

Report of the Secretary General for the year 2018-19

I have great pleasure in presenting the report about the Indian Beverage Association (IBA) and its activities for the year 2018-19.

2 Having come into being on January 14, 2010 as a Society under the Societies Registration Act, 1860 and having commenced operations with the year 2010-11, the year under review was the ninth year of the Association's activities.

3. The office of the Association continues to be located in the building of the PHD Chamber of Commerce and Industry, August Kranti Marg, New Delhi.

4. The Managing Committee of the Association met periodically in the course of the year to consider various matters and to give necessary directions for furthering the activities of the Association. Meetings of the Managing Committee took place on May 24, 2018, September 12, 2018, December 14, 2018 and March 14, 2019. Minutes of each meeting were circulated to all the Members of the Managing Committee soon after each meeting.

5. The bank account of IBA continues to be at the Hauz Khas branch of HDFC Bank. The monies received from time to time by way of Entry Fee, Annual Subscription and Contribution (under Rule 5), etc. are deposited in this account.

6. Since the last General Meeting on September 12, 2018, three Companies became Associate Members of IBA: Manpasand Beverages on November 2, 2018, NourishCo Beverages on December 14, 2018 and Varun Beverages on July 20, 2019. As on March 31, 2019, the Membership of the Association stood at 27, consisting of 8 Subscriber Members and 19 Associate Members.

7. In the course of the year 2018-19, the Association continued endeavours for discharging its role as a focal point for the beverage industry in general and its Members in particular in respect of issues that arise periodically relating to the Government of India and different State Governments, apart from regulatory authorities like the Food Safety and Standards Authority of India (FSSAI), the Bureau of Indian Standards (BIS) the Central Pollution Control Board, the Central Ground Water Authority, etc.

Plastic Products -- Action taken by Maharashtra and some other States.

8. The year under review began virtually with one of the biggest challenges that the industry has in the shape of the sudden ban on the use of plastics and thermocol which the Government of Maharashtra suddenly imposed on March 23, 2018. Response to this took the form of litigation that some parties initiated before the Bombay High Court, apart from representations and the like to bring home to the State Government the abrupt and extreme nature of the step as also the adverse consequences that would follow. Eventually, a meeting at the official level was convened by the State Government on April 12, 2018 and was attended by IBA and other elements of the industry. Such multiple discussions led to the setting up of a Task Force comprising officers of the State Government and representatives of the industry. Subsequent sustained efforts of the industry have been instrumental in a growing appreciation on the part of the State Government that compliance with its orders will be a gradual process and the buy-back scheme would also take time to stabilize and become effective. The State Government's attempt to ban PET containers used for packaged drinking water

below 500 ml size was strongly argued against by the industry. The state Government finally banned only PET containers of size below 200 ml which are used for packaged drinking water.

9. The action in Maharashtra was perhaps instrumental in action on similar lines being taken by other States like Odisha, Kerala and Tamil Nadu. The Government of Odisha first put out a draft order on September 4, 2018 under Section 5 of the Environment (Protection) Act, 1986 for comments from the stakeholders. IBA and other organizations represented strongly regarding the proposals. As part of this endeavour, an IBA delegation called on the Minister of Industries of Odisha on September 11, 2018 in Delhi when attention was drawn to the investments made and contemplated by the industry in the State to point out that the kind of restrictions proposed in the draft order would dampen the industry's enthusiasm for investment. Happily, the final order dated September 29, 2018 of the State Government was a far more rational and practicable one.

Kerala

10. The Kerala State Pollution Control Board issued a circular on June 14, 2018 in implementation of the Plastic Waste Management Rules, 2016 to regulate one-time use of plastic. This circular stated that as a first step "the Board proposes to ban the usage of plastic PET bottles for supply of packaged drinking water in Star hotels, Resorts, hospitals with more than 500 beds and in houseboats..." It stated further that "... Units of the above type shall be directed to provide facility for safe drinking water in glass bottles in place of plastic bottles. ... The above units are allowed a time period of 6 months from the 15th of June 2018 to stop usage of plastic bottles for supply of drinking water in their premises....." There has been no punitive action so far taken by the Kerala Government against the beverage industry except for continued consultation with the latter to fulfil its EPR obligations under the PWM Rules, 2016.

