

## **Australian Beverages Council**

Submission to the Standing Committee on  
Industry, Science and Resources

**Inquiry into Food and Beverage  
Manufacturing in Australia**



## **About the Australian Beverages Council**

The Australian Beverages Council Limited (ABCL) is the leading peak body which has represented the non-alcoholic beverages industry for more than 75 years and is the only dedicated industry representative of its kind in Australia. The ABCL represents approximately 95 per cent of the industry's production volume and Member companies range from some of Australia's largest drinks manufacturers to small and micro beverages companies whose drinks are enjoyed nationally as well as around the world. These drinks include carbonated soft drinks, energy drinks, sports and electrolyte drinks, frozen drinks, bottled and packaged waters, 100 per cent juice and fruit drinks, cordials, iced teas, ready-to-drink coffees, flavoured milk products and flavoured plant milks. Collectively, the ABCL's Members contribute more than \$9 billion annually to the Australian economy and support more than 63,000 jobs. The industry pays over \$1.5 billion in taxes per annum along its supply chain, and for every direct employee in the beverages manufacturing industry, there are 4.9 jobs required elsewhere in the Australian economy to produce and retail our drinks.

## **Introduction**

The ABCL thanks the Standing Committee on Industry, Science and Resources for the opportunity to participate and contribute to the Inquiry into Food and Beverage Manufacturing in Australia. The non-alcoholic beverages industry is one that steps up to meet the challenges of our sector and the expectations of government, consumers, and the community, be it through the development of new and innovative drinks that provide healthy choices for consumers or through sustainable manufacturing practices that are better for the environment.

While it is a resilient sector, non-alcoholic beverages are a high volume, low margin sector which is heavily regulated and cost sensitive and the sector is not without challenges. Despite leading the field with use of recycled content and taking responsibility for the recovery of our packaging through Container Deposit Schemes (CDS), we are often captured by expensive, and sometimes needless red tape. A lot of this regulation – like labelling and recycled content mandates aims to bring other sectors up to the same levels of environmental responsibility that the non-alcoholic beverages industry has been working to for some time. Our products are a rarity on the supermarket shelf – a food product which can be made locally, packaged sustainably and available in regular, low and no sugar varieties.

The industry has enjoyed a long and constructive relationship with government, collaborating on successful and impactful policy. It is critical that the government continues to support industry-led innovation and we welcome opportunities to create deeper partnerships with governments at all levels.

## **Innovation trends and new technologies**

The non-alcoholic beverages industry is consistently striving to develop and adapt new and innovative technologies, whether through new product development (NPD) in the pursuit of the world's next best drink or to enhance the sustainability of packaging and production processes in line with federal government policy priorities and consumer expectations. Non-alcoholic beverages represent one of the most innovative segments of the fast-moving consumer goods (FMCG) sector, such as through the creation of functional beverages, that are not just great tasting Australian

manufactured products, but also provide a positive dietary benefit to consumers, and through the consistent pursuit of sugar reduction through the creation of beverages that maintain the taste profile of regular sugar products while containing low or no sugar content. This innovation forms one of the key actions under the industry's Sugar Reduction Pledge, which to date has directly reduced the sugar consumption of Australians by 192 thousand tonnes.

Our members' innovative beverages include products such as carbonated soft drinks, energy drinks, electrolyte drinks, formulated supplementary sports drinks, kombucha, beverages with prebiotics, and 100% juices, which provide valuable health benefits. These products are available in low and no-sugar formats, offering choice, variety, and enjoyment to the consumer.

To enable this sector to meet its full innovative potential, it is crucial that the government address the fundamental domestic requirements needed to facilitate the industry to remain at the forefront of innovation in this sector. The ABCL recommends that the Commonwealth:

1. Consider mechanisms to reduce the current red tape compliance burden drawn from multiple agencies that presents a significant impediment to innovation and NPD in the Australian market, such as the streamlining of approvals through the Food Standards Australia and New Zealand (FSANZ) Food Standards Code to consider the application of relevant determinations by regulators in other jurisdictions. Australians should not be waiting for five or more years for the world to be drinking a great product before it can be considered by FSANZ for the Australian market, where such products have already been approved in jurisdictions with equivalent or higher food standards.
2. Consider reforms to skilled migration visa setting to alleviate workforce pressures and facilitate greater access to appropriately skilled workers.
3. Support the sector to modernise equipment to be more competitive with other more innovative markets and more closely align with the government's 'Australian Made' policy priorities.

