



Senator, the Hon. Richard Colbeck

Chairman, Senate Select Committee on Australia's Food Processing Sector,

PO Box 6100, Parliament House,

Canberra, ACT 2600

Attention: Dr. Richard Grant, Questions on Notice

Dear Senator,

I would like to thank the committee members for their interest in the issues raised in the McCain Foods submission and questions raised in the Devonport Hearings. Please find our responses below to the questions on notice.

1. Question on notice on food labeling – Senator Anne Urquhart

McCain Foods abides by the Country of Origin labeling laws of the Commonwealth of Australia.

"Product of" on a label means that 100% of the contents are sourced and produced in that country.

"Made in" - on a label means more than 50% of the costs of the product were incurred in that particular country.

"Packed in" – means that products contained therein are sourced from local and imported products.

2. Question on notice on imposts on the McCain business – Senator Richard Colbeck

As discussed in the hearings, the major cost item for McCain Foods is raw material costs – potatoes make up nearly 60% of the cost of the end product with overheads the next significant category, which includes electricity, water and other inputs.

Electricity costs have risen significantly in recent months which impacts on the profit margins and the competitiveness of Australian produced products. This is a major concern for the company.

Water as a commodity is higher priced in Australia than New Zealand for example. This not only applies to McCain Foods' three plants, but also to costs growers have to absorb. State and local Government regulatory costs such as for pumping and other licensing costs, will also have a direct impact on the price of potatoes.

Labour costs are also rising. The current penalty rates regime in Australian award structures do not encourage continuous 24 hour 7 day processing. Overtime and shift penalties are much higher in Australia than in New Zealand, which again contributes to lower productivity and lack of competitiveness of Australian made products.

Under the current Fair Work Act, unions can disrupt businesses during enterprise bargaining. Protected Industrial Actions under the Act are being used to threaten companies in the enterprise bargaining process. This also adds to the costs of doing business in Australia.

Infrastructure and transport charges particularly costs of ports and other charges in the movement of goods are also higher in Australia than elsewhere.

Finally, the introduction of the carbon tax is a major concern as there is little prospect that McCain Foods can pass on these added costs to its customers, which means the company will have to absorb the impact.

These are the major concerns McCain Foods has in relation to the costs of operating in Australia, compared with New Zealand, Europe, Asia or North America. The fact is, the costs of operating businesses in Australia are increasing compared to elsewhere.

Australia's competitive position has decreased over the last decade and imports are dramatically increasing, which means urgent action is required to make Australia competitive again.

Yours faithfully

Graham Harvey