11. It may be added that the Department of Environment, Govt. of Kerala had convened a meeting on October 31, 2018 to consult with industry about use of glass bottles in place of PET bottles. The contemplated step was strongly opposed by local industry bodies and by the All India Plastic Manufacturers Association. The argument that the local tourism industry will suffer was finally accepted.

Price cap of Rs.13/litre on Packaged Drinking Water in Kerala.

12. Sometime in May, 2018, it was learnt that the Government of Kerala was planning to impose a ceiling (of Rs.13 per litre) on the price of packaged drinking water in Kerala under the Kerala Essential Articles Control Act, 1986. A delegation of IBA called on the Minister of Food and Civil Supplies of the State Government at Thiruvanthapuram on June 4, 2018 and submitted a detailed representation against the proposal, apart from putting forward appropriate oral contentions. It was suggested by IBA that an expert committee may be constituted by the State Government before taking any decision. While the precise status is not available, it is learnt that the matter of the proposed price ceiling has been sent to the State Government's Legal Department for opinion.

Tamil Nadu

13. The Government of Tamil Nadu issued a notification on June 25, 2018 under Section 5 of the Environment (Protection) Act, 1986 stating that the same will come into force from January 1, 2019 and issuing Directions that "No industry or person shall manufacture, store, supply, transport, sale or distribute 'use and throw away plastics' and that "No person including shopkeeper, vendor, wholesaler, retailer, trader, hawker or salesman shall use 'use and throwaway plastics'." The proposal

of the Department of Environment is to ban 14 plastic packaging items. There has been no punitive action on PET containers by the Government of Tamil Nadu except for continued consultation with the industry to fulfil its EPR obligations under the PWM Rules, 2016.

Proposal in the GST Council for re-introduction of Sugar Cess.

14. At the meeting of the GST Council in Delhi in May, 2018, the Council set up a Group of Ministers of some States to examine the suggestion for re-imposition of Sugar Cess in the light of the serious situation of payment of sugarcane dues to the farmers in some States, notably Uttar Pradesh. With the coming of the GST regime on July 1, 2017, the Sugar Cess prevailing till then stood subsumed in GST. Since the contemplated step would have serious repercussions on the non-alcoholic beverage industry, IBA submitted a representation dated May 21, 2018 to the Finance Minister of Assam, the Chairman of the Group of Ministers (GoM). On July 11, 2018, a delegation of some Members of IBA called on the Finance Minister of Assam and reiterated the case against re-imposition of the sugar cess. Subsequent consultations with the Chairman of the GoM had also indicated that the sugar cess matter may come up for consideration after the general elections that were then scheduled in April-May, 2019. No sugar cess has been re-imposed under the GST regime so far **(July 30, 2019)**.

Moves in the GST Council for levy of Cess or similar levy to meet diverse situations like natural calamities.

15.1 At the meeting of the GST Council on September 28, 2018, a proposal was mooted for imposition of a levy or cess for mobilisation of additional resources to meet natural calamities like the one faced by Kerala as a result of unprecedented floods in that State in August, 2018. A detailed representation dated October 12, 2018 -- essentially opposing the move in the GST Council -- was submitted by IBA to Shri Sushil Modi, Deputy Chief Minister of Bihar, the Chairman of the Group of Ministers set up by the GST Council for examining this issue. Besides, an IBA delegation called on Shri Sushil Modi in Patna on October 23, 2018. During the interaction, Shri Modi patiently heard the points made by the delegation and indicated that a final view would be taken only by the GST Council.

15.2 A subsequent development in the matter was the opinion given by the Attorney General of India that a cess on sugar can be imposed over and above the Goods and Services Tax. In this context, a news item appeared on November 13, 2018 in the Hindu Business Line. This stated that the opinion is based on the view of the Supreme Court which, while disposing of a petition on the constitutional validity of the GST (Compensation to States) Act, 2017, held that "... levy of compensation to States' cess is an increment to GST which is permissible in law". Presumably, the Group of Ministers set up by the GST Council on May 4, 2018 will formulate its recommendation in the light of this opinion of the Attorney General for a final decision by the GST Council.

