

Draft National Liquor Policy Review Document

Presentation to the Portfolio Committee on Trade and Industry

Date: 10 June 2015

Venue: Parliament, Cape Town

Presenter: Zodwa Ntuli, Deputy Director-General



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Delegation

- ***Ms Zodwa Ntuli*** - Deputy Director-General, Consumer and Corporate Regulation
- ***Mr MacDonald Netshitenzhe*** - Chief Director: Policy and Legislation
- ***Ms Prea Ramdhuny*** - Chief Director: National Liquor Authority
- ***Dr Maria Nonyana-Mokabane*** - Chief Director: Legislative Drafting
- ***Ms Clementine Makaepea*** - Director: Liquor Policy and Law
- ***Mr Moeketsi Lebotse*** - Deputy Director: Liquor Policy and Law
- ***Ms Nkoe Ramphele*** - Assistant Director: Liquor Policy and Law



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Purpose

To brief the Portfolio Committee on Trade and Industry (Portfolio Committee) on the Draft National Liquor Policy Review Document, as published for public comments on 20 May 2015



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Background

- The ***Liquor Act 27 of 1989*** governed the liquor industry in various provinces.
- In 1997 the ***Liquor Policy Paper*** was developed with the following objectives:
 - restructuring the liquor industry to promote wider participation and *encourage transformation*;
 - addressing and *reducing the socio-economic costs* of alcohol abuse in South African society.
- In 1998 the ***Liquor Bill*** was referred to the Constitutional Court on grounds of constitutionality.
- In 2003 the ***Liquor Act 59 of 2003*** was passed with transitional provisions relating to the repeal of the 1989 Liquor Act in provinces.



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Background

- In 2010 the President established the ***Inter-Ministerial Committee*** (IMC) on Combating Substance Abuse chaired by Minister of Social Development.
- In 2011 the ***2nd Biennial Substance Abuse Summit*** was convened at Ethekewini leading to various resolutions adopted.
- In 2012 the ***National Liquor Regulation Conference*** was held in Gauteng, with specific focus on recommendations of IMC.
- In 2013 ***DNA Economics*** commissioned by **the dti** produced a report on the effectiveness of the Act which highlighted serious gaps.
- In 2013 ***Minister issued Regulations*** to strengthen registration requirements and processes, and to introduce trading hours for distributors.



