

**SENATE SELECT COMMITTEE**  
**SCRUTINY OF NEW TAXES – CARBON TAX PRICING MECHANISMS**  
**Tamworth – Wednesday 3<sup>rd</sup> August 2011**

**SUBMISSION**

BINDAREE BEEF PTY LTD

Chair, firstly I acknowledge the invitation to appear before this Senate Committee in my capacity as CFO of Bindaree Beef Pty Ltd and thank the committee very much for this opportunity.

Bindaree Beef Pty Ltd is one of Australia's largest beef processing and exporting businesses. The business has always and remains very much a private family operated company. The business is headed by John McDonald with three generations now actively involved in the day to day management. The McDonald family have a long standing history in the beef processing industry spanning more than 60 years. Over that time the business has owned and operated up to 3 processing plants at the one time.

While the business is now focused on operation of just one plant located at Inverell, NSW the impact that Bindaree Beef has on the livestock industry is far reaching. This impact includes but is not limited to:

**Livestock Purchases** - The Bindaree Beef footprint extends to northern WA, NT, Qld, NSW, Vic and SA in purchasing of cattle via livestock agents, commissioned buyers or by private treaty direct from producers. Locally, Bindaree Beef accounts for between 10 and 15% of all sales through the Inverell Regional Saleyards. The average yearly kill over the past 4 years has been in excess of 234,000 head. Bindaree Beef is the only meat works that supports producers and agents via a 5 day a week 52 weeks of the year kill program.

**Meat Sales and Export** – The Bindaree Beef brand is highly respected around the globe in providing quality product. The markets developed with customers over many years have cemented the brand well in all major export destinations. McDonalds Restaurants globally, in particular the US and China have high regard for the brand and product. Domestically, Bindaree Beef has a long term relationship with the developing Aldi Supermarket chain. Testimonials from our major export and domestic customers plus industry associated bodies such as AQIS indicate a preference for and support of Bindaree Beef.

**Industry Issues** – Bindaree Beef has been a long time advocate for a restructure of the present industry structure and support for relevance in labelling in the meat sector. This is driven by the recognition that to stay competitive in an international market the local industry must not be burdened with unnecessary costs and to stay competitive in the domestic market the industry must provide the customer with a higher grade product, described in a manner to allow the customer to make an informed decision. Ultimately it is about removing cost from industry, ensuring producers remain viable and increasing customer demand.

On costs on the industry I quote SG Heilbron Pty Ltd report (2001) commissioned by the MLA to investigate costs on the industry and impact on competitiveness.

“Strategies must be implemented by Australian meat and livestock industries to ‘pull back’ the level of government influenced costs and charges in Australia to internationally competitive levels. Failure to halt and reverse the inexorable increase in these costs and charges must inevitably contribute to the long-term decline of Australia’s industries”

Moving on to the specifics around the proposed Carbon Tax Pricing Mechanisms.

Bindaree Beef commenced research and analysis of energy use and resource efficiencies based on a commercial business decision making process in conjunction with identifying the need to better manage resources. Our proactive approach is supported through our membership of the Sustainability Advantage Program. These decisions are made and done without any connection to or relevance of proposed carbon tax or carbon trading regime. It is being done because it makes good business sense.

Bindaree Beef reserves an opinion on whether one system is better than another, whether the science is right or wrong or which scientists are right or wrong. We do however acknowledge that there is enough opinion to the contrary in regard to the level of human influenced carbon emissions and Australia's impact globally to warrant a much deeper and mature debate on the actual outcomes of a carbon tax or carbon trading regime on businesses such as Bindaree Beef and the long term viability of the beef industry.

What Bindaree Beef does have a firm opinion on is the impact of the cost burden on the business and the industry as a whole. Our question is this "When is enough going to be enough in regard to taxing and applying costs on business"?

Production levies – 2010/2011	\$420,000 for zero net return
AQIS fees – 2010/2011	\$670,000 and increasing under a failed self-regulation system
Payroll Tax – 2010/2011	greater than \$1,200,000
Workers Compensation – 2010/2011	greater than \$1,100,000

The costs being applied to Bindaree Beef places the on-going viability of the business at serious risk. When consideration is given to the costs it is realised these costs are industry and government applied and produce nothing more than expanding bureaucracy, places jobs at risk and importantly creates or places this business in an uncompetitive domestic and international environment.

Through the proposed carbon tax we have identified that Bindaree Beef will face a direct increase in costs from, but not limited to:

- Electricity. This will be twofold as the business will need to absorb the 'natural' increase as well as the transferred cost from the electricity generator
- Coal. Our coal supplier will pass on any increase cost
- Water. The local council will pass on any increase in cost
- Transport. Even though heavy transport will not be introduced under the new tax for 2 years all transport companies will pass on any increased cost immediately. In 2 years the full cost of carbon tax on transport will pass to the customer. Bindaree Beef pays freight in and freight out and will see substantial cost increase in freight
- Consumables. All suppliers of consumables will pass on increase costs

Impact of Carbon Tax – 2012/2013      \$2,740,000 (estimate) at minimum with increases forecast

The flow on impact will be directly to the livestock producer in reduced price paid for livestock. That producer has no way of mitigating that loss. The overall industry impact will be the cattle industry will fall into further decay as producers go out of business.

It is not correct to say that agriculture will be exempt, as the ultimate price takers, producers of all commodities will wear the flow on impact of costs.

Put simply Bindaree Beef may not have the capacity to absorb the increased electricity costs let alone other cost increases. So the full impact will be felt by cattle producers and associated parties like agents, livestock transporters, contractors and saleyard operators.

- Estimated reduced price paid to producer      \$11.26 per head
- Reduced income selling agents                      \$0.56 per head

Does this then place Bindaree Beef in a forced uncompetitive market with our direct competitors such as Cargill, Nippon and Swifts who may receive direct government assistance under the proposed carbon tax support and transitional mechanisms?

On reviewing the proposed support packages, of which there is limited detail, it should be noted that the government only provides a maximum of 25% of total costs with balance through industry or business. Bindaree Beef will not qualify for any such assistance under these conditions due to not having access to the required capital either through cash flow or through direct lending support.

Bindaree Beef is a significant contributor to the economy of Inverell and many towns and businesses across the New England region. The local impact on the town of Inverell in economical terms is extremely important. Bindaree Beef injects directly around \$64million annually into the local community. The business is the region's largest employer with over 630 FTE.

Prior to the McDonald family acquiring the plant it was closed for several months. The closure had a disastrous impact on the local and broader communities through loss of income for cattle producers, closure of businesses, loss of jobs directly and indirectly and a fall in housing values.

To continue in business efforts must be made to reduce direct and indirect costs on business which we do as part of day to day management when we have some level of control over these costs.

Costs imposed on business through industry or government are either absorbed by the business or passed onto producers. Without productive, financially viable cattle producers and internationally competitive market place processors such as Bindaree Beef are placed at risk. This risk extends to massive direct and indirect job losses and reduced economical viability of many rural and regional communities.

Ultimately the proposed system will lead to increased costs on business, lower prices paid to producers and loss of jobs.

Thank you