

# Health Promotion Levy on Sugary Beverages: A view from business

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Committee

# Introduction

- BUSA is a confederation of business organisations including chambers of commerce and industry, professional associations, corporates and unisectoral organisations.
- It represents South African business on macro-economic and high-level issues that affect it at the national and international levels. BUSA's function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive.

# Introduction (2)

- As the principal representative of business in South Africa, BUSA represents the views of its members in a number of national structures and bodies, both statutory and non-statutory. BUSA also represents business' interests in the National Economic Development and Labour Council (NEDLAC).

# Background

- BUSA is currently participating in a NEDLAC task team on the proposed levy on sugary beverages, along with organised labour and government.
- The first engagement of the NEDLAC task team took place on **3 April 2017**.
- Social partners agreed to engage on the SEIAS informing the proposed policy, but no SEIAS had been commissioned.
- A completed SEIAS is a prerequisite by cabinet on all major changes to government policy and legislation.
- A technical appendix was shared with NEDLAC on 17 May 2017 – which does not constitute a SEIAS.
- The lack of a SEIAS is problematic as the proposed levy will have **significant and deleterious** effects on the economy and employment with little, if any, health benefits.
- Business supports the underlying health objectives, but the objectives should be realised in a manner that counteracts the likely negative effects.

# Health Impacts

- Many leading studies conclude that the optimal means to combat obesity include portion control, reformulation, weight-management programmes, education, the availability of healthy alternatives, etc.
- Per capita sugar consumption has steadily been declining in the last 10-15 years.
- Consumption of added sugar in the form of liquid products is 3-4% of the daily energy intake of the average South African. The proposed tax would only achieve a 0.24 – 0.32% reduction in energy intake.
- **It is therefore unlikely that a SSB levy on its own will have any noticeable impact on health outcomes.**

## Economic impacts

- The proposed levy will impact on the agricultural sector, specifically sugar growers. This undermines Government's efforts with regard to agriculture, rural development, transformation and land reform policies.
- Agriculture provides much-needed employment in rural areas where few other options exist – particularly for unskilled / semi-skilled workers. **The most vulnerable therefore stand to be affected.**
- Our estimates are that between **18-24000 jobs could be lost** in all sectors. Treasury estimates a loss of 5-7000 jobs but does not include the informal sector. **Even these modest estimates of job losses are unacceptable in the current economic climate.**

# Conclusion

- Business supports the underlying health objectives outlined in the Department of Health's Strategy for the Prevention and Control of Obesity 2015-2020 and seeks to play a meaningful role in supporting these objectives.
- However, the proposed levy on sugary beverages – in the absence of mitigation strategies to ameliorate the negative socio-economic impact – will result in sub-optimal health outcomes and significant economic and job losses.
- Alternate solutions to a SSB tax could involve **industry partnering with government and labour in order to tackle the health issue more effectively and business is willing to be bound to measurable consumption and economic commitments.** Industry can play a more meaningful role, alongside other stakeholders, in addressing the increasing trend in obesity and the HFO forum has already created a partnership platform in this regard.

# Proposals

- Business believes it is **imperative for the NEDLAC process to be afforded an opportunity and sufficient time to co-develop appropriate strategies** to bring about the desired health outcomes whilst addressing the considerable socio-economic challenges that will arise from the proposed levy.
- Business therefore urges the Standing Committee to **remove the Health Promotion Levy on Sugary Beverages** from the Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill 2017, **pending the finalisation of the existing NEDLAC process and the co-development of mitigation strategies** that are supported by government, business and labour.
- BUSA has made a detailed submission to the Standing Committee and stands ready to engage all stakeholders on mitigation strategies going forward.