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Background

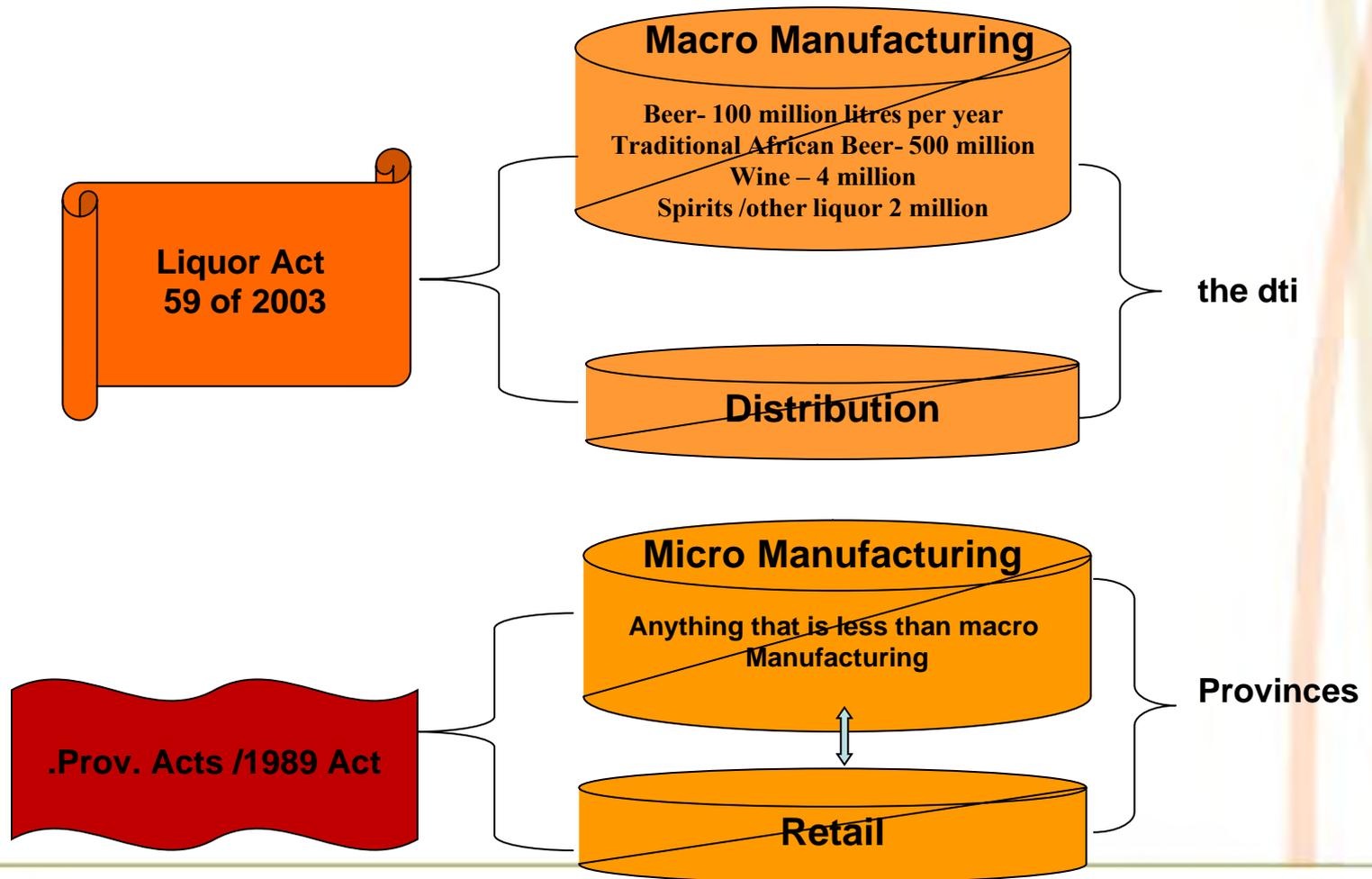
- In February 2014 the Minister issued the ***National Liquor Norms and Standards***, after consultation with the National Liquor Policy Council (NLPC).
- In 2014 ***Draft National Liquor Policy Review Document*** was tabled at the NLPC for consideration and it was adopted in March 2015 for public consultation.
- In May 2015 the Minister published in the ***Government Gazette No. 38808*** the Draft National Liquor Policy Review Document for public consultation, after Cabinet approval.



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Liquor Regulatory Framework



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Regulatory Framework

- Liquor regulation in South Africa is subject to ***concurrent jurisdiction*** and requires ***cooperative governance*** to be effective.
- NLPC is a structure created by ***section 37*** to coordinate concurrent jurisdiction to ensure ***policy consistency, alignment and harmony***.
- NLPC comprises of the ***Minister*** (national government) and relevant provincial ***MECs*** (provincial government), and is chaired the the Minister.
- ***National Liquor Authority*** (*macro manufacturers and distributors*) and ***Provincial Liquor Boards*** (*micro-manufacturers and retailers*) implement respective legislation.
- Municipalities also oversee ***by-laws*** that impact on liquor regulation, e.g. zoning

