JOINT SELECT COMMITTEE ON AUSTRALIA'S CLEAN ENERGY FUTURE LEGISLATION

INQUIRY INTO AUSTRALIA'S CLEAN ENERGY FUTURE

BOND UNIVERSITY SUBMISSION

Summary

Bond University thanks the Joint Committee for the opportunity to provide comment to the Inquiry into Australia's Clean Energy Future Legislation.

Bond University has estimated the impact of the proposed carbon tax on the University. It will affect Bond both directly and indirectly. It will directly affect Bond when we exceed the threshold (which we expect will be in 2012/13), approximately costing initially between $650,000 and $760,000 in direct costs at the price of $23 per tonne. In addition Bond will be affected by the indirect costs which include the increases in electricity, travel and wages which we estimate will cost an additional total of $1.3 million, leaving Bond with a total impact on the bottom line of $2 million per annum.

Given we expect Bond, which is the smallest university, will be impacted in this way, it seems very likely that all universities will also exceed the threshold of 25,000 tonnes of carbon dioxide per year unless the Government decides they are specifically exempted. We could find no such exemption in the Government's information on the proposed carbon tax.

Bond's expenditure comprises around 0.7% of sector expenditure. If we were to scale up Bond's estimated proposed carbon tax impact of $2 million per year to the sector level, this means we would have a sector wide impact of the proposed carbon tax in the range of $200-300 million.

Background

Bond University is a private, not-for-profit and independent university with the highest number of 5 star ratings of universities in the Good Universities Guide of Australia 2012.

Bond University is well placed to analyse the effects of the proposed carbon tax. As members of the inquiry may be aware, Bond University has a very successful School of Sustainable Development with 400 students enrolled and staff engaged actively in research in this area. Consequently, we are well aware of the University's environmental footprint and are quite well advanced in measuring, managing and minimising our impact on the environment.

We have a University Sustainability Committee which meets on a monthly basis to oversight this. It reports through to the University Council on plans and progress with minimising our environmental impact.

Cost of the Proposed Carbon Tax to Bond University

With regard to the actual cost of the proposed carbon tax to Bond we are expecting this to be about $2 million per year after 3 or 4 years and rising each year thereafter. This is comprised of indirect costs ($1.3 million) and direct costs ($0.7million).

Indirect costs

Indirect costs are the additional costs that everyone will have to pay under the proposed carbon tax. They are the flow-on price rises through the supply chain and through the CPI impact to all operating costs.

In terms of the indirect flow on financial effects, we are expecting the following impacts:

- Rises in electricity and other utilities.
- CPI 0.7% impact to Wages Bill – While there isn't a direct CPI link it is a factor that we would have to consider in making a recommendation to the University Council for wages increases. Since many of our staff earn above average wages and are unlikely to receive compensation from tax rate changes or family payments they would be looking to full compensation for CPI increases. We expect our staff association would seek full compensation.
- Additional wages costs of monitoring and reporting data.
- Cost of acquisition of CO_2 reporting software

- Cost of implementation of additional "Smart Meters" on campus to pin point certain locations and their energy use
- Appointment of consultants to standardise data such as different measures and ensure accuracy of data.
- Additional compliance reporting to Government
- Travel – estimated $3 increase in domestic flight fares as estimated by Virgin Blue (*The Financial Review* 27 July 2011).

The total indirect costs are not less than $1.1 million in 2012/13 rising to 1.3 million by 2015/16.

Direct costs

The direct cost is the carbon charge that the Government is intending to implement with organisations that exceed the threshold of 25,000 tonnes of carbon dioxide per year.

At this stage the Government is estimating that this will be "about" 500 organisations. That is the top 500 CO_2 emitters will directly pay the carbon charge.

The list of top 500 CO_2 emitters on the "Clean Energy Futures" web site includes two universities, the University of Queensland and Monash University.

The 500 is an estimate only, "largely based on emissions data reported under the National Greenhouse and Energy Reporting (NGER) Scheme". NGER registered controlling corporation emission and energy data is available at: www.climatechange.gov.au

While Bond University in 2010 was not at the threshold level of 25,000 tons of CO2 emissions to be liable to pay the proposed carbon charges, we fully expect to be liable within a year or two of its introduction.

We were at 23,900 tons in 2011/12 and we anticipate reaching the 25,000 tonnes reporting benchmark in 2012/13.

