



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Small business employment**

**Roundtable**

**THURSDAY, 18 JULY 2002**

**ALBANY**

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**SENATE  
EMPLOYMENT, WORKPLACE RELATIONS  
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 members:** Senator Conroy for Senator Carr and Senator Murray for Senator Stott Despoja

**Participating members:** Senators Abetz, Boswell, Buckland, Calvert, Chapman, Cherry, Collins, Coonan, Denman, Eggleston, 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 2.12 p.m.**

**BLAKE, Mr Morris Kenneth (Private capacity)**

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

**FARMER, Mrs Elizabeth (Private capacity)**

**LIONETTI, Mr Paolo Teodoro, Director, Supa Value**

**McCRAE, Mr Mark Ewen, Proprietor, Pure Plantation Furniture and Albany Yacht Charter**

**MAXWELL, Mr John Alexander Geoffrey, Principal, Maxwell Designs**

**NORTH, Mr Barry Anthony, Salesman, Albany City Realty**

**NOWOTNY FORD, Mrs Beverley (Private Capacity)**

**TASKER, Mr Philip John, Secretary, Southern Information Technology Association**

**WATERMAN, Mrs Janine Anne, Chairman, Albany City Heart**

**CHAIR**—Welcome, everyone. As part of the committee's inquiry into small business regulation and employment issues, the Senate Employment, Workplace Relations and Education References Committee is conducting a series of roundtable meetings with small business people and representatives of small business associations or interest groups. The committee is also holding more formal public hearings with input from those who have made submissions to the inquiry. The purpose of these roundtable discussions is to enable those small business people and representatives who do not wish to make a formal submission to bring their concerns and issues to the attention of the committee. We want to hear your views on matters which relate to the terms of reference of the inquiry, a copy of which has been made available to you.

I should mention that, although these roundtable discussions are meant to be informal, we are bound to observe one important rule of the Senate in regard to privilege. This discussion is privileged and you are protected from legal proceedings in regard to what you may say. Hansard will produce a verbatim transcript of evidence which will be provided to participants and available also on the committee's Internet site as official documentation of the committee's proceedings. This recording is not intended to inhibit informal discussion and we can go in camera if you want to put something to the committee in confidence. However, I point out that such evidence is often difficult to report in an inquiry of this nature and in any event the Senate may order the release of such evidence. I would like the discussion to be guided by the framework provided by the terms of reference but within each of those four reference points we can be as free ranging as we like. Do you have any comments to make about the capacity in which you appear today?

**Mr North**—I am with Albany City Realty down at the North Road Shopping Centre.

**Mr Tasker**—I am here today representing the Southern Information Technology Association, and I am also a small business owner in town.

**Mr Blake**—I am in the hospitality industry. I have been in the restaurant business for 15 years.

**Mrs Farmer**—I am a small business owner. I own a local video store in Mount Barker.

**Mrs Waterman**—I am representing Albany City Heart, which is like a Main Street organisation. I am also a small retailer.

**Mr Lionetti**—I own the local Supa Value store. I have been in business for about 20 years.

**Mr McRae**—I have been in retailing for about 30 years. I have small business in Albany.

**Mr Maxwell**—I have a small business in Denmark, architectural design. I have been in Denmark for eight years.

**Mrs Nowotny Ford**—I wear a number of hats. I am a small business proprietor in the printing industry and also a licensed finance broker. And I represent the Master Builders Association in the Great Southern as a regional manager.

**CHAIR**—Can I pose two questions initially to start the discussion. In the hearings we had in Perth yesterday and this morning, in the groups who appeared before us, one of the issues that has emerged is the lack of formal training or facilitator training that most small business proprietors or managers have in knowing how to manage a business. A lot of them are very good at producing goods, producing services, but when it comes to the skills of actually managing the business the vast majority seem to have very little or no formal or practical training. The first question is: to what extent do you see that as being important—and to what extent have the groups seated at the table had some training in the various aspects of management—and to what extent do you think training or additional training could be facilitated as a result of this inquiry? The second question I pose to you—because I think the committee would be keen to hear of practical examples of this—is: are impediments to growth of your businesses, or small business generally, caused by government regulation or by government red tape, and can you give us some practical examples of how that occurs? Those are the two initial questions. I am sure there will be more from my colleagues as we go through. Who would like to open the batting?

**Mr Lionetti**—On the question of whether there is enough government training of people going into small business, I think there should be a certain qualification for people who go into business. It is not just a case of saying, 'I've got \$20,000; I want to go and open a coffee shop or whatever I want to open.' I think that the government should have in place a TAFE course or a specific business course so people can obtain certain qualifications before going out into the street to open a business. I think that is the problem we have in country towns, where we have a lifestyle and all of a sudden we have 250 coffee shops. If there was a certain course that someone had to do and pass—mainly in basic accounting or basic business principles—I think that would go a long way towards helping to prevent small business failure.

**Mr McRae**—I would certainly like to endorse those comments. We find, particularly in country areas, where a lot of people see an opportunity and to a degree run in blind, that people seem to be able to raise finance to attempt a business venture—but I guess the two important aspects of small business are, of course, finance and marketing—and we see a lot of people venture out into small business and we see the number of bankruptcies that occur in small businesses throughout Australia. Whether it is because of inadequate funds or not, I think it is an issue of management of funds. Certainly what Mr Lionetti has suggested is a very important aspect of small business. The financial management of a business and learning how to use your finance to your advantage and take control of your finances is something that most small business people need to learn.

**Mrs Waterman**—I recently applied for a Small Business Improvement Program grant—'You can get \$5,000 from the state government!'—only to find that the people who put in a quote actually put in a quote for \$10,000, which is way beyond my budget. I have not got a spare \$10,000 to learn how to be a better businesswoman. To get the grant, you have to have been in business for 12 months. I am also a landlord and it would help if I knew that somebody renting commercial premises from me had done this course. I would give them tenancy over someone who had not.

**Mrs Nowotny Ford**—Those comments are about doing a specific course prior to going into business—that is fine, but there are a lot of businesses already out there, and there is an issue about whether or not you could impose that regulation on somebody. Let us assume that the situation stays as it is at the moment, that people want to go into business and that they want to access support structures within either the metropolitan or the regional areas—there is very little to support them. For instance, in Albany we have a business enterprise centre, and they do a marvellous job. They focus on marketing; that is their role. They do not provide any support on the financial management of a business or, necessarily, on the technical side of a business or on any of the other support structures.

For 15 months, from just prior to the introduction of the new tax system, I had a contract with the federal government to be a GST signpost consultant. During that period of time, the business enterprise centre referred people to me for support on the new tax system and, to a certain degree, help with their bookkeeping needs. From personal experience when I came to Albany to start up a business and from my role as a GST adviser, I would say there are no federal government support structures in place to provide that training at all, and there is very little real help provided by the state government. I am not saying that marketing and that sort of thing is not necessary, but some of it is airy-fairy and not real, hands-on stuff.

**Mrs Farmer**—As a small business owner myself I feel that, if some of the businesses out there are to improve the running of their business, they need to access someone. When the GST was brought in, a line was provided and you could call and someone would come out and say, 'This is how you're doing your books; you're best to do your GST this way.' If you can access someone on a one-on-one basis who comes and says: 'You're doing your books this way; if you want to employ casual staff, this is the way you should go about it. This is what you need to do,' instead of having to go somewhere where there is a great variety in the different ways people run their businesses and the different styles of businesses, I think it would be of great benefit to small business owners.

**Mr Tasker**—I agree with what Jan Waterman said about small businesses and improvement program funding. The amount of funds you receive seem to be well slotted into what consultants quote to you. Local representatives for the SBIP will not recommend consultants, because they think there is a conflict of interest, and we end up picking consultants from out of town who have no local knowledge. We have gone through a strategic business plan and a marketing plan, and they both appear to be a standardised, formal type of report or business plan, provided with our names interchanged with existing names. We are concerned about that. Talking as a small business owner with two or three people in the business, you cannot afford to have one or two of your staff on the financial side of things when you are out there making the money as a consultancy services business.

The final thing with regard to training is that, for members of our Southern IT Association, especially in the information communication and technology area, there are no telecommunications training facilities in the region at all. So, effectively, if they do put on a trainee, the young staff member has to go to Perth for a bulk period, and that is of concern. There is some IT training available through TAFE but certainly not in the telecommunications area.

**Mr Lionetti**—Going back to what is available, I think that the other problem that small business has is that, even if training was available, once you are in business you have the hassles of running your business and if you then try to get someone in to do the training with you you do not have the time, the patience or the will—you listen but you do not listen, because you are worried about whether people are getting served at the checkout, getting their cup of coffee or whatever. I think that the horse has bolted once you have gone into business and are finding it hard. Whatever help you get after that, you are only ever going to get a small percentage of the benefit you could have had if there were rules in place to say, ‘You must do a course before you start.’ Then you would think twice before you went into business. Once you do, you are committed. I agree with what Jan and Elizabeth said: a couple of my friends have had people in to help, but it is just a waste of paper, and they all complain about the ten grand they have blown.

**Mr Maxwell**—I am in a small business in Denmark, and I was also President of the Denmark Chamber of Commerce for a period of time, so I became very familiar with the plight of some of the businesses in Denmark. In my experience, a lot of the businesses in Denmark are family oriented; they are usually a husband and wife or partner team, as in my case. The first sentence of the terms of reference lays out a lot of requirements: taxation, superannuation et cetera. I think it becomes very plain, in that sentence, that there is a lot for an individual to try to keep abreast of. Being in small business, we do not have the time or the money to acquire these skills, so we are often sailing by the seats of our pants. There has to be a way of simplifying it.

An example I could give of something I am familiar with is the Strata Titles Act. When it first came in in Western Australia in 1966, it was a very broad reaching exercise. It was primarily designed for high-rise, and it very soon became obvious that there were shortfalls with it. It was only a few years ago that it was somewhat streamlined, particularly for duplex strata and up to five-unit strata. Now we have a very simplistic case; we do not have a whitewash of ‘one set of rules does all’. I was wondering whether small business could be looked at in a similar exercise—that is, very small, one- or two-operator businesses have one set of rules, then there is

a second stage where the rules are somewhat more complicated and, finally, there is a stage where large small businesses have a full range of requirements that they must comply with.

**CHAIR**—Please feel free to raise other issues; do not be confined by my questions.

**Mr Blake**—One of the biggest concerns that we have is industrial relations. We find that gaining enough management skills in that area is one of our biggest problems. You may be aware that the state government has just changed our industrial relations legislation; it is just coming into effect. It is extremely difficult for us to try to keep up with that sort of legislation. There just does not seem to be enough support out there for small business operators to be fully compliant with all the changes to this legislation. In our own case, we recently went down the path of introducing workplace agreements, and we have had them up and running now for approximately two years. Now that legislation has been turned on its head, and we have to address that whole issue again. In terms of training, it would have to encompass quite a few different areas besides financial training; it would also have to touch on areas of industrial relations.

**Mrs Nowotny Ford**—With respect to support structures, I think that is a very good point. It raises the Western Australian issue compared with the Eastern States. There seems to have been a significant policy of centralisation through successive governments—not only centralisation in Canberra but also centralisation in capital cities. If you happen to live in Victoria, centralisation in Melbourne is one thing—there probably is not a town in Victoria that is more than two to 2½ hours from Melbourne. We are considered to be quite a close regional city, yet we are 4½ hours from Perth. God only knows what happens in the more remote areas, but they are not really remote in the Western Australian sense.

