



TEYS BROS. (HOLDINGS) PTY. LTD.

A.C.N. 009 872 600 A.B.N. 38 009 872 600

HEAD OFFICE: LOGAN RIVER ROAD, BEENLEIGH, QUEENSLAND, AUSTRALIA

Postal Address: P.O. Box 15, Beenleigh, Australia 4207

Phone: 61 7 3287 2188 Fax: 61 7 3808 0003

14 April 2009

The Secretary
Senate Select Committee on Climate Policy
PO Box 6100
Parliament House
CANBERRA ACT 2600

by email climate.sen@aph.gov.au

SENATE SELECT COMMITTEE ON CLIMATE POLICY
Submission From Teys Group of Companies

Teys Group of Companies

Teys Bros is Australia's second largest meat exporter, processing approximately 1 million cattle per annum and employing some 2800 persons primarily in Rockhampton, Beenleigh, Biloela (QLD) and Naracoorte (SA). Teys' annual turnover is approximately \$1.2 billion AUD. Over 85% of Teys' production is exported. Teys is proudly an Australian family owned business. (More information at www.teysbros.com.au)

Key Issues

Teys Bros acknowledges that Australia's meat and livestock industry has a role to play in Australia's response to climate change. In this context, Teys recognises that minimisation of carbon emissions from its business activities will be significant to long term sustainability. Teys is willing to make a substantial contribution to initiatives that contribute to this objective.

However it is clear that the emissions trading construct in the CPRS Bill is not an appropriate tool by which Teys and the Australian meat and livestock industry will reduce carbon pollution at lowest economic cost or contribute to a global solution on climate change.

Rather, if enacted in its current form, CPRS will act only to tax the output of the red meat and livestock industry, leading to significant contractions in production, exports and employment, largely in rural and regional Australia. This contention is supported by independent research that will be presented to the Committee.

Teys is aware that the National Farmers Federation and Red Meat Industry has made submissions to the Committee. Teys fully endorses these. In addition, this submission raises some key additional issues from Teys perspective.

Teys requests the opportunity to present these in person to the Committee

Why the CPRS is an inappropriate policy to support Australia's response to Climate Change

1. Independent research undertaken by The Centre for International Economics (CIE) for the Australian Farm Institute and Meat and Livestock Australia demonstrates that if imposed on Agriculture from 2015, the CPRS will lead to severe declines in livestock production, meat production and exports and sector employment. If these forecasts prove to be accurate, the current Teys' business would not be commercially viable. Teys would like to elaborate on this point in person to Committee members.
2. There are currently no commercial abatement options to reduce the two key sources of meat processing emissions- methane produced by wastewater and boiler fuel inputs. In addition, it is not possible to accurately measure wastewater emissions. In the context that almost all energy inputs are required to satisfy strict AQIS export requirements the current CPRS does nothing to provide an incentive to reduce carbon emissions- it is simply a tax on Teys' production.
3. Currently two of Teys' meat processing facilities (Rockhampton and Beenleigh) will be directly liable for permits from the commencement of the scheme. This is due to the scale of both operations whereby emissions will exceed the facility threshold. This will impose a multi-million dollar cost on these facilities not imposed on many of Teys' competitors. Given slim profit margins in the industry (1-3% on average), this poses a direct threat to the future of these investments. It is a reality that the current CPRS provides an incentive for Teys to downsize its Rockhampton operation and transfer this production to another facility. Of course this makes no contribution to a reduction of carbon emissions but would significantly impact on the Rockhampton community.
4. Currently there is no recognition of the acute trade exposure of Teys business. Although we export approximately 85% of our production, we anticipate that we are not eligible for Emissions Intensive Trade Exposed assistance. In the context that the price of all our finished products is set internationally, the Scheme does not recognise that even small increases in cost of our products will render Teys and cattle producers uncompetitive in almost all key markets.
5. There is a consensus that there is a world shortage of protein and this will be exacerbated as Developing Countries wealth grows. Basic economic logic indicates that this demand will be supplied. The reality is that, should the CPRS act to curtail Australian beef production and exports, this will be supplied by other countries, in all likelihood with a greater contribution to global warming. If the CPRS cannot act to provide realistic incentives for the meat and livestock industry and acts as a production tax, this scenario is a likely outcome. This is the view of Teys.

Specific Impacts of CPRS on Teys (Source Teys)

- We estimate that assuming that permits start at \$25 per tonne, Teys Bros will be liable for some \$4.6 million per annum from 2010.
- This does not include increases in electricity and other cost increases that are forecast when the CPRS starts.

- Many of our competitors will not incur this cost (i.e. they do not operate facilities that exceed the threshold). This will give them an unfair advantage in livestock markets.
- We export in excess of 85% of our production. Until our major competitors in USA and South America have a scheme, our customers will not absorb any of these costs. The CPRS does not recognise this issue or our export dependence.
- We do not believe that the CPRS offers any assistance to the meat processing industry to reduce emissions.
- We are concerned that the trading of permits will mean speculators make windfall gains at our expense.
- A significant proportion of the costs imposed by the CPRS represent a tax for Teys. Our energy and water use is forced on us by AQIS and Government regulations. There is no commercially proven solution to significantly reduce wastewater emissions or emissions generated from use of boiler fuel, a large proportion of our emissions.
- There are significant issues associated with the application of the CPRS to wastewater. Neither the Department of Climate Change or Department of Agriculture Fisheries and Forestry has been able to address these.
- An independent study of 6 meat processing plants in the industry shows costs in the order of \$10 million. Extended to the whole beef processing industry this will cost some \$45 million per annum from the commencement of the Scheme. Industry margins are only between 1-3%. This modelling is been extended by work currently being undertaken by the CIE.

Conclusion.

Teys is of the view that the current design of the CPRS is the single biggest threat to the future viability of its business and the Australian meat and livestock industry. For the reasons outlined above, we are fearful that the CPRS will lead to a substantial contraction of the Australian beef industry whilst making no contribution to efforts to reduce global warming. On this basis we cannot support the current Government proposal.

We do, however, recognise that the consensus of opinion is that the world must take actions to address global warming. Therefore, a key to Teys' long term sustainability is continual improvement leading to the reduction of carbon emissions. We are committed to work with policy makers to achieve this objective.

Teys requests an opportunity to present these submissions to Committee members at the appropriate time.

**Brad Teys
Chief Executive Officer
Teys Group of Companies**

April 2009