

Massmart Holdings Limited
16 Peltier Drive
Private Bag X4, Sunninghill, 2157, South Africa
Tel: +27 (0)11 517-0000
Fax: +27 (0)11 517-0020

MASSMART

The Committee Secretary
Attention: Ms Vuyokazi Majalamba

PO Box 15
Cape Town
8000

Fax: 021 403 3309
Email: vmajalamba@parliament.gov.za

11 April 2008

Dear Sirs,

Submission on Tobacco Product Control Amendment Bill

Massmart Holdings Limited is a South African based managed portfolio of twelve wholesale and/or retail outlet chains, with a store footprint in excess of 220 stores within South Africa and a further 22 stores within the African continent, each focused on high volume and low margin supplies of consumer goods for cash. These wholesale chains supply the retail sector and the general public on a so-called "cash and carry" basis. The Massmart group is the third largest supplier of consumer goods in Africa and includes well known brands such as Game, Makro, Shield, Cash & Carry Wholesalers (CCW), and Jumbo Cash & Carry with a tobacco turnover for the period July 2006 to June 2007 of R 1 617 mn, being 4.6% of the group annual turnover of R 34.8 Bn in that period, and a six monthly tobacco turnover of R 889.1 mn for the period July 2007 to December 2007, being 4.4% of group turnover of R 20.123 Bn for this period.

The Directors and Management of Massmart acknowledge the Group's responsibility and obligation to the broader societies in which it operates. With this aim, Massmart sustains an intensive social investment programme across all nine provinces in South Africa as well as in Namibia, Botswana and Zambia. The primary focus of this investment is in education and training, with a secondary emphasis on disadvantaged children and the disabled. Massmart is committed to invest approximately 1% of pre-tax profits to the upliftment of the community. Within guidelines, individual Massmart outlets are encouraged to identify with the specific needs of their local communities by donating time and effort to assist underprivileged citizens.

By way of example of the above, Massmart actively supports education programmes and provides teaching and learning materials to a number of schools every year.

Directors: MJ Lamberti (Chairman), CS Seabrooke (Deputy Chairman), GM Pattison (Chief Executive Officer), GRC Hayward (Chief Financial Officer), MD Brand, ZL Combi, KD Dlamini, Dr NN Gwagwa, JC Hodgkinson*, P Langeni, IN Matthews, P Maw, DNM Mokhobo, MJ Rubin. * United Kingdom
Company Secretary: I Zwarenstein

Registration Number: 1940/014066/06

In the Bill, Section 3(2) of the principal Act, as proposed to be amended, read together with Section 7(3) of the principal Act, as proposed to be amended, provides for a fine of R 1 000 000 for a retailer which makes any financial contribution to any person in respect of any organised activity that is to take place, or is taking place in whole or in part in the Republic.

The wording of the above sections includes in its scope a retailer which has even 0.5% of its turnover from tobacco products i.e. where the provision of such products is primarily a service to its clients rather than a profit motive.

Thus, the implementation of the proposed sections would prevent Massmart from continuing this program, and would greatly disadvantage the very people that the TOBACCO Products Control Amendment Bill aims to protect.

We have noted that Section 3(3) of the principal Act, as proposed to be amended, provides that the Minister may prescribe exemptions for unintended consequences of the Act, however, we assume that this would be by way of Regulations or a Notice. The exemption would always be at the discretion of the Minister and, based on past experience, may take a very long time to materialize even if the Minister were to exercise her discretion in this regard.

Rather than following the uncertain route proposed by Section 3(3), which may lead to the short and even medium term discontinuation of Massmart's investment programme, we propose that the clause includes a participative sales mix measurement, and excludes all retailers and distributors with a tobacco sales mix of less than 10% tobacco of total sales.

We trust that Massmart's submission will receive due consideration and will welcome any opportunity to discuss it with the portfolio committee.

Yours sincerely
Massmart Holdings Limited



Jay Currie
Group Commercial Executive