People in the Eastern States have no concept of the distances. For instance, tax offices are located only in the Perth metropolitan area. Other than the CES, there are no federal government departments in Albany. For instance, let us say that we live in Bremer Bay and want to post our BAS. It has to go to Albury. For the post to get to Albury from Bremer Bay it takes at least 10 days. The date that you have to have your BAS submitted cannot be the day you post it—it is the date that it arrives. So the Western Australian situation never, ever gets taken into account when considering the provision of government services. All the time they keep focusing them away from regional areas and continue to disadvantage us, particularly small business, even more.

**Mrs Waterman**—I would like to address the matter of local government. Albany City Heart exists because we are trying to prevent the fragmentation of our city centre. We find ourselves constantly battling local government. We have had to battle for planning laws to be upheld—I will not go into that—and we have a great deal of trouble. This affects confidence in our business centre. We seem to have had nothing but angst from a basically rural council that does not understand business. We need help here; we need more rural people to understand how businesspeople operate. It is not working in Albany at the moment. We are in diminished circumstances. Nothing has happened in our town in the five years since we amalgamated the town and the shire. It has taken us 18 years to get some development on the foreshore, because one council changes to another and one state government changes to another.

It is my suggestion that more importance be given to local government. We had a period of 15 months where we had commissioners, and we loved it—politics disappeared; they were professional people who understood business—but they were not allowed to change anything. Had they run us for the last five years we would be well advanced. We have stood still. We would like to see better local government, less state government and more across-the-board federal rules. I think that feeling is probably only in regional Australia. It does not seem to affect the cities quite so much.

**Mr Lionetti**—Senator, are you guys here to comment at all?

**CHAIR**—No, we are here to listen to you.

**Mr Lionetti**—Okay, so we are required to do the talking.

**CHAIR**—We will comment eventually, when we put out our report. Essentially, we want to hear from you; you do not want to hear from us.

**Senator MURRAY**—We will interact. We just want to get a feeling as to what concerns you put on the table and then we can start the discourse.

**Mr Lionetti**—With FAL in Perth, we have just spent the last three or four months getting a shift from a state award to a federal award. When we first started that award, there were 250 to 300 people at that meeting, and I came back from Perth back to Albany feeling that we would have had some form of win on awards. I was expecting that, if the award were \$10 an hour for an 18-year-old, it would be \$10 an hour on a Saturday, a Sunday or whenever. We were given that criteria by the union and FAL. We selected six or seven people to go on that committee, and we went back there six weeks ago. The six people who were on that committee were six-day traders, but probably 60 per cent or 70 per cent of the industry now are seven-day traders. When the committee came back, I was totally disgusted—it was time and a half again for extended hours. The award for a full-timer with a six-day trader is \$12.44, and we have to pay \$13.05 simply because we traded seven days a week.

It is okay if it is \$18 or \$28 an hour—I don't care what it is—if we have population. In rural Australia, country towns like Albany and Denmark—maybe up to Northern Queensland; I do not know—die in the winter. There is a basic population and, if we want a cross-section of businesses in country towns to give a service that we need to give, small business cannot afford to pay time and a half and double time for extended hours; that is just not there. There is the extended trading issue of allowing the Coles and the Woolies of the world—and I am in Supa Value, so I do not make any bones about it—to come into a country town. They did it in a town in Victoria where there were 23 businesses; Coles opened seven days a week, and there are three left. They are the real issues. It is not just about Supa Value.

We have got a K-Mart coming to town here. It is going all over the country, just picking sites that could pay in the next five years; they do not have to pay today. You will have 100 or 200 businesses just shut down. I am not saying that Supa Value would shut down, but we would certainly become a small deli. Small businesses will just disappear. Big business can afford to pay \$18 or \$28 an hour for their extended hours. They have one person on the checkout, and a person standing with a gun alongside them as security. They are open seven days a week. If they

increase their margins by three per cent—they do \$50 million a year turnover, and you could work out what three per cent would be—that would cover all of those expenses.

But small business need a federal government award. Under a state award, we have one rule today; every three years it changes. Federally, they have to get hold of the wage issues, they have to realise that we are 4½ hours from Perth and up north it is 15 hours from Perth. The number of people that go through these towns, and the population, is very small. If those businesses want to keep a bare service, then we have to seriously look at that situation. Otherwise, there will be no employment and there will be no businesses.

**Senator MURRAY**—Let me ask a question, if I can.

**CHAIR**—Mr Blake wants to respond, so we will hear Mr Blake's response and then both of my colleagues can have a—

**Senator MURRAY**—I just want to add a question to the mix.

**Mr Blake**—It seems that the award that the hospitality industry works under, which is a state award, refers to normal trading hours. Those normal trading hours are 9 a.m. Monday through to 5 p.m. Friday. Most of our business is done outside of normal trading hours. Whenever we employ people outside normal trading hours, we are penalised. We have to pay time and a half on weekends, we have to pay a penalty rate after 7 o'clock at night, and we have to pay double time and a half on a public holiday, which is when most people who work normal trading hours expect us to provide a service. That is one of the areas that makes it extremely difficult for us to maintain those sorts of services when we have coming into a town national or multinational companies that have done an enterprise bargaining agreement on a federal basis and have struck a flat award rate that covers all the hours they are open. We are not in a position to access those sorts of rates—we have to abide by state awards. So we are being penalised for providing a service outside normal trading hours. One of the areas that needs to be looked at is that normal trading hours for supermarkets—which, like Paolo's, are open on a weekend—or the hospitality industry should encompass weekends and public holidays.

**Senator MURRAY**—I want to focus on industrial relations. For many small businesses labour costs are not an issue if it is a microbusiness or a business which is just involved with a professional service, but for many others, labour costs are a huge component of their business. When I hear comments in Western Australia about industrial relations, there are two issues that matter. One is change, because you have to adjust to and react to change. You had one set of laws which you understood and now you have a new set, and all the difficulties that go with that. The other is content, which is what we have been talking about—the actual rates and how they apply and so on.

I will put my prejudice on the table for you. I do not support multiple industrial relations regimes. I think there should just be one industrial relations law for the whole of Australia. So my first question is: do you agree with that or do you like the fact that there is both a state and a federal system? The second question I want to put to you is how you like to do your business with regard to industrial relations laws. Let me explain it to you this way. In Victoria—which gave up its state laws; they are under federal law—essentially there are three ways in which a small business can operate. There is an award which covers the area, or there is an agreement.

That can either be by enterprise for all the employees or it can even be multi-employer. For instance, to give you an analogy with Albany, in country Victoria there is a town where I think 14 supermarkets in the town and in the surrounding area all have a common agreement for their wages. It is not an award; it is an agreement for those 14, which has been worked out with the local union. The third possibility is individual agreements. In the federal system those are Australian workplace agreements. Which system do you find is best for you in terms of how you deal with matters of pay and conditions—award, certified agreement or individual agreement—and would you prefer just one law for the whole country or do you like the federal and state mix?

**Mr Blake**—We have had a fair bit of experience in both state individual workplace agreements and the awards prior to that. We are currently looking at AWAs, Australian workplace agreements. The AWAs that we have gone down a path to implement seem to still have some relevance to state awards because there is a no-disadvantage test in there. In adopting Australian workplace agreements you have to bear in mind that there is this state award. So again, it does not allow you to strike a rate—although it may be appropriate for the experience or inexperience that a person has when they come into my business—to be able to negotiate one-on-one with that person. I still have to say, ‘Okay, here is an AWA. However, here is the state award for the restaurant, tea room and catering workers award, and that says that, as a casual, I cannot pay you less than \$14 or \$15 an hour.’

**Senator MURRAY**—If I can just interrupt for clarity, your no-disadvantage test is referenced to the state award, not the federal award?

**Mr Blake**—There is no federal award—

**Senator MURRAY**—for WA in that area.

**Mr Blake**—That is right.

**CHAIR**—But you are aware that, even under AWAs, there is a no-disadvantage test in the federal system?

**Mr Blake**—Yes, that is right. Under the new legislation being introduced into WA they have an individual workplace agreement which is called an EEA, an employer-employee agreement. Again, that has a no-disadvantage test. Under the old system of individual workplace agreements the safety net for employees, I guess, was the minimum conditions of employment. I would have thought personally that the easiest way for a state government to overcome some problems that they had with people being underpaid or not being paid at appropriate levels was to up the safety net, so to speak, so that the minimum conditions of employment, say, would be \$12 an hour for an adult person.

We have a problem in that we have a lot of transient workers. The hospitality industry employs a lot of university students and a lot of people who just want part-time work to pay off the second mortgage or the car, and mum is in a position where she can go out and work. Mothers are available to work on weekends when their husbands are at home to look after their children, and we are penalised because we have to pay them a penalty rate, even though it suits them to work on the weekend. Under both sets of legislation at the moment, whether it is AWAs

or EEAs under state legislation, we are required to pay them the award rates. Either way, we are caught between a rock and a hard place, so to speak. We cannot negotiate one-on-one with people.

**Senator BARNETT**—If there were a federal award relevant to your restaurant and caterers, are you saying that the no-disadvantage test would flow through to that award and that would be the appropriate award? How does that work? I do not have my head around that, and I do not know the IR system as well as Senator Murray, as yet, though I am working towards it. Can you flesh that out a bit more?

**Mr Blake**—My understanding is that there is no federal award for our industry as such.

**CHAIR**—What is your industry, Mr Blake?

**Mr Blake**—Cafe-restaurant, so it is hospitality.

**CHAIR**—There is an award in the federal jurisdiction which covers your industry, let me assure you. It does not apply to Western Australia because Western Australia traditionally has operated under the state award systems, but there is a federal award which covers the equivalent of the people you employ.

**Mr Blake**—I am sorry; I was not aware of that. We have had access only to a state award under state legislation.

**CHAIR**—Traditionally, it has been a state award based system in Western Australia.

**Senator BARNETT**—That probably answers the question. In Western Australia, throughout the industry, no matter what it is, you have to kick back to the state award. Would that be right?

**CHAIR**—You will find a federal award reflection of the state award in the federal jurisdiction.

**Senator MURRAY**—That is why—if I can clarify this through the chair—when the new federal laws were introduced, at the same time as the new system came in an award simplification process was undertaken. There were 18 allowable matters under section 89A, and the award simplification process had to occur which shrunk the size of awards but also shrunk the number of awards by two-thirds—in other words, there are now a third of the number there were before it began.

**CHAIR**—I will pose one question on this issue of industrial relations because it seems to me that I can understand some of the issues you are raising. My prejudices are that I was a union official for 27 years, so I see the perspective from the other side of the fence. But I wonder whether the issue is one of your capacity to have more flexibility about what you do or whether the issue is one about getting some certainty into the system in terms of how the system will operate. We have this crazy position of industrial relations, for example, being an ideological or a philosophical point of dispute between the political parties and every three years or six years when government changes there is a new change of regime. Whether or not one of the issues that business ought to be pushing for is a bipartisan type approach to our system, irrespective of

what the system might be, it should at least be a system which brings some stability, so that when you negotiate agreements you know with some certainty that that environment is going to operate for a period of time.

In terms of the systems that are around at the moment, the major point of difference, I think, outside some of the other issues about access for unions and so forth and the involvement of third parties, is the AWAs. There is general acceptance of enterprise agreements; there is general acceptance of awards in that situation. There are some issues about pattern bargaining. Some industries do not want it; some industries do. We heard from, I think, the cleaners guild in Perth last night, saying 'If only we could have an agreement that covers everybody'—which is not allowed under the federal system of pattern bargaining. I wonder if the message you are sending out is: 'Give us some stability. For Christ's sake, develop a system, tell us what it is and let us work under that, and stop changing it every two or three years or every time there is a change of government.'

**Senator MURRAY**—Which is why I need an answer to whether you like there being two systems or whether you believe there should only be one.

