



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Small business employment**

**Roundtable**

**THURSDAY, 25 JULY 2002**

**MELBOURNE**

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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION**  
**REFERENCES COMMITTEE**

**Thursday, 25 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, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Hutchins, Knowles, Lightfoot, Ludwig, Mason, McGauran, Murphy, Nettle, Payne, Sherry and Watson

**Senators in attendance:** Senators Barnett, George Campbell, Conroy 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**

<b>ABRUZZI, Mrs Diana Rosemary, Executive Chairman, International Women's Federation of Commerce and Industry .....</b>	<b>359</b>
<b>COWLEY, Mr Peter Charles, Executive Officer, Victorian Authorised Newsagents Association Limited .....</b>	<b>359</b>
<b>EVANS, Mr Richard, Chief Executive Officer, Franchise Council of Australia .....</b>	<b>359</b>
<b>GAFFNEY, Mr John David, Executive Director Victoria, Housing Industry Association .....</b>	<b>359</b>
<b>GILES, Mr Alan Richard, Chief Executive Officer, Australian Hotels Association.....</b>	<b>359</b>
<b>GILMOUR, Mr John James Wiltshire, Director-Proprietor, Gilmour's Shoes .....</b>	<b>359</b>
<b>MURDOCH, Mrs Barbara Joan, Owner-Operator, IGA Supermarket, Chiltern, Victoria .....</b>	<b>359</b>
<b>ROBERTS, Mr Allen, Executive Director, The Retail Confectionery and Mixed Business Association Inc.....</b>	<b>359</b>
<b>RUSSELL, Mr David, Manager, Corporate and Public Affairs, Victorian Automobile Chamber of Commerce.....</b>	<b>359</b>
<b>WRIGHT, Mr Douglas Andrew, Managing Director, Wrights.....</b>	<b>359</b>



**Committee met at 1.25 p.m.**

**ABRUZZI, Mrs Diana Rosemary, Executive Chairman, International Women's Federation of Commerce and Industry**

**COWLEY, Mr Peter Charles, Executive Officer, Victorian Authorised Newsagents Association Limited**

**EVANS, Mr Richard, Chief Executive Officer, Franchise Council of Australia**

**GAFFNEY, Mr John David, Executive Director Victoria, Housing Industry Association**

**GILES, Mr Alan Richard, Chief Executive Officer, Australian Hotels Association**

**GILMOUR, Mr John James Wiltshire, Director-Proprietor, Gilmour's Shoes**

**MURDOCH, Mrs Barbara Joan, Owner-Operator, IGA Supermarket, Chiltern, Victoria**

**ROBERTS, Mr Allen, Executive Director, The Retail Confectionery and Mixed Business Association Inc.**

**RUSSELL, Mr David, Manager, Corporate and Public Affairs, Victorian Automobile Chamber of Commerce**

**WRIGHT, Mr Douglas Andrew, Managing Director, Wrights**

**CHAIR**—Welcome. I open this hearing of the Senate Employment, Workplace Relations and Education References Committee. As part of its inquiry into small business regulation and employment issues, the committee is conducting a series of roundtable meetings with small business people and representatives of small business, associations or interest groups. The committee is also holding more formal public hearings with input from those 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 with regard to what you may say. Hansard will produce a transcript of evidence which will be provided to participants and available also on the committee's Internet site as official documentation of the committee's proceedings. This recording is not intended to inhibit informal discussion and we can go in camera if you want to put something to the committee in confidence. 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 introductions, I will have a couple of questions to start off the discussion. Two organisations have submitted material to the committee, the Women's Business Council and the Franchise Council of Australia. The committee accepts these with thanks.

**Mr Russell**—Good afternoon, senators. The VACC has not made its own direct submission but we have made a submission via our national umbrella organisation, the Motor Trades Association of Australia. There was, I think, some short submission made in relation to employment and dismissal matters only by the VACC in April but not to the other matters that you are investigating. Thank you.

**Mr Evans**—I am the chief executive officer of the Franchise Council of Australia. The FCA is the peak industry body representing franchising in Australia. We contribute about 12 per cent to GDP and employ 700-odd Australians. We are happy to be here to discuss some issues with you. Thank you.

**Mr Roberts**—Good afternoon, senators. The Retail Confectionery and Mixed Business Association is a Victorian body. We have been around for about 85 years and, essentially, our constituents are very small, generally family operated, retail food establishments.

**Mr Gaffney**—Good afternoon, senators. I represent the Housing Industry Association, which is a national body. We have made a formal national submission but today I was hopeful of the opportunity to give some verbal support to that submission. Thank you.