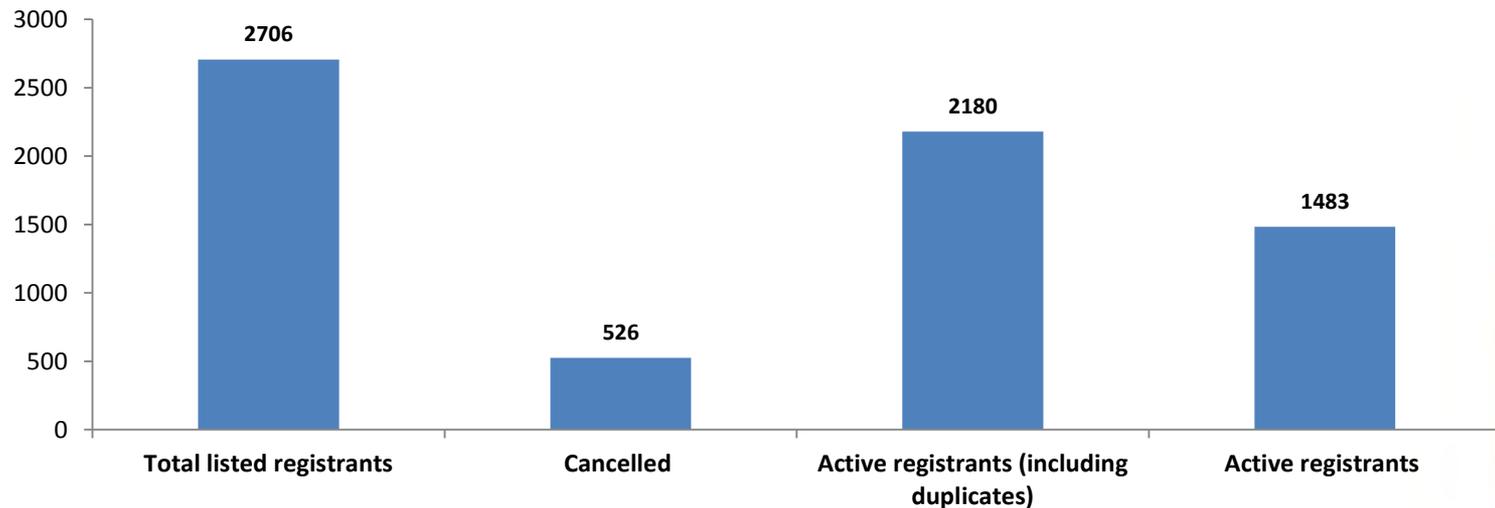


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Statistics on the liquor industry

Manufacturers and Distributors



Source: National Liquor Authority (2015)

- Duplicates refer to where one entity has multiple premises/subsidiaries
- Statistics not audited



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Statistics on the liquor industry

Provincial Licences

Authority	M	D	M&D	On	Off	On & Off	Total
EC	30	0	0	1700	1365	5404	8480
FS	11	0	0	3363	1389	0	4763
GP	3	0	0	10023	2229	0	12255
KZN	84	0	0	5401	2325	0	7810
LIM	16	0	0	8391	1575	0	9982
MP	9	0	0	6423	1570	0	7993
NW	30	0	0	5591	1606	0	7227
NC	15	0	0	4891	2796		7702
WC	1237	0	0	4818	1723	21	7799
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Industry Trends 2003 and 2011

2003	Sector	2010/11
4346	Grape farmers	3527
248	Wine cellars	528
5-10	Major spirit producers (incl. importers)	5-10
5	Major (macro brewers) beer producers	2
35	Distributors	Over 2,000 licensees
30,000-35,000	Retail licenses granted	Estimated over 65,000

Source: DNA Economics based on Reality Research African (2004), Truen et al (2011) and A&T Consulting (2005)

