



15 June 2018

The Chairperson of the Constitutional Review Committee
90 Plein Street
Cape Town
8000

Attention: Ms Pat Jayiya

Per email: pjayiya@parliament.gov.za

WRITTEN INPUTS ON THE REVIEW OF SECTION 25 OF THE CONSTITUTION

Honourable Chairperson

Vinpro and **SALBA** would like to thank the Constitutional Review Committee for the opportunity to submit written comments.

1. Summary of Vinpro and SALBA position on expropriation of land without compensation

Vinpro and SALBA are in favour of land reform, but do not believe that it is necessary to amend Section 25 of the Constitution to achieve accelerated land reform.

We support the following proposals made by Agri SA and Agbiz:

- Finalisation of the Expropriation Bill
- Legislative gaps should be addressed relating to the identification of land and beneficiaries
- Proper monitoring and evaluation of all programmes and projects
- Addressing the communal land issue to enable the capitalization of land in those areas by beneficiaries
- The development of diversified models to address urban, rural-social and rural-commercial land reform. The use of zoning regulations to reserve well-located areas for urban settlement, thereby reducing competition with other land uses which could make acquiring that land unaffordable
- Well-situated state-owned land needs to be made available for housing for the poor
- Get consensus on land audit figures and create a comprehensive land data base that has credibility and universal buy-in
- Implement the High-Level Panel recommendations

Vinpro and SALBA would like to make the following industry specific proposals:

- Fast track water infrastructure projects like the Brandvlei and Clanwilliam dam projects to unlock potential transformation projects of approximately 5 000 ha - The transfer of land ownership and water use rights are critical;

- Put legislation in place to address farm worker rights to land, housing standards and security of tenure;
- Implementing action plans developed through the Wine Industry Value Chain Round Table (WIVCRT) to drive transformation initiatives;
- The wine industry will furthermore continue to assist land beneficiaries into the formal economy through the following initiatives:
 - Building workable partnership models;
 - Facilitating blended development finance models;
 - Facilitation of market access to new entrants through existing and new structures;
 - Ensuring proper structures are in place to guarantee technical, financial and other required support is in place for land beneficiaries, thus acknowledging post settlement support.

2. Who we are

The wine industry is the second largest job-creating agricultural industry in the South African economy with an employment multiplier effect of nearly 8. The industry provides employment to approximately 300 000 employees and workers throughout the wine value chain, of which 30 000 of the opportunities are created on primary level. Importantly, these jobs are closely linked to tourism, an industry that has formed one of the few growing segments of the South African economy (Vinpro: 2017) during the recent recessionary period. According to Brand South Africa (2016), the SA tourism industry contributed around R6 bn to the South African GDP in 2016 alone.

Vinpro and the **South African Liquor Brand Owners Association (SALBA)** are the key players as co-principals in the South African Wine Industry.

Vinpro is a voluntary trade association representing approximately 2 500 wine grape producers, cellars and wine-related businesses, while providing strategic direction, rendering specialised services and driving people development. Vinpro is a significant stakeholder in the wine industry sector. Vinpro's members are substantial contributors to levy funding in the wine and brandy industry currently managed by the Wine Industry Transformation Unit NPC. As the custodian of industry cost of production information and viticulture expertise, it has provided viticulture, economic and agronomic services to wine enterprises over the past 8 years. Furthermore, the organisation is entrusted by the Provincial Department of Agriculture to Chair the processes that effect government support to black farmers, by way of the Comprehensive Agricultural Support Programme (CASP).

The Vinpro organisational functions in the wine industry include:

- **PRODUCER:** Improve productivity & profitability through tailor-made services, products, information & training;
- **PROCESSING/VALUE-CHAIN:** Help create an enabling environment through innovative wine-related business solutions and advocacy on regulatory issues;
- **INDUSTRY:** Give a voice to industry in the public domain and address them through close collaboration with industry stakeholders;
- **SOCIAL COMPACT:** Form partnerships and align goals between Government, industry and labour through round table discussions;
- **TRANSFORMATION:** Take sustainable transformation forward through involvement in career development programmes, land reform initiatives and support to BEE businesses;
- **EFFICIENCY:** Improve efficiency within the company through training, development of personnel and an innovation drive.

