



CARBON TAX THE LATEST KING HIT

Small business is suffering, and it's about to get worse

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VICTORIA'S reliance on natural resources is not as obvious as Western Australia's.

Its economic advantage is not fuelled by rich deposits of iron ore sold to emerging nations.

Rather, Victoria's ongoing success can be largely attributed to its brown-coal deposits and the cheap electricity it provides.

For decades, that electricity has powered the state's manufacturing base and half a million small businesses responsible for 30 per cent of production and which employ about half the state's private-sector workforce. But the good times are about to end. I witnessed last week the

imminent danger facing not just Victoria's 495,000 small businesses but all of Australia's two million small businesses.

I paid a visit to a Melbourne coffee roasting business established by an Italian migrant who employs fellow Italian-Australians and a group of Vietnam veterans.

His two sons followed him into the business and, after two years' work, he expanded into a new factory with larger roasting and packing equipment.

But after July 1 next year, when he and his sons walk into the small factory and fire up the roasters each day to prepare the beans that fuel the nation's caffeine addicts, they will face electricity charges like never before thanks to the carbon tax.

Independent research commissioned by the Australian Chamber of Commerce and Industry has assessed that profits of such businesses are likely to be slashed by up to 20 per cent as a result of 19 pieces of legislation making their way through the Senate this week.

Power costs will increase more in Victoria than other states and while some businesses may be able to absorb

or pass on these charges, family-run coffee roasters cannot.

The ACCI research, conducted by Castalia Strategic Advisers, found that trade-exposed SMEs and those that are high users of electricity and transport will be worst off.

This leaves most sectors out of pocket and some businesses potentially unsustainable.

It is an unhappy fact that at a time when the government should be supporting small business, it is putting up a wall.

Its indirect assistance package is nothing of the sort.

A paltry \$40 million in grants and spruiking for the carbon tax under the cover of an information service for small business will not help businesses meet higher costs.

Similarly, the \$6500 small business asset write-off is a drop in the bucket for the coffee roaster, who will face higher bills every day his business operates.

Just last month, Small Business Minister Nick Sherry delivered an even bigger blow to small business: electricity price rises were inevitable but it would be up to small business to work out how to deal with them.

As if that were not enough,

the government's miserly carrots will be coupled with a big stick: a \$1.1m fine for any small business assessed by the Australian Competition & Consumer Commission to be increasing prices by more than 0.7 per cent.

Small businesses operate already on low margins and face soft consumer sentiment, a high Australian dollar and a state of flux in the global economy.

The damage that will be wrought by the carbon tax is putting small business at risk of becoming a forgotten sector of the economy.

As well as repealing the tax, which Tony Abbott has committed to do should the Coalition win the next election, the opposition is committed to holding the government to account on its treatment of small businesses. The tax is merely the latest, although greatest, assault on this critical sector.

Scott Ryan is the shadow parliamentary secretary for small business and fair competition and a Liberal senator for Victoria.