

**Proposals by the Liquor Traders Association of South Africa (LTASA) regarding the off-consumption sale of liquor during the National State of Disaster COVID-19****1. Introduction**

- 1.1. We are an association of liquor traders representing a very high proportion of the independently owned retail and wholesale (distribution) liquor trade throughout South Africa. Our purpose is to canvass and consolidate the views and proposals of our members and to make submissions to our government whilst the Disaster Management Regulations are in force.
- 1.2. Therefore, these submissions are only for the period whilst the Disaster Management Regulations are in force, as they address the unique challenges posed to us by the Covid-19 pandemic.
- 1.3. Our members' businesses (cumulatively):
  - 1.3.1. *employ more than 14 000 (fourteen thousand) employees, whose families are dependent on them for income (and thus such employment is beneficial and vital to many tens of thousands of our fellow South Africans);*
  - 1.3.2. operate more than 1400 retail and wholesale stores; and
  - 1.3.3. *prior to the lockdown, made a very substantial contribution to our country's tax revenues, including corporate income tax, VAT, PAYE, UIF, SDL, and excise duties.*
- 1.4. We respect and support our government's commitment to save as many lives as possible during this pandemic. We applaud the courageous and difficult steps taken by our President and his dedicated team of Ministers and advisers to combat the spread of Covid-19, whilst balancing on the one hand the necessity of this task, and on the other hand the devastating impact on our economy.
- 1.5. We fully understand that decisions are taken at a national level based on metrics, expert advice, and best practices worldwide.
- 1.6. The purpose of these submissions is to give our input so that this can be factored into such decision-making.
- 1.7. As liquor trading is our core business, we respectfully submit that we have unique expertise in this area and that our input will be of great value.

**2. Current Situation - Severe Economic Stress leading to retrenchments and businesses failing**

- 2.1. All retail and wholesale liquor stores have been closed since 27 March 2020, and accordingly *our members' income has dropped to nil (zero Rand).*

- 2.2. *Our members' expenses have not reduced.* Our members still have to pay their ongoing expenses, including salaries, wages, rent, insurance, security, IT charges, and finance costs.
- 2.3. *Having zero income and no reduction in expenses has resulted in crippling damage to cash flow, and is simply not sustainable.*
- 2.4. Our members have informed us that:
- 2.4.1. *They will not be able to pay a significant proportion of their payroll at the end of this month [May 2020].*
- 2.4.2. *If liquor stores are not re-opened soon, a significant number of employees will face retrenchment. Many of such employees are unskilled or semi-skilled and will find it very difficult to find employment once retrenched. The effect of this on them and their families and our wider economy will be exponentially very dire and negative, and will cause tremendous hardship and suffering.*
- 2.4.3. *Many liquor stores are suffering severe short-term economic stress and are on the verge of collapse.*
- 2.4.4. *A high proportion of liquor stock is close to expiry which will mean irreversible damage to liquor businesses if such stock cannot be sold very soon.*
- 2.4.5. *The longer the sale of liquor is not permitted, the greater the risk of break-ins, theft and looting. Many of our member's stores have suffered significant losses already.*
- 2.4.6. *The liquor category is a significant contributor to our national GDP (4.4% with a 2.08 multiplier effect), and is a significant tax contributor (as noted above). The payment and collection of such tax income is vital to our country's ability to have the financial resources not only to combat the spread of Covid-19 but also to meet and address the many other social and economic challenges facing our country currently and which will continue to be challenges for many years even after the threat of Covid-19 has been overcome.*

### 3. **Relevant factors to a decision to ease the restrictions on the sale of liquor**

- 3.1. *A vital and critical distinction needs to be made between the on-consumption sale of liquor by restaurants, taverns and other retailers to the general public and the off-consumption sale of liquor by our members. In this regard:*
- 3.1.1. We do **not** support any easing at this stage on the *on-consumption* sale of liquor by restaurants, taverns and other retailers to the general public. Sales at such venues would lead to gatherings of people and defeat the purpose of social distancing.
- 3.1.2. The business of our members is the *off-consumption* sale of liquor for consumption by our customers in their homes. This will not lead to gatherings of people and will not defeat the purpose of social distancing.
- 3.2. *A further vital and critical distinction needs to be made between the legal (lawful) sale of liquor and the illegal (criminal) sale of liquor. In this regard:*
- 3.2.1. Our members' business are legitimate, lawful, licensed and extensively regulated. On a national basis, the National Liquor Authority issues

wholesale (distribution) licences. On a provincial basis, the Liquor Board of each province issues retail licences. All such national and provincial licences are subject to strict conditions, legislative requirements, inspection, and enforcement.