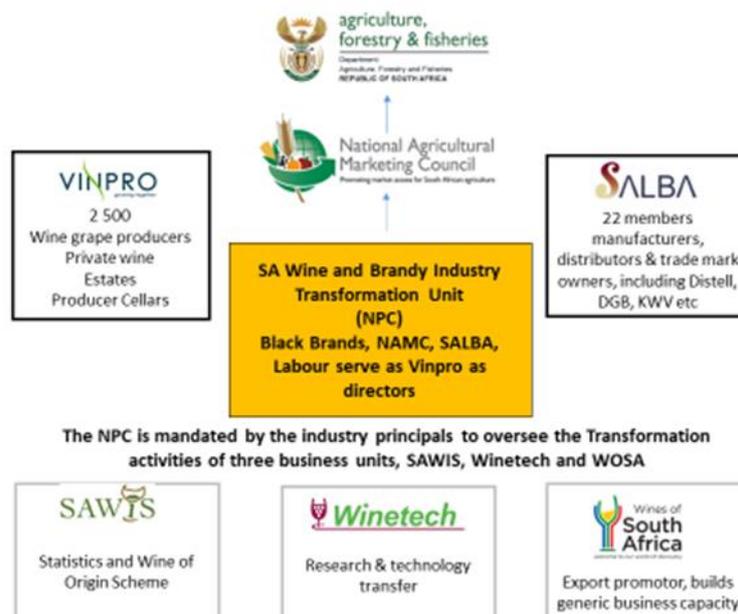
Vinpro is an active member of the Agricultural Business Chamber (Agbiz) and Agri SA.

SALBA is a voluntary trade association representing manufacturers and distributors of alcoholic beverages in South Africa. Their members include South African stalwarts such as Distell, KWV and DGB and while SALBA represents multinationals and businesses across the main sectors of the market, **SALBA expresses these views on behalf of its members who rely on the sustainable supply of grapes for the wine and brandy industry.** Some of the members of SALBA have interests in farms and farming operations in South Africa. The majority of SALBA’s members are reliant on wine producers for raw product for the production of wine and brandy for their range of established brands.

SALBA plays an important role in support of the industry and provides:

- Representation on key international bodies such as the World Wine Trade Group (WWTG) and FIVS (International Trade Association for Wine, Spirits and Beer) and other key organisations that require consideration when embarking on an advocacy role in the liquor trade;
- Interventions on matters relating to excise duties in the wine and spirits industry;
- Prevention and monitoring of illicit trade in alcohol;
- Dealing with matters pertaining to liquor licensing and commercial threats emulating from this;
- Representation on forums of ethical assurance of fair labour practices in the industry, and interventions in matters where fair labour practices are found wanting.

FIGURE 1: Industry structure:



3. Vinpro and SALBA’s position statement

At the ANC’s 54th National Conference, the ruling party deliberated on the matter and adopted a resolution to expropriate land without compensation for purposes of accelerating land reform. A proviso to this resolution is that such expropriation without compensation be implemented in a sustainable manner which does not harm the economy and does not impede food security.

Vinpro and SALBA believe economic growth assists in changing inequality. The reality of today, however, is that there is little economic growth. Black unemployment is currently very high. We are twenty-four years into democracy and still a considerable number of potential beneficiaries are yet to benefit from the land reform programme. For these potential beneficiaries, the wait has been too long.

Vinpro and SALBA understand the frustrations of these potential beneficiaries and acknowledge these sentiments. We support the objective, spirit and purpose of land reform carried out in a manner that is sustainable and meaningful for all beneficiaries.

