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BEVERAGES COUNCIL ELECTS 2007-08 LEADERSHIP TEAM

The annual general meeting of the Australian Beverages Council held in Sydney on Tuesday 19th of September elected the 2007-08 Board.

The 2007-08 Board consists of:

President:	Andrew Dawson	Cadbury Schweppes (Aust)
Vice-Presidents:	Joanna Price	Coca-Cola South Pacific
	Ian Turner	Saxby's Soft Drinks
Hon. Treasurer	Arthur Shelley	Bertshell
Board Members:	Jaideep Chandrasekharan	Fosters Australia
	Darren Fullerton	PepsiCo Australia
	Bruce Herbert	Coca Cola Amatil (Aust)
	Angelo Kotses	Bickfords Australia
	John McLean	Bundaberg Brewed Drinks
	Jonathan Moss	Frucor Beverages
	Peter Sullivan	Beauesert Soft Drinks

Tony Gentile as chief executive is an ex-officio member of the Board. Neil Smith (Cadbury Schweppes) and Belinda Ford (Coca-Cola South Pacific) were appointed as chairpersons of the Technical and Public Affairs Committees.

INTERNATIONAL COUNCIL TO MEET WITH AUSDRINKS

The International Council of Beverages Associations (ICBA) unanimously resolved to meet on the 16th & 17th of May 2008 just prior to the commencement of AusDrinks2008. The ICBA will meet at the same venue as AusDrinks, the beautiful Sheraton Mirage on Queensland's Gold Coast.

Members are welcome to attend the ICBA meeting as observers – they should however advise Melanie Eardley (info@australianbeverages.org) of their intention to do so. A catering charge will apply – conference accommodation rates will also apply.

AUSDRINKS2008 UPDATE

Sally Loane, Coca-Cola Amatil's Director of Media & Public Affairs will address AusDrinks2007. Sally an experienced journalist and broadcaster (ABC) will address the conference on Media – "Friend or Foe" Can we as industry ever win?

We also welcome Portola Packaging as a Gold Sponsor for AusDrinks2008.

For further information about sponsorships & exhibition space please go to the website www.ausdrinks.com

"COMMITMENTS" AUDIT

Members are reminded of the importance of completing the audit questionnaire circulated to all bottlers by Food & Nutrition Australia. The audit was an integral part of our commitments and it is important that we not only report on what the majors are doing, but also the important contribution of regional bottlers to their local communities.

VISIT OUR NEW BEVERAGES & HEALTH SITE

The health & wellness section of our website has been revamped and members are encouraged to acquaint themselves with the considerable information contained therein.

The pages have been pulled together as a 'mini-site' with contents reviewed by dietetics consultant Dr Gina Levy and graphics by Point Communications.

In addition to being a part of the main Australian Beverages Council website (www.australianbeverages.org) the health site is also stand alone via www.beverageshealth.org.au.

MEDIA – WHAT IS HAPPENING?

In recent weeks, reporting on health and wellness has remained usually well under the 50 stories per week mark, meaning that often there is one small story and the ongoing bubbling of other associated stories.

