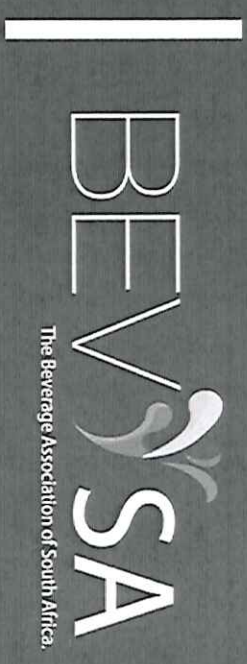


SC Finance 28/11/17



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PRESENTATION TO: **Select Committee on**

Finance, NCOP

28 November 2017

Contents

- The Nedlac Outcomes;
- Economic Impact of the Tax;
- Social Impact of the Tax
- Understanding and Accepting the Challenge (health and economy);
- SSB Tax Case Studies;
- Industry Health Solution;
- Industry Economic Solution;
- Monitoring and Enforcement;
- Conclusion

Annexure A: Nedlac Report

Nedlac Outcomes

There is no agreement from NEDLAC

Narrow Mandate of Nedlac Task Team

Sugar sweetened Beverage (SSB) Tax vs Health Promotion Levy (HPL)

HPL limitation on coverage?

Amenable to labour's compromise solution

Economic Impact of the Tax



Gross¹	Net²	Gross¹	Net²
industry impact	economy impact	industry impact	economy impact

-1.299

-1.299

-25.1

-25.0

-25.6

-22.8

14.6

8.6⁴

3.08

60,550-
70,650

36,201-
42,001⁴

35,026-
40,826⁵

47,150

28,401

27,226

Assumptions

- SSB Own-price elasticity
- Price change (%)
- Volume change (%)

GDP lost
Rand billion

Jobs lost

Total	Formal only ³
-------	--------------------------

Net impact on South African economy after adjustment into other spend categories; 3 Formal jobs include core industry (direct, indirect and induced) and formal large retail jobs; 4 Approximated by estimation of a "neutral spend" scenario; 5 Included informal jobs impact as

SOURCE: Oxford Economics, Econex, KPMG

The Social Impact of the Tax

Increased Unemployment

Gender based Violence (fathers who can't maintain their families)

Families Disintegration (alcoholism, drugs, loss of property, etc.)

Rising of the Social Wage (more people getting grants than there are people working)

Increase in Crime

Part A

Unpacking the Key Challenges And Acknowledging the International Experiences

Understanding and Accepting the Challenge

The Health Challenge

- Growing Obesity
- Growing NCDs
- Growing burden on the state and fiscus
- Over-consumption of sugar across food stuffs

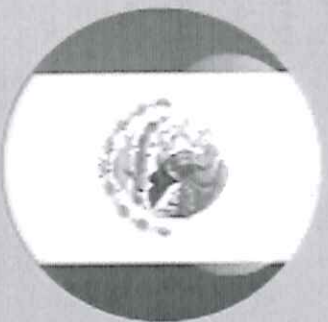
The Economic Challenge

- Growing unemployment
- Concentration in the industry
- Need for Economic Transformation
- New economies and alternative markets (Biofuels & Waste)

False Dichotomy:

Health or Economy is misplaced and not meant to help find solutions

SSB Tax Case Studies



*Mexico

- Overall increase in overweight and obesity prevalence
- Significant increase in rural locations, remaining stable in urban locations
- Prevalence increased significantly more within young adults (i.e. age 20-39)
- Decrease in middle-aged adults (40-59) is welcome, but occurs in a groups where prevalence is already extremely high

Experience shows that a tax has a negative impact on obesity and overweight

*National Health and Nutrition Survey (ENSANUT - Encuesta Nacional de Salud y Nutrición) 2016



*Berkeley, CA

- Rates of obesity & overweight increased following the introduction of the tax;
- Increase due to increased consumption of untaxed beverages such as flavored milk, milkshakes, smoothies, etc.
- Reduced caloric intake from taxed beverages by 6 calorie per day & increased caloric intake from untaxed beverage by 32 calories