The direct tax is proposed to start on 01 July 2012 at $23 per tonne, rising 2.5% per year in real terms ($24.15 in year 2, $25.40 in year 3). From 1 July 2015, the CO_2 price will be set by the market. The Government is proposing that a business emitting more than 25,000 tonnes of carbon dioxide in a year should report and pay for its emissions but we consider it likely that this benchmark will be reduced before the legislation is finalised.

To give an indication of the amounts involved, using our 2010 CO_2 outputs (and remember these are just indicative amounts based on 2010 outputs – the actual amounts will be more once we reach the threshold in 2012/13), we could expect for example the following additional costs.

Energy	$371,680
Waste	$67,764
Fuel	$3,450
Air travel	$78,053
Paper	$2,483

As noted above, Bond University is expected to reach the current 25,000 reporting benchmark in 2012/13. If the benchmark is reduced, to say 22,000 tonnes, it is likely that Bond University would have to start reporting and paying immediately on its introduction.

The impact once Bond reaches the threshold in terms of the direct costs of the proposed carbon tax is not less than $0.6 million per annum rising to $0.8 million in 2015/2016.

The total estimated costs if Bond University was subject to the full proposed carbon tax (including both the indirect and the direct charges) are therefore $1.7m in 2012/13 rising to $2.1m in 2015/16.

Options for Bond University to meet proposed carbon tax costs

Two options for Bond University to meet proposed carbon tax costs are either

(1) to increase revenue by raising fees or

(2) to reduce costs by reduction of staff.

We are naturally reluctant to increase our fees for this purpose, especially as the international student market in Australia is already adversely impacted by the high cost of the Australian dollar.

If we were to raise the additional funds to pay the proposed carbon tax by passing these costs on through fee increases, this will impact on Australian students and their families, including students/parents in this community.

Places at Bond are not subsidised like the places in the public universities, so we have no publically funded “operating grant” or “Commonwealth Supported Places” funding to fall back on.

The majority of our domestic students (over 60%) use FEE-HELP to assist in paying their fees. The amount people can borrow through FEE-HELP is already below the cost of a basic degree at Bond. If we increase fees to fund the proposed carbon tax, this gap will be larger, making Bond less affordable to local students.

Consequently we are concerned that the proposed carbon tax will make it more difficult for students including those from low socio-economic backgrounds (6% of our domestic students) to choose a Bond education.

Regarding international students if we increase our fees to fund the proposed carbon tax this will increase our international student fees and make us less competitive internationally. This comes on top of a high Australian dollar and the damaging effects of the new visa regulations which are making Australia a less financially viable destination for international students.

Potential damage to Bond’s competitive position due to proposed carbon tax related fee increases are not included in the above estimates of a $2 million per year impact.

As an alternative to increasing tuition fees to pay for the proposed carbon tax, Bond could reduce the number of staff employed. To save $2 million we would need to reduce 20-30 jobs.

The multiplier effect means that the reduced spending would also have the potential to reduce jobs in the local community by 2.4 times meaning another 72 jobs. So taking into account the multiplier effect, the total impact could be around 102 jobs on the Gold Coast.

The **attached** paper gives further details of our workings. Please note these workings are preliminary estimates only and we are making them available so that the details of how we envisage the proposed carbon tax will impact our costs can be illustrated.

Cost of the Proposed Carbon Tax to Higher Education Sector

Regarding the potential impact on the higher education sector as a whole, given we expect Bond will be impacted and Bond is very small, it seems most likely that all of the 39 universities in the higher education total sector will also exceed the threshold

of 25,000 tonnes of carbon dioxide per year unless the Government decides they are specifically exempted. We could find no such exemption in the Government's information on the proposed carbon tax.

Most other universities are considerably larger than Bond. Bond's expenditure comprises around 0.7% of sector expenditure. If we were to scale up Bond's estimated proposed carbon tax impact of $2 million per year to the sector level, we would get a sector wide impact of the proposed carbon tax in the range of $200-300 million.

Thank you for the opportunity to provide comment on the impacts of the proposed carbon tax.

