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Thank you for giving me the opportunity to deliver the keynote address at this, the annual dinner of the Australian Chamber of Commerce and Industry. That you have asked me to do this honour is testament to the increasing importance ACCI is attaching to its small business membership base, which is a good thing.

I say it is a good thing because there remains in this country an ongoing need to lift the profile of our small business community in the national economic discourse.

After all, small and medium-sized businesses are the unsung heroes of the economic downturn Australia has been enduring and of the fragile economic recovery now underway.

The flexibilities built into the Australian economy over the last quarter of a century have enabled businesses to adapt to the deteriorating economic conditions precipitated by the deepest global recession in 75 years.

Those who now argue that Australia would not have suffered an economic slowdown anyway – that the two stimulus packages were unnecessary and unwarranted – are simply seeking to rewrite history to suit their ideological prejudices.

Australia's performance in weathering the worst of the global recession can be attributed to five factors.

First, our banking system was sound – a tribute to the good regulatory framework put in place by previous governments, including the previous Coalition government.

Second, monetary policy was accommodative, the Reserve Bank dropping its cash rate from 7¼ per cent to the emergency level of 3 per cent.

Third, a massive fiscal stimulus was put in place by the Chinese authorities causing the economic slowdown in that country to be briefer and shallower than it otherwise would have been.

Incidentally, I don't hear critics of fiscal stimulus plans unload on the Chinese fiscal stimulus. It's just the Australian stimulus they don't like.

Fourth, the Australian fiscal stimulus was both timely and effective.

I want to place on record the Government's appreciation for ACCI's strong and consistent support for the economic stimulus packages.

Indeed, one of the most effective and popular components of the stimulus package is a direct result of the representations of your Executive Director, Peter Anderson and his colleague Greg Evans. I refer, of course, to the small business tax break.

I well remember Peter approaching me at an ACCI function and setting out the case for an investment allowance. I listened politely and responded sheepishly, anxious not to raise expectations. Peter had already had a similar conversation with the Prime Minister. If I'd known that, and the PM's keenness to adopt the proposal, I would have been more forthcoming, declaring "Yes Peter – that sounds like a good idea, leave it to me and I'll fix it".

In truth the credit goes to the Prime Minister. And when I advised him of the looming expiry date for the small business tax break of 30 June 2009, he personally moved to extend it by six months and lift the rate from 30 per cent to 50 per cent.

As to the overall goal of the stimulus measures, I recall a fellow economist saying to me that the Government was engaging in fiscal stimulus because it didn't want two successive quarters of

negative economic growth – the definition of a technical recession. His contention was that it didn't really matter whether we had one or two quarters of negative growth and being overly concerned about the possibility of a second negative growth was more about politics than economics.

I disagreed with him. My argument was that a second successive negative quarter result would produce banner headlines on television and in the newspapers depicting one word: 'recession!'

My economics colleague had forgotten or dismissed what John Maynard Keynes had described as 'animal spirits'. By averting that second quarter of negative economic growth, the stimulus packages placed a floor under deteriorating consumer and business confidence.

Indeed, your own ACCI survey of small and medium-sized businesses released yesterday found that small business conditions rose to the highest level since early 2008 and that small business expected economic performance rose to its highest level since 1999.

Confidence is returning, in large part, because Australia has weathered the storm better than any other developed country. We are one of very few developed countries not to have entered into recession. And we have the second-lowest unemployment rate in the developed world.

This takes me to the fifth factor helping explain Australia's comparatively good economic performance during the global recession.

Mindful of the skill and general labour shortages they had faced before the onset of the global recession, Australian businesses – especially small businesses – have done everything in their power to keep their staff in employment. No doubt they calculated that if they showed loyalty to their staff during their hour of need, the same staff might repay that loyalty during the economic recovery.

In many cases businesses and employees agreed to a scaling back in hours worked in responding to a drop in business activity, but at least the employees retained their jobs.

This is where the flexibility of the Australian economy and the industrial relations system in particular has been so important.

When the Rudd-led Opposition committed to getting rid of Work Choices, there was a lot of commentary that this would lead to the reregulation of the labour market, reimposing a rigid, even a centralised wage-fixing system.

Yet the experience of Australia's economic downturn has been one of flexibility, not rigidity, of parties coming to mutually-beneficial agreements.

We were warned, too, that the application of unfair dismissal laws to small businesses would drive them to the wall, embroiling them in complex, protracted legal processes and endless demands for go-away money.

Those laws have now been operating for 4½ months and the sky hasn't fallen in; far from it.

The new industrial relations system is working as we intended. Parties are getting on with the job of making agreements that suit their particular circumstances.

Award modernisation is on track and will replace over 4,000 overlapping state and federal instruments with just 121 modern awards. This is an historic achievement and is to the great credit of organisations like ACCI that have contributed so constructively in this reform process.

But if we are to have a truly flexible, efficient and fair industrial relations system in this country, we must have one system not seven.

A single national industrial relations system is one of the most important micro-economic reforms on the Rudd Government's agenda and it is tantalisingly close.

ACCI has been calling for it for decades. And I wish to place on record the Government's respect and gratitude for ACCI's consistent leadership and vision on this important micro-economic reform, a reform it has advocated to governments of all persuasions.