These actions align with recommendation 8 of Standing Committee on Agriculture's report following the Inquiry into Food Security in Australia which states *'the Committee recommends that the Australian Government, as part of the National Food Plan, develop mechanisms to promote innovation in food production'*<sup>1</sup>.

### **Opportunities across both domestic and export markets for Australian manufactured products, including shifting consumer trends**

In Australia, for over two decades, the non-alcoholic beverages industry has been adapting its products to meet Australian consumer preference for low and no sugar beverages. This is clearly evident in a fundamental positive shift in consumption behaviour towards low or no sugar drink varieties, including bottled water.

An analysis of 22 years (1997-2018) of longitudinal sales data of sugar-sweetened beverages in Australia demonstrates this clear trend towards products with low or no sugar and plain bottled water. The study found a significant 30 per cent decrease in per capita sugar contribution from non-alcoholic water-based beverages over the 22-year period, which is equivalent to a reduction in 32

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<sup>1</sup>[https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000221/toc\\_pdf/AustralianFoodStoryFeedingtheNationandBeyond.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000221/toc_pdf/AustralianFoodStoryFeedingtheNationandBeyond.pdf)

teaspoons or 127 grams of sugar per person, per year<sup>2</sup>. The study also notes a consistent rise in the sale and consumption of bottled water in Australia. Over the course of two decades, volume sales of unflavoured still and sparkling water consumption rose from 12 litres per person per year to 54 litres per person per year, further reinforcing a shift in consumer consumption towards healthier beverages. This trend has continued with plain bottled water sales continuing to rise at approximately 11 per cent per annum. This research corroborates other independent studies<sup>3</sup> and highlights the important shift in consumer behaviour.

This shift, which aligns to public health advice and the Australian Dietary Guidelines (2013), could be enhanced through a review of regulatory settings that encourages new product innovations such as considerations underway through the review of the *Food Standards Australia New Zealand Act 1991*. Reform to allow FSANZ to accept risk assessments from international jurisdictions to allow the agency to exercise risk-based and proportionate handling of applications and proposals would facilitate a more expeditious entry of low-risk overseas products to be developed in Australia to meet domestic market expectations. The introduction of new pathways for product entry into Australia could have significant positive impact on industry, supporting innovation in manufacturing processes and products, as well as help reduce the resource and cost constraints on FSANZ and industry.

The ABCL further recommends that the government consider mechanisms to enable the trialling and adoption of AI and leading-edge technology in Australia such as that supported in other jurisdictions. For example, some European beverages manufacturers are currently trialling digital twinning technology which allows for the creation of a virtual replica or simulation of a physical asset or process in production facilities. This allows the simulation of different production scenarios around factors like space and automation and the identification of potential bottlenecks or inefficiencies.

### **Approaches to circular economy, waste reduction and decarbonising**

The beverages sector can be a leader in the circular economy if the correct policy settings are in place. For the industry, this means ensuring our members are in a position to:

1. have their packaging material collected at high rates;
2. incentivise the use of collected material through closed product loops, by providing them with priority access to that collected material so as to allow them to recycle it back into food grade packaging; and
3. ultimately as a result, increase recycling rates, reduce the need for virgin production material, and reduce carbon emissions.

### **Collection**

In Australia, the non-alcoholic beverages industry has pioneered collection for the consumer by taking responsibility for, and funding in its entirety, various Container Deposit Schemes (CDS) that are now operating, or in the process of being operational, in every Australian State and Territory.

However, for this important collection mechanism to fully support the circularity goals of industry, its legislative framework should be amended to enable closed loop circularity. Currently, there is no

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<sup>2</sup> Shrapnel WS, Butcher BE. Correction: Shrapnel, W.S.; Butcher, B.E. ([Sales of Sugar-Sweetened Beverages in Australia: A Trend Analysis from 1997 to 2018](#)). *Nutrients* 2020, 12, 1016. *Nutrients*. 2021; 13(4):1356.

<sup>3</sup> CSIRO ([The role of beverages in the Australian diet: A secondary analysis of the Australian Health Survey: National Nutrition and Physical Activity Survey \(2011-12\)](#)) January 2019

obligation on the material collected by CDS to be recycled into equivalent containers. This means that high quality, food grade material collected by a beverage CDS may be 'downcycled' into non-food grade packaging (e.g. shampoo bottles, car doors, sunglasses, etc). This firstly does not support the creation of closed loop circularity for beverage containers, but secondly creates structural disadvantage as the recycling supply chain for non-beverage containers is effectively being subsidized by beverage companies that provide 100% of cost recovery for CDS.