**Mrs Nowotny Ford**—I can address some of that in my answer. Your comments about bipartisan are very interesting. Perhaps what we had, before this latest set of legislation, was legislation put in by a Liberal government that perhaps the unions and the employees felt was too much on the employer's side. Let me tell you, the employers did not think so. Now we have swung right over to the other extent. Everything that this government has introduced about the new industrial relations legislation is about the needs of the employee, the wants of the employee. It has all been focused from the point of view of the employee. From an employer point of view, we have an immediate wall up because the employees do not create the jobs—entrepreneurial skills and living off the seat of your pants create the jobs. So there is an immediate problem there. Senator Murray raised a point about the little town in Victoria that got 14 supermarkets together which is effectively a collective bargaining situation. As I understand it, under the new industrial relations legislation employers cannot collectively bargain with employees. They have to call in the union, whether the employees wish to be union members or not.

**Senator MURRAY**—Are you talking state?

**Mrs Nowotny Ford**—Yes, I am. That is essentially where most of us at this point in time operate and have operated. Employers, small business, probably do not care whether there is one system or two systems. What we want is real certainty and the ability to get on with our business. Small business does not have the money—that is what Morris was saying before—to learn change, to cope with all of that. It is a huge cost on a business that one person operates. One person quotes, one person does the books. They just do not have the time nor the money to deal with it. Therefore, they are at the mercy of the situation. So they throw up their hands and say, 'It is all too hard; let's get out of business' and valuable expertise is lost.

**CHAIR**—I wonder, given your comments, whether governments ought to be less prescriptive about how the industrial relations environment should be run and perhaps play more the part of the umpire to sort out the specifics between the individual contestants or players in the game.

One of the problems at the moment is that governments are becoming more and more prescriptive about the nature of the system.

**Mrs Nowotny Ford**—Paternalistic.

**Senator MURRAY**—Some would see it that way. Some might see it differently.

**Mr McRae**—It appears to me quite apparent that a single system of industrial relations or awards would make it a lot easier for everyone to understand and implement. The important thing—that I think you mentioned, Senator George Campbell—is stability. A lot of small businesses invest and borrow a lot of money to set up a business on the pretext that their costs are X and that they can look forward to such growth and so forth and budget accordingly. We had a recent incident in Albany where a small business in the tourism industry got off and running and appeared to be very successful. Then there was a change to state legislation with employment matters. After all the time and investment and money they put into growing this business—and employing quite a number of people in the town—all of a sudden they are in a position where they are wondering whether they should continue. They are probably not going to continue because it has become too hard for them. The wages they are going to have to pay under the new state legislation are going to make it prohibitive for them to survive. So given all the planning, when you talk about stability with workplace agreements and so forth, a single system would be marvellous—a system that is really easy to understand but, most importantly, a system that people can budget on and work with into the future, allowing their businesses to grow and employ more people, contributing to the economies of small towns or cities like Albany.

We need that stability so that we can focus on growth and not have to throw our hands in the air in two or three years time and try to get our heads around more legislation. Having to renegotiate with employees and unions makes it terribly difficult. As Mr Lionetti said, we are so busy trying to get dollars in the door it makes it terribly difficult when we are trying to get our heads around all this other stuff. All we want to do is make money, employ people and be successful at doing that.

**CHAIR**—Mr Lionetti, you wanted to say something.

**Mr Lionetti**—Going back to Senator Murray's question about what we thought, I totally agree. I think we should have one award and it should be federal. I think that Senator George Campbell is saying, 'Do we want individual agreements?' If you are talking about small businesses, I do not think anybody in small business employing under 50 people has the time, the expertise or the money to negotiate agreements. FAL has just spent \$180,000 collectively. No individual could ever do that. It should be federal and it should be very simple. For the base small businesses, whether you want to have two or three different branches—hospitality, industrial, manufacturing or whatever—we need simple awards that take into account the issues such as the fact that we trade seven days a week and that we keep country towns going. The agreements should be made so we can stay in business. Individuals just do not have the time.

**Mrs Farmer**—I would like to bring up the issue of insurance. I know the government is looking at the problems with insurance at the moment, but it is something that is impeding small business. We only run a small shop, but our insurance has doubled this year. In the budget of a

small business that represents a big chunk. It is difficult to all of a sudden have to find double the amount that you paid the year before.

**CHAIR**—This your public liability?

**Mrs Farmer**—Yes.

**Senator BARNETT**—You general insurance or your public liability insurance or both?

**Mrs Farmer**—The public liability part of the insurance.

**Senator BARNETT**—Okay. That has doubled, has it?

**Mrs Farmer**—Yes.

**Senator MURRAY**—I think public liability is imposed at a level which is not relevant to the business. Could I ask around the table if any of you know what your public liability amount is? For instance, are you insured for \$2.5 million worth of cover? I would just like to get a feeling here because my sense of it is that it is set far too high. Frankly, I have never understood how it can be so high. I want to get your real-life experience, if I can.

**Mr Lionetti**—We are on \$10 million.

**Senator MURRAY**—And that is for one store.

**Mrs Waterman**—Albany City Heart is on \$5 million. I would like to tell you that with our public liability and professional indemnity, we have 10 meetings a year and if our professional indemnity comes in at what I think it will, it is going to cost us \$200 for every meeting we hold.

**Senator BARNETT**—That is just a meeting?

**Mrs Waterman**—That is just a meeting—\$200 and 10 meetings a year.

**Mr North**—We are on \$10 million.

**Mr Tasker**—Just going back to a tender to a local government, we had \$5 million and we were forced to go to \$10 million to actually submit a tender to it.

**Senator MURRAY**—But why?

**Mr Tasker**—It was their regulations. Part of the condition of the tender was that we had a \$10 million—

**Senator BARNETT**—It was a government tender?

**Mr Tasker**—It was a local government.

**Senator MURRAY**—I think somebody sets that somewhere in their heads—a landlord or a government or a tender office—without any relationship whatsoever to real risk. They just say, ‘How much should you cover?’

**Mr McRae**—I think it is a successful exercise in marketing by the insurance companies. They soften the blow of the premium. If \$10 million cover costs you \$1,000 a year they say, ‘Look, you can have \$50 million for \$1,250.’

**Senator MURRAY**—And what is your cover?

**Mr McRae**—Mine is \$10 million. It sounded pretty good—really attractive—so I paid the premium.

**Senator MURRAY**—That is for a single business?

**Mr McRae**—Yes.

**Senator MURRAY**—And yours, Mrs Nowotny Ford?

**Mrs Nowotny Ford**—As a service entity, I think it is only \$1 million. I could be wrong on that. It could be \$10 million. But there is a one in the figure. I rely on my insurance broker to make sure I have the right amount.

**Senator MURRAY**—And yours, Mr Maxwell?

**Mr Maxwell**—Mine is \$5 million because mine is a fairly subdued business. However, just recently we had to reorganise a new tenant for a property that we rent and the property manager indicated to us that because of recent litigation, the insurance for that should go up to \$10 million. And that is with a landlord.

**Mr North**—I would like to bring something up in relation to what were talking about earlier about wages. I had 26 years in the hospitality industry, I am still a member of restaurants and caterers and I still have a lot of mates in it around the place. I am finding now that they are being forced to break the law by paying cash because this is the only way they can get people to work at weekends or late at night. They are breaking the law. They do not want to break the law, but they literally cannot pay those sorts of wages. For things like Christmas Day and weddings where you stay really late you are forced to break the law. You are forced to pay in cash; otherwise, in a lot of these small country towns, you cannot get anybody—they will not work for you. I had a restaurant in Denmark for 3½ years and I know just what it is like. You cannot get them to come in on Christmas Day unless there is a cash component—they just will not work.

**CHAIR**—Are you seeing a growth in the black economy?

**Mr North**—Yes, exactly: it is forcing them into the black economy.

**Senator BARNETT**—I have two questions on public liability insurance. I have been following this issue very closely, particularly in relation to small business, since starting in the Senate in February. Going around the table, do you have some suggestions as to what we can do at a federal, state or local level? Have you thought in your own communities about pooling or any other initiatives that you want to share with us today? Do you have any response to the package that was released two days ago by your Premier?

**Mr McRae**—I see the AMA is negotiating now with government to have a restriction on claims—indeed, to wipe them out altogether. I believe there is a need for government to say, ‘Enough is enough; these outlandish claims just have to stop.’ Whether or not you are going to be able to associate the amount of claim with particular industries remains a terribly complex issue, but this ongoing increase in awards that are paid out to people who are injured is extraordinary—and of course, as we all know, is reflecting on our industries enormously. There appears to be a need for legislation to limit the amount of liability that small businesses can be exposed to.

**Mrs Nowotny Ford**—I would like to introduce housing indemnity insurance into this discussion. I do not know whether you are aware of the problem in Western Australia. When HIH went down, we were left with one insurer. A firm called Dexter came into the market using Allianz and international reinsurers. After a year in the market, they withdrew from Australia. In Victoria and New South Wales the state governments propped up Dexter to stay in the market until 30 June. That did not happen here in Western Australia. The government provided no relief at all except for the existing insurer in the market, Royal and SunAlliance, to look after the very large builders for claims over \$10 million.

Consequently, what has happened in our town and what is a growing problem is that the small- to mid-range builders, those that have family trusts or small proprietary limited companies, have been unable to get cover or have not been able to get enough cover to operate in business. Just last week a mid-sized builder in town closed its doors because of it. It is a disaster waiting to happen in our town, given that the building industry is the third-largest employer in the region and that it is the local mid-range companies that provide apprenticeships and employment generally. The Perth based project builders essentially come to town and use the existing infrastructure.

**Mrs Farmer**—I am a councillor on the Plantagenet Shire Council. Looking at the insurance issue overall, whether it be health indemnity insurance for our doctors or shire insurance, we do not have doctors in our town and we do not have people coming to live in our town. The council is looking at trying to get some form of community insurance for all our community groups to hold public functions and things like that under the umbrella of the shire or a community group that is incorporated. But I think the whole insurance issue filters down to small business, because if we do not have people living in our country towns our businesses, will not survive.

**Mr Lionetti**—Senator Barnett, you have just talked about us as a group doing our own insurance; is there any chance of getting information sent to us on setting up something like that?

**Senator BARNETT**—Absolutely.

**Mr Lionetti**—One of my friends is a shearing contractor and he is trying to get out on his own with a couple of others. They are having nothing but hassles in achieving that.

**Senator BARNETT**—Some of the states are looking at that and, through the secretary, I will get something to you.

**Mr Maxwell**—I came in halfway through a TV program on which I believe they were talking about the reasonability act that is going through in New South Wales at the moment. Is it possible to get some information on that? Is that in fact related to reasonable capping of insurances?

**CHAIR**—It is very much related to the capping of insurance payouts. I think the limit has been set at \$350,000.

**Senator BARNETT**—Every state is different, and Senator George Campbell knows about New South Wales.

**CHAIR**—We can chase that up and have the information sent to you.

**Senator MURRAY**—Once again, that is a typical issue. It might not matter to you as individual businesses here, but it strikes me as strange that you can have national insurance companies that are under national Corporations Law yet the legislation dealing with claims and liability in the courts is under state law. So, effectively, you have nine different systems: one federal, two territories and six states. It just does not seem to make sense to me.

**Mrs Nowotny Ford**—I would like to comment on Senator Murray's point. Given that you are a senator, Senator Murray, you are suggesting a more federal approach to everything, yet the Senate was originally designed as a states' house to mind our state affairs.

