



**Tasmanian  
Small  
Business  
Council**

*'Uniting Small Business'*

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## Legislative Council Select Committee "Growing Tasmania's Economy" Submission from the Tasmanian Small Business Council Inc.

### **General**

With more than 1.88 million small businesses in Australia employing 3.6 million people and with a total capitalised worth of \$4.3 trillion, 4 times that of the Australian stock exchange, small business is a very important sector of the Australian economy. Small business provides almost 80% of all employment in Australia.

In Tasmania that figure is close to 30,000 small and micro businesses which collectively employ about 110,000 people. The Tasmanian Small Business Council is widely recognised as the peak representative body of small business organisations, industry groups and individual firms in the State.

Primary activities of the organisation are:

- Promoting and supporting the development of small business in Tasmania
- Advocating to advance the interests of small businesses in Tasmania through policy change and regulatory reforms
- Fostering an increased awareness and understanding of the role of the small business sector among elected government officials, the public service, large business, the media and the general community.

Never have the words of the late Sir Robert Menzies been more true than today. He said, in part:

"The prime duty of government is to:

- Encourage enterprise, and
- To provide a climate favourable for its growth"

These two points are critical to the behaviour of enterprises and their willingness to comply with imposed regulation. They see public policy in the prism of their own enterprise, policy designed to help them results in an increased willingness to comply with regulation.

## **Issues**

Small businesses have only two choices when they are faced with increasing both profitability and productivity. They must either reduce expenditure or increase sales. The rider to this is that you can't always save your way to success or increased productivity.

Tasmanian businesses have untold opportunities to increase sales, productivity and profitability but are very heavily reliant on all three forms of government to be facilitating opportunities for this to occur.

Activities such as the financial support of football in Tasmania, assistance for events such as Ten Days on the Island and the Festival of Voices provide opportunities for all business to build on increased visitor numbers, longer visitations and an extension of the trading opportunities from which small businesses can increase their year round profitability.

## **Solutions**

### **Access to Finance**

Reports from Tasmanian enterprise centres indicate that small businesses that are start-ups or with short trading histories have difficulty in accessing funding from traditional sources such as banks and mainstream financial institutions.

It is acknowledged that the Tasmanian government is not and probably should not be a lender of last resort. However, liaison between officers of the Department of State Growth and senior financial lending institution officers to better understand the issues faced by small and micro businesses would provide a greater base of quality information to support the small business sector.

This, in turn, can be used by publicly funded enterprise centres to inform and support their small business clients.

### **New 'Big Business' attraction**

It is clear that the business model for the big four businesses in Tasmania (Nyrstar, Grange Resources, Norske Skog and Rio Tinto) is under some significant pressure which could well lead to significantly increased energy and transmission prices: an untenable situation for Tasmania's 37,000 small businesses.

A suggestion provided through our consultations is that the Tasmanian government should seek business from large data storage organisations with substantial energy needs such as Google to be domiciled in the state. They

require cool climates, cheaper energy, good security and a stable workforce. Tasmania is well placed to provide this.

A study undertaken by the Business Council of Australia “Big and Small Working Together” demonstrated clearly that big businesses are significant purchasers of goods and services from small businesses in their locality. Thus, encouraging big business is also supportive of small business.

### **Government Procurement**

The Tasmanian government has made some significant changes in the attitudes of public procurement officers but more needs to be done. Recent activities by the Department of State Growth, especially the conduct of a range of sessions on tendering for government business, have been well received and increased the knowledge of small businesses which intend to enter the market. Anecdotally, there is some way to go by Departments for genuine and measurable increases in the number of Tasmanian small businesses winning government business.

What remains to be done is an analysis of the value of the “local economic multiplier” which results in some 40 cents of every dollar spent locally remaining and circulating in the local community. A thorough economic analysis of this concept will enable more informed purchase decisions to be made that demonstrate the best value for money for Tasmania and the most efficient use of tax and rate-payers funds.

### **Industrial Relations**

Senator Lisa Singh and the Bartlett government felt that it was their responsibility to transfer the private sector industrial relations powers to the Commonwealth. This was not widely accepted as good policy and as Tasmania has not moved at the same economic pace as mainland Australia it now seems as though this may in fact have been a wrong move.

Tasmania’s wage rates have been increased at the same rate as the rest of the country, a decision which puts significant pressure on small businesses to remain competitive in a national and international market. Some argue that because the cost of housing and other related living expenses are concerned, Tasmania is cheaper, our wage structure needs not to be as high as metropolitan Melbourne or Sydney. This has been a difficult case to prosecute and has had no significant positive results for Tasmanian small businesses.

### **Taxation**

Recently the TSBC made a submission to the Minister for Small Business Hon Bruce Billson MP for the forthcoming federal budget, that small businesses (definition to be agreed) should have the opportunity to apply a 150% tax credit on all business related expenses (wages, capital expenditure, business costs). This would enable small businesses to take a bigger ‘risk’ when investing in new infrastructure and indeed, in some cases, employing their

first employee. This would have a significant input into business confidence and willingness by small businesses to make a further investment in their business.

It is acknowledged that this is a federal issue however, more input from the Tasmanian Premier and Treasurer in forums such as COAG and general intergovernmental discussions to have Tasmania considered a test site for such initiatives would be a benefit.

### **Working with the Public Service**

Many small businesses report frustration by a lack of efficiency in the state public service resulting in slow responses on seemingly simple questions and often unexplained delays in assessing tender results which blow out many weeks from the advised announcement dates. “Time” is a significant cost to a small business and such delays often add thousands of dollars of unbudgeted business expenses.

### **The Seniors Market**

While much comment is made by the media and some sections of the community about the “cost of the aging community” it is important to note that the requirements of older residents also present significant market opportunities. This is particularly so in personal service areas providing services and support for people who are no longer able to carry out many of the manual tasks so easily undertaken by people of younger age. An analysis of these needs and the promotion of the resulting business opportunities opens many economic possibilities. The Tasmanian Government should see older residents as a positive contributor to the state’s economy.

### **Retiree Migration**

A previous Liberal Government took active steps to encourage “Retiree Migration” to the state. This brings many positive opportunities resulting from the new wealth that is introduced into the economy and the jobs that result from increased demand. Such concepts should again be progressed both for the benefit of Tasmania and those people who may choose to come to our shores.

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4 MAY 2015