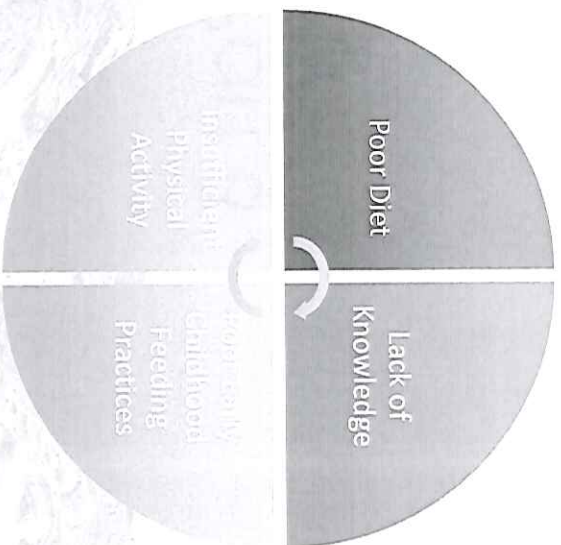
*Changes in Price, sales, consumer spending, and beverage consumption one year after a tax on SSBs in Berkeley, California, US: A before-and-after study

Part B

**Leverage Lesson Learnt –
Provide Sustainable
Solutions for the South
African Market**

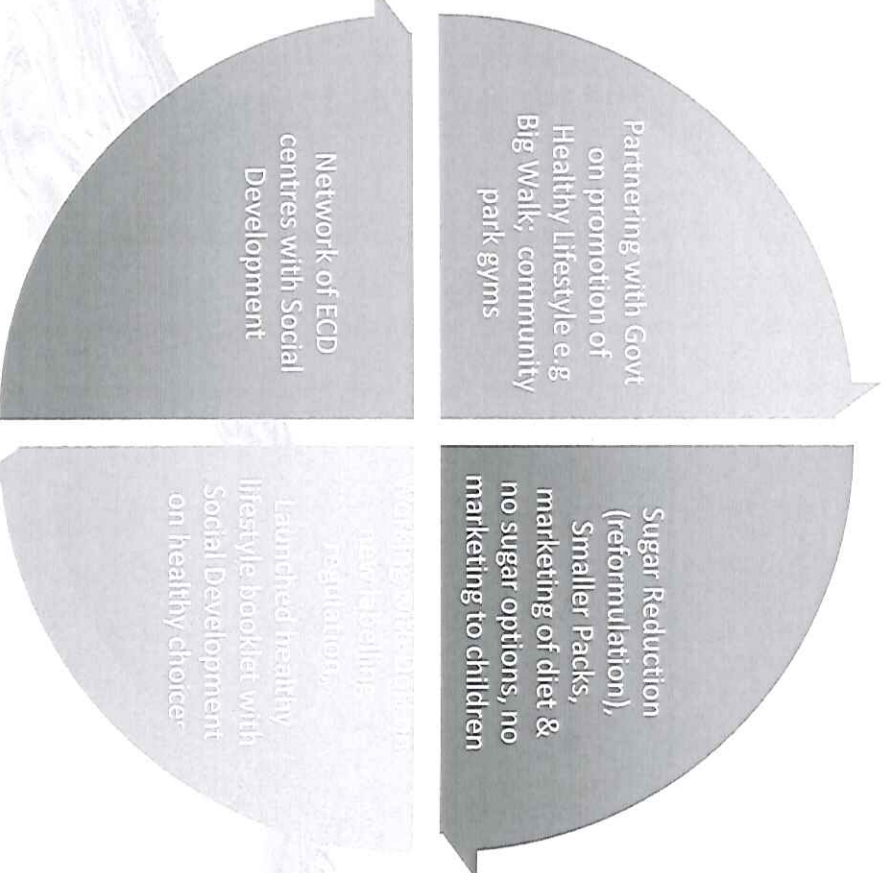
Industry Health Solution

