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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Reference: Small business employment

THURSDAY, 18 JULY 2002

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SENATE
EMPLOYMENT, WORKPLACE RELATIONS, SMALL BUSINESS
AND EDUCATION REFERENCES COMMITTEE

Thursday, 18 July 2002

Members: Senator George Campbell (*Chair*), Senator Tierney (*Deputy Chair*), Senators Barnett, Carr, Crossin and Stott Despoja.

Substitute member: Senator Conroy for Senator Carr.

Participating members: Senators Abetz, Boswell, Buckland, Calvert, Chapman, Cherry, Collins, Coonan, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Hutchins, Knowles, Lightfoot, Ludwig, Mason, McGauran, Murphy, Nettle, Payne, Sherry and Watson.

Senators in attendance: Senators Barnett, George Campbell and Murray.

Terms of reference for the inquiry:

To inquire into and report on:

1. The effect of government regulation on employment in small business, specifically including the areas of workplace relations, taxation, superannuation, occupational health and safety, local government, planning and tenancy laws.
2. The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people.
3. The extent to which the complexity and duplication of regulation by Commonwealth, state and territory government inhibits growth or performance in the small business factor.
4. Measures that would enhance the capacity of small business to employ more people.

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Committee met at 9.46 a.m.

CHAIR—I declare open this public hearing of the Senate Employment, Workplace Relations and Education References Committee. On 20 March 2002 the Senate referred to its Employment, Workplace Relations and Education References Committee an inquiry into small business employment with particular reference to the effects of government regulation on the performance of small business, including the complexity of these regulations and the overlap between Commonwealth, state and local government regulations and the special needs and circumstances of the sector, particularly in regard to the capacity of small business to employ more people. Some of these issues were canvassed by this committee in its inquiry into regional unemployment, which was reported late in 1999.

The committee acknowledges the vital importance of small business in the Australian enterprise structure and the need to ensure that the sector has the capacity to grow. Of particular interest to the committee is the challenge of transforming successful small businesses into dynamic medium-sized industries capable of driving employment and economic growth. The committee has received submissions from a wide range of small business interests and is conducting public hearings in several states, as well as less formal round-table discussions with local business people.

Before we commence taking evidence today, I wish to state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to special rights and immunities attached to the parliament or its members and others necessary for the discharge of parliamentary functions without obstruction and fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given before the Senate or any of its committees is treated as a breach of privilege. I welcome all observers to this public hearing.

[9.50 a.m.]

BROWN, Mrs Vicki Louise, Small Business Assistance Officer, Great Southern Area Consultative Committee

PALMER, Mrs Kerry, Secretary and NEIS and Business Representative, Great Southern Area Consultative Committee

SMITH, Mr Edward William Leonard, Committee Member, Great Southern Area Consultative Committee

THAXTON, Ms Heather Gail, Acting Chair, Great Southern Area Consultative Committee

CHAIR—I welcome our first witnesses from the Great Southern Area Consultative Committee. The committee has before it submission No. 23. Are there any changes you wish to make to the submission?

Mrs Brown—No.

CHAIR—The committee prefers all evidence to be given in public. Although the committee will consider any request for all or part of evidence to be given in camera, I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

Mrs Brown—Thank you. I have been given the task of making the opening statement. First, we would like to welcome the committee to the Great Southern region, Albany in particular.

Our submission looked at a broad range of issues affecting small business, not from the perspective of a small business person individually but across that sector, as people who work closely with small business. The Great Southern Area Consultative Committee's charter is to increase the opportunities for employment and economic growth. In rural and regional Western Australia, the greatest way to improve economic growth is through small business—not just through the establishment of new small businesses but also through helping those that we already have improve their lot in life, because the easiest small business to keep in a rural and regional area is the one you already have. Other than that, you have our submission, and we are happy to take questions and go forward from there.

Senator MURRAY—Can you outline how your committee is funded, what it uses its funds for, what its agenda is and what its relationship or information flow is through to the responsible minister?

Mrs Brown—We are a federally funded, incorporated committee, so our funds come through the Regional Assistance Program. There are 20 members on the committee, taken from around the Great Southern area. We have members from the private sector, industry and agency people, and local government and community representatives. The strategic plan we are currently

working on in this three-year period was based on a partnership forum that was held in January 2001 at which 150 people from around the region came together to talk about the issues, as they saw them, to the Great Southern Area Consultative Committee. We operate in 12 shires. The flow of information goes through the Department of Transport and Regional Services but also directly through the chairperson to the Minister for Regional Services, Territories and Local Government. The current minister is Wilson Tuckey.

Senator MURRAY—He knows the area pretty well.

Mrs Brown—Yes.

Senator MURRAY—How are the committee members chosen? Are they elected or appointed?

Mrs Brown—Committee members apply in writing to join the committee. Those people are then welcome to come and address the area consultative committee and sit in on a meeting to see if it is exactly what they are looking for. The sitting committee then votes them in. The chairperson is selected by the secretary of the department in consultation with the minister.

Senator MURRAY—Is it a small business committee that is selected on proportional representation—so many from retail, so many from manufacturing, so many from tourism, that sort of thing?

Mrs Palmer—No. There tends to be a broad spectrum of people from small- to medium-sized businesses. For instance, I am a sole proprietor, but Mr Smith employs staff.

Mr Smith—I employ the equivalent of about 15 full-time staff, maybe 25 casual.

Senator MURRAY—The reason I am asking these questions—and I would like a response in this framework—is that some of the complaints are that, firstly, small business has difficulty in accumulating small business opinions because there are not enough small business people who are members of representative organisations and, secondly, it is difficult for small business opinions to get up through the layers to the responsible minister and to be reflected in government policy. Behind that are these questions: do you think your committee is representative of the range of small businesses in the Great Southern area, do you think that the things that matter to you are heard by governments, both state and federal, and can you see whether they are trying to react to your concerns?

Mrs Palmer—I would like to answer that. I did speak to our executive officer and I asked what the numbers of representatives from small business were. Out of the 20, I believe there are about 15 people representing small business. I believe the representation on the committee is probably as good as it is going to be. Within the committee environment, our views are heard, and many of us are fairly vocal. Perhaps because we have Vicki on that committee, and that is her hat, it tends to get a little further. I am not so sure whether I see responses further on down, but maybe I have not followed closely enough to see if there has been a response higher up in government.

Senator MURRAY—I assume your committee interacts at the three levels: you would talk and relate to local government both as represented in their state organisation and locally. I assume you would talk to the state minister, Clive Brown, and then you would talk to the federal minister or their representatives. Does that happen? Do your papers and concerns go forward? Do you get replies? Do people say, 'This is what we're doing' in response to your concerns?

Mrs Brown—Yes. We are very often asked by state government agencies whether we would supply information to help them put their white papers together for their relevant ministers. Being employed as a small business assistance officer gives me the time and the resources to go out and converse with the small business people of this region on a very regular basis. Although you say they are not collectively members of organisations, they fear not to get on the telephone and blast me if something is wrong and ask me to do something about it.

Although the area consultative committee is very structured, it also has a great reputation in this region. People come forward with their issues. The chairperson has never hesitated to write, expressing concern on issues relevant to people. We have had very good feedback. Just as a matter of interest, our chairperson recently retired. A great number of letters acknowledging the work that this committee and he, as chairperson, had done were received from a multitude of federal and state ministers. So I think our level of credibility is there and we do give a fair representation.

Senator MURRAY—So you think it is an effective communications method?

Mrs Brown—Coming from a biased standpoint, yes, I do think it is effective.

Senator MURRAY—I have to recognise your self-interest. Assuming through this process that you are getting to the ministers for small business, state and federal, many of your issues are cross-portfolio issues—tax or industrial relations have different ministers. Is there an effective branching out? It goes up to Wilson Tuckey, for example. Do you find that your case—on industrial relations, tax, tourism, or anything else which matters—gets fed out to other portfolios? Do you then find that the tourism minister is writing back to you about a concern you have or a tax for the Treasurer or stuff of that sort?

Mrs Brown—To a certain extent, yes. But I think you cannot overlook the fact that the area consultative committee is Australia wide. There are 53 in this nation. So if there is an issue that crosses boundaries, collectively we can lobby and write, and we can also go through the department to get the issue at the desk of the right person. How effective we are, again, I guess is a subjective thing. Sometimes, we do not get as much response or as much action as we would like. Are we expecting too much or is that a downfall at the other end? I would not dare to say in this committee.

Senator MURRAY—What is the mechanism for the collective representation of those 53 consultative committee views? Is there an annual meeting? Do you have telephone hook-ups or videoconferences? What happens?

Mrs Brown—We have statewide gatherings where all the chairpeople and executive officers gather in Perth with their department people. There is also a national conference that is held in Canberra.

Senator BARNETT—How often?

Mrs Brown—Once or twice a year. We also have very good and clear channels of communication. We use email a lot between executive officers and I use it with our SBAO officers. So I think the opportunity to network and to collaborate on things is definitely there. There was a strong collaboration recently through the changes in government with the change in minister and change in department; we have just been shifted from the Department of Employment and Workplace Relations to DOTARS. A lot of communication and thought went into the papers that were presented on those issues and the same for broader issues in our regions.

Senator MURRAY—If the summary of what you are telling me is that the mechanism for the message to be accumulated, sent and heard is good, then remains the key question: do you feel that the message is reacted to? In other words, are there policies which result from the accumulated wisdom of people within your consultative committee into the state group and the national group, such that you see changes in government policy resulting?

Mrs Brown—I believe the greatest change was when Minister Macfarlane decreed that all policy decisions at federal level would look at the impact on small business. Whether that is working effectively, I would not like to judge—

Senator MURRAY—Not yet.

Mrs Brown—but I guess that gives us hope. None spring to mind directly, but I am sure there are other issues where we have had a positive impact—or sometimes perhaps a negative impact. Does someone want to jump in and help me here?

Mrs Palmer—As I mentioned earlier, I am not so sure how effective we are right up there.

Senator MURRAY—I am no expert in this area, but I do not see any sign of key things like regional development policies, training programs for entrepreneurs and owner operators, and employment support systems being obviously affected by input from small business. I do a great deal of tax; I do not often see signs in the explanatory memorandums or motivations from ministers, treasurers or assistant treasurers that say, ‘This erodes our small business consultation,’ whereas you do see it with regard to big business matters.

Mrs Palmer—One thing I can be very positive about is that small businesses do believe that nobody higher up listens to them. They are very frustrated with that.

Senator MURRAY—Obviously, that is why I am questioning you as I am. It seems to me that the mechanism is there, but it is not evident that it comes through.

Mrs Brown—Maybe we are successful in spite of any blockages further up the pipeline. We have some sterling examples in this region of communities banding together to make things happen. You mentioned employment support and assistance. There is a great program running in Kojonup; it is locally based with a volunteer committee which would be made up of small businesses, primary producers, local government and community members. They are running their own employment training and support service; it is an unofficial employment agency, if

you like. Those things are replicated around this region. Either because they have been given great support or in spite of lack of support, the people have made things happen. Kanwork in Katanning is a prime example of community members who were motivated to get together to effect change.

Senator MURRAY—Let me ask for an example which is directly relevant to the remarks you have made in your submission. In your submission you mentioned the need to support employment subsidies, grants or some kind of welfare mechanism which means that people are affordable for small business if it is a marginal choice as to whether they will employ or not employ. One of the issues being debated at national level is whether a tax credits system should be looked at. Simply put, that means that the tax system subsidises the employment cost of the individual. It has been used very successfully in many parts of the world. Let us take an idea like that. Do you ever initiate discussions about that or put up papers and say that you think this would be a great idea? Are you ever asked by ministers to examine the practical impact of ideas like that and to provide documentary support for considering such matters?

Mrs Brown—We are, from the agency perspective.

Senator MURRAY—What you mean by ‘agency’?

Mrs Brown—The Western Australian Department of Training; it was WADOT. I know it has recently changed its name; I am sorry, I do not know what it is called now. They have an office here in Albany. We work very closely with their agency people and very often have input into their white papers and training sessions, and look at the training needs for this region and the new apprenticeship schemes.

Senator BARNETT—Is it a state department?

Mrs Brown—It is a state department, yes.

Mrs Palmer—I do not believe we have initiated any original surveys from our own committee, though.

Mrs Brown—We are not allowed to survey.

Senator MURRAY—You are not asked to do that. The reason I raise this is that an essential component of the national discussion on welfare reform and advancing employment is trying to shift people out of welfare into work. The way in which the marginal rates operate makes it very uneconomic for a person on welfare to easily switch to employment. However, if you try to push the wage up too much, it makes it uneconomic for the small business person, which is contrary to the primary task. You have to provide some kind of government credit system called a tax credit system—that is one idea—which makes the movement from one to the other possible. Small business input in that area would be: what is affordable and how it could work and all that sort of thing. I think what you are telling me is that you are populated by practical people with hands-on experience of day-to-day business. It is a good sounding-board for the practical effect of these ideas.

Mr Smith—I guess that theory and those ideas are used by our committee in the submissions that we make for funding applications for various organisations, for development. That is very much our role—actually preparing submissions to help organisations get funding so that they can develop projects which at the end have an employment component to them. These projects are all based on that. Various things come to mind, from the establishment of the wine industry centre to the help in putting together some projects in the Biosphere in the Fitzgerald area. They are community developed projects, to a very large degree, that would not happen if they did not get this particular government funding. But they all have an employment component; if it is not going to increase employment, it does not get too far. That is the background of the committee.

Fifteen out of the 20 people on the committee have some small business background; the rest perhaps come from university and higher things. But it is a very good balance and many of us as representatives are connected with other community committees et cetera, so it finishes up as a very broad thing. In my own case, I am a motel proprietor, the deputy chair of the visitor centre, the chair of the Regional Tourism Association and I am involved with the group training committee down here. So a pretty big input goes from the committee into the submissions.

Mrs Palmer—Most of our time is taken up with that, as Len said. But it is a good point, because it is something that we are probably not chasing strongly enough. We have the representation there, as you say. However, because of the budget—and we have so much to get through in three hours once a month—we are actually looking now at cutting those meetings to six times a year, which I spoke against at the last meeting and have done for the last six or seven years. I guess it is a time factor. We do the things we have to and we get through them. I close my business and come down to the meetings, as I have done today, and Len has to get staff in. So we give freely of our time in coming out of business to do this but, yes, we deal with the issues in the criteria that we have to work within. Small business is an area that we probably should get into and I would say that we have neglected it to a certain extent. I suppose we have been guided by the guidelines as to what is wanted from above. Whilst we have Vicki on the committee, I think our focus has mainly been on the submission and development type things on a much broader scale and on helping people from the region to get hold of some money in order to initiate more business.

