



PRIME MINISTER

ADDRESS BY THE PRIME MINISTER, THE HON P.J. KEATING, MP TO THE SIXTH NATIONAL SMALL BUSINESS FORUM - SYDNEY, 19 OCTOBER 1992

Mr Edwards, my colleague, the Hon David Beddall, ladies and gentlemen.

Thank you for inviting me to talk to you today.

I want to talk to you about what the Government is now doing, and what it intends to do to make sure that small business continues to play its part in the expansion of the Australian economy which is now underway.

But before I do that I want to spend a little time describing to you the quite extraordinary sea change which the Australian economy has undergone in recent years.

We face many challenges over the coming decade, and the most important evidence of our capacity for change is the change we have already made.

We simply are a much more competitive, productive, internationally-oriented, export based economy.

No one would deny that that is what we want to be - what we must be.

Australians should be aware of these achievements because they are *theirs*. They should know, for instance, that:

- we now export almost twice as much as we did a decade ago.
- that exports now account for more than 23 per cent of total output.
- that we now sell more than manufactured products overseas than metal ores and minerals, and, for the first time in our history they match our exports of rural products.
- that in 1990-91 our manufactured exports showed the fastest growth in the OECD, and fastest among them were Elaborately Transformed Manufactures which have grown at a rate of about 45 per cent in recent years.
- that our service exports have tripled in the last decade.
- that tourism is now our single largest export industry, accounting for over 10 per cent of the total.

- that we are exporting ETMs and services as well as mineral and rural products to the fastest growing economies in the world - the Asian economies.
- that we are exporting them through ports which have doubled their productivity in the past couple of years.
- that they are being generated in offices and factories and mines which are increasingly working under enterprise agreements whose number is growing so fast we expect half the workforce to be under them by midway through next year.

There has been a great change in our economy and a great change in our attitudes and I think Australians deserve to be reminded of it, and encouraged to take heart and pride from what they have achieved.

And it is for these reasons that I have to say that I will passionately resist the Opposition's intentions to undo those achievements.

And you shouldn't be *surprised* if I'm passionate about it - because you know it was the Labor Government which took the leap, against much more internal resistance than you would expect the conservatives to have faced, and made the changes, and opened the economy up.

And I believe very strongly that we wouldn't have made them, we wouldn't have the chance we now have, if we hadn't taken the people with us.

If we hadn't built a consensus, encouraged negotiation and consultation - and maintained our commitment to social development.

Unashamedly, I take the view that there is a role for government. We cannot responsibly back away from maintaining the necessities of peoples lives, we cannot retreat from our economic role.

I take the view that governments can make subtle and sensible interventions in the economy and I think the facts of the last decade support me.

I have no doubt about that - and no doubt about the one great certainty in the economic life of this country - that a great deal will depend on the continuing energy and initiative and skills and ideas of small business.

It will continue to depend on the success of people like yourselves and those you represent.

We recognise that small and medium sized firms employ much of the Australian labour force - over the past two decades small business has generated more than 60 per cent of the new jobs.

We recognise that small businesses generate a lot of the new product, and that they drive a lot of those very welcome developments I outlined earlier.

We recognise that the potential of their enterprise is unlimited. When they thrive Australia does.

We recognise that they form the basis of much of the future growth and prosperity of the Australian economy.

We recognise that it is among them that a lot of the risk is taken. A lot of the necessary risk.

They know fear. They know frustration. They know hard work.

But they also know hope, and excitement and fulfilment.

Recognising all these things, the Government's role is to minimise the frustration, and maximise the fulfilment.

Small business has been an integral part of the consultative process of this Government starting with the Economic Summit in 1983 and put on a more permanent footing with the establishment of this very successful Small Business Forum.

We have not always agreed with each other.

And we have not always been able to do all we would have liked.

But the results of the continuing consultation between Government and the representatives of small business can be seen in the measures introduced.

Our assistance to business has ranged from the deregulation of financial markets to the deregulation of aviation; reducing company tax to reducing wholesale sales tax on motor vehicles; reducing the number of strikes to a thirty year low to reducing inflation to a thirty year low.

We made tax reforms in One Nation specifically for business.

- the nine week deferral of company tax payments for instance.
- a new accelerated depreciation schedule which allows plant and equipment with an effective life of, say, ten years, to be written off over five years, rather than eight. A measure which in one year alone constitutes a peak saving to business of \$1.25 billion.
- an increased depreciation rate for industrial and short term traveller accommodation - from 2.5% to 4%.
- an increase from 20 to 50 per cent of the capital gains tax exemption good will, and a doubling of the eligibility ceiling from \$1 million to \$2 million of net business interests.

We have legislated to allow for the development of Pooled Development Funds to help firms obtain equity capital, and I am pleased to announce that the Equity Investors Ltd has been registered as the first of many PDFs that will play a vital role in assisting the expansion of small and medium sized Australian businesses.