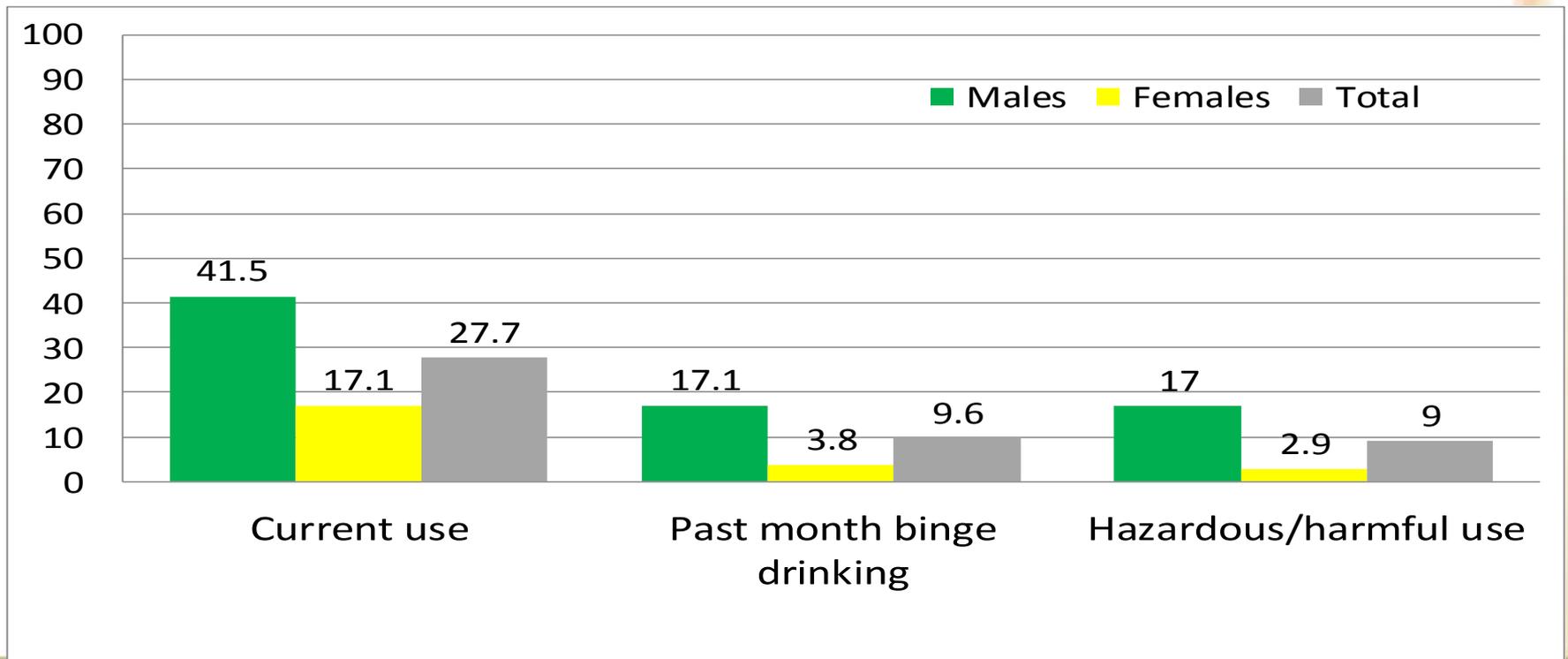


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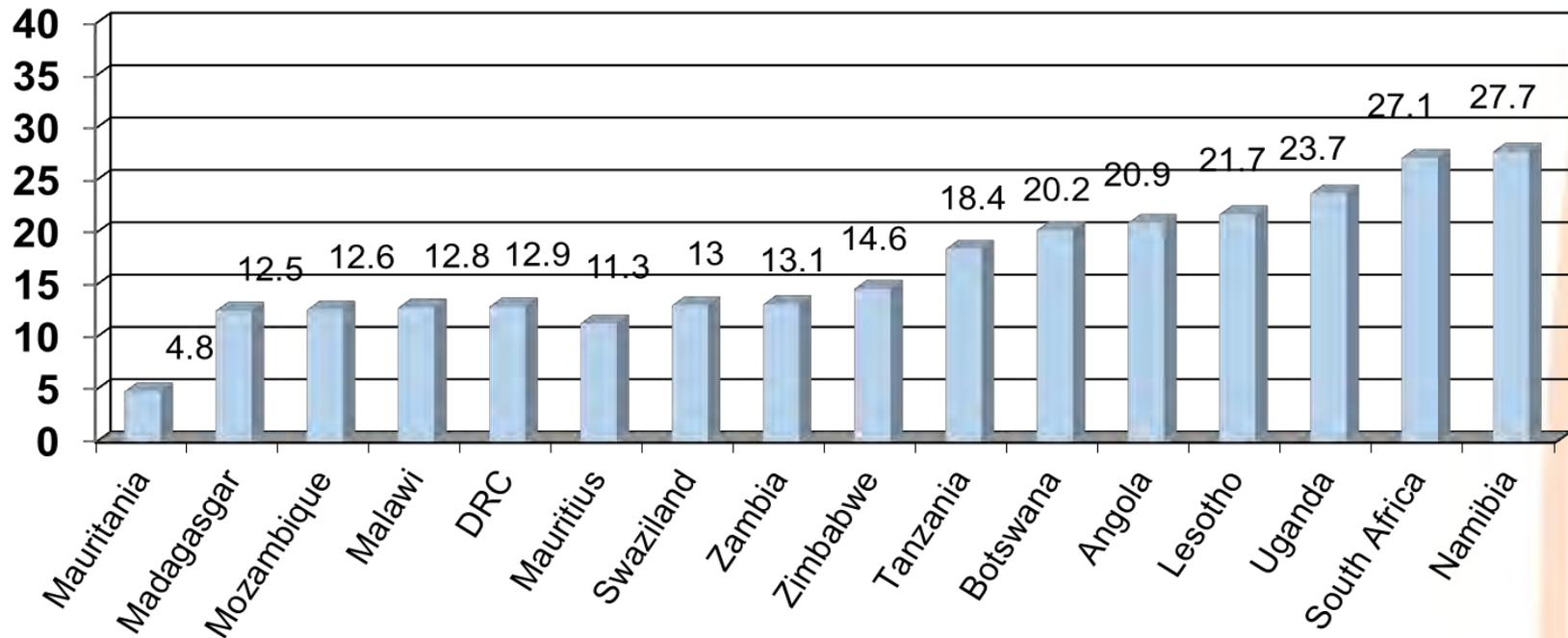
Drinking Patterns

