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Small business hydro shock
Owners lament electricity rate hikes
Face rising gas prices, property taxes

Apr. 13, 2006. 06:44 AM

MADHAVI ACHARYA-TOM YEW
 BUSINESS REPORTER



CARLOS OSORIO/TORONTO STAR

Ontario consumers and small businesses will get the biggest shock from rising electric bills.

The increase in electricity rates announced yesterday comes as another thorn in the side for small business owners already smarting from rising gasoline prices and a strong Canadian dollar.

On average, small business owners using 15,000 kilowatt hours per month will see their rates go up by about 7.9 per cent, according to figures from Toronto Hydro. That means their bill would increase to about \$1,580 from \$1,500 per month.

It may not sound like a lot, but it will be difficult for some businesses to bear, particularly those facing rising property taxes and so-so economic growth, the Canadian Federation of Independent Business said.

"It's going to be a hard pill to swallow," said Judith Andrew, CFIB's Ontario vice-president. "The economic prospects are not as buoyant as we see among small business

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A recent survey of the group's members found that about a quarter of them say their businesses have faced significant harm because of the rising cost of electricity, Andrew said, adding that she suspects some may have to close their doors. "There's a lot of businesses that especially in the early years, don't make a lot of profits and people work overtime to keep it afloat. They really don't have a lot of resiliency to withstand a big increase like this."

That's not to say that the industry association, whose members include 42,000 small and medium-sized businesses in Ontario, believes that electricity prices should be subsidized, Andrew said. Lack of transparency is a big part of the problem, especially when it comes to how prices are determined.

"We think there should be an electricity auditor that reports to the legislature that brings all the information to light around government decision making on these things," she said.

Retailers face a crunch on two sides, the Retail Council of Canada said. They have to pay the rising prices, and may face a slowdown in sales as a result of consumers spending less because they're paying more to cover their household bills.

"From our perspective, it's a bit of a double whammy," said Ashley McClinton, director of government relations for Ontario at the Retail Council of Canada.

Some businesses, particularly restaurants, can't just shift their energy use to off-peak hours to conserve power and cut costs, said Terry Mundell, president and chief executive of the Ontario Restaurant, Hotel and Motel Association.

"People still want to have lunch at noon and dinner at 5 or 6 o'clock."

The price increase does not affect businesses that use more than 250,000 kilowatt hours of electricity annually. These companies tend to buy their electricity on the spot market, or sign longer-term contracts.

But electricity and its availability is still a big concern, said Don Gain Sr. of Harmony Printing Ltd. in Etobicoke. "I anticipate that availability is going to become the next problem that we have."



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