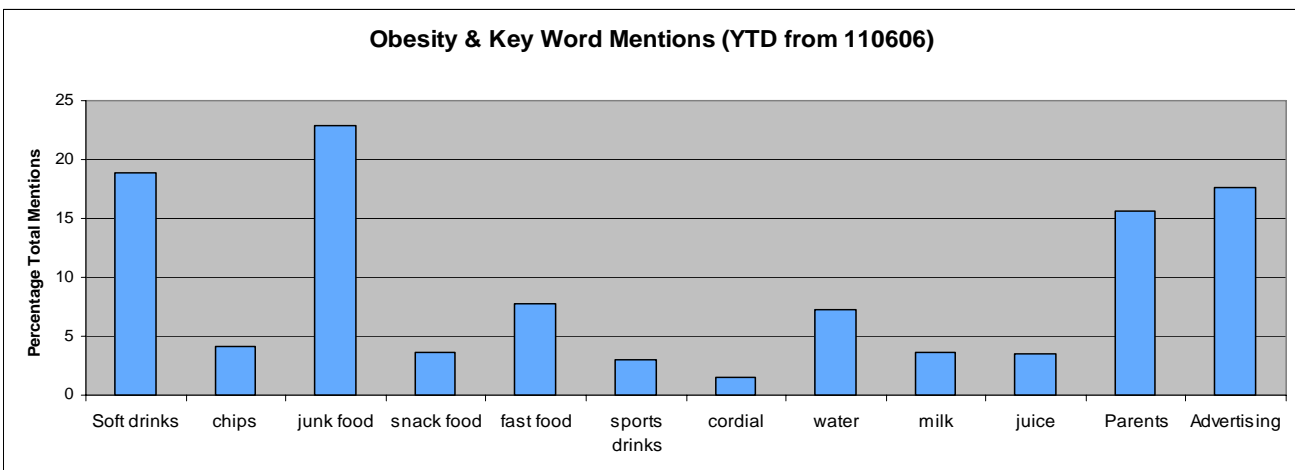
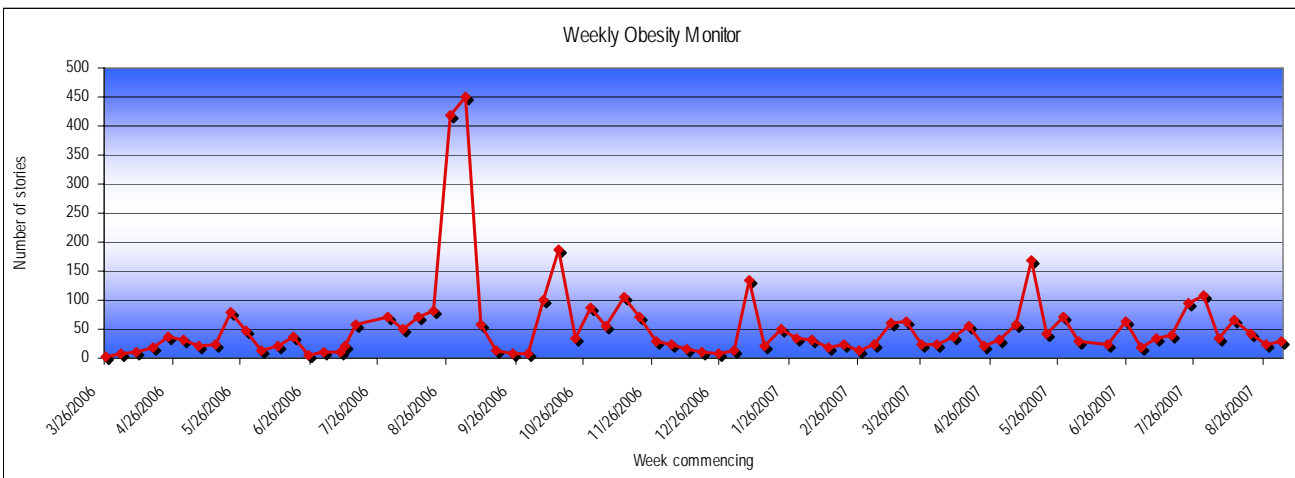
Key highlights would be an ongoing interest in salt and fat and claims made on labels; the engagement of sport-based marketing to market to kids (raised again via a recently reported Cancer Council study).

Interestingly, the use of the actual term 'obesity' tends to appear most often in stories that are about marketing to children, although appears less often than "health".

Aspartame and metabolic syndrome have been quietly bubbling along as ongoing topics under the spotlight.

Key Stories have been:

- Week commencing (w/c) 3 September - study links additives to hyperactivity – key mention sodium benzoate, CSDs & cordial
- W/c 27 September – Cancer Council study links TV viewing to junk food consumption – Rosemary Stanton on 'hidden size' of snack business – Junk food sold at sporting venues
- W/c 20 August – Red Bull overdose - Shrek cleared by Ad Standards + resulting reaction – SA announced junk food ban from 2008
- W/c 13 August - AIS/Gatorade item mentioning obesity & dental matters - - SA launches \$14M pre-school health campaign
- W/c 6 August – general ongoing coverage – AWASH, salt, Pull the Plug, CSD consumption & metabolic syndrome, plus ALP policy reaction



FSANZ COMMENCES WORK ON FLUORIDE APPLICATION

We are pleased to advise that FSANZ have allocated Application A588 – voluntary fortification of bottled waters with fluoride and work has commenced.

