Submission by DSICA Inc to the IPART issues Paper February 2018 on "Monitoring the impacts on container beverage prices and competition"

Section 2.5 Costs of the Scheme

This section does not recognise that there are additional costs incurred by suppliers and manufacturers over and above the charges imposed by the scheme operator. Reaching any conclusion as to whether "costs" have been recovered or over recovered will not be possible without a realistic estimate of the total costs incurred by suppliers participating in the scheme. These additional internal costs include:

- Internal administrative costs to register all products and any new products,
- label changes,
- maintenance of multiple pricing systems to deal with different state pricing,
- negotiation costs with customers
- tracking product shipped to interstate warehouses but for eventual sale in NSW
- increases in per unit costs as production scale is lost due to reduced volume flowing from price increases
- losses incurred by suppliers in having their containers included unfairly in the scheme, and accordingly prohibited from sale in various states (for example, premixed spirits in casks)

Part 4 Assessing the effects of the CDS on Beverage Prices

We note the acknowledgement of the complexity in isolating price changes to implementation of CDL.

Some of the alcohol products subject to CDL are also subject to 6 monthly indexations of excise. IPART will need to establish that the level of detail in the relevant ABS pricing data is available eg is spirits split between pre-mixed that are subject to CDL and full Bottled Spirits that are not? Similarly, is beer split between draught and packaged?

We note the methodology proposes to use Melbourne as comparative data for ABS comparison. Promotional activity is often regionally based and driven by retailers rather than producers. DSICA welcomes the acknowledgement that many products covered by CDL are frequently on promotion and the difficulty this presents.

IPART should have regard to the fact that different companies, driven by their commercial objectives at the time, have different approaches to the timing of passing on costs.

Given all of the above it appears that the "differences in differences" approach may be an over simplistic method to accurately isolate the impact of CDL – certainly in the shorter term.

Contact

Alec Wagstaff CEO