The South African Liquor Industry: our contribution
Who says one more drink won’t hurt?
The Industry Association for Responsible Alcohol Use (ARA) was established in 1989 by the major manufacturers of alcohol beverages in South Africa to reduce alcohol-related harm through combating the misuse and abuse of alcohol and promoting only its responsible use. The ARA is registered as a non-profit organisation with the Department of Social Development.

The Association’s members include the major manufacturers of alcohol beverages in South Africa, such as SAB, Distell, brandhouse, KWV, Pernod-Ricard and DGB. Four thousand wine producers and 60 cellars are also members of the ARA and more than 180 distributors and retail chains such as Tops, Makro and Diamond Liquors are associate members.

The ARA acknowledges that the industry has a responsibility to make every effort to reduce alcohol-related harm and since its establishment, its initiatives in this regard have had three focus areas –

• **Effective self-regulation** by member companies and other alcohol beverage manufacturers, distributors and retailers.

• **Partnerships** with government, public health bodies and other relevant stakeholders to combat abuse.

• **Education** - on the nature and risks of alcohol abuse, and on the responsible use of alcoholic beverages by those not at risk who have made the decision to drink alcoholic beverages.

The ARA recognises that harsh social and economic living conditions contribute to alcohol abuse and agrees with the World Health Organisation that in order to reduce alcohol-related harm, it is crucial to address social deprivation. This is a major focus of the liquor industry in South Africa.

In this publication, we look at the liquor industry’s role in the promotion of responsible alcohol consumption, its contribution to the South African economy and how it has assisted in the realisation of Government’s policy objectives and priorities.
Contributing to the economy of South Africa

The South African liquor industry is a major force in the South African economy, providing employment and income to thousands of households and making a substantial contribution to government tax revenue and export earnings for South Africa.

The liquor industry’s manufacturing operations and capital expenditure are responsible for an estimated R94.2 billion (or 4.4%) of South Africa’s gross domestic product. The industry’s GDP multiplier is estimated at 2.08 – which means that for every R1.00 in sales revenue generated by the liquor industry, R2.08 is added to the country’s GDP.

In 2009, the economy-wide contribution to GDP of just one company (SAB) was about R66.2 billion, or 3.1 percent. During the 2009/10 financial year, the National Treasury received R10.2 billion in tax revenue directly from SAB in the form of corporate taxes, from its employees through personal income tax and from consumers of SAB beverages through VAT and excise duties. This accounted for 1.7% of the government’s total tax revenues for the year.

The wine industry alone contributes R26.2 billion to South Africa’s annual GDP. Of that, about R14.2 billion (about 54%) remained in the Western Cape. According to SA Wine Industry Information and Systems (SAWIS), if indirect and induced impacts are included, the wine industry supported just over 275,000 jobs in 2009, most of them in the trade, catering, accommodation and transport sectors. Due to its labour-intensive production methods, the wine cellars and wine manufacturing industry directly employed around 16,000 workers, with roughly 15,000 of those jobs located in the Western Cape.

The total turnover of the wine industry in 2008 amounted to R19.2 billion. Of this amount, R6.3 billion was exported directly. Another R4.3 billion was generated indirectly through wine tourism.

Key statistics for the South African liquor industry (2009)

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<th>Statistic</th>
<th>Value</th>
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<tr>
<td>Value of domestic liquor sales in 2008/09</td>
<td>R57.3 billion</td>
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<td>Contribution of malt beer to total liquor sales</td>
<td>51%</td>
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<td>Excise duties paid by the liquor industry during the 2009/10 financial year</td>
<td>R10 billion</td>
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<td>Liquor industry’s share in total excise tax collected in South Africa</td>
<td>47%</td>
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<td>Taxes paid to government</td>
<td>R34.7 billion</td>
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<td>Estimated number of employees in the liquor industry</td>
<td>21,300</td>
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<td>Employment (direct, indirect and induced)</td>
<td>522,500</td>
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<td>Contribution to SA’s balance of payments - net exports in 2008</td>
<td>R3.8 billion</td>
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<td>Growth in liquor exports since 2000</td>
<td>253%</td>
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Black economic empowerment

In 2010, SAB launched its BBBEE initiative, called SAB Zenzele, which involved the R7-billion issue of approximately 8.45% of the company’s share capital to a broad base of black participants, including SAB employees, black-owned beer and soft drink retailers and the wider public through the formation of the SAB Foundation.

