



Media Centre for Senator the Hon Nick Sherry Minister for Small Business, Minister Assisting the Minister for Tourism, Senator for Tasmania

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ADDRESS TO THE SMALL BUSINESS FORUM

Hobart, TAS

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As Senator for Tasmania, who is also Small Business Minister in the Gillard Labor Government, I'm delighted to be able to welcome you to Hobart for the sixth Small Business Forum.

This Forum shows the high value the Australian Government puts on the small business sector – it is the backbone of our economy.

Small business underpins the economies of many regional centres – something I am keenly aware of as a proud Tasmanian and resident of Devonport.

Small business contributes around a third of gross domestic product and provides jobs for around 5 million people - about half of all private sector employment.

The country's two-million small businesses represent around 96 per cent of all Australian businesses.

Small Business Forum

I am gratified by the number able to attend my first Small Business Forum, given the difficulties that have been thrown up by recent weather events.

These are an invaluable consultative mechanism, for me, for the government and for my department.

The opportunity for face-to-face dialogue on issues of mutual concern is important and I intend to continue these into the future.

I am looking forward to some frank and fearless discussions about the continuing challenges we face as we work to recover from two major events - the floods and the still unfolding global financial crisis.

Flood assistance

The Commonwealth is providing significant initial emergency assistance to communities and businesses affected by the floods – including those in Tasmania’s North and North-west.

My own home in the Forth River Valley was flood affected for the second time in four years – but thankfully the water didn’t enter our house.

Unfortunately, that is not the case for many thousands of other Australians, from Queensland, to NSW, to Victoria, to Tasmania and parts of Western Australia. The Gillard Government has a range of payments available for all those affected, with entitlements varying from region to region, depending on conditions on the ground.

Employees, small businesses and farmers who reside or derive an income from disaster declared areas will be eligible to claim the Disaster Income Recovery Subsidy.

The government is also providing grants for small businesses and primary producers of up to \$25,000 for clean up and recovery. These payments will also be exempt from tax.

Concessional interest rate loans of up to \$250,000 to small business operators and primary producers, as well as freight subsidies of up to \$5,000, are also available.

Businesses in the identified flood affected areas will automatically have their lodgement and payment dates deferred for their December statement until 21 February 2011.

The government’s website at disasterassist.gov.au provides up-to-date information on disaster assistance measures and responses for individuals, businesses and primary producers.

Economic conditions

Apart from the personal tragedy, the floods have been an unwelcome and unexpected gauntlet thrown at our national recovery from the Global Financial Crisis.

The government believes creating the right economic conditions for business to thrive and prosper is the best way to address the challenges we face as a nation.

We are proud the measures we introduced during the worst of global financial crisis kept Australia out of recession. We were one of only two OECD economies that avoided recession and one of the first countries to return to stable growth.

The Australian Government recognises that having a one-size-fits-all policy for small business is not the best way to deliver for the sector.

Small business support

We are committed to ensuring small business:

- Operates in genuinely competitive markets
- Is not unduly hampered by red tape
- Is provided with direct support through appropriate advisory and training services

On this last point, we’ve introduced one of the most comprehensive packages in history to help with almost every facet of running a small business. This support includes:

- Funding for Business Enterprise Centres across Australia under the Small Business Advisory Services program
- The Small Business Support Line helping small business owners access information and referral services
- The Small Business Online program helping small business owners develop a web presence and to engage in the digital economy.

The business.gov.au website has extraordinary reach within the business community. With around two million hits a month, it is in the top ten of all business information websites visited in Australia.

Since it began operating in September 2009, the Small Business Support Line has fielded over 24,000 calls.

Start-up help

Two other major programs complement these services, by assisting, in particular, start-up or early stage businesses.

Commercialisation Australia is a major initiative under *Powering Ideas: An Innovation Agenda for the 21st Century*.

Commercialisation Australia tailors assistance for researchers, entrepreneurs and innovative companies converting intellectual property into successful commercial ventures.

Enterprise Connect, our other major capacity building initiative, works with small and medium enterprises to help them become more efficient and competitive.

Cutting Red Tape

The Gillard Government is a reformist government – recognised by the OECD as a world leader in the important area of regulatory reform.

