



**HON CRAIG EMERSON MP**

**Minister for Small Business, Independent Contractors and the  
Service Economy**

**Address to the**

**COUNCIL OF SMALL BUSINESS OF AUSTRALIA**

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**\*\*CHECK AGAINST DELIVERY\*\***

# **Encouraging and supporting the enterprise economy**

## **Confidence building**

Amid the gloom of the global recession, it would be understandable if small businesses dropped their bundle. But my message to small business is a message of optimism, a message of hope over fear, a message that by working together, the Government and small businesses will see our way through to recovery.

Australians have every reason to be confident in the capacity of small business to withstand the worst effects of the global recession. Following the opening up of the economy in the 1980s and 1990s to competition by previous Labor governments, small businesses have to be lean and efficient to be viable.

It is the entrepreneurial spirit and guile of our small business owners that will see us through the economic recession to recovery. But small business cannot be expected to do it all on its own.

Small business needs incentive and support in working hard, taking risks and creating jobs and prosperity.

That's where the partnership with government comes in. Confronted with the worst global recession in 75 years the Rudd Government faced two basic choices: do nothing and let the market take its course; or get involved and stimulate the Australian economy.

For a Labor government and – I put it to you – for the small business community, the do-nothing option would have been untenable. The global economy was spiralling downwards; the International Monetary Fund releasing successive forecasts, each worse than the last.

Small businesses are the first to feel the shocks on our shores of the global economic turbulence. They are at the front line.

Doing nothing would have led to widespread small business bankruptcies.

And behind every bankruptcy, behind every number, is a human story: a story of psychological stress, of lost self esteem as a business fails, of marriage breakdown and even suicide.

Small business owners and their families are not just statistics – they are people who have worked hard to get where they are; who have made sacrifices in terms of the balance between work and family life.

Small business owners don't deserve to be treated as just another cold statistic.

And Labor won't treat them that way.

That's why we intervened to stimulate the economy.

I won't go through all the facts and figures, but while retail sales collapsed in most advanced countries, in Australia they are much higher now than in last November.

And small businesses fared well in retail spending. While overall retail sales are 4.8 per cent higher than in November, for small retailers the figure is 5.6 per cent.

Last week a group of 21 eminent economists of all political persuasions, including former Reserve Bank governors and deputy governors, strongly endorsed the Rudd Government's economic stimulus policies.

### **Nation building**

Though an immediate stimulus was needed back in October to support the economy – and small business in particular – the second stimulus package is an investment in the country's long-term future.

And once again, small businesses are the major beneficiaries.

Seventy per cent of the stimulus package is investment in infrastructure. That's right, 70 per cent.

It includes the biggest school modernisation program in Australia's history.

And it includes investment in local infrastructure like black spots on roads, community housing and local council works.

We call it a tradies plan – a plan to support tradies and the small businesses that supply them.

By the middle of next year there will be 35,000 construction sites around Australia, building productivity-raising infrastructure for the nation's future.

Yet these are not the only investments the Rudd Government is making in nation building.

The super-fast national broadband network will be an enormously valuable enabling technology for Australia's 1.9 million small businesses. It will allow small businesses to extend their customer or client reach and reduce their costs. Teleconferencing will become a way of life for small businesses, saving the both time and money involved in air travel.

As the Prime Minister told you at the Summit dinner last night, to support small businesses in getting ready to take advantage of the opportunities presented to them by the super-fast broadband network, the Government in the May Budget allocated \$10 million for a small business online program.

While 93 per cent of small businesses have email addresses, only 54 per cent have web pages. The small business online program is designed to extend the use of web pages to those businesses that don't have them and to upgrade web pages for those that do.

Under this program, grants will be available to eligible organisations to provide information and training seminars on improving an individual small business's e-business capabilities.

Successful organisations will have strong small business networks that will be able to reach out to as many small businesses as possible. They, or those they choose to partner with, will also have the expertise to help small businesses take full advantage of the new high speed broadband network.

My Department is finalising the assessment criteria for the allocation of grants and, once we announce the grant application process, I would encourage COSBOA to consider submitting an application.

## **Small business support**

### **Advisory services**

As I have travelled around Australia, meeting small business owners at small business forums, a strong and consistent message they have been giving me is that they don't know who to turn to for advice, especially in these challenging economic times.

Before the last election, I promised on behalf of Labor that, if elected, we would support 36 Business Enterprise Centres around Australia as one-stop advisory services. The Government has kept that election commitment and the \$42 million program is being delivered.

