

Take control of your business

[Economics & Deregulation](#) | [Alan Moran](#)

Herald Sun 7th February, 2014



Rejecting SPC Ardmona's application for \$50 million in government "co-investment" support, Treasurer Joe Hockey announced "the age of entitlement is over, the age of personal responsibility has begun".

SPC Ardmona was seeking the State and Commonwealth governments each to provide half of the \$50 million.

Based on SPC's planned investment program, the \$50 million was equivalent to a 25 per cent subsidy.

Previous governments have provided lavish funding to prop up firms in the motor industry, and to nurture those said to show promise in green and hi-tech areas.

This included the Bracks government's wasted millions for a windmill blade factory.

The Gillard government allocated spending in the current year of \$111 million to underpin the car industry and \$222 million for fruitless green energy businesses.

Earlier the Commonwealth spent \$380 million on stillborn ventures in information and communications technology.

In the case of motor cars, even Labor could not find enough money to keep Ford going, while the Abbott Government has knocked back applications for hand-outs from GM and has signalled a similar response to Toyota should the firm seek support.

The kneejerk response when a business is in difficulty is why not preserve the jobs that are being threatened, especially when the firm itself has good prospects and links to many other businesses?

The brutal answer is that every dollar of government support or every regulatory favour for one firm comes at the expense either of other firms or out of the pockets of consumers.

And where the firm benefiting from subsidies is in the tradeable goods business, keeping it afloat means hurting other firms participating in international trade. That's because supporting a failing firm raises the value of the dollar and makes exports more difficult and imports cheaper.

Nor is it possible, as in the case of SPC, to claim that support is necessary because the firm is being hit by unfairly priced cheap imports. Such a claim is no more legitimate than claims by Japanese coal producers that they are suffering from cheap Australian exports or by European cattle growers that they are being harmed by cheap Australian beef. Upholding claims like these would mean the end of world trade.

Clearly governments cannot involve themselves in "co-investment" in all businesses.

The 25 per cent subsidy sought by SPC, applied to firms across the economy would cost some \$60 billion a year, bringing a budget deficit far worse than in troubled economies like Greece!

And if the support were to be selective, rather than across-the-board, how would favoured activities be chosen? This is an issue of special concern given Australian governments' lamentable records in

picking business winners.

Taxpayer support to Ford and GM went to businesses with overgenerous wage costs and working conditions. But the support was even more detrimental.

In supporting firms where management has acceded to excessive wage rates, featherbedded employment conditions and micro management by union controllers, governments harm overall productivity within the economy.

Failing firms need to review their operations not call for taxpayer assistance.

Where their distress stems from pandering to union monopolies and incurring excessive production costs, management's solution is clear - take control of your own business!

Alan Moran is the Director, Deregulation at the Institute of Public Affairs

[Back to news page](#)