CHAIR—Mrs Brown, this is not a trick question, so do not think it is; it is just leading into another question: can you give us the background to what skills you have that particularly equip you to be a small business advisory officer for this region?

Mrs Brown—I could, yes. I am a partner in a 4,000 acre farm with my husband and his family. I ran a small company called Vicki Brown Community Optimist, where I went out to talk to communities about capacity development building. I was the chair of a steering committee that opened a community bank in Tambellup and Cranbrook. Other than that, I am mainly an employee from the other side, although I have managed a bottle shop and a delicatessen for a small business owner—who obviously was not me. I am told the reason that I got this job was my broad network around this Great Southern region—being easily identifiable by the people out in the region and someone most people felt comfortable talking to.

CHAIR—Have you had any formal skills training?

Mrs Brown—No, I do not hold a degree of any kind.

CHAIR—You are probably pretty familiar with most of the small business people in the area. Are you aware of any training schemes that are in place in this area or of any proprietors who have undertaken specific entrepreneurial type management skills training, whether it be in how to manage cash flows or how to handle employees—all of the sorts of issues involved in how to actually run a business?

Mrs Brown—We have three business enterprise centres within this region. There are a number of state based training opportunities. There is a program at the moment called Small Business Smart Business, where people get a \$200 voucher to receive some training that they deem they need. TAFE offers a number of small business courses. There is a program at the moment called Women Going Places, which concentrates on the development of women in small business. There is a course next week in Mount Barker on e-commerce, on the difference between e-business and e-commerce. There are a number around. The greatest complaint—

CHAIR—I am aware there are a number of courses, but I am really trying to establish whether or not you are aware of proprietors who have actually undertaken these courses. We talked to a person last night who runs a cleaning business—I think he said that he employs 100 employees—and he is registered as a training organisation. He has been to and done train the trainer courses and courses related to delivering that product, but he has never had any formal training in running a business.

Mrs Brown—Most small business people do not. I think we operate in an atmosphere of salvage rather than of strategic planning. In the small business sector, we tend not to seek help until we are in dire straits, until we actually need that assistance or there is no other option. There are smart small business people who do train the trainer courses, who go and do courses at their local telecentre or at their local TAFE, but they would be in the minority for the most part. Quite a number of small business people in this region bought themselves a job, either with a redundancy package or by getting off the family farm.

CHAIR—Has your committee discussed this issue or given any consideration to how to actually lift the skills profile of small business proprietors in the area?

Mrs Brown—We have, yes, and it has been my role to help organisations get training packages together or try to seek funding. The greatest impediment is time. Small business people in this region are very often sole traders or in small family businesses. Who goes to the course? Do you employ somebody to take your place while you do it or do you close the door? Very few training courses are run in hours that are suitable to small business people. Even though there is training there, there is a reluctance on the part of the small business person to go to that training and access that training.

CHAIR—Would it be a major impediment to change that, to be able to get courses run on a weekend or to suit the needs of small business people? Is it something that has been actively pursued or is it just something that happens?

Mrs Palmer—Certainly, I do not think it is actively pursued by us, as a committee, but it probably has been pursued on an individual basis. Vicki assists with small business. With regard to the Workplace Trainer and Assessor certificate, most people do that only as a compliance issue, not because they want to be there. It is purely another compliance issue for them and they

have trainees there. The other thing is that we have a nation of exhausted small business people. They do not want to do training on the weekend because they want to see what their kids look like. They are the down-to-earth, on-the-ground type issues that they have.

CHAIR—Unfortunately, it is that training and those skills that may make the difference between them being successful small business proprietors or not.

Mrs Brown—I guess the way to try to overcome that is to ensure that the information gets to them. Statistics prove that, in this region, the most widely read publication is the Snake Gully gazette. When you put out the advertisement for this Senate inquiry, it did not go into the Snake Gully gazette, it did not even go into the regional papers—it was one small ad in the *West Australian*. So we undertook to inform the small business people of this region that this was happening through the Snake Gully gazettes and some radio airtime. They do not have the time to read the *Australian*, the *West Australian* or the regional newspaper, but they do read their Snake Gully gazette. So that is what we try to do—deliver the information that may help them to be a bit smarter in their business.

CHAIR—I must say, in our defence, we did contact all of the state government small business ministries to let them know and we asked them to facilitate the process.

Mrs Brown—I wasn't having a go.

CHAIR—No, I just wanted to make that point.

Mr Smith—It is always very difficult to disseminate information out into the rural scene. I know, from one or two organisations that I belong to, that no matter how you try, you cannot get that message out about what you have done or what you want to do or to get them to come together. In the rural scene, it is a difficult one.

CHAIR—I would like to ask a couple of questions about your submission. In relation to term of reference No. 1, you say:

The greatest impediment to small business employing more workers is the smaller available market share and potential growth—

which is true. And then you go on to say:

... often working with older and more restricting infrastructure, and a higher cost to bring infrastructure to an acceptable benchmark or compliance standard.

Would you like to expand on that a bit?

Mrs Brown—As the health and safety regulations are becoming more stringent, there has been a change in what is an acceptable set-up in a shop situation. For example, in one particular town I know of a butcher shop that was operating under the old standards. It was left vacant for six months so, under the new standards, it was not acceptable to operate it again as it was. The cost was deemed to be too much to bring it up to standard, so it remains vacant. You would have to work for a very long time to return a profit on meeting some of those standards. So they either stay as they are without expanding or they opt to close down and move away.

CHAIR—Essentially, what you are saying is that, as a result of government regulations—whether they be health and safety or whatever—the start-up costs of a new business are much greater.

Mrs Brown—In the rural and regional areas, yes.

CHAIR—And that is an impediment to businesses starting up. Under point 2, you say that most small businesses do not set out with the intention of employing anyone. I suppose the obvious question to ask is, ‘Then why do they?’

Mrs Brown—Why do they employ someone in the end?

CHAIR—Why do they employ someone if their intention is not to? I suppose it is driven by growth in the business and demand.

Mrs Brown—It is also driven by paperwork and compliance issues. I had one small business person in the town of Nyabing ring me to say that he could not afford to employ somebody, but he really needed to—otherwise he was going to go mad. The paperwork was killing him, trying to deal with the customers was killing him. I think, in the first instance, the people that I speak to started a business because they had a passion for something and thought that they could share that or they had a skill in something that they could make an income from. Often the business does grow and needs employees. A lot of the businesses are looking to provide employment for their families more than outsiders. The dismissal laws discourage people from employing outside of their immediate family.

Ms Thaxton—The overtime rates are also a factor. Garden centres, for example, have to be open on the weekend because that is when they do their main trade. They cannot afford to pay double time for weekends or double time and a half for public holidays. They just work it themselves, and they are tired.

CHAIR—It seems to me that what you are also saying is that a lot of small businesses do not set out with a growth strategy in mind for their business.

Mrs Brown—It would be fair to say that some small businesses do not even know their position until they come to doing the end-of-year financial statements. As I have been told recently, with the implementation of the GST, they now do them quarterly, so they do know a little bit more about their business than they did before the new tax system was introduced. But there is not a great deal of long-term business planning.

CHAIR—That is the point I was trying to make. In 1998, the federal government made a big issue of the fact that it was going to do a lot for small business in reducing red tape—reducing the impediments on small business. Have you seen any perceptible change in the demands of government regulations on small business, or is it getting worse?

Ms Thaxton—Personally, I think it is getting worse. I am a bookkeeper and I am mobile. That is what people have hired me for: they cannot cope with the mountains of red tape. Although they agree BAS is probably good because now they know where they are, they do not

know how to do it, and a lot of them are still frightened of it. That is where I am called in now, as an employee; they contract me to do it.

CHAIR—The other thing we heard expressed yesterday was the view that the black economy was thriving at the moment, driven partly because, rather than doing the GST returns, people are looking for ways of getting around the paperwork. Is that also your experience in this region?

Mrs Palmer—Yes, absolutely.

Mr Smith—Yes, I think that is probably right. All this paperwork and red tape and things has not eased up over the years. In fact, I have been in business now for many years and I think it is becoming more and more complex all the time rather than simplified.

Mrs Palmer—Far more. Of course, they say, ‘And then you do not have to pay GST.’ That is the excuse for it.

Mrs Brown—I am not going to touch that!

CHAIR—I will not ask you to do anybody in!

Mrs Brown—That is very good. I have to live in this region; you get to go home! Across the sectors, there is more paperwork and more red tape, be they incorporated community bodies, volunteer organisations, small business, big business or local government. We are literally drowning in paperwork in triplicate. A lot of people say to me the computer was supposed to reduce that, but it certainly has not. If anything, it has made it worse.

Mrs Palmer—We now have unwaged working wives and partners starting to pick up that role. Again, it is that exhausted nation of workers. People are just so tired.

Mr Smith—And the need for quality endorsement and all these sorts of things these days adds far more complexity to simple businesses.

CHAIR—In the last paragraph of your submission, you say:

It is the view of this Committee that better management and awareness by small business of its capacity, obligations and opportunity would go a long way to enable a more sustainable future ...

How would you propose that be done?

Mrs Brown—Just the things we talked about before.

CHAIR—Without shovelling another mountain of material on top of small business to have to read: have you given any thought to how that can be done in an effective way?

Mrs Brown—At the moment, I am working with a group of service providers who deal in business planning, financial planning and accounting to put together a simple course that small business people can go to to learn about the future in financial planning. A worthwhile business

plan does not have to be a novel but something that they can bring out and check against. We are also working to replicate the courses, so we can offer one during the day for one partner and another of an evening for the other partner. The other thing we hear a lot is that one partner goes, but then something is lost in the translation, and the other partner says, 'No, that is a waste of time. We do not need to bother with that.' So we are trying to address that. This committee is trying to address that by informing people. Organisations like CRIE, which you are going to hear from shortly, are bringing a multitude of people together to try to get information out there and support people to upskill.

CHAIR—So it is a question of focusing on those entrepreneurial skills that we talked about earlier.

Mrs Brown—And probably at a localised level. It would be really great if more people in Canberra and Perth listened to some of the things we had to say. But, when it comes down to it, it is about people taking part because they are motivated to survive and about us making it as easy for them as possible on a local level, on a real level.

Mrs Palmer—A lot of small business people, particularly in small towns, are not so keen to go along with a group and do a course on how to be entrepreneurial because they would have a 'I'm not entrepreneurial' hat on and they would not want Vicki or Len or me to see that. I actually wonder if it may not be of benefit if we could have a force of people who walked into a business and said, 'I'm a business help person; can I individually help you?' I do not believe that these generic training courses fit the myriad of different businesses out there. I do not think they are effective enough. Businesspeople do not have the time. Of course, there would need to be some independence of that person walking in, because small business people would be naturally very suspicious that if this person got into their books it may get back to government. We would need to have business help people out there who are not just going to come with information—because time is the issue. They need to be able to come into the small business and say, 'This might work well if you did this' or 'This is a basic bookkeeping system that would work well for your little business or your larger business,' and be able to help them right there. Then the businessperson could talk about the pedantics of that business: 'Oh, yes, but I don't do that; mine works like this.' The generic courses are not effective enough. I think there would be some benefit, and I do believe those people would be inundated with requests if that were to happen.

CHAIR—I would like to run something past you. In another life I spent a bit of time on the board of the old National Industry Extension Service. One of the proposals I put to that board a considerable time ago, which got lost in the translation to AusIndustry, was a proposal that we should set up a series of caravans like the old Army recruiting type thing, take them around the business parks or local areas and set them up for a week and take assistance out to business rather than the reverse. Would that sort of proposal work, or would that be too in your face for local businesspeople?

Mrs Palmer—I still think that you have to go to those people's particular business houses. I do not think you will get them to come out.

CHAIR—That would be the way in which it would be done.

Mrs Palmer—So they would go to the individual businesses?

CHAIR—Yes.

Mr Smith—I think there could be a mentoring type of system, where a person could foster three or four different businesses and provide that one-off situation. That has happened in our town over the last couple of years. We have in our town some small engineering type organisations which are very small and they have not really been able to do a lot individually. Four or five of them have got together and they now find that they can get larger contracts. Joe Bloggs makes something and someone else makes something and then it all comes together. They can take on things that they could not do in the past. I think that applies to a lot of small businesses, particularly in the smaller towns. That is done on a mentoring system.

Mrs Palmer—I think mentoring is good, particularly in start-up businesses. But I am not sure whether existing businesses that are floundering are so keen about divulging what they want to do or sharing their own information. I think the big signs on caravans would be an issue—I really do. I think it has to be more private than that.

Senator BARNETT—Firstly, I congratulate you on your very comprehensive and professional submission. Secondly, I thank committee members for being here, because you all have businesses and you are taking time out from that. That is appreciated. I want to flesh out a little bit more what Senator Murray was asking about. We are trying to find an ideal model, if there is one, so that we can assist small business—for example, having an area consultative committee, like yourselves. Is that the best way to go? You said 20 members are on your committee. Is that too many or too few? You have these meetings so many times per year. Can you just flesh out the structure and the funding? I am not sure if it is the same for every committee? Could you give me a rough overview of the funding? Are you able to plan long term—one year, three years? Can you respond to some of those queries? If you have suggestions on a better model, let us hear it.

Mrs Palmer—Our funding has been decreased this year, so we have issues.

Senator BARNETT—How much funding, roughly?

Mrs Palmer—I cannot remember.

Mrs Brown—Our notional allocation was about \$200,000. Do you want the number?

Senator BARNETT—No; just roughly.

Mrs Palmer—I think it is down by about \$20,000. In fact many members are taking the brunt of that. They are saying, ‘Okay, no matter where we are travelling from, we won’t stay overnight. We’ll do whatever we have to do.’

Twenty members is capacity for us. We are almost too big. Because we are seen as a popular committee—I am not sure whether that is the correct word—we have a lot of people who would like to be on the ACC. It is the place to be at the moment. So we are saying to people, ‘I’m sorry, we can’t take any more people on.’

Mrs Brown—We have a waiting list.

Senator BARNETT—Do you have an executive officer? Are you it, Vicki?

Mrs Brown—No. We have an executive officer who is paid by the committee through funding from the Regional Assistance Program. I am what you would call a project officer. I am funded out of the Office of Small Business, which is now a part of Industry, Tourism and Resources. The contract has been extended for six months only while the small business assistance program is being rejigged or reviewed. We also have an employment marketing officer who is paid out of the Indigenous employment program through DEWR. And we have administration staff that we pay through the committee funds, through RAP.