This transaction created over 30,000 new black shareholders in SAB Zenzele, and SAB’s employees now own 3.39% of the company through the SAB Zenzele Employee Trust.

In November 2011, SAB declared an interim dividend of R36.91 million in respect of the shares held by the SAB Foundation and Zenzele. This was a 14% increase on the interim dividend declared in 2010 and was the third dividend declared since the programme was launched.

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The Wine Industry has over the past decade implemented various transformation initiatives. There are currently 53 wine farms which are either fully black-owned or majority black-owned in the Western and Northern Cape, with the number of projects increasing annually. The wine industry is actively involved in assisting these farms in terms of market opportunities, funding and facilitation to government grants and services.

VinPro, representing 3600 wine producers and private cellars, has committed R10 million over a 10 year period, to the facilitation of BEE advisory services via an advisory desk. This service not only facilitates land reform transactions, but also assists wine producers to improve their BEE score under the critical elements of skills development and social upliftment.

KWV completed a BBBEE transaction in September 2004, in terms of which a consortium of Withmore 1 Investments, a black owned company, and the KWV Employees Empowerment Trust acquired 25.1% of the company’s shares. The Trust has as its beneficiaries historically disadvantaged employees. Since 2004 Hosken Consolidated Investments Limited, a black owned investing company, purchased 35% of KWV’s shares. KWV is therefore for all intents and purposes a black owned company. KWV furthermore paid an amount of R370 million over a period of 10 years to the South African Wine Industry Trust, which was controlled by the Minister of Agriculture, and whose chief purpose was to empower previously disadvantaged farmers in the industry.

Responding to the objectives of the 2003 Liquor Act

The main objectives of the Act are:

1. to reduce the socio-economic and other costs of alcohol abuse
2. to promote the development of a responsible and sustainable liquor industry

With these objectives in mind, the ARA believes that –

- Alcohol policy must operate within a reasonable regulatory framework that balances individual freedoms with the well-being of society
- Government should appropriately and effectively regulate alcohol beverage sales
- Government should set a minimum age for the purchase of alcoholic beverages
- Laws should penalise those who illegally supply alcohol to those under the legal purchase age
- Government should enforce laws against drinking and driving and impose severe penalties on those who violate them
- Illicit trade in alcohol can cause serious health and social problems and government should enforce laws to prevent this.
How the industry is responding to Government’s top five priorities

The South African liquor industry regards with pride the contribution it has made to society since the dawning of a democratic South Africa.

The industry takes its social, economic and environmental responsibilities and obligations very seriously. In meeting these responsibilities, it has been guided by the national priorities set by Government, particularly in the fields of job-creation, the nurturing of skills among emerging entrepreneurs and the advancement of certain key objectives such as combating crime, rural development and education.

These are examples of just some of the programmes and initiatives undertaken by the industry jointly or independently to fulfil Government’s agenda.

Job creation

• brandhouse’s Pitch and Polish campaign equips young emerging entrepreneurs with the opportunity, support and expertise to succeed in their own businesses.

• SAB’s KickStart initiative is a youth entrepreneurship programme that supports the establishment of sustainable black youth-owned businesses in order to contribute towards economic growth and job creation. Since its inception in 1995, KickStart has empowered more than 23,000 young entrepreneurs with entrepreneurial skills and enabled the establishment of almost 3,200 small businesses. Investment by SAB in the programme has exceeded R64 million.

• The wine industry is also working closely with the Western Cape Department of Agriculture to implement successful enterprise development initiatives under the Commodity Approach Project. This unique funding model has successfully funded 13 empowerment projects to the value of R13.5m over the past 2 years. The effect of this funding will directly benefit a total of 576 beneficiaries of whom 533 are farmworkers or their direct family members.

Crime prevention

• The Responsible Trader Programme, funded by SAB, is the first of its kind in South Africa to recruit liquor traders as champions in the fight against alcohol abuse. Designed in consultation with law enforcement agencies, its objective is to encourage self-regulation among traders by creating awareness of the social, health and economic consequences of irresponsible trading. In its
first year of operation, more than 13,000 traders were trained and the programme’s goal is to reach 30,000 licensed and informal traders.

**HIV/AIDS**

- In support of the Department of Health’s campaign to make condoms available in communities across the country, SAB has deployed its extensive distribution network to deliver boxes of condoms to taverns. During the project’s three-month pilot phase, SAB distributed over 1.8 million condoms to more than 3,000 taverns. This programme is now being rolled out nationwide and it is expected that more than 845 million condoms will be supplied to local taverns over the coming years.

