



**DRAKENSTEIN**

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

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# PLANNING AND DEVELOPMENT

## COVID-19 BUSINESS IMPACT SURVEY FINDINGS

30 June 2020

A city of excellence

## 1. EXECUTIVE SUMMARY

Drakenstein Municipality administered a survey between 27 March and 31 May 2020 to assess the impact of the COVID-19 alert level lockdown on businesses operating within the Drakenstein municipal area. The initial alert level lockdown was implemented at level 5 on 27 March 2020. At the close of the survey the country had just progressed from alert level four to three and 57 responses were received from businesses that included restaurants, accommodation establishments, real estate property developers, retailers, construction and tourism companies. Whilst the random sample size may appear small in relation to the total number of businesses within the Drakenstein region, the total number of employees represented by these 57 companies is significant. Seven of the businesses who responded each employ over 100 employees and another three each employ over 50 employees, implying that the respondents represented over 1 500 employees.

The Drakenstein economy is estimated to have lost over R800 million in income and 2 200 jobs after 2 months of lockdown, according to estimates from the Western Cape Department of Economic Development's impact model. Manufacturing, retail trade and transport account for over 50% of the loss in income after 2 months of lockdown while tourism, construction and the informal sector account for over 80% of the job losses during the same period. Further estimates suggest that Drakenstein's tourism sector alone lost approximately R65 million in income and 700 jobs after two months of the lockdown.

Drakenstein Municipality expresses their sincere gratitude to all the businesses that took the time to participate in the survey. The findings of the survey are useful as they help understand the depth of the economic impact of the pandemic to the Drakenstein region and can therefore help in the formulation of economic strategies to respond to some of the challenges.

## 2. ANALYSIS OF THE SURVEY

The table below highlights some of the key findings of the survey.

### 2.1 Key Findings

Survey Question	Yes	No	N/A
a) Are there employees in your company that have had to stay home due to COVID 19?	65%	35%	
b) Are there company events that have had to be cancelled due to COVID 19?	76%	22%	2%
c) Did your business experience stock/inventory shortages due to COVID19 lockdown?	27%	69%	4%
d) Does your business export any goods or services?	21%	79%	
e) Does your business import any goods or services?	84%	16%	

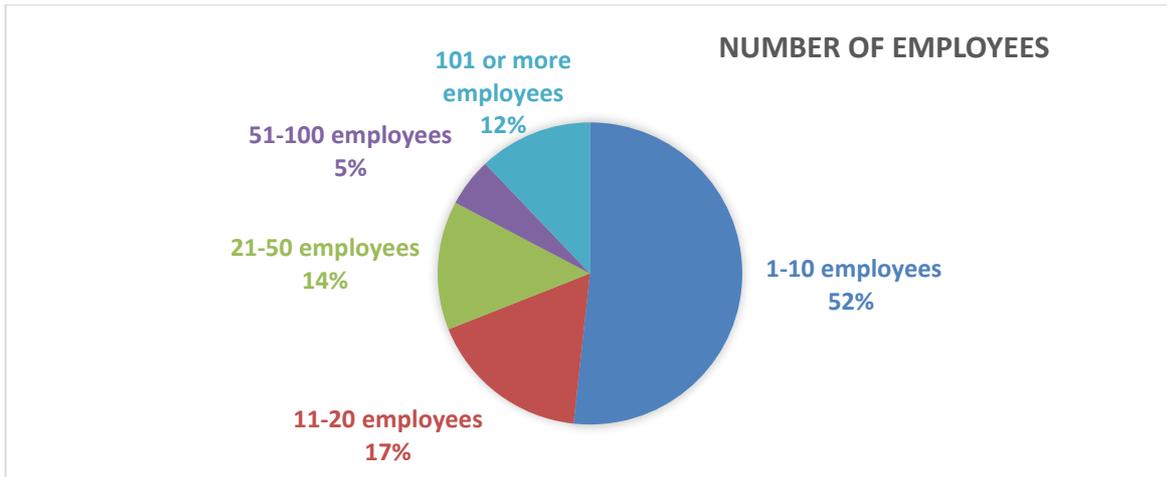
f) Has your business had to source from different suppliers during the COVID19 lockdown?	36%	64%	
g) Has your business identified new opportunities as a result of the pandemic?	47%	53%	
h) Can your business function from alternative sites i.e. work from home?	40%	60%	
i) Did the business inform the bank, shareholders & staff about the impact of the pandemic on your business?	75%	25%	

The key findings of the survey indicate that the shutdown of the economy from 26 March 2020 resulted in, amongst others, the majority of businesses being forced to allow staff to stay at home which led to zero production or business activity for non-essential businesses, and limited activity for businesses providing essential goods and services. Survey findings indicate that various corporate events as well as annual sports and tourism events had to be cancelled. Exports of wine were significantly affected due to the restrictions in the movement of goods in all South African ports. Orders were not met as the economy ground to a halt and some customers cancelled future orders. Businesses that imported spare parts were also severely affected. Other effects on businesses included lower fuel sales, lower sales of general retail goods, no visitors at tourism attractions and accommodation establishments, slow legal services' processes, delivery deadlines not met, unable to import spares and port and logistics backlogs.