Ensuring small business is not hampered by red tape is a key priority of this Government – and of mine, as the Minister Assisting on Deregulation.

Through the National Partnership to Deliver a Seamless National Economy, the Commonwealth Government has been working with the States and Territories to deliver reforms across 27 areas of business regulation, as well as pursuing a number of competition reforms.

Of the business regulation reforms, 13 have already been delivered. These include a national consumer law and product safety system, a national system of trade measurement, a national system for registering health professionals, national regulation of trustee corporations, and standard business reporting.

Strong progress is being made on delivering the remaining reforms which are due for completion by 2013. These include trades licensing, the National Construction Code, personal property securities, food regulation, and occupational health and safety reforms.

A third of all calls to the Small Business Support Line are questions by small business operators about licensing and registration.

I have good news for Small Businesses and tradespeople operating across State or territory borders – relief

is on the way from the multitude of systems you have to deal with.

A new national system for business name registration is a key part of the COAG agenda to deliver a Seamless National Economy, cut red tape and make it easier to do business.

At the moment, a business operating in every State and Territory faces a cost of more than \$1,000 to register their business name for three years.

Once in place, the new national system will drastically reduce fees and save businesses time and money. Businesses will only have to pay one fee in the order of \$70 to register their business name nationally for three years.

They will also be able to register for Australian Business Numbers in one joint online application.

We estimate this COAG initiative will produce benefits in excess of \$1.5 billion over eight years to business, government and consumers, most of which will flow to business.

Two complementary new services as part of the same COAG initiative will reduce the time and cost it takes to find, understand and manage compliance obligations.

The Australian Business License and Information Service and the Australian Business Account will make interaction with all levels of government easier and more efficient, and they will be up and running this year.

Small Business Superannuation Clearing House

Another example of how we're assisting small business is the Small Business Superannuation Clearing House launched just before the last forum.

The clearing house is free for small business, easy to use and cuts red tape and costs for employers in complying with their choice of superannuation fund obligations.

Employers make only one electronic payment to the clearing house for forwarding to the appropriate superannuation funds.

It's been well received since it was launched last July.

Of the 3,000 employers who have registered, 96 per cent say it is easy to use and 97 per cent say they will recommend the clearing house to others.

That's a resounding recommendation to consider for those of you who haven't registered for the service.

Standard Business Reporting

We have also been progressing with Standard Business Reporting or SBR, aimed at further reducing business compliance burdens by streamlining business-to-government financial reporting.

One of the forms targeted for early attention was the Business Activity Statement.

SBR began operating on 1 July last year and the Government has been working directly with over 30 software developers on implementing SBR. So far, eight developers have certified SBR products for

transactions.

Small groups of 'power' users have been piloting the SBR-enabled products to ensure the new functionality works before they're released to the market.

Take-up is expected to increase progressively to 2014.

Competition, Franchising and Tenancy

Many of you in this room are franchisees or represent franchisees.

From 1 January, the new *Competition and Consumer Act* introduced tougher powers for regulators to enforce industry codes of conduct such as the Franchising Code of Conduct.

The Act provides significant financial penalties to protect parties to a franchising agreement against unconscionable conduct, misleading and deceptive conduct, and false and misleading representations.

I'm sure you're also aware of recent changes to the Franchising Code, which provide franchisees with more protection, transparency and certainty when they deal with franchisors.

The changes followed two years of careful consideration and extensive consultation with the business community.

As I have said before, we don't intend to review the code again before 2013 for two very sound reasons:

- To provide the franchising sector with stability and confidence
- To give the reforms enough time to operate and then make an informed judgment on how effective they are

The South and Western Australian parliaments have recently been asked to consider State-based franchising legislation to deal with issues which some consider – erroneously in my view - remain outstanding from these recent Commonwealth franchising reforms.

Separate State-based franchising legislation will create uncertainty for franchise businesses, lead to more duplication and create additional compliance burdens.

Franchising requires a national approach and the Australian Government is committed to continuing on the path of a uniform, national system.

In other advances, I'm aware small business leaders want improved competition in the retail tenancy leases market.

The Gillard Government is working with the States and Territories in this area to improve transparency and consistency between State and Territory retail regulation.

These changes will allow small business operators to work across state borders and minimise compliance burdens.

