

# Spending rejig to enable budget surplus

## Revenue

Marcus Priest

Spending related to the carbon price scheme will be brought forward to this financial year to enable the federal government to meet its pledge to return the budget to surplus next financial year.

The government had pledged that the carbon price scheme would be revenue neutral but decisions to exempt fuel from the scheme – removing up

to \$2 billion in potential revenue – and to provide a multibillion-dollar renewable energy fund and special assistance for steel and manufacturing will make it difficult for this to be achieved.

A reduction in fuel tax credits for heavy vehicles by up to 6¢ a litre will provide extra revenue.

The fuel tax credits scheme cost the government \$5 billion in 2009-10 with mining, transport and construction sectors accounting for about two-thirds of claims.

But it is understood the scheme will still be in the red by up to \$4 billion.

As a result, the government will announce on Sunday that the scheme will have initial establishment costs in the 2011-12 financial year but, once operational, will be broadly revenue neutral.

Stephen Anthony, director of Budget Policy and Forecasting at Macroeconomics, said it was likely that spending would be brought forward from forthcoming years to ena-

ble the government to return the budget to surplus in 2012-13.

One-off spending which could be “front-loaded” into the scheme included industry and regional assistance.

Mr Anthony said: “They will end up spending the same amount of money but they have shifted it so that the budget is relatively stronger in the out years relatively to the current year. Anything which helps a region or industry can be front-loaded.”

Chris Richardson, of Access Eco-

nomics, said the establishment of new funding bodies would not affect the budget’s bottom line because the money did not need to be accounted for until it was spent.

Mr Richardson said: “But the whole thing about a surplus in 2012-13 is an artificial line in the sand by the politicians.

“To some extent, they risk tying themselves in knots for something which is not important. What is important is the quality of the policies, not the timing.”

## SMEs ‘not competitive enough’ to pass on costs

### Small business

David Crowe Chief political correspondent

Industry groups have hit back at Prime Minister Julia Gillard’s claim that small business owners can pass on the costs of her carbon tax, warning they will not be able to do so because of the market power of bigger companies.

Ms Gillard skirted questions yesterday about assistance for small business, saying extra costs could be passed on to consumers who in turn would be compensated with tax cuts and government payments.

But the Council of Small Business of Australia said that theory would not apply because many small business owners were vulnerable to extra costs from big landlords or suppliers.

COSBOA chief executive Peter Strong warned that if landlords such as Westfield passed on higher energy costs to tenants, the small companies would be put at a disadvantage to big “anchor tenants” such as Coles and Woolworths, which could raise prices or drive a harder bargain on rent.

“For a small business owner, that might not be possible as the increase in

costs for their own product may make them uncompetitive,” Mr Strong said.

Australian Chamber of Commerce and Industry economics director Greg Evans said small and medium-sized businesses would be among the biggest losers from the policy.

“They will bear the brunt of cost increases in the form of higher energy prices and higher input costs yet with limited or no capacity to pass on this impact,” he said.

“These businesses may be trade exposed, as exporters or import competing, or secondly because of their size have less market power.”

Ms Gillard would not be drawn on whether the small business sector would receive any assistance but said they could pass on costs to consumers.

“Yes, costs will be passed through ... and that’s why we are providing tax cuts and pension increases and family payment increases for nine out of 10 households,” she said.

Ms Gillard would not comment on whether the carbon tax plan would include the \$1.25 billion small business assistance that was in the final CPRS.

“Costs can be passed through to Australian households,” she said.



The carbon price alone won't pay for the switch from coal to gas-fired power stations.

Photo: WAYNE TAYLOR

## Compo for coal-fired sector

### Electricity

Louise Dodson and Mark Ludlow

Coal-fired power stations will receive aid and loan guarantees if they are in financial difficulties as a result of the carbon price.

The assistance will be provided to ensure the electricity network does not fail in the transition to a lower carbon economy.

Some electricity generators – such as brown-coal generators in Victoria and South Australia – have argued that putting a price on carbon would make them uneconomic. Carbon emissions from the brown-coal power stations are much higher than the coal-fired stations in NSW and Victoria.

But Ausgrid managing director

George Maltabarow said yesterday a carbon price of \$25 a tonne would not be enough to shut down the Victorian brown-coal generators and encourage a switch to gas-fired generation.

“Will \$25 a tonne cause substitution of gas to brown coal? The answer to that is no. If that’s the case then the carbon tax is not driving change,” Mr Maltabarow said.

Because the carbon price on its own was too low, the government had no choice but to offer compensation to shut down brown-coal plants and push through renewable energy development.

“You’re not going to have a broad economy-based national scheme if you exempt agriculture, petroleum and compensate everybody,” he said.

“The real-world evidence is \$25 a

tonne is not going to shut Hazelwood down. It’s not going to get wind going. There is going to need to be green schemes and contracts for [power plant] closures.”

Mr Maltabarow said it was only fair to compensate state-owned black-coal generators in NSW and Queensland if brown-coal companies were receiving compensation.

ERM Power chairman Trevor St Baker said the carbon tax would result in substantially higher power prices that would be passed on.

He said while the government was compensating households for electricity prices, many businesses were being left in the cold.

“They are not compensating business. The only people they are compensating are the quarries. It’s the employers of Australia who are ... missing out,” he said.

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