



BINDAREE BEEF PTY LIMITED
A.C.N. 056 599 163

HEAD OFFICE
PO BOX 405
INVERELL NSW 2360

PHONE: (02) 67211411
FAX: (02) 67211175

E-MAIL: phillip.kelly@bindareebeef.com.au

“The Natural Beef Company”

19 August 2011

Secretariat
Senate Select Committee
Parliament House
CANBERRA ACT 2600

RE: Senate Select Committee on the Scrutiny of New Taxes – Inquiry into Carbon Tax

Question on Notice

I refer to the question on notice by Senator Cameron (Tamworth – 3rd August 2011)

Senator CAMERON: So 90 per cent is power increases that will come around regardless of a carbon price. Is that correct?

Mr Kelly: If we work off a base of where our electricity costs are now, we are working on around 17 to 20 per cent natural increase on that cost. Once a carbon tax is in play, there is an additional 10 per cent increase.

Senator CAMERON: So 90 per cent of your power cost increases are not related to a carbon price?

Mr Kelly: No, mathematics do not work that way. If you work off a base of \$3.2 million of cost, we anticipate a natural increase of 17 to 20 per cent on that cost. We have modelled another 10 per cent increase as a direct impact from the carbon tax.

Senator CAMERON: Can you provide some detail of that—

CHAIR: Final question.

Senator CAMERON: Good one, Chair.

CHAIR: You are getting a fair go.

Senator CAMERON: It is starting to not look that way. Mr Kelly, can you provide details of your calculations to the committee—even in confidence?

Mr Kelly: Yes, I can do that.

Response:

The calculations are based on measuring existing cost of electricity and factoring in future natural and enforced cost increases.

The Senator should acknowledge that regardless of future carbon tax impact on cost of electricity the electricity cost in NSW has increased dramatically over the past few years. This is due in part to fund required capital improvements but equally so on the back of any perceived increase in cost of business on electricity generators.

So to say any natural increase is exempt from the impact of the carbon tax is simply wrong. Therefore the assertion by Senator Cameron that only 10% of the total increase in cost of electricity is attributed to the carbon tax is false. The simple fact is electricity generators have during the period of high level debate and proposed introduction of a variety of carbon tax/emissions schemes factored in a cost increase on their business and passed that onto consumers.

Referring back to the actual calculations, and for the benefit of the committee I will refer to round figures.

Annual cost of electricity 2010/2011		\$3,200,000
Cost increase 2011/2012 (estimated at 17%)	\$544,000	\$3,744,000
Cost increase 2012/2013 (estimated at 10%)	\$374,000	\$4,118,000
Carbon Tax impact 2012/2013 (10%)	\$411,800	\$4,529,800

Therefore total increase from 2010/2011 to 2012/2013 is \$1,329,800 or 41.55%.

Of the \$1.32M cost increase the direct impact of the carbon tax (2012/2013) is 30.96% of the total cost increase from 2010/2011. There remains a percentage of the natural increase that would be attributable to or classed as indirect impact of the carbon tax.

The question is not about what percentage cost rise. The question is how does a cost increase impact on the profitability and long term viability of a business and can that business sustain any cost increase. This is a message that was lost amongst some of the senators.

END

Regards
Phillip Kelly
Chief Financial Officer
Bindaree Beef Pty Ltd