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Small Business

SPEECH

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Questioner
Speaker Emerson, Craig, MP

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Dr EMERSON (Rankin—Minister for Small Business, Independent Contractors and the Service Economy and Minister Assisting the Finance Minister on Deregulation) (4.36 pm)—by leave—In supporting small business and the enterprise economy, the Rudd government believes in reward for effort, risk-taking and entrepreneurship. We believe in restoring incentive for small business owners to create jobs and prosperity.

Inflation is the No. 1 enemy of small business. It increases small business costs and it is a precursor to higher interest rates. Small business prospers in a low-inflationary, strongly growing economy. Remember, the independent inflation-targeting Reserve Bank's charter is to keep annual inflation within the band of one to three per cent. Yet since 2002 the Reserve Bank has felt obliged to raise interest rates 12 times. Such is the Reserve Bank's verdict on the previous coalition government's performance in controlling inflation.

At the time of the change of government in November 2007, Australia had the second-highest official interest rates in the developed world. The coalition rejects any link between inflation and interest rates, describing inflation as a 'charade' and a 'fairytale'. The Rudd government does not subscribe to the coalition's fairytale economics where, the more you spend, the more you have to spend. In its most recent *Economic Roundup*, Treasury likens the free spending of the previous coalition government with that of the Whitlam government. The coalition government was never interested in investing in the nation's future through skills development or investing in infrastructure. Instead, it tried to buy its way back into office. In 2002, the previous coalition government spent around \$450 million on community grants. By 2007 it was spending \$4.5 billion on grants. That is a 10-fold increase in five years.

Having inherited an inflation rate at 16-year highs, the first task of the Rudd government for small business has been to bring inflation under control. The Rudd government's first budget reins in government spending. This has been tough, but as responsible economic managers we had no choice. In the coming financial year, Commonwealth budget spending is estimated to constitute less than 24 per cent of GDP—down sharply from an average of just under 25 per cent so far this decade. The budget cuts real spending growth from five per cent to just one per cent. The

government's fiscally responsible budget is helping to put downward pressure on inflation.

In developing our specific policies for small business, we have asked ourselves: what is the role of government in an open, competitive economy? We see that role as being to remove impediments to small business success and to improve the capacity of small business to operate successfully and to compete. The success of small businesses is built on the creativity, ingenuity, innovation and imagination of their owners and staff. The Rudd government is determined to restore incentive for small business through reforms to the tax system by allowing small business operators to keep more of their earnings. The budget made a down payment on both tax relief and tax reform. Small business operators will receive up to \$50 per week in tax cuts next financial year and up to \$91 a week the following year.

The government supports the desire of small business for a simpler tax system that cuts compliance costs. Small businesses incorporate for a variety of reasons and, once incorporated, they are subject to all the complexities of tax laws that apply to large corporations. To reduce the compliance burden on small- and medium-sized companies, the Institute of Chartered Accountants and Deloitte have developed a proposal for an entity flow-through tax regime for small companies with five or fewer shareholders and for unit trusts. Under these proposals, ownership arrangements would be set to one side for income tax purposes. Instead, the entity would be treated like a partnership with owners taxed at their marginal rates. This proposal could operate as an option for small companies and unit trusts wanting to reduce the compliance costs associated with understanding and accounting for different types of financial flows from the entity to its owners. The government has decided to refer the proposal to the review of Australia's future tax system headed by Treasury secretary Ken Henry.

The GST remains a major compliance burden for small business. In the MYOB survey of the red-tape compliance burden, more than two-thirds of respondents ranked BAS reporting among their top three red-tape burdens. In April 2007, I released a paper on the BAS Easy option for reducing the GST paperwork burden on small business. It was welcomed by the Council of Small Business of Australia as 'a

simple and practical answer to the current BAS red tape'. BAS Easy will be considered by the Board of Taxation as part of its review of the legal framework for the administration of the GST.

Tax is not the only impediment to small business success. Small business is being choked by red tape that has been hung around its neck by the sloth of the previous coalition government. The Business Council of Australia has lamented the 'creeping re-regulation of business' as an example of 'how the benefits of past reform can be quietly eroded over time'. In government, the coalition re-regulated the economy, reversing many of the deregulatory reforms of the previous Labor government. Way back in 1996, the previous government committed to cutting red tape by 50 per cent in its first parliamentary term. Towards that end, it commissioned a report from the late Charlie Bell, then CEO of McDonald's. The report, *Time for business*, made a raft of recommendations to lift the red-tape burden from the shoulders of small business. It was a good report. Yet in 2006, a full decade later, the coalition government commissioned a new report, this time from a task force chaired by the Productivity Commission chairman, Gary Banks. Many of the recommendations of the Banks report are identical to those of the Bell report of a decade earlier. Yet the coalition government showed an intense lack of interest in reducing the red-tape burden on small business.