It is also important to note the findings of the High-Level Panel chaired by former President Motlanthe in November 2017 that made the following findings: *“The requirement to pay compensation is not the biggest stumbling block to the land reform programme. Poor implementation, legislative gaps, corruption and a reluctance to transfer ownership were identified as the biggest stumbling blocks”*.

Recommendations that were made by this panel and that are part of considerations on the way forward include: *“Urgently finalise legislation to regulate communal land tenure which recognises a continuum of right and enact framework legislation for land redistribution which regulate beneficiary selection, regulate land identification, provide for the transfer of ownership and provide for various forms of landholdings (individual & collective)”*.

Vinpro and SALBA thus support a constructive dialogue to find workable solutions within the existing constitutional framework to the ailing land reform programme. We will actively be part of this process on various forums, as well as liaising closely with Government and other industry role-players. Through these actions we will strive to find solutions that will have a positive impact on the profitability and sustainability of our members and the industry as a whole. As well as aligned with the objectives of the National Development Plan (NDP), Operation Phakisa and various other private sector plans.

Vinpro and SALBA are therefore in favour of land reform, but do not believe that it is necessary to amend Section 25 of the Constitution to achieve accelerated land reform.

We furthermore support the proposals by Agbiz and Agri SA which include, among others, the following:

- Finalisation of the Expropriation Bill;
- Legislative gaps should be addressed relating to the identification of land and beneficiaries – and in the process addressing the communal land issue to enable the capitalisation of land in those areas;
- The development of diversified models to address urban, rural-social and rural-commercial land reform. The use of zoning regulations to reserve well-located areas for urban settlement, thereby reducing competition with other land uses which could make acquiring that land unaffordable;
- Get consensus on land audit figures and create a comprehensive land database that has credibility and universal buy-in.

4. SA Wine Industry Perspective & Context

4.1 WISE

(From: South African Transformation Unit (NPC) report: 2018) Our brand South Africa slogan is “inspiring new ways” and is an apt description of the wine industry repositioning itself over the past few years within a very difficult context of socio-economic environment and concomitant challenges facing the industry but also mirrored by every aspect of the South African society. The first of these “inspiring new ways” of the wine industry came through the development of the **Wine Industry Strategic Exercise (WISE)**, an industry strategy which forms a strategic framework to ensure an adaptable, robust, globally competitive and profitable SA wine industry. This confirms the principle that for sustainable transformation the industry must be competitive and offer value. This strategic framework was further broadened and cemented through the adoption of the **Wine Industry Value Chain Roundtable (WIVCRT)**.

4.2 WIVCRT

The Wine Industry Value Chain Round Table (WIVCRT) was established in 2014 to improve relations and communication between the wine industry and government and all stakeholders within the entire wine and brandy value chain. The WIVCRT is an official partnership between government and the wine industry inclusive of business, labour and civil society and its aim is to foster collaborative industry-government actions that help to secure an enduring competitive advantage for the South African wine and brandy industry. The WIVCRT will, among others, influence policy and strategy development, contribute to the development of joint solutions to respond to industry challenges, provide a platform to jointly address food safety, employment and labour issues, jointly advocate for market access and improved trade conditions, as well as guiding and directing scientific research.

The WIVCRT has seven different work streams which consist of relevant stakeholders in the wine sector to participate in the working groups and develop terms of references (TORs) and action plans:

1. Transformation
2. Global Trade
3. Local Market and tourism
4. Research, Development and innovation
5. Resources
6. Employment and Worker Welfare
7. Social Compact

The second and also very important ingredient of the new path is the work currently being done to carve out a social compact which will bind all key stakeholders to a common objective and purpose for transformation. The wine industry is currently well-positioned with the inputs from and support by all the major players and the policy guidance and leadership from government to grow profitability and remain globally competitive. If we continue to focus on our strengths and opportunities, learn from each other, consolidate our strengths and set best practice; the wine industry will continue to be a global force to be reckoned with.

