



**THE NEW TAX SYSTEM PUBLIC COMPLIANCE  
COMMITMENT  
BERRI LIMITED  
ABN 71 008 077 889**

**30 June 2000**

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Berri Limited ('Berri') is committed to ensuring that purchasers of its products:

- (a) benefit fully from the lowering and ultimate removal of certain indirect taxes as part of the New Tax System; and
- (b) are not exposed to greater than necessary price rises resulting from the implementation of the Goods and Services Tax.

Berri commits to the Australian public that it will during the period 8 July 1999 to 2 July 2002 ('**Transition Period**');

- (a) comply with the *Trade Practices Act 1974 (Cth)* ('**TPA**'), in particular Part VB of the TPA;
- (b) not engage in price exploitation in relation to the New Tax System;
- (c) comply with the Australian Competition and Consumer Commission's ('**ACCC**') Price Exploitation and the New Tax System General Principles, Information and Guidelines on When Prices Contravene Section 75AU of the *Trade Practices Act* ('**Guidelines**');
- (d) pass on to consumers any nett cost benefits realised as a result of the New Tax System changes;
- (e) advertise and display prices in a manner that is not misleading or deceptive; and
- (f) ensure there is an effective compliance program in place concerning issues associated with the New Tax System and the Guidelines.

**1. Cost Changes**

Berri is committed to monitoring cost changes that result from the New Tax System and ensuring that any resulting net cost reduction is passed onto consumers in the form of lower prices or smaller price rises.

Berri has decided to use Econtech's ANTS Savings Calculator Software to assist the company to identify the cost changes arising from ANTS. This costing model was developed by KPMG. This software models the potential effects of the New Tax System on Berri's cost structure.

**2. Supplier Program**

Berri has implemented a program to encourage suppliers to pass on to it cost savings they achieve as a result of the new tax system changes.

Berri has sent out letters to suppliers on numerous occasions identified in the Econtech model as having a significant cost reduction due to the New Tax System. Subsequent letters have also been sent out to all suppliers requesting details of their new prices post 1 July 2000 with specific reference to identifying changes as a result of the New Tax System. This letter also asked for each supplier's ABN and ensuring that their invoices will comply with the Australian Taxation Office's guidelines. Berri is comparing supplier's answers with the results of the Econtech model.

### 3. Implementation and Compliance Costs

Berri will incorporate any implementation and compliance costs of the New Tax System in its post-1 July 2000 prices. Only those implementation and compliance costs reasonably incurred and directly attributable to the introduction of the New Tax System will be included. These costs will be offset by any compliance cost reductions from the removal of the previous tax system. Berri is maintaining detailed records relating to legal and accounting advice costs, employees' time spent on the implementation of GST, related travel expenses, Information Services modification expenses and seminar costs.

Berri intends calculating the implementation and compliance costs (based on the methodology described in the previous paragraph) by:

- (a) identifying all activities and measures undertaken for the implementation of the New Tax System and Berri's compliance with section 75AU of the TPA and the Guidelines;
- (b) determining whether engaging in each activity and implementing each measure is reasonably necessary for the implementation of the New Tax System;
- (c) assessing the extent to which each activity and measure is directly attributable to the introduction of the New Tax System; and
- (d) on that basis, quantifying how much of the cost of each activity and measure can be attributed to implementing the New Tax System.

### 4. Impact of New Tax System Changes

Due to Berri being exempt from wholesales sales tax in its manufacturing operations Berri expects minimal changes in its cost structure. Most of Berri's products have wholesales sales tax embedded in the price which will be removed and GST will be added, where applicable. An analysis has been made as follows:

Sales Tax %	GST %	1998 Sales \$000's	%
22	10	7,729	1.9
12	10	125,952	31.2
12	0	235,087	58.2
0	0	35,220	8.7
	TOTAL	403,988	100.00

### 5. Customer Information

Where possible, Berri will provide its retailers with information relating to their obligations under section 75AU and the Guidelines to assist them with compliance.

### 6. Consumer Information

Berri will continue its commitment to ensure that its customers are not misled or deceived as a result of claims Berri makes about its products.

A consumer information pamphlet has been developed which Berri will send to consumers who request information about our products. This is attached as schedule 1. Berri also has a general consumer information telephone line and the employee responsible has attended an in-house GST presentation and has a standard Question and Answer sheet which has been developed for

general queries. The relevant employee is aware of whom to contact if the query is beyond their knowledge.