Then, last October, at the Small Business Summit on the Global Financial Crisis held in Brisbane, Prime Minister Rudd announced that the Government would provide an additional \$4 million for small business advice. That program, too, is now well underway, with 54 local small business organisations in suburban, regional and rural Australia being funded to provide advice such as preparing business plans and applying for finance.

While these two programs, supporting 90 small business organisations, are providing valuable support for small businesses, the Government recognises that their geographic coverage is not comprehensive.

That's why, in the May Budget, the Government announced a \$10 million small business support line service to provide initial advice and referrals on matters such as obtaining finance, cash flow management, retail leasing, marketing, and personal stress and hardship counselling. Support line advisers will link into the network of Business Enterprise Centres and other small business advisory services around Australia.

## **Access to credit**

The Government is also supporting small business seeking to obtain credit during the global recession. Small businesses now have access to a business loan finder through the [www.business.gov.au](http://www.business.gov.au) website to assist in finding the right kind of finance to suit their circumstances.

The Government has established a small business credit complaints clearing house to receive complaints about access to and the cost of bank finance. Once a complaint is received by the clearing house, it is referred to the senior management of the bank in question for further investigation.

## **Boosting cash flow**

In a recession, cash flow is king for small businesses. Where possible, it is better for small businesses to retain cash flow instead of it being siphoned off to Treasury, only to be given back as a tax refund later.

With this in mind, the Government provided a 20 per cent discount on the December quarter pay-as-you-go instalment small business income tax instalment due by early March this year. And the Government has reduced each of the quarterly instalments for small businesses during the 2009-10 financial year, discounting the GDP adjustment factor from 9 per cent to 2 per cent, providing a \$720 million cash flow boost for small businesses.

To assist small businesses that are having difficulty meeting their tax obligations, the Tax Office will work with individual small businesses with any assistance offered being based on the individual circumstances of the taxpayer.

In supporting small business cash flow, the Rudd Government accepts that it is incumbent upon the Commonwealth to set a good example. The Government has introduced a guarantee of payment within 30 days for small business contracts up to \$1 million entered into with Commonwealth departments. If invoices are not paid within 30 days, penalty interest may apply.

## **Small business incentives**

### **Small business investment allowance**

Late last year the Government announced a Small Business and General Business Tax Break of 30 per cent for eligible plant and equipment ordered before 30 June 2009 and installed by 30 June 2010. From my small business forums around Australia, it became clear to me that although the 30 per cent investment allowance was popular, a worrying proportion of small business owners did not know about it or, if they did, were apprehensive about undertaking the investments in qualifying plant and equipment for fear of the legislation being blocked in the Senate, like the alcopops legislation.

I became concerned that both considerations – a lack of awareness and concern about passage through the Senate – were holding back the take-up of the 30 per cent investment allowance. Ahead of the May Budget, I approached the Prime Minister and put it to him that small businesses be given more time to take advantage of the tax break.

Not only was the Prime Minister receptive to the arguments by agreeing to extend the cut-off date by six months, he boosted the rate from 30 per cent to 50 per cent. Such is Kevin Rudd's resolve to support small business during the global recession.

The amended legislation passed the Senate the day after the Budget, so it's all systems go for the Small Business Tax Break.

### **R&D tax credit**

The small business tax break is not the only new tax incentive in the Budget for small business. A new R&D tax credit will, from 2010-11, double the incentive for most small businesses to undertake research and development. The tax credit will be available to businesses with an annual turnover of less than \$20 million, regardless of whether they are in a taxpaying position. Those businesses that are in a tax loss situation will receive a cash payment.

The R&D tax credit is equivalent to an R&D tax concession of 150 per cent, which restores the incentive first offered by the Hawke Government that was halved by the incoming Coalition Government back in 1996.

Providing tax incentives for R&D to smaller businesses in the form of a tax credit was a central recommendation of the Cutler review of Australia's innovation system. Once again, a Labor government has recognised the importance of providing incentives for small businesses to undertake research and development.

### **Commonwealth Commercialisation Institute**

Having done the necessary research, bringing an innovative product or service to market can still be very challenging. The Budget provides \$196 million for a new Commonwealth Commercialisation Institute to bridge the gap between research and the successful commercialisation of new products and services. The Institute will support small and medium-sized businesses in realising their potential, commercialising their ideas and helping keeping the best ideas, and the jobs they create, right here in Australia.

### **Attracting and retaining good staff**

When I addressed this COSBOA conference last year as Minister and the year before as Shadow Minister, the most pressing issue was the ability of small businesses to attract and retain good staff. Skill shortages and shortages of less-skilled employees were holding back small businesses.

Now, in a recession, small business owners still have those difficulties indelibly imprinted on their minds. It is for this reason that small business owners have been doing such a marvellous job in holding onto their valued staff members despite, in many cases, dwindling cash flows.

