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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Reference: Small business employment

FRIDAY, 19 JULY 2002

PERTH

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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Friday, 19 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.

WITNESSES

DAVIES, Ms Kirrily Anne, General Manager, Messages on Hold Australia Pty Ltd.....	173
ETRELEZIS, Mr George, Managing Director, Small Business Development Corporation.....	173
EVANGELISTI, Ms Loretta Charmaine, Director-Owner, Oriel Cafe Brasserie	173
FITZPATRICK, Mr Peter John, AM, Executive Director, Motor Trade Association of Western Australia.....	173
FITZPATRICK, Mr Tony Stephen, Director, Regional Training Services; and Director, Skill Hire Pty Ltd.....	173
HARRIS, Mr Graeme Robert, President, Swan Chamber of Commerce.....	173
JACKSON, Mr Kevin James, Owner-Managing Director, Jacksons Drawing Supplies Pty Ltd	173
McLEAN, Mr Steven James, Manager, Gingin Meatworks	173
PETERS, Mr Gerard Eduard, Managing Director, The Honda Shop.....	173
SKOGLUND, Mr Norman Franklin, Executive Officer, Central Coastal Districts Business Enterprise Centre.....	173
SYMES, Mr Louis Stanhope (Private capacity).....	173
THOMPSON, Mr Anthony James (Private capacity)	173
YOUNG, Mr Anthony Shane (Private capacity).....	173

Committee met at 7.53 a.m.

DAVIES, Ms Kirrily Anne, General Manager, Messages on Hold Australia Pty Ltd

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SYMES, Mr Louis Stanhope (Private capacity)

THOMPSON, Mr Anthony James (Private capacity)

YOUNG, Mr Anthony Shane (Private capacity)

CHAIR—I declare open this roundtable discussion. As part of its 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 and interest groups. The committee is also holding more formal public hearings with input from those that 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 this 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. I point out, however, 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 the four reference points we can be as free-ranging as we like. Following the introductions, I will have a couple of questions to begin our discussion.

We had a hearing here on Wednesday afternoon, and we had a hearing and a roundtable discussion in Albany yesterday. Three issues have emerged from those discussions—I will put them to you and ask you to try to address them morning, as well as any other matters you want to throw into the ring—that I think are of some importance in terms of where this committee might take its report. The first one is the issue of managerial skills and training; the skills necessary for people to run a business. It has become very apparent that most small business people, and certainly the people we talked to yesterday, go into small business and invest their money without having any training or having developed any of the skills necessary to run that business. They are very good at what they do—they are very good at producing their products—but they have not developed any of the skills to deal with issues like cash flow, human relations, business planning and so forth. We would be interested to hear your views about that.

We would also be very keen to hear if you have practical examples of growth in your businesses being impeded or frustrated by government regulation, duplication or red tape. We heard three or four years ago from the government that they were going to cut red tape by 50 per cent for small business. The story we heard yesterday was that in fact the perception, if not the reality, is that the documentation and paperwork businesses have to complete is becoming more and more complex.

There is a third area which came out of our discussion yesterday which disappointed a couple of us. We would like to hear some positive views from you about where government does good things to assist small business. At state, federal and local levels there is an awful lot of government money—taxpayers' money—spent annually on assistance to business. Yesterday in Albany the only example they were able to give us of a government doing something positive was the sinking of HMAS *Perth* in the harbour. We hope that there are a few other positive examples. You might give that a bit of thought while we are having this discussion over the next hour and a half or so. Those are the three key areas that we would like to hear about from you. Who, in cricket terms, would like to open the batting?

Mr Harris—I will mention one negative bit at the start and then I will try to be more positive. I hope that the three tiers of government stop helping us and let us get on with what we are doing. Almost everything in front of you today has come about by the government trying to help us. That is the negative part and I can explain that later on. You said in your opening address that we have to be trained to administer all the things that you are trying to help us with. We did quite well before this. That is the negative bit from me. I mean that genuinely; that is how I see it.

CHAIR—Do you want to keep going? Are there other problems?

Mr Harris—You have moved us—and I mentioned this yesterday—away from where we are good, particularly in my experience in retail working in the front office, and you have us all working out in the back office, where we do not generate any income. My experience and the experience of most of the members of our chamber and the various groups that I network with is that we have lost touch with what we are supposed to be doing and what we are good at. Now we have to be accountants and solicitors. We have to understand complex laws and all these things that have been compounded for us one after the other. We are losing track of what we are good at at the shopfront. You have obviously all heard it before but overregulation and red tape are starting to have a telling effect. They are affecting small business mentally. All I hear from small businesses—and, Mr Chairman, you just said it—is that they are now thinking, ‘Do I want to be here? This is all too hard.’ That is what I said in my opening address about overregulation. When you help us, you create greater problems for us. We live in a changing world but it would be better not to legislate, to take rules out rather than put more in and compound the problems we face. If all small business people were honest and were not just trying to be nice, that is exactly what they would tell you.

Ms Evangelisti—I am the owner-operator of Oriel Cafe Brasserie, which is a 24-7. Pre GST there was an office girl and me, and I used to work on the floor as well. From about six months before the GST to now, I have been lucky to set foot in my own cafe once a fortnight, just to breeze in and say, ‘Hello, everyone. How are you?’ I am bogged down with so much paperwork, implementing policies and procedures: occupational health and safety policy, the liquor licensing house policy, sexual harassment and discrimination policies. There is one after another. Now it is the privacy policy. I never get to see my customers. We are no longer a cafe; we are an office. But the office is not generating the money.

Mr Thompson—I would certainly reinforce what Loretta had to say. In part we are probably the perpetrators of such policies. As consultants we go to businesses and, because of various decisions made by government and industrial tribunals and so on, we are saying to people, ‘You have to have a sexual harassment policy. You have to have antidiscrimination policies. You have to have occupational health and safety procedures. You need to document your employment conditions. You need to have unfair dismissal procedures, discipline and counselling.’ Businesses are saying, ‘Hang on. When do I actually get time to run my business?’ Without those things, businesses are finding that they are an easy target for an unfair dismissal claim that is on the border of being nonsensical but they have to deal with it. You go to industrial tribunals and, because something is not documented or you have not gone through the proper process, suddenly you find yourself open to a claim for six months wages or reinstatement and all the disruption that that causes to a business. Those procedural things, those policy matters, are taking up so much time and money—because guys like us have to get paid—that it is debatable whether they are contributing positively to the business or not. I hear that over and over again, and I say to businesses, ‘Without it, you’re going to cop it.’

Mr T. Fitzpatrick—We have a labour hire group training company, as I said, and we have up to 400 people working for us out in the field at different times. If I can reflect on that, that is exactly what has happened to me. I have come away from the coalface and now spend my days looking after workers comp and unfair dismissal matters. There are always four or five people who can potentially turn into an unfair dismissal case or a workers comp problem. Managing those cases is very time consuming, because a lot of the time you are just dealing with something that might be going on at home, which people translate into an issue at the

workplace: 'It's got nothing to do with work, but the easiest way for me to get out of this is to say I've hurt my shoulder' or whatever the excuse might be. It becomes a work problem, it impacts on their work peers and, consequently, it impacts on me because I am running around trying to look after those issues on a day-to-day basis. It is very time consuming.

I would like to see legislation that somehow provides a more rational way for people to get their common law payouts—whether it is workers comp, unfair dismissal, public liability or whatever—because not only are those issues very expensive to insure against but they are also very time consuming for small businesses to manage as they come through.

Mr Jackson—I employ almost 100 people, scattered from Busselton through to Darwin. We are under two awards, which causes confusion. We are under the South Australian award for Northern Territory workers and the Western Australian award of course for the bulk of our staff. Three of the nine points that I had detailed today cover the amount of paperwork that one of my senior people has to attend to during the day. Like Tony, we are at the moment embroiled in a case—a ridiculous matter which has dragged on for six months. It will eventually go to review, taking a massive amount of time; but that is a side issue.

Senator BARNETT—What sort of case?

Mr Jackson—It is a case of dismissal, through the police investigating a young man and evidence being found of a worker being associated with him. The evidence is staring us in the face of her altering company records, altering bank accounts. However, she has coupled it with a workers compensation claim of illness. It is just dragging on and on, and all of these things are surfacing. That is taking a huge amount of time, and of course money as well through the insurance company.

