



## **Food and Allied Workers Union (FAWU)**

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### **Office of the General Secretary**

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Committee Secretary  
Standing Committee on Finance  
Parliament of the Republic of South Africa  
3<sup>rd</sup> Floor, 90 Plein Street  
Cape Town, 8 000

#### **Re: FAWU's Submission on the Sweetened-Sugary Beverages Tax (SSB or Sugar Tax) and the Need for a Meaningful Dialogue**

**Date: 26<sup>th</sup> January 2017**

**Dear Mr Wicomb (copy to Honourable YI Carrim)**

The above subject and invitation for submissions have reference

This serves as a submission to the Standing Committee on Finance, which raises concerns on the both the process and content issues, but also updates the committee on what we have done thus far.

As a matter of principle, we, as the Food and Allied Workers Union (FAWU), should state that we had hoped to have seen a process allowing government, especially the Treasury and Health Department, to engage with stakeholders; the industry, the health sector civil society formations and labour unions; on the emotive issue of Sweetened-Sugary Beverages (SSB/Sugar) Tax as a health policy to deal with obesity and related non-communicable diseases (NCDs) and consequences on jobs and other socio-economic impact.

At the first outset, we, as FAWU, wish to categorically state that we are in support of efforts to curb obesity and reduce the NCDs in our country for a healthy nation with obesity-free population. The issue is the approach to achieving this and, importantly, the need for engagement in realizing a broad agreement on the needed approach.

#### **1. Concerns on Process (lack of Meaningful Dialogue)**

Having said the above, we wish to point out that, in a country renowned for dialogue even on difficult matters, it can only be right for both the Treasury and Health departments to meaningfully engage with affected labour unions, the industry and interested players like health sector non-governmental organizations or else there will be deficit on democratic practice by government.

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#### **National Office Bearers:**

President: Atwell Nazo; 1<sup>st</sup> Deputy President: Raymond Mnguni; 2<sup>nd</sup> Deputy President: Elizabeth Manoto; National Treasurer: Mark Oliver;  
General Secretary: Katishi Masemola & Deputy General Secretary: Moleko Phakedi

We do acknowledge that government has been elected to govern and we do not call for co-governing with unions and the industry yet we cherish the value of meaningful dialogue as this may lead to win-win outcomes that are widely supported and easily implementable.

We believe in dialogue, we can have decent exchanges of ideas and proposed solutions to the national imperative of a healthy nation and to deal with mitigating the issues of job losses and other negative socio-economic impact. This is the arguments we will be advancing on pending issues of Tobacco and Liquor Amendments Bills as well.

It is for this reason that we escalated the matter to the Office of the State President and for the attention of Honourable President JG Zuma to intervene and to ensure that such a dialogue takes place. This is after we have staged protest marches and delivered a Memorandum of Petition to the Head Office of the Treasury Department in Pretoria in Tshwane, in the November 2016, and still yet to receive acknowledgement, let alone a response to its contents, for which some of the below is a reflection.

## **2. Contents Concerns (Jobs Losses and Negative Socio-economic Impact)**

We wish to state that if a platform is created for this meaningful dialogue, as it has been recently created by the Department of Trade and Industry (DTI) on the Chicken Sector crisis from imports, we will make proposals that will seek to still achieve the health outcomes that both the Ministry of Health and Finance hope SSB Tax will achieve of a combination thereof.

Firstly, and from the outset, we do not believe, as a matter of principle that an inappropriate or incorrect medication (solution) be prescribed for an ill-health condition (problem) as this cannot be right.

Secondly, and mindful of the fact that we had never undertaken research studies on the impact except to use plausible arguments to make our initial submission, we hope that our concerns will not be ignored on these basis and that our sentiments and arguments will be carefully considered and be taken into account during expected dialogue.

The below summary reflects our concerns and debate on this hope for persuasion that may either change our perspective or we may change perspective of those in government (Treasury and Health departments) or elsewhere on this SSB Tax.

One, non-communicable deceases (NCDs) and obesity are health issues and not tax issues. In other words, if the State wants to be mobilise extra revenue into the fiscus then Tax would be the immediate instrument at its disposal as a fiscal policy option unless its efficacy on health was to be convincing.

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Two, if government wants to address a health issue, something we agree to as an important matter to be given due and urgent attention, then it must utilize health related policy measures and not to use tax to dis-incentivise a particular lifestyle or to incentivise a particular health outcome, at the expense of existing economic benefits to the country.

Three, we find it disturbing that an aggressive pursuit of positive health policy outcomes through this tax instrument, would lead to the negative impact on jobs, something even research company used by government acknowledge would happen, and to socio-economic consequences on small businesses, spaza-shops and other retail outlets in the up-stream and sugar producers in the upstream or suppliers of packaging and other side-stream players in the sugary drinks value-chain and clusters attached to it.

The numbers of the estimated job losses, said to be running into tens of thousands in number by industry estimates, and between 5 000 to 8 000, by researchers contracted by the Treasury, is no small number to ignore and the magnitude of the negative multiplier effects would not be small either.

Put it differently, those lost jobs would mean more unemployment rate, in addition to the 9 000 000 (9m) unemployed people, and would also mean increased poverty and accompanied by widening inequality as a result. One job loss is too many jobs to lose and we need to be sensitive and careful on dealing with any policy step that will result to more job losses.

Arguments that those lost jobs would be created elsewhere is still to be proven and without such evidence, from abroad in whatever country, must be subjected to some corroboration of sort because the transitioning from 5 000-8 000 job loss in soft drinks to some similar figures of job creation in some bottled water or non-sugary beverages, if not healthy beverages and food products, be plausible and justifiable.

### **3. Conclusion and Way Forward**

Therefore, by conclusion, we submit that a process of meaningful engagement between the government departments, industry players and labour unions should be initiated and stakeholders try and find a resolution on this issue before the matter finds expression in the parliamentary process so as to enrich this from social partners so as to allow a unanimous product or a process.

We hope that our submission would receive a favourable response and our summarised substantive arguments taken into account by the Standing Committee on Finance and retain hope that the Committee will then return the process back to a meaningful dialogue in line with values and virtues of democratic governance, a Government of the People, by the People, for the People.

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The example of dialogue, as we see it in the Chicken/Poultry industry, and as it was witnessed in the Steel and other sectors, is a much needed and should be encouraged so as to get a meaningful engagement to result in what would be a "win-win" outcomes with necessary legitimacy for Parliament to proclaim into law, and Act of Parliament.

Having said the above, we wish to be categorical in booking a space, on the 31<sup>st</sup> January 2017, to orally elaborate on this written submission before the actual hearings of the Standing Committee.

For more information feel free to contact the FAWU General Secretary, Katishi Masemola at 082 467 2509 or [masemolak@telkomsa.net](mailto:masemolak@telkomsa.net) or FAWU's PA to the GS, Nicoleen Gegese, at 071 682 5878 or 021 637 9040 or [nicoleen.gegese@fawu.org.za](mailto:nicoleen.gegese@fawu.org.za)

Thanking your cooperation in advance and appreciating your understanding in anticipation.

Regards

*Digitally-signed*

**KATISHI MASEMOLA**  
**FAWU General Secretary**

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