Ladies and gentlemen, with public discussion in economic reform directed largely at the need to create internationally competitive industries, there is a tendency to feel that locally made goods and services are uncompetitive.

This is a long way from the truth - an increasingly long way.

Our agriculture and mining industries are among the most competitive in the world, while the record of our manufacturing and service sectors in responding to the competitive challenge has been simply outstanding.

Manufactured exports have grown at a rate of more than 14 per cent each year since 1985/86 and now total nearly \$13 billion annually.

Exports of services such as tourism have been similarly impressive with a real 8.5 per cent average annual growth since 1985.

And one of the reasons for the extraordinary growth has been the greatly improved quality of the products Australians now make.

And small and medium fixed businesses are a major element of this success.

Of course, the Government recognises the extra hurdles small businesses face if they are to succeed in international markets.

This is why we established the Export Access program that will assist 700 small and medium enterprises over the next three years.

These days we build cars and sell them into the most demanding car market in the world, Japan - the same country where Peters WA sells \$50 million worth of ice cream each year.

Australian companies build the ferries that cross the English Channel. And some of the best luxury motor yachts in the world.

I could list dozens of other examples, but chances are you will know about them, because it is companies like your own or your members' which are doing a lot of these things.

The simple fact is that these days, across a whole range of products, *you can't buy better than Australian.*

All of us have an interest in telling Australians about it - telling Australians that Australian made products are very often as good, if not better, than anything made anywhere else in the world, and that when they buy them they are doing both themselves and their country a favour.

In a sense it is the return on their initiative, imagination and hard work. Buying good Australian products pays the dividend on the all the changes we have made.

It is for this reason - in this Australian Made month - that I am pleased today to announce that the Government will work with the Advance Australia Foundation to further promote the Australian Made symbol.

We will put in \$2 million in each of the next two years to ensure continuity and a high profile for the campaign.

And a central element of the campaign will be the quality and reliability of products made in Australia.

It's desirable for example for the Government to regulate unconscionable conduct under the trade practices legislation, and we will introduce a Bill into Parliament for passage this session to do just that.

It's certainly desirable to have clear and comprehensive rules to encourage competition and fair pricing.

This is one reason the State and the Federal Governments agreed to the need for a national competition policy - which, as I recently announced, is the subject of an enquiry to be chaired by Professor Fred Hilmer of the Australian Graduate School of Management.

It will look at extending the reach of competition policy into areas not now covered, such as government business enterprises and the professions.

There has to be equality of competitive standing between government enterprise and private enterprise.

Again, that is an area where the application of law to business is a good and necessary thing - and, by and large, business both big and small supports it.

But I know there are regulatory inconsistencies between the States or between the States and the Commonwealth - areas where regulations may no longer fulfil their original goal, and areas where regulations may have been made without sufficient supervision by the Parliament or the Government.

Many of these problems have been addressed by the adoption of principles of mutual recognition by the States and the Commonwealth.

From March next year standards recognised in one State will be recognised in *all* States.

I am firmly committed to cutting inessential regulatory burdens on small businesses - but let me tell you that the administrative burden of a GST will be vastly greater than any reporting requirements presently faced by small business.

I have spoken to a lot of small business people about the idea of a Goods and Services Tax in recent months, and I must say I am puzzled by the gap between what they say and what some small business organisations say on their behalf.

The people who speak to me recognise that small business would be a big loser from the GST.

It is small business which will have to collect the tax. Under our amended wholesale sales tax, only 20,000 businesses will be required to be in the system. Most small business will be able to opt out and have no reporting requirement whatsoever.

But under the Opposition proposals all small businesses will have to pay a 15 per cent tax on their purchases, and add a 15 per cent tax to their sales. They will get the first 15 per cent back eventually of course, but only when they have done the paperwork.

They will remit the 15 per cent on sales to the Government, and again they will have to do the paperwork.

Already, Australian products compete favourably on price; a clearer appreciation by consumers, other producers and distributors of the quality of our products can only be beneficial for all Australia.

In deciding to provide this additional support to the Australian Made symbol, I have been very aware of the problems that have been encountered recently by some doubtful labelling practices.

We have all heard stories of the overseas product with a Made in Australia label because it was packaged here.

Fortunately this is not a major problem with the Australian Made symbol itself.

But it is clearly a problem with the range of descriptions that appear like "Made in Australia", "Product of Australia", "Manufactured in Australia" and so on.

And it is not only the consumer who is confused.

Business does not have clear guidelines and definitions in the various Federal or State legislation to which it must adhere.

Accordingly, the Minister for Consumer Affairs, Jeannette McHugh, has been given the task of developing practical definitions of such terms to ensure that both consumers and those charged with enforcement - such as the Trade Practices Commission and Customs - have a solid and universally-applicable basis for assessing whether something is, in fact, Australian made or not.