Mrs Palmer—And we have had to let one of our secretaries go, as well.

Senator BARNETT—Do you think the way it is set up is a good model for the way our federal government can communicate with small business, or is there a better model?

Mrs Palmer—I think the model works very well now. But I do not think any committee should be set in place and this is how they should work. I think they need to be able to work and move with the requirements of what has to be done. It depends on what the important issues are.

Senator BARNETT—Should there be an area consultative committee in every sector and every part of Australia?

Mrs Palmer—I could not say so. The worth of the committee is usually made up by the value of the people on the committee. So I cannot speak for others.

Senator BARNETT—That is fair enough. Are there any other suggestions in regards to communicating with small business and better ways to communicate between federal, state and local government and small business? I think you mentioned—and I totally agree with you—that small business has that perception that nobody listens. I think you made the point, Vicki, that you need government to listen to what you are saying. How better can we communicate from all sides through to small business?

Mrs Brown—Locally, they believe we listen and we are all approachable. We tell them that we send it further up the line. So I guess that goes back in the hands of people like you, Senator.

Senator BARNETT—All right. If we had a Snake Gully gazette in every community, maybe we could target it.

Mrs Brown—There is one.

Senator BARNETT—Another of my areas of special interest is mentoring. I think Mr Smith mentioned the merits of mentoring. Can you flesh that out—the merits of mentoring and how we might be able to promote and assist a mentoring program for small business, particularly in the start-up period.

Mr Smith—In the start-up period, in many cases a lot of people start off just with a good idea or something they have been involved with that they see they can grow. They have expertise in that particular product or interest that they are developing but they do not necessarily have all the other business skills or training or the background that is necessary to develop a business. It is much different to convert a hobby into a business because there are some big steps there. Where do you go, as a new starter, to get this information? You can get a little bit from your accountant or whatever it might be, but there are many places you have to go to get this information. I think there is a very important role out there for a mentoring type of situation, where there is somebody who knows the answers to most of these things and can point that person in the right direction and can perhaps advise on the speed at which they expand or the traps of expanding, or bringing like industries and like people together to get some greater value of out them.

Senator BARNETT—Has your committee considered it and got behind it and said, ‘Let’s try and run a mentoring program,’ or have you got too many other priorities on your plate?

Mrs Palmer—Certainly, some of the private training providers in the region have mentoring programs that they run. I am not sure whether they are really taken up wholeheartedly or not.

Mrs Brown—The Great Southern Development Commission, which is to appear later this morning, has been very involved in a mentoring program, of which I think we were a supporter. In our strategic plan mention is made of there being a role for mentoring. Again it comes down to time. You are looking at communities where the small business people are also the ambulance officers and the football coaches. It is like that here in Albany. We are very strongly based on volunteers, and mentoring becomes just one more thing that you volunteer for. When do you spend time on your business? We say that you need to do that with small business; it is not just a case of working in your business and then dashing off to do all your other things. That is an admirable thing, but it is just one more to add to the pile.

Senator BARNETT—In your submission you talk about planning and the zoning laws, and you cover 12 shires. Do you have a mechanism for expressing your concerns about the inconsistency in those planning laws? Have you had any success with the local shires in getting them to try and help small business through achieving some consistency in local planning and local government regulation?

Mrs Brown—We do try. Our executive officer has been meeting and discussing those issues, on a semiregular basis, with the CEOs of the local government authorities in this region. I think most shires in this region genuinely have a desire to see small business growth in their communities, because it provides jobs as well as rates and more volunteers to work on things. I think they tend to be dealt with on an issue-by-issue basis. The greatest impediment, probably more so than the zoning laws, is the release of land. Many communities have people who want to start a small business, but there is no land for them to go on to. With native title and the Department of Lands and Surveys’ dollar, a lot of impediments are thrown in there.

Senator BARNETT—Finally, you talk about small business employing new people and the perception of the problems of dismissing them. Is that a real perception? Have you noted that as a problem?

Mrs Palmer—Yes. Certainly I know of several studies where employees have taken their bosses up on unfair dismissal. In fact, solicitors have told those bosses, ‘Don’t bother; just pay out.’ That is quite a concern and, with this law, I think a lot of small business people feel unfairly dealt with.

Senator BARNETT—Do you feel that the fear of there being problems down the track with unfair dismissal is stopping small businesses from employing new people?

Mrs Palmer—Yes; and they are very aware of it.

Mrs Brown—They will state that openly.

Senator BARNETT—So that is an impediment to small business employment growth?

Mr Smith—When replacing somebody or looking for extra staff, I guess one of the greatest fears you have is: how good is my selection going to be? The difference between the written application and interview and the actual work capacity at the end can be surprising. In fact, you can well finish up with somebody who plainly is just not compatible. I really think the guy who is paying the money should be the one who does not have to worry about compatibility. That happens certainly in smaller businesses; it probably gets lost and camouflaged in larger ones. In small businesses where there are only two or three people—I have certainly had one experience of this in my own business—one person can wreck an awful lot in a fairly short time.

Mrs Brown—Many of the jobs are not advertised, particularly in our smaller communities. They will wait to find somebody who they think would be appropriate and offer them the job or take someone on the recommendation of a friend or a family member. That occurs for a lot of reasons, one of them being unfair dismissal.

Mr Smith—In fact, I have been employing most of my new employees through an employment agency; I hire people off them. If a person is still good at three months, I can transfer them over, and it is pretty safe. If they are not still good at that time, it is a much easier situation to get out of. But it is a problem.

Mrs Brown—It does make it difficult if you are new to town and looking for employment or if you are a new small business person who has not built up networks.

Senator MURRAY—Are you talking about state industrial relations laws?

Mrs Brown—Most of our small business people, as sole proprietors or partnerships, would employ under state awards. You need to be incorporated to employ under federal awards.

CHAIR—Are you aware or do you keep any record of how many unfair dismissal claims have been made against small businesses in this area in the past 12 months, say?

Mrs Palmer—No.

Mrs Brown—I could not give you that figure, but the perception is very often more real than the reality.

CHAIR—I understand that. I am very aware that the perception is greater than the reality in this case. I just wondered whether you kept any figures on that. We know that, of the people employed under the federal system, it is about 80.

Senator MURRAY—The total number of unfair dismissal applications under federal law for small business in WA is about 80, but that is because nearly all of them are state and not federal.

Mr Smith—It is one of those things. I know employers feel a little bit disappointed at times when perhaps one of their key employees just ups and offs, with no notice or anything like that. You think, ‘Gee, if I’d told him to go, I’d have been in all sorts of trouble.’ But, no matter how inappropriate the timing is, an employee can still leave with a clear conscience and no problem. But, if you are in a little bit of trouble somewhere, it is pretty hard reducing your—

Mrs Brown—That is very often given as a reason not to take on an apprentice in smaller regional communities. You get to that certain point in the training and they head off to the bright lights, and you either start again or cut your losses. A lot of small business people, particularly hairdressers and panel beaters, mention that it is a problem for them.

Senator BARNETT—We do not have time to ask further questions. If we did, it would be good to explore that issue further. But thank you very much for your input; we appreciate the feedback.

CHAIR—Thank you.

[10.42 a.m.]

GRIFFITH, Mr Robert Spencer, Secretary, Centre for Regional Innovation and Enterprise

MAZZAROL, Dr Timothy William, Chairman, Centre for Regional Innovation and Enterprise

SHOOBERT, Mr Neal, Committee Member, Centre for Regional Innovation and Enterprise

CHAIR—Welcome. The committee has before it submission No. 25. Are there any changes you wish to make to it?

Dr Mazzarol—No.

CHAIR—The committee prefers all evidence to be given in public, although the committee will also consider any requests for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I invite you to make a brief opening statement.

Dr Mazzarol—Largely, I will just summarise the contents of our submission. I will read out a number of key points, which we hope the committee will take note of. Point 1: small firms are not all the same. They differ by size in being micro, small or medium; they also differ by industry. Point 2: small firms, particularly micro firms—which are defined as those with less than five employees—find any government compliance a burden, and such costs impact on their profitability. Point 3: small firms do not set out to create employment; they take on employees out of necessity. Point 4: it is not the number of small businesses or the jobs they create that is important but the quality and durability of both the business and the jobs.

Point 5: attention should be given to a dual track approach in any policy development. One of those tracks should be to develop the owner/manager or entrepreneur; the other track should be to develop or encourage innovation within industries. Point 6: there is a lack of understanding and focus with what is going on within our medium-sized firms, defined very loosely by the Bureau of Statistics as having somewhere between 20 and 200 employees. In America, these fast growing firms have been given recognition by being called ‘entrepreneurial growth companies’. They are the top 20 per cent of firms that are going to become household names and employ people.

Point 7: employment growth depends on business growth, and business growth depends on entrepreneurship and owner/manager capacity. That is the relationship. You do not grow employment without the businesses being there to employ, and they will only employ if they grow. And they will not grow unless the entrepreneurs or owners have an understanding of what they can do and are willing to do it. Point 8: there are frequently too many agencies seeking to ‘assist’ small to medium enterprises. Individually they are excellent in what they do, but they do not always coordinate well with each other. This is particularly noticeable at a regional level.

Point 9: small business assistance programs are frequently overly complex, difficult to access and sometimes difficult to use.

Point 10: portfolio entrepreneurs—defined as those entrepreneurs who have multiple businesses and who have been in their business for quite some time—are often better investments for the targeting of job creation or policies of that kind than the nascent or novice entrepreneur, the so-called start-up or early stage firm. Point 11: collaborative networking amongst entrepreneurs and these entrepreneurial growth firms should be encouraged. This has been seen to be the success factor in Europe and North America, particularly with regional development. Point 12: competitive benchmarking with industries and among entrepreneurial growth firms will assist innovation and business growth. Point 13: regulations should encourage, or at least not discourage, innovative remuneration and reward schemes for employees, particularly within these fast growing firms.

Point 14: encouragement should be given to industry innovation clustering programs within regional areas, supported by sound research and cooperation among government, industry and educational institutions. Finally, point 15: greater attention should be given to providing entrepreneurship education and support to Indigenous communities that has regard for their specific cultural, social and economic circumstances. We have put seven recommendations in our submission, which you may be aware of already. We are quite happy to discuss them with you.

CHAIR—Thank you. Mr Griffith, Mr Shoobert, do you wish to add anything?

Mr Griffith—No.

Mr Shoobert—No.

Senator MURRAY—Gentlemen, yours is an impressive submission. I expect that there would be a couple of doctorates in there. Just for the record: how does the Centre for Regional Innovation and Enterprise fit into the whole policy development system? How does it result in the conveying of ideas and information through to government bodies, both state and federal?

Dr Mazzarol—That is something we are still developing. CRIE was established in March this year, as a result of work being done between the university and the business incubator centre in Tambellup and the local government. We recognised that there was the need for a facilitative agency that could try to bring together academic, industry and business support networks. So far, as you can see from the representation on the committee, we have started to move it in that direction. It is very early stages for us, but we believe that such organisational structures can play a very important role. I guess their capacity to do so is contingent upon the goodwill and willingness of those various groups within the community to work together.

Senator MURRAY—Where does the funding or the resource come from?

Dr Mazzarol—At the moment there is minimal investment; it is mostly our time. We are doing this because we believe it is necessary. The university has put in some funds to establish it. We have had some research undertaken, which has been funded through the state

government's STEP programs. From the federal government, there has been some funding through the SBAO.

Mr Griffith—Yes, through the area consultative committee. That committee has put in a small amount of funds—a very small amount of under \$5,000.

Senator MURRAY—So, to get the political process and the bureaucratic process to take note, you really have to network and knock on the right doors?

Mr Griffith—I guess we are really a virtual centre at this stage. It just happens to be centred on the business incubator in Tambellup, where federal funding has been gratefully accepted. We are at the point of identifying the areas that we will focus upon. Until such time as we focus upon those, we will not be able to identify the funding needs. What I suppose we are really coming from is a centre of management excellence. It is a matter of getting the research—universities and the new technocrat sort of stuff—and how we go about marrying it up with the businesses in the regional area. We are talking about practical shortfalls within business management. We might become a focal group. It might well be that someone will not go to a business enterprise centre for a one-on-one. It might well be that they say, 'I've got this great idea,' or 'I don't seem to be able to fit something,' or 'Is there somebody else who can help us expand our innovative or entrepreneurial idea?' and because of the collection of farm, non-farm, government and non-government people we have sitting around a table, we can say, 'There is this area that we can expand on' or we can use our collective might to propel something which really deserves to be propelled.

Dr Mazzarol—One of the things we noticed is that there are lots of organisations that are set up by various levels of government in some private and non-private areas to do very specific things. But the task environment of a lot of entrepreneurs is overlapping in all those different areas. We have just done some research in the Shire of Tambellup where we have identified that there are lot of farmers who are willing to do two things. They are willing to act as mentors for early stage firms, because they represent in that particular community the largest pool of experienced business managers—farm business. In recent research that we undertook through CRIE they indicated that, if they were asked to, they would mentor an early stage start-up business. Secondly, a largish proportion said they would be prepared, if the opportunity were presented to them properly, to even consider putting in some business angel funds—some venture capital funds.

One of the problems we have identified is that a lot of the bureaucratic structures looking after farm based business have difficulty crossing over into non-farm based business. There are a whole lot of opportunities which are non-farm based in the town. There are structures in place, but you have to bridge the gap between those two communities. You can do that at the local level but, from a funding point of view, you never seem to fit anybody's box. As Bob was just explaining, there is a need for somebody to do some technical feasibility, somebody to do a bit of business coaching and somebody to do a bit of marketing—a collective mix of things—and no organisation is set up to do that. CRIE is not trying to do all that itself; it is trying to be a forum or a central focus point where it can find the right means.

Senator MURRAY—Like a post office, or in a more interactive way?

Dr Mazzarol—It is a virtual community. If people need help to grow their business, they need that help just in time. If you are helping an entrepreneur develop a business, it is no good going to them and saying, ‘You need to do bookkeeping now because in two or three years time you are going to have a bookkeeping problem;’ they need to know what to do with their books when they have a problem with their books.

Senator MURRAY—So what you are saying is that the present mechanisms available are inadequate—that the Small Business Development Corporation or the government bureaucracy or the consultative committee which we have just heard from do not fit the bill that you have just outlined?

Dr Mazzarol—We are not critical of them. We are not saying that they are inadequate—I think that is too strong a word. What we are saying is that there needs to be something more to help link those excellent programs in a way that is able to assist in the two areas we describe: entrepreneur’s growth and development at one end and industry innovation development at the other.