Since its inception, the WIVCRT and its work streams have made good strides in its respective fields towards developing collaborative industry-government actions while they all contribute to the single goal of transforming the wine industry.

The most important achievement for the WIVCRT was to develop a holistic plan to tackle transformation in the wine industry throughout the value chain. Each work stream with the participation of relevant stakeholders developed a Terms of Reference and a plan with clear objectives, targets, time frames and budgets. Over a period of 3 years the work streams have achieved some of the following outputs:

- Compiling a database of land empowerment (and ownership) initiatives in the wine industry which provides an overview of where the industry is currently and show the transformation gaps. The research also includes the comparative statistics for the industry as a whole as an indication of areas for growth and development;
- Setting up a project to contribute and inform debate on strategies for the advancement of women in the wine industry. Exploring best practices and drivers that contribute to the advancement of women's participation;
- Reviewing the progress and implementation of the AgriBEE agriculture charter and make recommendations to the Wine Industry Value Chain Round Table (WIVCRT);
- Undertaking a process to align the work of the WIVCRT with some of the programmes of the South African Wine Industry Transformation Unit (NPC);
- The employment and worker welfare work stream of the WIVCRT developed two very significant documents. The first document is the "Farm Worker Rights Charter" which describes the struggles and challenges faced by farmworkers. The second document is the "Farm Worker Charter EWWWG Action Plan Matrix". The action plan identifies the strategic areas for intervention, outlines the resolutions and identifies the entities that will be responsible to implement a specific activity. It is envisaged that the implementation of the charter can be a catalyst for inclusive economic activity directed towards growth within the wine industry, but the fruit industry will be involved as a number of farmers have both fruit and grape production on one farm;
- A process is currently underway to develop a comprehensive and inclusive social compact agreement that incorporates the work plans of the WIVCRT work stream into a social contract.

4.3 Agri BEE Legislation

The South African wine and spirits industry finds itself in a legislative framework that is well established in terms of government interventions in restructuring the agricultural sector. It is subjected to a range of strategic plans and policies currently being implemented to correct the racially skewed skills and ownership regime brought about under apartheid. The most recent is the December 2017 amendment to the Agricultural Black Economic Empowerment Sector Code, which affects every enterprise in the wine industry, including industry associations which have to align their policies to accommodate the amendments. Furthermore, industry bodies which implement levy funded transformation initiatives will soon be subjected to revised provisions under the 1996 Marketing of Agricultural Produce Act, which will determine the guidelines for industry bodies seeking to implement transformation initiatives.

5 Challenges to land reform

5.1 Government programmes

The Agriculture Policy Action Plan (APAP) and the Strategic Infrastructure Programme (SIP) are government policy frameworks aimed at driving fiscal prioritisation and coordination of private and public investment in growth, as well as focused transformation of the South African Economy. The wine industry Transformation Unit works in concert with the Western Cape Department of Agriculture in their APAP reporting requirements for mutual investment priorities. The lack of co-operation between Government departments in execution of SIP projects is of concern to the industry.

Furthermore ownership programmes under Government programmes like the Phakisa initiative needs to be clarified.

5.2 Water

Water is a critical production factor for the wine industry and for the successful implementation of transformation of the industry. The successful execution of water infrastructure projects under the SIP programmes is therefore of utmost importance. Two large dam projects, namely the Brandvlei and Clanwilliam projects recently enjoyed priority at the national Government's Operation Phakisa process. These two SIP projects are expected to unlock nearly 5 000 hectares of irrigated crops, over 10 000 jobs and potential business ownership for more than 300 black people.

The transfer of both property ownership and water use rights to beneficiaries in executing these projects is of critical importance in ensuring meaningful transformation.

