

Meeting comments: Ballistic Beer Co

Ballistic Beer Co 53-55 McCarthy Rd, Salisbury QLD

Date: 03/10/19

Notes

The Queensland Productivity Commission met with Ballistic Beer Co (Ballistic). Ballistic raised the following points regarding the container refund scheme (scheme):

- The scheme is in no shape or form productive, effective, or efficient.
- How can the Government initiate a price monitoring review without looking at the effectiveness or cost of the scheme?
- There was a massive uptake of the scheme initially with many saving up cans before launch but then the novelty wears off over time.
- The craft beer industry was already good with recycling and was very environmentally conscious prior to the scheme's introduction, including using rain water and installing solar power. You didn't see craft beer cans lying around, it was only the larger players' containers that you sometimes saw.
- Ballistic collects its cans and returns them. But in terms of productivity it is a pain, it is a safety hazard, and a hygiene problem.
- Beer Cartel survey revealed 60 to 70 per cent of craft beer products were already being recycled prior to the scheme. So the scheme did not result in changed behaviour. Ballistic already recycled all its own waste.
- Apparently, wine bottles are not litter? Why should wine and spirits be treated differently to beer? They should all be included in the scheme as well. Currently Ballistic must separate their wine bottles from the beer bottles just for the scheme, this adds to the administrative burden. And requires separate disposal methods.
- The scheme was flawed before it began. It took COEX around three to four months get the process going and barcodes registered. Even still, registering barcodes is particularly onerous and is considered a debacle in the industry.
 - COEX's software is not easy to use and lags.
 - Originally it could not be used on a Mac, so Ballistic had to bring other computers in to register containers.
- Ballistic has multiple registrations, sometimes two to three new registrations a month. The dynamic nature of the craft beer industry means they do many more registrations than most of the larger players in the broader alcohol industry. This scheme is disproportionately impacting the smaller and craft producers.
 - It is not clear whether Ballistic is required to register its can numbers from the date COEX finally register the can, or from when Ballistic first submitted the cans.
 - Ballistic runs can series that are available for only 8 weeks, after which, the remaining stock is removed from the market and destroyed. The bulk of that product is sold within the first two weeks. With the delays in COEX processing barcodes, these cans are produced, sold, consumed and disposed of before COEX has even registered them. But Ballistic is required to register them and pay for them even though it is unlikely those cans will ever get processed by COEX.
- Ballistic does not know who to report volumes to for containers sold in other states, and how to cheaply/accurately track where their products are being sold. The scheme is onerous enough with dealing with one state, let alone multiple. Do we need to do 5 lots of reporting?
 - The states aren't talking to each other. They should just recognise each other's schemes and do away with import and export reporting.
 - One brewer said that New South Wales asked that the numbers be provided to them and the balance be declared to Queensland. Queensland's COEX has not provided any advice so if a manufacturer were to

subtract the number of 'export' cans and declare the balance, would that be illegal? Who knows? Also, do cans that are sent overseas have to be removed from the totals as well?