Mr Griffith—I think it is important to note that in CRIE we have the development commission, the area consultative committee, a small business assistance officer, people from the environment and farm and non-farm business as well as the university and the business enterprise centre. So we have that grab bag. We have been very deliberate in keeping away from those areas that are currently being handled. We are still trying to grasp the exact areas on which we can deliver or assist. We have identified that there is a vacuum but we have not really put our finger on exactly what it is. The other organisations are all contributing in identifying what they do not do.

Senator MURRAY—One of the themes I pick up both in what you have said and in your writing is that a targeted approach produces the best results. To use the old adage, it is the 80:20 principle, that 80 per cent of the effective outcomes will come out of 20 per cent of the businesses. I think that is an important threshold issue for the committee to consider—that is, whether government programs and policies should be directed in that fashion. Senator Campbell and I have sat on other committees where we have had to fight this kind of simplistic view that picking winners is wrong. At times, you actually have to identify those where, if you put in the effort, you will get the most outcome. I would like you to talk to me more about that, as to how government policies and programs can identify that 20 per cent you were talking about and how the targeting can be best mapped in, if you like, in terms of the essential elements. We identify those as including managerial or entrepreneurial training, as opposed to being good at what you do.

Dr Mazzarol—Neal wants to say something, but just before he does: our submission makes it clear that we do not favour picking winners. We believe there are some problems with trying to pick winners, with being that prescriptive. At the same time, we are not in favour of a completely laissez-faire approach.

Senator MURRAY—That is right. My point is that, if you go after that 20 per cent, to an extent you have said, ‘Those 20 are the winners.’ How do you do that?

Mr Shoobert—One of the things that attracted me to CRIE initially was that it had very much a human resource or perhaps even a business culture aspect to it. Part of my work that I have been doing with small business is that, when identifying the skill set of certain businesses, quite often the entrepreneur, as we define him—the creative, innovative, start-up businessperson—does not necessarily become the good manager of a large organisation. There are certain skill sets that he brings to the business initially that cannot be carried forward. So, in answer to your question, I think some of the programs that we need to introduce need to be focused on the sorts of people that they are, as against the business or the industry that they are in and at what stage of the business that that is developing.

Senator MURRAY—How do you deal with the problem that was identified earlier but perhaps was not articulated precisely in this way; that is, where you have people who have real growth potential and really attractive skills in a particular area but who have real inadequacies in growing, because they lack management or financial skills and are too ashamed—if I can use an emotive term—to admit that? I am talking about people who really do not want to knock on the door of a TAFE, a caravan or a help desk? How do you deal with that human problem?

Dr Mazzarol—I have worked with fast-growth companies. At one point I was managing a unit that was helping to develop those people. In fact, in this morning's *West Australian* there is an article on a lady who runs a business called The Sprout Factory. She has grown the business in a very short space of time from a business with a turnover of \$120,000 a year to a business with a turnover of \$2.5 million a year. I had her come to talk to a group of MBA students last term about her story. When she bought that business, she was told by the former owner, 'This will keep you busy for two days a week.' She now has 80 per cent of the WA market in sprouts—these are fresh sprouts sold through all the various supermarket chains—and, because she has invested heavily in relatively high technology internal manufacturing processes in her spanking new factory in Fremantle, she has to export to Singapore because the volume of business in WA is not enough to keep the economies of scale going. She is a lady in a hurry. She is an example of the sort of person we are looking for to develop things.

When these people have a need to grow, they will find the help that they need. Often the problem is that the types of offers made to them are not adequately shaped to meet their needs. I have found that they do not necessarily want to go to a TAFE to learn and be a student. They do not want to go to a consultant and pay, initially at least, a lot of money for advice which they probably already sense they know. Their most trusted source of information frequently is another entrepreneur, another businessperson. They need to be given an opportunity to gradually raise their own level of awareness of what is out there, networking themselves into, first of all, perhaps a milieu of other entrepreneurs or other people with a similar attitude, a similar interest. They then advocate, 'Why don't you go and see Neal or Bob, and they will help you with business planning or business development.' That word of mouth referral becomes a better way to go.

This is not an easy process to engineer. We were making a point before we came in here. On page 34 of this newspaper there is an article about a lady who is a wonderful success story. The front page of the business section has something about a corporate collapse. We do not do enough to trumpet the success stories, particularly in regional areas where there is a mindset—to go back to Neal's cultural issues—that to be successful is to be seen as the tall poppy that needs to be mocked. We need to do more to encourage these entrepreneurs so that, when such

people succeed and stand out, others who want to be like them can talk to them—but off the record and informally, not formally where they have to admit they have problems.

Mr Griffith—We are talking about legislation, whether it is federal or state, and that can assist or get in the road of business development. In my business as a BEC manager, I have one-on-one situations. We get people who might apply for AusIndustry support or for AFA or Regional Solutions, or whatever the case is. One recognises that there have to be some rules there, otherwise the floodgates are opened to all sorts of different things. But I think there is a difficulty there with the intent of government—and I do not know whether whoever brought out each of those programs was left of centre or right of centre, and I do not care. There is intent for AFA and AusIndustry to develop business, but is it able to do it because of the stringency of the rules?

I recently had a case relating to state government legislation where the guys had done everything right: they had got their business plan, they had got Comet and they had done all sorts of things. But they recognised that, to get to where they needed to go, they needed a management procedures set-up to be drawn up. There is not any support there for them to take that extra step. So, with their fledgling company not yet aground in Western Australia—but which is exporting already—they must wait until enough dollars are generated to be able to employ somebody like Neal to put in place a strategy worth \$8,000 or \$10,000, as a fail-safe, which will allow them to grow from that small entrepreneurial thing into a growth company. It just seems that there is not the flexibility to be able to say, ‘Hey, how can we help these guys?’ as against, ‘How can we make them comply with our legislation?’ I do not have any answers on that, but it seems to be a stumbling block.

CHAIR—The issue you raise is a critical one, and it has been raised with the department. I have raised it with the department on a number of occasions through Senate estimates. Just taking AusIndustry, it has something like 30 products, but they are all in separate pigeonholes. There are 30 different sets of criteria as to how you access each of those products, and you have got to meet the criteria. There is no capacity to move across the boxes and just pick up a bit from each of the boxes. So we tend to find that companies or enterprises have to restructure themselves to fit those boxes rather than the boxes being restructured to fit the needs of the enterprise. It is a back-to-front process. Although they say they are looking at being more flexible, it is a long look they are taking.

Dr Mazzarol—Just on that point, a couple of years ago I came across an example of a government program that was designed to allow funding to go to a small firm to employ somebody to help develop a marketing strategy. It was the first time I had seen this sort of thing. I said, ‘Okay, does it fund research?’ I was told, ‘Oh no, it doesn’t.’ It was made quite clear that it would not fund research and that that was something separate. It defies any kind of comprehension that you could develop a meaningful marketing strategy or plan without having any research. I do not know who makes these sorts of bureaucratic decisions, but they make it almost—

CHAIR—If you apply for an R&D grant, the reverse applies: marketing is excluded from it; it does not qualify under the R&D.

Dr Mazzarol—If you are the owner of that business or the entrepreneur, you operate in an environment where all those things are important; every piece of that jigsaw puzzle is important. It is nonsensical to be told that you can only have a bit of that puzzle at a certain time.

Senator MURRAY—This discourse is very helpful. One problem faced by politicians and bureaucrats, of course, is that every scheme involved with dishing out public money has attached to it very significant accountability measures and measures to stop rorters. That minority per cent clogs up the process for the majority, who will not be rorting. In all my readings, I do not know of any government anywhere in the world that has overcome those contradictory tensions within its programs.

You make the point, which is relevant to our report, that government products and services have to be tested for flexibility and applicability and, if they do not fit, need to be redesigned. I am not certain that that market testing of the government product is done prior to its design and implementation. They seem to design it—they have a good idea, consult widely and everybody says it is a good idea—but not test the actual application process, the bureaucratic process, and the length of time taken. In all my talks with business over many years around Australia, one problem I have identified is the time it takes. You want to get your business up and going. But, physically, by the time you find out what has to be done, design your systems and processes to make the application, put the application in and then go through the process of getting it done, somebody else has stolen the march on you.

Mr Shoobert—Yes; and quite often in small business, with the process of consulting, an element of knowledge has to be gained to a level needed to kick the process off. Perhaps you are restricted within a timeframe to do, say, a business plan for a small business. By the time you actually finish that planning process, to an extent the goalposts have moved, due primarily to that business's knowledge of its own business, strengths and market. But, if you were to do a business plan at the six-month stage, it would be considerably different from the one just completed by you, because the process is educational.

Senator MURRAY—That is right.

Mr Shoobert—That is the first time the business would have been exposed to a lot of the principles it needs to work on. It is almost as though the process needing to be undertaken is a staggered one.

Mr Griffith—My organisation has put its thrust upon business planning; it supports people in planning for the growth of their business—as that is the better way to go—rather than giving it money. But I tend to think that business planning is not necessarily the first step we should look at. Senator, I think you made the point of people being embarrassed about saying, 'Hey, I need some help,' and whether business diagnostics are not a better way to go. That is where that third person comes in, sits around the table and says, 'Hey, what do you need?' Perhaps that is less onerous. A lot of people see a business plan as a very thick document to which, in order to develop it, you have to commit six months of your time and many thousands of dollars. Ultimately, it might be a whole lot simpler if you simply had that diagnostic put in front of you.

Senator MURRAY—The phrase you have used of 'business diagnostics' is a very good one; but the point you made earlier then applies. I think all three of you have made the point that the

person to do that should not be a bureaucrat or a functionary, as capable as they may be, but someone who has business skills or a business background and is respected for those skills or background. In a sense, it seems that the only way of getting government programs to work is either to lock into voluntary networks—which is what you are on about—or to employ older retired business people, whose business skills may not be that current but who at least have a managerial and business/entrepreneurial background.

Dr Mazzarol—For a number of years now, the Department of Trade and Industry in the UK has had what it calls PBAs—Personal Business Adviser networks. They operate separately from the TECs, the training councils, and the bizlinks or the business enterprise centre type networks. They often operate out of a business enterprise centre but are separately structured. The men and women in the PBA networks are generally very skilled business consultants. They are recruited and paid quite well because of their expertise. They are remunerated, coordinated and managed on their success rate. That rate is measured very much against their keeping a portfolio of businesses across a range of different levels—both start-ups and larger, growing firms. To keep their jobs, every year they have to demonstrate what they have achieved. I am not saying that is ‘the’ model, but it is ‘a’ model, and it is quite different from anything I have seen elsewhere.

Senator MURRAY—Is it effective?

Dr Mazzarol—There have been criticisms of it—there always will be. One of the things I found attractive with it was the way they had professionally trained and managed that particular network. I have raised it because it is a model that reflects the sort of thing that you were saying: how do we find a conduit or an interface between government and the business entrepreneur? The devolution of that to people who understand more intimately the task environment of that particular business owner I think is a relevant issue. I think there is a multiple number of channels. In our submission, we have mentioned local government, which we believe is an opportunity missed. I have worked with councils who have employed these sorts of people—those who have more an economic development role but who often get involved in business areas. Such people have made an enormous difference to the receptiveness of the council to new business submissions or to assisting and facilitating business issues. Yet other councils that do not have such people are almost antibusiness in their mindsets for all sorts of reasons. Local government is one group that is very close to the business community, and it may be an opportunity to provide a conduit for this type of policy outlet.

Senator MURRAY—We met just such a person yesterday, in my opinion. From what I have heard and read on this inquiry and in other areas, it seems to me that government programs and systems, in terms of training or providing for the needs of business in various directions, most commonly comprise ‘come and get me’ products. In other words, they devise such products and they get them. If you have the know-how, the initiative, the time and the wherewithal to go and get them, you actually get quite good assistance; if you fall outside of that, you flounder. I think such reaching into the business community does not happen in the way that you have outlined, and it needs to happen.

Senator BARNETT—Thank you for the comprehensiveness of your submission; it is certainly very professional. You have talked about home based businesses in WA and that they comprise 66 per cent of all small businesses. Do you have any recommendations or suggestions

about how we could better communicate with them? They are out there on their own, doing their own thing; how can they express themselves to the three levels of government?

Dr Mazzarol—There may be several channels. A lot of them are now operating online or using the Internet because they need to operate with other businesses that use it. So there is an opportunity there. If they are registered for the GST, an opportunity exists to get in touch with them through the tax system. There could be a lot more ‘we’re here to help’ than might be the case at the moment. There was a lot of that at the beginning of the process but, through the tax interrelationship, it would be nice to keep that sort of positive feedback going—although perhaps not all of them have registered for the GST.

Another opportunity gets back to local government. In my opinion, local government has a very solid role to play in both assisting and impeding home based businesses. Local governments, for all sorts of reasons, can rule out a lot of home based business. But policies could be put in place—perhaps with state or federal government support—to encourage small businesses. Often these businesses grow out of somebody’s backyard or home, and the local governments with whom I work have the sorts of business development people who recognise the value of such businesses. They have been doing what they can to make their policies and approaches user friendly. They do recognise that sometimes they get stymied by state legislation that restricts certain things. We do not want to go into the details, but it is things like noise.

Senator BARNETT—Who says that: local government or small business?

Dr Mazzarol—Some of the local governments. I am saying that local government has the ability to identify who these people are, particularly if they are registering with the local government, as many of them should. They are just some thoughts.

Senator BARNETT—They are some good thoughts.

Mr Griffith—I have had some interface with the chamber of commerce, with business enterprise centres and with local government in my area, and it astounds me that local government does not have a fix on home based business. If you ask, ‘How many home based businesses are there in your shire; how many businesses are in your shire?’ they do not know. I find that absolutely astounding in this day and age where they have these databases for the collecting of rates and everything.

Senator MURRAY—And the census.

Mr Griffith—It is so simple to say ‘a home based business, a farm,’ or whatever else. It does not have to be really detailed. Then it would be that those of us who are servicing the community—whether through government or anybody else—would have this new package. Rather than hoping people read about it in a newspaper, you can actually target it and say, ‘Hey, there’s this state initiative, this federal initiative, this new update,’ or whatever else. You can drop it on their table. But local government is not compelled to list that sort of stuff.

Senator BARNETT—They should know. If you register your home based business with your local shire, they are going to know, aren’t they?

Mr Griffith—But you do not have to; that is the silly thing about it.

Senator BARNETT—In some shires you do and in some you do not. Is that not the case?

Dr Mazzarol—With some councils you do.

Mr Griffith—With most you do not. I find it astounding.

