



AUSTRALIAN CHAMBER OF  
COMMERCE AND INDUSTRY

# MEDIA RELEASE

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## **CPRS AND SMALL BUSINESS – CHANGES REQUIRED**

Statement by Mr Greg Evans, Acting Chief Executive

The Australian Chamber of Commerce and Industry (ACCI), Australia's largest and most representative business organisation, whose membership includes over 280,000 small businesses, has today released independent economic research on the impact of the Government's proposed Carbon Pollution Reduction Scheme (CPRS) on small and medium sized enterprises (SMEs).

SMEs are the engine room of the Australian economy, employing approximately 64 per cent of Australia's private sector labour force and producing nearly 50 per cent of Australia's domestic output. However public policy debate on the CPRS since last year has been concentrated almost exclusively on emission-intensive, trade-exposed industries, coal-fired electricity generators and on consumers.

Less attention has been given to how the CPRS will affect other trade-exposed sectors within our economy, or what measures need to be taken to deal with the loss of competitiveness in those sectors. ACCI commissioned this study to fill this gap and to provide constructive input to government to assist with the design of the scheme.

The study, titled *Securing SMEs in Australia's Low Carbon Future*, authored by international economics consultancy Castalia, looks at a snapshot of SMEs in three sectors: food processing, plastics and chemicals, and machinery and equipment manufacturing industries.

The study argues that SMEs, particularly those involved in manufacturing, face prices set in international markets due to import price parity. As a consequence, trade-exposed SMEs have limited opportunities to pass the costs on to their customers, but are not eligible for assistance under the proposed CPRS transition package.

Increases in energy and transport costs will impact directly on SME employment and profitability. The study finds that the CPRS in its current form will generate additional costs that would erode firm profitability by between 4 to 7 per cent on average. In order to compensate for the erosion in profitability, the study shows that firms would likely need to reduce labour costs by between:

- 4.4 per cent (in low CPRS scenario) and 8.1 per cent (in high CPRS scenario) on average for food processing SMEs;
- 7.4 per cent (in low CPRS scenario) and 12.9 per cent (in high CPRS scenario) on average for plastic manufacturing SMEs;
- 1.8 per cent (in low CPRS scenario) and 3.2 per cent (in high CPRS scenario) on average for chemicals manufacturing SMEs; and
- 1.8 per cent (in low CPRS scenario) and 3.0 per cent (in high CPRS scenario) on average for machinery & equipment manufacturing SMEs.

*ACCI represents over 350,000 businesses in every State and Territory and all industries. Our network employs around 4 million employees, ranging from the top 100 companies to tens of thousands of small and medium businesses.*

[www.acci.asn.au](http://www.acci.asn.au)

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The Australian economy is particularly vulnerable to unilateral carbon pricing due to greater dependence on international trade. Most of Australia's major trading partners are unlikely to adopt carbon pricing on the same timeline as the CPRS. More importantly, the proposed CPRS coverage is more ambitious than ETS designs being pursued in other countries.

The results of this study show that there is the opportunity to improve the design of the CPRS to achieve the right balance between the intended environmental benefits, and the unintended economic consequences.

The *Securing SMEs in Australia's Low Carbon Future* Executive Summary is attached and the full study is available on the ACCI website at [www.acci.asn.au](http://www.acci.asn.au).

For further information:

Greg Evans	Acting Chief Executive	02 6273 2311 / 0407 204 559
Brett Hogan	Director of Communications	03 9668 9950 / 0407 273 884

MR 078/09

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