- 3.2.2. Prior to the lockdown, our members have had to face “competition” from the illegal sale of liquor by criminals on the so-called “black market”. During the lockdown, *this has become much, much worse*. In the absence of the lawful sale of liquor, members of the public are tempted to purchase liquor from criminals. *There are no safety (health) checks and measures on the contents of such illegally sold liquor products*, which means that the consumption thereof could lead to people falling ill and being hospitalised, placing an additional strain on our hospitals, that need to have capacity to deal with Covid-19 patients. *No (zero) tax revenue is generated from the sale of such illegally sold liquor products*. Furthermore, some members of the public are tempted to break-in and loot our members’ legal liquor stores, damaging buildings and properties, and placing a strain on law and order and on the resources and capacity of our police service. This temptation increases exponentially when people lose their income and the value of black market liquor increases because no legal sale of liquor is allowed.
- 3.3. A large number of SMEs operate in the liquor industry. This is a sector of our economy that our government has repeatedly stressed is vital and must be supported, particularly as it is essential for job creation and retention of jobs.
- 3.4. *There are significant linkages to the rest of our economy*. The independent retail and wholesale liquor channel is a vital route to market for the entire liquor industry. It is an important route to market for small to medium liquor manufacturers who do not obtain listings like in the case of large multinational liquor companies. Smaller distributors (wholesalers) are important suppliers to small, licensed off-consumption retail stores that the large manufacturers do not supply. *Security, IT software providers, advertising agencies, shopfitting, refrigeration, cleaning, packaging, couriers, banking, insurance, and many others, all rely on our industry for an income. The knock-on effect of our members not trading and possibly going out of business altogether is massive.*
- 3.5. Practical measures and considerations relevant to limit any risk of the transmission of Covid-19:
- 3.5.1. Wholesalers (distributors) will be restricted to the sale of liquor products to licensed *off-consumption* retail stores (which must present such off-consumption licence and accompanying identification) by deliveries to those stores and/or by those stores collecting such products from the premises of such wholesalers. Save in making such deliveries, no wholesale (distributors) representatives [agents, marketers, and so on] to make in person visits to retail off-consumption stores. When on-consumption outlets are permitted to trade under the applicable Alert Level, the restrictions proposed in this paragraph will fall away and pre-lockdown legislation will apply as per normal.
- 3.5.2. Most of our members’ employees live in close proximity to their work premises.
- 3.5.3. There will be strict adherence to all Covid-19 health and safety protocols including guidelines for social distancing, sanitation and hygiene, and the use of masks.

- 3.5.4. All liquor businesses will submit a record of their risk assessment with a written policy protection of employees and customers.
- 3.5.5. There will be restrictions on the number of employees at each workplace through rotation, staggered working hours, and shift systems.
- 3.5.6. High risk employees will be encouraged to stay at home on paid sick leave. If this has run out, an application to UIF will be made by our members on their behalf. This will ensure that low risk individuals are able to return to work and earn an income for their families, while high risk individuals are still looked after.
- 3.5.7. High risk customers that we can identify, or identify themselves, will be moved to the front of any queue and given priority service. We will also encourage them to use delivery services offered by our members (call and deliver or e-commerce).
- 3.5.8. Additional safety measures: Protective barrier screens will be erected at all public interface points (till points, help desks, and so on). Employees and customers will be required to keep a 1.5 metre distance from each other. Employers will provide to all employees two cloth masks, and free and ready access to sanitisers. Security and store staff will manage access into stores and ensure social distancing in queues (inside and outside). No person will be allowed to enter a store without wearing a mask. All customers will have their hands sanitised on entering and exiting a store. All trolley handles will be sanitised before and after use. The number of customers allowed in each store will be determined by the adequate space available in such store in terms of health guidelines, which at present appear to be one person per four square metres. Symptom screening and temperature assessment of all employees on arrival to work. **No business may sell liquor until these safety measures are in place but will be allowed to re-open four days before trading to the public so that their employees can return to work to put such measures in place.**
- 3.5.9. Restrictions on quantities of liquor products that any customer can purchase:
- 3.5.9.1. In respect of retail (**not** wholesale) stores, restrictions should be placed on the quantities of liquor products that any customer can purchase, as gatherings are not permitted, and the sale is for household consumption only.
- 3.5.9.2. Factors to be taken into account in determining the limits on quantities are the following:
- 3.5.9.2.1. If the limits are set too high, this will encourage the sharing of liquor by customers, in excess of their own consumption requirements.
- 3.5.9.2.2. If the limits are set too low, this would inevitably lead to a customer returning to the store more often to purchase more liquor. By enabling a customer to purchase reasonably sufficient quantities, this will thus reduce repeat visits to stores by a customer, which would be beneficial in combatting the spread of Covid-19.

3.5.9.2.3. The quantities should be simple to communicate to our customers and employees and practical to enforce.

3.5.9.3. Suggested quantities are the following:

3.5.9.3.1. **Alert Levels 4 and 3:** Each transaction is limited to a maximum of 5 items selected from the following categories:

- Beer or ready-to-drink product (example cider) non-returnable: 1 tray (24 bottles/cans)
- Beer or ready-to-drink product (example cider) returnable: 1 crate (12 bottles)
- Still or sparkling wine: 1 box (6 bottles)
- Boxed wine: 1 box
- Spirits/liqueurs or fortified wine: 1 bottle

Any combination of items can be purchased, but no more than 5 items in total (being either five items from just one such category or one or more items from any or all of such categories provided that no more than five such items in total may be so purchased).