Businesses providing non-essential goods and services experienced zero income while providers of essential goods and services experienced a reduction in income due to the restriction in the movement of consumers. The survey findings indicated that businesses' finances were put under severe pressure as payment of monthly costs such as salaries and rent had to continue during the lockdown period despite a zero or low income. Travel agents had to deal with the burden of cancellations, refunds and vouchers for future travel. Respondents indicated that the impact and implications of the lockdown were communicated to staff, shareholders and banks. Companies have had to lay-off workers in some instances. A significant number of businesses said that they had identified new opportunities and new business strategies. However, some businesses reported that they could not work from home due to various logistical challenges. The informal sector and SMMEs were also particularly and severely hard hit as they were initially restricted to trade and had no income or savings from which to survive.

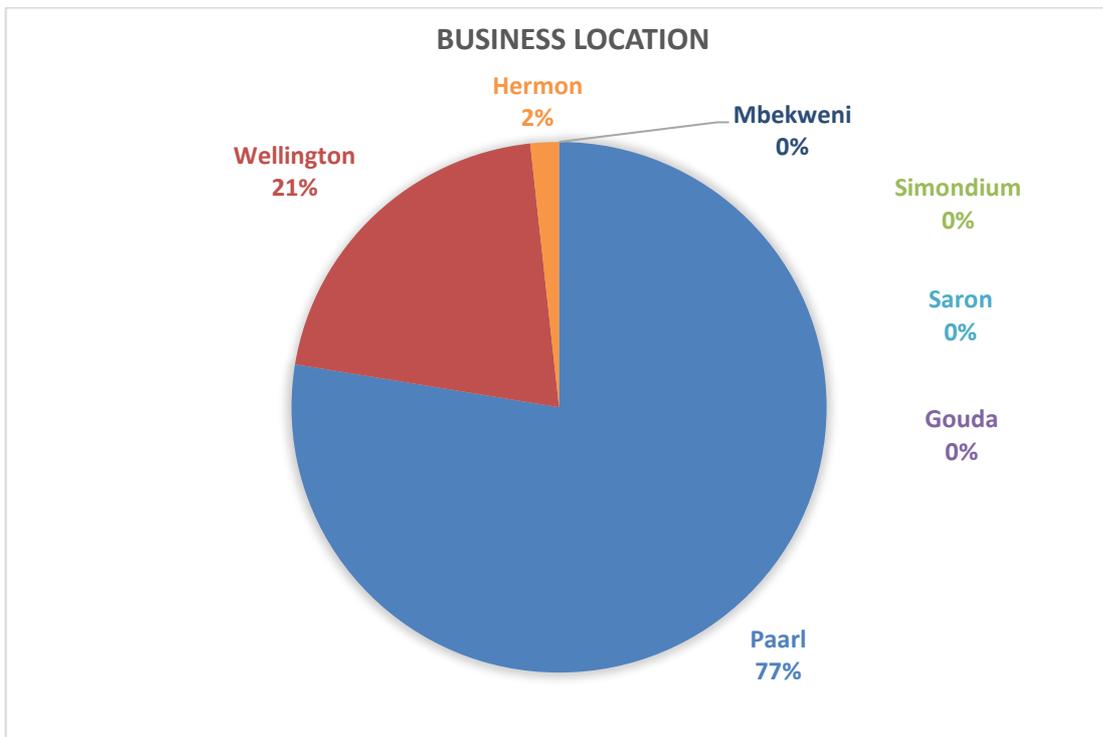
Details of the responses to each survey question are provided below.

(a) ***How many employees does your business have?***



Just over half (30 out of 57) of the businesses that responded employ between 1-10 employees while 7 out of 57 businesses (or 12 per cent) employ over 100 employees. One respondent indicated that the business employs 300 people and all of them had to stay home. This indicates that the lockdown affected both small and large enterprises, formal and informal.

