

# Speech

## For Immediate Release

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## "Stronger Together"

- It's a pleasure to be invited to speak here today.
- The Business Council and COSBOA share many goals and our policy agendas have much in common.
- The Business Council's members include some of the biggest employers in the country.
- All of them have important partnerships with small businesses as suppliers and customers.
- Today I want to talk about the opportunity for big and small businesses to work together to make Australia a more prosperous country.
- My central proposition is this:
  - That we are stronger together.
  - That we are stronger when we act together.
  - There is no big business without small business, and there is no small business without big business.
  - And that we should resist the temptation to be divided, because if we are divided we will be conquered.
- We are totally interconnected, and that interconnection is one of our nation's greatest strengths.

- The activity of Australian businesses – big and small – isn't just the foundation of our economic prosperity. It's part of our social fabric.
- Businesses breathe life into our towns and cities through meaningful jobs, creating 10 out of the 12 million jobs in Australia.
- They pay the wages that sustain those people and their families.
- They produce and deliver goods and services to consumers and to each other.
- The trade between big and small-to-medium businesses is already massive, totalling about 555 Billion dollars in the 2015-16 financial year.
- They collect and pay the taxes that underpin our valued government services like Medicare and the education system.
- And they pay returns to business owners and shareholders, many of which are superannuation funds.
- That's just on the economic side.
- Australia's small cafes, shops and restaurants have long been the centre of Australians' social life.
- There's hardly a sporting club or an arts society in this country that isn't sponsored in some way by a business.
- In short, a weak business community means a weak society, and there's no walking away from that.
- In starting to think about how we can work together, we need to recognise that we share a common set of challenges and opportunities.
- I want to focus on three forces of change that we need to be collectively ready for.
- First, the centre of gravity in the world is continuing to shift from the North Atlantic to the Asia-Pacific, and for the most part to China.
- The Chinese economy is now the second-largest in the world at 14 Trillion dollars, and growing at almost 7 per cent each year.
- At the same time, China is shifting from an export-driven economy to a consumption-based one.

- Across Asia, 525 million people already count themselves as middle-class consumers – about the same as the population of the European Union.
- Secondly, at the same time, global supply and production chains around the world are changing.
- They are fragmenting with different components requiring specialised technology.
- This means large companies are sourcing goods and services from small businesses all over the world, overcoming some of the problems of scale and distance that have dogged Australian exporters in the past.
- That's an enormous opportunity for businesses of every size in this country to stake their claim in advanced manufacturing, in agribusiness, in niche markets, and in industries associated with our proud mining sector.
- Third, today's consumer is becoming the most empowered consumer in the history of the world.
- With the power of technology in their hand, they can make or break a company's business model in 24 hours.
- Businesses of any size that fail to embrace the digital economy and understand the preferences of their customers will struggle to survive.
- These forces are transforming the business environment.
- But there's no reason Australia can't be in the box seat.
- Australia is endowed with:
  - A wealth of natural resources
  - A skilled, energetic and creative workforce
  - World-class educational institutions
  - We're famous for the quality and safety of our products
  - And we have open and free markets.

These will be our comparative advantages that drive higher living standards for all Australians.

- There is no reason why we cannot be the masters of our own destiny:

- If we are cost competitive.
  - If we are trade-oriented
  - If we play to our competitive strengths
  - If we innovate to clear pathways to new markets
  - And if we can organize and coordinate our supply chains properly.
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- It's our shared responsibility as a business community – big and small – to make sure Australia's economy is working to give Australians the best chance of success.
  - We can be stronger together.
  - But only if we invest together, if we collaborate, if we learn from each other, and if we share the load.
  - You only need to look at how a Boeing 787 Dreamliner is built to see what I'm talking about.
  - Its label reads "Made in America", but many of its components come from around the world.
  - Wing flaps from Australia and wing tips from South Korea.
  - Cargo doors from Sweden and passenger doors from France.
  - I was proud to be standing on the factory floor at Boeing in Seattle a few years ago when a huge crate of components was wheeled in, emblazoned with the words "Made in Australia".
  - It was quite a moment.
  - The Brisbane-based engineering firm, Ferra, is a great case study of a small business that has grown as a supplier of manufactured parts to Boeing to become a fully globalised company with exports accounting for over 80 per cent of its business.
  - Let's look at the services sector.
  - Coca-Cola Amatil's deep relationship with a small advertising agency in Adelaide, Adlab, has yielded more than 1000 joint activities over 25 years.