However, I thought that assisting small business had all been attended to when we all had to pay vast amounts of money for the compulsory staff training period, where a percentage of our turnover had to be turned back into training. I am positive everyone here went through it, and I know that the wastage of money was staggering. We were all running around trying to find a way to get rid of our money. Whether it was beneficial to anybody, I do not know. To my company, no. I went to Melbourne. I sat in a hotel for a week. I got a plaque to prove it. I came back, and I was no better advised. That was utterly ludicrous. I was told that I could have bought a first-class ticket to London, gone to a conference, stayed at the Ritz Hotel and come back. It was money wasted once again.

We are all forced to spend money on matters that you have raised. It is totally out of control. What is going to be the end result of all of this? Already, I think we are hearing that the unfair dismissal laws and the workers compensation claims are burdening everybody. We are all sensible people but we are all putting up with it. How long before we say, 'Stop!' or do we bail out? There is now the possibility of paid maternity leave. That is scary because there is no basis for it. If people choose to have a family, that is their decision. It should not have to come back on people like us to support them. It will have a backlash. I have decided as of now that I will not let myself be put in that position, should I find myself a few months down the track having to cope with it. That is the only avenue I have to go down.

Senator MURRAY—To spell it out, that means you will not employ women of child-bearing age?

Mr Jackson—No, I will consider the possibility of the consequences. I would rather choose another candidate for the job; but I will not say no.

Senator BARNETT—Do you think that is happening already; that some people are starting to think that way?

Mr Jackson—It would have to be. If everybody were honest, it would have to be.

Ms Davies—As someone who is about that age—child-bearing age—I totally agree. If I am hiring someone, that is something I will think of and be wary of. To me, paid maternity leave is not addressing the problem at all. If it is a social issue, you have children for years; you do not have them for three months and then give them back. I do not see why my employer should have to bear the cost of me staying at home with my children—it seems to be a silly burden on small business. If the government is genuine about it, perhaps they could look at using superannuation as a way of funding that sort of thing. Superannuation is a cost on small business which, for me, is unbearable. I employ a whole pile of relatively young people and they do not appreciate superannuation at all. They do not see it as a benefit to them. It does not even appear on their group certificate.

Senator BARNETT—Do they know that they get it?

Ms Davies—They know that they get it but they do not care. Quite frankly, they are not really going to get it because in 50 years it will probably all be gone. It is just a cost to us that is really huge.

Mr Jackson—I monitor the compulsory superannuation in my office. In the last two years, I have done three circulars to my staff asking them whether they know what it is about, know where their money is going and what is happening to it and how often they are hearing from their funds management people. Of the 94 people I circulated this flier to, I got seven reports back and only one came up with the truth. They do not appear to be interested in superannuation because it cannot be put in their pocket. They cannot see because being 65 years old is so far away. Particularly for young people it has no meaning whatsoever. It does not matter how loudly you bang the drum; it is not appreciated. Now at nine per cent and with the administration, it is a huge burden.

Senator MURRAY—I have another question because we want to get some solutions. Are you saying that young people should not be obliged to be on superannuation—in other words, the guarantee should lock in later—or that them being on it should be optional?

Mr Jackson—My immediate response is: why do we have to have it to start with?

Senator MURRAY—But given that it is law and has been law for a long time, are you suggesting that, because young people think they need the money in their pockets or do not value superannuation, they simply should not have it paid for them as teenagers or in their early 20s?

Senator BARNETT—Or do you think they should contribute themselves?

Mr Jackson—Yes, if it comes out of their pocket, it has a lot more meaning. If it were an obligation that, if we have to pay nine per cent, they should also pay nine per cent, that would have a lot more meaning.

Mr Thompson—One of the things I have in my notes to raise today is that my clients are asking me why employees do not have to contribute to superannuation. If they did, they would appreciate the fact that nine per cent is invisible to them, but at least they would take an interest in their two, three or four per cent, whatever it happens to be, and start to see what is happening with their superannuation. At the minute, it is just invisible money.

Mr Peters—Going back to when this all started, the original deal was that, when it got to nine per cent, there was going to be a compulsory three per cent contribution, making it a total of 12 per cent. I have been in the insurance industry for many years. If you are not contributing to your superannuation yourself, you have no personal interest in its value. That is widely accepted as being the fact. Certainly the three per cent coming out of a contribution from the employer will have them interested in what is going to happen to their superannuation and they may even contribute more than that.

Senator BARNETT—From the employee?

Mr Peters—From the employee. Nine per cent definitely has to be the ceiling on it from the employer. They cannot expect us to pay any more.

Mr Skoglund—Superannuation is just one of those issues, especially for small business. The owners of microbusinesses do not often have the dollars to put aside for superannuation. If they employ someone at the moment, they have to find a compulsory nine per cent. If superannuation is going to be an issue, it should be capped at, maybe, three or four per cent and then dollar for dollar, so that if a young person does not want to contribute, they do not have to and neither does the employer.

CHAIR—Can I make the point about super that I made yesterday, because there is a misconception. Being one of the people who was around at the time it was introduced, it is not totally true to say that they do not contribute. When the superannuation guarantee charge was first introduced it was offset against wage increases at that point in time. Workers forwent wage increases in order to obtain the superannuation, so they actually did make a contribution to it. That does not mitigate the issue you are raising about contributing in the future. One of the issues that is currently under consideration by the Senate Select Committee on Superannuation is this whole question of individuals contributing, which they can do on a voluntary basis because there is a capacity to do that.

I was never very focused on super until I got into my 50s and I am becoming more and more focused the older I get—20 years ago it was not an issue that you thought much about. It is true that young people in their 20s and 30s think that they are immortal and superannuation is something you worry about when you get close to retirement, so it is hard to get focused on it.

Ms Davies—I think it is important to have superannuation because as a society with an ageing population we need it. But the government's policy of increasing it by a per cent every year is out of control. As a small business, we have gone from a staff of, say, 10 to 30 in the last four years and our superannuation amount now is quite a lot of money and that holds me back from hiring more people. I think it would be more beneficial to society for me to be able to employ more people rather than having some money stuck away for a few people. If you had it at, say, five per cent then that would give me more leeway to hire a few more people.

Senator MURRAY—Mathematically, for every 10 people that is the cost of one person.

Mr Harris—I agree with the superannuation. I think it is a good thing. I also agree with what people have been saying around the table that it is only of value if you put in and know what nine per cent of your wage really is. The point I want to make is that when people go into a small business, they set the business up and buy their properties and that is their superannuation. If they take a wage they are paying some more, so it is like a double-dip. I know that is a simple way of putting it, but it is true. You build your business and in a way that is your super fund. I agree with the super but to have any effect—for people to benefit from it and to see what it is about—people have to be contributing. Eventually it should be an equal amount, so whatever business pays the employee should put in an equal amount. My other worry is whether there is going to be anything for them in the super fund at the end of all those payments. Nine per cent is going in, but I am concerned about the return in the future. Is there any guarantee that their money is going to be there?

Ms Davies—My concern about the employee putting it in themselves is that at the end of the day the employer would still be the one taking it out of their pay and for the young people that I employ they would not think they were paying it themselves. It is just another thing they do not get and they would not take it into account, so when they look at their salary they still would not look at it—to my way of thinking anyway.

Ms Evangelisti—Staff do not realise that superannuation is part of their salary package. It is not until you engage employment agencies that you find they actually charge you a fee on the basic salary plus the super for staff. I find it intolerable that employment agencies are charging a fee on the super component of placing that person. We have to pay it by law and we are being penalised everywhere along the line for this nine per cent that we are paying.

Mr P. Fitzpatrick—I have got a broader issue. In my position I work with my small business members and I deal a lot with people like yourselves and public servants, and it is quite an eerie experience because you actually work in two worlds. There is the world of reality and what I call the world of unreality. What I find increasingly is that there are very few people in the bureaucracy and very few people in politics who actually understand how a small business works. I have had federal ministers come and say to me, 'I was in small business,' and I say, 'What law firm were you in?' They think that when the French cook does not turn up on Friday there is a disaster. There were nine out of 13 lawyers, I think, at one stage in the federal cabinet. Unless you have done it, unless you lie awake at 2 o'clock in the morning worrying about your bottom line or some other issue, unless you have been there, unless you have had skin on the game, I do not think you really understand what goes on.