DoH drivers of obesity and NCDs



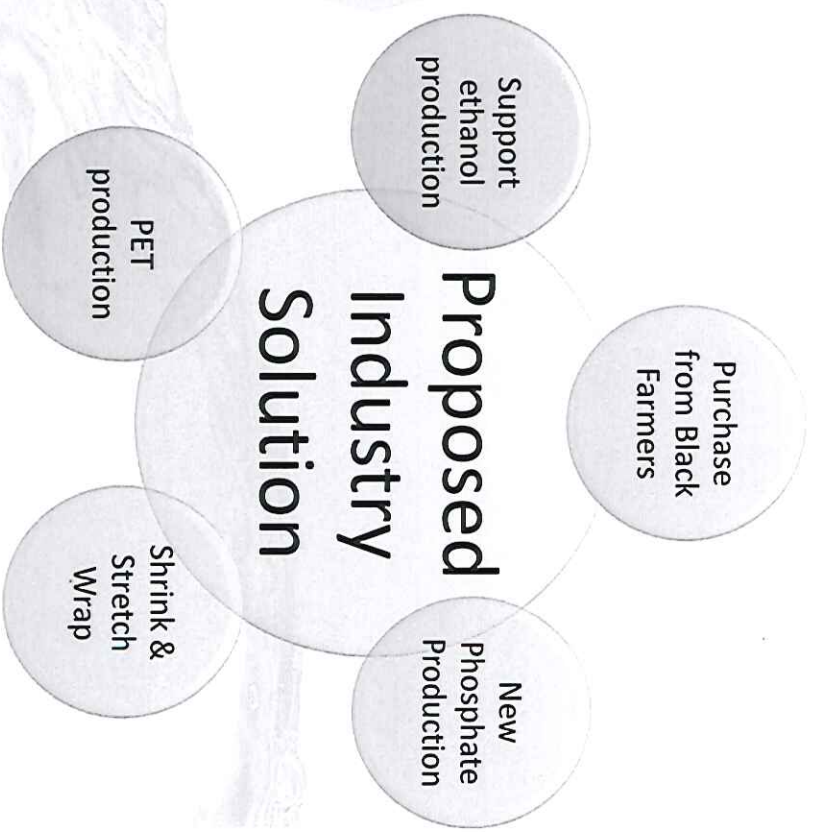
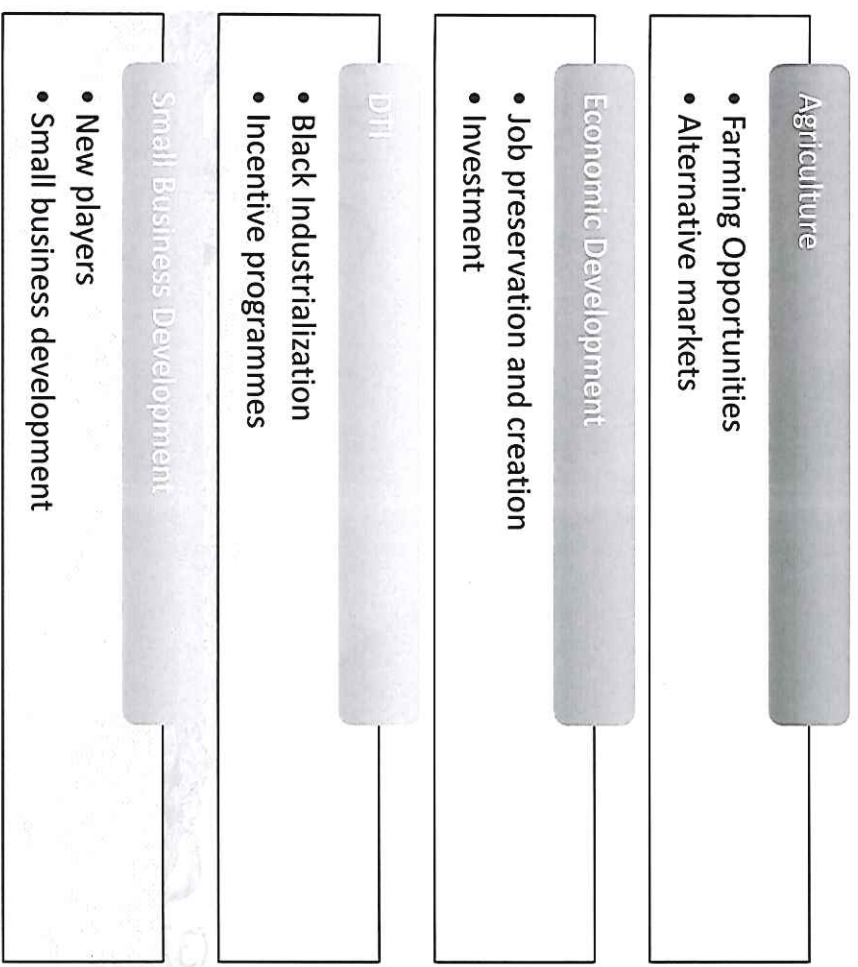
- Proposed tax as a solution
- Reduce consumption – period
- Non-achievement of reduction

Industry Actions (Steps already taken)



- Monitoring by SABS
- Achieve reduced sugar consumption
- Achieve reduced contribution to obesity

