

# BusinessDay

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## Patel misses the point

Last week's announcement by President Cyril Ramaphosa that the country will experiment with the gradual reopening of the economy was probably the best economic news we have heard in months.

The idea behind Ramaphosa's risk-adjusted approach to easing the lockdown is simple: buy time for virology experts led by Dr Salim Abdool Karim to line up our health-care resources against Covid-19 and limit the economic cost of the order that has triggered a fight for survival for many businesses, especially small ones.

Sadly, one member of Ramaphosa's executive team, Ebrahim Patel, who heads the department of trade & industry, seems to have missed the point. Patel's comments that allowing unrestricted online shopping will be "seen as unfair competition" by spaza shop owners, informal traders and brick-and-mortar chains is an unconvincing reason to floor a sector that could be crucial in getting some economic activity going and saving jobs.

The distinction should be between what is safe against the coronavirus and what is not. The point surely has to be to encourage any economic activity that can be done relatively safely so that we can limit as far as possible the tsunami of destruction that is threatening not just the economy but our very social fabric.

A recent survey by Wills Towers Watson, one of the world's biggest insurance and advisory firms, found that three-quarters of businesses in SA are considering layoffs and pay freezes to build cash buffers and navigate the economic crisis. Already economists are talking about at least 1-million job losses in an economy that the Reserve Bank estimated would contract by more than 6% in 2020, one of its deepest recessions on record.

**THE POINT SURELY IS TO PROMOTE ECONOMIC ACTIVITY THAT CAN BE DONE RELATIVELY SAFELY**

If there is anything that supports the government's social-distancing project while also softening the blow to the economy, it is e-commerce. Other governments have recognised the benefits of allowing unrestricted trade on the internet.

Take Amazon.com. The world's largest online retailer is seeking 100,000 new hires as it continues to supply homebound consumers with everything they need, using its core business model that defies lockdowns and, crucially, exposes flaws in its physical-store competitors' investments in online platforms.

Just as it would be odd for US regulators to order Amazon.com to go easy on rivals with below-par online platforms for the sake of fair competition, it is equally mind-boggling that the SA government believes unrestrained e-commerce will be seen as unfair competition.

The reasoning behind locking down the online shopping industry, which is dominated by Takealot and also counts platforms by all major retailers, does not stand up to scrutiny. As Takealot CEO Kim Reid says, it's hard to see how this is a competition issue at all. It is also a concern that the government, which has said it is ready to listen to different voices, seems not to have engaged the industry on the matter.

Similar reasoning seems to have motivated the government during the unnecessary controversy about supermarkets' right to sell hot cooked food. It seemed to have little to do with the twin goals of fighting the disease and limiting the damage from the lockdown measures on the economy, but rather with a misplaced sense to level the playing field between supermarket chains and restaurants, which were not allowed to trade.

An argument can and has been made that restaurants should have been allowed to operate on a takeaway delivery basis all along, as will be the case from Friday. Not only would that have provided much-needed cash flow for the businesses, it would have kept the cooks who prepare the food and the drivers who deliver it employed.

The main motivation of any policy intervention during this crisis should be aimed at maximising economic activity. Throttling a potential engine for the economy at this point cannot be justified.