When I go and talk to people in Canberra, what I am finding is that there are a number of people who talk in the language with an understanding about small business; they have a broad understanding of its importance to the economy and they go through all the mantras of saying how important it is, but in reality when they make a decision they do not have an understanding of what the impact of that decision is. That is a fundamental problem. I must commend Andrew Murray because Andrew and I have worked out a lot of issues. He does understand it. I am finding champions around all sides of politics that I can actually talk to who understand these issues and who are starting to drive party room debates. But what I find is that at a higher level and in the bureaucracy you have got people who sit there making decisions driven by ideology, politics and a whole range of other things but no-one ever does a cost-benefit analysis of those decisions. You make political promises come election time, but has anyone ever sat down and worked out the impact of them on the community and on the small business community in particular? So, if you look at that broader level, somewhere along the line we have to get some input from these people into the decision making process.

I have suggested to you in our formal submission that we need something like a small business council. I have not got any precise ideas of what is needed there, but somehow we have got to get these people involved. The people who designed the BAS had no small business input. These people have got no capacity to absorb that sort of additional cost and almost no capacity to pass it on. I have got people in our industry for whom the competition out there is fierce, and when you have got multinational corporations as your main client, like an insurance company, they do not give a damn whether you have got nine per cent superannuation or whatever, they want the repair done at the price. Oil companies are the same in terms of service stations, car makers are the same in terms of car dealers and Eddy will say that in terms of motorcycle dealers, and so on. So there is little or no capacity to take on all these imposts from privacy policies and all these other things—maternity allowance, superannuation. They are all caught up in the same thing. It is fine for the BHPs of the world; they just put on another accountant or HR officer or whatever. These guys are the accountant, the HR officer, the technician, the entrepreneur and the manager. They are doing all of those things. Every time you put another impost on you actually start to destroy their vision and their dream. I am finding a lot of people out there who have just lost heart in small business. You have got 75 per cent of the work force out there employed by these people, and yet I know a lot of my people are losing heart because they are constantly getting these things loaded up on them. I think they do need help.

I am encouraged by your views on training. I do think you have to provide some sort of support and training for them. Unfortunately every time you get a good course going and you get some sort of government subsidy to do it, it gets ripped away at the next budget. We were running a small business management course which ran over about 12 nights. People will make the time available, but when you start charging them \$900 or whatever the cost is of doing that sort of training they cannot meet that. If you can do it for \$200, or \$300 maybe, they will come. We actually had some very successful training. As soon as we got the thing up and running, the funds were suddenly withdrawn, and so you have lost that ability. People do need those sorts of skills. If they are going to cope with the imposition of this stuff, they do need to be able to understand how to drive their cash flow, how to meet their obligations under the law and so on.

The person who buys themselves a job as a tradesperson needs a lot of help to actually make that business flourish. They probably spend a lot more time doing all this sort of stuff than they

should, and they are not trained for it in any event. I do not know whether that helps. I almost feel like I walk through a curtain when I go in to talk to politicians and bureaucrats, when they say things like, 'That's all right, if you don't like the union rep that turns up, you can go down to the Industrial Relations Commission and have him rubbed out.' Who is going to spend two days in court arguing the fact that you do not like a union official coming on your site, only to get another one who is going to be angry with you because you got rid of his predecessor? With that sort of unreality, I just look at people and say, 'Hello, this is planet Earth calling Mars, where are you?' These people out there are dealing with these issues on a daily basis; they are not going to court on those sorts of issues.

It is that constant air of unreality that I sense at the top end of town and within the whole political and bureaucratic process in this country that needs to change if you are going to encourage a flourishing small business sector. You are going to have to make a decision about that or you are going to finish up with a whole lot of multinational companies running the economy of this country. The Shell oil company does not give a damn about Australia, as I said the other day. It will make economic decisions that will make people like yourselves irrelevant: you will sit there and worry about taxes, but you will not be making economic decisions—car makers, oil companies and insurance companies will decide the economic future of this country. If we want to get back in the game, I think we have got to get the political and bureaucratic side of this country back working side by side with people and making sensible policies that we can all live with.

CHAIR—Thanks for that. I will make the point that, when the government in 1998 made the statement that it was going to cut red tape by 50 per cent, I asked a bureaucrat at a Senate estimates hearing how they were going to measure that and I am still waiting for the answer. George, I would be interested to hear your response to some of that, as you run the Small Business Development Corporation. Do you have any views on the sorts of issues Peter raised? I do not want to put you in it.

Mr Etrelezis—I have many views. I thought I was here in an observer capacity—of course, that is why I am doing a lot of listening—but if you are seeking a view with respect to some of those points Peter makes: as an independent statutory authority representing the interests of small business, we quite often have to represent those views to the bureaucrats, for instance to a training agency to try to get them to change their method and delivery of skills development and their target market. One classic example there is with the take-up of e-commerce, where we have just developed a very interactive product which will enable small business, through the use of a CD-ROM, the Internet or even by using our means, to access that piece of interactive learning rather than have to cope with going to a set course that is run according to training hours set by bureaucrats and others. So if you find the time on a weekend, after hours or even during working hours, you can pick up that skill through that piece of software.

In the area of the bureaucracy, we have an advocacy service which was specifically designed to pick up on the issues that small businesses bring to us on an individual basis or a group basis, and we will undertake on their behalf to raise those with the government agency concerned. That is a service that we get a very good feedback from small business on, because we protect them through confidentiality as they approach us, and in a lot of ways we end up improving the systems that have caused the fault in the first place. A very good example of that in the early days was the payments by governments. It is now pleasing to see that most governments chose

to pay their accounts within 30 days. When we started out, that was unheard of by government agencies, and now it is standard government policy in a lot of areas, including here in Western Australia. That is one little example but, even with the payments from government authorities such as insurance commissions and others, where people are waiting on payouts, it is important for those sorts of procedures to be looked at so that they do not have an impact on or a flow-on effect to small business.

Mr P. Fitzpatrick—I would like to go on the record that, in terms of the position that George occupies, his organisation is the sort of friendly side of the bureaucracy, if you like. I think organisations like his are invaluable because they sit outside government a little bit, even though they are funded by government, but work as an interface for small business. We refer a lot of people there for licensing and other issues. They have some excellent products. It was his agency that did the red tape review with us, and so on. I think that we need to have more money spent on that sort of organisation. The bureaucracies that concern me are the ones that attach themselves to departments and to ministers' offices, where they have set agendas. And they do not have enough experience to make decisions in this sector. An agency like George's has people who are small business driven and understand the issues. That is a rarity, indeed, I can tell you, in government these days.

Mr Symes—I have worked with George and his department too. I am a subcontractor to him through the Business Enterprise Centre. My issue really is people getting into business in the first place. There is a scheme that is very good and should be expanded: NEIS. In that, someone with a business idea presents that to a group and, if it is approved of and seems a realisable business venture, they do a three- or four-week course in which they write a marketing plan. They then go before a committee again and, if they convince the committee that they have a real plan, it is approved, they are financed in a small way for the first 12 months and given encouragement. There should be more of that: getting people before they get into business. That is where our growth has to come from: new people who want to start businesses.

We have 37 of these BECs around Western Australia. We provide people with business advice and very low-cost office space, but we need more funds. We take people who are in a home based business and want to get their foot outside. School holidays is a boom time for us. Somebody is working around the kitchen table at home, trying to get a business off the ground, the school holidays come and the kids drive them mad, so then they are out looking for some low-cost accommodation.

You spoke of training and there was some criticism made of the training levy that we all had to pay. I thought that was a great idea. You could use it well or you could use it poorly. I thought that the training levy used well was an incentive from the government saying that we have got to train our staff better. I come from the other position on that issue. But I would like to see more resources given to people who are starting a business. For example, one of the real problems people have is getting finance. You have a good business idea and a proven plan but, when you go into a bank to try to get finances, they do not want to know you at that stage. That is a real limitation. I would like to see some scheme. We touched on superannuation funds before: perhaps there is some way they could access those through the government or through George's department. Perhaps somehow they could set up a finance bank for small business people.

Senator BARNETT—Mr Symes indicated to me earlier that he has an interest in home based businesses, and we have not talked much about those. I was wondering if Mr Symes or anybody else around the table could respond on how we would help and support home based businesses.