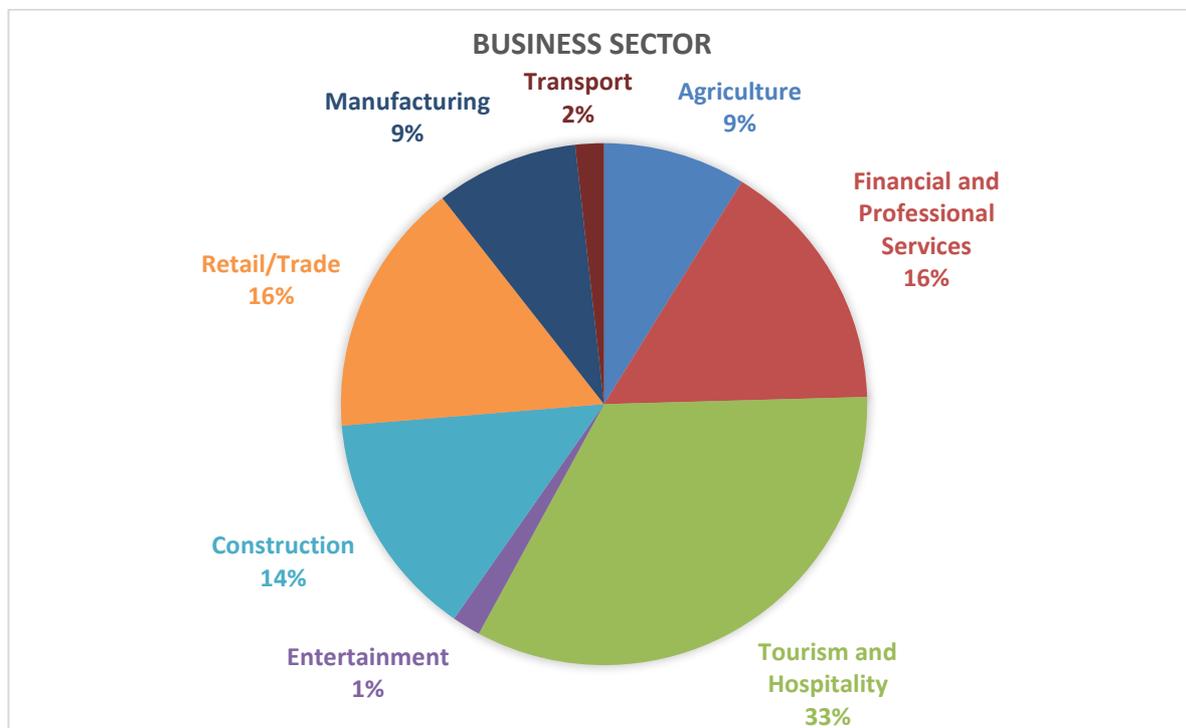
**(b) In which town is your business located?**



Most of the respondents (45 out of 57) were businesses located in Paarl, while Wellington had 12 respondents. Drakenstein Municipality acknowledges the fact that businesses in all other locations,

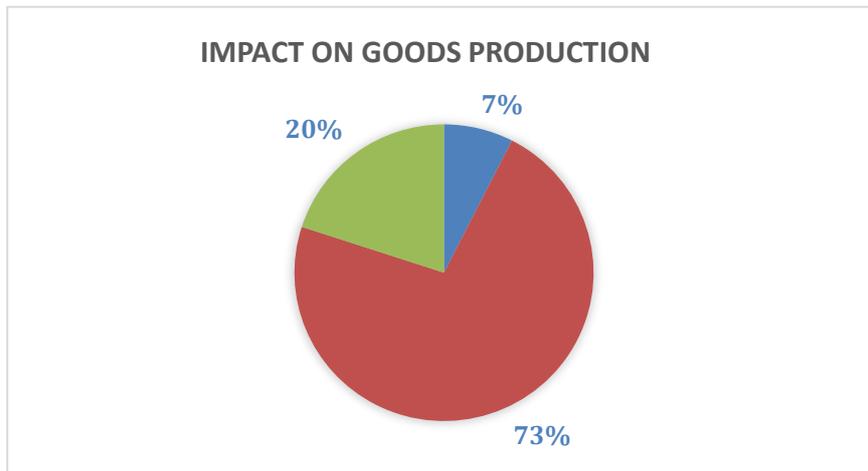
including Mbekweni, Paarl East, Saron, Hermon, Gouda and Simondium were similarly affected by the Covid-19 lockdown.

**(c) In which sector does your business operate?**



The top 5 sectors of the Drakenstein economy which include Agriculture, Forestry and Fishing, Manufacturing, Construction, Wholesale and Retail trade, Catering and Accommodation and Finance, Insurance, Real Estate and Business Services were fairly well represented in the survey, and at least one third (33%) was from the tourism and hospitality sector while 16% each represented the retail trade and financial and professional services. Sectors that did not respond to the survey were Community, Social and Personal Services, Transport and Storage, Informal sector and National and Provincial government. This shows that the closure of the economy during the lockdown period affected all sectors of the Drakenstein economy.

