



“The G20 Agenda for Growth: Opportunities for SMEs” Conference
20 June 2014, Parliament House of Victoria

Communique to the B20 leaders and G20 Finance Deputies and Sherpas

1. We, the delegates of *The G20 Agenda for Growth: Opportunities for Small to Medium-Sized Enterprises (SMEs)* conference, met in Melbourne on 20 June 2014 at the invitation of the Honourable Bruce Billson MP, Australian Minister for Small Business, and the Australian Chamber of Commerce and Industry (ACCI). Organised by the Australian Treasury and public policy think-tank Global Access Partners, the conference was sponsored by ACCI, the Organisation for Economic Co-operation and Development (OECD), ANZ Bank and the Australian Bankers' Association.
2. We congratulate Minister Billson and the conference organisers for assembling an impressive array of Australian and international thought leaders to discuss the role SMEs can play in meeting the G20's target of 2% growth above trend. During the plenary sessions we discussed reforms and strategies to increase productivity, opportunity and employment. We heard speeches from the Hon. Michael O'Brien MP, the Hon. Russell Northe MP, Ms Kate Carnell AO, Mr Barry Sterland, Dr Sergio Arzeni, Mr Richard Goyder AO, Mr Phil O'Reilly and Ms Kate Gibson. We also raised a series of important insights and requests in subsequent discussions.
3. We stress the importance of policies fostering SMEs and entrepreneurship to achieve the G20's growth target. We welcome the Australian Government's policy reforms and new measures to help small business outlined in the keynote address by Minister Billson. We call for further reductions in red tape, 'smarter' regulations across the whole of government, improved access to information and finance, fairer competition with larger companies, streamlined tendering procedures for public work and a new emphasis on entrepreneurship in the nation's schools.
4. We present the following summary to contribute to the 2014 B20's four priority areas of Financing Growth, Human Capital, Infrastructure and Investment, and Trade. We hope the Conference's discussions and the recommendations outlined below will inform the B20 process and further discussions of SME financing, government procurement and other policy. We urge the OECD to continue this dialogue in a follow-up event in Istanbul next year under the Turkish G20 presidency.
5. A full report of Conference proceedings and recommendations can be reviewed online at www.treasury.gov.au/Policy-Topics/Economy/G20/~/_media/Treasury/Policy%20Topics/Economy/G20/Downloads/PDF/G20-SME-Conference.ashx

I. Encouraging Growth

6. G20 nations dominate international trade and drive global economic policy. At their meeting in Sydney in February 2014, G20 Finance Ministers and Central Bank Governors pledged to boost growth by 2% above trend over the next five years, generating an additional \$2 trillion of economic activity and tens of millions of new jobs. The 2014 Australian presidency prioritises growth and economic resilience, and the encouragement of a vibrant SME sector is integral to these goals. Australian SMEs represent more than 99% of all businesses¹ and account for 56% of output in the non-financial private sector Industry Value Add. IVA is the measure of the contribution by businesses in each industry to gross domestic product.² The “non-financial private sector” includes all sectors in the economy other than the financial and insurance services sector and the general government component of public administration and safety, education and training and health care and social assistance. As at June 2013, SMEs employed 7.2 million Australians, which accounts for about 56 per cent of non-financial private sector employment.³
7. Australia, and all nations, must release the potential of the private sector to drive growth, improve productivity and lift living standards for all its citizens. The flexibility and dynamism of SMEs form an essential part of this strategy, and their success must be encouraged by prudent macro-economic policy, investment in infrastructure, enhanced competition, trade liberalisation and the reduction of red tape and compliance burdens. The SME sector must be supported by better research, improved access to information and a renewed emphasis on the commercialisation of Australian innovation.
8. Proportionate compliance costs can be 10 to 30 times greater for SMEs than larger firms.⁴ The OECD calculates that reducing these costs by 25% would increase growth by 1% — half the G20 target. The Australian Government has pledged to cut at least \$1 billion of red tape every year, deregulation units have been created in every department, and two parliamentary days each year will be dedicated to removing superfluous Acts and regulations. New digital reporting and information systems will cut costs, improve efficiency and reduce administrative burdens, while alternative sources of finance for SMEs must be encouraged and the effects of recent banking legislation monitored for their impact on business lending.

II. Developing Human Capital

9. Australia’s relations between academia and business rank last of 33 OECD states, reducing the employment potential of young graduates and leaving them ill-equipped to start their own firms. A

¹ Australian Bureau of Statistics (ABS) (Cat No. 8165.0) *Counts of Australian Businesses, including entries and exits, June 2013*

² ABS (Cat No. 8155.0) *Australian Industry, 2012-13*

³ Ibid.

⁴ Dr Sergio Arzeni, Director of the OECD Centre for Entrepreneurship, SMEs and Local Development, in a keynote address to *The G20 Agenda for Growth: Opportunities for SMEs* Conference, Melbourne, 20 June 2014; as quoted in the Conference Report of Proceedings.

recent paper by Sir Andrew Witty⁵ called for universities to accept a third mission, in addition to teaching and research, to engage with SMEs through local enterprise partnerships. New Zealand is already linking schools, tertiary institutions and employers to ensure that businesses can hire new workers with confidence, and Australia could benefit from a similar approach.

