



Delayed reaction has proven costly for SA businesses

BUSINESS ANALYSIS

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ANY action to address an unreliable and unaffordable electricity market was always going to receive at least cautious optimism from SA's business community.

Doing nothing was simply not an option for the State Government. \$550 million is by no means a small amount, but the cost to the state's economy – through both production losses and a lack of investment – would have been far greater if it sat idle.

The issues have been inescapable for companies of all sizes. From BHP Billiton losing \$137 million – almost all of its Olympic Dam mine's profit for the year – because of repeated power outages, to the small enterprise forced to choose between paying their tax or paying their power bill, the only businesses benefiting are those selling diesel generators.

But of most concern to our state's leaders will likely have been the attractiveness of South Australia as an investment destination. Who would want to spend money in a state where keeping the lights on is seen as an accomplishment?

Australian Industry Group

chief executive Innes Willox said while Australia more widely is starting to grapple with higher energy prices and more vulnerable supply, SA has been hit "first and hard".

"Jobs and investment are under serious threat across the state and the country if extreme prices and uncertain supply persist," he said.

Following yesterday's policy launch by Premier Jay Weatherill and Treasurer Tom Koutsantonis, frustration and anticipation were in equal

measure from the business community. While investor confidence has to increase because it simply cannot sink any lower, frustration that it took multiple pleas from the SA's leading industry organisations remains strong.

"It's infuriating and frustrating that it's taken us this long to get to this point. Businesses have been feeling the affordability side of things 18 months ago. Business SA raised the flag then," Business SA's Anthony Penney said.

An otherwise enthusiastic SA Chamber of Mines and Energy chief executive Rebecca

Knol agreed. "I think everyone is frustrated that it took multiple blackouts to get to this point, but better late than never," she said.

Anticipation abounds as to

whether the \$550 million investment will actually achieve its desired results. "We need to see the devil in the detail before we go out and give wholesale support across any of these policy points," Mr Penney said.

Similarly, Business Council of Australia chief executive Jennifer Westcott said her organisation will wait for details to be fleshed out.

"As more detail comes to light, we hope these initiatives do not undermine current investments and ensure there are still adequate signals for the new private sector energy investments SA desperately needs," she said.

Mr Willox believes the plan will help SA weather its urgent energy security challenge, but it is not a substitute for the coordinated national reform that "our energy markets desperately need".

"It is time for all sides and levels of Australian politics to feel the same urgency as South Australians do," he said.

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