Mr Symes—Home based businesses present a real problem. We are finding today that lots of people are taking redundancy payments: they are being forced out of the paid work force and are trying to create jobs for themselves. One of the real problems, which has been touched on widely around the table, is government regulations. They are giant hurdles for people to overcome. There has to be some simplification of the regulations. You cannot do away with them all. You cannot do away with sexual harassment rules, for instance. That is one I just picked at random. There has got to be something in there, otherwise we are back to anarchy. If you look at safety and the way it was operated 10 years ago compared with the way it is today, you see that it is now a different thing altogether. But there has to be some provision for small business to have a lower threshold to get into some of these areas or a lesser penalty if they cross over that line, particularly in relation to people trying to get their business away from the home base. There are a myriad of them out there. You would be amazed at how many thousands of people are either trying to get a home based business off the ground or have actually done it. That is where our future is.

We have talked about the multinationals and the threat. They are running the country now—in terms of the economy—if we face facts, aren't they? You gentlemen sitting at the top table are making the noises, but when the economy declines or if Mitsubishi closes down a car plant that has got more impact than a lot of the days that you would spend in parliament, I suggest. Our future lies at this level, and that is really where we should be focusing. These gentlemen here have got their businesses up and running and all look pretty prosperous to me. They are doing pretty well, actually—if you want an aside. They are all complaining, but they are all smiling a lot and doing okay. They would like to do better. I want to see people at the bottom level come up and join them.

Ms Evangelisti—It an illusion, everyone.

Mr P. Fitzpatrick—She is not a gentleman, for a start!

Ms Evangelisti—I now have four full-timers in the office. I have reduced my working staff in the cafe to less than 50 per cent. My wage and on-costs are no lower than they were two years ago—if you do your sums you would wonder how that works. Hospitality has had three wage increases this year. There is another one coming in August and we also get one for the CPI adjustment, so we get hit with pay increases three times a year—super! There is a perception by the public that they will only pay X amount of dollars for some things and that is it. They go to the supermarket and buy a lettuce for a dollar and they cannot understand why they have to pay \$15 for it in a cafe. We get letters about this sort of thing all the time.

It is a matter of education and it should start in schools. Business courses should be run in schools as well, because you cannot change us but you can change the future by educating those who are at school at present. I am on a steering committee for hospitality, which at the moment is investigating the possibilities of re-establishing a school of excellence for hospitality. One of the issues that has arisen is that graduates are coming out with very little core knowledge be-

cause the lecturers are spending 80 per cent of their time assessing the student versus teaching the student—that has come straight from the lecturers.

What is happening is that we are picking up these students who have certificate 1, 2, 3 and 4, but it means nothing because they do not take responsibility for themselves. A lot of them come from families that are disruptive so they have low self-esteem, they may have learning problems and we end up with them. Then we are asked to educate them and send them on courses, but it costs us money. If I send an 18-year-old for on-training who is earning \$10 an hour and I have to replace her with someone who is on \$16 an hour, I am already out of pocket.

A lot of hospitality people do not bother. Under parliamentary privilege, I will say that there is more black money happening today in the economy than ever before. The people who are missing out are the government. There is no use saying, 'I am getting poorer,' because you will not do anything, but if I say, 'The government is missing out on revenue,' we might get somewhere. But that is where it is happening and people are taking shortcuts. It is black money. The university students who are claiming HECS get \$10 underneath—and I am not talking about me; I do not do that. I have had three audits in two years; I definitely cannot do anything like that. The students are not paying super, they are not paying payroll tax, they are not paying any tax; yet the students are still getting HECS, housing allowance, plus \$10 an hour or whatever.

It is the same with everyone across the board. Half the time the money is not rung up in the till. The GST is not being paid. What happens is that those who are running legitimate businesses and who are doing all the right things are being penalised. It makes me wonder and I have to ask myself how much longer I can have ethics in business. To survive today I have to start being dishonest and that goes against everything I believe in and what I was taught. But if I want to survive, and I want my superannuation because I would like to retire in three years time too, I have to make the money and I have to start being dishonest to be able to retire.

Mr T. Fitzpatrick—I have another issue which is very similar and it relates to what Peter was saying before—and, by the way, we are not related; we have not got together and concocted this.

Mr P. Fitzpatrick—At least, I do not think we are related!

Mr T. Fitzpatrick—I'll talk to you later! It relates to the competition issue and also the issue that Loretta just raised. In our business we are in employment and training and, from a competition point of view, probably 75 per cent of our competitors are a not-for-profit company or a quasi government agency. You have talk about small business growth. We have found the biggest inhibitor for us to grow and employ people is this competition factor. The not-for-profit company we were competing against previously had sales tax exemption, which has gone with the GST, I believe. They do not pay the full amount of company tax that we do at the end of the year. Just because we call it profit and they call it surplus, it is treated differently. We were talking about the government bureaucracies. When I go to the government departments that we deal with I raise these issues and say, 'If you want competition in the market and you want services to improve, we need to be competing on a level playing field.' You sit down and start to talk figures and they say, 'Yes, we understand that.' They just have no idea. As an example, on our group training side of things, if we worked on a 10 per cent gross profit margin, based on

our figures now we would have to earn an extra \$3.5 million in turnover per annum to be equal with a government subsidised competitor doing the same thing. It might go back to a proper committee, but, as much as public servants can say yes, they understand, they have got no idea of the reality of the dollar that goes in at the start for these quasi government agencies and that it takes us a year to get back and 10 times as much effort to get it. If we were on a level playing field, we would be picking up more work and would be employing more people. As I put in my submission, I could go out and employ four more people tomorrow if we were receiving the same level of subsidies as quasi government agencies do.

Mr Harris—I think we are making a bit of a mistake here. I have listened intently so far. I think you have to recognise that you cannot just block in small business; you have got to look at home based business, microbusiness, small small business, small business and medium business. All their needs are different. It has just come to me that we are discussing generally all small business but the needs of the different stages of small business are a lot different. Someone mentioned that we all look pretty fat and prosperous. Thank God there are a few of us, because if there were not people who could put time into their chambers and their business organisations there would not be any representation for small business. Small business mums and dads and the other small business people all have to work every day. We now have moved into a 24-7 area where most small businesses now work seven days a week. They may not have their shop open but I can assure you they are working. I just wanted to bring up the fact that you cannot block all small business into one. The needs for the different stages of business are totally different. I hope everyone recognises that.

Mr Jackson—I was going to comment on Mr Symes' last remark about us all looking prosperous. That is wonderful. I do not know how it was that I was invited here today and what the criteria were. I am curious about everybody else in the room. We have all made statements and it appears that there is certainly a common problem running through running our business, but is it appropriate to ask each one of us how well we are doing? Does anyone on the committee know anything about our organisations and how successful we are? Are we all trading well, poorly or abysmally? Are we wheeling the wheelbarrow to the bank every afternoon?

CHAIR—We are happy for you to tell us whatever you want to tell us.

Mr Jackson—I have to say in all honesty that since the introduction of the GST my business has blossomed. We had to reduce our prices by three per cent on a retail level because we are a wholesale-retail organisation and we were acting on a formula offered by the taxation department for our monthly return, and it appears that perhaps in the old days we were collecting and on-paying too much to the taxation department. We gave it all back to them and did not keep a penny, I can assure you. But the GST was not the big, bad bogymen for us that it appeared to a lot of people. I have listened to the hospitality side. We are a very heavy retail area. We sell artists materials, and we always find that when people are unemployed they go out and start painting, so that is a benefit to us as well. I do not know whether anybody else wants to comment at the moment as to how business is for them.

Ms Davies—I want to comment on the GST. I am trained as a chartered accountant, so I am fairly savvy with how it works. One thing that has impacted on our business is that because we are growing—and we are growing quite rapidly—we are spending a lot of money to grow and

the GST causes us a lot of cashflow problems. An issue that is of concern to me is that if you cannot manage your cashflow to pay the GST and your BAS on time, the tax office charges you a nasty 11½ per cent or something. I know the tax office should not act as a financier, but small business has to bear all the costs of the red tape that goes with collecting the GST. The tax office could be a bit more lenient when it comes time to pay and you are running a small business and your cashflow is a bit tight; they might not charge the 11½ per cent in a whack on the first day you cannot pay it.

CHAIR—You would like to be able to borrow the money at 11½ per cent, wouldn't you?

