



ACCI POLICY STATEMENT

SMALL BUSINESS POLICY

PRINCIPLES OF SMALL BUSINESS POLICY

ACCI believes the fundamental principles to underpin improved growth prospects for small business are:

- economic and fiscal stability;
- minimisation of public expenditure consistent with adequate levels of infrastructure and social cohesion;
- maximisation of competition in the marketplace;
- minimisation of regulatory burden; and
- minimisation of impediments to employment.

POLICY OBJECTIVES

ACCI's overarching policy objectives are to:

- provide national leadership on issues affecting the growth, investment and competitiveness of small business;
- achieve recognition by government in its policies that the circumstances, strengths and weaknesses of small business are different from those of medium to large firms. Policies which recognise these differences can promote economic efficiency and growth; and
- drive the issue of regulatory reform with government particularly from compliance and cost burden perspectives.

Specific, small business policy objectives include:

- comprehensive taxation reform which reduces compliance costs, complexity and uncertainty for small business;
- access to and cost of finance for small business to promote long term growth in the sector;
- continued deregulation of labour relations while at the same time promoting better workplace practices in areas of occupational health and safety;
- extension of competition policy principles, including competitive neutrality, to ensure government business enterprises compete fairly with the private sector;
- increased take-up of new communications technologies by small business including electronic commerce;
- small business involvement in telecommunications policy development through input of research and commercial analysis into government and industry forums; and

- greater access to and increased involvement of small business in government purchasing.

THE POLICY FRAMEWORK

The small business sector makes a critical contribution to the Australian economy. In broad terms small business accounts for around half of national employment and one-third of domestic product. In service industries, small businesses are generally recognised as those that have less than 20 employees, in manufacturing less than 100 employees and in micro businesses, five or fewer employees.

ACCI believes that small business, like all business, has far more to gain from government policies aimed at promoting the interests of the business community as a whole rather than policies aimed at promoting some business because of a particular characteristic - whether size, location, industry or market.

A conducive business environment with efficient taxation and industrial relations systems, responsible fiscal and monetary policies and a well educated and trained labour force will deliver to small business more opportunities for growth than a myriad of policy prescriptions on issues affecting the operations of small business.

However, business policy should aim to achieve neutrality and efficiency by recognising that apparently uniform taxes or regulations can impose very different burdens on different types of businesses. Where the application of uniform tax schedules or business regulations is likely to result in significantly and demonstrably higher proportionate costs for some businesses than for others, discrimination in the application of those taxes and regulations may be appropriate. In addition, the benefits to government of administering taxes or regulations should be well in excess of costs including recognising the costs to business of compliance.

ACCI believes that while small business operates in the same commercial, economic and legal environment as larger businesses, policies must allow for the different needs and capacities of smaller enterprises. Small business policies must be an adjunct to broader industry policies and recognise the characteristics of small business.

Small businesses are not just miniature versions of larger enterprises and not all small businesses necessarily want to expand. The competitive and entrepreneurial spirit of small business is the vital underpinning of Australia's economic future as the level of growth in larger corporations has steadied, with restructuring more in favour of medium and smaller enterprises and the exploitation of specialist skills and niche markets.

Small business policy should then be primarily directed at those characteristics of small businesses which are usually or typically different from medium and large businesses.

These characteristics include:

- legal structures tend to differ between small and large businesses. Partnerships and sole proprietorships account for about half of small businesses but only about 10 per cent of medium and large businesses. In contrast, over 70 per cent of medium and large organisations are proprietary companies compared to 40 per cent of small firms. Approximately 10 per cent of small firms are trusts or other incorporated bodies. Hence small business owners tend to be personally liable for business decisions and do not tend to have in-house corporate and legal expertise;
- small business is generally financed with debt financing in contrast to large business. Small businesses usually represent the main wealth of the business operators and loans are frequently secured against personal assets, often the family home;
- small businesses are usually run by owner/managers who have invested substantial sums in their businesses and who often do not have the time to strategically manage their business as well as the day-to-day operations; and
- small businesses typically operate in localised markets and from a single location. Most small businesses operate in

State or local markets rather than national or international markets. They then tend to be more vulnerable to changing market conditions.

Despite recent efforts by government to address the special impediments to small business, some areas of major importance continue to present difficulty.

These include:

Deregulation

The Government's response in March 1997 to the Deregulation Task Force Report of late 1996 addressed a significant deregulation agenda, but in the area of taxation highlighted the need for fundamental tax reform if significant reductions are to be achieved in compliance costs. ACCI managed a reporting and monitoring process within small business on the progress of deregulation and is working with government to ensure that a cultural change within the bureaucracy on the approach to regulation is achieved.

Taxation

The most important continuing problem area for small business is taxation. In 2003, ACCI undertook four comprehensive Small Business surveys. With a sample size in excess of 1500, the surveys consistently demonstrated that the tax system, taxation rule changes and compliance costs represent the greatest burden for small business. Other surveys, including the Yellow Pages Small Business Index, continue to find that small business considers taxation as the most important business issue.

Finance

Cost and accessibility of finance, especially patient capital for business expansion, is a barrier to SME growth. ACCI continues to promote to government the shortcomings of access to and cost of finance for both debt and equity for small business.

Management Training and Development

Surveys indicate that small business operators lack the necessary management skills and information to run their businesses successfully. The primary focus for improved management has to be the business improvement, training and development processes within individual enterprises themselves.

Government Purchasing and Contracting Out

The issues of government procurement and contracting out are a major concern for industry as governments federally and at State and local levels are significant purchasers of goods and services and increasingly more services are being contracted out to private enterprise.

ACCI is working with government to ensure its guidelines on procurement maximise industry development outcomes especially for SMEs.

Innovation

It is imperative that Australia develops an innovatory culture in enterprises, particularly small enterprises, which is conducive to a higher level of research and development.

Mutual Recognition

Mutual recognition of qualifications, regulations and standards between the States and Territories is an important initiative in improving competition and efficiency.

Fair Trading

Fair trading in business dealings between large and small businesses was the subject of a House of Representatives Report to which the Government responded in September 1997. ACCI welcomed the new initiatives on unfair conduct, retail tenancy, franchising, misuse of market power, small business finance, access to justice and education in the Government's response *New Deal: Fair Deal*. Fair Trading Issues were also examined as part of the 2002 Trade Practices Act Review. Although Government reforms since 1997 have achieved successful outcomes in terms of improving the small business fair trading environment, ACCI will continue to ensure that the Government does not put in place systems or legal obligations that will hamper commerce and industry or create greater regulatory burden. ACCI will also continue to monitor for unintended consequences and any diminishing of contractual certainty.

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