**(d) Impact on monthly goods production output over the past two months?**

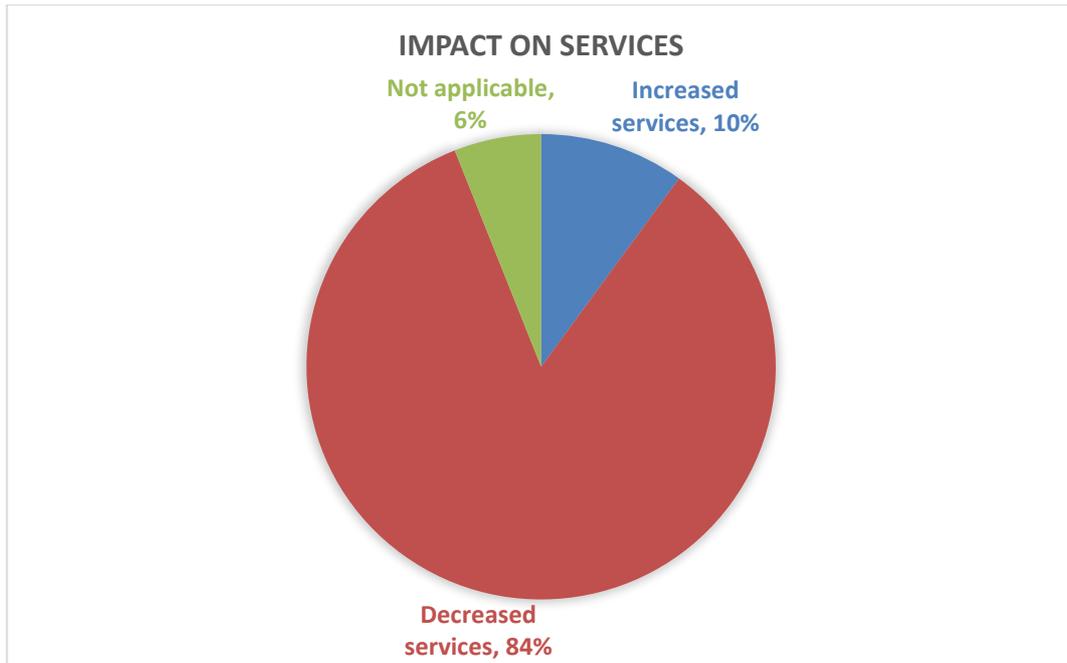


Production or output came to a halt in most instances and decreased significantly for those businesses that continued during the lockdown period which restricted most social and economic activity, except for essential goods and services. The figure above indicates that 73% of the respondents were non-essential services and therefore had zero production while only 7% stated an increase in output, and it is assumed that the 20% that indicated that the question was not applicable to them did not produce any goods or services and were probably non-essential services as well.

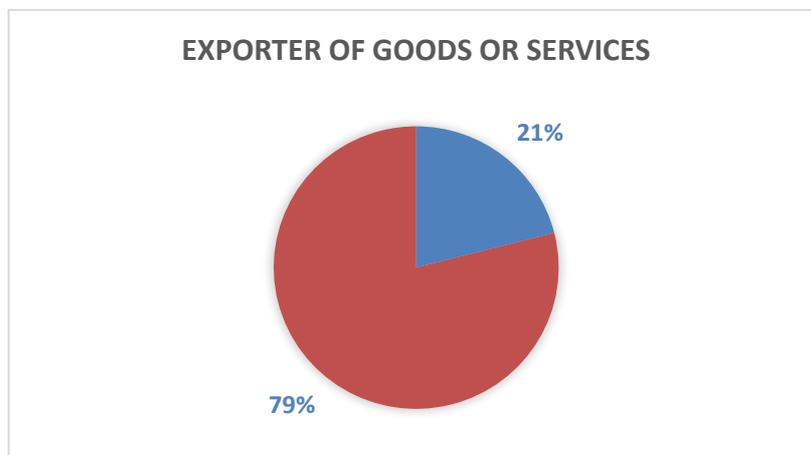
Among many examples, respondents indicated that there were no accommodation bookings or guests occupying establishments, no international travellers, no alcohol sales allowed at wine estates and liquor outlets, and there were restricted architectural services which resulted in delays in development plans.

**(e) Impact on monthly services provided over the past two months?**

The impact on monthly services provided by businesses was similar to that of goods as explained above. The figure below shows that 84% of the respondents experienced decreases in services provided and only 10% indicated that their monthly output had increased and 6% said they did not provide services.



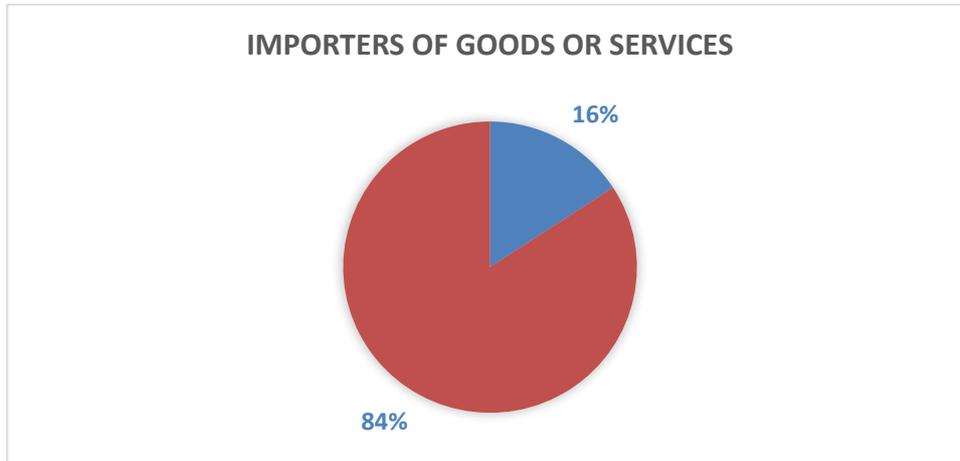
**(f) Does your business export any goods or services?**



