
Vehicles		
Other		
<b>Profit</b>	<b>-2</b>	<b>117 978 385</b>

Please estimate the Number (Q) of Human Resources per Location			
Location	Number of Full Time Workers	Number of Temporary Workers	Number of Consultants
Veldrif	37,35	1,17	0,39
Laaiplek	3,11	0,39	0,00
Noordhoek	52,53	2,72	0,00
Dwarsersbos	0,00	0,00	0,00
Vredenburg	0,39	0,78	0,00
Rest of West Coast	0,39	0,00	0,78
Cape Town	0,00	0,00	0,00
Western Cape	0,00	0,00	0,00
South Africa	0,00	0,00	0,00
World	0,00	0,00	0,00
<b>Total</b>	<b>93,77</b>	<b>5,06</b>	<b>1,17</b>

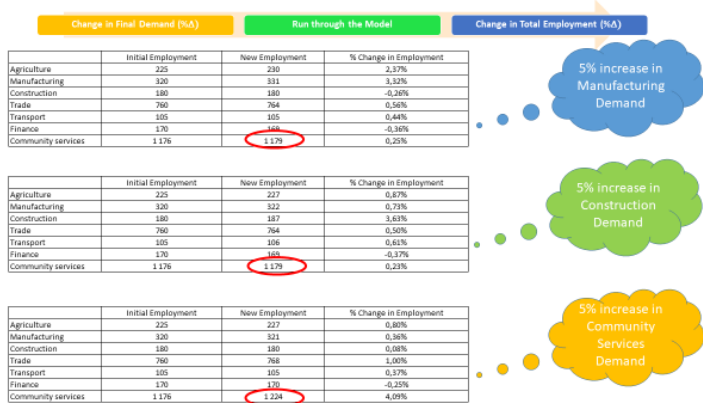
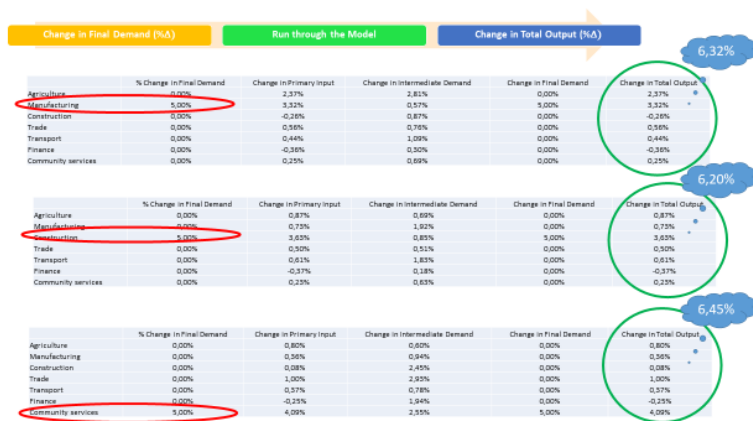
2022	Number	Employment	GDP
Agriculture	19	225	55 873 172
Manufacturing	23	320	84 216 927
Construction	16	180	54 036 885
Trade	94	760	66 377 482
Transport	10	105	14 103 220
Finance	29	170	22 463 614
Community services	140	1176	77 579 648

