Questions on Notice
Please find below responses to the two questions I took on notice:

CHAIR: You have talked a lot about R&D and you are obviously quite active in that space in relation to product but also in investment, with the work that you have done in Brisbane and Shepparton. How do you find the current R&D environment as it focuses on manufacturing, bearing in mind that there have been some recent changes in that space? How do you see that affecting you?
Mr Funnell: We have locally based R&D personnel. While we are part of Campbell's globally, the R&D done for both our soups here and biscuit manufacturing here is all locally based. So we have quite a large R&D technology group. Certainly they are active in developing products that we understand consumers would like to buy and then integrating those within our manufacturing network—because clearly the challenge for the products that we want to sell out there is how we scale them up in an efficient manner out of our plants. On the broader question around R&D changes, I am probably not qualified to speak but I can take that on notice.

Response: Campbell Arnott's is still working through the potential impact the changes to the R&D Tax incentive will have on our business and our ability to continue to invest in innovation and R&D. The new rules potentially change the eligibility of activities conducted in a manufacturing environment. On the basis that all our R&D ultimately needs to be validated in a manufacturing environment the potential impact to our business is broad. There is little guidance available on how to practically apply the new law and we are still awaiting finalisation of the reporting requirements, making an assessment of the impact on our business complex.

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Senator EDWARDS: Will the retailers in this country allow you to pass that on in their pricing or will they absorb it?

Mr Funnell: I am not qualified to discuss that. I will take it on notice. But I think certainly the last thing we want to be doing is adding to inflationary impact at consumer level. I think we will certainly be working with our supply base—because our supply base also is subject to carbon tax impost—about what we can jointly do to become more efficient. But it is something that I think a number of Australian manufacturers are going to have to accept. Again, if that was our only competitive base then I think that would be a fair playing field. It is certainly not a fair playing field when you have offshore manufacturing not impacted by that.

Response: Campbell Arnott's is in the process of determining the exact impact of the carbon tax on its costs. We do not emit C02 at levels that require us to pay the carbon tax. However, we will pay increased energy prices as a result of the tax, and other input costs are also likely to increase. We will be working with our suppliers to seek to minimise these cost increases. Once we have determined the size of these cost increases we will assess whether they can be passed on. Given current market conditions in Australia, and the continued pressure from imports that are not subject to any carbon tax, we believe it will be difficult to pass the costs of the carbon tax on to our customers.

Kind regards,

Craig Funnell
Vice President Supply Chain, Asia Pacific

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