**Mrs Abruzzi**—I am the Executive Chairman of the International Women's Federation of Commerce and Industry. I am also the Vice-President of the Women's Business Council from all the APEC economies. I am publisher of *Business Women's Review* and a director of Development Management International and a few other things. The Chamber of Commerce for Women looks after the economic development of women, which means that we enhance their businesses so that they can prosper. We believe that women who are economically empowered will be able to support their families with homes, education and good health.

**Mr Wright**—Thank you, senators. I am representing myself and my small business, which is Wrights, a public relations company owned by Australians, operating in Melbourne and Sydney.

**Mr Gilmour**—I have three small shoe shops in Melbourne specialising in hard-to-fit and comfort footwear. I employ 30 staff—and I wonder why.

**Mrs Murdoch**—I am the owner-operator of a small supermarket in a small town called Chiltern.

**Mr Cowley**—Good afternoon, senators. The Victorian Authorised Newsagents Association represents about 700 or 800 newsagents in Victoria, all of them small business people very interested in this inquiry.

**CHAIR**—Those people who are here representing their organisations obviously have had some practice in doing that. The individual business owners may not. But we are very keen to hear from the individual business owners about the problems as they perceive them, so please

feel free to engage in the conversation and discussion. Let me pose two or three basic questions to you just to kick the issue off.

We have had several hearings in Perth and in Albany, which is down in the south-west of Western Australia, and here over the past day or so. One of the issues that has come out of those discussions so far, and it seems to be a key issue in terms of the capacity of small business to employ, is the issue of managerial skills and training for small business proprietors. In other words, it is not just the skills that you engage in producing goods and products but also issues to do with actually running the business—cash flow, business planning and all of those types of skills. It appears from the discussions we have had so far that this is an area of substantial weakness in terms of the small business sector.

Secondly, we are keen to hear from you some practical examples, particularly from proprietors themselves, of where you see impediments caused substantially by government regulation, duplication and red tape. If you have any obvious examples, we are keen to hear about those. Thirdly, we would also like to hear about the cash economy. A lot of business people in Western Australia said to us that the cash economy is growing as a result of, firstly, the tax changes, and, secondly, the amount of red tape and paperwork small businesses have to engage in. A couple of people said to us at a roundtable in Perth that many small business people are being put on the cusp where they are having to make a decision to actually operate dishonestly or consider packing up their business because the amount of pressure being put on them to meet various demands for paperwork et cetera, is becoming excessive. That is an issue that we would like to hear you address.

The other point which has been raised, which we have had very little response to, is where you see government providing positive assistance to small business. We asked this question in Albany and after they thought for a while they said, ‘You sank the ship in the harbour and that helped the tourist industry.’ We would hope there are some other more positive things the government does for a small business than sinking ships. With those three or four key points I will open the discussion. Who would like to open the batting?

**Mr Evans**—Our view is fairly supportive of what you are saying. We consider that small business in Australia is not represented enough by governments, policy makers and legislators. The definition of small business means that it could include 100 staff or even more. Micro small business is in fact included in that figure, and I do not believe that policy makers or legislators consider that micro end of business when they initiate policy. Perhaps they should be doing studies of the impact of policy on small business, because when they introduce policy to small business it does impact in a heavy way on owner-operators and other people trying to scratch a living out of it. It seems to me that the education process that policy makers need to attune themselves to does not exist for micro business.

**Mr Russell**—The impact on the system is one problem. Governments have ideas and they do things and then, on many occasions, it is left up to small business to implement. In addition to that, often there is not enough information for them to implement it in the way they should implement it. The GST is an example of that, obviously. There remain some issues around GST which small businesses are uncomfortable with and where they believe they have not been provided with enough information. But that is perhaps the most visible example of this. There are many other examples where a decision is made, it is applied and the small businessman is

left to their own devices to comply with a government directive. Our view is that if government sees fit to make a decision on a regulation or a law, it needs to follow up properly and make sure that business is actually aware of that decision, knows how to implement that decision as it affects business and takes it forward—and here we are assuming it is a good decision that has been made—in order to effect the benefit of that decision on the whole community, if that is what the government is interested in doing. There are too many examples of businesses being left to their own devices to effect the implementation and/or associations being told, ‘Well, you’ve got the wherewithal to go and do that; you go and tell them.’