**Senator MURRAY**—That is an important question. Yesterday I asked a witness whether there was a belief that the Australian Constitution should be revisited with regard to business issues to decide which issues should be exclusively state, which should be exclusively federal and which should be mixed. I have never understood why industrial relations, for instance, is mixed around. Financial institutions were put together for the first time nationally in 100 years, which seems to me to be amazing. The Corporations Law you know about, but there are other areas that states do well so I was really asking how well a constitution designed 100 years ago applies now, at least from the business perspective. I do not say that I have all the answers, but I sure want to ask some questions. If I put that to you, who do you think has responsibility for small business? Is it primarily state or federal, or is it both? To what degree is it either?

Earlier, you remarked on the tax example, which I thought was interesting. Everyone knows that the tax office is federal and that they had this huge problem with the GST and its implementation, which was poor. So eventually they sent out people who walked through your door and asked, 'Can we help you?' That seemed to me to be taking the service to the front door and saying, 'Here I am; can I interact?' Does anybody do that with you on industrial relations, on small business financing, on systems or on licensing? I do not think they do. To me, this question of the division of responsibilities in a federal system has to be rethought and revisited. That is why I raise those sorts of issues.

**Mrs Waterman**—I am half-inclined to agree that it should be federal, but that gives us no choice: when the government changes we are without choice. I would hate to lose that choice.

**Senator MURRAY**—That is right; that is the issue.

**Mrs Waterman**—That is the issue.

**Mrs Nowotny Ford**—The other issue, of course—and I do not want to sound parochial—is that it is often forgotten in the Eastern States that there is a western third of the country. Everything is federal and there is no comparison in what happens over there with what happens over here. Exceptional circumstances funding is a very good example of that. Our farmers had three very significantly bad years of drought and frost and had to fight like billyo to get exceptional circumstances funding which was not particularly adequate. However, they had a flood, which often enhances their crop in the long run, around Moree one year and immediately they were offered exceptional circumstances funding. Because we are out of sight out of mind, if there were too much federalism and we lost our state constitution, there would be a significant backlash.

**Mr Lionetti**—I would be happy with one government because we would save so many billions trying to run state governments that the advantages would be huge. We have only got 20 million people with 20 governments. Going to the GST situation with the supermarket, when it was going to be introduced with the flat 10 per cent, I looked at it as a saviour. But now we have some things with GST and some things without. I think the GST could have been introduced at 10, 12 or 15 per cent. I want to bring up the issue of employment for kids who have two and three jobs. These kids are going into the marketplace paying higher rates of taxes. It stops the kids from getting second and third jobs. I think that is going to be very important. I think the GST flat tax needs to be upped to drop income tax for workers earning under \$50,000 a year to give them incentives to go out to work. I think the community has accepted the GST. I think they have accepted that it has not lifted the price of a basket of groceries and I think it is about time that both political parties came together, looked at the whole issue and brought up a reasonable flat tax and dropped income tax.

**Senator MURRAY**—That was a view that was put to us by another witness and it has been put in several places. The argument is that they want more indirect tax and less direct tax—and they obviously complained about bracket creep. I asked how that should be funded and one of the ways to fund it is, of course, to increase indirect tax. I put a service station organisation on the spot—and you will understand why I did it. I put the alternative of restoring petrol indexation and using that money to knock off part of the bracket creep which is constant. They did not like that. Is there a strong feeling around the table that taxes are a disincentive in terms of level and complexity to business, and what instances are there of that?

**Mr Lionetti**—At the end of the day, I can say that I can work my way to save tax and I jiggle around it. As far as an employee is concerned, I think we should have a flat tax of around 20 per cent, so that they can go out and do 50, 60 or 70 hours. There is no pressure on us because, if they work the extra hours, we then need to pay them the extra dollars. If they said, 'We only pay 20 per cent tax', we would not have to double pay on a Sunday because they would not have to lose one-third of it or 40 or 50 per cent of it in tax. I think that would go a long way to helping small businesses trade for seven days, and it would help the economy.

**Mr Maxwell**—Going back a couple of centuries when taxation was originally conceived, I believe there were two systems. It was income based or based on a GST equivalent; under no circumstances were they ever conceived to be joint. So one could very well argue, ‘Well, if one doesn’t work, let’s try the GST concept.’ Going back to Senator Murray’s comment on small businesses, I found it extremely difficult when GST came in. I have a lady who helps me with my paperwork and my bookkeeping and she does my BAS statements. I have to pay her an extra five hours to do the BAS statement and she also does my standard—

**Senator BARNETT**—Per month, per week or per quarter?

**Mr Maxwell**—Per quarter, and that is just to assemble the BAS. I cannot account for the build-up to that. She also does my standard income tax. I now have two tax systems. I have additional paperwork doing GST work, which I feel is primarily the Australian Taxation Office’s job. Yet, as a small business person, I am lumped with doing my own tax and submitting it.

**Mr McRae**—I think you are lucky, because I reckon I have three taxation systems to work with at the moment. I have the BAS, I have personal taxation and I have business taxes. That takes up an enormous amount of our time.

**Senator MURRAY**—Let us get to some of the issues there. I will give you an example. In Customs legislation, they are required to give customs returns so that the Australian Bureau of Statistics can have those as close as possible to the end of the month. Then the same information is reconfigured 25 days later for BAS returns. Obviously, that is a problem. If they were due on the same date, it would work out far better. To what extent is the provision of returns, information and compliance a problem because of the different dates and formats? When you say you have three different tax systems to deal with, are those all at different times, with different configurations and on a different basis? To some extent, the same information is attached to all three.

**Mr McRae**—To an extent it is, indeed. We have our BAS, for which we do a quarterly return; we have our personal income tax, which we do once a year; and we have our business tax, which we get around to in about February of the next year.

**Senator MURRAY**—Let me be precise. You have the BAS that you are doing quarterly, but one of those quarters will be the end of the year. Do you coincide the end of the year quarter for BAS with your personal and business tax return or can you not do that?

**Mr McRae**—No.

**Mrs Nowotny Ford**—No. You cannot do that because the very strict date requirement for the BAS at the end of the financial year is 28 July, but for your tax return it is 31 October, taking into account your accountant’s ability to do your personal tax return, or even the following April if you use an agent. So there is no correlation between tax returns and Business Activity Statements.

**Senator MURRAY**—Is 28 July also the date you have to pay out your superannuation guarantee money?

**Mrs Nowotny Ford**—That is the maximum. I paid mine before 30 June so that I could get the tax deduction for it.

**Senator MURRAY**—I am just trying to recall to what extent the government is coinciding dates. If what I have heard so far is representative, they do not coincide. Is that right?

**Mr McRae**—They do not seem to coincide to the extent that we would like them to. In our small business—and it would be the same, I guess, for the majority of small business husband and wife teams—my wife would spend a good two or three hours a week just doing tax. That is BAS, entering information, retrieving information, personal taxation and business taxation. That is a lot of time and a massive amount of paperwork. On top of that, you have other government departments supplying this and that form to you for you to complete, and it becomes a bit of a nightmare. She probably works full time just filling out forms and getting information. It is an absolute nightmare. We get pretty bogged down in it, and we should be—as stated here—out there creating competition and innovation and thus improving employment.

I do not think I would be wrong in saying that the majority of small businesses are a husband and wife team and not much more than that. To touch on what Mr Lionetti said earlier about having some sort of a training system to help people manage finance and all of those matters—let alone marketing—the amount of paperwork we have to lumber through just to keep someone from Launceston from ringing up to say, ‘Where is it?’ is a daunting prospect to small businesses.

**CHAIR**—This is a question to all of you: do you feel that the burden of government regulation, red tape and form filling—or whatever form it takes—is growing rather than reducing?

**Mr McRae**—With modern technology, you would think it would be less but we find, as with any business whether it is small or large, that we are getting more and more filing cabinets. That is the answer; it is getting more and more.

**Mrs Waterman**—I have a retail shop and the paperwork that is generated when somebody does not send me what I ordered or something is broken, and I then have to get a claim on GST and all the rest of it, is ridiculous. Sometimes I make it up; it is only 50c, but heavens above it takes nearly three pieces of paper just to claim back 50c worth of GST. It is ridiculous that we have to have these tax invoices that say we have got back a claim and there is 50c GST on it. There has to be a better way of doing it.

**Mr Blake**—One of the other big nightmares that I always have is having to do ABS returns. I do not know how many small businesses get ABS returns, but if you get lumped with doing quarterly or monthly wages or an employment return or something like that, it really does add to your office work. The same things happen with Centrelink. If you get Centrelink forms to fill in if someone has left your employment and they have gone and claimed, all of that just continually adds to your workload. You have just got to keep sending all of this paperwork back to government agencies.

**Mrs Nowotny Ford**—When I was involved in the implementation of the GST, a good example of your question was the ACCC. Staff from the ACCC Perth office wanted to come to

the region and present the ACCC requirements for price changes to people in the region. They contacted me and we did a roadshow and I took them around the region. I made sure that they visited particular stores in little towns like Cranbrook and Jerramungup and so forth, because these were fine examples of little businesses in regional Australia that run sterling little supermarkets or general stores or whatever. But often these people had, in fact, no expertise in financial requirements at all. They did not even know what a profit and loss statement was, and to calculate and to fulfil the bureaucratic requirements of the ACCC with respect to the new tax system, just blew their minds. The ACCC people went away with a whole different perspective on small business. But they were told, as public servants, that people need to look at their profit margins and so forth, and these people did not know what a profit margin was.

**CHAIR**—All this paper work requirement, is that what you think is forcing more and more small businesses into the black economy? Is the pressure of trying to cope with that too great?

**Mrs Waterman**—I work in a shopping centre and, without wishing to get people into trouble—

**CHAIR**—We are not asking you to do anybody in.

**Mrs Waterman**—No, I am not. But I know one lady did not know that she had to do group certificates. One lady is paying cash because she does not want to do the bookwork. She is on her own. How is she going to do it? She has to go home at night and do her bookwork. This is not fair. There is too much responsibility on the individual for these things. GST is great. You have got to do it every three months, so that stops you spending the money, but the bookwork is huge. And some of my retail employees are now doing bookwork. They are not doing what I want them to; they are out the back doing bookwork. That is not what I have employed them for. I have to multiskill my girls. I am actually looking for girls who have got a bit of bookwork experience now, but I run a retail shop.

**Senator MURRAY**—One of the solutions proposed in various forms to that problem is to take classes of small business. Say it is a retail deli and the tax office simply says, ‘We have had a look at 100 delis. The average per cent, when you take away the credits on GST, is seven per cent’—I am just inventing this as I go along—‘you can either do all the bookwork or we will just charge you a flat seven per cent on your business.’ That is one of the solutions that people have discussed. Is that the kind of thing you would prefer, rather than to try and add up claims and refunds and all the bits and pieces which go with the system at the moment?

**Mrs Nowotny Ford**—As long as everyone keeps a till roll!

**Senator MURRAY**—You see, that is the difficulty.

**Mrs Nowotny Ford**—They have done that with the BAS. You can choose to pay your GST based on the tax office’s estimate—you do not have to do your books quarterly—but most of us are too frightened that it might go their way and not our way and that we might miss some input tax credits. But not only that, the smart people have also realised what a nightmare they are going to have reconciling at 30 June. At least if you do it quarterly, you are up to date with it. Sometimes those easy solutions in fact create a bigger nightmare.

**Senator MURRAY**—As parliamentarians, we have heard some small businesses tell us that the GST has made them understand their business far better because they have quarterly figures and they simply have to be up to date with their cash flow and what is happening in their businesses. Is that overstated or understated? Is it real? Does it depend on the business?

