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PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Federation Chamber

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Second Reading

SPEECH

Tuesday, 29 May 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Billson, Bruce, MP

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Mr BILLSON (Dunkley) (17:12): Sadly, this budget contained nothing to help small business deal with the very difficult trading conditions that small businesses and family enterprises across Australia are facing. It did not correct the sense in the small business community that this government has no feel for their situation nor any appreciation of the courage of and risks taken by those who gain employment through their own enterprise rather than looking to an employer to provide them with work. And, frankly, there was nothing in it to deal with the funk, the sense of despair, in many sections of the small business community about just where the government is taking them and the sense that they have been driven into a ditch by government policy. There was nothing in the budget to bring about a change in fortune and a sense that more prosperity may be in reach if they continue to apply themselves.

Insolvency rates are up 48 per cent on last year and the number of small business start-ups is down 95 per cent on the previous year, reflecting both the difficulties faced by people currently involved in small business and, frankly, an attack on entrepreneurship which is turning so many people off making the decision to set up their own business. In these very difficult circumstances, there is nothing in the budget to bring about a change.

But there is something to make a difficult situation even harder, and that is the world's largest carbon tax. Sadly, while the government boasts about its compensation and its carve-outs—they are borrowing money today to offer a sugar pill in advance of the very sour and enduring taste that the carbon tax will leave in many people's lives—there was no direct support for small business. Yet the small business community of Australia will be the meat in the sandwich. They are faced with increased costs for their own businesses. The government conservatively estimates that there will be a 10 per cent increase in their electricity costs and a nine per cent increase in the cost of gas. These estimates have been challenged by the energy user associations and organisations, who say this is a gross underestimate of the price impact. They are also faced with all the increased input costs they will incur as a result of those in the supply chain also having to carry the cost of the carbon tax. Small businesses are faced with all of those input cost pressures and increased costs of doing business and then they need to face the customers—customers who at this time are not looking to be paying more for anything. Small businesses will be the meat in the sandwich, left at the pointy end of this carbon tax con to explain this to their customers. Whilst the government says 'It'll be fine—only the big 500 will be paying,' small businesses will have to explain to their customers that that is not right. The carbon tax will drive a wrecking ball through the economy. It will cascade and compound all the way through every step of the production process and the supply chain, which will incur additional costs that they will have to pass on to their customers, and customers are not looking for price increases. So many small businesses I speak with are having to operate on ever-narrowing margins to keep some activity going through their business at a time when so many Australians are choosing to defer expenditure they need not incur right now or are going in with a very strong discount motive as they engage small businesses across Australia. This is what is so frustrating about these changes.

In addition to that, on 13 July the Prime Minister, in Brisbane, set a price rise maximum decree. She said that if a small business puts up prices by more than one per cent they will be price gouging and the carbon cop, the ACCC, will be after them with fines of up to \$1.1 million. Small businesses shuddered at this threat, at this intimidation from the bully pulpit of the Prime Minister's office. She said: 'You must not put your prices up by more than one per cent,' when the government has done precisely no examination, no modelling and no research on the impact of the carbon tax on any particular kind of business or size of business. We need to recognise that, unlike the GST, which was a numeric calculation that was applied to the final point of consumption, the carbon tax will land differently for different businesses structured in different ways with different supply chains and different modes of operation. The impact will be different, yet the Prime Minister decreed a one per cent cap on price rises.

She was in no position to do that—none whatsoever. There was no legal basis for her to make that claim. The ACCC in recent days has walked away as fast as it could from the Prime Minister's declaration of this one per cent cap on price increases arising from the carbon tax, under threat of a \$1.1 million fine administered by the ACCC. The commission itself has said, 'No, there is no such legal obstacle to price movements of that kind.'

What it has said is that, if you are moving your prices and you are attributing those price movements or part thereof to the carbon tax, make sure you have a basis on which to support that claim. That is what the law says. The law relates to false and misleading conduct. It relates to representations a business makes to its customers as to the reasons or the rationale for price movements. There is no legal requirement to explain to your customers why your prices are moving, but if a small business does offer an explanation that is linked to the carbon tax it is obliged to make sure that those representations are well founded and can be justified. That is a world away from the decree of the Prime Minister. That is nothing like the one per cent cap on price movements that the Prime Minister asserted in her 13 July statement.

The Prime Minister and the commission cannot both be right. I know who is right; it is the commission. The Prime Minister's representation itself was false and misleading, because there is no legal basis on which to substantiate the statement she made in Brisbane. It is way past time for her to correct that false and misleading representation to the Australian small business community so that they know precisely the footing on which they stand when the carbon tax comes in, in little over one month. We have one month before the world's largest carbon tax comes in, and yet the only information that has been put out to the small business community by the Prime Minister and her declarations is false and misleading. When is the government going to be open and accountable, to be frank? To quote Bill Kelty, the truth will usually do. When is that going to be invoked as a basis on which to communicate effectively and reliably to the small business community? Right now they know they are the meat in the sandwich, and the Australian public know the government's and the Prime Minister's assurances are not founded on any basis of analysis and that small businesses, already doing it tough, will face an even tougher time ahead. It is not surprising that the findings of a recent Sensis small business survey were quite revealing: 92 per cent of the small businesses surveyed did not think government policies were helping them. That is a well-founded assessment, because they are actually correct. When confronted by that in the question, 'Will the budget turn that around?'—and I quote from a *Lateline Business* interview that was less than 24 hours before the Treasurer delivered the budget speech—the Minister for Housing, Homelessness and Small Business, Minister O'Connor, a minister who boasts about his influence because he is on the Expenditure Review Committee, said:

I think we've done some recent things already by announcing the cut in the small business company tax rate from 30 to 29 cents ...