- Over time, small businesses can seize the opportunity to become big businesses.
- Maurice Blackmore created a natural health company from scratch in the 1930s.
- Today, his company is synonymous with selling into China, with a market capitalization of 1.5 Billion dollars.
- The flow-on benefits from small and big business interaction can be huge for local communities.
- Rio Tinto's development of a community of over 700 fly-in fly-out workers in Busselton, south of Perth, has created a substantial customer base for local businesses and generated about 500 additional jobs.
- These examples show that if we work together we can grasp the opportunities and meet these challenges.
- One thing is for sure – nobody can go it alone.
- That's the opportunity, and we know we can be stronger together, but we have to acknowledge and address the serious problems that can bedevil the relationship between big and small business.
- There have been problems in the relationship – let's not pretend there haven't been.
- Apart from the supply chain relationships that exist between big and small businesses, we are also often in competition with one another, and we need to face up to that.
- But there is sometimes a power imbalance between big and small business, and that power imbalance should never be wilfully misused.
- Competition between businesses is good for our economy.
- It promotes innovation, delivers better services for customers and pushes us to generate more value.
- The challenge for us – big and small business – is to come together and design fit-for-purpose solutions that don't hold the country back.

- The real competition isn't only between Australia's businesses, but between Australian business and the rest of the world.
- The harder we make it to do business in Australia, the harder it is to stay in business, and the harder it is to compete abroad.
- Anybody who has run the gauntlet of operating a business understands the need to avoid costly, uncertain or overreaching regulation. It can, and often does, more harm than good.
- Just ask anyone who has spent long nights filling out BAS forms, or wasted money on unnecessary legal or accounting advice.
- So we need to work together to solve problems without creating more and more red tape.
- One way that the Business Council and COSBOA have come together is to address the problem of lengthy payment terms.
- We heard you when you told us that 120-day payment terms were unacceptable, and they are.
- We heard you when you told us about the stress and anxiety that comes from late payments, especially when you have to meet big expenses like wages, rent and energy bills.
- So we've acted together by launching the Australian Supplier Payment Code.
- This requires signatories to pay their small business suppliers within 30 days, and to pay on time.
- The code already has more than 50 signatories – and many more to come.
- They include the biggest banks, miners and airlines – accounting for more than 380 Billion dollars in combined annual revenue.
- It's open to any business, government agency or community organisation with small business suppliers.
- I'm really pleased that Wyndham City Council, here in Melbourne, has signed the code, showing the way for local government.

- The Code also requires big businesses to help small suppliers set up electronic invoicing to bring payment times down and help them participate in the digital economy.
- Now I know there are people who favour government intervention to swoop in and mandate reduced payment terms.
- My view is that jumping to regulation will do everyone a disservice.
- As well as imposing new compliance costs on everyone throughout the supply chain, it won't achieve the principal objective - that is driving a fundamental change in culture.
- We don't want businesses to comply with a minimum standard so they can tick a box. We want them to change behaviour at every level in their organisation.
- Regulation breeds a culture of compliance, cooperation breeds a culture of respect.
- Because big business knows that, in the long run, they need financially strong, successful small business partners who are equipped to deal with the challenges of the emerging digital economy, if they are to be successful themselves.
- It's good for big business. It's good for small business. It's good for Australia.
- So I commend both the federal Government and the federal Opposition for giving the voluntary, industry-led Supplier Payment Code a fair crack.
- I also want to thank the Victorian Small Business Minister and Small Business Commissioner for getting behind this initiative.
- It is a great example of how when we work together, we can be stronger together and solve problems together.
- It's a great start, but there's more to be done.
- The Business Council will stand shoulder-to-shoulder with COSBOA to:
  - Streamline industrial awards for small business that uphold workers' pay and conditions while making it easier to employ and pay people