- All industry players conduct extensive and comprehensive HIV/AIDS education programmes with employees to make sure that they are made aware of testing, treatment and counselling facilities.

**Rural development**

- The South African Wine Industry Trust, in partnership with the Western Cape Department of Agriculture, funds the Rural Development Network (RUDNET), a grouping of NGOs involved in community upliftment programmes among farm-working communities. Their empowerment programmes focus on the social challenges faced by youth and women, including alcohol and drug abuse and HIV/AIDS.

- The Perdeberg Farm Worker Project in the Paarl district is an ARA project launched in 2011 in collaboration with Wine Cellars SA and VINPRO. It is regarded as an industry test case and will lead to a better understanding of the challenges in bringing about permanent change in the lives of farm workers. It works in close association with farmers and has initiated numerous programmes to develop workers, their families and communities.

- Social upliftment of farmworkers remains a priority and the main players in the wine industry recently committed to have their members accredit as ethical wine producers, according to the WIETA (http://www.wieta.org.za) standards. In addition, there has been a strong increase in individual initiatives amongst producers which aim to improve the quality of life of their workers. These include assistance in terms of education, housing, health, sport and cultural needs.

**Education**

- brandhouse has invested heavily in tertiary level adult learning institutions and programmes that aim to address South Africa’s shortage of high-level professional and managerial skills. The company is a strategic partner in the Tertiary School in Business Administration (TSiBA), which provides access to high-quality business education that is focused on entrepreneurship and leadership.

- KWV has funded the Lifeskills programme, which prepares young adults for the new and often demanding social and business situations they will meet on completing school. The programme equips students with life-skills with which to approach the demands of tertiary education college and work situations.
For that reason, the industry has introduced extensive and research-based programmes to prevent the abuse of alcohol, to mitigate its negative impact on society and to encourage a culture of responsible consumption.

These include projects that address – among many other issues – underage drinking, drinking and driving, promoting responsible drinking, and Foetal Alcohol Syndrome.

1. Underage drinking

The industry agrees that maintaining and enforcing a legal drinking age is critical to addressing abuse; underage drinking in South Africa is a serious issue that affects not only young drinkers themselves, but their families and communities.

- The World Health Organisation has identified youth sport as one of the most effective mechanisms to divert the young from destructive social behaviour, including alcohol abuse. For this reason SAB has launched a pilot project with the KwaZulu-Natal Department of Arts, Culture, Sport and Recreation to establish sports fields in areas identified as hotspots for youth crime and underage drinking and close to schools.

- SAB’s You Decide programme took a 45-minute interactive road show to 400,000 learners in 360 schools in KwaZulu-Natal, Mpumalanga, the Free State, and North West. Each road show consists of an interactive play for pupils, focusing on the consequences of bad alcohol-use decisions, and is supplemented by material for teachers and parents, aimed at curbing underage drinking.

- The ARA funded the publication of a Teenagers & Alcohol Guide, developed by the Business Support Unit at Bishops school in Cape Town and leading medical professionals, psychologist and educators and a pilot initiative in schools in the Western Cape. The guide is intended to foster open, honest conversations within families about alcohol use and reduce the harmful consequences of under-age drinking. The guide has been used by various schools, NGOs and the South African Police Services.
• The ARA has partnered with Life Talk, a non-profit organisation addressing the challenges faced by contemporary teenagers, providing funding to enable the organisation to appoint representatives in Gauteng and the Western Cape.

• brandhouse has embarked on a new partnership with Life Talk, Khulisa and SANCA in order to develop an intervention that will target high school pupils. A pilot programme has been run on the Cape Flats in the Western Cape and the programme will be rolled out nationally once the results of the pilot have been evaluated. This programme will see scholars, teachers and parents in pre-identified high risk areas being taken through a series of talks and counselling. Topics covered in these sessions include identifying alcohol and substance abuse in teens, how to cope with alcohol and substance abuse. Peer Educators will be trained and equipped with relevant information and reference material.

2. Drinking and driving

In South Africa, driving under the influence (DUI) contributes to 25% of all alcohol-related deaths in the country, which is estimated at approximately 5,000 people per year. The industry endorses international research which has shown that strong enforcement of the law is the only effective way to change the behaviour of those who know the risks but continue to drink and drive regardless of the safety of others. And South Africans share and support this view.