We are advised that, all proceeding without any major hitches, a variation to the Standard may be finalised by October 2008.

READY-TO-DRINK TEAS FORTIFICATION

The Board has accepted a recommendation from the Technical Committee for work to commence on an application to FSANZ to permit the fortification of RTD tea.

Currently this is not possible as the beverages containing caffeine are specifically excluded unless falling within the "Formulated Caffeinated Beverages" provisions of the Food Standards Code.

GST ON FORFEITED DEPOSITS

In a recent court case, the Full Federal Court found that GST was not payable on forfeited deposits. The Court found that sellers do not have to remit GST if they retain a forfeited deposit. The ATO is seeking leave to appeal this decision to the High Court.

The Federal Court decision will have the following effects on businesses:

- **For past transactions:** The ATO should be refunding GST on any forfeited deposits. However, the ATO is withholding these refunds until the High Court appeal is decided. If the ATO's appeal is successful, the refunds will not be paid. If the ATO fails, then the ATO will refund GST (plus interest) on any forfeited deposit, but will require that the refund is passed on to the customer. (Note: if the High Court decides against the ATO, it is very likely that the Government will legislate to overturn the decision - see below)
- **For current transactions:** Businesses do not need to pay GST on any forfeited deposit they receive. Businesses that make a deposit that is subsequently forfeited may continue to claim their GST input tax credits, but only if the supplier indicates that GST was included in the cost of the deposit. If the ATO's appeal is successful, then businesses will have to rectify the underpayment of GST or underclaiming of input tax credits. If the ATO fails, then the converse applies.

The details on the case and the ATO's response are available from <http://law.ato.gov.au/atolaw/view.htm?DocID=LIT/ICD/VID724of2006/00001>.

Comment: The decision of the Full Federal Court is contrary to the way the GST should operate. If the ATO is unsuccessful in its appeal, the Government is likely to move very quickly to overturn the decision. The Government when asked why they are not legislating to overturn the decision before the High Court case is heard; have indicated that they

did not legislate in the last session of Parliament as they needed to see the parameters of any High Court decision before legislation was drafted.

IMF REPORT ON AUSTRALIA

The International Monetary Fund (IMF) has just released its 2007 report into Australia. The IMF makes the following forecasts for Australia:

- GDP growth of 4.4% in 2007 and 4.0% in 2008
- Inflation of 2.1% in 2007 and 2.8% in 2008
- Unemployment of 4.5% in 2007 and 2008

The IMF makes the following comments about Australia:

- The risks to **growth** are on the upside - that is, it is more likely that growth and inflation will be above the forecast than below the forecast (if the drought ends and/or commodity prices increase further). The IMF says that the challenge for the Government is to guard against these upside risks, by promoting productive capacity without adding to inflationary pressures.
- **Interest rates:** The current settings are appropriate.
- **Federal Budget:** The IMF commends Australia on its very strong fiscal position. The IMF noted that the Australian Government has returned some of the strong fiscal position as tax cuts, arguing that these tax cuts have been done in a manner consistent with the government's medium-term objective of raising potential growth. The IMF considers that this year's expenditure be kept to the current budget plan, even if revenues run ahead of projections.
- **State Budgets:** In contrast, the IMF has raised concerns about the fiscal position of State Governments, arguing that their infrastructure spending comes at a time when there is already strong competition for resources from the private sector. As a result, this is putting pressure on resources and could increase prices.
- **Long term fiscal position:** The IMF commends the long-term fiscal sustainability of the Australian Government. Measures have been put in place to address long-term fiscal challenges, but the IMF argues that more needs to be done, particularly on the efficiency and effectiveness of spending.
- **National Reform:** The IMF praises Australia's record on reforming labour and product markets, noting these reforms have provided a large payoff. They call for progress on the National Reform Agenda (NRA) and environmental reform.
- **Financial Regulation:** The IMF considers that Australia is 'well placed' to deal with the current financial turmoil. The direct impact of the turmoil on Australia is 'modest'.