10. We call for better links between education and industry to ensure that young people are ready for work and advocate the development of an entrepreneurial culture in schools to fight the bane of youth unemployment.
11. We also call for the easing of domestic regulations which impede the hiring of new staff alongside measures to improve the movement of skilled labour across national borders. Greater flexibility of opening and working hours would benefit businesses, customers and employment, and excessive penalty rates should be examined and amended to encourage trade, particularly when Australian exporters must operate at times convenient to their clients overseas.
12. New networks to link SMEs with their peers and burgeoning online education programmes will help busy SME owners share insights and improve their capabilities outside traditional courses they have no time to attend.

III. Improving Infrastructure and Investment

13. The Australian Government is shifting resources from recurrent spending to investment in the infrastructure required to support economic growth. \$125 billion of new government, state and private sector investment will boost GDP by 1% in perpetuity.⁶ More than \$50 billion will be spent to improve transport links as part of the Economic Action Strategy to generate growth, boost productivity and create thousands of new jobs. \$6.6 billion is being fast-tracked as part of the Government's Infrastructure Growth Package, while the Infrastructure Investment Programme will improve the nation's roads and railways, eradicate 'black spots', improve heavy vehicle safety and renew the nation's bridges.
14. We welcome Minister Billson's support of the *Digital by Default* strategy and *Single Touch Payroll* systems to reduce costs and drive efficiency for the public sector and business alike. Not all innovation is based on technology, and technology will not be the sole driver of future economic growth, but technology is changing the landscape for all businesses today. We urge SMEs to adopt new technology and embrace the digital economy as firms which fail to face the future risk exclusion from it. Australian businesses will increasingly cut costs by sourcing goods and services overseas, and Australian SMEs supplying such services must add value, increase their competence and compete in overseas markets to survive.

⁵ "Encouraging a British Invention Revolution": Sir Andrew Witty's Review of Universities and Growth, Final Report and Recommendations, October 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249720/bis-13-1241-encouraging-a-british-invention-revolution-andrew-witty-review-R1.pdf

⁶ The Hon. Bruce Billson MP, Minister for Small Business; Address to *The G20 Agenda for Growth: Opportunities for SMEs* Conference, Melbourne, 20 June 2014; <http://bfb.ministers.treasury.gov.au/speech/015-2014/>

15. Better sharing of data will improve efficiency, generate insights and enable Australian participation in OECD studies and research. Single payment and information portholes for government would reduce costs, save time and force a rethink of service provision by public authorities.

IV. Facilitating Trade

16. The G20 must confront trade issues with the same urgency it accords to global financial stability. Trade liberalisation offers the benefits of a debt-free stimulus package to every nation, and action in this area will accelerate global economic development.
17. The Australian Government is opening opportunities for the nation's SMEs by pursuing trade liberalisation through the G20, World Trade Organization (WTO) and bilateral and regional negotiations. The removal of trade barriers not only opens new markets abroad for dynamic Australian companies, but intensifies competition at home, improving efficiency and customer value. As well as guaranteeing access for Australian goods, such agreements address a range of other pressing issues, including intellectual property rights, government procurement and competition policy.
18. Improved labour flexibility, the removal of 'behind border' barriers and improved infrastructure and connectivity will also boost trading opportunities at home and abroad. Concluding the Doha Round⁷ of free trade negotiations could increase growth by 0.5%, while reducing internal barriers to trade could boost global trade by five times that amount.

ACHIEVING THE 2% GROWTH TARGET

- 1. The OECD calculates that reducing the costs of red tape by 25% would increase growth by 1%.**
- 2. \$125 billion of new government, state and private sector investment will boost GDP by 1%.**
- 3. Concluding the Doha Round of free trade negotiations could increase growth by 0.5%, while reducing internal barriers to trade could boost global trade by five times that amount.**

⁷ The Doha Round is the latest round of trade negotiations among the WTO membership.

Key Recommendations for Change

- Tendering and insurance requirements for government business should be streamlined and reduced for SMEs. A voluntary target encouraging government departments and large businesses to purchase 20% of their goods and services from Australian SMEs should be established and promoted.
- SMEs and industry organisations should submit specific instances of existing red tape requiring reform to relevant members of a nation's executive for immediate review. Smarter regulation and cross-departmental cooperation is required over the longer term.
- Governments should improve labour market flexibility, secure tax reform, harmonise regulation across domestic jurisdictions and continue the liberalisation of international trade. Improving productivity is the key to success.
- Entrepreneurship should be integrated into Australian school curricula and encouraged as a post-education employment option.
- The Australian Government's Digital Economy agenda should include a single online entry point for the input of personal and business information and credentials.
- The 30-day limit for the settlement of government accounts should date from the issue of the initial invoice, with the burden of further requests falling on public officials, rather than the SME.
- SMEs must adopt new technology and embrace the digital economy to become globally competitive. A stronger focus on design and brand quality can also underpin long-term domestic and export success.
- Alternative sources of SME finance should be encouraged, with appropriate protection for stakeholders involved. Most SME expansion is financed by retained profits and so profitability should be encouraged to generate future growth.
- 'Economic gardening' of local small firms, through which SMEs are encouraged to take on an extra worker or two, can incrementally increase employment. Medium-sized companies with export scope have the greatest potential for extra output and employment, and policy should therefore encourage their expansion.
- A possibility of elevating the status of the OECD Working Party on Small-and Medium-Sized Enterprises and Entrepreneurship to an OECD Level 1 Committee should be explored.
- A follow-up international SME conference should be hosted in Istanbul, Turkey in March 2015 as part of the Turkish G20 Presidency programme of activities.
- The B20 should continue to focus on issues relevant to SMEs and international growth.