Professor Robert Stable
Vice-Chancellor and President
Bond University

22nd September 2011

INDICATIVE IMPACT OF THE PROPOPOSED CARBON TAX ON BOND UNIVERISTY

DETAILS OF WORKINGS

This report is a conservative indicative summary on the likely financial impact of the proposed carbon tax to Bond University. The tax is proposed to start on 01 July 2012 at $23 per tonne, rising 2.5% per year in real terms ($24.15 in year 2, $25.40 in year 3). From 1 July, 2015 the market CO_2 price will be set by the market. It is based on a general knowledge of known issues at a high level. As more information comes to hand, these numbers can be refined.

As a guide, the Australian Government is proposing that a business emitting more than 25,000 tonnes of carbon dioxide in a year can be expected to report to the National Greenhouse and Energy Reporting System (NGERS). However, the view is that this benchmark is likely to be reduced before legislation is finalised. At this stage Bond University is not expected to reach the current 25,000 reporting benchmark until 2012/13 (assuming a 5.0% annual increase) but if the benchmark is reduced, to say 22,000 tonnes, it is likely that Bond University would have to start reporting to NGERS immediately on introduction.

At this stage the Australian Government has proposed that only the top 500 CO_2 emitters in the country will directly pay the carbon charge. Therefore, Bond University is currently not expected to be liable to pay this charge directly, but will incur flow-on price rises through the supply chain and through the CPI impact to all operating costs.

Indicative Forecast on Potential Costs for Bond University are:

Costs	Annual >	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Implementation Costs							
Carbon Reporting Software			30,000				
Consultants			40,000				
Smart Meters			30,000				
Other			50,000				
Total Implementation Costs		**0**	**150,000**	**0**	**0**	**0**	**0**
Indirect Costs	**Impact**						
Air Travel ($3 per domestic tkt)	$ 3.00			3,420	3,540	3,664	3,792
Freight (Increased charges)	3.50%			1,500	1,553	1,607	1,663
CPI Impact							
Wages	0.7%			700,671	742,712	787,274	834,511
Other Expenses	0.7%			428,433	443,428	458,948	475,011
Total				**1,129,104**	**1,186,140**	**1,246,222**	**1,309,522**
Total Impact excluding Direct Tax Costs			**150,000**	**1,129,104**	**1,186,140**	**1,246,222**	**1,309,522**
Potential Carbon Tax per tonne				$ 23.00	$ 24.15	$ 25.40	$ 26.70
Carbon Tonnage Estimates	5%	22,785	23,924	25,120	26,376	27,695	29,080
Potential Carbon Tax Cost				577,761	636,982	703,449	776,425
Total Impact including Direct Tax Costs			**150,000**	**1,706,865**	**1,823,121**	**1,949,671**	**2,085,947**

Carbon Tonnage Calculations based on 2010 output and expenditure

Product	Usage 2010	Tonnage	$23.00/tonne
Energy	17674948.00 KwH	16,160.0000	371,680.00
Waste	8343 m3	2,946.3000	67,764.90
Fuel (Diesel, Petrol, LPG)	Measurement still to be determined	150.0000	3,450.00
Air Travel	19555156.65 Klm	3,393.6100	78,053.03
Paper	21933 Reams	107.9880	2,483.72
Freight	12558770klm/2272.02kg	22.6200	520.26
Taxi/Rental Cars	24097.00	4.0980	94.25
Total		**22,784.6200**	**524,046.17**

Notes on indirect costs:

- Wages (Facilities Management and Financial Services) will both be impacted in monitoring and reporting data. Universities currently have staff employed to monitor energy and emissions to analyse data for cost savings and areas of waste.

- Wages –pressure related to the CPI impact but will, no doubt, have overall wage increase pressure of say 2.0% at some point in the future.

- The Project Coordinator Sustainability (located in Facilities Management) will require a CO2 reporting program, which can interpret scientific formulas of different measurements. Based on 2009 figures (new 2011 figures to be available in July) Cost approx $ 30,000.00 excl GST.

- Bond currently has a few 'smart meters' on campus which pin point certain locations and their energy use (i.e. Accommodation), additional meters would be beneficial. Cost per meter is estimated.

- Consultants will need to be appointed to standardise data such as different measures and ensure accuracy of data. Data is reported in the Sustainability Report and placed on the Bond website. There will be additional Government reporting also. For a 'Lifecycle Analysis' a Consultant can cost approximately $16,335.00.

- Travel – estimated $3 increase in domestic flight fares. The Australian Financial Review 27 July 2011.

- Other – CPI 0.7% increase to other costs