



Lion
Response to IPART Progress Report

**“NSW Container Deposit Scheme: monitoring the impacts on container
beverage prices and completion”**

8 June 2018

1. About Lion

Lion is a leading beverage and food company with a portfolio that includes many of Australia's favourite brands. We employ more than 6,500 people across Australia and New Zealand and take great pride in our local manufacturing footprint, which spans 34 sites – including large breweries, craft breweries, dairy farms and milk, cheese, yoghurt and juice sites.

We are one of the region's largest purchasers of agricultural goods and an integral component of the retail, hospitality and tourism industries.

Our business generates nearly \$2.2 billion in total economic contribution to the Australian economy.

Our Australian beer division, Lion Beer Australia, is one of the largest brewing companies and the operator of the most brewing sites in Australia. The company currently operates ten breweries around the country.

Four of them are in NSW, the largest of the network is Tooheys at Lidcombe. We also operate one of Australia's original craft breweries, the Malt Shovel Brewery in Camperdown, as well as unique craft breweries at Jindabyne and Byron Bay. The company and its corporate functions are also headquartered in York St, Sydney.

We brew some of Australia's most iconic beers, including Tooheys New and XXXX Gold. We also brew some of Australia's favourite craft beers such as James Squire and Little Creatures.

The core activities of our Dairy & Drinks business in Australia are the manufacture and wholesale of white milk, flavoured milks, fresh dairy foods, specialty cheeses and fruit juices. We make and market many of the region's favourite brands including Dairy Farmers, King Island Dairy, Dare iced coffee, Farmers Union, Yoplait, Berri and Daily Juice.

Lion's dairy origins stretch back to the formation of the Dairy Farmers' Milk Cooperative in 1900. Our Australian dairy and juice manufacturing footprint spans 15 sites including milk, specialty cheese, yoghurt and juice facilities.

We also own and operate two dairy farms on King Island. In NSW we have two juice sites in Smithfield and Leeton, a milk manufacturing site in Penrith and a dairy manufacturing site in Wetherill Park. We are in the final stages of an \$87million investment at our Wetherill Park site which will transform the site into a milk-based beverages manufacturing hub for the Eastern Sea board and we are also currently investment around \$27m in our Smithfield and Leeton juice sites.

There are 393 dairy farmers who supply our business nationally; this includes 179 direct Lion suppliers and we also contract 179 farms via the Dairy Farmers Milk Cooperative (DFMC). In NSW 80 dairy farms supply Lion – 29 direct and 51 through the DFMC. We also partner with 160 fruit growers in Australia with the majority of them based in the Leeton and Griffith areas.

Lion and Exchange for Change

Lion is a member of Exchange for Change. Exchange for Change is the scheme coordinator of the NSW Container Deposit Scheme.

Exchange for Change was established by five major beverage companies: Lion, Coopers, Coca Cola Amatil, Asahi, and Carlton United Breweries. These five companies, along with two independent members and an independent chair, make up the board of Exchange for Change.

The Exchange for Change Board does not have access to, or visibility of, any information provided by other suppliers. Information provided by suppliers to Exchange for Change is treated with the utmost confidentiality.

For the benefit of the Tribunal, this submission represents the views of Lion, and has not been discussed or prepared with Exchange for Change.

2. Summary

The Independent Pricing and Regulatory Tribunal (“IPART”) has been asked by the NSW Government to monitor the effects of the NSW Container Deposit Scheme (“CDS”). Specifically, IPART has been asked to monitor:

- the effect of the scheme on container beverage prices
- the performance and conduct of suppliers, and
- any other market impacts on consumers resulting from the scheme.

As a beverage supplier in New South Wales, Lion welcomes the opportunity to comment on these issues.

IPART’s initial finding is that increases in container beverage prices as a result of the CDS are consistent with the direct costs of the scheme to suppliers.

Competition impacts

IPART recommends that either ACCC or NSW Fair Trading investigates any allegations of unfair or anti-competitive practices. Lion supports this recommendation, as both of these bodies have the relevant experience and resources to undertake such investigations.

That said, IPART does not appear to have identified any unfair or anti-competitive practices related to the NSW CDS at this point.

3. Response to selected recommendations and issues

1. Exchange for change publish the following information prior to issuing its June invoice and all its subsequent invoices:
 - Forecast container volumes for the next three months for both network operator volumes and MRF volumes
 - A description of how container volumes were estimated
 - Forecast costs per container for the next three months
 - Costs per container for previous months based on actual container volumes recovered by the network operator and MRFs (once known)(ie, what the costs would have been if forecasts were 100% accurate)

Lion supports this recommendation
