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Committee Secretary  
Select Committee on the Scrutiny of New Taxes  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

22<sup>nd</sup> September 2011

Dear Sir / Madam,

**RE: INQUIRY INTO THE PROPOSED CARBON TAX BILLS**

Bundaberg Fruit and Vegetable Growers Cooperative Limited (BFVG) is a non-trading 'Not For Profit' membership based co-operative, established in 1948 to represent the interests of horticultural growers in the Bundaberg region, Queensland.

Now encompassing the entire Bundaberg LGA, BFVG represents growers of more than 30 major horticultural commodities and also has members based in the Gayndah/Mundubbera and Gympie regions of Queensland. The horticultural industry within the greater Bundaberg region alone is currently estimated to have a farm gate value in excess of \$490 million, employs over 5,000 people and contribute over \$1 Billion dollars to the Bundaberg region's economy.

This industry value has more than doubled since 2002 and the industry continues to expand each year. In recent years, this region has seen a number of horticultural enterprises expand their operations into food processing and value-adding. Additionally, several enterprises have established or explored new technologies and innovation to add significant value to waste products generated within the region.

The horticultural industry is heavily reliant on the road transport sector for access to farming inputs (fuel, fertiliser, crop protectants etc) and the transport of produce to primary markets, and electricity for irrigation and farming practices. Most growers in the region send their produce direct to central markets located in the State Capital Cities, the closest of which is 400km south in Brisbane.

Despite the growth in value of the industry in the region, many farming enterprises are already battling to be profitable as the profit margins for growers are very small. Effectively, the costs of farming inputs have continued to increase yet the average net return for grower's produce has increased very little, if at all over the past decade.

BFVG has several concerns regarding the suite of Bills covering the proposed Carbon Tax legislation and the impact this will have on the agricultural (horticultural) industry - not just in the Bundaberg region but throughout Australia and particularly to small and medium sized family farming enterprises. Since the announcement of the proposed legislation, growers have already seen a price change from the major transport companies prohibiting many smaller growers from accessing these companies. This was an immediate impact seen by industry, but not accounted for by the current Government.

For example, the introduction of the proposed Fuel Tax Legislation will place further pressure upon existing farm profit margins through increases in the cost of electricity (a

major cost for on-farm irrigation and packing shed operations which has already seen 10% increase recently), fertilizer, fuel and crop protectants. These profit margins have already suffering heavily as a result of adverse weather conditions in early 2011 and monetary exchange rates reducing the export potential of high quality Australian grown produce.

BFVG acknowledges the steps the Government has put in place to reduce the cost burden for Australian growers from the proposed Carbon Tax and assist agriculture develop genuine carbon mitigation options through new research and development within the Clean Energy Futures Package. The package has addressed a number of key concerns of growers / farmers in both the agricultural and horticultural industries including:

- Confirmation that both industry sectors will not be covered by the Carbon Tax
- Exclusion of agricultural and horticultural fuel from the scheme
- Investment of \$429 Million over 6 years into carbon mitigation R&D and extension
- Investment of \$946 Million over 6 years into incentives for biodiversity development
- Dedicated \$150 Million stream provided for the manufacturers in the food processing sector to assist them transition into a low emissions future, and
- The carbon farming initiative, non-Kyoto carbon fund investing \$250 Million over 6 years in measures to support non Kyoto complaint credits

Whilst acknowledging that the Clean Energy Legislative Package appears to largely reflect the commitments made on 10<sup>th</sup> July 2011, BFVG wishes to take this opportunity to highlight a potential issue in the legislation pertaining to the two year exemption for heavy vehicle on-road transport.

BFVG accepts that the Government has attempted to clearly identify what activities are able to be exempt from the Carbon Tax on fuel usage by using a very prescriptive definition of what constitutes an agricultural / horticultural activity. This prescription however has led to BFVG questioning whether some existing, legitimate off-farm activities have been inadvertently missed within the definitions.

For example in the definition within the legislation of what constitutes a sundry agricultural (horticultural) activity the provision provides for;

(g) the packing, or the prevention of deterioration, of the produce of a core agricultural activity if:

- (i) the packing, or the prevention of deterioration, of the produce is conducted on an agricultural property where a core agricultural activity is conducted; and
- (ii) there is no physical change to the produce; and
- (iii) the packing, or the prevention of deterioration, of the produce does not constitute a processing of the produce

However most small to medium size horticulture growers have their produce transported off-farm by a third party i.e. commercial transport company and the proposed legislation provides no clear safeguards so as to prevent carbon tax costs being passed on to the agricultural (horticultural) industry in the first instance and therefore on to the end consumer which has already witnessed transportation fees for produce increasing since the announcement of the proposed carbon.

BFVG questions whether such prescriptive definitions are required in identifying what constitutes an agricultural activity as this may lead to unintentional exclusions that would seem to be contrary to the Government's stated policy intent.

BFVG therefore requests that the proposed draft Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 provides a less prescriptive definition of what constitutes an 'agricultural activity so as to not inadvertently exclude bona fide activities. BFVG would suggest that greater benefit would be provided within the legislation if the agricultural fuel exemption was less prescriptive and tied only to 'fuel used in the operation of an agricultural enterprise'.

This example is just one of many potential negative consequences of the proposed legislation that BFVG believe have not been given due attention to in developing the legislative package. Such a significant piece of legislation should have involved far greater industry consultation, especially with industries likely to be impacted significantly which will have flow-on affects for all Australians.

Some of the other primary concerns BFVG have with the proposed legislative package include, but are not limited to:

- There are no clear safeguards to prevent businesses subject to the Carbon Tax from simply passing on the costs of the Tax to their customers.
- The Carbon Farming Initiative, whilst a good initiative, has little or no benefit to the Horticulture industry and therefore the horticulture industry receives no benefits as a result of the Carbon Tax
- While the Transport sector are exempt for 2 years, what safeguards are in place after this period to protect the profit margins of industries that are reliant on this sector
- If businesses were to present a 'business plan' to their financiers, with NO numbers included on the productivity returns or savings generated, they would not receive finance. This proposed policy provided very little evidence in the Carbon savings resulting from the Billions of dollars generated from the Tax and cost impost to Australian businesses and families
- Carbon storage and sequestration – what are the financial benefits going to be for the horticultural industry, given the Carbon Farming Initiative has little benefit and horticultural production is virtually carbon-neutral.

BFVG is also disappointed in the amount of time granted (six days including a weekend) by Government to provide submissions in regards to the proposed suite of legislation (approximately 1100 pages) under the banner of Carbon Tax. BFVG would have thought that such an important suite of legislation deserved a longer time to enable both industries affected and the general community to provide in-depth submissions and encourage worthwhile debate.

Yours sincerely,



Peter Hockings  
Acting Executive Officer