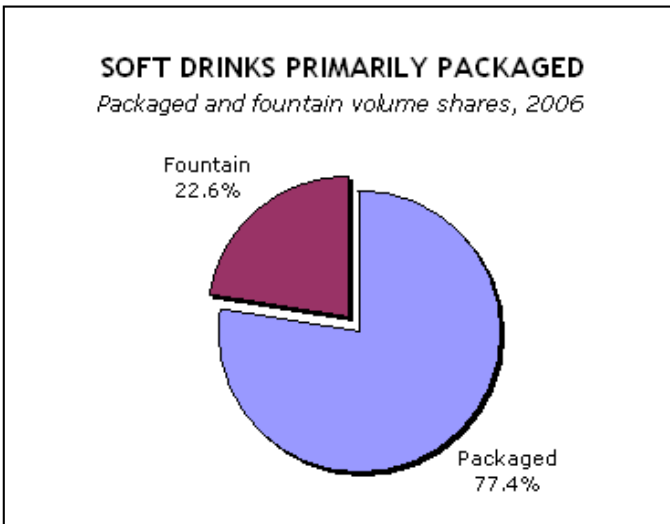
The report is available from <http://www.imf.org/external/np/sec/pn/2007/pn07112.htm>.

The Treasurer's press release is available from <http://www.treasurer.gov.au/tsr/content/pressreleases/2007/091.asp>

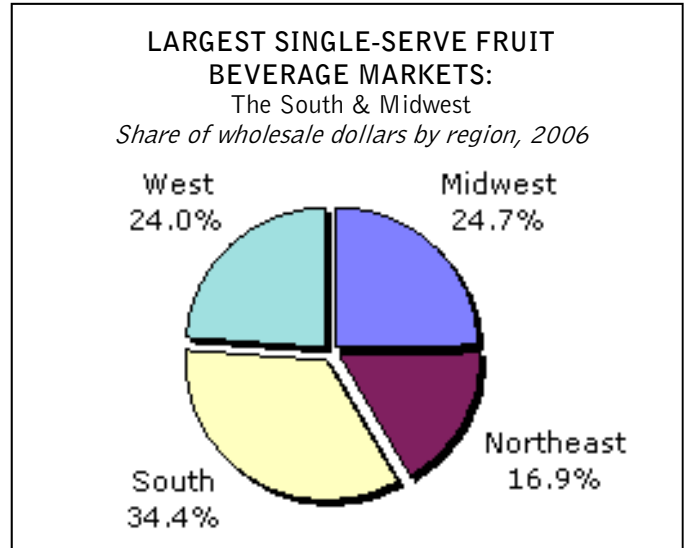
INTERNATIONAL MARKETS

The graph below is an excerpt from Carbonated Soft Drinks in the U.S., 2007 Edition.

The graph below is an excerpt from Single-Serve Fruit Beverages in the U.S., 2007 Edition.