**Mr Lionetti**—We turn over somewhere between \$700,000 and \$2 million. Before the GST came to the supermarket, I used to just file all the invoices away and then, at the end of every month, I used to personally check all the invoices off statements and send off cheques. I did the banking three times a week, and that was finished. Now we employ a full-time secretary and a half-time consultant, and I do not know where I am technically, because for every invoice you have to pick up the GST and you have to make sure it is done. It is just a nightmare. But when you say, ‘With paperwork and whatever, how is it affecting small business?’ I think it is like when you have one kid and then you have seven kids: you still feed the seven kids. You keep growing with the responsibilities of business, so we are putting up with that, but it is a huge burden on small business. I do not think that we are any better off now than we were then. Do you know if you are better off? I do not think we are.

I want to bring up another issue. I have just bought a property in Albany and we have to pay the GST. If you spend \$1 million, there is \$100,000 GST which you must borrow because you have to pay for it. If it were not claimable, I could understand—even though we are getting ripped off, but we do get it back. But I still have to find the equity in the building and have to go to the bank to borrow those funds only to claim them back. I find that absolutely ridiculous.

**CHAIR**—Are you saying you are paying interest on a tax?

**Mr Lionetti**—I have paid \$1 million for a building; I have to find \$1.1 million. I have to go to the bank for \$1.1 million. There is stamp duty, the whole shooting match, on the \$1.1 million, just to claim the 100 grand back in three, four or five months, and there is stamp duty on the \$100,000 GST. You wonder to yourself: should I be living in China where everything is underhand and the tax collector comes around and says, ‘Paolo, what do you think it’s worth? Here is \$2,000; just put \$5,000?’ You work and then you have to work 24-hours a day just to keep what you have. Whoever put those rules in? You claim it back, you have to re-borrow and pay stamp duty; I think it is bloody ridiculous.

**Senator BARNETT**—It is a tax on tax, that one.

**Senator MURRAY**—It is not just that. He was talking about having to raise the money to pay the tax so that he can claim it back. There is a transaction cost and the stamp duty cost as well.

**Mrs Nowotny Ford**—The insurance industry manages to get around that one very nicely. I have never yet found out how they manage to do that. If you put in a claim for insurance—let us say your claim is \$10,000, plus GST for a truck that has to be repaired—the insurance company will pay you only \$10,000. You have to give the truck repair company \$11,000 and then you claim the GST back when you do your BAS. How is it that the insurance industry is the only one that manages to avoid Paolo’s problem? They get around it very nicely.

**CHAIR**—That is news. We will follow that up.

**Mrs Farmer**—While we are on the tax on a tax issue, we have the same problem in the video hire industry. We pay stamp duty on every video that we hire out. At the end of each month, we have to give them the figure of the amount we have hired out. We pay stamp duty on that GST amount. We feel that is a tax on a tax, because we are paying tax on our GST amount. We find that quite amazing because we thought that was not going to happen. I have approached Monty House previously on that issue and got a letter back which didn't really tell me much at all. But I still think it is an unfair duty imposed by the state government to tax us on our GST amount of hire.

**CHAIR**—Why do you pay stamp duty?

**Mrs Farmer**—Because we are hiring; it is state revenue.

**Senator BARNETT**—All the states do it. It is dead wrong; it is just crazy.

**Senator MURRAY**—On leases and hire contracts?

**Senator BARNETT**—Yes.

**CHAIR**—If you lease a video, you pay stamp duty?

**Mrs Farmer**—We pay a percentage on every hire that goes out.

**Senator MURRAY**—I never knew that.

**CHAIR**—This is very interesting.

**Senator MURRAY**—I have been in business all my life but never videos, thank God.

**CHAIR**—I have never run a business, and I don't try to tell other people how to run theirs either!

**Mrs Waterman**—Superannuation has just gone up to nine per cent. I probably do not mind that except there is no requirement for my staff to contribute. My problem with super is that I pay into a fund for them. One girl that is with me has worked somewhere for 20 years of her life and she does not have all her super in one place. I think the system is crazy. She would have a lot more super if she had all her money in her own fund, not mine. I know a lady who owns property and employs fruit pickers every year and that lady's grumble is she has to pay superannuation for all these itinerant workers. She says, rightly, that that money is her money that she gives to the superannuation fund and those workers never get it. They go back to England, or wherever they came from and they never get their superannuation money; the superannuation fund has got it. That money is her money. She should have been able to pay it directly into their fund. There must be a better way. She gives thousands of dollars away every summer to a superannuation fund and no-one gets it. It is not fair.

**Mr Blake**—My situation is similar to that of Mrs Waterman. We pay about \$35,000 a year in superannuation for our staff. I find it ludicrous that there is no requirement that staff make

contributions themselves. I know that 30 per cent of my staff would not have a clue what superannuation was. I say to them at the end of the year, 'Here's a statement; I have paid you \$2,500 in addition to your wages. I have paid you \$2,500 in superannuation into a fund. This is the fund.' They reply, 'Have you really? I didn't know anything about superannuation.' A lot of them are transient workers that come and go, especially in our industry. They would not have a clue where their superannuation was. Something needs to be done about that because there must be millions of dollars lying around. I know it has been addressed partially in the past where you can pay it to the Taxation Office. We have a super fund set up and the money gets paid into the super fund in that person's name, but they move on somewhere and they would not have a clue where it is.

**CHAIR**—Does yours go into an industry super fund?

**Mr Blake**—No, it is with a private fund that I have negotiated under my workplace agreements. So under individual workplace agreements, the condition of employment is that I pay their money into a specified super fund.

**Senator MURRAY**—That is an industry fund.

**Mr Blake**—No, it is not an industry fund.

**Senator MURRAY**—Is it a private fund or is it an institutional fund?

**Mr Blake**—It is MLC.

**Senator MURRAY**—That is what I meant.

**Mr Blake**—It is an institutional fund.

**Senator MURRAY**—It is not your personal fund?

**Mr Blake**—No. The other gripe is that when the superannuation contribution was implemented in 1992 or 1993, originally at something like two per cent, it was to offset future wage increases. Just in the last four years, the award that covers our industry here in WA has had at least a 17 per cent increase in wages, and superannuation contributions have gone from three per cent in 1992 up to nine per cent in 2003. So it has not offset wage increases. There have been significant wage increases in addition to significant increases in superannuation without any requirement on staff to contribute to their own super funds. I think that is a serious problem that needs to be addressed.

**CHAIR**—In part you are right and in part you are wrong. It was introduced in 1987 and it was offset against wage increases at that time. So it was actually cost neutral at the time of its introduction, because wage increases were forgone in lieu of the superannuation guarantee charge. There is a capacity for employees to make contributions. It is voluntary, not compulsory, but as we go down the track it looks more and more like it might be compulsory. I saw something in one of the submissions this morning that talked about a 15 per cent surcharge. I do not know of any political party that is proposing 15 per cent. The industry has done calculations

that say that you will need to lift it to 15 per cent to meet reasonable benefit levels by, I think, the year 2020.

**Senator MURRAY**—But they would say that, wouldn't they?

**CHAIR**—Yes, of course. But to my knowledge, none of the political parties are proposing a compulsory contribution of 15 per cent.

**Mr Blake**—I believe it should be set at a nominal rate, whether it is two per cent or something like that, just so it gives the employee some interest in their super fund, so that they know that some of their own money is actually being invested in a fund that they will be able to access later on in life. At the moment, it is just somebody else's money going in there. That is being a bit generic, I know, but there really is not enough interest, especially with young people, in the fact that money is being invested in a super fund. If some of their own money was going in there, it would certainly make them a lot more interested in it.

**CHAIR**—That is true. You only get a real focus on superannuation when you get close to it.

**Mr Blake**—When you get close to 50—yes, that is right.

**Mrs Nowotny Ford**—We cannot really have a conversation on superannuation without raising contributions tax. Fifteen per cent is really a significant—

**CHAIR**—The surcharge?

**Mrs Nowotny Ford**—There is a contributions tax, plus there is a tax on earnings. To have a tax on superannuation at all when we are such an ageing population, and to have such a significantly high tax is, I think, eroding the value of our dollar significantly, and that is something that needs to be addressed.

**Senator MURRAY**—You will be glad to know that the Senate Select Committee on Superannuation is looking at that area right now.

**Mrs Nowotny Ford**—That is very good of them!

**Senator MURRAY**—It is about time, isn't it?

**CHAIR**—Senator Barnett will take that message back to the Treasurer.

**Mrs Waterman**—My Saturday afternoon girl, with her award rates and her superannuation package, earns more than my daughter who had to go to university to get a degree and who works for the Public Service. That girl, who is a retail employee, is getting more per hour on a Saturday afternoon, and probably more benefits because she is getting that higher rate of pay with her nine per cent, than someone who has had to go to university and study. We have to get into perspective that all of these imposts combined with award rates are burdening me. If I could, I would not employ that girl on Saturday afternoon.

**CHAIR**—What would be the gross average wage that one of your employees would collect in a week?

**Mrs Waterman**—I only employ part-time staff. My girls get \$300-plus a week for a couple of days work.

**CHAIR**—For how many hours?

**Mrs Waterman**—They do not even do full days—seven or eight hours, maybe, for a couple of days. I am paying a lot because I pay part-time staff and I have to pay casual rates.

**CHAIR**—You are paying casual rates.

**Mrs Waterman**—And I have to pay overtime. That is the killer. Thursday nights and Saturday afternoons, in my opinion, are now standard trading hours for retail people. Everybody has been open for Thursday nights and Saturday afternoons forever, but we are still penalised for that. I think it has to come down to: what is a standard business hour for a particular industry?

**CHAIR**—That is very hard to regulate.

**Mr North**—Just as a slight diversion, I was interested to hear Jan saying she is going to have to employ some more women because I have just been involved in the start-up of a new business and they asked me for a list of suitable employees. I gave it to them and the chap had a look at it and said to me, ‘After looking at what has been in the paper recently, I won’t take any women unless they are over 45 years of age.’ This is dead serious. There was one girl on the list who is about 32 and married but does not have any kids. I thought she would have been a good employee, but he said, ‘No, we won’t have her.’ He said, ‘We can’t risk this business of her going off on maternity leave and employing somebody else and then her coming back and having to get rid of the person we already have.’ He said: ‘It’s just too difficult. We’ll take mature women or we’ll take men.’ I do not know what anybody else thinks of that. That happened in Albany last week.

**Senator BARNETT**—If we have finished on that topic, I wanted to throw another question to the group about technology. Here we are down in Albany. In the 21st century, with new technology, the Internet, the computer and 66 per cent of all small businesses being home based, do you have any suggestions of ways or means that technology could help to cut down the red tape and the regulations that are required to achieve success in your businesses? Would you like to comment on the benefits of technology and on how that might benefit us into the future?

**CHAIR**—Can you tell us what the level of your telecommunications service here is?

**Mr McRae**—We have ADSL in Albany, so the level of telecommunication, networking and so forth is as good as you would get anywhere if you chose to go through ADSL. It would help us if it were made easier to lodge tax and all of those sorts of things right on our screens. I remember that, when the GST came in, we all wrote away and got a computer disk because we were going to be able to lodge it electronically, but it got too hard. If your computer crashed or whatever and you had to go through all the rigmarole of trying to get it up and going, it became

too complicated and too hard. If we had the facility, particularly with connections like ADSL, to submit our returns at the push of a button then it would make it so much easier for us to run our businesses.

**Senator BARNETT**—If the ATO were sitting here, wouldn't they say that you can do it electronically?

**Mrs Nowotny Ford**—You can do it electronically, but you have to have a direct facility between your bank account and their bank account.

**CHAIR**—A transfer?

**Mrs Nowotny Ford**—Yes. I have not used it. It is not just using Internet banking; it is essentially a direct payment or they put a lien directly on your bank account for that amount. That has been the big stopper with people. If they could lodge electronically and then send their cheque or lodge electronically and then pay by Internet banking then they might do so. It is no good having this extra connection because the mistrust of the tax office is huge.