The sales employees have all attended an in-house GST presentation on general GST matters and specific ACCC pricing regulations. They are all aware of the implications of exploiting the pricing provisions.

All proposed labelling and advertising of products is required to be signed off by the executive directors and legal counsel who are all aware of the ACCC pricing regulations. New advertising campaigns are also checked by external advisers.

## **7. Complaints Handling**

Berri takes complaints about its products seriously. It has had in place for a considerable period a complaints handling system. Complaints are either received through sales representatives or are received via the consumer information line mentioned above. Each employee is educated to pass on the complaint to the relevant manager if unable to assist the consumer.

Berri intends making specific provision in its overall complaints handling system for complaints concerning the price of its products in the context of the New Tax System. Berri has a consumer information pamphlet which will be sent out to consumers who have requested further information about Berri's products and pricing. Again each employee is aware of passing on the complaint to the relevant manager and the query is handled from there.

## **8. Price Display**

Berri is committed to displaying its prices in a manner that is not misleading or deceptive. Berri does not sell directly to consumers and does not have control over how the retailers will display the prices of Berri products.

## **9. Compliance and Education Program**

Berri intends implementing a comprehensive compliance program to ensure the company's compliance with section 75AU of the TPA and the Guidelines.

Berri's management team decided the most prudent method of educating the sales staff was to develop a program that would be presented by Berri employees because it was considered that external people did not have a detailed knowledge of Berri's internal business systems.

On 9 February 2000 the GST Coordinator (also Berri's Group Financial Accountant) and Berri's Legal Counsel presented the "GST Sales Compliance Program" ("the Program") to all key sales staff who were responsible for each of our 11 sites around Australia. Over the months of May and June the Program was presented to most sales staff at each location around Australia. A copy of the GST Sales Presentation is attached as schedule 2. A program was also developed for Berri's external distribution network. Whilst these distributors are independent businesses and not Berri employees, Berri thought it was prudent to summarise some of the ACCC pricing provisions. At all times it was stressed that distributors should seek independent professional advice on the implementation of the GST. A copy of the GST Distributor Presentation is attached as schedule 3. A copy of the Sales Compliance Program is attached as schedule 4. The following table indicates the numbers of attendees;

<b>Berri Staff Attendees</b>		
	Western Australia	16
	South Australia	12
	Northern Territory	4
	Queensland	30
	New South Wales	8
	Victoria	28
	Sales Conference Attendees	45
		143

<b>Berri Distributors</b>		
	Western Australia	25
	South Australia	19
	Northern Territory	7
	Queensland	47
	New South Wales	14
	Victoria	23
		135

#### 10. Pricing Policies and Compliance Strategy

The basis for price changes in response to the New Tax System changes is generally explained as follows:

Berri will once again contact all suppliers after 1 July 2000 to confirm new prices and specifically the changes in those prices that are attributable to ANTS. Any realised ANTS related changes will be passed down the manufacturing chain as soon as practicable. Berri estimates this to be in September 2000 and March 2001. Berri is committed to full compliance with the ACCC pricing policy and acknowledges that the net dollar margin rule as it relates to ANTS generated changes will be complied with.

All price changes must be approved by the GST Compliance Officer together with the Director of Sales and Chief Financial Officer to ensure there is full knowledge of any change and to ensure full compliance with Berri's PCC.

There are three aspects to Berri's compliance strategy that are intended to ensure the objects outlined above are satisfied:

- margin calculation and record keeping;
- documentation and reporting of price and cost changes and their justification; and
- the regular review of changes.

##### (a) *Margin Calculation*

The compliance strategy focuses on pricing margins. Berri is able to calculate net dollar margin by product family based on standard costs which are set at least twice a year and are based on changes in prices from suppliers and the exchange rate. This is normal business operations for the company. List prices of products are not increased or decreased without knowledge of the implications to net dollar margin. Changes in prices are then signed off by the relevant executive directors who are aware of the TPA pricing exploitation provisions. A sales and net margin compliance team has been established and all changes to prices are monitored as to their impact on the net dollar margin and are kept in a central place.

(b) *Reporting*

- (i) All proposed price changes must be signed off before they are implemented. This will ensure that only those price changes that can be justified in terms of the provisions of section 75AU are implemented. This will be the responsibility of the GST Compliance Officer.
- (ii) The GST Compliance Officer will differentiate between price changes that involve a change in margin and price changes that do not involve a change in margin. Where price changes involve a change in margin, the GST Compliance Officer must ensure that the change in margin can be justified in terms of section 75AU and that justification is adequately documented.
- (iii) The GST Compliance Officer will differentiate between cost changes that arise from ANTS and those cost changes that arise from other developments. ANTS related cost changes will be sought from and will be required to be identified by suppliers. These cost changes will be factored into price changes in accordance with the ACCC guidelines.