A highly representative and independent survey conducted by Ipsos-Markinor conducted in 2010 showed that 82% of the public, 98% of government respondents and 83% of media respondents agree or strongly agree that existing alcohol regulations should be more strongly enforced. There was no associated call for more regulation.

The prosecution rate for drunk driving is extremely low, primarily because of a poor evidence chain related to badly maintained breath testing equipment, incorrect testing and slow blood testing processes. Recognising this weakness, the industry has responded to the issue:

• Since 2009, SAB has partnered with local law enforcement agencies to establish 15 alcohol evidence centres (AECs) across the country, where reliable evidence for use in prosecuting DUI cases is collected, via breath tests.

Each AEC is outfitted with the latest equipment to accurately detect a driver’s breath alcohol level with a single breath sample. Centres are equipped with Dräger Intoximeters (breathalysers) which take an instant and accurate reading of the breath alcohol level. Advantages of the Dräger alcotest readings are that they reduce the processing time and improve the quality of evidence which can be used to secure a conviction of drunk driving. The process was designed with assistance from the National Prosecuting Authority.
To date, more than 17,500 people have been processed through AECs. The Western Cape noted a 12% reduction in road fatalities in the year since the inception of their SHADOW programme, which includes an SAB-funded AEC.

Research has shown that the establishment of AECs has encouraged more responsible road behaviour.

- SAB’s R50-million Reality Check campaign, aimed at drivers and mothers-to-be, is the largest investment to date by an ARA member in raising awareness about the negative consequences of irresponsible drinking. It aims to counter reckless attitudes towards drinking and driving through adverts filmed at real roadblocks and showing the hard-hitting reality of what happens when people are pulled over for driving under the influence.

Public engagement points for the campaign include washrooms, campuses, carwashes, buses and other high-traffic outdoor areas. In addition, the campaign was presented in mass-reach media like newspapers, radio, magazines and billboards.

- No Regret Friday uses high-profile celebrities – such as Bafana Bafana coach Pitso Mosimane, Springbok rugby hero Schalk Burger and musician CrashCarBurn - who are committed to drinking responsibly and encourage others to do the same.

In the three months after its launch in June 2011, the campaign had reached over 4 million people through digital and social media.

- brandhouse’s responsible drinking programme was shaped by the company’s own research, which set out to establish why so many South Africans drink and drive when it is clearly irresponsible and illegal. The research found that consumers are aware of the dangers of drinking and driving but, believe they won’t get caught or have an accident – “It won’t happen to me.” The result was the Drive Dry initiative, which flighted a television advertisement showing what possibly awaits a person who has been caught over the limit and sent to jail. This campaign which has now been extended has been highly rated for its effectiveness as a deterrent.

- brandhouse runs a No. 1 Taxi Driver Campaign which encourages responsible driving among the more than 200,000 minibus taxis that daily transport millions of South Africans. It is the only public-private sector initiative of its kind in the taxi industry and is very highly regarded by government, the taxi industry and the commuters who benefit from having better, more informed drivers.
3. Promoting responsible drinking

All industry players run extensive public awareness campaigns to combat alcohol abuse in South Africa.

• In 2009 the ARA launched a series of hard-hitting television adverts to educate parents on the impact of their drinking behaviour on their children.

Using the payoff line 'Who says one more drink won’t hurt', the campaign stresses the need for parents to behave responsibly for the benefit of their children. It has won two Vuka awards and was nominated for Loerie awards. Investment in the campaign exceeded R20 million.

In 2010 a new television advertisement showing a young boy making breakfast for his younger sister because his mother was sleeping off a hangover was added to the campaign and this too won a number of awards. The campaign has been evaluated and the research demonstrated a high level of awareness and claimed behaviour change.

• SAB's Responsible Trader Programme (RTP) promotes awareness of alcohol abuse among liquor traders, who are considered respected business leaders within their communities. It is the first programme of its kind in South Africa to encourage self-regulation among traders by creating awareness of the social, health and economic consequences of irresponsible trading.

In early 2011, SAB undertook a pilot phase of the RTP with a sample of approximately 550 traders participating. An evaluation of the pilot showed an increase in traders’ knowledge about how to trade responsibly in their outlets. Traders rated the programme highly on applicability of knowledge and skills for themselves, their business and immediate communities. More than 95% of participating traders were committed to applying the knowledge and skills acquired. Traders were also positive about their role in contributing towards the reduction of alcohol abuse harm in communities.

To date, more than 13,700 liquor traders have been exposed to the programme.