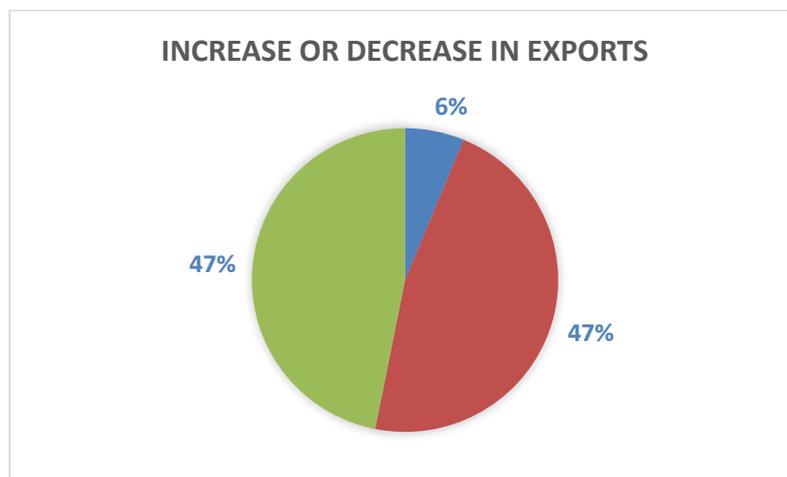
21% of businesses indicated that their export goods were affected severely as they could not deliver orders for their overseas customers due to restrictions on flights and freight at international and local ports. Respondents also indicated they were unable to export wine. Orders were suspended as customers were uncertain about the future and other orders were not met as production and logistics came to a halt due to the lockdown. However, the majority of the respondents, 79%, were not exporters of goods or services.

**(g) Does your business import any goods or services?**

Only 16% of the respondents indicated that their businesses imported products from abroad, while the majority of 84% do not import any products and their businesses had therefore not been affected by the restrictions on local and international flights.



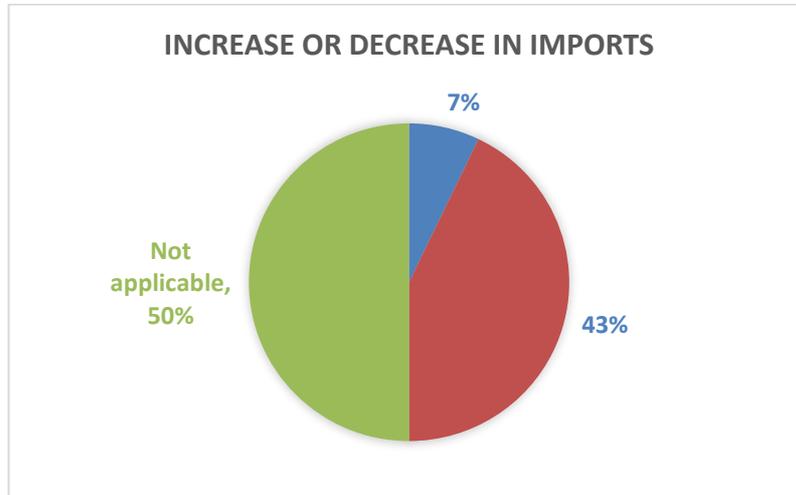
**(h) Impact on goods or services exports over the past two months?**



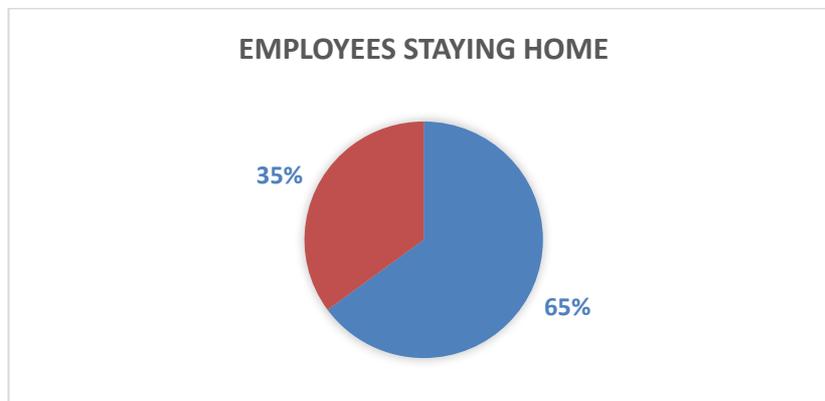
Of the businesses that exported goods or services, 47% of the respondents indicated that exports had decreased significantly during the two months of the lockdown period and another 47% indicated an increase in exports. It is not clear how the exports increased with the restrictions in transportation logistics.

**(i) Impact on goods or services imports over the past two months?**

Half of the respondents indicated that their businesses did not import any goods or services, and of those who import, 43% indicated that imports had decreased due to the lockdown while 7% reported increased on imports.



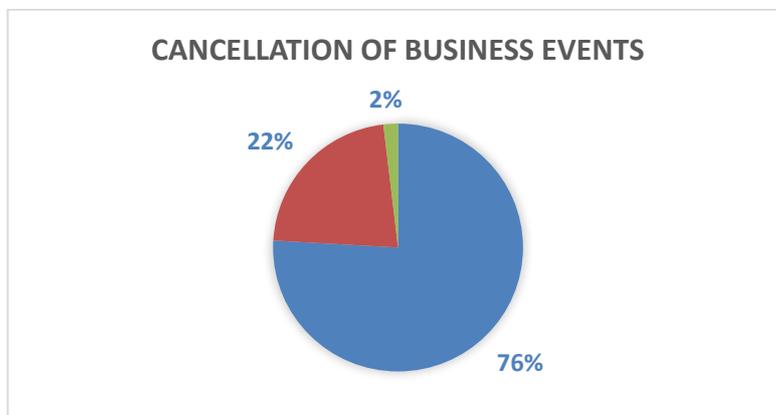
**(j) Are there employees in your company that have had to stay home due to COVID 19?**