Industry Economic Solution

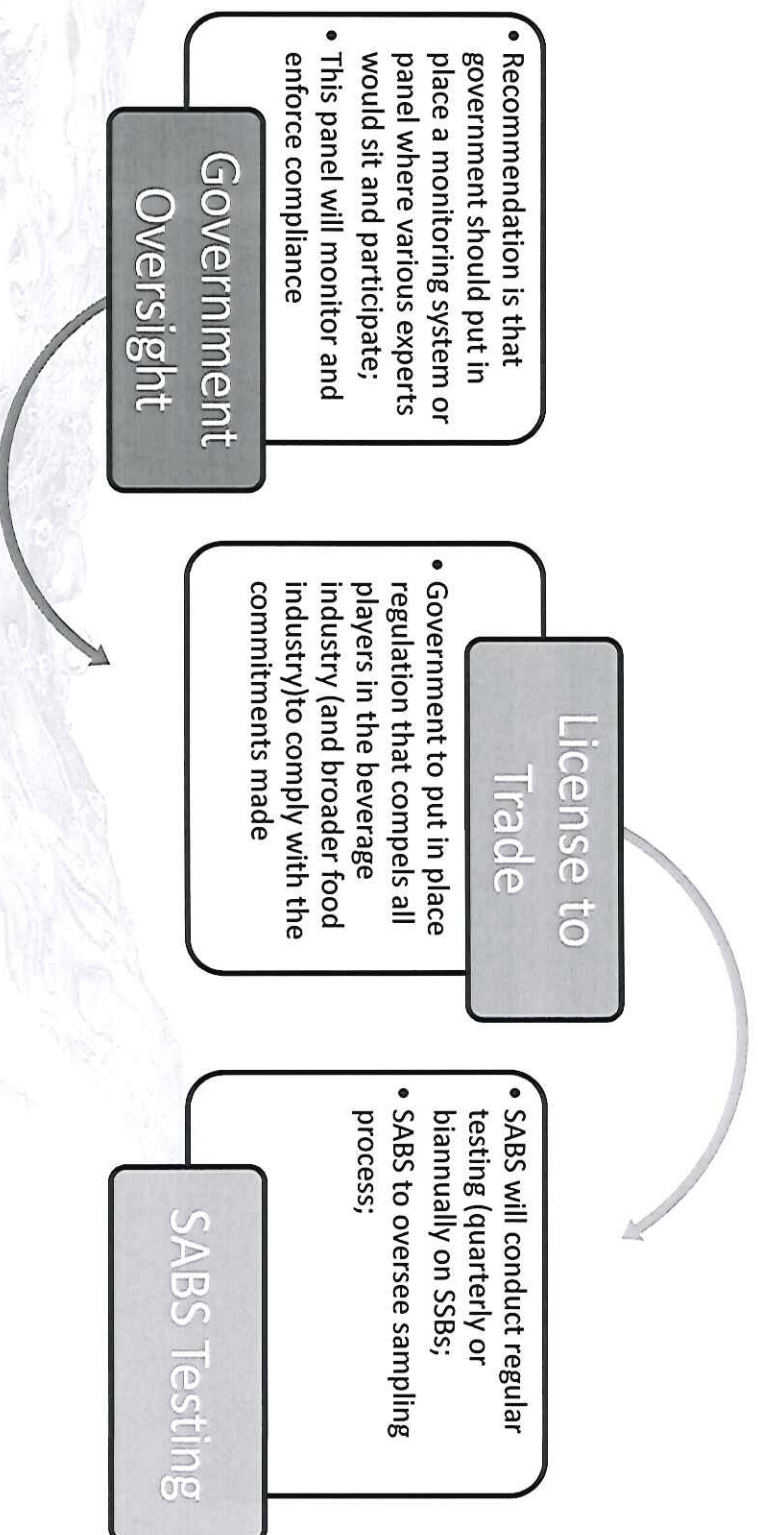


These opportunities are dependent on a thriving industry

Part C

We Conclude with Inspiring
Confidence by first building
Trust Between Government
and Business

Independent Monitoring and Enforcement



In Conclusion

Health of the nation matters to BevSA!

Job creation, economic transformation and creation of small business is important to industry and the country

Achieving the Health objective should not be at the expense of the economy and visa versa

Working together – we can improve the health of the nation while maintaining existing jobs, creating new ones and supporting industrialisation

Give that there was no agreement in Nedlac, we request the NICOP to consider all proposed solution!

A dynamic splash of water with numerous bubbles, captured in a high-speed shot, creating a sense of movement and freshness. The water is dark and textured, with light reflecting off its surface.

THANK
YOU!

BEV'S SA
THE BEVERAGE SOURCE