Mr Thompson—I would like to pick up on a couple of things that Peter said: first of all, about the consultation and the perception that people have at one end of town and what they think at the other end. From personal experience involved in various business associations and talking to clients, the centralised system of industrial relations and consultation leaves small business right out of the loop. The government says, 'We have consulted; we spoke to ACCI or the local CCI in WA; we spoke to the ACTU or Unions WA; therefore, we have consulted.' Those two organisations represent probably less than 20 per cent of the potential market and there is a whole block of business and employees who are not members of either of those organisations who are totally ignored. If it were not for a forum like this, I would not be able to have a say. Loretta talked about a pay increase coming up on 1 August. She did not get a say over how much that pay increase was or the timing of it for a business and her employees did not get a say over it. Loretta, have you ever been consulted as to whether this is good or bad for your business?

Ms Evangelisti—Never.

Mr Thompson—That whole centralised system of industrial relations is skewed to the top end of town. Peter suggested some sort of business council or something. If that is an opportunity for micro and small businesses to actually say, 'In reality this is the impact on our business if you make this decision,' then that must be a good thing.

Following on from that—again this is something Peter talked about—are the bad decisions made by bureaucrats. I refer to the coalition policy on superannuation right of choice. The employer has to offer you a choice of four funds. What fool would ever think of a policy like that? Why on earth would an employer put themselves in a position of responsibility and say, 'We are nominating these four.' If they do not perform, the employee takes it out on the employer. Why wouldn't you have right of choice like we have in WA where, okay, employers might have to pay out to numerous different funds but the whole responsibility for that right of choice lies with the employee? Why have a choice of four funds? That is a policy out in fairyland. It is a responsibility an employer does not want.

Mr T. Fitzpatrick—I tend to disagree a little with that—I might be unique here in this. Although we are a small business, we obviously employ a lot of people because of the nature of the business we are in, but to give everyone a right of choice could mean we are potentially writing out 350 cheques at the end of each month. I think that is why business would say, 'Okay, I only want to give them four choices.'

Mr Thompson—The issue here is that, in an area where you have 350 employees, that might be an option for you. But for my clients, who generally have 20 or fewer employees, four choices? They do not even have time to look at anything. They say, ‘Guys, you can choose.’ We get very little negative comment from our clients about Western Australian right of choice stuff; they just do it.

Senator MURRAY—I want to ask a question which has bothered me since long before I ever got into politics: how do you get to hear the voices of the two-thirds to three-quarters of businesses that are not members of employer organisations? One of the remarks you have made is that there are well over a million small businesses, and politicians and bureaucrats do not hear from most of them in an organised sense. There are a number of ways different countries in the world have tried to deal with that. One is the almost compulsory membership route, which most people resent strongly—the idea that you must be a member of your guild or organisation—and the other is some kind of incentive to get people in. Politicians have to rely very heavily on the organisations that represent the sectors—the hairdressers organisation, the motor traders or whatever—but it is difficult for us, except in forums like this, to actually get very practical, down-to-earth feedback about current problems—not last year’s but what is bothering people now. I wondered if you had any solutions to the information flow problem that politicians and bureaucrats have. Obviously, organisations like the Small Business Development Corporation are immensely valuable. But George Etrelezis, who I have known for many years, primarily relates to the state government, whereas lots of the things you complain about are federal—tax, super and that sort of thing.

Mr T. Fitzpatrick—From a regional point of view, it is one of the roles of the area consultative committees as well as of the BEC or Small Business Development Corporation et cetera. I think the ACCs are an important part of that in regional WA in that they should have community contact, but I find them more tied up with government policy and all the community sorts of things. Their logo says ‘Business, Government, Community’, but they tend to be more focused on what is going on on a community basis rather than on what business is actually saying. I think they could be used a lot more; for instance, a group email, where they email everyone at every stage saying, ‘This is coming out of parliament; do you want to provide comment?’

CHAIR—Do you think this is because of the dynamics of the region? For example, yesterday in Albany we had a number of organisations, including the Area Consultative Council, and it appeared to us that there was a great deal of interaction between those various groups down there. I think there is a fairly involved role between them and the local small business community—they seemed to know what was going on in the business sector. That is a reasonably isolated area. Are the dynamics different in a region like Perth or down the Kwinana strip than it is necessarily in a place like Albany or is the experience similar around the country?

Mr T. Fitzpatrick—Going back to what Peter said, that person will tell you that they have that consultation, for a start. I know those people personally and, while we might talk about community based programs quite a bit, I have not had them at once call me and ask, ‘What’s going on? How’s the super impacting on you?’

Mr Skoglund—Following on from what Tony was saying about the ACCs, I think this is where we get duplication between federal and state. Being involved with the BEC network, we

are out there at the coalface—we have 37 centres throughout the state, from Esperance to Wyndham. We are in touch daily with microbusiness and small business, and this is where we are touching back onto a lot of issues such as home occupation and virtual business from incubators up.

Duplication of services is one of the things that we need to look at. We flounder for funding from state governments because, in my area alone, I cover three shires—an area of 11,500 square kilometres—13 towns and 12 special subdivisions. In those subdivisions we have people starting up businesses, whether it is firebreaks, a backhoe business, carting sand or mowing—they have that as a lifestyle. All of a sudden, I am one person on \$60,000 funding trying to look after 25 towns and it is near impossible. We have ACCs in the area who get federal funds—I agree they service a large area—but if I could have some extra dollars to employ another person we could service the small businesses and microbusinesses a lot better. We are there daily talking to these people, asking them what is happening with their business and what restrictions they face daily. We have talked about all that here—it is the paperwork. Many of them are one-man bands, they are people who have taken redundancy, they are tradespeople who have said, ‘I want a better lifestyle.’ Home occupancy has also been created by single women in a lot of places or by women who are going to supplement their husband’s income because their husband is on a basic wage and they cannot afford to do anything else, so they have said: ‘I’ll take in, I’ll become a secretary, I’ll do this; I’ll do that.’

This is where we have also created the mobile services because these people cannot afford to pay commercial leases. They cannot be tied down for a five-year lease, so they become mobile because that way they can just travel around. There are a lot of broad issues when we talk about small business. I think that there has got to be a lot more thought and effort put into how we look after microbusiness and small business. When we look at the metropolitan area the businesses are not as small as we find in regional areas because they have got more clientele. In the bush, in regional areas, you have got to be a one-man show and you have to travel distances. There is the tyranny of distance all the time.

Mr Harris—I have a contrary view on the ACCs. I am a long-term member of the metropolitan ACC. While some of what has been said may be true, it is one of the best networking tools that we have. I did not agree with combining the three ACCs and having a metro ACC; I would have preferred for them to be separate and maybe come together once in a while. Everyone forgets that they do good work, and the networking that takes place at those ACCs is valuable. I see them as being of great value. Every time we get a change of government, we get a change in what the ACCs are doing, but we do not lose sight and say that they do not work. The networking is particularly valuable. The Perth ACC works with all the business groups—the North East Metropolitan Chamber of Commerce and the combined EMRC, the East Metropolitan Regional Council—and huge amounts of networking take place. That is where I see the greatest value. There is also value in being able to fund some of the things that are good to get up, such as small business ventures or ventures that would not get up otherwise. I would not take any criticism of the Perth ACC; I think it is good. The weakness in it is that, every time you get a new government, there is a change of direction and that is hard to take. You do not know whether you are getting funding or not and there is no continuity. But I would defend the federal initiative of the Area Consultative Committee particularly for that networking.

Mr Symes—I think the question was: how do we get information back through to the parliamentarians? How do they know what is happening?' Graeme spoke about the networking, and that is great, but do they know the concerns of the small business people? That is one of the things that we try to do through the BEC. We try to get that information back through the Small Business Development Corporation and act as a funnel. They are in our offices every day. Small business people come in saying, 'This is a problem I have; I don't know how to overcome these issues.' I am sure Norm has the same thing. That is a channel through. I am not sure we are using it as effectively as we could be, but I certainly know it is working.