5.3 Farm worker housing

Farm worker housing is another priority to the industry and farm workers have been poorly served by housing policy. There is currently no approved coherent national policy on farm workers and their rights to land and housing (Fixing Farm Worker Housing – Laborie Forum – April 2018). As a result:

- Farm workers face barriers to property ownership and their rights in land remain unrecorded;
- Tenure legislation remains unimplemented - particularly components designed to enable farm worker access to land and housing;
- Workers displaced off farms are frequently made homeless and lack access to suitable alternative accommodation;
- Housing standards for on-farm housing remain poorly specified;
- On-farm hostels for seasonal workers are largely unregulated;
- Farm workers' access to services varies widely.

The following challenges were identified through the Laborie Initiative, a social dialogue initiative (SDI) within the fruit and wine value chains that can be addressed through focused action and required legislation:

5.3.1 Barriers to property ownership and recorded rights:

People who live on farms owned by others cannot own the houses that they live in. Section 4 of ESTA seeks to enable occupiers, former occupiers and other persons who need long-term security of tenure to acquire land or rights in land; and enable development of land occupied or to be occupied in terms of on-site or off-site developments. In practice, very few Section 4 subsidies have ever been awarded.

The majority of farm workers and dwellers living on farms are not registered on the Department of Human Settlements' housing demand database (HDD). Registration is required to access a housing subsidy and registration of farm workers on this database is therefore important. The deeds registry system remains expensive and inaccessible to poor households and needs to be changed to make it accessible to poor households. A total of 50% of households accessing subsidised houses do not have title deeds. Most transactions remain off-register and this has to be addressed.

5.3.2 Tenure insecurity and lack of alternative accommodation:

In practice, farm worker access to housing on farms largely remains tied to the continued employment of a family member on the property. Dismissal, retrenchment, retirement, or the death of the employee frequently results in loss of family access to the house and may trigger legal eviction, cash inducements or other means to displace house-hold members off the farm.

Households evicted or displaced off-farm, have few options but to reside in informal settlements, usually under precarious conditions.

The provision of emergency housing and basic services to evicted/displaced farm worker families is often a low priority for local municipalities, which are already struggling to deliver housing and services for people resident in the towns, many of whom have long been registered on the HDD.

5.3.3 Absence of uniform housing standards and compliance monitoring:

There are no agreed clearly specified standards regulating provision of housing on farms. Quality of housing and levels of service available to farm workers vary considerably from farm to farm.

How these standards are monitored and enforced remains unspecified. The Department of Labour currently has no legal mandate to inspect housing and enforce standards on farms - neither does the Department of Human Settlements.

5.3.4 Unregulated on-farm hostels:

On-farm hostels remain largely unregulated and there is no clearly demarcated external responsibility for oversight and monitoring. Currently, the state plays a minimal role in regulating and monitoring hostels and other temporary accommodation on farms. It provides no support to employers to ensure that seasonal workers are adequately housed.

5.3.5 Inadequate access to services:

Sectoral determination 13 requires that electricity, safe water, a flush toilet or pit latrine is available in, or in close proximity to workers' houses on farms. Access to services can vary widely from farm to farm and there are major variations between provinces nationally. There is limited over-sight of the adequacy of service standards on farms.

6 The importance of property rights to the wine industry

The wine industry currently finds itself in a very challenging economic cycle, and has been experiencing some serious financial challenges over the past 15 years. This was made even more severe by the extreme drought experienced in the Western Cape over the past few years.

As a result debt levels have increased significantly and approximately two-thirds of the debt of wine farmers is securitised using their land as collateral. Many wine producers would not have been able to survive this challenging period without strong balance sheets due to the increasing value of their land, which in turn would have had dire consequences for the people employed in the industry, their communities and the economy as a whole.

The wine industry is perhaps the single most significant case in liberalised South Africa in which an entire subsector of a tourist oriented economy has been in a position to underwrite the bulk of its employee wage bill on the premise that land has a high market value. The wine industry can present empirical evidence of the fact that land value plays a cardinal role in economic resilience and employment. Should an amendment be made to the Constitution therefore, it could have far reaching consequences for financial institutions, the existing commercial agricultural sector, the tourism sector and especially new entrants to the sector, if such changes were to affect the value of land. If expropriation without compensation were to be carried out, the underlying asset (land) would be

compromised in terms of its perceived market value. A revised credit risk profile for land, would effectively cut off the lifeblood for perennial crop production, which are dependent upon land for collateral. Very few modern agricultural systems can function as robust growth drivers without assurance to commercial lenders and offtakes that there will be a product to sell from land that has value.

