ONLINE ARTICLE

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TAX INCENTIVE: Ferrier Hodgson partner Brendan Richards says there will be indirect costs to all businesses from the carbon tax, but it is an opportunity for those who have a handle on their business.

NOW is the time to measure and analyse the expected cost increases of the carbon tax on your business.

That was the message from Ferrier Hodgson partner and head of transport and logistics Brendan Richards at last weekend's Livestock and Rural Transporters Association (LRTA) of South Australia annual conference, to an industry which already works on tight profit margins.

He said that those who did nothing to pass cost increases onto their customers risked having all their profit disappear overnight when the tax is introduced in less than a month.

He said the industry was focusing on the threat of a 6.85 cents a litre reduction on fuel tax credits from July 1, 2014, which was estimated to have a 1 per cent cost impact.

But of much greater concern was the effect of the carbon tax from July 1.

The federal government had priced carbon at $23 a tonne - the most expensive in the world and up to three or four times other nations' schemes.

And while it was the top 248 polluters being taxed, it would affect the input costs of all businesses through higher utilities pricing, higher fuel prices and need for higher wages.

He said the Australian Food and Grocery Council had estimated the carbon tax would have a 3.5pc cost increase across the board.

Individual businesses should sit down with their accountant to estimate these costs, rather than "wait for the bills to roll in".

A number of large companies such as Qantas, Virgin, Visy and SCT had already quantified the impact of the carbon tax on their businesses and issued letters to their customers stating a price rise for their services from July 1.

The Australian Competition and Consumer Commission had stated it would clamp down on those blaming the carbon tax to profiteer, but it was possible to renegotiate with customers at any time.

Based on a $3 a kilometre rate with a 9c/km profit after costs, many transport operators were working on just a 3pc profit margin.

"If you choose to absorb it, and assuming it does have a 3.5pc impact from day one, you are looking at a loss of 1c/kg for every kilometre - so all your profit has gone.

"You have to increase your cents per kilometre just to break even," he said.

"The rate must increase to $3.10/km just to maintain 9c/km profit."

Despite the uncertainty, those who had a good understanding of the new costs and worked hard to mitigate them could actually turn it into an opportunity.

"I don't think many people will deal with it, so those that do will be elevated to leaders in their game," he said.

Mr Richards - who has been involved in restructuring a number of trucking companies - said it was possible to make up to 10pc cost savings through reduced fuel consumption by adopting any of the following: driver training; low roll-resistance tyres; auto transmission; aero packages and travelling at lower speeds.

Using alternative fuels not subject to the carbon tax was another option.

Those not in a position to invest in these cost-saving measures, or had no leverage room with their customers, were in "a pretty unfortunate position".

"The carbon tax is nearly here - it is no longer something we can avoid," he said.

"You can do nothing and wait a few months and hope that 3.5pc is more like 2pc, but it could be a whole lot worse than you thought."

Australian LRTA executive director Philip Halton encouraged livestock and rural operators to renegotiate with their customers, but he was quick to add that the proposed reduction of the diesel fuel rebates in 2014 was just a "political promise".

"There is no legislation to enable the federal government to implement it and there will be an election before then," he said.