SUT Table	Consumption Sector										Finan Demand										Total Output	
	Agriculture	Manufacturing	Construction	Trade	Transport	Finance	Community services	Private consumption	Government consumption	Private investment	Government investment	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports			
Agriculture	958 732	32 406 440	167 620	5 028 505	39 111	56	16 76 195	39 876 739	3 911 122	1 117 463	0	0	558 732	1 117 463	1 676 195	4 468 854	2 234 927	558 732	558 732	16 203 220	55 873 172	
Manufacturing	2 526 508	3 368 677	14 316 878	4 230 846	2 526 508	84	5 053 016	32 002 516	5 895 185	6 737 354	842 169	0	0	1 684 339	842 169	16 843 385	1 684 339	13 474 708	4 230 846	52 214 495	84 216 927	
Construction	540 369	2 161 475	1 621 107	540 369	270 184	27 018	6 484 426	11 644 949	17 832 172	2 701 844	1 080 738	0	0	12 428 484	1 080 738	3 782 582	3 242 213	0	0	42 149 770	54 036 885	
Trade	464 642	1 991 324	663 775	331 887	663 775	132 755	9 282 847	13 541 006	35 180 065	2 655 089	663 775	0	0	5 873 373	1 991 324	2 655 089	1 327 550	1 991 324	663 775	53 101 986	66 377 482	
Transport	84 619	987 225	1 269 230	84 619	282 064	14	4 23 097	3 130 923	7 182 642	1 128 258	282 064	0	0	846 193	282 064	0	846 193	0	4 23 097	11 000 512	14 103 220	
Finance	4 493	89 854	22 464	179 709	67 331	449 272	673 308	1 487 091	16 173 802	0	0	0	0	2 021 725	224 636	2 470 398	0	0	0	20 891 161	22 463 614	
Community services	1 551 593	3 103 186	2 327 389	3 978 982	775 736	775 736	16 281 726	28 704 470	5 430 575	1 551 593	775 736	775 736	4 654 779	775 736	4 654 779	17 067 523	4 654 779	7 757 985	775 736	48 875 178	77 579 648	
Total Intermediate Purchases	5 730 956	44 108 182	20 389 521	14 254 999	4 624 330	1 394 936	39 895 216	130 387 700	91 895 564	15 831 612	3 644 543	775 736	26 483 388	7 856 361	16 891 822	43 786 718	10 655 363	22 878 276	5 545 375	244 435 321	374 650 948	
Value Added	26 675 375	13 238 688	13 459 345	16 157 970	3 696 572	5 902 013	18 942 216															
Labor Income	16 546 831	8 628 089	9 758 025	10 945 721	2 838 301	2 107 862	13 899 551															
Gross Operating Surplus	10 026 443	3 609 787	3 701 320	5 212 249	758 271	3 794 151	5 652 665															
Imports Dwarsersbos	501 422	401 087	672 967	521 225	189 568	0	376 844															
Imports Vredenburg	4 512 789	3 208 700	5 720 222	7 938 372	1 990 462	0	6 029 509															
Imports Rest of West Coast	1 504 286	2 005 437	1 009 451	3 127 349	568 703	0	753 689															
Imports Cape Town	7 521 332	8 021 749	4 037 804	10 945 721	2 085 246	0	6 783 198															
Imports Western Cape	501 422	2 807 612	672 967	1 563 874	568 703	0	753 689															
Imports South Africa	8 022 755	9 225 011	7 738 124	11 468 946	284 352	14 755 032	3 014 755															
Import World	1 002 844	1 203 262	336 484	521 225	94 784	4 215 721	1 130 533															
Total Purchases	55 673 172	84 216 927	94 036 895	66 377 482	14 103 220	22 463 614	77 579 648															
Total Employment	225	320	180	760	105	170	1 176															
Wage and Salary Employment	130 321 905	11 007 763	22 497 836	18 448 590	2 975 870	3 277 345	30 042 430															
Intermediate Sales	130 387 700																					
Intermediate Purchases	130 387 700																					
Final Demand	244 435 321																					
Imports	162 393 871																					
Value Added	97 863 377																					
Final Costs	244 263 248																					

export 36,55  
import 39,97

374 650 948  
374 650 948

10 088 480  
37 863 372  
280 671 740  
2 538



Sector	Output	Value Add	Employment	Backward Linkages	Forward Linkages
Agriculture	1,1675322	0,5196191	0,0000053	0,7966139	1,2916566
Manufacturing	1,6761193	0,4139395	0,0000076	1,1436257	1,2912981
Construction	1,6282352	0,4058167	0,0000070	1,1109541	0,8743338
Trade	1,3266458	0,3420195	0,0000138	0,9051780	0,9179569
Transport	1,5338211	0,3959748	0,0000111	1,0465349	0,7423225
Finance	1,0949777	0,2867481	0,0000086	0,7471095	0,7146199
Community services	1,8320000	0,4564593	0,0000230	1,2499840	1,1678121

Sector	Output	Value Add	Employment	Backward Linkages	Forward Linkages
Agriculture	6	1	7	6	1
Manufacturing	2	3	5	2	2
Construction	3	4	6	3	5
Trade	5	6	2	5	4
Transport	4	5	3	4	6
Finance	7	7	4	7	7
Community services	1	2	1	1	3

The above results propose the following findings:

- Given the population size, there is a significant number of businesses in the Velddrif region.
- The businesses are not spatially equally distributed between the four sub-regions.

- There is minimal alignment between the business location and the population location.
- Most businesses are micro or small size businesses employing less than 5 people and having a turnover of less than R1m.
- Five businesses are responsible for most employment and turnover (and by implication, GDP).
- Most businesses are classified in the Community, Personal Services, and Accommodation sector, particularly within the accommodation sub-sector.
- Many businesses indicated a degree of dependency on the construction and tourism sectors.
- Businesses in the Velddrif region depend to a large degree on imports for their inputs.
- The degree of business interaction and dependence is relatively limited.
- The Manufacturing and Community Services sectors are the most significant sectors within the region.

Some of the main conclusions from a microeconomic strategy point of view are as follows:

- A focus should be placed on increasing tourism in the region regarding the number of visitors, duration of stay, seasonality, and activities.
- From a construction sector point of view, the focus should be placed on the building permit process in terms of turnaround time, simplicity etc.
- Infrastructure services and land availability needs to be addressed as soon as possible.
- A local power generation facility should be a significant focus.
- Businesses should be encouraged to buy and sell more from each other.

The above leads to the following follow-up actions:

- Development of a tourism strategy and implementation plan for the region
- Development of a construction strategy and implementation plan for the region
- Implementation of a businesses services facilitation function within the region

## 6. BUDGET

Actual Spend to Date = R100 000

Original Budget = R100 000

Spend to Date = R100 000

Available = R0