By expropriating land without paying for it, the state or other functions of the state are likely to reduce the asset value by a consequential amount. The ripple effect that would follow such a shock, is almost certain to compromise many of the intended restorative intentions for expropriation to be explored in the first place.

The economic literature is filled with examples of these types of negative feedback loops that can develop (J Kirsten – 2017): the Japanese real estate market collapse from the early 1990s is a good example. The value of the underlying assets was shown to be too high and investors realised that they needed to protect as much of the value of their holdings as possible. This led to market panic as participants liquidated as much as possible in the anticipation of prices dropping. This consequently led to a collapse of prices and the corresponding balance sheets of the financial sector from which they are still recovering almost thirty years later. The recent financial crisis again highlighted the importance of maintaining asset price stability as a core function/aim of authorities simply because the alternative adjustment process is much worse than the often unsavoury option of supporting the financial sector.

There is no doubt that land ownership patterns in South Africa need to be addressed but crude price interventions will make the desired asset (financially) worthless to all. Under apartheid South Africa, there were cases in the mid 1970's when expropriation was carried out for the purpose of enlarging the former homelands in the Eastern Cape. Compensation was provided in the form of government bonds, evidenced to be greatly de-valued. Although the exercise did indeed give rise to larger tracts of land being made available to black farmers, the underlying value of the expropriated land was severely diminished for these black farmers under the tenure system that had been put in place at that time. Had said new occupants of the land been in a position to maintain the value of their land, they would arguably been able to enjoy the same prospects for modern agriculture, as the former owners had enjoyed. Instead, their prospects were degraded to limited smallholdings with little means to expand their enterprises and created employment. The commercial parties who lost their land, in turn, lost their means to generate the much needed economic growth that could have improved the lives of black South Africans at the time.

7 Land reform in the wine industry

The Pro-active Land Acquisition Strategy (PLAS), a lease-holding model has been implemented by the Department of Rural Development and Land Reform from 2009 till the present day. PLAS replaced the Land Redistribution for Agricultural Development (LRAD) which saw land transferred to black farmers between 2001 and 2010. All instances of the implementation of PLAS in the wine industry have been largely compromised because of the lack of land value transfer. The land belongs to the state, and therefore the new lessee cannot raise the requisite finances to adequately prepare the crop for the modern value chain which the wine industry is. There are 51 black owned enterprises in the wine industry. Without exception, those enterprises that have been afforded land that has retained or gained market value, have been in a stronger position over the 18 year period since LRAD was launched, to participate meaningfully in the global wine economy. Intensive agricultural value chains are virtually impossible to operate without private partners who, in turn, become involved on the grounds that the product will be of a standard that the market will accept. By compromising a fundamental building block in raising the means to fund production, one would inadvertently

devastate the means of production for new entrants, along with the promises that said means of production might have brought.

8 Alternative recommendations

Vinpro and SALBA would like to make the following specific proposals:

8.3 Fast track water infrastructure projects like the Brandvlei and Clanwilliam dam projects to unlock potential transformation projects of approximately 5 000 ha;

- The transfer of both property ownership and water use rights to beneficiaries in executing these projects is of critical importance in ensuring meaningful transformation.

8.4 Put legislation in place to address farm worker rights to land, housing standards and security of tenure;

8.4.1 Property rights:

People who live on farms will have options which will enable them to obtain home ownership. Section 4 of ESTA should be actively implemented to:

- enable occupiers, former occupiers and other persons who need long-term security of tenure to acquire land or rights in land;
- enable development of land occupied or to be occupied in terms of on-site or off-site developments.