Senator MURRAY—Just for clarification: we were told yesterday, I think in Cockburn, that they have taken off the fees and charges applying for registration. They have said, ‘There are no fees and charges; just register, because we want to know where you are and what you do.’ But they also told us that many of those people will not register because they are afraid that there will be some kind of restriction or regulation as a result.

Senator BARNETT—I am continuing with that thought of helping home based businesses. They comprise 66 per cent of all small businesses and, if we can help them grow their businesses, prosper and do better, that is a good objective.

Mr Griffith—One area where it would be useful—and it is one of my specialities—is in driving new business. If you four have started new enterprises and nobody else knows that you are doing it, your information could well help those 24 over there. If you can capitalise on the places to go and not to go—because you have already been down there—and work together to get to that critical mass of product that is marketable, you can save time, money, hassle and everything else. But, if you cannot find out what those people are doing from shire to shire, you cannot collect them together.

Mr Shoobert—One thing we came across with a survey we did in our local shire regarding community organisations—which would probably flow on to home businesses—was providing certain services that they all needed. There is the example of some not-for-profit organisations, sporting groups and things, having secretarial support provided, having a common treasurer and having a common place for someone to come in and pay receipts and things like that. Maybe that could be expanded for home businesses in a region: common services that are required could be provided in some way, shape or form.

Senator BARNETT—Would you agree with that idea, gentlemen?

Dr Mazzarol—Anything that can assist people by cooperative means. This brings back the whole issue of cooperation between businesses, which is a theme running through our submission. It is interesting that there is often a view that small business people are very resistant. Senator Murray made a comment earlier about their not wanting to reveal their problems. Once they have started to open up with their peers, admittedly in confidential discussions, they enjoy it and they recognise its value. It takes them a little time to see that they can gain a lot by sharing ideas. Their immediate fear is: ‘Will I reveal something that will get around town?’—particularly in a small community. So care must be taken in how those things are run.

In Canada, they have a business roundtable group that meets in different locations. Twelve or so people join together, usually with a facilitator, and raise a problem. I ran one of these for two

or three years in Perth, where people would meet with a facilitator and two of them would have the opportunity, in a three-hour session, to present a problem of some kind which the rest could help brainstorm solutions to. There was peer to peer interaction and it was a huge opportunity for those people. They could not go anywhere else, yet they had this comfort from their colleagues. We obviously had to be very careful that we did not have competitors in the same room. Managing those sorts of systems is not easy, but the more you can do to bring people together to talk their problems through and share their resources the better.

Senator BARNETT—It is interesting that you raise it as an issue, because I spent 20 months on the federal government's Micro Business Consultative Group. We went all around Australia looking at these things, and the issue that came through as one of the top priorities for home based businesses and microbusinesses was networking—the need to liaise and understand, and know what is what and which way is up. So that theme flows through.

Mr Griffith—The other point on home based business—or farm based, because a farmer is a home based businessperson—is that we too often have non-recognition of a part-time business, certainly at state bureaucratic level. If you have a farm, for argument's sake, you have to look at whether you have spare land, water and time—whether it is the child or the wife or anyone else—to take part in a business that might only net \$5,000 a year. There is not due recognition of that, so it seems to me that fewer people are getting involved. It is employment and generation of dollars and, who knows, if it is given encouragement, even if only by word of mouth, perhaps that does expand it.

Senator BARNETT—How can you recognise that?

Mr Griffith—Maybe individuals in the bureaucracy are saying, 'You go ahead and build that into a net \$30,000 or \$40,000 business, and then we have something that will help you.' But there is not anything in that interim stage which says, 'You have some spare time; utilise it. It helps your mind, it helps your pocket and it might put some food on the table.' But, out of those innovative little things, who knows?

Senator BARNETT—Do you want to comment on the merits of mentoring and the ways and means we can support that?

Mr Griffith—There are some mentoring programs around—the Small Business Development Corporation, for argument's sake, has a mentoring program. In two years I have not had anybody who wants to take it up, for some of the reasons that Senator Murray has said. People do not want to admit that perhaps there is somebody there who can help. We have to go through that somehow or other. It is a dollar thing in a lot of cases; people are saying that they are flat out trying to keep their heads above water, working it in with their bowls if they are retired or whatever the case may be. But there is a certain value in it, and we have recently put together a mentoring-cum-coaching program, based on the success of the development commission here, to take some engineering firms and provide some business mentoring. We are taking it out to some of the harder done by areas—the EC areas. It is a mix between the development commission and the BECs, where we are targeting 25 businesses and saying, 'What can we learn with this particular sort of mentoring in business support?' When we see that it looks like there is a way it can happen, we can take it to a wider field.

Dr Mazzarol—My experience with mentoring—which has been predominantly out of Perth but also in Bunbury—has been that, where we delivered some hours of mentoring via a managerial training program as part of a package, it was a very effective way of delivering the mentoring. We carefully selected those mentors; they were not people who volunteered and were just matched up, as some mentoring programs tend to do. It was made very clear to them that they were not consultants but mentors; that was a very important thing to understand. In my view, the role of the mentor is being a person who can facilitate information, contacts and other things to you, the entrepreneur, when you need it; who can sit there and be a reflective counsel to you. They do not do it for you; you have to use their expertise. The most effective mentors are those who can help you open a door somewhere when you need it and get you to think the right way. I think that building those sorts of mentor networks requires very careful thought as to who you bring in to them. The trust that builds up between the mentor and the mentoree is also critically important, and that takes time as well.

Mr Shoobert—Expanding a little on the light engineering mentoring program they had here, although the mentoring program was very successful one-on-one, one of the best outcomes that came from it was the fact that it was a group of mentors that brought these 12 businesses together. They started to crosspollinate between themselves, and then business opportunities were created out of so-called competition. Again, that was collaborative working. It was networking within their industry. They started getting together and doing one project or perhaps outscouring a little to another.

Senator MURRAY—Is that what you mean by ‘clustering’?

Mr Shoobert—Yes. And so the mentoring program was slid in there to do that and that was a very positive outcome.

CHAIR—I am sorry, gentlemen, we will have to conclude there. Your submission has been a very valuable contribution to the committee. I do not know whether or not you are aware that we are having a round table, starting at two o’clock. If you are able to stay around, by all means feel welcome to come and participate in it. It would be very useful and we could follow through some of these issues that have been raised. On behalf of the committee, thank you.

Proceedings suspended from 11.25 a.m. to 11.44

HAIGH, Ms Sally Ann, Senior Development Officer, Great Southern Development Commission

RYE, Mr Maynard, Deputy Chief Executive Officer, Great Southern Development Commission

TOWNLEY, Dr Graham Mitchell, Aboriginal Economic Development Officer, Great Southern Development Commission

CHAIR—On behalf of the committee, I welcome witnesses from the Great Southern Development Commission. The committee has before it submission No. 24. Are there any changes that need to be made to that submission?

Mr Rye—No.

CHAIR—The committee prefers that all evidence be given in public, although the committee will also consider any request for all or part of the evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a short opening statement.

Mr Rye—As a commission, we have been involved in three particular sectors of small business development and are hoping to achieve employment outcomes. One relates to our larger manufacturers and we have been working with 12 companies to enhance their capacity in terms of commercialising products. That piece of work resulted from initial funding from the Area Consultative Committee, which looked at the possibility of developing a cluster. Before they even looked at the concept of developing a cluster, those companies wanted day-to-day assistance in helping to run their own businesses and in particular commercialising their own products. We found them to be a creative bunch of men and women but they had trouble accessing the marketplace outside our region, particularly at a time of rural downturn.

Another group that we have been looking at is businesses in smaller country towns in the hinterland. The committee has before it a survey we did which looks at the impact of adverse seasonal conditions on the rural non-farm business sector. The reason we did that survey was because we were concerned that while in declared exceptional circumstances farmers can get support, small businesses which are dependent on the farming sector had no support. We did an intense survey of 12 businesses and what was quite interesting was that despite the direct correlation between declining retained earnings as a result of the rural downturn there was also a distinct lack of business acumen and business skills and they were making incorrect decisions at a time of quite critical business crisis. We noticed a distinct lack of asset management and utilisation. For example, we had one particular business investing half a million dollars in chemicals and only getting a \$20,000 return. It was all quite shaky stuff.

Another area in which we are involved is Aboriginal economic development. The reason for our involvement is that back in the mid-nineties when the ATSIC programs were cut it affected this region in a perverse way, as distinct from other regional areas in Australia, because the ATSIC money was used to support community structures. Our Noongar community had to

make quite a dramatic shift from thinking about community programs to actually thinking about economic development programs to survive. Through our work with Graham, we think there has been quite a cultural shift as Aboriginal groups think about getting into business. We have been working to develop particular structures with local governments, ourselves and the CDEP structures, which are equivalent to the Aboriginal Work for the Dole programs, to support those Aboriginal communities getting into business.

I would now like to hand over to Sally. She will make a brief comment about how we set up that light industry cluster and the mentoring program that was developed and how we propose to extend that mentoring program into the hinterland.

Ms Haigh—Please feel free to ask more questions if you would like. Following on from what we heard in the previous presentation, I would like to allude to some of the success factors of that mentoring program. The key thing was that it was developed in consultation with participating businesses. They were involved every step of the way: in designing the program, in preparing an application for funding and in selecting mentors. We were also prepared to change the goalposts several times to make sure that we were accommodating real needs.

The first thing that came out of that regional opportunities audit was a prefeasibility study looking at the constraints they were facing. Then we secured money through the Small Business Enterprise and Culture Program to run the six-month mentoring program. All 10 businesses that took part in the prefeasibility study participated and were working very well with their mentors. Four of them are continuing to do so. So that was a very successful program. Most of them experienced significant growth in terms of skills development and some of them even opened up another enterprise. I have brought along with me some dot points on issues that emerged from that program and ways that we addressed them.

Stage 2 is a job-chasing service, and that is going to be run by the senior mentor. Seven of the 12 businesses have signed up, and they are all making a small monthly contribution. The GSDC is funding that with \$10,000. That will run for another six months. The job chaser or senior mentor will be going out looking for contracts that perhaps are a bit beyond the reach of individual businesses or that they do not yet have the confidence to go for, encouraging opportunities for the whole cluster but also for cooperation within the group, perhaps on a smaller scale. They have just registered a business name, the Great Southern Engineering Group, and they are kicking off this month with their first get-together. They will be having about five or six get-togethers where they look at opportunities, discuss what they are doing and call in key experts to speak on areas in which they particularly want to develop. It has been a very worthwhile program to be involved with.

Mr Rye—They will be targeting the Perth market in particular.

CHAIR—Ms Haigh, do you wish to table the document you referred to?

Ms Haigh—Yes. I have several documents here that I would like to table and leave with you. One is a copy of the original prefeasibility study. You already have a copy of the summary of the mentoring program so I am going to just table a few extra pages. I am tabling the consultant's brief for the job-chasing service and also the report that we commissioned into the

impact of adverse seasonal conditions on the non-rural farm business sector, which I do not think we sent up with our original submission.

CHAIR—Is leave granted? There being no objections, leave is granted. Dr Townley, would you like to make a quick summary statement.

Dr Townley—I will make it short. My focus is on Indigenous small business enterprise development. My official title is ‘economic development officer’, but we are focusing more through the lead agency for the state. As a state government statutory authority, we have a role to play in delivering services through the Office of Aboriginal Economic Development. Our focus has been on capacity building and making the shift from welfare to small business and enterprise development by supporting community organisations. My background is a PhD in remote communities. I have come from work in the Western Desert and I have landed in the Great Southern, where the services to Indigenous communities are modelled differently.

Probably the most exasperating part of dealing with small communities in rural towns has been their lack of capacity, in an administrative sense and in a financial management sense, to take up the opportunities that clearly exist for enterprise development. To overcome that, we have focused our energies on getting the human resources and partnerships with local government and developing regional infrastructure projects that are allied to enterprise development and traineeships, employment initiatives and that sort of thing. That has been very successful.

We have a few good case studies, such as Kodja Place in Kojonup, which you may have heard of in your travels. I think Senator Barnett mentioned that. That was a partnership arrangement where the shire of Kojonup took a lead role in project managing a cultural centre. The results of that are that we have a firm foundation to develop Indigenous enterprises in art and tourism on the basis of the support that has been given through the shire and through the tourism association in Kojonup. We have seen that as a model for developing another project in the Stirlings, the development of a visitors centre in the Stirling Range National Park, and we will be pursuing that over the next few years.

One of the key programs in our area is the Community Development Employment Project. I do not know whether you are aware that that is a Work for the Dole scheme. It is managed as an umbrella organisation. We get outposts of CDEP employees on a 15-hour per week basis. I would like to see greater devolution of the resources in that program to select projects, select areas, in the region, so that we can build the capacity of particular town based communities to take up these opportunities in enterprise development. I do not know whether that will happen—it is a big policy shift. We will see what happens over the next few years.

The other major issue that I have at the moment is obtaining up-to-date statistics on small business employment, Indigenous demographics, work force participation rates and seeing that data flow through from the 2001 census data. It is a very slow process. It would seem logical to me for one agency—maybe us—to pull all that together. The ACC is probably a logical vehicle for it as well. It has to include ATSI CDEP data. It cannot just include mainstream data sets. It needs to be there to provide analysis and performance indicators, so that we know what outcomes we are achieving in the areas of employment, training and small business development.

They are just a few of the issues that we have. I do not know whether we are going to table them as notes or discussion points. We will probably include them in our other notes.

CHAIR—What do you see as the impediments to generating Indigenous business opportunities?

Dr Townley—I think the lack of capacity for small rural communities in an administrative and financial management sense to take up opportunities that clearly exist in the areas of tourism and the arts in particular. This capacity building that I have talked about involves pulling together mentors and getting funding through various channels to get the small community organisations that hitherto have been very welfare dependent into business mode.

CHAIR—These are Indigenous community organisations?

Dr Townley—Yes. We are working on a community model. It is not strictly a corporate governance model that comes out of mainstream; it is working on the non-profit groups that exist in rural towns in the region and making the shift in some cases to enterprise corporations that are tailored to business. They become a sort of incubator for this transition into mainstream business.

CHAIR—Is there a difficulty working through the ATSIC structure?

Dr Townley—We have had some success. Through Maynard's role, we chair the Southern Region Aboriginal Affairs Coordinating Committee, which is a regional interagency forum designed to bring ATSIC, the state government agencies and the community groups together at a project level, to get the feedback from the communities and to enhance our coordination as agencies. In a way, we have probably one of the better models that I have seen around to do that. There are always better ways of doing business. A classic example is that last year we had OAED going through structural reform. The state agency, the lead agency, was going through a structural reform process. At the same time the business facilitator network at ATSIC and the funding dried up. So we had this convergence of a lack of capacity at the state level and at the Commonwealth level, which I am sure was not well received among some client groups. We cannot coordinate things at that level. There is always a need for improved coordination, and we have a good regional mechanism.