### **Skills formation**

As small businesses do the right thing by themselves and their staff, the Rudd Government willingly accepts the responsibility to contribute to the retention of staff. That's why the Government is delivering a massive 711,000 new training places over five years and is building Trade Training Centres in our high schools. And the Government has introduced an additional \$1,000 apprenticeship completion payment for employers and a wage subsidy of \$150 a week, to a total value of \$1,800, for employers or group training organisations taking on an eligible out-of-trade apprentice or trainee.

### **Small business management training**

**Training need not be limited to employees. It has been put to me by your CEO, Jaye Radisich, that small business owners and operators may want to upgrade their skills by taking management courses at TAFEs or other registered vocational education providers. Jaye points out that they might not have the time or the inclination to obtain a formal training certificate, preferring to do night courses in subject matters of particular interest and value to them as small businesspeople.**

**Under the Skilling Australia for the Future initiative, the Commonwealth, state and territory governments are investing more than \$2 billion to fund the Productivity Places Program to deliver those 711,000 training places I have just mentioned.**

**To ensure Australian workers and owners of small businesses develop the skills they need to emerge from the global recession, nearly 400,000 of those training places will be allocated to workers in employment and to owners of small businesses wanting to gain or upgrade their skills.**

**The Government is determined to ensure small businesses can participate in this training offer and will benefit from it.**

**The national list of qualifications that are part of the Productivity Placements Program includes Small Business Management, Business Administration and Marketing.**

**The Government is committed to building a robust and high-skill business culture in Australia. We understand that offering training places is not sufficient – especially for small businesses owners who have little time to navigating through the different training options available.**

**Today I can announce a strategy to better link small businesses with these training places.**

**Every industry sector is represented by its own skills council. The Government will ask Innovation and Business Skills Australia, the Industry Skills Council covering small business, to work with small businesses to ensure small business training needs are properly met.**

**Innovation and Business Skills Australia, in close consultation with small business and representative organisations like COSBOA, will be asked to provide advice to training organisations on small business skills and training needs and to help to remove barriers which may impede small business owners from taking up skills and training opportunities.**

**The Government will also offer small grant funding through the Workforce Innovation Program to support projects to develop better ways of meeting the skills needs of small business owners. And we will fund the development of training products, such as the use of on-line learning, to provide more flexible access to training for time-poor small business owners.**

## **Removing impediments to small business success**

### **Cutting red tape**

Since way back in 1996, Federal governments have been talking about cutting small business red tape. The Howard Government promised to cut red tape for small businesses by 50 per cent in its first term. Instead, the last decade has been described by the Business Council of Australia as one of 'creeping re-regulation of business'.

The Rudd Government isn't talking about cutting red tape; we are doing it in no less than 27 different areas of business regulation. Through the Council of Australian Governments (COAG), we are developing, for example, a single national system for registering business names. And we are putting an end to the absurdity of electricians, plumbers and other tradies having to apply for and pay for a tradesman's licence every time they move across state and territory boundaries.

These are examples of rail-gauge economics, where different regulations in different states retard the free movement of people and products around Australia.

In many areas, Australia, with its 21 million people, has more internal barriers than Europe with its 457 million people. The Rudd Government is determined to move Australia from having up to nine markets to a single market – a seamless national economy.

Through the Standard Business Reporting, for example, the Government is modernising and streamlining the regulatory and reporting requirements of businesses.

For small business, where we know much of this type of work is done at night or on the weekends, this project will not only make meeting government requirements easier and quicker, it will free up valuable time that is better spent with family and friends.

Standard Business Reporting will provide a single entry point into federal and state government agencies for the lodgement of financial information required of a business. Gone will be the need to send the same financial information in different formats to the Tax Office, to State revenue offices, to APRA or to ASIC.

Forms will be pre-populated by small business software, like Quickbooks considerable saving time and effort in collecting and keying in the information required by government.

The Government is committing \$243 million to this project over four years and a lot of work needs to go on behind the scenes. We are aiming to have the Standard Business Reporting system operational for forms like Business Activity Statements, Company Income Tax Returns, ASIC Financial Statements and State and Territory Payroll Tax from mid-2010.