A majority of the respondents, 65%, indicated that their staff stayed at home as the businesses were not classified as essential services. One respondent highlighted that its 300 workers had to stay at home. The 35% of the respondents whom reported that staff continued to come to work were businesses providing essential goods or services, e.g. petrol stations, convenience shops, banks etc. However, even the businesses classified as essential services operated with a skeleton staff as some staff were asked to stay at home, especially high-risk employees and those with co-morbidities and aged workers. Businesses indicated that staff who could work effectively from home were encouraged to do so. It was highlighted

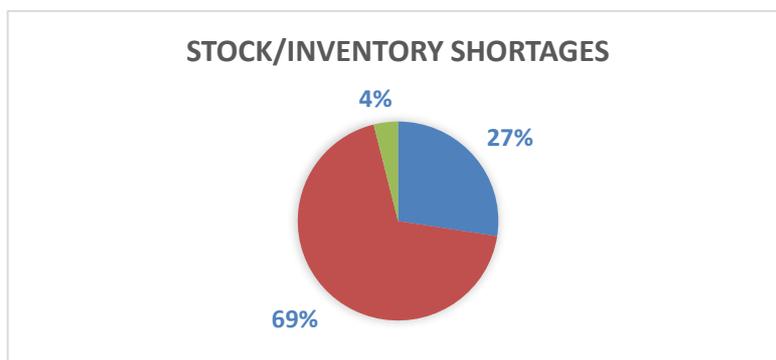
that communication was a challenge especially in the process of tracing persons that had been in contact with someone testing positive for Covid-19.

**(j) Are there company events that have had to be cancelled due to COVID 19?**



A majority of the respondents, 76%, indicated that various events were cancelled due to Covid-19 regulations on gatherings and cancellation of flights. Respondents indicated that all bookings for weddings and sport events were also cancelled. Other events cancelled included customer launches, meetings, group training, luxury goods expos, festivals, a yarn and craft festival, inbound tours, corporate functions, wine shows, team building events and community outreach programmes. One respondent stated that the business lost R220 000 per month from cancelled events. Popular events such as the Cape Epic, Braai Master Competition, cultural and religious events, seminars, and company strategic sessions, among others were also cancelled.

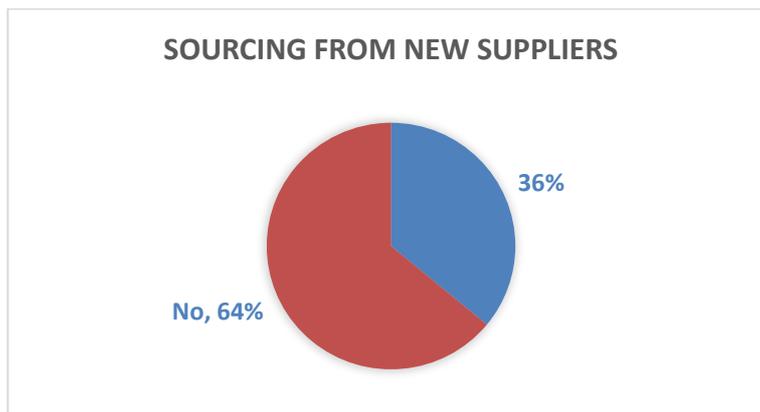
**(k) Is your business experiencing stock/inventory shortages?**



Over a quarter of the respondents experienced shortages with their stock or inventories during the first few weeks before lockdown as people stocked up on basic needs to avoid moving up and down especially

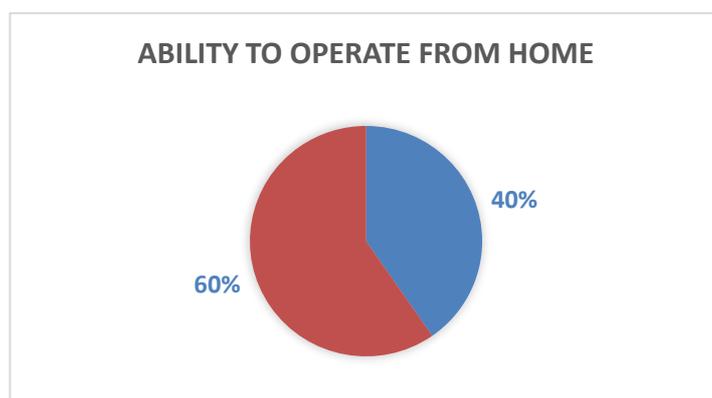
during the lockdown. A majority of businesses, 69%, did not experience any shortages in stock during the lockdown. Some respondents highlighted that they faced shortages because of cash-flow problems as they were unable to pay their suppliers. Others indicated that they had experienced challenges in the supply of Personal Protective Equipment (PPE) as well as fuel. The closure of some factories also affected the supply chain, according to some respondents. An example cited was the closure of forests which had affected the supply of pallets.

