BIZCOMMUNITY

Coke giant says sugar tax clouds merger vows

By Fifi Peters

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Coca-Cola Beverages Africa (CCBA), the largest bottler of fizzy drinks on the continent, may backtrack on its commitment to invest R800m in enterprise development in SA if the Treasury imposes a tax on sugar-sweetened beverages.

Ebrahim Patel. Picture: Sunday Times

Such a reversal would undo the efforts of Economic Development Minister Ebrahim Patel to ensure the economy benefits from the three-way tie-up between The Coca-Cola Company, SABMiller's soft-drinks business and operations of the Gutsche family.

Among many other pledges, CCBA, which supplies 40% of all Coca-Cola products sold in Africa, had committed to developing small, medium and micro enterprises (SMMEs) to gain approval from SA's competition authorities for the merger.

But Phil Gutsche, the chairman of the bottling company, warned that the proposed tax would make it difficult for the group to deliver on these commitments as the levy would cause further financial strain in an industry where fixed costs were already high.

"As part of the CCBA merger, we made a commitment to invest R800m to develop SMMEs in the industry. We also committed to keep our employment numbers the same. This tax could undermine that commitment," Gutsche told Business Day this week.

The R800m fund was intended to support the development of local farmers and small suppliers, as well as create 20,000 jobs in the form of black-owned retailers of CCBA's products, which range from sweetened fizzy drinks such as Coca-

Cola, Fanta and Sprite to energy drinks Play and Powerade, as well as branded mineral water.

The merging parties had also pledged not to reduce their current combined employment levels for three years.

Under South African competition law, the bottling company would have legal recourse not to make good on its promises if it can prove that changing market conditions have made it difficult to meet prior commitments.

"Generally, once the Competition Tribunal has approved a merger with conditions, the parties are expected to comply with the conditions imposed, unless they apply to the tribunal or the Competition Commission for an order that allows the alteration of the conditions," said commission spokesman Itumeleng Lesofe.

The Treasury’s proposal to levy a tax of 2.9c per gram of sugar added to all sweetened beverages, barring 100% fruit juices, has been hotly debated since it was published for public comment in July.

Critics claim a tax on a single product is not the best way to rein in a surge in sugar-related diseases such as obesity and diabetes, which are costing SA’s health system billions of rand a year.

The Beverages Association of SA, which represents most of the country’s soft-drink producers, said more than a third of jobs in the industry faced the chop if the proposed tax was implemented. About 240,000 workers are employed in the local beverages sector.

However, the Treasury has labelled the claim that the tax would cause mass job losses as mere speculation and said the industry should not jeopardise constructive engagement on the issue by resorting to "scaremongering".

"All stakeholders have until August 22 to comment on the draft policy paper and provide the Treasury with evidence-based comments and inputs, rather than speculation on the impact of the sugar tax on jobs," said Phumza Macanda, the Treasury’s chief director of communications.

Source: Business Day