Berri intends to amend prices on a regular basis to ensure that ANTS cost changes are passed through to retailers. Due to the cost and complexity involved in resetting prices it is planned to revise prices on a regular, albeit not monthly basis.

(c) *Regular Review*

Berri established a GST Committee, constituted by the following employees:

Cate Parr	Contracts / ACCC Contact
Llew Stephens	Acquisitions (purchasing) / sourcing issues
Geoff Sawyer	Taxable supplies (sales) / pricing strategies
Russell Allwell	Pricing strategies / Marketing
James Boyd	Taxable supply adjustments and discounts
Tony Ellis	Food Operations
Stephanie Boymal	GST financial/cashflow reporting/ GST Coordinator
Vic Mercer	Effect of GST on management reporting/ cost structure
Con Kazoglou	Effect of GST on manufacturing systems / cost structure
Russell Symons	System changes – JDE financials
Ross Bradley	System changes – other than JDE financials
Marita Hogan	Industrial relations and salary aspects
Colin Kop	Chairman

The GST committee was established in mid 1999. The purpose of this Committee is to identify all issues in which the new tax system will impact on the business and ensure that they are dealt with in a timely manner so that Berri will be ready for GST on 1 July 2000. Meetings were held monthly until December, fortnightly until March and weekly since. In the last 4 weeks in the lead up to July 1 the Committee is meeting twice a week.

As noted above, the GST Compliance Officer attends the GST Committee meetings and will report on matters of concern. This ensures regular review of Berri's implementation of the New Tax System changes.

**11. Liaison with the Commission**

Berri is committed to complying with our obligations under the law. As part of this commitment we will liaise with the ACCC to ensure complaints made and issues arising are dealt with expeditiously and with the full cooperation of our organisation. We have appointed a liaison officer to be responsible for providing information to, and being the first point of contact for, the Commission on this commitment.

We will cooperate fully with the Commission representatives undertaking price monitoring and other activities in exercising its powers under the Act.

**12. Reporting and Information Provision**

Berri will endeavour to advise the ACCC before making significant price increases, that could reasonably lead to consumer inquiries to the ACCC. These are only relative to price increases that are related to ANTS. We will endeavour to provide relevant information supporting the basis for those price increases.

Berri will report to the ACCC every six months on the actual cost savings achieved. We will provide information to the ACCC in support of any claim for net incremental implementation and compliance costs.

Berri will ensure reports and information provided will be sufficiently detailed to satisfy the ACCC that our prices reflect actual cost savings achieved.

Berri's compliance strategy has been developed to ensure price changes are properly considered and documented before implementation and that ANTS related cost changes are identified and factored into prices. Berri accepts that, as a general rule, the company's gross margin on each product should be maintained as a consequence of ANTS changes throughout the Transitional Period. That does not prevent margins changing, if other cost and competitive forces dictate. Where the margin must change, however, Berri will ensure that the change is considered, documented and only implemented if it satisfies the provisions of section 75AU.

**13. Staff Training**

Berri has taken the view that the following personnel require training in the implications of the New Tax System changes:

- (d) Sales staff;
- (e) GST Compliance Officer;
- (f) Complaints Handling Officer; and
- (g) Accounting Staff (including financial and management accountants, accounts payable and accounts receivable).

Berri will provide all necessary training for these people. They will be tested on the matters taught to ensure that they have acquired the requisite knowledge.

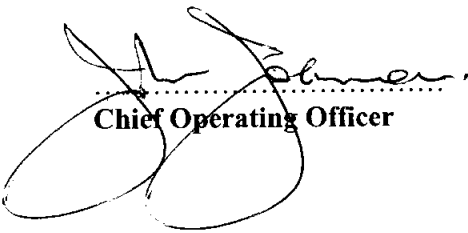
**14. Confidentiality**

The Commission has agreed that, all schedules to this commitment are confidential and commercially sensitive to Berri. Accordingly, these schedules are not to be placed on the Public Register.

**15. Legal Status of Commitment**

With the exception of this clause 12 and clause 11, this Commitment is not legally binding.  
Berri nevertheless intends complying with the terms of this Commitment.

**SIGNED** for an on behalf of  
Berri Limited  
ABN 71 008 077 889



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**Chief Operating Officer**