Mr Thompson—Our organisation is a member of a number of business associations and local chambers of commerce that are not affiliated with the Perth CCI. If you as a government wanted to know how the community felt on a particular issue then, with technology these days and email to various business associations, you could very quickly circulate something to members and you would start to get feedback on particular issues. If you sent out a survey of 20 pages asking things such as, 'What do you think of industrial relations and superannuation?' people would say that it takes too much time to do that. But if you said, 'Okay, we are thinking of doing something on right of choice; can you consult your members?' you would very quickly get a response indicating the sentiment in the business community. A lot of our small business clients are actually members of their local association because, as Graeme indicated, that is where they do their networking. George spoke about Perth, which is made up of a heap of regional areas that all have regional issues—Graeme, I am sure you would agree—and that all have perhaps different views on different issues. You cannot see Perth as just one city. Consulting through the business associations and the local chambers of commerce would put you more in touch with that 80 per cent that Andrew Murray talked about than talking to the CCI would.

CHAIR—The reason I used metropolitan Perth was that I knew the ACCs had been consolidated here. The question we are posing is this: is there an argument to have a multiplicity of avenues operating, with the potential for overlap between them, covering the field—whether they be ACCs or business enterprise centres or what have you? The other argument is to channel the assistance through one source, either through small development corporations like those that exist here or through a federal system. At the end of the day, who should have responsibility for the direct contact with small business? Should it come out of the federal government area or the state government area? Do you have a view about that?

Mr Jackson—I was going to comment on item four, but that is moving away from the current discussion, so perhaps we will continue with that.

Mr T. Fitzpatrick—My view on the ACCs is that, because they have community and business needs together, maybe it is better to have one person within the ACC or BEC looking after small business interests. Maybe the ACC has too much on its plate. That is the point I was trying to make. Maybe that is the way.

Mr Etrelezis—I am here as an observer, but I have a better handle on this particular issue because we reach the whole state, as Norm indicated, and we have an extra net that links all these business enterprise centres. When the ACCs were introduced, we accepted them as the effort by the federal government to do what we have been doing at a state level for a long time, and that is trying to seek the views of the business community around the state. Senator

Campbell, you are quite right—you made an astute observation—in that there are some ACCs that are working better than others in the state, and those that are working better occur where they have sought to collaborate locally with the state based initiative. For example, in Kalgoorlie the ACC works very closely with the BEC, the chamber and the small business assistance officer that is attached to the ACC. The same is true in Albany, but you can go to other areas and find a conflict of interest, because the ACC has taken the view that we are going to start supplying the services, particularly in the area of small business assistance officers, that are already provided by the local BEC. Then you start having a conflict.

When that happens, you start having a split in the consultative process as well, which is quite damaging. One example of that is Geraldton, where the ACC, the chamber and the BEC do not get on as well as in other regions. The small business assistance officer sits in the middle under contract to a federal agency delivering state based information and federal information to small business. But the worst part, from where we sit, is that you have a small business person who is confronted—prospectively on a daily basis—by a survey by the ACC, a Ready Response Network email from us seeking the same view, a visit by a small business assistance officer telling them where to go to get assistance, a visit by the BEC telling them where to go to get assistance, and, on top of that, a visit by the local economic development officer who is trying to do the same thing for the local chamber of commerce. What they see is all these dollars that they are paying someone to come and help. As Graeme said in his opening comment, we have got to really streamline that and have the one source. If I were to pick one simple message that this committee could take back to Canberra with those small business assistance officers—I know that they are reviewing the process as a result of a lot of objection by small business—it would be that they should look at existing mechanisms and give up saying, ‘We are the federal government, we will have our own mechanism, and we are not going to give the state government any funding to deliver services on our behalf.’

Already we deal in other areas. We are the agents for the department of immigration for business migration in the state. We look after Christmas Island and the Cocos Islands for the state. It is not as if we do not already perform some role. But when it comes to small business, for some reason, they have a reluctance to hand over some responsibility to a state based agency that already has the networks to deliver a service far more effectively on the ground.

I have the same concern with the ACCs getting into some areas and duplicating, for example, some research that has already been undertaken. We have, in many areas, done research into home based business. We turn around and those same home based business people are confronted with a major survey of home based business by the ACC, taking up a lot of money. Graeme is right: it is a great consultative process, but when it starts getting into service delivery and those items using up government money, be it federal or state, then small business has a concern—particularly if it is duplicated. If it is not duplicated, fine. If we can work with them and work together on a home based business project, that makes more sense. But for them and us to do it and not know what each other is doing, and using up taxpayers’ money, that is a concern.

CHAIR—Kevin, you wanted to raise an issue about item 4.

Mr Jackson—Item 4 was about how we could look at employing more people. I would like to raise a comment about something we did in WA two years ago. I am sure a lot of people here

are aware of Supply West, which was the government organisation supplying government departments and affiliated organisations. I believe that, at its peak, it had a turnover of something like \$25 million, and it was offering very low cost materials to schools et cetera. The Court government decided that it was not profitable and intended to close it down. They put it up for sale and I am led to believe that two very attractive offers came forward. One of them was from the multinational organisation Boise Cascade of the USA, and the other was a combination of Sands and McDougall and Wesfarmers of WA—two very highly regarded local organisations. Boise Cascade were eventually successful, and with that they immediately cut off all the source of supplies from Western Australian organisations. I was trading with Supply West on an average of \$30,000 a month. I lost all that business. It affected two people who were working for me at the time. In the last two years, this conglomerate of Boise Cascade-Supply West—it is no longer Supply West—and an organisation called Bookland have taken that down a trail of devastation to the point now where I believe the turnover is less than half.

Local people are receiving inferior products sent over from Melbourne. It has also happened in Tasmania. The supply division over there was taken over by the organisation Boise Cascade, and I believe that they are now looking at the same thing for South Australia. That does not interest me outside of WA, but the impact it has had on small business in Western Australia—I do not know whether anybody else here has been affected by it—has been catastrophic. How can we look at employing people if these large organisations are allowed to come in, take over and siphon all the money off? People in WA are now virtually writing cheques to a bank in Chicago, because that is where all the profits are going. I do not really have anywhere to go if I cannot service these large government departments, because, at the end of the day, Supply West was my biggest customer in Western Australia. So we are left to look for the crumbs and try to pick those up, and it makes it very difficult. I know it is not directly associated with Canberra, but this is the type of thing that does affect us over here and it affects small business.

Mr P. Fitzpatrick—Mr Chairman, that is exactly the point that I was making earlier—the multinationals. You are now dealing with a multinational. I deal with them every day and they do not give a damn.

Mr Jackson—They are faceless people.

Mr P. Fitzpatrick—They are not interested in the small business; they are not interested, in many cases, in Australia. We used to have a nice little insurance office here called the State Government Insurance Office. When I was the CEO of the Law Society, if we had a problem with them I would go up-town, I would have lunch with the managing director and we would sort the problem out. Now I have got to deal with the board in Sydney—people who have got no interest in what is really happening in Western Australia. And if you want to get your car fixed with an SGIO policy here now, you will go to a repairer who has had to forecast 12 months in advance how that car is going to be repaired, without knowing the make and model, and gone in to tender for that. People have been burnt. Businesses are closing. Here are guys who have spent all their lives learning a trade and knowing how quote on a vehicle, who are now going to have to forecast 12 months in advance what they are going to charge to fix a vehicle. They get on their knees every night and pray for Ford Festivas rather than Land Cruisers.

The insurance companies are saying to us—and I use them as an example; the oil companies are worse, car makers are heading in the same direction and the grocery chains are doing it to

the small grocers and so on—that we have to reduce the average cost of repair. We must reduce the average cost of repair to stay competitive. Yet at the same time we have got eight per cent to nine per cent super, we have got a new industrial relations law here that is going to cost people a lot more money et cetera. The price of paint goes up three times a year for people to fix cars, and so on. None of that is reflected in the paint rates that they get, but every time you meet with the insurance companies they say, ‘I’m sorry, the cost has got to come down so we’re not going to pay you any more.’ They have not had a pay increase in the hourly rate for 10 years, in that industry. And that means that they have to work their way around it.

We now have a system where the RAC here, for example—another user-friendly state organisation—has got Royal and SunAlliance as the back office. They demanded that the panel beaters in this state set up quite elaborate front organisations with a nice counter and a nice greeting person and coffee machines. Some of the panel shops you go into look like a doctor’s surgery. You could not get an RAC badge unless you had half-a-dozen car spaces for customers, et cetera. What are they doing now? They are putting in little focus centres around the place or RAC service centres. You drive in there, you meet a consultant if you have got a driveable car—and about 80 per cent of them are driveable damage—they take it off you, they call up the panel beater and say, ‘Come and get it.’ People have spent a fortune developing their shops, developing a relationship with their clients—it is actually called ‘goodwill’—and now that has all been taken away. They are almost like a service contractor on the end of a pipe and the tap can be turned off at any time. So the whole process changes once you get into the world of multinationals, you really are just on the end of the supply chain. You have got no capacity to fight them and, if you do, they simply turn the tap off. A very difficult area to work in and I am seeing more and more of it. I can appreciate exactly what Kevin has gone through, but we have got an industry that is just bedevilled by that sort of process.

