



Memo: Western Cape Government supplementary submission on COVID 19 Alert Level 4 regulations pertaining to e-Commerce.

Purpose: This supplementary submission makes proposals for further directions regarding the expansion of e-Commerce under the Alert Level 4 regulations “taking into account the need to limit the extent of movement on the road, contact between people, law-enforcement challenges and the impact on other businesses.” To this end it is argued that online retailers should be permitted to sell all goods, for the delivery of these goods directly to customers and for the importation of goods for sale online.

The motivation for this supplementary submission is that permitting e-Commerce in this fashion is a safe and responsible way to start opening the economy with limited contact between people and in so doing will help to protect livelihoods as a result of the increased economic activity.

e-Commerce defined: (electronic commerce) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C) or consumer-to-business (C2B).

e-Commerce represents an extensive ecosystem which extends beyond just the digital marketplace itself and is increasingly providing a platform that enables businesses, especially SMMEs, to access and compete in markets where they would not have been able to trade without e-Commerce. As such these platforms play an important role in increasing competition in domestic and international markets.

Problem statement: Under the current regulations the e-Commerce sector is only allowed to trade in essential goods despite the fact that the sector is able to trade all goods, in a safe way. As such the current regulations are eroding the sector value, costing jobs and preventing the safeguarding of livelihoods. Given the public health imperative the fact that e-Commerce allows companies to trade virtually and for products to be delivered via couriers with minimal human interaction means that this is the perfect platform to balance the need for increased economic activity with the need to limit the spread of the disease.

Economic Impact

- **Employment:** The e-Commerce sector employs at least 40 000 people in South Africa and pre-COVID 19 studies estimated that the sector could potentially employ 3 million people in Africa by 2025. As such the restrictions to e-Commerce imposed by the current level 4 regulations put a significant number of jobs at risk. The current restrictions also prevent South Africa from seizing an opportunity to smartly and responsibly increase the number of jobs in this sector, and to allow some of those that cannot return to their normal jobs due to COVID 19 restrictions to find a new source of employment.
- **Sector Value:** In 2019, the sector was valued at R18.6 billion and this excludes the sector's logistic links, payment gateways and digital marketing agencies. Some pre-COVID 19 year on year growth estimations reached up to 32% growth from 2019 to 2020 and it was estimated that the market would be valued at R62.2 billion in 2024. The mere size of the market also means that it is a significant source of tax revenue, but under the current regulations the state foregoes most of the tax revenue that would emanate from the sector.
- **Logistic services:** Under the current level 4 regulations logistics services are permitted, however for many logistics companies that form part of the e-Commerce industry it is still not financially viable to operate given the current limitations to online retail, which puts jobs at risk.
- **Air-Cargo:** e-Commerce is inextricably linked to air cargo, both enabling local and global trade. e-Commerce is a growth driver for the air cargo industry, as online shopping boosts demand for parcel delivery services locally and across borders. Without access to aviation supply chains e-Commerce and the speed and predictability of delivery times will be lost, removing the competitive advantage of convenience. This is even more important at present, as especially online shopping can contribute to social distancing and reduce the congregation of customers at physical stores.
- **International Markets and Exports:** Global e-retail sales reached \$3.5 trillion (U.S. dollars) in 2019, which accounted for 14.1% of all retail sales worldwide. Before COVID 19, e-retail's share of all retail sales worldwide was expected to reach 22% in 2023. However, given the fact that COVID 19 is forcing consumer behaviour shifts, it is likely that e-retail's share of global retail sales is likely to be higher than previously expected. This presents opportunities for local firms to access international markets and to enable exports. In contrast, suppression of e-Commerce could lead to local firms losing footholds in international markets, which would inevitably reduce the ability to export.
- **SMMEs and Competition:** e-Commerce can be used to increase competition in markets, and it is already providing a platform to more than 30 000 SMMEs from which to access markets. Other than providing a platform to compete with large firms, large online retailers sell the goods of SMMEs and individuals, who rely on online retailers for their livelihoods. Furthermore, over 100 000 merchants, mostly SMMEs, across Africa rely on online payment service providers (PSP) to safely process payments for goods and services.

Stopping the spread and flattening the curve

- **Social Distancing:** Global best practice is to permit and encourage e-Commerce to stop the spread of COVID 19 as it promotes social distancing, and improves community wellbeing.
- **Contact Tracing:** e-Commerce allows for detailed information on the movement of goods, parties involved etc. and as a by-product the whereabouts of personnel are well known. Should there be an issue with an infection, the sector is one that has access to records that could assist with fast and reliable contact tracing and therefore containment of COVID 19.

Measures to ensure safe operations

The following measures are currently in place at a number of e-retailers and can easily be applied across the industry if there is further expansion:

- Warehouses have a large floor size to employee ratio – meaning that social distancing is easy to adhere to and maintain. Shift work further enables this.
- All interactions with customers are contactless.
- Regular communication with employees to adhere to protocols.
- Regular testing of drivers for symptoms.
- Supply PPE – Face masks and sanitiser.
- Regular sanitisation of vehicles.
- Safe transport arrangements to and from distribution centres.
- Regular symptom checks and temperature testing.
- Social distancing enforced.

Proposed amendments to current level 4 regulations

The following proposed amendments could be made to the current COGTA regulations or could be issued as additional directions in a DTIC supplementary direction.

Clause number	Proposed amendments
Table 1- Alert level 4, Part E: Wholesale and retail trade, covering stores, spaza shops, e-commerce and informal traders	<ol style="list-style-type: none">1. Amend Part E of the Schedule of Services: Framework for Sectors by replacing point E 20 with: "All E-Commerce to be permitted: All goods (both permitted and other goods) may be sold online and delivered to customers. Associated logistic services are permitted to operate in order to support the online sale and delivery of permitted and other goods from online retailers to customers."2. In terms of concerns over local production facilities that produce and supply finished goods, it is proposed that the regulations allow for the sale of all finished goods available to be sold in the country; and any imported finished goods, as well as locally produced finished

Clause number	Proposed amendments
	goods, yet to be produced, that are allowed to be produced in the specific level.
Regulation 22 (1)	3. Add point (h) under regulation 22 (1) to read " <u>All</u> goods intended for e-retail/ e-Commerce