**CHAIR**—I can understand people not wanting to give them the key to the cupboard.

**Mr Tasker**—With regard to the ADSL comment, it is available in Albany. However, if a business wants to connect to it now, I think they have about a two-month waiting period. The knowledge I have gained is that smaller regional centres in WA will not be getting it for quite a while, so it is restricted to CBD areas. There is only one exchange in town that has it; if you work in the middle of town, you are all right. I am five kilometres out of town and I cannot get it and I probably will not get it. Mount Barker will not be getting it and nor will a few places like that.

**CHAIR**—So there is no local loop?

**Mr Tasker**—No. Even the other major centres and provincial towns such as Geraldton and places like that are restricted. That is a Telstra problem.

**CHAIR**—I thought that might be the case.

**Mrs Nowotny Ford**—Places like Rocky Gully, as I understand it, still cannot use the Internet because they have such old exchanges that modems operate too slowly. It is just not feasible. It is only a little town but it is just outside Mount Barker. It is a real problem.

**CHAIR**—I am glad you said that. Is that where the Snake Gully news is published?

**Mrs Brown**—It is the name for every individual, local newspaper—I should clear that up—and there are 12 of them and room for more.

**Mr North**—There actually is a place called Snake Gully. I have an uncle who lives there. It is just outside Ballarat.

**Mrs Nowotny Ford**—The other thing with regard to technology that is a real problem here and more so in the outlying areas is pay TV. It is not trivial. Football is pretty huge in the country, and we are probably all living with the fear that pay TV is going to take more of the broadcast away. You have to pay for your own satellite dish to be able to get it; there is certainly no prospect of cable, and you can forget it if you live 100 kilometres out of town.

**CHAIR**—Are you concerned about the football being taken off the air?

**Mrs Nowotny Ford**—Yes.

**Senator BARNETT**—Do you use the Business Licence and Information Service and the Business Entry Point that is available through the Small Business Development Corporation to find out what licences, permits and approvals are relevant to your business or is that not relevant to you?

**Mr Lionetti**—You spend most of your time trying to run your business, not finding out what is available out there.

**Mrs Nowotny Ford**—I use Business Entry Point sometimes with respect to my ABN, minor changes and things. I know about it because of my GST role.

**Senator BARNETT**—How would you know what laws and regulations are relevant to you, or do you just set up and do what you are doing? I will use the example in Tasmania of a petrol station and a general store. A survey was done some time ago, and up to 20 separate licences, permits and approvals were required to operate. It is a real dilemma, so I am just asking how you know what is relevant to your business.

**Mr Lionetti**—This goes back to my point of having to do a course or having something done before you actually go into business. What we do now is wait for someone to walk through the door and say, 'Why haven't you got that on the wall?' We say, 'What?' and they say, 'That,' and then you worry about it.

**Senator BARNETT**—You sound like a very typical small business man, Mr Lionetti.

**Mrs Farmer**—It would be a great advantage to small business if you could apply to have someone come into your business and run through the rules and regulations. On a one-on-one basis, you could ask whether you are doing it right and what things you could do better. They could probably let you know what you need to get more polished up on and then head you in the right direction.

**Mrs Waterman**—I am a director of the GateWAY Cooperative, which is a community portal that was set up with federal funding about three years ago. We have it up and running well. It goes right across the Great Southern Region, but it is community based and getting business onto it is difficult. It is a hard sell. We have recently got some more funding and other funding from the federal government is coming in as well, but there does not seem to be any backup from out there coming in to help us get onto it or to show us how to use it. Am I right there, Phil?

**Mr Tasker**—Possibly.

**Mrs Waterman**—It is difficult, and there are squabbles amongst IT providers as to who has what. We made it a cooperative so no-one can own it. It is there—

**Senator BARNETT**—But you need the help.

**Mr Tasker**—There is probably another angle to that. Let us take the example of the GateWAY Cooperative. Hundreds of thousands of government, or taxpayer, money was put into a community venture which is now going to turn commercial and compete against other possible businesses in town. I am not too sure, but there may be reluctance for business involvement in that when they have seen it as a community enterprise or a community centre being set up with government money. That is just a comment.

**Mrs Farmer**—We were involved with GateWAY at the very beginning. It was to be a community portal. My husband has an IT web design business and his partner is very technically minded with regard to web sites. That was the reason we pulled out of it. We saw it turning from a community portal with federal funding into a commercial operation and we just did not want to have anything to do with it. We thought it was going to take business away from other IT businesses and that is why we do not have anything to do with it.

**Mr Tasker**—That is an example of what I call community or PFOs—perpetually funded organisations—which have federally funded money. Typically, we have telecentres and BECs—business enterprise centres—but mainly the telecentre group are provided money to set up infrastructure, building and stuff like that, with the intention of competing against business. It is fine in the isolated little areas where there is no business. But in the larger business centres, it is mainly federal money in combination with some state money and they are set up to basically build up a community business into a commercial business and then they compete directly with other businesses. I have ongoing concerns with that continuing funding.

**CHAIR**—Can you give us a bit more detail?

**Mr Tasker**—A telecentre is basically set up as a series of computers which will provide electronic or technology services such as printing, faxing, emailing—anything like that. They can branch into printing and things like that. In smaller areas, I completely agree with that. They eventually get to a point where they have to go commercial to sustain that and they have to start charging reasonable fees. Then they compete with business opportunities in those areas.

**Mrs Brown**—I should declare that I am a chairperson of a telecentre network in the shire of Tambellup, which has a population of 721. There were no IT services within our community when that was set up. We have just celebrated our tenth year. There is a population limit in the centres where telecentres are set up. The state government funding is \$20,000. That pays for a coordinator. Equipment for the centres is purchased through a Lotteries Commission grant for not-for-profit organisations. In many cases from my experience, and I have been involved in telecentres almost from their inception, private sector businesses have grown out of those telecentres and part of the charter is that we do not compete unfairly with private sector business. As much as I understand Mr Tasker's point of view, I just thought I would offer an alternative one.

**CHAIR**—I would have thought there would have been a requirement for those to be established where there was no existing facility. So it is not a matter of the telecentres coming in and competing with the existing services that are being provided.

**Mrs Brown**—The only one that I could say is in a larger centre is the Katanning regional telecentre, and Denmark has one. I do not know the one in Denmark but the one in Katanning was set up to deliver a service not only to the Katanning population but also to the region. In Katanning, three private sector businesses have now started, but when the telecentre was first established, there was none.

**Mrs Nowotny Ford**—In my GST role I had a lot to do with telecentres. I take Phil's point. I do not like government competing with private enterprise but there are 98 telecentres in Western Australia and they are growing, and I understand that is the case in some regional areas in the eastern states. They have become what the pub used to be in little country towns. In the very small centres, they are the hub of that community and they are really necessary. It is not just the technology; it is the meeting place. You could just about run a—

**Senator MURRAY**—It is like a shopfront.

**Mrs Nowotny Ford**—It is. If you want to know something about that town and that community networking, you do not need to go anywhere else. The telecentre provides it. As a feedback to government, they are going to be very valuable for regional advice.

**Mrs Brown**—Senators, they are a bit like the Q-GAPs in Queensland. They are also a one-stop point where people can get information on Centrelink and on government programs and they are also the place where the Snake Gully gazettes are printed—for instance, the 'Bremer Bay Bugle' is printed in the Bremer Bay telecentre and 'Tambellup Topics' is printed in the Tambellup telecentre.

**Mrs Nowotny Ford**—And there is the 'Jerry Journal', the Jerramungup local newspaper.

**Mrs Brown**—Yes. They are really quite an integral part of the community. In Tambellup we focused our community development programs out of the telecentre because it had a non-authoritative role, unlike the shire, which is also regulatory.

**Mrs Nowotny Ford**—Can I expand on that? This leads into something that I was hoping to get the opportunity to say. It goes back to earlier comments, when Elizabeth said that she needs somebody to come in and give her that advice, and I said that everything has been centralised. I am going back to all of those comments and the telecentres. When I was associated with the area consultative committee, I did a report. It was based on the tax office, if you like. There are no federal government services for small business in the regions. I came up with a concept that I called a 'G-shop', which could be tendered out to private enterprise to run.

In a town like Albany, we would have a G-shop—a government shop—and it would have a manager, a secretary and a project officer. The manager would be familiar with all the government departments and have information and perhaps a computer there with links set up to all government departments and advice so that people could go in and get advice. They could lodge their BAS forms there and there would be a courier service between the G-shop and the

capital cities so there would be overnight delivery of BASs. People like the GST Signpost consultant, or Vicki, a Small Business Assistance Officer, or Fiona in the ACC, who is the Indigenous Employment Officer, are all working on government programs. There are a lot of these federal government programs where you have to find a new person and train them. The project officer would become a roving-around-the-region person. The region, from the main centres such as Albany, Geraldton and so forth, would be covered by the G-shop. The project officer would tour the region and provide that service and that focal point to provide federal government input into the local region. I even did a costing on it. From memory, I think about a quarter of a million dollars a year could provide such a facility for each local region.

**CHAIR**—Is that a written report?

**Mrs Nowotny Ford**—Yes.

**CHAIR**—Could you make a copy of the report available to us?

**Mrs Nowotny Ford**—Yes, I am sure I can find it. If I cannot, Len van Der Waag in the ACC would have a copy of it.

**CHAIR**—It would be very useful to get a copy of it. When you talk about a G-shop, are you talking about all government services? For example, AusIndustry has just opened 14 regional facilities or offices. I think, from the last time we talked to the small business people, that they have 44 regional outlets around the country. I presume other government departments also have outlets.

**Mrs Nowotny Ford**—The area consultative committee has an office. Maybe that could be incorporated into it. Maybe it needs to be a little bigger than in my original proposition. There are only certain areas. For instance, the ACC—and you can correct me here, Vicki—deals with two government departments now—

**Mrs Brown**—Three.

**Mrs Nowotny Ford**—what used to be DEETYA and DEWRSB.

**Mrs Brown**—And also DITR.

**Mrs Nowotny Ford**—Yes. So their focus is really limited to that area of providing employment and growth. You are talking about export opportunities and so forth, aren't you?

**CHAIR**—No, I am talking about the range of government facilities that are already out there and whether or not there is a capacity to rationalise and coordinate them into the type of proposal you are talking about.

**Mrs Nowotny Ford**—My point is that I am not sure that there really are those services that you are saying there are.

**CHAIR**—They are physically out there, because we have a list of where they are.

**Mrs Nowotny Ford**—But small business people and other people do not know where to find them.

**CHAIR**—That is a different issue.

**Mrs Nowotny Ford**—What I am talking about is a shopfront that gives that focal point.

**CHAIR**—That is another issue, but they are out there, because we have a list of where they are located. I am really looking at the concepts behind what you are suggesting—whether you are talking about totality of government services or whether it is specific government services.

**Mrs Nowotny Ford**—It is an information centre.

**Mrs Brown**—The field officer for AusIndustry for this region is located in Bunbury and he gets over here a couple of times per month. It is a bit like the situation with the other groups that sat around this table earlier this morning—it is how you build the relationships with those people in those organisations that affects how much they are worth to your communities. In this region, we tend to do it quite well. The AusIndustry field officer and I have an arrangement that I distribute his information and can take people down the pathway to a certain point and then pass them over to him or someone else in his department. But again that is individual to the region. What works in this region obviously does not work in other regions.

**Mr Lionetti**—To contradict Beverley a bit, I cannot see that \$250,000 would employ one person to cater for the whole community when he is handling every government department and every possible thing you could ever ask. You would need 150 people running the department, because there would be a million people a day ringing up and wanting information. So I cannot see how \$250,000 would even have a chance.