### **Recycling**

A strong secondary raw materials market (SRM) enables recyclables, like plastic and aluminium, to re-enter the production value chain and reduce dependency on primary resources. By ensuring a strong and reliable SRM, this helps suppliers in creating packaging made from recycled materials and compliments the Government's National Framework for Recycled Content Traceability.

As an example of the beverages industry's commitment to the circular economy, the industry invested \$95 million into PET plastic bottle recycling facilities in Albury, NSW and Altona North, VIC. This has allowed for collected PET bottles to be recycled and then reused up to nine times over in Australia before then being available for 'downcycling' into other single use items like sunglasses or car parts. This is the circular economy in motion.

### **Reduce**

As evidenced above, by refining policy settings around collection and recycling, the industry can achieve packaging circularity and in turn further reduce its dependency on primary materials for packaging and significantly reduce its environmental footprint.

Today, the CDS plays a crucial role in the circular economy. While the system works effectively, more can be done to build on the success of CDS as a collection mechanism, and from that solid basis transition the CDS into a truly circular policy instrument.

As part of its leadership role, the non-alcoholic beverages industry has worked in close collaboration with governments around the country to seek and identify opportunities to form deeper partnerships that can further enhance the circular economy in Australia. This aligns with recommendation 20 of Standing Committee on Agriculture's report following the Inquiry into Food Security in Australia which states '*The Committee recommends that the Australian Government work with industry to develop a viable system for the recovery and recycling of plastic packaging*<sup>4</sup>.

To continue to foster this leadership and innovation, we encourage the Commonwealth Government to consider the following policy directions:

1. Prioritisation of access to domestic food grade material (namely PET, aluminium and glass) for those manufacturers who pay for their containers to be recovered via the CDS;
2. Support regulation which deters downcycling and supports resource circularity;
3. Harmonisation of the various State and Territory CDS via framework legislation that sets minimum standards for interoperability, regulatory structure, and enforcement with a view to breaking down barriers to trade within the single market of Australia;

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<sup>4</sup>[https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000221/toc\\_pdf/AustralianFoodStoryFeedingtheNationandBeyond.pdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000221/toc_pdf/AustralianFoodStoryFeedingtheNationandBeyond.pdf)

4. Compel commercial and industrial sectors to use CDS and ensure waste levies and related policies deter disposal of recyclable material in landfill;
5. Mandate the separation and collection of CDS materials in all federal, state, territory and local government owned and leased buildings.
6. Compel Material Recovery Facilities (MRFs) to improve their sortation practices;
7. Evaluate the range of factors influencing the redemption of eligible containers – not solely the deposit rate; and
8. Broaden the scope of packaging collected by CDS. Why aren't all eligible recyclable containers in the retail trolley recovered via the CDS?;
9. The ABCL believes that to streamline innovation within the circular economy within Australia, it is essential that government develops a set of harmonised definitions for key concepts such as in regulatory measures in other jurisdictions like the Packaging and Packaging Waste Regulation in the EU, and more broadly in the United Nations Treaty on Plastic Pollution currently under negotiation. There are existing challenges to developing a beverage reuse system in Australia that is larger than a local community scheme. A principal barrier in this process is that Australia does not have a standardised definition of what is or could be considered a reusable container, and most state CDS legislation does not make provisions for a reusable container to be exempted from CDS compliance. For a beverages manufacturer with a new or innovative reuse system, compliance with the operating parameters of a reverse vending machine, which will only take single use (easily destructible) containers would be required.

Government cannot bear sole responsibility for the implementation of sustainable manufacturing processes through regulation and the ABCL acknowledges the role that industry must play as part of collaborative approach. That is why the ABCL has implemented the Environmental Sustainability Roadmap to 2030 or ESR30 - an initiative developed to assist members of all sizes measure their environmental impact, learn how to enact sustainable change in their operations across five focus areas: emissions, packaging, water, waste and supply chain. ESR30 is the only peak body, pan industry program of this type in Australia and is a unique asset underpinned by two years of research, consultation and legal review. Government support for this initiative and others like it will have tremendous impact on the ability of business to implement meaningful operational change and enhance the circular economy, reduce waste and increase decarbonisation in Australia<sup>5</sup>.