Prevalence of current alcohol use, binge drinking & hazardous/harmful use among males and females in SA (15 years & older; N=15,828)

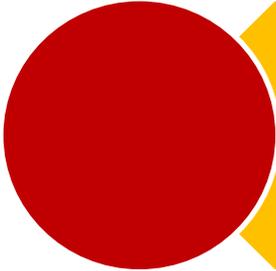


Drinking Patterns

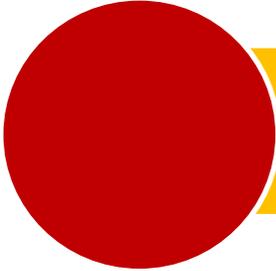
Total recorded alcohol per capita consumption (15+) in litres of pure alcohol (SADC countries)



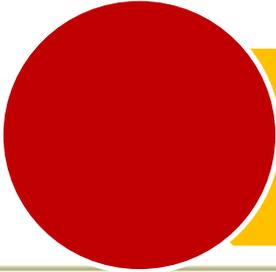
Socio-Economic Harms



South Africa has one of the riskiest drinking patterns in the world and rank in the top 5. Between 2003 and 2005, per capita consumption of pure alcohol equalled 9.5 litres per year, compared to an African average of 6.2 litres. This means that South Africans drink, on average, 53% more than the rest of Africa (WHO)



Alcohol is the third leading cause of premature death and disability in South Africa. Tangible financial costs of harmful alcohol use alone are equivalent to 1.6% of GDP.



South Africa is also a global leader in terms of alcohol related harms, with 10 times the global average for male homicides and twice the global average for road injury deaths (*Norman et al 2007*)



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Socio-Economic Harms

The greatest contributor to alcohol-related harm is violence, which accounts for 39% of all such harms; 18% is due to mental health problems resulting from harmful alcohol use and 14% of harm is due to road deaths.

Foetal Alcohol Syndrome (“FAS”) has also reached endemic proportions in some parts of the country. In a research conducted in the Western Cape (Wellington), the prevalence of FAS among grade 1 scholars in 1997 was found to be at 4,8%, increased to 7.6 % in 1999 and from 2001 increased to 8.8% (*Foundation for Alcohol Related Research*).

The industry contributes considerably to the economy, with jobs estimated at 548, 000 directly, with total government tax revenue estimated at R41.8 billion, and total economic contribution estimated at R94.2 billion from production and sales to value added products as at 2009. (*ARA*) – Government spends significantly in dealing with harm.



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Policy Proposals

Policy proposals contained in the Draft National Liquor Policy Review Document have taken into account:

- Research
- IMC deliberations and recommendations
- Consultative Summit and Conference Resolutions
- Consultation processes at NLPC
- World Health Organisation (WHO) recommendations
- Benchmark Studies



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Policy Proposals

the dti developed the liquor policy to address the following challenges:

- The **socio-economic costs** and harms associated with liquor abuse;
- Slow pace of **transformation** in the liquor industry;
- **Standardisation** of key aspects of regulation and improved **regulatory collaboration**;
- **Illegal** liquor manufacturing and trading;
- **Capacity and enforcement constraints** within the National Liquor Authority;
- **Ineffectiveness of the NLPC** as a coordination structure;
- Exorbitant costs, tedious and lengthy **court processes**.