The Coalition, too, has long been a supporter of a single, national system. John Howard was a consistent advocate. In an address to the Sydney Institute in 2005, he said:

*Six different industrial relations systems is an anachronism for a nation of 20 million people in a region that will be the world's economic centre of gravity in the 21<sup>st</sup> century ... It's time they recognised that a single system of workplace laws is in the national interest.*

But while Work Choices used the corporations power of the Constitution to secure a national system for corporations, 15-20 per cent of the private sector is still languishing in state systems.

Why? Because Work Choices was so divisive that the states would never refer powers.

Work Choices could never form the basis of a national system.

But with the Fair Work Act, balance was restored. And now we are getting on with the job of delivering this important micro-economic reform.

Over the last two years the Rudd Government has worked constructively with each state government to deliver a national workplace relation system for the private sector.

Victoria, a leader in the national system debate, confirmed the referral of its powers to the Commonwealth in June.

Overnight, the South Australian Parliament passed legislation which will deliver a simpler and more efficient workplace relations system for South Australian businesses.

Late last week, the Queensland and Tasmanian Parliaments passed legislation that will ensure employers and employees in the private sector in those states are covered by the new national workplace relations system.

New South Wales has been actively engaged in discussions with the Australian Government and we hope to say more about the NSW position in the near future.

Yet the Liberal Party late yesterday announced that it will oppose the creation of a national workplace relations system for the private sector.

This is a devastating blow for those like ACCI and its state affiliates, and for other supporters of a national system like the Australian Mines and Metals Association, the National Farmers' Federation, the Australian Hotels Association, the Housing Industry Association and the Business Council of Australia.

In opposing this legislation, the Liberal Party is opposing an historic reform that will end the inefficiency, uncertainty and complexity faced by Australian businesses, particularly small business.

The Government's legislation must pass the Senate this year for the referrals passed by the states to take effect.

If not, we are back to square one.

I urge ACCI to make its views known to the Opposition and to the Senate.

When he was Opposition Leader during much of the 1980s, John Howard gave bipartisan support to most of the micro-economic reforms of the Hawke Government.

But Malcolm Turnbull has again demonstrated his opportunism and poor judgement in opposing this major micro-economic reform.

Unfortunately this is not the first time the Opposition has sought to stymie the Government's micro-economic reform efforts.

Twice the Coalition voted against the establishment of Safe Work Australia, an important institution for delivering arguably the most important of the 27 areas of regulatory reform being pursued through the Council of Australian Governments – a harmonised system of occupational health and safety.

And the Coalition has criticised the 27-item regulatory reform agenda for achieving a seamless national economy as being only

of value to big business and 'of little interest, little benefit and little assurance' to small business and indeed a 'cruel hoax' on small business.

Tell that to the small business independent contractors – the electricians, the plumbers, the builders – who will be able to move freely from state to state with their single national licence.

Tell it to the thousands of small businesses that have to deal with over 70 Commonwealth, state and territory laws and search up to 40 different personal property security registers to determine whether an asset has an encumbrance over it.

Tell it to the thousands of real estate agents whose work and life will be made so much simpler by a national electronic conveyancing system replacing eight state and territory systems.

Tell it to the hundreds of thousands of small businesses that will need to comply with only one Australian Consumer Law instead of 13 Commonwealth, state and territory consumer laws.

And tell it to the thousands of small businesses that operate in more than one state, often through the internet, that will no longer be required to register their business name in each of those states and pay separate fees each time they register and renew.

These are but a few of the benefits to small business of the Rudd Government's business regulation reform program.

I have noticed recent commentary that the reform program is badly falling behind schedule. This commentary is incorrect.

Even by a most stringent accounting, more than 20 of the 27 reforms are on track, in accordance with the implementation plans agreed by COAG and released publicly.

And of those where some slippage has occurred, in at least three cases this has been at the request of representative business organisations themselves – personal property securities, consumer credit and the Australian Consumer Law.

As the recovery gains momentum, hopefully without aberration, Australian businesses – small and large – will need the competitive edge to take on lean and hungry businesses from all around the world, competing against imports on the domestic market and as exporters into global markets.

Gaining and maintaining that competitive edge will depend on the guile and ingenuity of the businesses themselves.

But it will also depend on the success of the Rudd Government's productivity-raising micro-economic reform agenda which has five items. They are:

1. Investing in and reforming the nation's education system through the Education Revolution – resulting in a better-educated workforce able to create and innovate;
2. Investing in productivity-raising infrastructure – better road, rail, port and broadband networks enabling the more efficient delivery of goods and services;
3. Investing in innovation – making businesses more efficient and enabling them to sell better products and services;
4. Tax reform – rewarding effort, risk-taking and entrepreneurship; and
5. Reforming business regulation – freeing up time spent complying with red-tape obligations and restoring incentives for entrepreneurship.

I won't take you through the first four items tonight; you are familiar enough with them, and I have already spoken to you about the 5th. But I will say this. Australia desperately needs a new round of productivity-raising reform to halt Australia's productivity slide which began at the start of this decade, deflating the productivity boom of the 1990s built on the micro-economic reforms of the 1980s.

The Rudd Government is committed to this reform program to help prepare small and large businesses for the economic recovery and for the inevitable challenges posed by Australia's position in the fastest-growing, most dynamic region on earth.