



Customers shop in a Johannesburg store yesterday. The Consumer Protection Act gives consumers among the best protection in the world. PHOTO: LEON NICHOLAS

Consumer act 'a threat to small firms'

Liz Zambonini

WITH the implementation of the Consumer Protection Act (CPA) on April 1, South Africans became some of the best protected consumers in the world.

The extremely progressive legislation, which is comparable to those of developed markets, applies to the supply of all goods and services, as well as to the promotion and marketing of these goods and services. It also includes every roleplayer in the supply chain.

The average South African who is weary of poor service delivery will be pleased to know that these goods include petrol, water and electricity.

The intention behind the legislation is to promote a culture of consumer rights and responsibilities, as well as to encourage business innovation and enhanced performance. In addition, it is hoped that regulations will improve access to, and the quality of, information

that will enable consumers to make informed choices and protect them from hazards.

Companies not abiding by the CPA face penalties of a fine of up to 10 percent of turnover, or a fine and a prison sentence of up to 10 years where an order is not complied with.

While this legislation is a boon for consumers, concerns are being raised that it may signal the end for many small businesses and entrepreneurs.

Too much legislation, particularly around compliance and corporate governance, kills innovation and an entrepreneurial spirit. Entrepreneurs need to be agile and able to adjust quickly to changing circumstances, but legislation such as the CPA will hinder small businesses.

Exemptions should be provided for these entrepreneurial ventures as not only is it extremely difficult for someone who is getting their business off the ground to be fully

informed about the complexities of the act, but there is also a cost of compliance that many will not be able to afford.

As even boards of large companies are finding that they spend far more time talking about compliance than they do about strategy, one can only imagine what this change in the business landscape will do to the entrepreneurs.

One of the areas that the CPA will affect is food, including safety, labelling and hygiene. While no one will deny that these are all important elements in the production of foodstuffs, entrepreneurs who sell homemade goods to earn a living will in all likelihood find themselves unable to comply with the legislation.

The knock-on effect of the CPA will be enormous for small caterers. One example is that of an entrepreneur who we at The Hope Factory support by packaging and selling her baked goods, the income from which

she uses to support her two sons at university.

She cannot afford to comply with all aspects of the CPA, such as the food labelling requirements, so we have no choice but to discontinue buying her products. The ramifications are that her sons will not be able to finish their studies, which will be extremely detrimental to their futures.

It has been proven time and again that if developing countries such as ours aim to grow their economies, the best way forward is to encourage entrepreneurs.

While it is not wrong to implement the CPA, it would be beneficial for entrepreneurs and small business owners – and the country – if it could be moderated to give their businesses the best possible chance of survival.

Liz Zambonini is the chief executive of The Hope Factory, an SA Institute of Chartered Accountants Enterprise Development initiative.