

## **Video transcript**

### **Does it pass the small business test?**

**Kate Carnell with COSBOA Chair Mark McKenzie**

**15 May 2019**

**Kate:** Good morning and welcome to election week. My name's Kate Carnell, I'm the ASBFEO.

And just last week, COSBOA (that's the Council of Small Business Organisations Australia) put out a document that I thought was really good. Fundamentally what it does is it compares the small business policies of the two major parties and also tells you what COSBOA thinks.

So I've invited along today the Chairman of COSBOA Mark McKenzie and he's going to tell you a little bit about what COSBOA found when they compared the two major parties on the issues that you believe are the most important.

Mark, can you tell us what both major parties are doing in regard to taxation policy for small business?

**Mark:** I suppose the biggest issue here for us is actually the Coalition opening with lowering the tax rate down to 25% and they've locked that into legislation which is the key point. Within that context, Labor has followed. When we looked at the two policies we said 'They're about even' but the difference we have here is that the Coalition has actually put it into legislation, they've highlighted that program and, from our perspective, they led and we have Labor following.

**Kate:** Putting up the cap to \$50m means that most SMEs in Australia will be part of this and that's really important isn't it?

**Mark:** Yeah, I think there's always been a bit of an issue on the departments to focus on the revenue level and tended to confuse that with profit. When they hear \$50m they think 'Oh a really profitable business!' but we know that isn't true. So if you look at my industry, the service station industry, the margin they get is about 2%. When you start to talk about these big numbers, the actual amount of money the business is capturing is actually pretty small. The lift to \$50m that was proposed as the tax threshold is a really positive move.

**Kate:** Look, that's great. Of course, the other thing that effects small businesses is cash flow. Payment times has been on our agenda in my office for a long time because we know that big businesses and occasionally governments are paying small businesses really slowly. So tell me where the policies lie in terms of payments?

**Mark:** In terms of the Coalition they've moved to 20 day payment terms and our understanding is that they're going to push through to 5 for government agencies. That's a real positive. On the Labor side, a significant focus on that area but not as specific. There's been talk about encompassing a broad protocol that would engage about 3,000 companies. We've been very supportive of the action that you've [ASBFEO] taken in that area because for most small businesses they feel like they're being treated like a bank by bigger suppliers!

**Kate:** A really cheap bank!

**Mark:** Absolutely! Who don't charge any interest. I have to say in this area, we've given it slightly to the Coalition on the basis that they push through to that 5 day horizon for government departments and for us that's an example of a lead that we'd love to see the Labor government follow.

**Kate:** Let's have a talk about wage policy now. We know that the cost of staff is one of the biggest costs in any SME. Tell me how both sides compare on wages policy?

**Mark:** There's three big things. The first is the ALP announcing they'll reverse the Sunday penalty rates decision. But we've only just seen that start to be introduced slowly – this is an independent umpire's decision. What we have is one party saying no we're going to go back and take it back the other way. From that context, it's a real negative for most small businesses that're competing with bigger businesses who've negotiated this out through EBAs. So they have that loaded rate. There's an unfair competition issue sitting there.

The second issue relates to a broader perspective on wage increases – we're seeing the ALP talk about the living wage. Some of the noise we've heard, even from the ACTU, has suggested that could be x3 times higher than CPI over the next couple of years. For most small businesses, that's going to cripple them. We've assessed the Coalition as having better policy in that area because they're effectively following the umpire and ensuring that whatever wages come through are actually pegged according to movement in CPI and what businesses can afford.

**Kate:** That's what the Fair Work Commission does. They look at CPI, cost of living, a range of issues and make that call and of course over the last two years they've increased the minimum wage by 170%. In other words, they've increased it by 3.5% when CPI has been under 2%. We're already starting to see movement there. So how do you rate the two parties in terms of wages policy?

**Mark:** We've actually rated the ALP as a fail. Because the biggest concern we have is that the ACTU will be dictating wages policy. That's our biggest fear. While we have a lot of respect for Chris Bowen and Brendan O'Connor in that area I suppose our biggest concern is from what we've seen to date there's no sufficient safeguards there from a small business perspective to believe that we will be protected from wage increases coming through that are just not affordable.

**Kate:** One of the things we've all got to do is make sure whoever wins on Saturday understands the impact on wages bills on small businesses.

**Mark:** The issues for us here is that will be our number one focus as COSBOA in the event that the ALP government comes to office. It won't be to tear it down – it'll be to work with them to help them understand that small businesses labour under these costs and they're the ones who feel the biggest pain when you see these sorts of increases come through.