Mr Rye—It is very easy for us, as an agency and with our SRAACC group, our coordinating committee, to get money for studies to look at where Aboriginal communities could go—and those studies are quite good—but it is very difficult to actually get money on the ground to put in mentors. I will give you an example with that Stirling Range case. A couple of hundred dollars were spent on studies for this tiny community on what could be done in developing tourism outcomes. Eventually it came down to us, working with the state agencies and a bit of support from ATSIC, to actually put money into that community to employ a mentor. Really, all that was needed to get that project going was \$30,000 for a mentor for a year.

CHAIR—A lot of the submissions that we have received so far—and I think the last one put it in the most succinct way—point to a real lack of business acumen, if I can use that term, amongst owners or managers of small businesses. How do you see that issue being addressed? Do you have any views or ideas as to how that might be addressed?

Mr Rye—Business acumen?

CHAIR—General managerial skills, the capacity to run a business. On the small business side, there are a lot of people who are good at doing things but not as good at organising how things should be done.

Mr Rye—Perhaps Sally can describe the model that we ran with our 12 manufacturers. They employ 100 people in our region, so they are quite significant for us, as a smaller economic identity. But it is the planning of how that model was set up that is quite interesting.

Ms Haigh—In assessing each of the businesses that were taking part in that program, it clearly emerged that that was an issue and that all of these guys were extremely good at producing innovative products but they were not spending very much time in off-production activities. All their focus was on getting the job out. The mentors timetabled time with each of their mentorees to review their activities, identify the weaknesses and go through the skills gaps to look at opportunities to fill some of those gaps. Some of them were addressed in a group situation where we would have a trainer come in and give a session on marketing or management, for example. The management skills session was so popular that the trainer was asked to come back. The evening sessions for the 12 participants rarely missed a beat. Where they needed individual help, the mentors could point them in the right direction.

The whole point of mentoring is not to be running the business for them but to be pointing them in the right direction. It appears to be a very successful model, a hands-on way of having people implement improvements in the workplace. When they met with their mentors, the mentors would run through milestones: 'Have you done this? Have you done that? How did that go?' For example, they would look at improvements to tenders. Through stage 2 of the project the standard of the tenders is going to be dramatically improved, but lots of very small improvements were made along the way. People were not even aware that there was a problem to start with, because they were so focused on the production areas. They would often identify their skills gap as being one of marketing when, with a bit more exploration with their mentor, they could see that it was not just marketing and that there were a few more steps they needed to go through before they were ready to proceed to that stage.

CHAIR—Was there much made of the issue that Senator Murray raised with the last witnesses about people feeling that they did not want to come forward, that they did not want to put on their dunce's hat, so to speak, and identify themselves as people who did not know how to run their businesses and therefore did not cry out for help?

Ms Haigh—It was not so much an issue with our project because we developed it in consultation with these people.

CHAIR—You took it to them rather than them having to come to you?

Ms Haigh—Yes, we listened to them and then, right at the beginning of the program, there was an induction. An evening was set aside for the mentorees so that they would fully understand what was expected of them, a separate evening was set aside for the mentors for the same reason and then the matching program happened separately. So they were all pretty much aware of what was involved.

The only issue of concern across the board was one of confidentiality relating to specific business activities, and that was overcome very quickly in the agreements that were signed with their mentors. That was not an issue. The critical thing was their consultation and planning, making sure that what we think will be a successful program fits with them and having them select their mentors. They went right through their CVs. They took part in the interviewing process, and it was a very thorough and well-planned project. I cannot overemphasise the importance of putting that thinking into it before starting.

Senator BARNETT—I want to focus on your relationship with the Small Business Development Corporation and how that works. Who do you report to? I know that you are funded by the state government. How does that structure work? Can you flesh that out for me?

Mr Rye—Certainly. As you know, the Small Business Development Corporation is a bit like us: a separate statutory agency. It manages the BECs and the funding arrangements with them. As a result of the mentoring program which Sally ran, we are looking at transferring that model to 25 hinterland businesses across the wheat belt. We approached the Small Business Development Corporation to part fund the BECs, which it has. We are doing this in partnership with the BECs. They are coming up with \$40,000; the Department of Local Government and Regional Development is coming up with another \$40,000; and we are coming up with \$10,000 to run the program over the next year.

Senator BARNETT—Does your commission report to a board or to the minister? How does that work?

Mr Rye—We are managed, in a day-to-day sense, by a community board; part of it is elected and part of it is appointed by the minister.

Senator BARNETT—How big is it?

Mr Rye—It has nine members. We report to the minister of the day, who is Minister Kim Chance.

Senator BARNETT—Yesterday in Perth, we talked about the business entry point and the BLISS: Business Licence and Information Service. Do you have a comment as to how helpful that is to small businesses in your area?

Mr Rye—Not as yet. It is early days for us to make a comment.

Senator BARNETT—On page 1 of the submission that has been presented to us, there is a reference to the Regional Sponsored Migration Scheme. Do you tap into that?

Mr Rye—Yes.

Senator BARNETT—How effective has that been for your area?

Mr Rye—It has been quite effective in bringing in skilled migrants where we have gaps. That is run from our northern office and, obviously, we work very closely with the immigration department. As yet, we have had no rejections.

Senator BARNETT—How many would you have obtained?

Mr Rye—It would be in the high teens at this time.

Senator BARNETT—Are you happy with that progress? Have you achieved your objectives?

Mr Rye—Yes, we have. Again, it particularly supports us in supporting business in getting the skills base needed. It works quite well in partnership with the federal immigration department.

Senator MURRAY—Can you clarify for me whose initiative the engineering cluster project was?

Mr Rye—In an informal sense, we had been working for a number of years with these businesses individually. I was having a meal with a couple of them, and there was one particular business—Wilsons Machinery—that was very keen to try and get together more formally the informal relationships he had with his competitors. Whenever he had an overlay of work, he would send it to his mate down the road. In terms of doing business better, he wanted to see whether, by bringing a group of them together, some synergy could happen. That is how it emerged. Next, we did a formal study to see what the 12 businesses wanted to do. It was too early for them to work as a cluster. They wanted to look at their day-to-day business operations, which Sally talked about. Having done that and reached a skill base—I would point out that, as a result of this process, employment has increased and their returns have increased at a time of rural downturn—they are now ready to work as a cluster to try and tap into markets in Perth. It has taken two or three years to reach that point.

Senator MURRAY—The principle of a farmers cooperative has been long established: a number of farmers get together and agree principally for buying mechanisms. Would you describe this as a kind of cooperative model or do you describe it differently?

Mr Rye—It is not formalised as a cooperative model, but we suspect that at the end of this current project it might well happen that a new business entity emerges.

Senator MURRAY—I have seen this elsewhere in the state. For instance, I have had some conversations with a tourism group in Margaret River, and it struck me that that was a cooperative group. Restaurant owners, hotel accommodation owners, tour providers and winery owners all got together on a cooperative basis to promote tourism. That seems to me to be a similar model.

Mr Rye—Yes, that is true. But this time, we are trying to get particular contracts out of large Perth companies or out of the state government tender process. So it is quite tangibly based in terms of trying to do business.

Senator MURRAY—But, in a sense, so is a tourism cooperative. You are attempting to attract groups of tourists and share the tourist dollar around to the greater benefit of all the participants. I am pursuing the terminology because the earlier submission spoke about clusters. It seems to me that a cluster implicitly means that you are targeting a particular industry type, whereas a cooperative model implies a sharing and participation in managerial, marketing and promotional activity, which is a different format.

Mr Rye—Yes. I see the distinction.

Senator MURRAY—One of the things that has interested me about our discussions today is that here we are in what is a magnificent part of Western Australia and we have the Great Southern Area Consultative Committee, the Centre for Regional Enterprise and Innovation, and the Great Southern Development Commission. We are going to hear from the Albany Chamber of Commerce and Industry. We know that there is a Small Business Development Corporation and I suspect there are a few other bodies, all of which have an interest and an involvement in small business affairs, in the promotion and growth of small business. We are also very much aware—because that is why we are here—that there are shortcomings in the ability to promote and grow a business, either in an ethnically determined sense, in a regionally determined sense or in an industry determined sense. Do you think, from your point of view as probably the overarching regional development body, that these groups interact effectively? Do they carve out niche areas of expertise, or do they conflict and confuse the service provision for small business?

Mr Rye—To be honest, we work very closely with all those organisations. It just depends on who takes the lead in particular sectors. We are all on each other's boards. I am on the ACC board. The commission is on a number of management committees of the BECs and vice versa. We work very cooperatively in targeting particular needs.

CHAIR—If that is the case, Mr Rye, why couldn't there be a greater integration? Why the need for so many different bodies?

Mr Rye—It is just how it has happened. We have the Commonwealth with a regional presence through the ACC, we have the BEC structure that was established through—

CHAIR—So essentially it is driven through various levels of government.

Mr Rye—It is beyond our control. What we have to do as operatives is to make sure we coordinate and cooperate. For example, on the programs that we run, together we often work out multifunding arrangements. There might be a bit from us, a bit from the BECs and a bit from the ACC to make a program work.

CHAIR—It is interesting that you can get that level of cooperation at this level, yet you cannot get that level of integration and cooperation at governmental level.

Mr Rye—Yes, it is hard.

CHAIR—I am aware of only one program that ever effectively worked through the state and federal governments and that was the old National Industry Extension Services, which was abolished at the beginning of the 1990s, I think. It is a real problem.

Senator MURRAY—It is a difficulty. One of the matters that the committee is inquiring into is whether, with the three tiers of government and the various horizontal structures—private, public and not for profit and so on—a lot of money is wasted. There are a lot more regulations and pieces of paper around than are necessary. Frankly, I do not have the answer. It is easy for me to say with industrial relations legislation that it is ridiculous, that we do not need two sets of laws and let's have just one law. But when it comes down to this kind of thing—promotion, growth, marketing, ideas, conceptualisation—it is like having a multiplicity of bodies to produce interesting outcomes.

Mr Rye—Could I talk about three quick models that we try to deal with at the local level in these spheres of influence. Graham has mentioned the Southern Region Aboriginal Affairs Coordinating Committee. We have been running that for 10 years. We bring together the 18 agencies involved in Aboriginal economic development, so that we all know what is happening and where we can contribute on any projects that are happening in our region. Often we have the Nyoongar elders with us and we go around the table and put together a deal on the spot that then translates into the bigger projects like Kodja Place and the Stirlings. There is another program that reflects this cooperation and it is run through the commission, the health department, the agriculture department and the area consultative committee.

Ms Haigh—That is the Southern Regional Interagency Taskforce, which I alluded to in our submission. It was formed in October 2000 with the aim of a cooperative approach to addressing the impacts of adverse seasonal conditions. One of the strengths of SRIT is that the bureaucrats get together to consciously reduce duplication. We want to know who is doing what program, what gaps there are and how we can add value, and we are not afraid to have our borders merge a little across agencies to deliver a more effective program. I have noticed in the almost two years that we have been on that taskforce that we have been able to speed up some initiatives. If you want to get a letter signed with senior managers, you can usually get it done in half an hour, and we are talking about three or four agencies coming in. Anecdotally, I want to add that one of the ingredients that adds to the success of networking across agencies at all levels—and I have worked at community organisations as well as for the government—is that people in this region really want to live here. It seems that they are prepared to go the extra mile networking and cooperating to get the job done, because they care about the place they live in. That is something that I come across everywhere. It is very easy to take it for granted, but I think it is exceptional in this region.

Senator MURRAY—That is all very well, and it is encouraging, but it reminds me of politics. Politicians and people in the know know how the whole thing works, which buttons to press and where to go. Somebody outside has difficulty. Those in the know within all these organisations might well understand how it interacts, but if you are an eastern stater, for instance, who comes to Albany and buys a business and you suddenly think, 'Who do I ring? Where do I start to get my provision of governmental services to help me find my feet?', quite frankly, if you looked in the phone book you would be dazzled, given all those names. I understood that the concept of the SBDC and the eight development commissions in WA is to provide a focus so that people would know where to go.

Mr Rye—The business enterprise centres, which are a creature of the Small Business Development Corporation, handle the individual businesses. If it was a major business that was looking to move from interstate or down from Perth they would immediately talk to us, within confidential bounds of course, about possible state government assistance in that process. As a commission, we tend to deal more with industry sectors. For example, we would be looking at the winery sector, the light industry sector and the Aboriginal sector. We tend to work more with the sectors; the BECs tend to work more with the individual businesses.

Senator MURRAY—I do not know whether you are competent to answer this question—I might not be competent to ask it because I am not sure what it means—but it seems strange to me that both the state and the federal government should be involved in providing moneys for small business. I would have thought that one or the other has the responsibility and one or the other gets the money to do it.

Mr Rye—Yes.

Senator MURRAY—Do you find it helpful that both governments are involved in monetary terms? Would it be easier if it all went through one or the other? As somebody who has to connect small business to moneys and to services, does it make it harder or easier that there are two sources? Would there be much less available if there were just one?

Mr Rye—It is horses for courses, Senator. It is a bit hard to answer. Under the previous state government, to be fair there was a broader range of business support services. We notice that with the current government, to whom we are accountable, there is more emphasis on sector development, which fits into our bailiwick, and from the Commonwealth there is a greater source of money for individual businesses. For example, through AusIndustry and AFFA we regularly tap funds for small businesses in this region.

Senator MURRAY—Would it be fair to say, having listened to you and others, that at every level of industrial relations and infrastructure activity it is the state which is more important for small business than the federal government, except when you get into the areas of taxation where the compliance and the form filling escalates?

Mr Rye—To be honest, it depends on the needs of that small business.

Senator MURRAY—Okay.

Mr Rye—For example, Gary Wilson is developing an innovative product for the farming community. His best source to approach would be AFFA to get that \$90,000 grant to help him commercialise a product. A small business that is just starting out and is looking for direction would go to BECs where there is a small grant available for business planning and marketing and that can be accessed through the local business enterprise centre. Then there are the larger businesses; for example, Fletcher's International Abattoir got large funding support from the state government to get started and that was a cabinet decision. It is horses for courses as to where you fit in, if you see what I mean.

Senator MURRAY—Dr Townley, I am no expert in this area, but the other night I attended a speech on Indigenous issues and one of the issues raised was the fact that the policy system we

have developed in this country to address Indigenous issues has resulted in the creation of a multiplicity of organisations. There are literally thousands of them of a different nature.