3.5.9.3.2. **Alert Levels 2 and 1:** pre-lockdown legislation will apply as per normal.

3.6. The draft Schedule of Services [Framework For Sectors] released by our government envisages that during Alert Level Three, off-consumption sale of liquor products will be permitted, but only during the limited days and hours of Monday to Wednesday from 8am to 12pm. In this regard:

3.6.1. *Our members **cannot** wait until Alert Level 3 as their economic survival and that of their employees and families is at stake as detailed above.*

3.6.2. Under the initial (pre-lockdown) disaster restricted conditions, trading was limited from 9am to 6pm on Monday to Saturday, and from 9am to 1pm on Sunday and on public holidays.

3.6.3. *Such limited days and hours of Monday to Wednesday from 8am to 12pm will inevitably create a pressure-cooker situation where customers will stand in massive queues in the streets, and will boil over into frustration and even possible violence and looting when 12pm arrives and they have not even entered the premises yet.* This will also lead to panic buying. Furthermore, by not allowing customers to make their purchases during their lunch hours (from 1pm to 2pm) or after work (from 4pm to 6pm), customers will have to take off work to queue.

3.6.4. If trading were to be allowed from 9am to 6pm on Monday to Friday, and from 9am to 4pm on Saturday, this will reduce pressure. It would be socially and economically more beneficial from every perspective. Furthermore, this would spread the demand and allow for the gradual but consistent supply. This will also reduce congestion and the potential associated risks to employee and customer safety. This would also provide adequate time for employees to receive stock, repack shelves, and receive and prepare call and collect orders whilst also attending to the required health and safety protocols.

3.7. Steps to be taken to manage the anticipated (expected) surge in demand by the public on the resumption of the sale of liquor at retail off-consumption stores:

3.7.1. **In the first week of re-opening:**

- On the Monday and Wednesday of such first week: Only customers with surnames A to M will be permitted to purchase liquor
- On the Tuesday and Thursday of such first week: Only customers with surnames N to Z will be permitted to purchase liquor
- On the Friday and Saturday of such first week: All customers will be permitted to purchase liquor
- Every customer to present his or her ID for security to check. Additional security will be in place to check such IDs, control and allow access and manage queuing.
- Full staff complement (excluding staff over 60 years old and those with Covid-19 comorbidities) to manage such initial surge in demand.
- High risk customers that our employees identify, or that identify themselves, will receive priority service.

3.7.2. **In the second and subsequent weeks:**

- Sufficient (adequate) security will be in place to control and allow access and manage queuing.
- Reduced (but sufficient) staff complement.
- High risk customers that our employees identify, or that identify themselves, will receive priority service.

3.8. For understandable logistical and administrative reasons, there is a backlog for the 2020 year at both the National Liquor Authority [in the issuing of NLA wholesale (distribution) *renewal* licences] and the Liquor Board of each province [in issuing *off-consumption* retail *renewal* licences]. To reduce the pressure on the National Liquor Authority and such Liquor Boards, proof of payment of the renewal licence fees for 2020 should be made sufficient proof to satisfy any liquor inspector that the business concerned is in compliance for the 2020 renewal year.

4. **Our proposal (for the reasons set out above)**

- 4.1. The off-consumption sale of liquor by wholesalers (distributors) and retailers be permitted under Alert Levels 4, 3, 2 and 1.
- 4.2. The trading days and hours be from 9am to 6pm on Monday to Friday, and from 9am to 4pm on Saturday under Alert Levels 4, 3, 2 and 1.
- 4.3. There must be strict compliance with the above safety measures.
- 4.4. No business may sell liquor until these safety measures are in place *but will be allowed to re-open four days before trading to the public so that their employees can return to work to put such measures in place.*
- 4.5. Restrictions as suggested above be placed on quantities of liquor products that any customer can purchase.
- 4.6. Steps be taken as set out above to manage the anticipated (expected) surge in demand by the public on the resumption of the sale of liquor at retail off-consumption stores.

- 4.7. To reduce the pressure on the National Liquor Authority and the Liquor Board of each province, proof of payment of the respective renewal licence fees for wholesale (distribution) and *off-consumption* retail for 2020 should be made sufficient proof to satisfy any liquor inspector that the business concerned is in compliance for the 2020 renewal year.
5. We believe this proposal will allow another sector of the economy to open, saving jobs and providing significant tax income to government. At the same time, the risk of spreading Covid-19 will be reduced, particularly amongst high risk individuals. We are committed to supporting the fight against the spread of Covid-19, and look forward to engaging with our government re our proposal.