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Policy Proposals

Challenges

Socio-economic costs and harms associated with liquor abuse

Alcohol abuse is still on the increase, leading to increasing levels of conflict in the family, violence, crime, alcohol related diseases, sexual violence and high risk sexual behaviours, road accidents and Foetal Alcohol Syndrome (FAS).

solutions

Amendment of section 9 of the Liquor Act to align with the Control of Marketing of Alcoholic Beverages Bill. The Bill calls for restriction on advertising and prohibition of sponsorship and marketing.

A government managed fund responsible for combating alcohol abuse should be established. The industry should continue to contribute a percentage to a fund which be held in trust by the NLA.



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Policy Proposals

Challenges	solutions
Socio-economic costs and harms associated with liquor abuse	Review legal drinking age from eighteen (18) to twenty one (21) years.
	Manufacturers, suppliers and retailers to bear liability for any harm or damages caused by intoxicated person.
	The set uniform trading hours within the norms and standards should be integrated in both national, provincial and municipal legislation.
	Liquor premises to be located at least 500 meters away from schools, places of worship, recreation facilities, rehabilitation or treatment centers, residential areas and public institutions.
	Education and awareness to be included in the Act as part of the functions of the NLA.



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Policy Proposals

Challenges	solutions
	No liquor licenses should be issued to petrol service stations; premises attached to petrol service stations; premises near public transport.
Transformation within the liquor industry The liquor industry remains highly un-transformed	NLA to ensure that registration conditions as articulated in the B-BBEE Codes of Good Practice are imposed and strictly monitored.
	Failure to adhere to the B-BBEE Codes of Good Practice may result in revocation of a registration or non renewal.



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Policy Proposals

Challenges	solutions
Improving regulatory collaboration The current fragmented manner of liquor regulation is hampering enforcement and effectiveness of interventions that are put in place to counter the harmful effects of liquor	Harmonisation of national and provincial laws on liquor. Currently only KwaZulu-Natal, Western Cape and Northern Cape have new legislation, others still operate under the 1989 Act substantially.
	The norms and standards to be integrated in both national and provincial legislation or regulations to ensure coherence and harmony.
	To ensure collaboration within the three spheres of government, departmental inspectorates to act in concert with the SAPS, SARS, DAFF, Health, provincial as well as municipal inspectorates
Capacity and enforcement constraints within the NLA	Reposition the NLA to become a trading entity of the dti , with more capacity and powers to enforce the liquor legislation effectively.



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Policy Proposals

Challenges	solutions
<p>Eradicating illegal manufacturing and trading in liquor</p> <p>The large illegal sector is a concern for regulators and threat to licensed players</p>	<p>Strengthen the provisions that deals with illegal manufacturing and trading in liquor and intensify consumer awareness</p> <p>Penalty provisions should be enhanced to be more effective.</p>
<p>Internal Review Mechanism</p> <p>In terms of the Act all reviews follow the judicial process and this results in exorbitant costs and tedious and lengthy court processes</p>	<p>Internal review mechanism to be introduced to deal with aggrieved applicants.</p> <p>Reduce the legal cost for traders and reduce cost of doing business</p>
<p>NLPC: Effectiveness of the NLPC is hindered by the constant lack of quorum.</p>	<p>If no quorum in a meeting and the same happens in the next meeting, the Minister and the MECs in attendance should be empowered to make binding resolutions.</p>



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Conclusion

- In order to deal with socio-economic effects of liquor, it is important to apply a combination of interventions relating to:
 - Price
 - Marketing
 - Availability and
 - Accessibility
- It is important to acknowledge the step taken by NLPC in adopting the National Liquor Norms and Standards, which will standardise trading practices across provinces.
- Other interventions will be required to promote exports, agro processing, agriculture, amongst others, to enhance trade and development of the industry.



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Way Forward

- The written submissions will close on 02 July 2015, and **the dti** will consolidate all input for consideration.
- Face to face consultation will be conducted with targeted stakeholders, including civil society.
- Further intense consultation to take place with provincial liquor boards and departments.
- Revised National Liquor Policy Review Document will be submitted to the NLPC, and thereafter Cabinet for approval.
- A draft Liquor Amendment Bill will be published for public consultation thereafter.



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