Mr Thompson—One of the things that can help small business employ people is changes to industrial relations at a federal level. I am not now talking about the state system where there has been radical change back to the seventies. Sunday penalty rates—and Graeme talked about the number of seven-day traders—will unfortunately become a fact of life. Loretta, you will feel that as well. In the industrial relations system at the federal level you have got the industrial commission and the Office of the Employment Advocate. Small business says, ‘We cannot do Western Australian workplace agreements anymore. Let us look at the feds. The first threshold is: are you a company? No. Okay, forget it. You can’t do it.’ If you are a company, do you go collective with a union, collective without a union or do you go individual through the Employment Advocate? As far as the decision making process is concerned, there are two different no disadvantage tests that are met; one with the Office of the Employment Advocate if you go individual and one in the fed system in the commission if you go collective. Small business would like to see those sorts of things simplified, even to having one industrial relations system. I have not got a particular view on whether there should be priority to the state or priority to the feds, but one system would be handy. One system of unfair dismissals would be handy because the state legislation allows federal award employees to go and have their matter heard in the state commission. It is a nonsense. Small businesses do not really know where they are going and they have to pay people like me to help them through that maze. It is bad enough that their decision to dismiss is challenged, but then to try and work out how to manage that costs them a lot and causes them a lot of emotional pain. One system would be handy.

CHAIR—There are obviously a lot of politics in industrial relations, otherwise you would not have the constant shifts and changes in it that you do. I wonder, quite frankly, if one of the real problems is that factor and that governments are getting too prescriptive about industrial relations laws and if there is not an argument out of the experience of the past 10 years or so to say to governments, ‘Take a step back. Strengthen the role of the umpire and let them resolve the issue between the parties who have got the industrial relations problem.’ What is apparent in recent times is that, every time the industrial umpire has been able to come in and play a role, issues have been resolved. To a large extent, governments are putting up barriers to that flexibility being able to be exercised, based on the merits of different cases in different circumstances.

Mr T. Fitzpatrick—I could talk from a real point of view with respect to the federal system. Apparently some people are saying that we were one of the largest users of the federal system over the past three years. I actually commend the government. I think it is a reasonably good system. The only issues we had with it were the length of time to get a five-day cooling-off period and those sorts of things. It is just unworkable if I have got to employ someone instantly. Picking up on what Tony said about the unfair dismissal, the only case we lost using these agreements was where an employee elected to go off through the state system. We still lost the case, even though he could have been a casual employee—there were a heap of different circumstances—and was a trainee as well. Under the federal act, he should never have got it through. As Tony said, one system would be advantageous. I know that would take a lot of working between state and federal departments. But, given I think the system is pretty fair, the no disadvantage test is pretty fair and all those sorts of things, you need to be able to get the agreements registered and moving a lot quicker. There needs to be a lot better and quicker process.

Senator MURRAY—I have a question I put to other witnesses and to the gathering yesterday. The Australian Constitution was designed over 100 years ago and over this 100 years there has been an amazing amount of change—probably the most change in any century in recorded history. I have asked whether it is the view of small business that from the business perspective the Constitution needs to be revisited as to where responsibilities lie. As you know, a simple thing like Corporations Law, which should be simple and national, is an immensely complicated thing to get reference from the state governments. It is a very complicated law as a result. Tony has just rightly made the point that you cannot enter into the federal industrial relations system unless you are incorporated, because of the way the Constitution is structured. The finance sector, finally, after 100 years, found some common national legislation.

You have the insurance problem where the insurance companies are multinational and national, mostly, yet the resolution of claims and litigation and so on are all under different state systems. You will be dealt with differently in terms of payouts, case law and precedent in a WA court from how you would in a New South Wales court. The question I am really posing to you is, would you support or do you think it is a useful thing for the committee to recommend that a constitutional convention of some kind focus on how the Constitution relates to business issues and responsibilities: who is responsible for small business, who is responsible for corporations and who is responsible for industrial relations law, so the issue can end up with one system for the whole country instead of sometimes, as we have now, nine systems under nine governments?

Mr Harris—It smacks of centralism to me. I am not in favour of that because microbusiness has different needs to small business. Various states have different needs—some are big in manufacturing, some are big in mining. I am not in favour of messing with something when we could come out with something worse. Maybe it is my age. I would leave the Constitution alone. In fact, if I may say—stop me if you want to—the federal government got involved with the finance thing and you destroyed my ability to borrow money at good rates. I can no longer deal with a mortgage broker; there aren't any. They are all gone so I cannot go and negotiate my rate. I have to go and talk to a bank now, and that has had a huge impact on my business and the growth of my property portfolio. The federal government messed around with that and, in my view, just bugged it. There are no mortgage brokers anymore. They have all gone. You have got to deal with a bank. The few mortgage brokers that are left really are banks.

As I said in my opening remarks, if you really want to help us, and I sincerely mean this, leave us alone. Do not get involved. Water finds its own level; business will find its own level. But every time you interfere with something, you create a bigger problem. I want to be very positive here today, but if you do not understand what you are tampering with, you can deliver something worse for us. I would like us all to take a step back and stop creating more legislation, support the good legislation and get rid of the bad legislation. Forums like today's are very good because I listen to other people and find what they are networking on—but every time you tamper with something it is at a cost.

I am only a good retailer, and I suppose I am a good retailer only because I have been around for 20 or 30 years and I have managed to survive. But the fear is, as I said in my opening remarks, that every time you tamper with something you create more fear in us. I do not know whether I am putting this right or saying it plain enough, but you create more fear and anxiety. I think we need to take a step back to reflect on what we have done. Do not go for great change at the moment: consolidate a bit, take some of the anxiety away from the various small business groups. If you do that, it will make us feel a lot better and take away a lot of the negativity that comes when you keep making changes. I agree that the Constitution probably will have to be addressed at some time, but if you do it in the next few years, it would only be compounding the effect of everything that has happened to us so far. I think it is a time to step back and reflect, to handle the things that need to be handled—like the insurance thing that is going to cruel us all if something is not done—and to stop change. Just say, 'Stop. We're going to stop and we're going to get things right and put confidence back into small business.' The way to do that is to stop any more legislation and just address the real issues that need to be addressed.

What I would like you to go away with—and it will be the last word I say today—is that we are now in a 24-7 world. I cannot double the price of my goods on Sunday to pay double wages. If you really wanted to do something for small business, it would be to recognise that that is where we are. With e-commerce, it is 24-7. We are competing against the rest of the world. You have to understand that we are competing against the rest of the world and that they do not have extra time. They do not have more wages for Thursday night, time and a half for Saturday, double time for Sunday. You have to remember that we are in a world economy. We are still playing these silly games where people are worth more because they work those days.

If you said that people only had to work X number of hours and they could work any part of that week, you would do the greatest thing for small business. I do not know what everyone else around this table thinks but, if you want to do one thing, get it uniform throughout Australia and

recognise that we are in a 24-7 world and that the wages should be the same. Everyone has to be paid well, but you have to recognise that business cannot pass on these costs. We are forced to trade seven days a week. If you want to go away today and do something for us, if you addressed that alone you would do more for small business than anything else you could do here today.

Ms Evangelisti—One of the things that was really astounding when the Labor government took power in this state is that they decided to do away with workplace agreements. I have operated on a workplace agreement and my payroll today is 52 per cent of my turnover. It used to be that $33\frac{1}{3}$ was your food cost—you know that old fallacy where everything was one-third. Today, I have to squeeze my suppliers down. I have formed an independent cooperative organisation for better purchasing power. I operate on about a 24 per cent cost of goods. That is right across the board—that is, consumables, food. I have between a 50 to a 52 per cent wage bill and I am on a workplace agreement. When that becomes null and void—have they deemed it yet?

Mr Thompson—Not yet.

Ms Evangelisti—Thank God they are so slow!