We're also pleased the Australian Competition and Consumer Commission and major supermarket operators have agreed to phase out restrictive provisions preventing shopping centre managers leasing space to competing supermarkets.

It's particularly welcome the agreement takes the form of a court enforceable undertaking voluntarily provided by the major supermarket operators.

Retail industry inquiry

Retailers are feeling the effects of domestic and global forces.

I know many retailers are concerned about the GST threshold on imports.

The government recognises Australia's retail industry is one of our major employer groups. It turned over \$242 billion in the 12 months to October 2010.

This is why we recently announced a Productivity Commission inquiry into the Australian retail sector.

The inquiry will report on the implications of globalisation on the industry - including the question of the GST threshold.

We will also be hosting an online retail forum later this month to encourage and support retailers to explore online options.

This is in addition to existing packages of advice and assistance for retailers to go online.

The Gillard Government is committed to supporting Australia's small businesses take advantage of online opportunities and to meet the challenges of online trading.

Online trading is a two-way street – consumers can benefit from using the global marketplace and Australian businesses can also benefit from being part of that same marketplace.

Economic recovery

The government appreciates the risks small business owners take in going out on their own and that they work hard to achieve commercial success.

The global recovery remains fragile in many countries and, while confidence in Australia's economy has improved, there's no room for complacency.

Small businesses often remain vulnerable during this time and we want to ensure the Australian sector is supported during the recovery.

Under our proposed tax package, from 1 July 2012, small businesses will be able to write off in the year of purchase the full value of assets costing up to \$5,000.

The government will also assist some 720,000 small businesses by lowering the company tax rate from 30 per cent to 29 per cent from 1 July 2012 – one year ahead of the tax rate reduction for larger companies.

Credit boost

The government is conscious of the difficulties small business faces obtaining credit.

As a general rule, decisions on finance are best left to the private sector and not governments.

Our policy focuses on three lines of action:

- Removing barriers to the supply of credit
- Strengthening business cash flows and
- Providing advice to small business on finance-related matters
- We recently injected an extra \$4 billion into the wholesale finance market and established a single national law for using personal property as security.

These complemented earlier measures, including:

- The reduction of the Interest Withholding Tax
- A \$16 billion government purchase of residential mortgage-backed securities to support smaller lenders
- The provision of \$100 million over four years to the ATO to assist small and medium enterprises experiencing financial distress remain viable.

The market's smaller lenders all welcomed our initial \$16 billion RMBS investment because it boosted private investor confidence about placing funds in this market and helps smaller sectors maintain market share.

Securitisation lender RESIMAC currently lends a significant proportion of its loan book, or around \$550 million a year, to small businesses.

RESIMAC says it would not be in business today and lending to small businesses all around the country, without the RMBS support the government has provided.

Independent contractors

Before I conclude, I have a pleasant duty to perform.

The government supports genuine independent contractors and the right to choose independent contracting as a career.

Independent contractors are an important part of the small business sector, with the ABS estimating Australia has over one million independent contractors.

My department has developed a publication series to help independent contractors in their business dealings.

The latest, *Independent Contractors: contracts made simple*, will help independent contractors get their contracts right at the start of a business relationship.

This helps avoid disputes and misunderstandings down the track.

It's written in plain English and has been developed in consultation with people in the sector.

I am also launching a revised and updated edition of *Independent Contractors: the essential handbook* and a new audio version of the handbook.

This has been a very successful publication.

It provides practical information on issues to be considered when entering and operating under a contracting arrangement, including tax, dispute resolution, superannuation, OHS, business structure.

The new audio version can be downloaded to computers, iPods or MP3 players for listening on the go.

Independent Contractors: the essential handbook has been produced for independent contractors and businesses that use independent contractors.

The handbook explains the rights and responsibilities of parties in an independent contracting relationship, but it will also help those parties build strong business relationships and better manage risk.

Copies of *Independent Contractors: contracts made simple* and the updated Independent Contractors handbook can be downloaded from business.gov.au or ordered through the Independent Contractors Hotline (1300 667 850). Hard copies are available here today.

These are three innovative information products and I have great pleasure in launching them.

And to conclude briefly, I'm looking forward to today's forum and discussing the issues. Now it's over to you.

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