Less than 24 hours before the government announced that it is walking away from yet another promise, the minister put that to Ticky Fullerton on *Lateline Business* as the antidote to 92 per cent of small businesses feeling that government policies were not helping them. What was that about? Was that yet another episode of false and misleading representations to the small business community? I think so.

The member for Deakin, perhaps inspired by the small business minister's representations, has written to his electorate, to the small business community, boasting about the one per cent company tax cut for small business. Has that been corrected? Has there been a subsequent mail-out? No there has not. This is just part of the fiction that the government seeks to provide around its record on small business. The government continues to talk about having a small business minister in cabinet—not bad. He is the fourth small business minister I have faced, and finally one that is being put at the adults table, not at the kids table. Now the claim is that it is the first time in history. This ignores Peter Reith's important contribution in that portfolio and the many achievements he implemented around appointing a small business commissioner to the ACCC and introducing unconscionable conduct provisions, as well as a budget to help the commission get test cases that would help small business understand the competition law protections available to them and workplace relations arrangements that were nimble and that accommodated the needs of the small business community. That was what a cabinet level minister did—not the one that claims to be the first but the one that was actually there.

It is interesting to link the two. There is the Small Business Commissioner—the real one. We actually have one of them already in the ACCC. Yet the government comes out claiming it is going to appoint the first small business commissioner. Well, here is a memo to the minister: there already is one. They were appointed by the coalition in 1999. What the small business minister was trying to do was mimic the coalition's commitment to a small business and family enterprise ombudsman, but he did not want to make it so obvious that it was a policy lifted from the coalition that he gave it a name—a name which already applies to an existing role in the ACCC. So what you find is this effort by the government to mimic coalition policy but then trying to make it look like it was not a direct lift by changing the title and then coming up with a title that already exists for an existing role with some powers in the ACCC. To rub insult into injury, the government has not given this new role that has already got a

name somewhere else powers of any great note to improve the tool kit available to the small business community in getting a fair go in their dealings with government and in matters relating to competition.

This was the big announcement in the government's budget relating to small business. It was a lift of a coalition policy, a shingle that had already been used, and then there were no new tools or powers to bring about better outcomes for the constituency it aims to represent. There is that and the broken promise about the company tax. Perhaps the government realised that it was overstating those benefits, because less than a third of small businesses are structured as companies and about half of those are profitable and fewer still pay company tax. So the boast that a company tax cut of the kind the government had been waving around as a great achievement was going to be the outstanding tonic to help the small business community was again a false and misleading statement. We see this over and over again. Instead, there is now the loss carry-back measure. That measure is interesting. It is a measure the coalition advocated as part of a considered package to deal with the GFC. Why? Because we saw cases of companies that were profitable leading up to and immediately prior to the GFC whose businesses effectively fell off a cliff with the GFC. Therefore, there was a profitable trading period that businesses could reach back to and then carry forward the tax that they had paid on their profits to supplement, hopefully, their cash flow from this extraordinary and abrupt change in trading conditions. That was a measure that the government ridiculed—it said it was not necessary. But now, years after the GFC and after years of very flat and poor trading conditions for small business where many do not actually have the profits against which a subsequent loss could be laid off against and where one in three are actually structured as companies, the government thinks this is the time to bring forward this measure. Now that the time that it could have been most useful has long passed, the government has now brought in this measure. Maybe it knows something that other people have not heard from the government, and that is: if you thought the GFC was bad, the carbon tax is going to be worse. That could be the only argument.

Why turn your back on a measure designed to respond to the GFC and say it is unnecessary and now bring it in to coincide with the carbon tax? That action amounts to an admission that the carbon tax is going to be more of an assault on many Australian small businesses than the GFC. There can be no other explanation for it, other than it is another effort to make it look like the government is doing something when it is actually not in the name of the small business community.

In the time that is available, I would like to make one other point, if I may. I will come back to the tax changes and how limited the benefits are from those at another time, recognising that, to get asset write-off advantages, you need all the cash up-front to actually make that purchase and then be able to get some smaller percentage cash flow benefit down the track.

I want to talk about the LPG industry. Right now it is on its knees. This is a time when those who bring in the fuel or produce the fuel, that wholesale it, that retail it, that are involved in original equipment manufacturing of LPG vehicles or in the installations really need to get together. Here is a fuel that is cleaner, is green and is here now. This should be the sexy fuel of our time. People should be leaping on LPG as a cost-effective and environmentally and air quality responsible measure to power the transport systems of Australia. Not enough is being done in this area. I hope the industry comes together to promote this fuel that is in abundance in our country now and show the Australian motorist that it is something they should get on to. It is a clean, green fuel and it is here now. People should embrace it. *(Time expired)*