Mr P. Fitzpatrick—You have probably got eight months depending on when you did your workplace agreement—maybe 14 months.

Ms Evangelisti—Okay, so I am really lucky. But I will lose that. I am in the hospitality industry. Why are we paying extra penalty rates at night and weekends when that is our core business? That is our business. It is nights and weekends, and we are paying \$1.30 after 7 p.m. until 7 a.m. in the morning. Then there is double time on public holidays—whatever it is; it is going up to 205 per cent. How many businesses are going to be able to survive with that sort of pay structure in place?

Mr T. Fitzpatrick—There is a solution. Whatever hours a person works, the first 38 or 40 hours, whatever you want to make it, in any given week is ordinary time. That gives the flexibility to be able to put people on on a weekend. If they chose to work on a weekend, that is fine. But the first 38 or 40 hours that you work will be at ordinary time.

Senator MURRAY—Let me make this point to you. Let us assume that the federal law went the route that you just outlined. Not one of you would benefit from that, because we have two industrial relations systems. For the life of me, I cannot understand—

Mr T. Fitzpatrick—Why would you have two?

Senator MURRAY—Because there is the state one and the federal one, and the federal law will not apply to you. For the life of me, I cannot understand why, when people like you put the proposition that industrial relations and industrial relations laws matter so much to you and then I put back the proposition, ‘Do you want just one law, either just federal or just state?’ the answer invariably is no, you want both systems. I just do not understand that.

Senator BARNETT—Do you want a better system?

Mr Thompson—I do not think anybody other than Graeme indicated that he did not want a review of the Constitution, for instance. I have indicated that one system would be preferable and I said that I do not mind whether it is state or federal, but one system would be the ideal.

Ms Evangelisti—What is further astounding is that, regardless of whether you are federal or state, the unions have the right of entry and their laws supersede any other laws. How does that work? I just do not get that bit.

Mr P. Fitzpatrick—To answer Senator Murray's question, I think there is a need for federal legislation that is mirrored in the states in a lot of areas. I agree with your sentiment, but I am a great believer that, if you are going to eat the elephant, you do it slowly. I think there are three areas to focus on for small business where there is an urgent need. I disagree with Graeme in this sense in that there are three areas in which I think there is a critical need to get some sort of streaming between federal and state arrangements. The first is in competition policy, the second is in industrial relations and the third is in taxation law. I will speak very briefly to all three of those.

First of all, we have half done the job with competition policy in this country. We have left small business hanging out to dry. They are dealing with multinational corporations that merge and operate in a way that small business cannot. They have a critical mass behind them that enables them to do things. Whenever they merge, small business invariably finishes up with what Kevin has experienced: there is a massive change in the way that they do business. Unions can collectively negotiate with a small business owner. They can come along and demand a rate. If small business gets together in a room and starts to talk about prices, they are up for a several million dollar fine from the ACCC. We do need the right to collectively negotiate. We do need to have fair trading laws at both state and federal level that provide some sort of avenue of redress. They are simply not there at the moment. If there is harsh, unfair, unreasonable, unconscionable conduct by a large corporation, there is almost no avenue for small business to be able to redress that at the moment. If we get the Trade Practices Act review wrong this time, it will sound the death knell for a whole chunk of small business in this country. If we come down in favour of the most vocal, the people who are all trying to get rid of Professor Fels and water down his powers, then that means small business will have no power. I have put up to you in our formal submission a 10-point charter of fairness for small business. I think it is absolutely critical that we have that charter addressed.

As far as industrial relations is concerned, we have a real mess. With the change of government we have set business up so that they have entered into agreements with their people, and in 95 per cent of the cases those agreements seem to work. If a university student wants to work on Sunday for \$15 an hour, the option now for people in our service station industry is to sack that person, because they cannot afford to pay \$30 an hour, and either shut the shop—

Senator MURRAY—Or pay them cash.

Mr P. Fitzpatrick—Or pay them cash. Alternatively, they can put themselves on. A lot of businesses are going to do that. The owners of the business will just work longer hours. We just did not need more industrial relations reform right now. We have got the federal system and we have got half of our businesses now trying to do Australian workplace agreements to get out of the state system. We have got some trying to do EBAs with unions. The whole thing is a mess.

Even within one sector of our industry we have got people going in all different directions, and none of those people are better off as a result of it.

As far as taxation, the third item, is concerned, there is a great fallacy with the GST. I think the GST has cost our industry millions in terms of implementation. As I explained to you the other day at the formal hearing, we are now almost back to where we were in terms of the percentage of direct and indirect tax take, so it has all been in vain to a large extent, because we are back where we were. The myth is that we would pay the GST, there would be a cost to business, but the relief would come in the form of lower state taxes. In fact, state taxes are going up. We have got land tax, payroll tax—all these taxes that were supposed to be reduced under the GST have actually increased since the GST at most state levels.

Senator BARNETT—Payroll tax was not one of those taxes that were to be reduced. I will just clarify that.

Mr P. Fitzpatrick—I understand that. But what we are seeing even after the GST is that we are still getting increases in state taxes. That has caused enormous pain to business. The tax take at state government level is on the increase despite the fact that there is a GST collection that was supposed to provide some relief there. If you are going to do anything, those are three areas in which to get started. We could get some sort of consistent legislation where we start at the federal level and mirror it in the states so that we are at least working with a system where there is some sort of framework and structure. As for the other areas, I agree with you that in the longer term it would be better to harmonise laws, particularly now a lot of businesses do work across state boundaries and so on.

Senator MURRAY—Mr Jackson does.

Mr P. Fitzpatrick—There is an idea to harmonise those laws, but let us go for the things that are going to give us ‘some bang for the buck’, as the Americans say. Let us fix those problems first rather than take on the wider issues.

Mr Etrelezis—I have an observation; it is not so much on Senator Murray’s point, because I expressed a view on that the other day. I have some support for Graeme’s view that Western Australia has not fared well out of current Commonwealth or national jurisdiction, where they dictate support to the states in particular, whether it be in the areas of defence, training—I can quote those examples—trade and industry support. We have often come out perhaps not as well advantaged as the more populated states. That is probably because of the power of the political voices in those particular states, so we have to be very careful of that. I can quote some very good examples in the area of industry support in recent times; I might even drop you a line on that. We have missed out because of our isolation, apart from anything else, even though we do quite well in the stakes of growing businesses, export and those other items.

The one area that we find comes up quite often—whether it be in industrial relations, the tribunal system or the court system—is the processes that small businesses have to confront, without the resources available to the larger firms. We have found that, in some areas, there has been a benefit in using mediation ahead of the more formal court systems. In some cases, mediation is attached to the system. A good example is the Commercial Tribunal here in Western Australia, which has a mediation process. It is not working as well as we would like,

but it does present some option to the small business person to take a mediation approach to a dispute as opposed to a more formal court process. That speeds up dispute resolution, is less costly and certainly prevents the need to hire a resource to guide you through the myriad formal court proceedings. I think it would be very useful for small business if there was room in more of these areas—not necessarily just in industrial relations but also in trader versus trader dispute resolution, which costs time and money for small business, whether it is taking on an issue with a supplier or a larger competitor—and you had a mediation process that was supported by state or federal government.

CHAIR—I think that has brought us to the conclusion of the roundtable. On behalf of the committee, thank you to all of you for giving up your time to come here this morning and, more importantly, for your input. We will be reporting to the parliament around the middle of November—and, hopefully, we will not do you too much damage on the way through, Graeme. With a bit of luck, we may get some of it right; we might actually help you on the way through. I note that no-one took up my request to tell us where the positive contributions were.

Mr Thompson—I have a positive for you.

CHAIR—You may be able to finish on that.

Mr Thompson—Up in Joondalup, as in a number of other regional areas of Perth, the feds provided us with \$500,000 in funding for a business incubator. That will be of significant benefit to our area and allow us to address the things that you are looking for here in terms of building microbusinesses, taking them out of home based business—if that is what they want to do—and helping them become commercially viable so that they will pay commercial rates in our community of Joondalup and, hopefully, then go on and employ people as small and growing businesses.

CHAIR—I am glad I have one more example, other than just sinking the ship.

Mr P. Fitzpatrick—I could give you one more positive: I have found some backbenchers who are passionately interested in this area.

CHAIR—Good. Give us their names—we can give them some work to do! I now formally close this morning's proceedings.

Committee adjourned at 9.39 a.m.