- Bring our businesses together so they can learn from each other and form even stronger partnerships
  - Reduce the complexity and cost of licensing and permits
  - Pursue reduced and streamlined reporting obligations on small business, and less red tape
  - And a small business register that will make it easier to identify small businesses and consolidate the many different definitions used by government.
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- We should also work together on the policies that are going to make us all stronger. Things like penalty rates, an efficient tax system, and a workplace relations framework that makes it easy to stay in business and employ people.
  - Most of the Business Council's members aren't directly affected by the Fair Work Commission's penalty rates decision.
  - But they care about upholding the decision because they benefit from an economy with successful small- and medium-sized businesses.
  - It may not be popular in some quarters, but we have been out there stridently and vocally defending the Fair Work Commission's decision.
  - We should never forget that at the heart of the penalty rates debate is a small business owner who wants to open on Sunday and employ people on a Sunday, and can't afford it.
  - Or a young person who wants a few hours of extra work on a Sunday but can't get it.
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  - Another way we can help each other is in convincing the Senate to pass the government's full Enterprise Tax Plan for companies of all sizes.
  - Every project that we need to thrive is made more attractive to investors if we have a lower company tax rate.



- If we want to raise people's incomes – and we do – there is only one sure way outside of a trade boom to make that happen. And that is through productivity-enhancing investments.
- You know, with the instant asset write-off, that many small businesses were able to buy equipment that allowed them to be more efficient and employ more people.
- We can't expect to attract those investment dollars in a globally competitive world when our corporate tax rate is one of the highest in the developed world.
- Companies have a choice of going anywhere in the world to get the best return, and if you're a shareholder that's exactly what you expect a company to do.
- We can't expect to thrive in the Asian century with a woefully uncompetitive corporate tax rate. Across Asia, the average company tax rate is 22 per cent, and ours is 30.
- And we can't expect to thrive if we have a two-tiered tax system that puts an artificial handbrake on businesses growing beyond \$50 million in annual turnover.
- For all these reasons, COSBOA, the National Farmers Federation and the Australian Chamber of Commerce and Industry have joined big business in calling on the parliament to pass the Enterprise Tax Plan in full.
- The Business Council went out and fought as hard for small business tax cuts as we fought for the whole package.
- Now, we are asking for your help to get the full package across the line because it will make our country more competitive.
- It will benefit all of us. It will make us all stronger.
- So what practical steps can we take together to create a thriving, diverse business sector that offers the best chance for Australian workers and their families to get ahead?
- I'm delighted to announce today that our organisations are signing a Memorandum of Understanding that will set out how we can work together to promote policies that make it easier to do business in this country.

- Under the MOU, the Business Council and COSBOA commit to:
  - Jointly advocate for policies that create an environment for businesses to invest and employ more Australians
  - To bring our members together to help solve problems.
  - To promote ethical and honest businesses and practices
  - And to communicate the important role of business in our society.
  
- This is a very important step in the relationship between big and small business in this country.
- We are natural allies. We both champion aspiration and enterprise.
- We've got to work together to bring electricity prices down and manage the transition that is already underway in our workplaces.
- Because these are at the core of the community's anxiety and frustration with business and government.
- With public debate so often driven by conflict and division, we want the business community to be seen as offering solutions in the national interest.
- This is about problem solving, not point-scoring.
- The alternative is for the public to continue to become enraptured by the anti-business crowd.
- Those people who want to beat up on so-called "bosses" won't stop to distinguish between big and small.
- Exhibit A is trusts. What started as an attack on perceived tax evasion by the uber-wealthy now looks like falling on many small business owners who use trusts for legitimate reasons.
- We must work together to avoid these mistakes.
- This will be tough going, but I want to thank Peter for his courage and leadership.
- Peter and I have both copped a lot of flak over the years for sticking our necks out on the issues that matter to us, and to our members.

- That's because we believe that everyone in our society should have the opportunity to realise their full potential.
- The potential to learn, earn and work. To make their lives better, and make their kids' lives better.
- That's called aspiration. There is no better example of aspiration than a person who puts their last dollar at risk because they want a better life.
- No better example than a corner shop owner who works 11 or 12 hours a day to provide the best chance for their family.
- I don't want to see that aspiration snuffed out by excessive government and poor regulation.
- I want to see policies that unite us as a country and give added incentive for people to get up in the morning and strive for a better future.
- The members of the Business Council and COSBOA know, from the shop floor to the board room, what actually works, and what will get our country working.
- And that's why we will work together, and that is why we are stronger together.

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The Business Council of Australia (BCA) brings together the chief executives of 100 of Australia's leading companies. For almost 30 years, the BCA has provided a unique forum for some of Australia's most experienced corporate leaders to contribute to public policy reform that affects business and the community as a whole.

Our vision is for Australia to be the best place in the world in which to live, learn, work and do business.