Section 4 subsidies will become available and the DRDLR will allocate a dedicated budget to meet its obligations in terms of the Act.

Criteria for subsidy eligibility will specifically recognise and correct factors marginalising farm dwellers and this process will consciously address the rights of households headed by women. Policies will be developed which will enable the development of well-located rural hamlets within municipal spatial development frameworks and which will encourage public-private housing schemes for farm dwellers.

There will be an active drive to enable farm workers and dwellers living on farms to register on the Department of Human Settlements housing demand database (HDD) with annual targets set for local municipalities.

New forms of recorded rights will be developed which will ensure secure property rights to address the current failings of the deeds registry system which remains expensive and inaccessible to poor households.

Barriers to property ownership for farm dwellers in off- and on-site developments will be progressively removed, reducing farm dwellers' tenure insecurity. However particular caution will need to be taken to avoid the creation of unsustainable rural settlements which turn into rural poverty traps.

8.4.2 Tenure security:

Employer and occupiers will be assisted to better understand their rights and responsibilities in terms of the Extension of Security of Tenure Act (ESTA). Case law will continue to clarify the ESTA right to

family life of farm workers and dwellers “in accordance with the culture of that family” and clarify the balance between this right and the rights of the owner.

State grants and tax benefits will be available to support employers to comply with Section 8(4) (a) and (b) of ESTA, which, at present, effectively gives responsibility to the owner to continue to accommodate retired farm workers who qualify as long term occupiers.

A legal framework will be put in place to ensure that negotiated mutual agreements between farm owners and dwellers which compensate farm dwellers for voluntarily relinquishing their ESTA rights and accepting compensation and relocation assistance to move off farms are just and equitable. The rights of farm dwellers resident on properties acquired for land reform will be protected and they will be adequately compensated if they relinquish their ESTA rights to tenure security on the property.

Each municipality will have adopted an emergency housing and basic services policy which ensure the availability of serviced sites which is publicly available. This policy will ensure that ‘temporary relocation areas’ (TRAs) are well-located to correct spatial inequality and reduce the cost of travel from remote locations.

8.4.3 Housing standards:

A set of clearly specified national standards will regulate provision of housing on farms. These will elaborate on the basic guidelines provided by Sectoral Determination 13. The WIETA and SIZA standards and other industry codes will be updated to reflect national farm worker housing minimum standards.

Legislation will specify how these standards are monitored and enforced and set out the conditions under which the Department of Human Settlements, the Department of Labour and local municipalities may conduct inspections and issue compliance orders.

Subsidies will be made available as part of a revised Farm Resident Housing Assistance Programme, which incentivise employer adoption and is included in the National Housing Code.

8.4.4 On-farm hostels:

A set of clearly specified national standards will regulate the provision of hostel accommodation on farms. On-farm hostel redevelopment will be integrated into the National Housing Code. Subsidies will be made available as part of a revised and practicable farm hostels redevelopment programme.

The WIETA and SIZA standards and other industry codes will be updated to reflect national farm worker hostel minimum standards.

Legislation will specify how these standards are monitored and enforced and set out the conditions under which the Department of Human Settlements, the Department of Labour and local municipalities may conduct inspections and issue compliance orders.

8.4.5 Access to services:

Amendments to the provisions of the Municipal Finance Management Act will permit closely specified and audited public expenditure on privately owned land for the purposes of ensuring basic service provision and improved housing standards.

A model by-law will be prepared to enable municipalities to require that farm owners register and provide basic occupancy statistics for on-farm accommodation on an annual basis, as a means to provide data to ensure adequate service provision on farms including access to health care, schooling and rural public transport.

A farm household infrastructure grant (FHIG) will be made available to fund rural housing and services on farms.

Tax incentives will be developed by SARS which reward investments in service and social infrastructure on farms.

Municipalities, in conjunction with the Department of Home Affairs and Social Services, will jointly enable farm dwellers to obtain identity documents and access social grants.