15.3 Apart from the issue of imposition of Sugar Cess, the above development is likely to influence examination of the proposal for levy of a cess for mobilisation of resources for disasters and natural calamities.

15.4 Vide Notification No. S.O. 3755 (E) dated November 17, 2017 issued by the Department of Economic Affairs, the Government of India constituted the Fifteenth Finance Commission, which is required to submit its report to the Government of India by October 30, 2019 in respect of a period of 5 years commencing on April 1, 2020. (The term of the Commission has recently been extended by the Union Government.) Paragraph 9 of this Notification states as follows:

“9. The Commission may review the present arrangements on financing Disaster Management initiatives, with reference to the funds constituted under the Disaster Management Act, 2005 (53 of 2005), and make appropriate recommendations thereon.”

15.5 The outcome of consideration of the matter in terms of the aforesaid paragraph 9 of the Notification is likely to become available only when the Finance Commission presents its report to the Government of India unless the former decides to or is prevailed upon to make a recommendation in this regard pending the submission of its final report. The point to note, nevertheless, is that this issue, being a much larger one, will take quite some time to reach any kind of finality.

Response to Department-related Parliamentary Standing Committee of MoHF&W on specified items concerning the functioning of FSSAI.

16. In May, 2018, the Department-related Parliamentary Standing Committee of the Ministry of Health & Family Welfare wrote to IBA seeking its views on specified aspects relating to the functioning of the Food Safety and Standards Authority of India. After a well-coordinated exercise and due consultation with Members of IBA, a Note dated May 17, 2018 containing IBA’s response on each of the 9 points was sent to the Rajya Sabha Secretariat. It may be mentioned that the Committee’s report, which was laid on the Table of the both Houses of Parliament in August, 2018, contained in paragraphs 2.2, 3.25, 4.79, 5.84, 6.11 and 6.28 the views and suggestions of IBA.

Seminar on Beverage Sampling and Testing Methodology.

17. On February 25-26, 2019, IBA, in association with FSSAI and in partnership with AOAC-India Section, organised a seminar on Beverage Sampling and Testing Methodology in Delhi. Shri Pawan Kumar Agarwal, CEO, FSSAI delivered the Keynote Address. Leading lights of the industry, the scientific community and other regulatory bodies like the Export Promotion Council of India spoke at the Seminar, besides participating in panel discussions. Representatives of FSSAI as well as officials from several State laboratories took part in the Seminar in a big way. The second element of the event was a hands-on training programme at the Laboratory in Manesar of Agilent Technologies. This, too, was extremely successful and was highly appreciated by all concerned.

18. An Executive Summary of the recommendations that emerged at the event was sent to CEO, FSSAI with IBA’s letter of May 29, 2019.

19. For several years now, IBA has been a Member of the FAD 14 Committee of the Bureau of Indian Standards (BIS). Apart from participating in meetings of this Committee, IBA plays its role in providing comments relating to various proposals of BIS for prescribing standards for products relevant to this industry. This role is discharged by IBA invariably in consultation with Members.

20. IBA continues to be an active member of the International Council of Beverages Associations (ICBA) based in USA. Useful material received periodically – some of it every week -- from the ICBA Secretariat is disseminated among members of IBA. IBA attended the bi-annual in-person meeting of ICBA members held in Singapore in May, 2018.

21. The Association is continuing to manage its affairs with a lean staff consisting of one Personal Secretary and one Office Attendant, apart from the Secretary General, and, in so far as maintenance of accounts is concerned, with the help of an Accounts Consultant.

22. M/s Mukul & Ganesh, Chartered Accountants were appointed as auditor of the Society in respect of the financial year 2018-19 and have audited the accounts for the year.

23. The Secretary General and other members of the staff of IBA are committed to continuing to strive for providing efficient and effective service to the Members in the years to come.

24. The Secretary General wishes to place on record his deep appreciation for the courtesy and consideration extended to him and to the other members of the staff by the Managing Committee and all the Members of IBA.

Sd/-
(Arvind Varma)
Secretary General

September 17, 2019