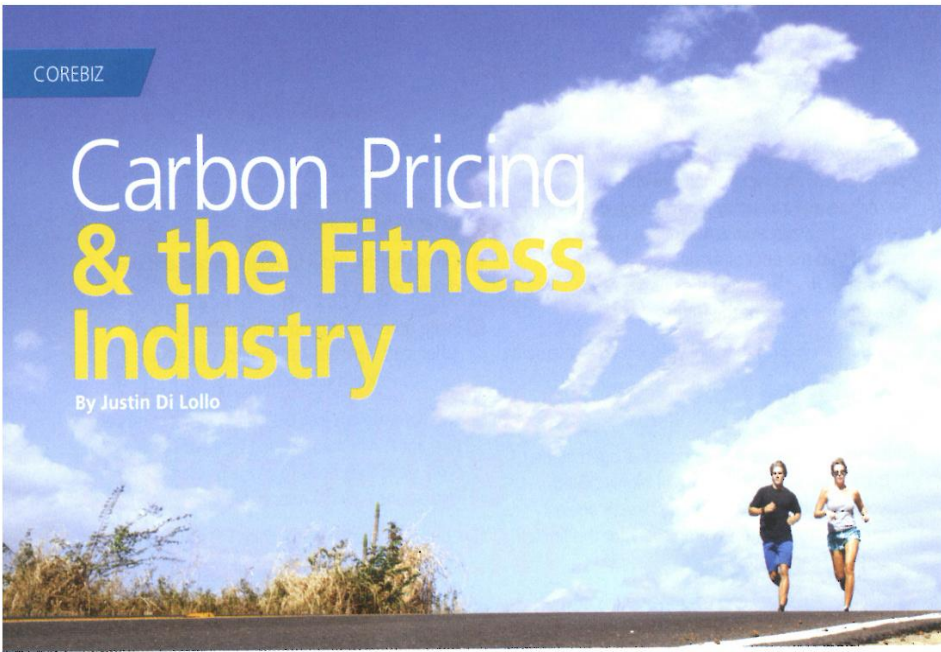


Carbon Pricing & the Fitness Industry

By Justin Di Lollo



Despite what you might have heard, the Government's carbon pricing regime will have little impact on businesses in the fitness industry. In fact, many smaller businesses will be better off. Only larger businesses with big electricity consumption will be substantially affected although most will find some business inputs increase in price.

Any increases in business costs can be passed-on to customers, most of whom will be more than adequately compensated through reduced income tax and increased benefits. There will be no additional paperwork or tax implications for all but the largest businesses in the fitness industry. Even the smallest businesses will benefit from more generous tax write-off arrangements for assets.

AUSTRALIA'S CARBON PRICING REGIME

Australia's carbon pricing regime, Clean Energy Future, will take effect from 1 July 2012. Despite all the political froth-and-bubble, the vast majority of small businesses will not be significantly affected. Clean Energy Future imposes a price on pollution of \$23 per tonne of CO₂. However, only large polluters (those generating in excess of 25,000 tonnes of CO₂ per year) will actually pay 'tax' on their pollution. In comparison, the average Australian household emits 14 tonnes of CO₂ per year and despite all the

physical exertion involved, most fitness businesses would emit much less.

Australia generates more CO₂ per capita than any other developed country. That is why the Government has committed itself, along with 89 countries including US, China and the EU, to take action on climate change. Putting a price on CO₂ emissions is a step on the way to a lower carbon economy. Experts recognise that putting a price on carbon is the most environmentally effective and cheapest way to cut emissions. Putting a price on pollution encourages all industries to find the cheapest and most effective way of reducing CO₂ emissions.

Of the more than two million registered businesses in Australia, only 500 will be liable to pay 'tax' under the new regime. These businesses are primarily involved in electricity generation, coal or other mining or natural gas retailing.

WHAT ABOUT THE FITNESS INDUSTRY?

The fitness industry in Australia consists of more than 7,000 businesses. Most of these are engaged in the operation of health and fitness centres, personal training services, fitness retailing and training.

Clean Energy Future will have the potential to increase costs for fitness industry businesses directly (through higher energy prices) and indirectly (through higher prices for business inputs that are passed-on by suppliers).

For independent trainers and small businesses in the fitness industry, where energy costs tend to be minor, the carbon price will have little impact. In fact, these types of businesses may be better off as they'll benefit from an increased asset write-off threshold. As part of Clean Energy Future, the asset write-off threshold for small businesses will be increased to \$6,500. Fitness businesses will be able to write-off new assets to this amount immediately, increasing cash flow and allowing them to grow and invest in new equipment.

For those fitness industry businesses where electricity consumption constitutes large expense (like health and fitness centres), the regime will

have an impact, albeit it relatively small. The exact impact will vary depending on location as the 'carbon intensity of electricity' (or in plain English, how much pollution is created to produce the electricity), varies from state to state. In Victoria generating electricity pollutes four times as much as it does in Tasmania (the Victorian electricity system relying heavily on 'dirty' brown coal while in Tasmania there's a high proportion of zero-emission hydro generation). Even in the more polluting generation systems the added cost of the carbon price to a business's electricity is relatively small. This is outlined in the table below.

In addition to increased electricity prices, the prices of some business inputs may increase (due to the increased cost to suppliers being passed-on).

HOW CAN THE FITNESS INDUSTRY OFFSET THE IMPACT OF CARBON PRICING?

Fitness industry businesses experiencing increased direct and indirect costs as a result of the carbon pricing regime are able to 'pass' these costs through to their customers if they wish. It is worth noting that the Government has put in place substantial measures to compensate consumers for such increases. The expected increase in consumer prices will be offset by a substantial reduction in income tax rates and increases to pensions and other benefits. So, while some fitness industry prices may increase, so will the disposable income of most of their customers.

The Australian Government has made the decision to put Australia on track to a lower carbon future by using price signals to encourage lower emissions. Very few (if any) fitness industry businesses will be actually liable to pay the carbon price 'tax,' nor will they have to fill out a single form. The impact of the regime will vary from business to business, but small businesses in the Australian fitness industry will not be significantly affected and are actually more likely to be better off as a result of the new arrangements than they were before.

Justin Di Lollo is the managing director of government relations consultancy firm, Hawker Britton. He is also the practice director of government relations firms for the STW Group of companies. 

To work out the impact of the carbon price on your electricity bill, multiply the following three factors: Carbon price x carbon intensity of electricity x annual electricity consumption.

For example:

$\$23 \times 0.89 \text{ (NSW)} \times 50\text{MWh} =$
 $\$1,023.5 \text{ (\$19.68 pr week)}$

Carbon intensity of electricity in each state

NSW ACT	VIC	QLD	SA	WA	TAS	NT
0.89	1.21	0.88	0.68	0.8	0.3	0.67

This is a simplified model, it assumes that 100% of the carbon price is passed onto consumers and it doesn't factor in distribution cost. Source: The Australian Institute