**(l) Has your business had to source from different suppliers?**



The survey findings indicate that some businesses (36% of the respondents) were forced to seek other suppliers because their normal suppliers had to close in terms of the alert level lockdown regulations. However, a majority (64%) of respondents said they did not have to source from other suppliers.

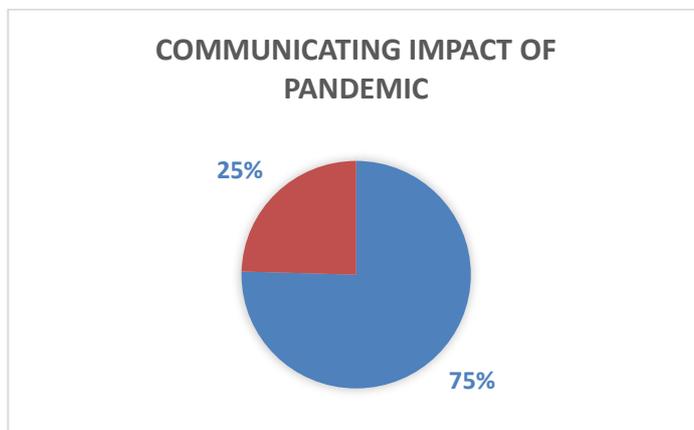
**(m) Can your business function from alternative sites e.g. work from home?**



According to the survey findings, not all businesses were able to work from home, with 60% of the respondents expressing their inability to operate from home. Some respondents indicated that they could

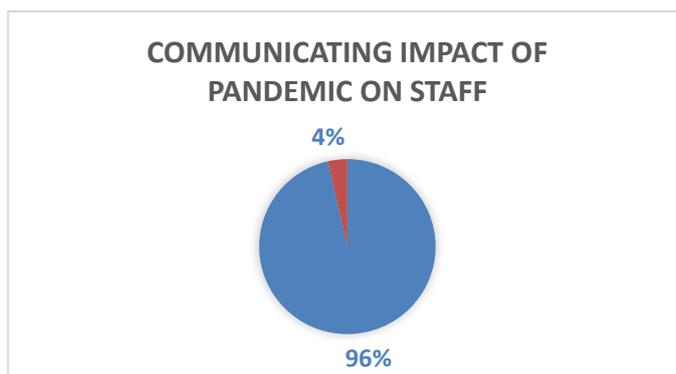
not bring original and sensitive and confidential documents home. They were however a significant proportion (40%) of businesses that indicated that they could effectively work from home.

**(n) Have you informed your bank, shareholders and other important stakeholders regarding the impact of the pandemic on your business?**



A majority of 75% of the respondents had informed their banks, shareholders and other important stakeholders about the impact that the pandemic had had on their business. Even though some businesses (25% of the respondents) may not have informed their banks, it was obvious that banks knew the impact of the lockdown because of access to relevant information.

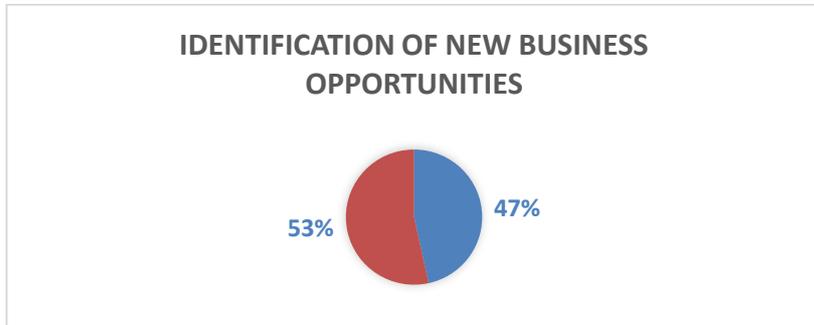
**(o) Have you informed your staff of the potential impact on them should the situation not return to normality soon?**



An overwhelming majority of the respondents, 96%, stated that they had communicated to their staff about the economic impact the lockdown had had on their respective businesses. Economic models were