• The Tavern Intervention Programme for Men (TIP) is a unique initiative led by SAB in partnership with Men for Development in South Africa. The purpose of this project is to tackle the consequences of alcohol abuse such as of violence against women and children and the spread of HIV/AIDS. The programme targets men identified by law enforcement agencies, community-based organisations and community leaders as perpetrators of alcohol-related offences.
• brandhouse – in a joint venture with the Diageo Group - has introduced a website designed to promote responsible drinking. A key feature of DRINKiQ.com is the Responsibility Channel, an online community where consumers, parents, teachers, government officials, retailers and others can post and share videos and programmes they have found effective in addressing alcohol-related issues.

• brandhouse also runs a Responsible Drinking Media Awards initiative which recognises journalistic efforts in promoting responsible drinking and encourages journalists to use their influence to shape public perceptions and behaviour around the misuse and abuse of alcohol.

• SABMiller’s talkingalcohol.com is a site which provides information about the risks and benefits of alcohol consumption and links to other valuable alcohol-related resources. It also provides some of the latest news and views on alcohol. The site uses information from a wide range of reputable sources, and consulted with experts in epidemiology, toxicology and medicine.

4. Foetal Alcohol Syndrome

The industry recognises Foetal Alcohol Syndrome (FAS) as a severe problem particularly in the Western and Northern Cape and has launched important interventions both to improve the standard of living among rural communities and to support organisations that are dedicated to combating this disorder.
• Distell sponsors industrial-theatre shows through Take-Away Theatre to explain FAS in a dramatic and entertaining way to schoolchildren, farm workers and factory workers. Surveys conducted before and after these shows have shown that audience understanding of FAS grew from four percent to 90 percent.

• Distell is also conducting two pilot programmes at primary schools in the Wellington area to test interventions aimed at improving the intellectual capability of children who display FAS symptoms.

The Foundation for Alcohol Related Research

The ARA assisted in the establishment of (and continues to fund) the Foundation for Alcohol Related Research (FARR) which has been active in epidemiological research, prevention programmes and training in communities where the risk of children being born with foetal alcohol syndrome is significant.

Other partners in this initiative have been the Centres for Disease Control and Prevention, the National Institute on Alcoholism and Alcohol Abuse, the Medical Research Council of South Africa, the National Health Laboratory Services.

FARR helped establish a “safe house” in De Aar where community members are educated on the problems of drinking during pregnancy and advised on steps to be taken to end the practice. FARR’s interventions in De Aar have reduced FAS prevalence in that district by 30%, a world first.
Conclusion

Overwhelmingly, South Africans believe alcohol consumption is a matter of individual judgement and accountability. A research project undertaken by Ipsos-Markinor in 2010 found that 82% of the general public and 90% of government respondents agreed or strongly agreed with this.

Over the years, various models to combat alcohol abuse have been attempted, and many have failed to curb excessive and damaging consumption. The ARA believes that it is extremely important to resist the temptation to try and find simple solutions to the complex problems of alcohol misuse and abuse.

There is much evidence that an approach which seeks to further stigmatise moderate alcohol use – through over-regulation, heavy excise duties and further restricting advertising - is based on questionable assumptions, that such policies fail to achieve their objectives, and may be counter-productive.

In our view, no single action is likely to reduce alcohol problems. Rather, what is needed is a multi-faceted, long-term and sustainable strategy which combines –

- The recognition that all industry stakeholders, government, civil society and NGOs must be jointly responsible for the implementation and monitoring of a national strategy. Only through multi-stakeholder partnerships will South Africa be able to put in place the complex mix of measures required to combat alcohol misuse
- An acknowledgement of the duty of individuals to take personal responsibility for their drinking choices
- The vigorous enforcement of existing laws governing sale and consumption and the firm penalisation of unacceptable drinking behaviours
- Educational campaigns to create awareness of the potential harm of alcohol use and to provide citizens with the information necessary for them to make informed choices in relation to alcohol, without punishing the majority of people who drink safely and sensibly
- Interventions should target specific individuals and groups, particularly adolescents, drivers and pregnant mothers, rather than attempt one-size-fits-all strategies focusing on society at large
- Instilling in parents and other role models the need to teach young people the attitudes and skills they will need in a drinking society.
- The regulation of the informal alcohol market and the training of tavern operators in responsible trading and abuse-prevention
Your unborn child drinks everytime you do.

Alcohol intake during pregnancy may cause Fetal Alcohol Syndrome which can result in low birth weight, brain damage, stunted growth and behavioural problems.

Think before you drink.