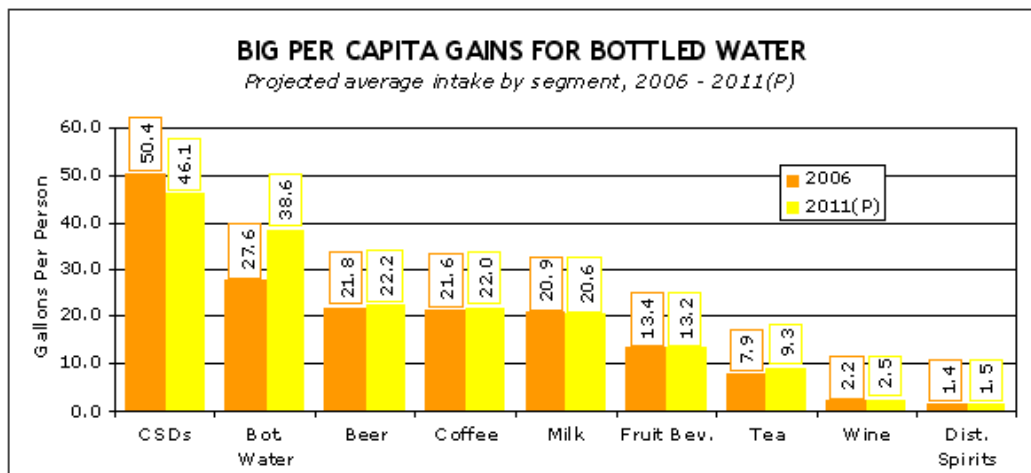


Source: Beverage Marketing Corporation



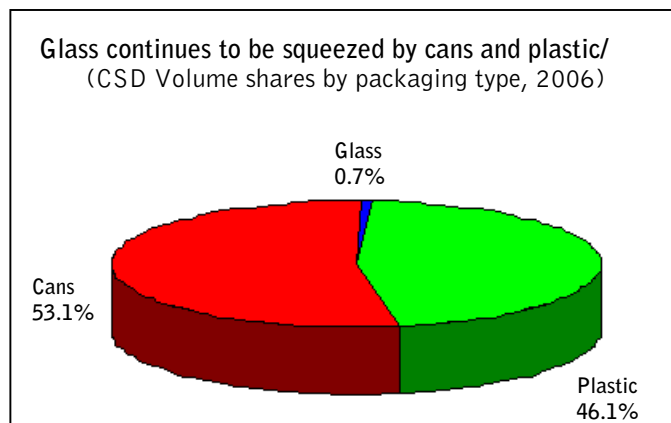
Source: Beverage Marketing Corporation

The graph below is an excerpt from The Multiple Beverage Marketplace in the U.S., 2007 Edition



Source: Beverage Marketing Corporation

The graph below is an excerpt from Carbonated Soft Drinks in the U.S., 2007 Edition.



Source: Beverage Marketing Corporation

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DIARY

September 2007

27-29 NZJBA Annual Conference
Paihia, Bay of Islands, New Zealand
www.nzjba.co.nz

October 2007

1-3 European Bottled Water Association Convention
Warsaw, Poland
www.ebwa2007.com or gustavfelix@aol.com
18-20 ConBiz 2007
Peppers Salt Resort, Kingscliff, NSW
cma@candy.net.au

November 2007

6-8 CME (Confectionary Manufacturing Expo)
Shanghai, China
www.cm-expo.com
16 QLD Beverages Council Annual Dinner
info@australianbeverages.org
22-23 Food Regulations & Labelling Standards Conference
Sydney, NSW
www.informa.com.au/foodregulations

December 2007

4 ABCL Board Meeting
Sydney, NSW
info@australianbeverages.org
4 ABCL Christmas Lunch
Sydney, NSW
info@australianbeverages.org

May 2008

16-17 ICBA Meeting
Sheraton Mirage, Gold Coast, QLD
info@australianbeverages.org
18-20 AusDrinks2007 Conference & Exhibition
Sheraton Mirage, Gold Coast, QLD
info@australianbeverages.org

PRODUCTIVITY BY INDUSTRY

The Australian Bureau of Statistics (ABS) has released experimental data on productivity by industry. The paper presents graphs showing how productivity has changed over the past two decades in the main market sectors (this excludes the industries of health, education and government because a large portion of their outputs aren't sold).

This publication provides interesting insights into why productivity growth has slowed in recent years. The ABS is conducting research into a number of issues relating to productivity, including:

- Changes to the composition of industries (for example, part of the fall in mining productivity could be due to an expansion of low productivity subsectors and a contraction of higher productivity subsectors).
- Dealing with negative rental prices (which can exist in agriculture)
- Incorporating changes in quality of land for agriculture
- Dealing with delays between the purchase of capital and the use of that capital (a particular issue in mining)
- Incorporating subsoil assets in mining
- Incorporating capital utilisation (the figures mostly assume capital utilisation is constant)
- Better incorporation of labour quality and composition
- Improving consistency between industry level productivity and aggregate (national) productivity
- Dealing with unincorporated businesses (it is hard to separate wages from profits for unincorporated businesses)

The publication is available from www.abs.gov.au/AUSSTATS/abs@.nsf/mf/5260.0.55.001?OpenDocument

18-20 MAY 2008

Sheraton Mirage Resort & Spa
Gold Coast, Australia

AusDrinks2008
CONFERENCE & EXHIBITION 