**CHAIR**—But I think Mrs Nowotny Ford is really talking about an outlet or a point of contact.

**Mr Lionetti**—Yes, but a million people going there to put in their BAS statements and whatever would be—

**Mrs Nowotny Ford**—But you are not talking to them, Paolo; you are just putting an envelope in a slot as a courier service.

**CHAIR**—It is a point of lodgment.

**Senator MURRAY**—If I may say so, one of the things I would criticise governments for is not trialling these sorts of ideas. If, let us say, your idea had merit, to my mind one of the things government could consider is trying it in a region for a period to see whether it works. If it does not work, you have only wasted the money on one region. One of the problems I have with governments is that they try to do something for the whole community without testing it first. I have heard some good things said about what local, state and federal governments do. I wonder whether you have had any experiences in your small business capacities where you have felt that a government service or government activity—local, state or federal—has significantly improved your business life in any way. Are there any such instances?

**Mr McRae**—I will cite one where it has not improved it. I am trying to get a business off the ground now. Talking about interaction between state and federal governments, we have brought a product in from the United States which we are not allowed to use for tourism here in Western Australia, yet that same product is sanctioned by departments in the eastern states. It is a yacht and I want to charter it. A stack of them are on Port Phillip Bay in Melbourne, but I cannot get one into charter in Western Australia. This is a personal situation, but it seems ludicrous that state governments have all their different legislation and rules and regulations, acknowledge each other's rules and regulations and allow these types of things. We are all human beings. You would think that the boating regulations that apply in Victoria—in my instance—would apply here in Western Australia.

I am sure this type of industry is not the only one in which people may come to Albany and want to do something, knowing full well that it works well in Queensland, but get to Western Australia—and I am not singling out Western Australia—and have to fight their way through all this red tape and bureaucracy. We have been trying to negotiate for 12 months with a state government department which says that it acknowledges maritime regulations throughout Australia but will not implement the sanctioning of a particular product, and that makes it terribly difficult and costly.

**Senator BARNETT**—What about at a local government level? This morning we discussed that, and some of the witnesses talked about the different regulations and town planning laws in different shires. Is that an issue for any of you?

**Mr Maxwell**—In the new Building Code of Australia, each state has its appendix and each local government has its appendix to the appendix. I generally deal with the Denmark Shire Council and have occasional dealings with the City of Albany and one or two dealings with shires, towns or cities in Perth. But it becomes a case of knowing the idiosyncrasies of that particular area and, yes, you have to retrain yourself when you step outside the boundaries you are familiar with.

**Senator MURRAY**—I would like to go back to my question, if I can. It strikes me as absolutely amazing that we have 10 experienced businesspeople here—over many years, some of you—and, when I ask you the question, 'Has any federal, state or local government ever made your business lives better?' you all went—

**CHAIR**—That is a bit of a worry from my point of view.

**Senator MURRAY**—Is there nothing that anyone has built or done—any policy, program or money given to you—that has made your lives better?

**CHAIR**—Has it all been totally negative?

**Mrs Waterman**—City Heart was based on the Main Street program, which is like Streetwise in Victoria. Have you heard of those programs? For a while, we all went well and we had national conferences. That has gone away. There has been no federal attempt to bolster those programs, and they have floundered. But while they were happening, they were fantastic and they went a long way to bringing the rural versus business people together. A lot of small country shires do not understand the importance of their CBD and the rates that it raises. That is

an ongoing problem within Australia. It is the rural versus the city attitude. That Main Street program, which was national, has disappeared but while it happened it was very good, and it has done Albany a huge amount of good. We have managed to keep our CBD intact.

**CHAIR**—Why did they disappear?

**Mrs Waterman**—They were very badly funded. They could not get anybody in government to back what they were doing, and the state governments would not put anything in unless the federal government did, so they collapsed.

**Mrs Nowotny Ford**—I did think of a good thing that has affected us all. Through the Area Consultative Committee and what was DEWRSB, we got funding for the HMAS *Perth* to be sunk in Albany. It took me a while, but I did think of something.

**CHAIR**—Thank you.

**Mrs Brown**—I could tell you about \$2.6 million worth of projects that we have helped bring money into this region for, Beverley, but I will not.

**Mrs Nowotny Ford**—But I will say, Vicki, that one of the problems for small business with that funding through the ACC is that businesses cannot access that support. If they have ideas or concepts, the funding through the area consultative committees is only to organisations; it is not to business, and I think that is a sad thing.

**Senator MURRAY**—One of the problems you have as a politician, and do not forget that I was on your side of the table for many more years than I have been on this side of the table, is that governments pour massive amount of money—your money, your taxes—into infrastructure, programs and policies and make huge efforts, and I can tell you that the number of kicks you get are far more than the number of kisses you get. People forever complain about what is bothering them and do not say, ‘Thanks for the bridge that you built,’ ‘Thanks for the new Telstra facility,’ or ‘Thanks for sinking the ship,’ and so on. I have wondered about whether it is simply the natural and eternal human antagonism towards government which is in-built in all of us, including me, or whether it is the fact that people are not told enough about what is being done for them or what is available for them. Putting party politics aside, a lot of people try very hard to do their best and to help people, but when I asked 10 of you what has been done, we have had a sunken ship and, over there, \$2½ million, and that is about it, which seems a bit of a shame when all of that money is being spent every year.

**Mrs Brown**—Senator Murray, a good sign of leadership is when you step back and the people say, ‘Look at what we did!’ Is that not what we try to instil in our communities, in our small business sector?

**Senator MURRAY**—Yes, sure.

**Mrs Farmer**—The Shire of Plantagenet, prior to my getting there, paid to have our railway station done up and we use it now as a tourist bureau, as was Centenary Park—a lot of that was federal funding—and it has really boosted our tourism industry in Mount Barker. People actually stop now instead of driving on to Albany. That has been great, as has the support that

the local government has given to tourism recently. We do fund our tourist bureau that way, which has been really good. We have just got the results back from our community needs survey, and it was quite interesting to find that a high percentage of people, when we asked them what they would like to see from local government in the future, said that they wanted assistance in the economic development of our shire; it was above roads, sporting development and things like that, which we found quite amazing. So that is something we are going to have to look at.

**Senator MURRAY**—Which is back to jobs, isn't it?

**Mrs Farmer**—Yes. They want more jobs and they want us to keep our businesses open.

**Mr Lionetti**—Extended trading hours is an issue. You go down to Tasmania and they are having huge issues; you go up to Queensland and they are having bigger issues. In WA the independent sector is probably 50 per cent of the business. What do you as senators and as a federal government think? My personal view is that it is all left to state governments and it is a brothel; it is a mess. Everybody is arguing. If you guys are going around Australia, you are realising that we are a vast country and there are small country towns and if you allow the multiconglomerates to come in they just take everything. I know that these are hard decisions and they might cost votes. At the end of the day, this is about letting one business trade seven days—and I was talking before about that country town in Victoria with 23 businesses; Coles went in and there are three businesses left.

I would just like you guys to take this back and do something about it federally so that we can save Australia in the long term. The state governments will not tackle the issues; they leave it to our communities or our councils. Short of getting a shotgun and shooting half our councillors—which I have just about done—we are getting nowhere. We are not getting any support. Jan Waterman has got a business to run, and she probably spends 50 hours a week trying to support our town. Nobody supports her. The councillors do not appreciate the issues, and I think that guys like you who are going around realise the issues. I think that there has got to be government legislation to support small business. It has just got to happen; otherwise, there will be no small business left. I would just like to know what you guys think and whether something is being done.

**CHAIR**—I think Senator Murray raised the issue earlier today and asked the question about who should have the ultimate responsibility for dealing with small business: should it be a federal government responsibility, should it be a state government responsibility? What areas ought to fall within the area of responsibility of government vis-a-vis state governments? At the moment I think part of the problem is that governments are tripping over each other in terms of either dealing with the issues or not dealing with the issues. Trading hours, quite clearly, are a state government responsibility at the moment. No matter what we do in that area, there is no influence at all. It is a matter for state governments. As a result, you do get differing applications. I come from Sydney, where you can operate anything 24 hours a day virtually—but that is the nature of Sydney; it is that type of city.

**Senator MURRAY**—And then you get national law like national competition policy, which you have a man called Graham Samuel running, who is what is sometimes known pejoratively as an economic rationalist, and he wants open slather on trading hours. I do not support that

position, I do not support the national competition policy as it is, but there is an example where you have a competition driven mechanism—which does not pay enough attention to social values, in my view—which is applying a federally applied doctrine which has good consequences in some areas, medium consequences in others and terrible consequences in others. It interferes with the states because, although trading hours is a state responsibility, Graham Samuel has the ability to make a recommendation through the National Competition Council for a state not to receive money because it will not deregulate trading hours or because it will not deregulate taxi agents or newsagents or anything else of the sort. I personally say that this is a constitutional mess and at some stage we have got to revisit what is and what is not whose responsibility.

**CHAIR**—The issue you raise about Coles coming in—

**Mr Lionetti**—It is just a general small town—

**CHAIR**—I understand that.

**Mr Lionetti**—but the structure of our economy is such that in small country towns—and in cities, because we have not got a city of 30 million people—we in Australia survive on small business.

**Senator MURRAY**—Let me explain why we are careful in our response. Senate committees try as far as possible to keep party politics out. You are asking each of us for our personal opinion and our party position on it. My personal position is with you, but I do not carry a majority in the Senate or in the parliament; my personal position does not matter much in terms of this discussion. What matters most is what small business are saying to us: whether they are happy with the system, they will live with it or they want it changed or reviewed. My own view is that it has got to be reviewed. I do not agree with open slather on trading hours. I do not agree with the national competition policy. I do not agree with all sorts of things which are current. But that is less important, frankly, than whether there is a general view that the whole thing needs to be overhauled. That is why Senator George Campbell, who initiated this inquiry, wants to hear your views rather than have us tell you our views.

**Mr McRae**—A classic case that I have seen in the past is a little town in Victoria called Horsham—13,000, 14,000 or 15,000 people. They have allowed extended trading, and you have there one of the large multinational supermarkets that trades 24 hours a day. They are not making money; they are solely there to force the small traders out of business so that they can then have a monopoly on trade. I believe in one authority, and I believe the federal government has an obligation to small businesses—which, as stated in the press release, are the biggest employers in Australia. So small businesses need protection from multinational companies implementing 24-hour trading. It is not necessarily what the consumer wants; it is simply an exercise which makes sure that they screw the small business trader out of the market completely, then they take control of the market. It is not a good thing, particularly in a town like Albany, where surely we are going to have a large multinational store opening. It is going to be good for employment and so forth, but there is no doubt that the pressure is going to come on for 24-hour trading here in Albany, and it is going to force a lot of small businesses and delis to the wall—that is exactly what happened in Horsham, which is very representative of a town

in a rural area like this. In the end, the consumer ends up wearing it, because he ends up paying more.

**Senator MURRAY**—Society ends up wearing it.

**Mr McRae**—Yes: and society.

**Senator MURRAY**—The quality of life in our society deteriorates.

**CHAIR**—Let me make a point: we understand the point you are making; the other side of that argument is the argument you constantly hear about free trade and fair trade and tariffs. It is essentially a similar argument that you are putting in terms of the big boys coming in and taking the market—competition: we have to tear down the tariff walls; we have to let the goods in here; the consumer will get cheaper goods, cheaper cars, as a result of it, and they are entitled to have it.

**Mr McRae**—I am not sure whether we have to.

**CHAIR**—All I am saying to you is that is the argument from the proponents of that. I am not necessarily saying I agree with it; I am saying that those are the arguments that have to be dealt with.