In the 21st century Australia can no longer operate as nine markets with overlapping and inconsistent regulation. The creation of a single, seamless national market, as called for by the Business Council of Australia and the 2020 Summit, is essential to restarting productivity growth and paving the way to increased prosperity. By reforming business regulation, the Rudd government, in cooperation with the states and territories, is dismantling productivity-stifling barriers to businesses operating seamlessly across state and territory boundaries. Through the Council of Australian Governments, we have identified 27 areas of regulatory reform designed to reinvigorate productivity growth. This is a far-reaching and necessary program which will benefit both large and small businesses.

In the Commonwealth's own house, the budget provided \$16 million over three years to establish a superannuation clearing-house facility—delivering on another election commitment. This free service to small businesses will cut the compliance costs associated with making superannuation guarantee payments under the super choice regime. The superannuation clearing house is scheduled to start on 1 July 2009. These are some of the impediments to small business success that the Rudd government is intent

on removing. But governments can do more for small businesses. Governments can and should improve the capacity of small businesses to thrive and prosper.

Labor had been warning of an emerging skills crisis as far back as in 1999. Small businesses know, and the Rudd government knows, that there is a shortage of skilled and even unskilled staff. The Rudd government has made an additional 20,000 training places available in April to start the work needed to ease the skills shortage. We have provided \$1.9 billion to deliver an extra 630,000 skilled training places over five years. And over the next 10 years \$2.5 billion will be devoted to establishing trade training centres in secondary schools. We will also increase the intake of skilled migrants by 30,000 places this year alone.

Small business competitiveness in the 21st century will depend heavily on wise investment by governments in infrastructure, including broadband infrastructure. That is why the Rudd government has created a \$20 billion Building Australia Fund to be overseen by Infrastructure Australia. At a small business forum convened by the Council of Small Business of Australia ahead of its recent national conference, the clearest message to me was the underutilisation by small businesses of the latest information technology. Small business owners simply do not have the time to become experts in information technology. Yet there are potentially huge benefits to small business in adopting and adapting the latest information technologies.

Governments can help. The Rudd government will roll out a high-speed national broadband network. Yet again in question time yesterday the coalition, now in opposition, criticised our high-speed broadband rollout. The opposition seems stuck in the 20th century; Labor is investing in 21st century technology for small businesses. We are building small business capacity in other ways too. The Rudd government is keeping its election promise by providing \$42 million over four years to provide ongoing funding for 36 one-stop business advisory services in suburban, rural and regional Australia. This funding commitment means that small business owners will not have to go from place to place to obtain legal, tax, accounting and marketing advice.

Sadly, just last week, in debate on the budget, the coalition criticised Labor's policy of supporting business enterprise centres. I suppose I should not be surprised since the coalition provided no ongoing funding for business enterprise centres, but I am disappointed, since the criticism tells us all that, if the coalition were elected to government, it would not

look kindly on continuing support for our business enterprise centres.

A further contribution of the Rudd Labor government to enhancing the capacity of small businesses to compete is our amendments to the Trade Practices Act. The Rudd government's amendments are designed to stop powerful businesses from engaging in predatory pricing in their dealings with small business. These reforms clarify the test for predatory pricing and what it means for a business to 'take advantage' of its market power. Victims of predatory pricing will not need to prove that the powerful business in question has the ability to recoup losses after sustained below-cost pricing. These are just some of the Rudd government's policies for supporting small business. There are others: government procurement policies to bring small businesses onto the competitive field in bidding for government contracts, penalties for late payment of small business invoices by Commonwealth agencies, support for independent contractors—the list goes on.

In closing, I want to acknowledge the contribution to policy development of the Council of Small Business of Australia through its president, Bob Stanton, and its chief executive, Tony Steven. I am sure we will not always agree, but I do know this: Bob, Tony and the board and membership of COSBOA will never relent in representing the interests of small business. That is as it should be and it is as the government wants it.

The Rudd government is supporting small business. We are increasing incentives and rewarding effort, risk-taking and entrepreneurship through tax relief for small business operators and through tax reform. We are cutting the red tape that has been strangling small business initiative and innovation. We are providing critical skills training places and increasing the intake of skilled migrants. And we are promoting competition.

May small businesses in Australia thrive and prosper, freed of government impediments to do what they do best—create prosperity for themselves and their families and jobs for almost four million other working Australians.

I seek leave of the House to move a motion in relation to the debate.

Leave granted.

Dr EMERSON—I move:

That so much of the standing orders be suspended as would prevent Mr Ciobo speaking for a period not exceeding 13 minutes.

Question agreed to.