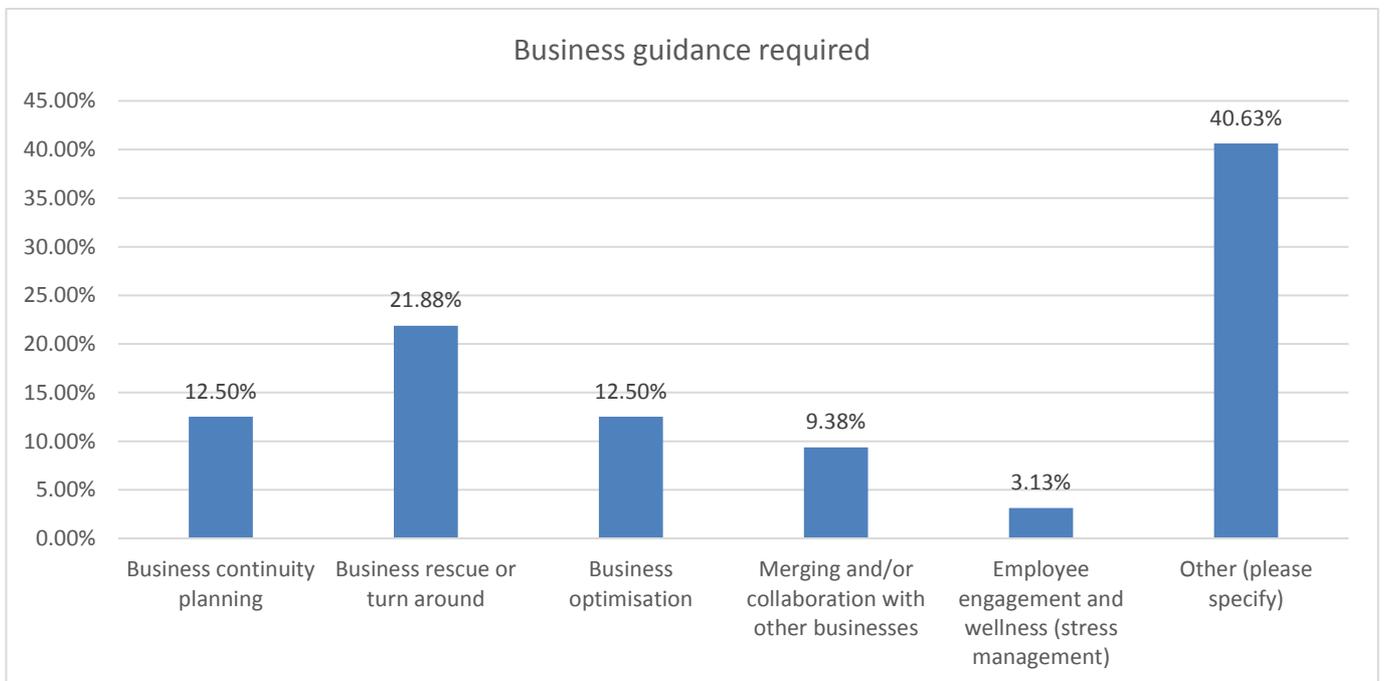
prepared to estimate the likely impact of the lockdown to the Drakenstein economy should the economic shutdown be stretched further.

**(p) Has your business identified new opportunities as a result of the pandemic?**



Almost half of the respondents highlighted that they had identified new business opportunities as a result of the pandemic, while 53% had not yet seen any new opportunities. Some opportunities that had been identified by businesses include home food delivery, home schooling, hygiene products, patients’ quarantine sites, virtual tours, concerts and conferences, administrative and sales personnel to work from home, expanding digital marketing and new use of some yarns to manufacture PPE, amongst others.

**(q) Does your business require any guidance with regards to any of the following?**



Most respondents, about 22%, indicated that they would need guidance on business rescue or turn around strategies, especially if cash flows are stressed due to low income. An equal proportion of respondents, 12.5%, expressed their need for business continuity planning and business optimisation. There are businesses who need assistance with employee engagement and wellness or stress management as well as assistance on merging or collaborating with other businesses. Some respondents added that they needed support with the completion of tourism fund paperwork, UIF application forms and others needed help with sanitisation as the business was located in a public area. A number of businesses, particularly SMMEs simply require financial assistance.

**r) Please indicate below how else your business is being affected by COVID 19.**

Respondents highlighted a number of issues affecting their businesses including the following: fewer visitors; financial setback; fear that business would not survive; service delivery is affected when a department closes due to a positive Covid-19 staff member; when there is no tourism some staff will be made redundant; businesses would struggle to open due to lack of funds and outstanding payments to suppliers; wine prices likely to drop as everybody will have overstock; no accommodation bookings until November and even later; gaining customer confidence; certain businesses work with confidential and original documents that cannot be taken home; functions effectively working from home something to consider for future; loss in income as tenants unable to pay rent; had to move out of business premises as the business could no longer afford the monthly rental; staff becoming lazy to work; salary cuts a reality; have had to retrench staff; if one business can't operate it has a knock-on effect on other businesses in the value chain; the uncertainty of the duration of the lockdown delaying feasibility studies for projects and may result in cancellations of building projects; rising prices of materials; unable to pay salaries and may have to retrench some staff.

### **3. CONCLUSION**

In summary the survey represents a fair spread of most of the key economic sectors in Drakenstein. During July 2020 the municipality will embark on a second survey to assess actual numbers against the economic modelling estimates that were represented by the Department of Economic Department of Economic Development and Tourism.

During the 2020-2021 financial year the municipality will continue to support businesses through creating an enabling environment to facilitate the sustainable growth of the economy. This will include targeted interventions that will focus on the following:

- The provision of ongoing SMME business support to ensure that we reduce red tape reduction. We will be providing an online SMME business support portal to enable entrepreneurs to have easy access to relevant information.

- Drakenstein Connects aims to establish a business engagement platform which will improve communication linkages between the municipality and the private sector. This will lead to further collaboration between other private sector organisations and demonstrate to communities that Drakenstein's economic recovery plan must be owned by each citizen. The engagements will focus on sector specific interventions which will include collaboration with other spheres of government e.g. Wesgro and the Department of Economic Development Tourism.
- Enhancing support to micro enterprises and the informal sector – The municipality will focus on capacity building of beneficiaries in this sector, the provision of suitable infrastructure and facilitating a conducive regulatory environment.

**Submitted by: Drakenstein Economic Growth and Tourism**