



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**POOLED DEVELOPMENT  
FUNDS AMENDMENT BILL 1999**

**Second Reading**

**SPEECH**

**Tuesday, 11 April 2000**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

---

## SPEECH

**Date** Tuesday, 11 April 2000  
**Page** 15707  
**Questioner**  
**Speaker** Fitzgibbon, Joel, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Mr FITZGIBBON** (Hunter) (6.13 pm)—The member for Fraser has, as has been acknowledged by the member for Curtin, indicated that the opposition will be supporting what we believe are appropriate initiatives—initiatives recommended by the Pooled Development Fund Registration Board. There exists no greater opportunity to promote economic and employment growth in this country than that which exists within the small firm sector. There are many things a government of any particular persuasion can do to promote growth in employment in the small firm sector. The first thing a government can do is create an environment of economic growth generally—an environment in which interest rates are low.

The second thing a government can do is promote education within small firms. We have all seen the statistics; some accurate, some not so accurate. But it is true to say that the level of failure within small firms is all too high and too often can be sheeted home to a lack of education within the small firms sector. The third thing governments can do is to continually work towards the reduction of red tape and compliance within both the small and medium firms sector. In addition to that, it is important that the government continually work towards providing information to small firms about both potential markets and access to those markets. The government can also help by simplifying the tax system and by protecting small firms from the often unfair and predatory practices of larger firms.

But as important as all of those points are—if not more important—governments can facilitate the securing of equity investment among small firms. Debt finance is difficult enough for firms to achieve and expensive enough to small firms to achieve, but often debt finance is not appropriate for small firms, or medium firms, particularly those fast growing high risk firms and some firms seeking initial start-up finance. There is no shortage of research demonstrating that access to equity finance—either informal or formal—in this country is far less than that which exists in countries such as the US and the UK. In terms of informal equity, that contrast is highlighted best in a Productivity Commission report on the subject issued in April 1997. The same can be said of formal investments such as those provided by venture capitalists—for example, that provided by pooled development funds; the issue before the House tonight.

It is in recognition of that that the Keating government within its One Nation statement announced the creation of the Pooled Development Funds Scheme. The opposition accepts that the same ideals are motivating the amendments to the scheme that we have before the House tonight. These changes, as I said, not recommended by the government but by the registration board itself, will provide extra incentives for people with available cash to make investments in both start-up small to medium firms and high growth small to medium firms just at that point when they need that injection of funds but do not want to give up their proprietary interests as an owner in the technology or the business at hand. This is very important. As I said, there is no greater opportunity for us to promote that sort of growth. And, as the member for Curtin quite rightly pointed out, a number of reports, including the Mortimer report and indeed the Kelty report, have highlighted that while the results we have achieved since the introduction of the scheme in 1999 have been improving in recent years they are insufficient to achieve our ideals.

We hear lots of talk about globalisation and the new economy. I have often said that we hear so much about globalisation and so much fear about globalisation that you would swear it was something new. But it is a phenomenon that has been around for a long time, hitherto there being a general level of acceptance that the earlier phase of globalisation—that is, from between the mid-19th century to the Great War—was ground to a halt by the Great War itself. But more recent research—for example, by O'Rourke and Williamson—showed that it was not necessarily the Great War that brought that globalisation process to a halt but the very resistance to change which existed at the time and the reaction of government, which included the reimposition of tariffs and a tightening of immigration laws at the time.

My message to the general community is that particularly in the small firms sector what we should not fear in this country is ongoing change in terms of globalisation and the integration of our markets, but the forces that oppose change. That has been highlighted very strongly in recent years, if not months, by a number of phenomena,

including the Hanson debacle, Seattle, the Victorian state election and, more recently, Telstra's announcement on the shedding of jobs. The message has to be that we are a small trading island that will derive net benefits from the globalisation process if governments handle it well. And how well governments are handling this process is of course the one million dollar question.

But in the small firms sector the opportunities are very great, because as those markets become more integrated, and therefore competition increases from Australian industry generally, it is the small firms sector that is best placed to capitalise on the benefits that can produce; best placed because they are small and flexible and have the ability to make firm decisions very quickly, adapt to technological change very quickly and, therefore, adapt to the changing market very quickly, something that the larger firm is not able to do. It takes a long time to turn the *Titanic* around. It is much easier to turn around a small and efficient unit.

So the new global economy presents great opportunities for small firms. Again, that is where the bill before us tonight is so important. Again, that is where some of the issues the member for Curtin quite rightly raised, like business incubators and industry collaboration, are other areas in which the government can play such an important role—that is, in encouraging partnerships, devolving power down to regional levels and giving regions more autonomy and, more importantly, giving small firms within those regions the ability to make the most of the opportunities presented by the integration of the world's markets.

An important aspect of this process will of course be research—something else which lies squarely in the domain of government and that unfortunately, I think, this government is doing too little of. We saw the government's earlier decision to withdraw funding for the final year of the business longitudinal study, something that was very important for small firm growth, for small firms in their business planning and for small firm research. A whole range of academics were relying on the final year's findings of that BLS study to continue their research and to therefore continue playing their role in the promotion of small firm growth. It is interesting that it appears that within the Office of Small Business research has simply ground to a halt. Only today I received an answer back to a question I placed on notice at a Senate estimates committee in February. It was a very simple question, asking how much research the Office of Small Business had undertaken in the last financial year. The answer was nil.

The Office of Small Business in this country has done no study on the compliance costs of the GST, no study on the general impacts on small firms of the GST and certainly no study on the potential impacts of the Ralph inquiry changes on small firms. This is an Office of Small Business doing nothing in this very important time when international change makes the flow of information so critical for small firms. So we welcome these changes. We recognise them as an improvement on a very important area of public policy and on a scheme initiated by the former Labor government in 1992, but we also say that, standing alone, these changes are not enough. In the new global economy and in the face of changes looming out of the GST—the ANTS package—and the coming changes as a result of the Ralph inquiry, small firms will need access to both education and research.

In closing, I particularly welcome the aspects of these changes that give greater scope for Australian superannuation funds to invest in pooled development schemes. This is so important. I have talked a lot tonight about access to equity finance and yet we have this huge bucket of superannuation funds available and growing in this country. It is a great tragedy that, while Australian based superannuation funds are investing overseas, the innovative ideas of small firms are also shifting offshore. I would think there would be no greater opportunity to retain that innovative work within the nation, and therefore retain the jobs growth from that activity, than to see an investment by our super funds, by our fund managers generally, in the small firm sector. The opposition certainly welcomes the changes, and I recommend them to the House.