### **How the research sector can help to grow the Australian food and beverage manufacturing ecosystem**

The ABCL believes that for the research sector to appropriately support this ecosystem, the sector must prioritise location-based, Australian behaviour change and consumer understanding research. Often, policy or business decisions in this market are made based on the realities of research undertaken in other jurisdictions. Research from other countries has a place and value in understanding possibilities in Australia, however these observations regularly come from population-dense, geographically small locations which do not reflect the realities of the Australian market.

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<sup>5</sup> <https://www.australianbeverages.org/initiatives-advocacy-information/esr30/>

There is a significant gap in Australia of quality, institution-backed research projects that seek to understand consumer motivation to recycle, consumer understanding of on-pack labelling, and the effect of multiple simultaneous labels in this jurisdiction. Further there is limited research seeking to overcome the burdensome transport realities of Australia. Transportation cost, logistics, and feasibility is still the number one issue preventing a majority of circular economy initiatives, businesses, and policy that has so far worked with success in other western jurisdictions.

### **Future workforce and skills needs**

A shortage of skilled labour, in both availability and retention, remains an ongoing issue for the non-alcoholic beverages industry, as it is for the many sectors across the country. The ABCL applauds successive governments for the steps taken to address skills shortages in Australia through training and visa mechanisms, however further measures are required to address this critical issue impacting the food and beverage manufacturing sectors.

The non-alcoholic beverages industry conducts a higher proportion of training in-business with less reliance on vocational education and training. The higher cost of acquiring and retaining skilled staff presents implications for the sector's ability to keep manufacturing costs down, particularly in the face of the current environment of strained supply chains and the rising cost of living. We join with the broader business lobby in urging the government to further ease border settings to help to address the skilled labour shortage, particularly in filling technical, IT, supply-chain and logistics related roles. The ABCL recommends that the government consider amendments to visa settings to facilitate greater attraction for skilled migrations as well as subsequent return of service obligations for sponsored applications.

### **Mechanisms for the Australian Government to support further innovation and sustainable growth in the sector**

On behalf of the non-alcoholic beverages industry, the ABCL thanks the federal government for the support provided to the sector over a number of years as well as the ongoing open and collaborative relationship with industry. However, further assistance from the Commonwealth Government is required for the sector to reach its full sovereign manufacturing potential. As previously identified in this submission, the ABCL recommends a number of key areas for further Commonwealth assistance:

1. Greater collaboration with industry on regulation which acknowledges and supports the sector's leadership in producer responsibility, its use of recycled content, responsible marketing and voluntary sugar reduction.
2. Support to ensure Australia's economy remains truly circular. Despite providing much of the recycled content processed by Container Deposit Schemes for use by a range of sectors, many beverage manufacturers are being outpriced by overseas competition for this material. Put simply, locally produced recycled PET should be prioritised for use in Australia, by Australian manufacturers.
3. Incentivise investment in cutting edge manufacturing plant and equipment to ensure that Australian manufacturers remains competitive in global markets.
4. Reduce red tape and over-regulation. For example, the number of labelling regimes which have been recently mandated or strongly encouraged by the Federal Government within the last 12-months due to a lack of coordination across government agencies.

5. Measures to address the supply chain challenges facing all sectors in Australia leading to increased costs of shipping, road and air freight, the need to accrue higher levels of safety cover, skills shortages, pallet shortages and scarcity of CO2 supply couples with significant price rises.

## Conclusion

The ABCL shares the vision of the Commonwealth Government for a resilient, sustainable and thriving food and beverage manufacturing industry in Australia however government support is required to facilitate the industry to reach this full potential. The ABCL believes that this can be achieved through greater collaboration and deeper partnerships with industry as well as policy reform across key areas stymieing innovation in the Australian market. As detailed in this submission, the ABCL recommends that the Committee consider the amendment of policy settings to alleviate multi-agency red tape regulation governing the development of new products, ingredients and labelling requirements; support the enhancement of the circular economy in Australia; address the skills and employment shortfalls affecting Australian business; and incentivise investment in advanced manufacturing equipment to support Australian producers to be competitive in global markets. The non-alcoholic beverages industry stands ready to lead innovation in the sector across manufacturing, packaging and product development and looks forward to working with government to address and overcome the hurdles to advancing food and beverage manufacturing in Australia.

## Further Enquiries

Should you have any queries regarding the positions detailed in this submission, please contact:

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