

Petrol Prices and Small Business

Many countries around the world and most notably Australia have been very successful in keeping inflation low now for 10 years, however the greatest threat to the world economy at the moment is oil and petrol prices.

I noted some comments lately that if inflation does take off because of the flow down effect of higher petrol prices, that is the increase in freight and other costs, that interest rates could rise. This to me is ridiculous, Interest rates are used by the Reserve Bank as a dampener on demand, to slow down customer driven inflation, I feel higher petrol prices will have the same effect. So it is important that we don't over react at the fiscal level and let the economy drive itself during these difficult times.

Small business is hit hardest at these times because there is a lag time between the immediate impact of petrol prices and when these added costs can be passed on to the customers.

Taxis lose their margin straight away and truckies under contract can be caught between a rock and a hard place. Negotiating contracts with big business that take into account these situations can sometimes be hard to do.

Deliveries, machine operation and transport costs effect small business owners and on top of all this, is the cost of running their own family car.

Higher petrol prices don't help anyone except maybe the oil rich suppliers, but business and their customers find a big hole in their wallet.

It is frustrating because usually it has nothing to do with actual shortages but more to do with stock markets and their perceptions of what could happen, such as a Hurricane.

The Federal Treasurer said that this may well focus attention, which would be a good thing, on other alternatives such as biofuels. Substantial relief from alternatives have been promised for a long time and I feel are still a long way off.

Sales in larger cars and 4WD will defiantly drop and we heard recently the US President George Bush urge Americans to drive less and do other things to conserve fuel. This is hard for Australians because of the nature of our cities and the size of our country. Small Business owners still need to get to work, transport goods and operate machinery.

The Treasurer has also said that cutting taxes won't help, and although I understand that world prices are the main influence I still ask what is the point of price parity, which is why the excise was introduced, in Australia's modern and fast growing economy?

Small business in Australia could fly if some of these costs could be reduced and efficiencies were introduced instead the artificially created price at the bowser currently.

Tony Steven