



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES
MATTERS OF PUBLIC IMPORTANCE

Carbon Pricing

SPEECH

Tuesday, 26 June 2012

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Speaker O'Connor, Brendan, MP

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Mr BRENDAN O'CONNOR (Gorton—Minister for Housing, Minister for Homelessness and Minister for Small Business) (15:30): The member for Dunkley sometimes thinks that the faster you talk and the more words you use in 15 minutes somehow provides a compelling case in advance of his particular resolution entitled: 'The adverse effect of the carbon tax on small business'. I listened closely to the member for Dunkley, but at no point did he really outline the case that there was a significant impost upon small business. In fact, this government has been very focused to ensure that small business was impacted in a very negligible way by pricing carbon. The last thing we will do is be lectured to by the opposition who, when in government, imposed the GST upon the small business community. The last thing I really need is a lecture from the member for Dunkley on how to look after small business, given the efforts by the Howard government to turn every small business in this country into an unpaid tax collector. So I need not have any lectures from those opposite. Even when I go around the country and speak to small businesses and ask them about government regulation, the first thing out of their mouths about the concerns they have in relation to government was the imposition of the GST and its impact upon small business. So I hardly need any lectures from the member for Dunkley or the Leader of the Opposition in relation to how we look after small business in this country.

With that in mind, this government wants to ensure that the small business community would not have any imposts placed upon them in relation to pricing carbon in the context of this very important reform. As the Prime Minister and others have said, it is important that we bring about this reform for this country so that we do reduce carbon and see some structural change in our economy, because we are a high carbon emitter. That is important. At one point in time every Liberal leader and Labor leader supported a market based approach to pricing carbon. Indeed, Prime Minister Howard supported a market based approach to pricing carbon. Malcolm Turnbull and Brendan Nelson did. And, of course, Tony Abbott, the current Leader of the Opposition, did at one point support a market based approach to pricing carbon when it suited him, and when it suited him to do otherwise he chose to wage one of the most reckless and negative scare campaigns this country has ever seen upon Australians and, in particular, on the small business community. I find that rather offensive and very unfortunate.

But I do believe that the small business community are very sensible, hard-working Australians and when the facts reveal themselves from 1 July they will realise that the myths and the untruths told by the Leader of the Opposition and by the member for Dunkley and others will be exposed and the truth will reveal itself. We do this important reform knowing it is difficult but knowing it is essential, and we do this knowing that we are in a very good economic situation. It is important to make that point because we wanted to ensure that small business are able to cope with these changes, negligible as they are, upon them. Just remember this: no reporting on carbon; no requirements to report to government; no tax to be paid; no tax to be collected; and, indeed, in relation to the CPI, a 0.7 per cent impact. For that reason, there are some follow-through on costs, but they are relatively negligible. They are about one-quarter of the costs associated with the GST. We are not even taking into account, of course, all those other imposts that were applied by the Howard government on the small business community.

Can I remind the House that we do have a very good economic conditions? We are returning the budget to surplus—that is very important—to provide confidence both here and overseas about the state of our economy. We are one of the very few developed nations that can even make that point about returning the budget to surplus. We have relatively low unemployment, around five per cent, and an increasing participation rate in our economy. We have very good economic growth and the lowest official cash rate that we have seen at any time under the Howard government. We have seen a reduction in the official cash rate in the last couple months of 75 basis points. What does that mean for small business? That means it provides them with greater opportunities to access loans, because interest rates are falling. And, of course, we have seen contained inflation. To see lower unemployment and contained inflation in this way is truly remarkable in the context of other developed nations around the world who are confronted with double-digit unemployment, inflation and some very serious challenges to their economies.

What we also did in order to ensure we provided support for small business arising out of the budget is that we announced a number of initiatives that we believe small businesses will embrace and indeed are embracing. Firstly, we introduced the instant asset tax write-off, which allows for assets purchased up to \$6,500 and instant depreciation of 100 per cent after the first year. This has been well received by small business, really providing opportunities for cash flow. Indeed, I should add that because the depreciation is paid in the first year it reduces depreciation schedules, which will ensure far less paperwork for small businesses. That is very important for those microbusinesses where they are doing most of their own bookwork and they do not want to have to fill out forms unnecessarily.

The other thing we are doing is introducing the loss carry-back scheme. This is a scheme that has been very well received by incorporated businesses, 90 per cent of which are small businesses. This will allow for businesses to reclaim tax they have paid up to two years earlier when they make a loss or reinvest in their company—perhaps to substantially upgrade their equipment or to reduce energy consumption. This is a very important initiative. It not only provides opportunities for about 110,000 companies, particularly small businesses, to invest and innovate but also creates confidence in the small business sector to invest, and that is important for our economy and for the small business community generally.