**Mr Maxwell**—Denmark is quite unique in so much as it has what they call a tourist precinct, which means that any business can open 24 hours a day if it wishes; however, businesses are still regulated by traditional trading hours. In theory, therefore, if it was a husband and wife team and they were quite prepared to, they could open 24 hours a day. Ironically, though, we do not have Thursday night trading, because, presumably, the small businesses are exhausted by that stage and they cannot open.

Dewsons moved in to town about 15 months ago and they do exercise Thursday night trading, but they are one of the only businesses that regularly open on a Thursday night. So we have this unusual situation whereby you can open 24 hours a day but there is just not the manpower because we cannot afford to employ people to carry us over into the third shift.

**Mrs Waterman**—I was at an independent grocers meeting where a man—and I am quoting his figures—said that in Australia the multinationals own 80 per cent of the market share. The biggest company in America, which is Wal-Mart, owns five per cent of the market share. That is what we are up against in Australia.

**CHAIR**—There are four companies, I think, that own that 80 per cent.

**Mrs Waterman**—That is right.

**Senator BARNETT**—If I could come in on that one, Chair, in Australia there are two that now own just a little bit less than 80 per cent—Coles and Woolworths—and it is the retail grocery market. Can I perhaps respond also on that now?

**CHAIR**—Yes.

**Senator BARNETT**—Just to respond to the comments that you have made, we had a joint parliamentary committee of inquiry into the retail sector in 1998—Senator Murray will remember it well; he was a member of that committee—that made a report and recommendations. Some of those recommendations have been implemented; some have not. There was to be review within three years of that report and those recommendations being provided, so that will be early next year.

In the meantime, just recently a Trade Practices Act review has been announced, and there is now a call for submissions from small business, large business and others into that review. The Trade Practices Act is there to ensure fair competition and, as Senator George Campbell said before, free or fair competition. That is an opportunity for you as small business to present your particular views or for your organisations to present your points of view to that particular review.

Senator Murray has indicated where his sympathies lie. From my perspective, I started in the Senate in February, and prior to that I had been acting as an advocate for the small business sector for many years, and in particular in that retail grocery sector inquiry on behalf of the independent retailers, which included FAL. So, yes, I can understand your concerns with respect to the very significant market power that the major chains have. In the USA, the top three retail grocery players have less than 20 per cent of the market; in Australia, the top two now have just under 80 per cent.

**Mr Lionetti**—What is very important is that in the last five years the two major players—and now Aldi has come onto the scene—have reached saturation point. They cannot saturate any more, so now they are putting in stores that they know will lose money for five, 10 and 20 years, because there are no other sites left to put them in. So they are not just looking at profits; they are looking at bleeding the community and saying, ‘We will go into Denmark, because we know that in 20 years time that will make money.’ The cost of getting the next 10 per cent is going to be huge for them, but they are just going into it to do it. I think the government is, right now, set to either destroy or save small business.

**Senator MURRAY**—Sometimes it helps for us to have an opportunity to tell small business reps what we do. Amongst the inquiries I have sat on was one on national competition policy, the Baird inquiry into the retail sector. I have been involved in probably 100 different reports in my time as a senator. The result is you come to a view, which you put forward. You will find the view I have put forward on the trade practices review, which matters enormously to the people in this room because it will affect the future competitive situation, if you look up my submission on the web site. Included in that submission is the desire to strengthen the act, not weaken it—there is a view that this review was set up with a view to weaken it—but particularly to allow for the provision of what is known as a divestiture capacity; that is, the antitrust laws of America, which enable large oligopolistic or monopolistic businesses to be reduced in size or broken up. We do not have that in Australia. To me, it is an essential component of competition policy.

I work very closely with the National Association of Retail Grocers, with the Motor Trades Association, with the various small business associations around the country. Of course, you, as operators, do not know that, but there is that constant interaction of senators with particular

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interests and their political parties with these various issues. The same is true of Senator George Campbell, who has a range of interests in industry and employment and training; and Senator Barnett, as you just heard, has a long and credible history in the area. You can try very hard, but you must recognise that you apply pressure to us and we apply pressure to government. It is like one of these enormous tankers or liners: it is very difficult to turn government around, and you have got to get the timing right.

I agree with you: I think that now is the time we have to start to turn Australia towards a different direction. But it includes concerning yourselves with the larger issues: constitutional issues, responsibilities, cost shifting—who does what and where—and what value you are getting out of your taxes. The one question at the core of Senator George Campbell's initiation of this inquiry is: where is the value for money in what is being spent for small business in actually growing jobs; growing businesses; making economies, areas, regions and so on wealthier, better off? That is what we, as senators, regardless of the party, try to do. It is useful for us to get your views—that is why we are having this roundtable discussion—because that feeds into a bigger picture which we have got, which obviously we have not had time to express to you or to give you all the documentation and presentations on.

**Mrs Nowotny Ford**—Before we run out of time, I want to get this in—talk about pressure! The building industry, as I think I have already mentioned, is the third largest employer in the region—that is with employees; if we then add subcontractors to it, we are probably even more sizeable. We have a significant trade shortage in this region in wet trades. It is not unique to this area, but it is significant. I have been trying, through state BCITF funding—they have now cut out school based funding—to give kids in schools that career choice. I have been trying to get funding to promote it within schools, to kids and their parents and to encourage employers in that area to take on trainees and apprentices. We have just hit a blank wall with funding. I have put a submission to Construction Training Australia through the Master Builders Association. If we are going to spend money on training and employment, we should do it where there are jobs available for the kids, and that is not an area that is ever looked at. State training does not even consider the building industry in this region, a need for growth or increased spending on training. I do not know why. I wanted to raise that issue because we have a real need.

**CHAIR**—I make the point that that is an issue. In fact, had we not done this inquiry, we would probably have been doing an inquiry now on the issue of skills because it is a major issue. A report has been done recently for the Victorian Manufacturing Council by ASERT as to why there is a decline in the number of persons being trained as tradespeople in the manufacturing sector. Essentially they have put it down to the fact that companies have been forced to get lean and mean and there is no more fat left in companies to allow that training to occur. They do not have the capacity to train in these companies.

The secondary issue in respect of training is that, over a hundred years, the vast majority of our tradespeople in this country came out of, and were trained in, the public sector. They were trained in public utilities, whether it was shipyards, railways or electricity commissions. All of those have been privatised and the capacity to train has gone with it. There is a whole raft of issues relating to skills training. You will be interested to know that the Dusseldorf Foundation, which pretty much focused on the building and construction industry, has just released a report advocating the reintroduction of the training levy which, it argues, was the most successful market program of the past 20 years in creating real training out in the marketplace.

**Mrs Nowotny Ford**—We have that training levy in WA through the Building and Construction Industry Training Fund—the BCITF. They are the ones that have stopped any funding for skills based training, and I do not understand that.

**CHAIR**—I do not understand that either, but the Dusseldorf Foundation is advocating the reintroduction of the national fund.

**Mrs Farmer**—Can I finish off with a final statement. Those of us who have chosen to be a small business owner as a lifestyle choice certainly do not make a great deal of money. In fact, I think Jan’s part-time workers who work two days, earn more than I do and I work seven days.

**Mrs Waterman**—That is right.

**Mrs Farmer**—In fact, I have just worked out that my husband and I both put in about 75 hours a week. We do this because of our community commitments. We put in for income supplement because otherwise we would not survive. Perhaps there could be an easier stream of payment for small businesses which have to try and estimate their income for Centrelink each year by answering the question, ‘What are you going to earn?’ The answer is, ‘I don’t know.’ Perhaps something could be worked out with Centrelink so that there is something special for a small business owner so that, hopefully, he can continue to stay open.

**Mr Lionetti**—Going back to super funds, we also employ quite a few people. The problem that I see with the housing or with the super fund is that I employ quite a few kids that have \$8,000, \$10,000, \$12,000 or \$15,000 in a super fund which just sits there and doesn’t achieve anything. If they change employment, they will have bits here and bits there. I do not know what the Singapore system is, but we hear a lot about it in that they use their super funds for housing. I do not know, but maybe this is something that can be looked at. When a kid’s super fund gets to \$10,000, \$12,000, or \$15,000, perhaps the government could allow some of that to be used for leverage for housing. If the kids knew that they could realise the Australian dream of owning their own home if their super money went into a fund which could be collected eventually, that would be one way of educating them. Even though they bludge, take drugs and drink, while they are working that money is actually getting collected and all of a sudden they will be able to own their own home. I think there would be some merit in that.

**Mrs Nowotny Ford**—He employs teenagers so he is allowed to say that.

**Mr McRae**—There is a valid point that I want to bring up, and that is that superannuation as an industry needs to be more transparent. I must have five or six superannuation funds from working for people; I have money all over the place. I cannot remember where I have money. We need to be able to provide for employees to bring funds together at minimal cost. I know that if I tried to transfer funds out of each individual superannuation fund that I have, the cost involved would mean it would not worth doing. Perhaps consideration needs to be given to controlling the superannuation industry to make it much easier and more cost effective for people to transfer, accumulate and amalgamate funds so that it becomes more attractive and, as Mr Blake was saying earlier, so that it is part of the incentive. When they are working, and the employer is offering superannuation, the employee can say, ‘This is really starting to grow because I have been able to put them all together now, and it is really quite an attractive egg

there,' which is what Paolo is saying. It just means that we may be able to employ people where the superannuation is another carrot to hang in front of them.

**CHAIR**—Senator Murray is currently on the Senate Select Committee on Superannuation.

**Senator MURRAY**—I am not on that one.

**CHAIR**—Which one is it?

**Senator MURRAY**—I am keeping well off it, but it is on at the moment.

**CHAIR**—It is on at the moment, and all of those issues are currently before it.

**Mrs Brown**—We have all that information, and I will make sure everybody who mentioned superannuation at this table gets a copy of the terms of reference.

**CHAIR**—Of that committee?

**Mrs Brown**—Yes.

**CHAIR**—Thank you, because the committee is looking at all of those issues at the moment.

**Senator MURRAY**—Speaking for myself, start-up for homes was not a bad idea.

**Mrs Nowotny Ford**—From the building industry's point of view, we think it is fabulous.

**CHAIR**—In a former life, as a union official, it was advocated very heavily by the ACTU a few years ago that people be allowed to access their super funds for deposits to purchase homes. The argument at the time—I think there was some validity in it—was that there was a contradiction, as super funds were essentially set up to provide for people in their retirement, not to fund their current lifestyle. There are contradictions there in terms of the purpose of the fund.

**Mr Lionetti**—Only in long-term superannuation.

**CHAIR**—Yes, but there are contradictions there, and that is part of the difficulty in trying to deal with those issues. Can I express on behalf of the committee our appreciation, one, for your coming along this afternoon, because we know you have given up valuable time out of your businesses to do that, and, two, for your contribution; it has been invaluable. Over the past couple of days we have heard from organisations and they put a particular perspective on their submissions, but to hear specifically from you about the problems you face on a day-to-day basis has been invaluable. It is all on the record, and certainly we will take it into consideration when we sit down to prepare the final report which will go to the Senate hopefully sometime around November, which is when we are due to report. We were not too sure how this was going to work out, but I think it has been a very valuable exercise. I am starting to think now that we will get something very significant out of this process which hopefully will help you along the way, at some stage. Again, thank you very much for your participation. I would also

like to take the opportunity to express the committee's appreciation of the assistance that was given to us by Jo Hummerston of the Albany Chamber of Commerce and Industry and Vicki Brown of the Great Southern Area Consultative Committee in helping to identify the personalities who are around this table and for helping to organise the roundtable discussion. Thank you very much. I wish you all well.

**Committee adjourned at 4.36 p.m.**