8.5 Implementing action plans developed through the WIVCRT to drive transformation initiatives

The industry social compact agreement that incorporates the work plans of the WIVCRT work stream into a social contract will be used as a primary vehicle to drive transformation and land reform in the wine industry.

8.6 Find way of transferring land without decreasing the value of the land

The lesson learnt from the cited example of Eastern Cape farm expropriations in the mid 1970's is that land which is transferred to new entrants cannot be diminished in its value. No emerging economy can afford a retrogressive step in terms of any of the building blocks to outside capital, market perceptions or partnerships. South Africa operates in highly competitive, modern value chains, which, in turn, generate much needed revenue for growth. This, by no means diminishes the need for land reform. It merely reflects the importance of ensuring that new entrants receive the value that is currently held, and not a diminished one.

8.7 The wine industry will furthermore continue to assist land beneficiaries into the formal economy through the following initiatives:

8.7.1 Building workable partnership models.

8.7.2 Facilitating blended development finance models.

The wine and fruit industries are currently in the process of implementing a differentiated & comprehensive financing & support system for black owned business in the wine & fruit value chain. This initiative will establish a R600 million funding mechanism between the industry, the Jobs Fund and Landbank. This initiative will be a step closer to the approximately R2.5 billion required to reach the industry's transformation target.

8.7.3 Our wine industry-specific initiatives will be focused on the facilitation of market access to new entrants through existing and new structures.

8.7.4 We understand the critical importance of post settlement support and will ensure that the structures are in place to ensure that technical, financial and other required support is in place for land beneficiaries.

9 Conclusion

Vinpro and SALBA are in favour of land reform, but do not believe that it is necessary to amend Section 25 of the constitution to achieve accelerated land reform. Through the Wine Industry Strategic Exercise (WISE), an industry strategy which forms a strategic framework to ensure an adaptable, robust, globally competitive and profitable South African wine industry, the Wine Industry Value Chain Round Table (WIVCRT) where Government and the wine industry inclusive of business, labour and civil society collaborate, as well as well-established Agri BEE Legislation, we support constructive dialogue to find workable solutions within the existing constitutional framework to land reform and will actively be part of this process on various forums, as well as liaising closely with Government and other industry role-players.

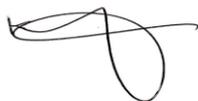
We except the various challenges to land reform, but ask that urgent attention is given to: Government programmes and the lack of co-operation between Government departments in the execution of these programmes; fast tracking water infrastructure projects like the Brandvlei and Clanwilliam Dam projects, which potentially can unlock nearly 5 000 ha of irrigated crops, over 10 000 jobs and potential business ownership for more than 300 black people; farm worker rights to land, housing standards and security of tenure by putting legislation in place, as well as implementing action plans developed through the WIVCRT to drive transformation initiatives.

The importance of property rights to the wine industry and especially land value need to be recognised as it plays a cardinal role in economic resilience and employment. VinPro and SALBA believe any amendments made to the Constitution that may devalue land, will have far reaching consequences for financial institutions, the existing commercial agricultural sector, the tourism sector, and especially new entrants to the sector.

We also recommend urgent attention is given to the finalisation of the Expropriation Bill; addressing of legislative gaps relating to the identification of land and beneficiaries; the proper monitoring and evaluation of all programmes and projects; addressing the communal land issue to enable ownership of land and water rights in those areas by beneficiaries; the development of diversified models to address urban, rural-social and rural-commercial land reform; well-situated state-owned land being made available for housing for the poor; consensus on land audit figures and create a comprehensive land database that has credibility and universal buy-in, as well as the implementation of the High-Level Panel recommendations.

The wine industry will continue to assist land beneficiaries into the formal economy through building workable partnership models, facilitating blended development finance models, facilitation of market access to new entrants through existing and new structures, as well as ensuring proper structures are in place to guarantee technical, financial and other required support is in place for land beneficiaries, thus acknowledging post settlement support.

Yours faithfully



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