Sugar tax under fire from producers, unions and business

The Congress of South African Trade Unions (Cosatu), Business Unity SA (Busa) and the South African Sugar Association (Sasa) have agreed that the introduction of a tax on sugar-sweetened beverages should be delayed as it will have a negative effect on employment in the industry.

The three organisations argued in Parliament on Wednesday that the team set up by the National Economic Development and Labour Council (Nedlac) should be allowed to conclude its work and that a socioeconomic impact assessment study should also be undertaken. Busa said that time was needed for mitigation measures to be developed to counteract any negative effects of the proposed levy.

The Treasury has proposed the tax as a way to deal with obesity and the epidemic of noncommunicable diseases such as diabetes that plagues the country. It has proposed a tax of 2.1c per gram of sugar, which will kick in above a threshold of 4g of sugar per 100ml of liquid.

Sasa vice-chairman Suresh Naidoo told members of Parliament's finance and health committees during a public hearing on the proposal that the R14bn sugar industry was already "under siege" due to inadequate tariff protection, the country's drought, rising input costs and low international prices.

The tax would result in a loss of revenue and shrinkage of the industry, as well as a loss of jobs, Naidoo said. The association believed that "singling out" an individual ingredient in a particular product was unlikely to achieve the desired health outcomes. He urged that a proper assessment be made of the causes of obesity and noncommunicable diseases.

Cosatu highlighted the threat of job losses posed by the proposed tax and called for its implementation to be delayed so that Nedlac and parliamentary engagements could be concluded and a comprehensive transition and jobs plan be developed. This should include tariffs on sugar and sugarrelated imports, support for sugar exports and for emerging and vulnerable sugar farms and mills, and the fast-tracking of biofuels manufacture and the cogeneration of energy.

Cosatu's parliamentary liaison officer, Matthew Parks, said the Treasury had estimated that the introduction of the tax would cause 5,000 job losses.

The South African Cane Growers Association had estimated 5,817 jobs would be lost and that sugar farm incomes would fall by 15% to 30%. "The government estimates up to 3,000 emerging sugar cane farmers in KwaZulu-Natal and Mpumalanga are at risk of collapse," Parks said.

Global prices

"Industry estimates up to 20,000 emerging farmers are at risk. This follows ... approximately 15,000 previous job losses in the sugar sector due to lower global prices in the past few years."

Parks said that Cosatu did not have confidence in the government's ability to protect and save jobs. "The government's lack of a plan to save 5,000 jobs is clear evidence of this. It's shocking that government can go into great detail about how to raise billions of rand through the sugar-sweetened beverages tax yet it cannot produce a plan to save 5,000 farm workers' jobs," said Parks.

A further concern of the union group was that the government had not completed a socioeconomic impact assessment of the proposed tax.

Source: *Business Day*