I would also like to say that, for two-thirds of small businesses, we have seen the trebling of the tax-free threshold to \$18,200—remembering that two-thirds of small businesses are not incorporated and they too, therefore, will benefit from that initiative. This is literally taking one million Australians out of the tax system. This is something that is remarkable, and no other government would be trying this on at this time—certainly amongst the developed nations—because they would not be able to do it. But good economic handling and good fiscal management have created the environment for the Reserve Bank to apply monetary policy. We are seeing some very good arrangements and a very good economic environment in which small business can thrive.

That is not to say there are not challenges. Those challenges, of course, include the high Australian dollar, and it is for that reason that we have had these initiatives targeting small business in sectors of our economy that are not doing as well as, of course, the mining sector. This is, I think, a very important thing to note. I should also add that there is also the instant asset tax write-off for vehicles, under which businesses can receive a write-off of up to the first \$5,000 of a company vehicle. These initiatives combined provide great opportunities for small businesses in Australia.

I heard a lot of bluster from the member for Dunkley, but the facts are these: there are no direct taxes that apply to small business. The misinformation that is being spread by the member for Dunkley and others is, of course, untrue. In relation to energy costs the Treasury, of course, have done their modelling and the average energy cost of a small business is two per cent of overall costs, and there will be a 10 per cent increase on that two per cent—0.2 per cent of overall costs to a small business. Of course we would expect those modest or negligible prices to be able to be passed on to the consumers. Why? Because we have managed through this effort to make sure that pensioners, parents and students are provided with cash payments, and we have also ensured that from 1 July workers will receive tax cuts, and in most cases they are ongoing. So I think it is really important to note that the government has taken account of the small business situation to ensure that they are not having to report to government, that they are not having to apply or collect a tax and that they will be compensated for the modest cost that will be passed on because they will be able to increase, very modestly, those prices.

The 0.7 per cent CPI increase that was shown by the modelling done by Treasury has now been affirmed by many, many other bodies, including other governments. We saw when the Western Australian government handed down its budget that it too confirmed that there would be a 0.7 per cent increase to CPI. We have seen that now with other governments, confirming the Treasury's modelling that that is indeed the increase to inflation. That is, as I say, very manageable, given the economic circumstances that we are in.

That has not, of course, stopped the opposition trying to scare people in, I think, a very irresponsible way. There is no doubt in my mind when I look at some of the indicators insofar as consumer confidence and business confidence are concerned that, whilst—I think legitimately—some concerns have arisen as a result of what is happening in Europe and the United States, the efforts by the opposition to effectively spread untruths throughout the community have had a big impact upon consumer confidence. I think that is an irresponsible act by the opposition. It is irresponsible, I think, to trash your own country's economy. It is irresponsible to say things that are not true and to suggest that things will happen when they will not happen. To suggest for a moment that a community can be used as a prop—that Whyalla can be used by the Leader of the Opposition as a prop so he can

say that they will be wiped off the map—is an irresponsible act by the Leader of the Opposition, and it goes to the character of the Leader of the Opposition. To suggest that a country town that is growing economically and, as the Minister for Regional Australia, Regional Development and Local Government said in question time, is growing in population will be wiped off the map is an irresponsible, reckless and destructively negative thing to say in relation to that very important community, as is the case with his references to other communities throughout this country. It says more about the Leader of the Opposition than it does about anything else that he is willing to do that.

But he is not alone in his efforts to misrepresent the facts as they stand. The member for Dunkley has been making a case that there have been 18,000 regulations created to hurt small business. Not only is this number ridiculous—an outrageous exaggeration of new regulation in order to, I guess, scare people—but the fact is that they are counting a multitude of regulations that have no impact on small business at all. Indeed, nearly 40 per cent of the number quoted refer to tariff concession orders and airworthiness directives. These are the things that the member for Dunkley puts in his media statements to suggest that somehow we are further regulating small business—a complete and utter mistruth and myth that is seeking to scare small business. These are some of the other regulations that the member for Dunkley has also included in the 18,000. For example, he says that an instrument that implements the ban on big banks engaging in anticompetitive price signalling, with a clear consequent benefit for small business, is one of the regulations which are an awful thing being introduced by the government. Indeed, he also says that Select Legislative Instrument 2011 No. 125 amends measurement regulations so that point-of-sale systems and other measuring instruments may be patent approved for use of trade. If a system is approved once, it is approved for all potential users. This is a clear efficiency to business. However, the member is putting them in with the 18,000 regulations. This is all about the scare campaign waged by the Leader of the Opposition. He should hang his head in shame. (*Time expired*)