- Ballistic sells to Coles and Endeavour Drinks (Woolworths, Dan Murphy's, BWS etc.). Endeavour Drinks is being required to have the correct labels next year or otherwise receive large fines. They pass this pressure onto the brewers.
 - It can take Ballistic around six months to sell a pre-printed product run, where the big manufacturers may only take a week. Updating labels and prices, and the time taken to reapply new labels disproportionately impacts the smaller producers given the nature of turnaround.
- There is a problem with Distribution Centres (DCs). Many breweries place their cans in the DCs for the Majors (Coles, Woolworths, Metcash) for subsequent distribution right across the country. This makes for complicated record keeping. How can you tell which cans go to which state, when you are not directly in charge of the distribution process?
- Why do we need a barcode? Are they collecting data for no reason?
 - How can they match the barcodes?
 - Barcodes are registered with COEX on their website and can sit pending for four weeks. After which, it may take a container refund point another three to four weeks to update their software for the automatic return machines. In the meantime, customers are taking cans to the Return centres only to be rejected by the machines and therefore do not receive their 10 cents. Customers have written things on blogs stating that Ballistic has either not registered or is deliberately trying to avoid paying for the scheme when this is not true. This is having a reputational impact on the business.
 - Craft beer is all about freshness. Drink the beer as soon as you can, not store. So most craft beer is consumed within days of purchase. If there are delays in processing barcodes, potentially two thirds of short-run cans sold are returned/disposed of before the customers are able to receive a refund.
 - Ballistic has identified a container refund point that has rejected some registered barcodes, but that same refund point will accept a container with its label removed. This does not make sense, if they accept these de-labelled containers, then is a barcode truly required in the first place?
 - Ballistic and other manufacturers have existing stock from prior to the scheme that now have illegal labels. These labels need to be changed if they are to be sold in Queensland. It costs Ballistic approximately 20 cents per label to be changed. This adds up when there are thousands of cans to re-label.
 - Every barcode registration costs \$13. For Ballistic, it is about \$300 additional costs per year. Why does Ballistic have to pay a registration fee when COEX is getting the revenue for every can?
 - It can take COEX up to 7 weeks to register Ballistic's barcodes, but COEX demands 5-day payment terms and will chase up payments. Perhaps there are too many people in accounts at COEX and not enough in registrations?
- COEX asked for Statutory Declarations (Stat Dec) at the end of their year of operation. As supporting documentation, they asked that the brewery take a screen shot of the COEX portal and append that to the Stat Dec. Issues with this are: the supporting documentation for the Stat Dec is the information they already have in their system! They require that Stat Dec to be certified and so the CEO of the company, who clearly has plenty of spare time on his or her hands, must go to a solicitor to get it certified, and finally what if there has been an error in the numbers? We are all small businesses, many owners do the accounts at night when they get home, or their partners do, a mis-key or a misunderstanding by an accounts person (or even a mistake by COEX on their portal), and the brewery/CEO has committed perjury and is liable to prosecution. The only reason for this process is again to try to police the breweries and force them to do a job that is unproductive and a waste of effort. No other business, and not even the ATO asks for a Stat. Dec.
- Who from COEX or the Government is standing up and letting people know that beer is expected to increase in price due to the scheme they are implementing? Ballistic and other producers have to bear this PR and reputational burden.
- There needs to be greater transparency from COEX.

- The scheme business model is flawed. If the scheme is successful COEX pays out more and gets to keep less money, they have an incentive for the scheme not to work. COEX is making a profit off their own program being unsuccessful.
 - COEX have said because the scheme is working so well and return rates are increasing, they have to increase the scheme prices. This is completely illogical. Who is tracking their costs?
 - The more cans that come in should see a reduction in costs through economies of scale and the value of the containers' raw materials, so why are prices then going up?
 - The price increases are difficult to process. Scheme prices are scheduled into Ballistic's beer prices early on and have to be negotiated with other organisations and settled in contracts. It is not straightforward to suddenly increase prices. Other costs include updating menus, price boards, and changing information in Point of Sale (POS) software.
 - The only option is to increase prices or lose profitability. It is a very competitive industry so price increases will affect sales.
 - COEX may receive money for the containers six months before they are returned, this creates a cash flow issue for producers. What is COEX doing with the money in the meantime?
- COEX has not consulted with Ballistic or the Independent Brewers Association. Ballistic has tried to contact them but struggled to get email responses.
 - COEX only provides producers a generic email address and getting a response can be extremely difficult.
 - On one occasion it took two of Ballistic's staff about two or three days to rectify reported volumes. What happens when a product has to be recalled, for example when they become out of date? How does COEX deal with this?
- Craft brewing is one of the fastest growing industries in Queensland, but the scheme is impacting the industry's overall productivity.
- It appears there is not a craft beer representative sitting on the board of COEX—only larger players are represented.
- The COEX program only benefits the shareholders of the program. It does not benefit the Craft Beer Industry who already have an excellent track record of recycling and wider environmentally positive activities. Once again the government has implemented a policy with no consultation with the industries affected by the decision.
- The current systems results in a lot of time and effort tied up in reporting number of cans and uncertainty surrounds this process. Ballistic reports and pays in advance for cans sold. COEX pays a refund at a later date and can accrue interest on Ballistic's money in the meantime. COEX has the registered barcodes and can read them every time a can is recycled. Ballistic proposes the following solution:
 - COEX collect the return scan data, then produce an invoice to suppliers for the exact number of containers they received and payed a refund for. COEX then should bill Ballistic for this refund cost. Ballistic then pays the bill. Invoices should be raised monthly, matching the expense and return.
 - This solution results in administration costs lying with the business that makes the profit, and the burden on small producers is reduced to negligible levels. Cash flows for both parties will then match reality, no pre-payments made. COEX will become more efficient at registering barcodes because they cannot charge back containers that have not yet been registered. COEX has incentives to become more efficient.