One of the points made was that the native title regime now requires each claimant body to have an incorporated body to put their case and to receive the outcome. As the statement said, the consequence of that is that you get far too many competing structures and far too much energy is lost as a result. In the exercise of your duties, in an attempt to create employment generating businesses which are meaningful to the communities and to develop opportunities and growth for people in the Great Southern region, is it an issue that the organisational consequence of policy means that energies, skills and expertise are far too dispersed?

Dr Townley—There are a couple of issues there. In issues like native title, where you have a very complex but well thought out process by which claimant groups can appeal, lodge a claim or raise an objection to a development, that would be one area we would have an interest in. In the case of the visitor centre in the Stirling Ranges we have taken the view that we will work with the representative body—because that is the peak native title body—and we will give due deference to that representative body as a competent group or stakeholder that will manage that process. We have not yet come to the hurdle of reaching an impasse in terms of development and native title, so we will cross that when it comes.

In government, I think we have a coordination problem which is our impulse to develop consensus among stakeholder groups, whereas particular communities and people have specific interests that are not encumbered by that urge to bring about a consensus in order to get a development through, or whatever. So their specific interests are not always in tune or in line with the interests of government or regional stakeholders. I see that as a perennial problem of government coordination at project level, and it is not going to go away. My view would be that the policy of selfdetermination is a sound one and so is the policy of selfmanagement. That in itself gives rise to an urge or an impulse among Indigenous stakeholders to defend their right to control a process, and I would not like to see government's impulse to coordinate and to develop consensus models on policy undermine that sense of selfdetermination. That is where the process comes in; that is where we finesse the process, if we can, in order to achieve an outcome that everybody is happy with.

Senator MURRAY—I might not have understood correctly, but my understanding from this presentation is that the requirement to incorporate to progress a claim—to make the claim and then receive the outcome—resulted in bodies which were often family related. But they then had to comply with all the issues that go with incorporation—the proper structure, secretaries, directors, annual general meetings and all that stuff. Invariably, it was felt that that meant they imported other people and that large amounts of money were wasted on what were essentially administration and organisational structures, when money and effort could have been devoted to just running an unincorporated business—which many small businesses are—or in getting involved in community affairs.

I just wonder whether the institutional structures we have in this country—this is probably a question that we should pursue at some other time in the committee—help or hinder the development of businesses. For instance, just as an aside, in this country we do not have the equivalent of what is known as a 'close corporation'. That is an incorporated body that has far fewer requirements under Corporations Law than you have at present. We have corporations and we

have unincorporated bodies, but there is no in-between body, which is a model used in many other parts of the world.

Dr Townley—I would offer one comment. With the legal issues that surround bodies corporate, our system of governance, in the Western European sense, is constantly generating these corporate bodies in order to be able to delegate authority and know where the buck stops, and all the rest of it. That can get in the way—this is my personal view, and I would not say that it was the view of people in this region—of consensus decision making at a broader level. It generates the sense that people's interests are simply embodied in the body corporate, in the corporate governance, if you like, of those specific interest groups. To me, that is an impediment to reaching broader visions—goals, if you like—in Aboriginal economic development. We have not come across it yet here, but I have seen it happen in other parts of Australia. I think really it is just a matter of governance; people in the field who are aware of it tend to try and finesse it.

CHAIR—Senator Barnett, do you have any further questions?

Senator BARNETT—No.

CHAIR—On behalf of the committee, I thank the witnesses.

[12.32 p.m.]

HUMMERSTON, Mrs Joanne, Chief Executive Officer, Albany Chamber of Commerce and Industry

SMITHSON, Mr Neil Ramsay, Committee Member, Albany Chamber of Commerce and Industry

CHAIR—Welcome. The committee has before it submission No. 22. Are there any changes you wish to make to it?

Mrs Hummerston—No.

CHAIR—The committee prefers all evidence to be given in public, although the committee will also consider any request for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

Mr Smithson—I thank the Senate committee for receiving the chamber's submission and for giving us the opportunity to make a further presentation here today.

Senator BARNETT—You talk about regulation and the costs of compliance and that sort of thing. Can you provide any information or examples regarding the increase in regulation over recent years? Can you share with us any concrete examples about such levels of regulation impacting on your members?

Mrs Hummerston—I do not know exactly what you mean by concrete examples, but certainly there are many anecdotal examples.

Senator BARNETT—In Tasmania, a survey was done of a petrol station attached to a general store, with up to 20 separate licences, permits and approvals being required to establish and operate it. That survey was done some time ago now. In your submission, reference has been made to the high cost of regulation. Would you like to share examples of that with the committee?

Mrs Hummerston—I do not have evidence of any quantities or measurements taken in relation to that; it is mainly anecdotal evidence.

Mr Smithson—I do not think we have any evidence of that. We would be very interested in seeing some feedback in terms of completing the BAS, asking you to give an estimate of the number of hours. If that were broken down on a regional basis and perhaps a city basis, that would be very interesting feedback.

Mrs Hummerston—I think also evidence could be collected on people who have had to hire more staff in order to take on that workload—a workload they were not anticipating when planning their business.

Senator BARNETT—You have mentioned the hiring of staff and the industrial laws in WA. Do you see those as an impediment to growing businesses in this area?

Mrs Hummerston—Very much so. Albany is a tourist centre and it also relies a lot on seasonal workers. Already, since the introduction of the labour relations laws, businesses are cutting back. We have the definite example of one restaurant closing on Saturdays and Sundays because it feels it cannot afford it; and others certainly are planning to do that.

Senator BARNETT—Is that because of the penalty rates?

Mrs Hummerston—Penalty rates, yes.

Senator BARNETT—Have they gone up?

Mrs Hummerston—Yes, they have gone up. They have been going up for the last two years. I think, by July 2003, businesses will be expected to pay up to 125 per cent on top of the hourly rate of pay for work done on a public holiday, and it will be 100 per cent, I think, for work done on a Sunday and Saturday. They say they cannot possibly afford that staffing cost; they do not have the numbers going through their doors to make the sales to pay for the staff.

Senator BARNETT—So costs are increasing and therefore that is an impediment to new employment opportunities?

Mrs Hummerston—Yes.

Senator BARNETT—With your tourism focus, is that a particular impediment?

Mrs Hummerston—Definitely.

Mr Smithson—In the context of tourism or developing a tourism market, it is certainly an important advantage to have. As a regional city, within reasonable travel distance of Perth, it is always a dilemma. In fact, my professional background is in town planning and environmental assessment. But, from a retail trading perspective, a lot of people basically make the decision to travel to Perth as the larger regional centre to source services. That automatically brings into consideration weekend trading. We have quite an animated argument at times within the chamber and with the city council about retail trading hours; but largely that is a function of where certain local market sectors would like to restrict trade, if you like.

Senator BARNETT—What is the situation with retail trading hours in Albany?

Mrs Hummerston—Our retail trading hours come up for review every year. Small business can operate 24 hours a day, seven days a week. But large retailers—it affects about eight or nine

businesses in Albany—can only operate, with the approval of the council and the minister, usually pre-Christmas. Two or three weeks before Christmas, they have extended trading.

Senator MURRAY—That is because you are a tourism area, isn't it? That is not a universal law through WA?

Mr Smithson—No. Each area is subject to separate application. In fact, the chamber provides advice to the city council, and the city council provides a recommendation to the minister. It is really up to the minister then to approve hours.

Mrs Hummerston—But our situation is quite unique. We have reached almost an impasse because many people want a tourism centre to thrive and be a good basis for our economy, and many of the small business operators do not want to allow the big traders in because they see that as a great threat—so we are torn between the two. Even though we are a tourist town or centre, we do not get the retail trading hours that other tourist towns enjoy.

Senator BARNETT—Just to clarify: you are the ACCI here. Are you linked in with the Australian Chamber of Commerce and Industry?

Mrs Hummerston—No, we are a completely autonomous body.

Senator BARNETT—But do you have a relationship with them?

Mrs Hummerston—Yes.

Mr Smithson—We are members of the Western Australian Chamber of Commerce and Industry, and I think they are members of the Australian Chamber of Commerce and Industry. Now there is also a Regional Chamber of Commerce and Industry in Western Australia.

Senator BARNETT—Are you members of that as well?

Mr Smithson—A foundation member, yes.

Senator BARNETT—Excellent, congratulations. How do you communicate and network with the other witnesses we have heard from this morning: the Great Southern Area Consultative Committee, CRIE, and the Great Southern Development Commission? Does such communication happen?

Mrs Hummerston—Yes, very much so. Currently we are working with the Great Southern Area Consultative Committee, the Small Business Assistance Officer, the Great Southern Development Commission and a number of other organisations to develop an intelligence system so that our businesses can do online e-commerce transactions. Also we certainly work together when we are trying to get something forwarded through council or support for various projects.

Senator BARNETT—So does that communication system happen just because there is a will to make it happen? There is no requirement to make it happen; essentially it happens just because it is beneficial to your members?

Mrs Hummerston—Yes, I think mainly it is because there is a will. But in Albany we have quite a unique history and reputation, or past practices, of collaborating; we do work cooperatively. When Job Network came on the scene, a number of providers who once worked very well together had their work practices shattered quite a bit because they became competitors. But they have been working on that and are actually working far more collaboratively now.

Senator BARNETT—Just on the regulation side of things, do you or your members use the business licence information service and the business entry point; are you familiar with those? Do you find them to be helpful and of merit, or are they not really used that much by your members?

Mr Smithson—Are you referring to processes available through the New South Wales Small Business Development Corporation and business enterprise centres?

Senator BARNETT—Yes.

Mr Smithson—I think our members would definitely use those services. Information on those services is available as a front door through the chamber; we make that information known to our members, yes.

Senator BARNETT—That is a service which provides the licences, permits and approvals, and it gives you information about what requirements you need if you are setting up a petrol station, a general store, a retail facility or whatever?

Mrs Hummerston—Yes. In our Albany Chamber of Commerce and Industry Business and Community Directory, we have a few pages set aside for resources that businesses can use. Most of those are listed in that, and we refer clients to the various organisations and government bodies that can provide assistance in a variety of areas.

Mr Smithson—I think the success of that directory is testament to the strength of the local chamber. If you could say one thing about Albany, it is not insular, but it is very cooperative. We do many things to try and keep a lot of things locally in our own networks. We have probably one of the most successful business directories that I have ever seen.

Senator BARNETT—That is excellent, and congratulations on that. Certainly, through the witnesses this morning, we have picked up on the vitality of the local area and the need to work together. That has become evident. Just focusing on town planning issues, you have mentioned your planning background, Mr Smithson. Have you worked with the various shires in and around the area—there are 12 or more—to ensure consistency in planning laws to help small business get started and succeed? Is there an issue with the different laws and regulations in the various municipalities?

Mr Smithson—I think there are two viewpoints you can take on that particular matter. One is that consistency certainly makes for ease of understanding. The alternative position would be

that variety is the spice of life. Where one council endeavours to create opportunity, another tends to shut it down. As for my own profession, I am a consultant planner. But I have been a city planner, working with the local and state governments, and I do projects federally. My own practice at the moment is very much more strategic and corporate related. I suggest that 90 per cent of planning is about saying what cannot be done as opposed to saying what can be done. You talk about working with individual councils to get different outcomes. My practice has been in Albany for about five years now—and I took a slightly different approach when I arrived.

Basically, I think there is merit in the councils cooperating to produce better outcomes. Certainly the state government, through the Western Australian Planning Commission, produces planning policy of state and regional significance. That gives a tiered structure to the consideration of issues. In some respects, those local authorities do take on board those policies and then further enhance them for local consideration.

Senator BARNETT—It was put to us this morning by one of the witnesses from the BEC that all the councils should know exactly where their home based and small businesses are in their various shires so that the networking can then be done more effectively. Would you support that view?

Mr Smithson—Yes. It is a practical opportunity but, pragmatically, I do not think you would have the resources to administer it, particularly when you look at certain people in the business sector who will use such opportunity to their commercial advantage to manipulate the system.

Senator BARNETT—But we live in a free enterprise world. Shouldn't they be entitled to use whatever information there is in the public arena to their benefit, so that they can have their business thrive, prosper and grow?

Mr Smithson—I think home based business is probably the genesis of small business development in its own right. The chances are that it probably occurs, in a rural sense, off the farm as a supplementary income source. In a peripheral urban sense, quite often it is people who have retired, forming a small income proportion of their life. Perhaps also, because it is 'peripheral urban', they do not get trapped into the zoning classifications and there is more scope within the rural sector to do different things. But it is always at the forefront, and it then comes back to the jurisdiction of the city council for implementation and administration.

Going back to your first question about doing it, it is certainly plausible to do with geographic information systems management these days. The question, I suppose, is what kinds of outcomes you would draw from it. If you are talking about a business network scenario, I can see the obvious opportunities. In terms of the administration of local government function and policy development, there is a chamber of commerce, but there is also an Albany Visitors Centre—a tourist bureau. They struggle, in a town planning sense, in local government administration with special rate levies and tourism economic development rate levies; there is always the business of funding things to be done. If you could notionally use a GIS system and have small based business out there and be aware of who is making contributions, taking benefits from the process, yes, it is a way of levying dollars out of the business sector. As long as it is always outcome focused and beneficial outcome focused, it is good.

Senator BARNETT—Thanks for that.

Senator MURRAY—Mrs Hummerston, in this state we have two industrial relations regimes—one state and one federal. Do you think that ideally there should just be one?

Mrs Hummerston—Is this a personal question?

Senator MURRAY—No, it is not. It is a policy question. We have six throughout Australia. Victoria is the only state that has one, because Jeff Kennett ceded his industrial relations powers to the federal government.

Mrs Hummerston—I see certain merit in having one system for all. I think currently we have a federal system of awards and workplace agreements. We now have in this state a system that has many outdated or outmoded awards that have gained so many concessions and advantages through history. It is not always that practical to implement them now and they certainly provide great impost on business. Perhaps having one system where all the rules are the same, or very similar, and one body to answer to certainly might go to solving quite a few problems for business.

Senator MURRAY—You, as the Albany Chamber of Commerce and Industry, have to deal with both in providing advice. That is true, isn't it?

Mrs Hummerston—Yes.

Senator MURRAY—Have you found with the changeover to the new government and the introduction of new and quite different state industrial relations laws that you are getting inquiries from businesses that were under state laws wanting to move to the federal jurisdiction?

Mrs Hummerston—Yes.

Senator MURRAY—And are those principally medium to larger businesses, or are there small businesses as well?