There will be a number of complex matters involved in the review and the views of all affected parties - including the groups represented here today - will be welcomed.

I will also be writing to the State and Territory governments asking them to contribute to this process and adopt its outcome.

I expect that this task can be undertaken without delay, and that we can put appropriate changes into legislation in the first half of next year.

I said earlier that I know something about the hopes and fears of small business people.

I know it primarily because my father ran a medium sized business. I grew up knowing it.

For example, I know of the difficulty my father had in persuading the banks to lend him money on cash flow or receivables. They only wanted to lend against the property - and I have to say that there is still too much of that kind of thinking among the banks today.

It was hard to get a loan from a bank in those days, and just as hard to finance the business from profits, because undistributed profits in private companies were taxed in a very discriminatory way.

That's one of the things I'm pleased to say I fixed as Treasurer.

Government regulation is a particularly difficult problem because there are, of course, many areas where regulation is desirable.

As a New Zealand accountant reported for that country, small businesses people will lose their Sundays to new paperwork.

The Canadian experience is particularly telling for small business.

Canada introduced its GST in January 1991. In November 1991, the Canadian peak small business organisation, the CFIB, released the results of a survey it conducted of its members in a report titled "The GST: A National Tax Tragedy."

Over 25,000 responded to the survey, the biggest response to a CFIB survey ever.

And their message was very clear.

Over 70 per cent of respondents reported a negative impact from the GST on their businesses while only 8 per cent reported a positive impact.

The message was clear - small business is much more disadvantaged by a GST than is large business.

Compliance costs were 5.5 per cent of sales for small business but less than 0.2 per cent for large firms.

We are told business will be better off because payroll tax will be eliminated - but most small businesses don't pay payroll tax. Only a small proportion of the 800,000 small businesses in this country, pay payroll tax.

About 700,000 businesses will not benefit at all from the removal of payroll tax. What they will receive is a new and complex consumption tax which will hit each and every link in the business chain.

In a way, the position of small businesses illustrates what I think is one of the biggest problems with a GST.

It is a very considerable clerical burden - but for nothing.

It won't sell one additional article of commerce.

It won't help most of the small businesses selling services, which are not taxed now at all.

It won't help the construction industry, which will not be able to offset the tax it will pay on all inputs.

It won't help the tourist industry, which would be obliged to hit its clients on day one with a 15 per cent price rise.

Here we have an industry which is making a tremendous contribution to our export success, which has grown so rapidly in the eighties that it is now one of the major employers and export earners in this country, and the Opposition proposes a 15 per cent tax on everything it does.

It wants to slap on the tax despite pleas from the Access Economics firm which helped it write the GST package.

It wants to slap it on despite the resistance of the Opposition shadow minister for tourism.

And it wants to slap it on despite the nearly unanimous view of the industry itself that important products of the tourism industry should be exempted.

It's a similar story with industrial relations. We have right now in Australia a set-up in which employers can negotiate just about anything with their employees - penalty rates, hours of work, the working week, work practices and so forth.

They can negotiate whatever they wish and come to any agreement they wish, so long as the employees are not left worse off by the new arrangement.

That seems to me a reasonable reservation in our society.

These deals can be done in a framework of cooperation which has seen Australia's competitiveness improve by more than 10 per cent over the last decade, and our inflation fall to one of the lowest in the OECD and in our region.

Yet again the Opposition want to throw all that away. It wants to tear up all the present agreements and awards and return to the kind of pitched battles between employers and unions which we had in the sixties and seventies.

Ladies and gentlemen I began by saying that Australians could take pride in what they have achieved in the past decade, and that they have many reasons for confidence about decade ahead.

What they have achieved may be attributed very largely to the spirit of consultation and consensus which developed in the eighties, and which now characterises so much of our industrial relations culture and the relationship between government, business and unions.

I said there had been a sea change in the Australian economy: it has been the change in our attitudes and in the way we do things which has produced it.

And this will be the province from which more change comes.

More than anything else, it has been the change in the culture - from conflict to cooperation - which has brought us up to the rest of the world and given us a chance.

And it is the threat to those gains which I think we should perhaps fear most.

I have addressed you today as people engaged in business.

In conclusion I would address you as Australians - meaning people with a care for the society and economy at large.

It seems to me, and I quite sure it will become clear to the majority of Australians, that our Opponents' policies will be destructive of both.

Destructive of the economy for the reasons which I have broadly outlined.
Destructive of the social fabric principally because they seek to replace the principles of cooperation and consultation with a regression to conflict and division.

We - small business and the Government - have come a long way in the past decade.

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Further, I suspect, than of either of us can readily recall.

And, faced with the alternative which the Opposition is proposing with absolute inflexibility, I do believe we need to be reminded.

We've come too far to throw it all away.