### **Small Business Advisory Committee**

**Last night you heard the Prime Minister announce the detailed implementation framework for the Small Business Advisory Committee.**

**We recognise that red tape has a much greater impact on small businesses than larger ones. That's why this Committee is so important, and putting a small business perspective into government decision making will ensure government agencies no longer merely pay lip service to small business consultation.**

**The Committee will take the form of a panel that will be independent of the government and made up of members with strong expertise in small business. Panel members will review and provide advice on government regulatory proposals that have a significant impact on small business, both in the early stages of policy development and then as the proposal is about to be submitted for final decision.**

**Next month, the Government will call for Expressions of Interest from suitably qualified people to be appointed to the Small Business Advisory Committee with those appointments to be made later this year.**

### **Franchising reform**

The Government is in the process of reforming the Franchising Code of Conduct in response to a Federal parliamentary report on franchising chaired by Bernie Ripoll. The Government will hold targeted consultations to seek final input into options for responding to the Ripoll report and an options paper will be released in the next few weeks.

Depending upon the results of the final consultation process, it is anticipated that the formal response to the Ripoll report will be released in late July.

In the reform process, we can do better than a them-and-us approach. Genuine misunderstandings occur from time to time, sometimes relationships between franchisors and franchisees break down and sometimes people on both sides do the wrong thing.

Yet most franchise arrangements work well and these good working relationships must not be jeopardised by the reforms.

With more than 70,000 franchising agreements currently in place in Australia, it is therefore important that any changes to the Franchising Code of Conduct improve the franchising model to the benefit of franchisees, prospective franchisees and franchisors.

### **Continuing to improve Government procurement**

**Last night, the Prime Minister outlined the improvements we have made to Commonwealth Government procurement processes, including initiatives such as the on time payment guarantee and improved Commonwealth Procurement Guidelines.**

**From this solid base, the Government is now working on reforms to enable more small businesses to compete for government contracts. That's good for competition, good for taxpayers and good for small business.**

**A key area we are working on is improving the transparency of the procurement process and providing better access to information about procurement opportunities.**

**We are also currently examining how to better manage liability, risk and insurance in government contracts.**

**I get a lot of small business people telling me that Government agencies often shift risk to business in government contracts when they shouldn't. Risk management will always need to be assessed on a case by case basis, but we should be able to make it simpler and less costly for small business to take on government contracts.**

**The Government is working with a number of small business representative bodies, including COSBOA, to develop a toolkit for**

**government departments to promote a consistent and simple approach to managing risk.**

**The toolkit will be used by government officials to assist them, and you, in treatment of liability and ensuring justifiable levels of insurance are requested in your contracts with the government.**

**It is envisaged the toolkit will include model clauses which clearly set out what a supplier will be liable for under a contract. The objective behind the development of these clauses is that suppliers will only be liable for matters which they are best placed to manage.**

**The toolkit will also include templates to ensure insurance requirements do not exceed the value of the risks that might reasonably be expected to arise under a contract. I believe changing these two elements alone will make a big difference to small businesses and encourage them to apply for government contracts.**

**I expect this work to be completed by the end of this year.**

### **A compact between the Rudd Government and small business**

The modern Labor Party has come a long way in its relationship with small business. How well I remember the previous Small Business Minister, Fran Bailey, warning this very audience two years ago that if Labor were elected, union officials would come around to the homes of small business owners demanding money for their union coffers.

Television advertisements were screened of muscled, tattooed union officials walking into small business premises and turning off the lights.

It was the mother of all scare campaigns. Of course, none of this is happening.

The Rudd Government acknowledges and appreciates the hard work, risk taking and entrepreneurship shown by small business owners. Small business owners and their employees make up more than half of total private sector employment. Where would Australia be without the entrepreneurship and skill of our small business owners?

We in the Rudd Government understand that you, as small business owners, take a risk in going out on your own.

We understand that you make big sacrifices in terms of the balance between work and family life.

And the Rudd Government understands that as small business owners you get no protections – no sick pay, no holiday pay, no overtime allowances.

Yet you press on, striking out for freedom, creating prosperity for your families and jobs for your employees.

Speaking frankly, Labor in past decades did not traditionally enjoy a close relationship with small business, while the Coalition regarded small business as its core constituency.

But under the Rudd Labor Government, all that is changing.

As a former small business owner, Kevin Rudd understands the trials and tribulations of being in small business.

We in the Government want to continue the close relationship we have developed with the small business community and with COSBOA in particular.

My first contact with COSBOA was back in 2002. As an organisation, you have come a long way. From a small outfit on a shoestring budget you have developed strong leadership over the years, with such fearless leaders as Bob Stanton and Tony Stevens and now, Richard Brookes and Jaye Radisich.

I pay tribute to COSBOA's professionalism and forthright advocacy on behalf of small business.

From time to time, we will disagree.

But you should know that the Rudd Government and I personally have enormous respect for COSBOA and its leadership.

May you continue to go from strength to strength and may the partnership between COSBOA and the Government continue to flourish to the benefit of Australia's 1.9 million small businesses and the nearly four million Australians working in them.