Mrs Hummerston—Mostly small businesses of up to 20 employees.

Senator MURRAY—If they wanted to do that, obviously if they are unincorporated they would have to be incorporated. That is the first step. What other steps are necessary?

Mrs Hummerston—I am not too sure, because all the legislation is so new—and the changeover. We have consulted with the federal government's workplace agreements team and asked them to come to Albany and make a presentation to our members so that we can understand the system and what we need to do to get it operating. We have had a number of business advisory services offering that to our members as well, and we have taken a couple of those on and put on information sessions for them. But, at this stage, we tend to just refer them to the state industrial relations body, through the Department of Consumer and Employment Protection, and also to the federal government workplace agreements people.

Senator MURRAY—I will put on the record a prejudice of mine that is well known by everyone: I am a supporter of just one IR system for the whole of Australia. Were you aware that the federal government asked the Liberal state government, as it was then, to cede its industrial relations powers on the same basis as Mr Kennett did and that one of the groups that opposed it was the WA Chamber of Commerce and Industry?

Mrs Hummerston—I was not aware of that.

Senator MURRAY—I just thought I would get that in.

Mrs Hummerston—To add to the comment about the inquiries we have received from people wanting to switch over to the federal system, when we sought assistance from the federal workplace agreements office in Perth, they said that they cannot possibly come down for another month of two because they have been inundated with requests. That shows that the tide is turning.

Senator MURRAY—Organisations like yours provide a wonderful service to small business, and there are other organisations that do that—sectoral organisations for hairdressers or drycleaners or whatever. I think I would be right in saying that certainly in Perth, but perhaps here, some of the sectoral organisations operate under the banner of the ACCI. The question I want to get to is: why do you think two-thirds of small businesses at least—and it may be more—do not bother to join employer organisations?

Mrs Hummerston—I think it is a personal choice: they do not like to belong to an organisation; they want to do it their own way and guide their own path.

Senator MURRAY—Have you spoken to or surveyed people who do not join and established their reasons?

Mrs Hummerston—No, not that I am aware of. I have been in the Albany Chamber of Commerce and Industry for only a year, so I do not have all the history that you might require. People we have approached to invite to join the chamber of commerce often say, 'No, I don't like to join organisations,' or 'I don't see the need to at this particular stage,' or they might be affiliated or involved with some other organisation.

Senator MURRAY—It seems strange to me, in that part of what this inquiry has discovered, as a result of all these submissions, is that if you did a needs analysis of small businesses you would discover that many of them are deficient in many areas, and those deficiencies are areas which can be assisted by organisations such as yours. Your answer would seem to indicate to me that small business people who do not use or belong to organisations such as yours perhaps do not have an understanding of their own weaknesses. In turn, the organisations that should be marketing to them are not targeting that lack of understanding and persuading them to join. Is that too big a jump to make?

Mrs Hummerston—No. I will take a big, deep breath on that one; there is so much in that particular question.

Mr Smithson—I think the kind of expertise you are looking for is in the first instance quite expensive, and therefore you are subject to threshold allowances in a regional city. Our chamber does in fact bring down a host of qualified people from Perth, through the Western Australian Chamber of Commerce or through the Australian Institute of Management or a few technical schools, universities and the like. We are very encouraging of it, but you cannot say that our members are coming out of the woodwork trying to find those kinds of services—and we do struggle to put them together. If you are looking for an avenue to support chambers of commerce and industry in Australia, funding for the delivery of management services which would improve small business would be very well received.

Senator MURRAY—There is a problem that faces policy makers: do they make people be members of organisations or contribute towards services that are essential to the community? I will give you an example. Everyone knows about the fire services levy. I do not think anybody opposes that; they just oppose how it is structured. Should people be levied to support the services overall for small business or should it be left entirely to the market? If we leave it entirely to the market, too many small businesses will remain performing below what their potential and capacity would be if they were properly serviced and assisted.

Mrs Hummerston—Our particular chamber of commerce is not like the Perth chamber of commerce, which has industrial relations experts, lawyers, advocates and Worksafe operators.

Senator MURRAY—But you can call on those, can't you?

Mrs Hummerston—Not really, because under their membership rules they will not give us assistance with that for our particular members.

Senator MURRAY—They will not or they will?

Mrs Hummerston—They will not, under the arrangement. Our members must also join the Perth Chamber of Commerce and Industry or the WA Chamber of Commerce and Industry in order to get that full service. We charge a membership fee of \$250, which does not allow us to employ experts in their field. Our chambers really exist to provide networking opportunities, business promotional opportunities and training, when we can access it—and that is where we rely on our partners in the region, such as the Small Business Assistance Officer, the Great Southern Development Commission and so on. We work with them to try and access training, share the costs, share the benefits, promote it and so on. So our membership base is really about support and networking.

Senator MURRAY—So you are saying it becomes very expensive. Let us give an example. Let us take the hairdresser, which would be a small business with a low turnover and perhaps a relatively low profit. They have to pay you \$250. If they want to get an industrial relations service, they presumably have to pay \$250—

Mrs Hummerston—More.

Senator MURRAY—What is it for the Perth chamber?

CHAIR—They should join a union.

Mrs Hummerston—In Perth, it depends on the number of employees you have.

Senator MURRAY—Give me the lowest figure.

Mrs Hummerston—About \$350 would be the lowest for Perth.

Senator MURRAY—So that would be \$250 and \$350. And they also want to be a member of the hairdressers organisation. I do not know what their rate is.

Mrs Hummerston—About another \$250.

Senator MURRAY—Let us assume it is \$250. All of a sudden, you are starting to move towards \$1,000 in total to get the kind of interaction which would be helpful. Have business organisations such as yours looked at market systems to try and streamline that and to reduce those sorts of costs? Why can't you pay one fee—and the chair gave an example of a union—into one body and get those three activities?

Mrs Hummerston—You could most probably do that but then you are sacrificing the options for why people join organisations in the first place. For example, if it is one body that provides the same sort of service and information to all, it would not be able to provide some of the intricate services that others join organisations for. For example, with our chamber of commerce, for people to really get something out of it, they put in: they attend business after hours, other promotional things we have and our training. They use each other's support. If there was one system, you could erode some of that.

Senator MURRAY—We are looking at some of the things which create unnecessary cost in businesses. Senator Barnett raised earlier today the case of the person in Tasmania who has 20 licences to connect to. It seems to me that in support and service terms, you might be looking at a minimum of three organisations to give you what you need as an essential service for a small business, and perhaps more. I do not know whether there is a cost, if you want to be a member of the Great Southern Area Consultative Committee—there is not, I get a nod from the back of the room—or from any other outfit. But you see where I am going to with this?

Mrs Hummerston—Yes.

Senator MURRAY—I cannot take it any further, Mr Chairman. If I were a hairdresser I surely would not want to dish up \$1,000 to get that sort of service.

Mr Smithson—Through you, Mr Chairman, I think it is difficult to proffer a single service delivery strategy. In fact, if you had to pick it at the moment, a number of our organisations are dismantling the services and breaking down the individual costs to reflect the choice within services coming from an organisation that a member might choose to do.

Senator MURRAY—So it is user pays?

Mr Smithson—Absolutely. But the strength of this organisation is that it is all by your choice. No-one is compelling anyone to join the Albany Chamber of Commerce and Industry,

but they recognise it as a legitimate business forum. From my own point of view, I am not only a member of the Albany chamber of commerce but also the Denmark and the Ravensthorpe chambers of commerce.

Senator MURRAY—If you do not mind telling me, what do the three of them cost you?

Mr Smithson—Let us keep going: I am also a member of six different professional institutes and a number of community service clubs, so I would probably spend \$1,500 a year just on access to information corridors.

CHAIR—What is your business?

Mr Smithson—Town planning and environment assessment. I also do corporate management.

Mrs Hummerston—One of the other drawbacks of having one system that people pay for that covers a plethora of interests and activities is that you will get people who will not be satisfied with that, because they will never use the service that they have to pay for. So if they have to pay \$1,000, but they are only getting \$100 worth of value, they shy at that. Whereas, if you can say for your \$250, you are going to get X amount of value, and you deliver that value, you have satisfied that particular member.

Senator MURRAY—Mrs Hummerston, I am not at all critical or even trying to provoke reform of a system for those who are in it because, obviously, it satisfies those who are in it. I am concerned with those who are not in it—the two-thirds to three-quarters of small business that are not members of organisations. Our purpose, as a committee, is to establish ways and means by which we can provoke more growth and more employment in small business. I start with an assumption, which I hope is an accurate one, that if you are a member of a body which provides you with services you will be more capable at doing what you do, because they enhance areas where you do not have expertise for what you need. You pay your Mr Smithsons and they provide you with information and service which you cannot acquire as an individual.

CHAIR—What has come through in the inquiry over the past couple of days is the view that in small business in particular, owner-manager capacity is very poor.

Mrs Hummerston—Going back to the time issue, they often feel that belonging to an organisation and to get value out of their organisation takes their time, and it takes not just a commitment to the organisation but a commitment to attend. They do not want to do that. So many small businesses that start early in the morning and finish late in the evening just want to go home and shut the world off and vegetate in front of the television; and start again the next day. It is very consuming, so that is another reason why they do not join organisations.

Mr Smithson—I would love to be able to give you a satisfaction survey of our membership, but I think it would be quite high.

Senator MURRAY—Yes, it would and, as I say, that is not my concern. It is not those who are involved but those who are not involved.

Mrs Hummerston—The ones who are involved in everything because they want to be involved, they want to put in and they therefore are going to get out because that is what they intend to do.

Mr Smithson—You cannot compel people to be informed, and ignorance is no excuse in the law.

Senator MURRAY—Except, you see, the purpose of pursuing it is that there is a cost to the economy and society as a result of business failure or family breakdowns because of stress. If they had better systems, or a better knowledge of how to manage or run their business, this might not be so apparent. There are major economic and social consequences of not being informed, not being skilled, not being involved. Different countries have tried different mechanisms—some very much carrot orientated, some very much stick orientated.

Senator BARNETT—Following on from that, I want to express it another way because I know where you are coming from. I can understand what you are saying. How else are those people who are not your members represented? How can we best represent those people who are out there, as Senator Murray said, and who perhaps are not educated and do not have the management skills, or who are stressed and who are focused on their businesses and their families—which is in many ways very understandable. How can they be represented by you, or whoever? Have you got any suggestions in that regard?

Mrs Hummerston—I do not know about best represented, but we used to have a system where information was quite readily available. Now that we have become so technically advanced, people do not have the same will or desire or ability to access information readily or easily. For example, if a business proprietor wants to ring WageLine to find out information on whether their award has changed, they might get an inexperienced officer answering the telephone. This officer has to go and look up the information and can keep the business proprietor on the end of the phone for 30 minutes. The proprietor loses patience and gives up. I think that service or information can be better distributed.

Senator BARNETT—Sure, but the point I was making earlier with Mr Smithson was that if we know where these businesses are, and we can communicate with them, they do not need to ring that department. When that award changes we should be able to tell them via the Internet, via technology. I am thinking, ‘Let’s plan ahead so that if we have got a system and we can communicate with them that way, why don’t we?’ Why don’t we tell them, ‘This is the latest thing that is happening. You need to know about this, the award has changed,’ rather than coming in later and slapping them on the wrist or giving them a fine because they have not done something.

Mr Smithson—I think the information communication system is certainly heading in that particular direction. I am not sure that everybody really wants to be involved with government if they have a choice—you know, the big brother mentality.

CHAIR—But it is not necessarily a question of involvement with government; your organisation is out there purporting to represent small business. It seems to me that one of the things that happened in the past— it happened with unions, it happened with employer organisations—was that whilst you sent out information to your own members you also sent out information to

people who were potential members or non-members. But there is a focus now on user pays for everything, so if you are not signed up in the organisation then you do not get access to the information.

Mrs Hummerston—That is certainly not the case down here. I think there are many organisations—

CHAIR—Do you service individual companies that are not members of your organisation?

Mrs Hummerston—We will certainly assist, yes, and provide information.

Mr Smithson—There is no doubt that, just like certain unions, the chamber acts in the interests of all businesses, whether or not they are members, in a lot of our policy position making.

Mrs Hummerston—We will always refer businesses on to appropriate resources if we can. When we put on training courses, functions, seminars and workshops, we always open it up to the wider community as well. It does not always have a fee but sometimes it does.

Mr Smithson—In relation to the corporate direction you are suggesting, the chamber is facilitating a range of projects, and a number of the agencies that have appeared today are involved as well. We are going down the path of getting better communication between potential members and real members and the reasons why they would want to communicate with us.

CHAIR—I have one final matter, and it relates to a question that Senator Murray asked yesterday. You provide professional services, Mr Smithson, and presumably there are a number of tradespeople in the area—plumbers, boilermakers et cetera—who have served an apprenticeship and have certificates so that when they apply for a job at a local engineering factory they have something that says they have been trained and have the skills to be able to carry out their trade. If you hang your shingle out for professional services, presumably you have done a course, you have a certificate that says that you have completed a level of skill or training in that area to be able to provide that professional service. Should we be looking at a similar system for people wanting to establish businesses so that before you can get a certificate to establish a business you have to demonstrate that you have at least a level of entrepreneurial skills to equip you to run a business?

Mr Smithson—I think that already exists to a certain extent for the qualification process you are suggesting. Whether or not you want to use that is another question. The chamber does use prequalification within certain occupational areas for membership or substantiation of membership. Basically, it is buyer beware, isn't it?

CHAIR—I am not talking about your chamber; I am talking generally. If I want to go out tomorrow and open up a sandwich bar in Albany, is there a requirement for me to have some level of entrepreneurial skill that would make you confident that the business was being properly managed both in terms of cash flow and in terms of all the requirements to run a successful business?

Mr Smithson—I think you are overstepping the mark.

CHAIR—Or do we cross our fingers and hope that I make good enough sandwiches and people will buy them?

Mr Smithson—I think the market will determine whether or not you do that, but there are sufficient protections within—

CHAIR—I could kill a few people on the way through.

Mr Smithson—Only if you breach your local government health regulation advice, so that is one of the certificates of qualification, if you like. Let us take another example in terms of occupational workplace issues. When it comes to building contractors and establishing the right safety mechanisms there is a clear shortage of expertise to administer that area of governance, particularly in regional cities and out in the back of the boondocks where basically you do what you want to get the job done. There is a huge differentiation between service delivery and quality assurance in the metropolitan cities and in rural and remote Western Australia.

CHAIR—Thank you on behalf of the committee. That concludes today's public hearing.

Committee adjourned at 1.13 p.m.