**Mr Gilmour**—There are two comments I would like to make on the issue of government assistance. The government is my biggest customer—through the Department of Veterans’ Affairs, and it is a nightmare dealing with them. I should love my biggest customer but I do not, and that is because they do not understand the issues that they are dealing with. They have replaced their own bespoke shoemaking section with licensed providers like ourselves, and we are required to provide footwear for people who have difficult fittings or who need orthopaedic footwear. We have orthopaedic footwear, but sometimes our judgment—which I would support—is that a normal off-the-shelf shoe would be appropriate. But the department says, ‘No, you’re not allowed to do that; it’s got to be a specialised shoe.’ So they are forcing people into the wrong footwear or footwear that is not necessarily appropriate, because that is the only way it will be subsidised. Earlier this month we got complaint from a podiatrist and a customer, who said, ‘You recommended a shoe which the Department of Veterans’ Affairs would not endorse, and therefore we’ve been denied a subsidy.’ We said, ‘We recommended the shoe which we thought was best for the foot.’ It was obvious that we had made a mistake—we should have gone through the subsidy area—so we gave the person the shoe. I wrote a letter saying: ‘You can have the shoes. We are sorry we penalised you.’ But we are ill-served by that, and we find it a headache. They have got a new system that is coming out for licensed providers which is forcing us to double our public liability cover—an interesting issue at this time—and which involves complexities which a small business simply cannot deal with. I will go through it at length, if you wish.

There is another area where I have had government assistance. In our dealings with one of the peripheral bodies which work with Centrelink, they came to us and asked, ‘Would you employ someone who is disadvantaged, and we will subsidise you?’ And we said, ‘Sure. What’s the disadvantage?’ They said, ‘Oh, she hasn’t been able to get a job for a long time.’ We did not know why it was. We were not told the full nature of the disadvantage. But we were told that we would get 39 weeks or so. I can get the exact figures, if you wish. We were told we were going to get X weeks of subsidy and we got only half that when it actually came down to it, so we were misled by the department or their outriggers.

Secondly, we eventually got to the stage where we said to this youngster, ‘Look, we can’t employ you anymore because you can’t read the numbers on the boxes; it is a difficulty. Thank you very much.’ We employed her in fact far beyond the subsidy period—albeit a shortened subsidy period—but when we said, ‘Look, we can’t keep you on; we’ll have to let you go,’ her mother rang up the next day and said, ‘Didn’t they tell you about her learning difficulty?’ We had not been told, and we were shattered by this. We were not told properly. I tackled the departmental person on this and said, ‘This is outrageous. If I had defrauded a customer as you have defrauded me, I would be in court.’ But the person said, ‘The department sometimes worries me with these sorts of things.’ So they have been deceitful with me, they have



defrauded me, effectively, on the amount, and they have not told me the truth. That is a departmental dealing. They are trying to sell a person to me. I can document the case. I had been reluctant to document the case publicly because it was two years ago and I did not want to cause the youngster any damage. But I can tell you it was an outrage. So we now have a policy in our business which says that we will not accept any subsidised employment schemes from the government because we do not trust the government personnel.

**CHAIR**—Mr Gilmour, was the first example that you gave us an example of a bad decision or lack of understanding by the bureaucrats or was it a result of the regulations in respect of provision of footwear being too inflexible to allow you to do—

**Mr Gilmour**—I think it was a triumph of our ethics over their bureaucracy. We said, ‘What is best for the customers’ feet?’ We inculcate into our staff the principle of loyalty. Their first loyalty is to the customers’ feet. That comes ahead of their loyalty even to our cash register. If we get it right with the customers’ feet, we will be all right in the long run. We tried to do the right thing by the customer but the bureaucracy said we had done the wrong thing, so we lost a pair of shoes. It cost us a pair of shoes. That is typical. You only have to spend half an hour with our people handling Veterans’ Affairs and you realise what a nightmare it is. They try to do the right thing but, when they have a change of personnel, the next person comes in and decides to change the rules and they add more nonsense to it. It is just impossible. And this my best customer: Veterans’ Affairs! I curse them.

**Senator BARNETT**—I do not want to see this sort of thing left here, Mr Gilmour.

**Mr Gilmour**—I am happy to provide documentation for both matters.

**Senator BARNETT**—Thank you. I think somebody would be happy to follow up on it. Obviously, I am based in Tassie, but somebody should—and we will—follow up on it. That type of scenario is unsatisfactory. Be assured, from our side, that whoever is in government will want a win-win outcome in terms of your clients and in terms of the taxpayer. So, if you could provide some information, I will follow up.

**Mr Gilmour**—Certainly, I will do that.

**Mrs Murdoch**—Coming from a small country town—apart from what we get in the mail about the GST regulations and things like that—we would ask: what government? If you want to learn something, you have to travel. And if you are in a small business that has one or two people, the mums and dads, where do you get the time to do all this, to find out what is going on? Nothing comes around to small country towns that says, ‘These are the regulations.’ The GST was a perfect example. Yes, we had the MGAV, which meant a trip down to Melbourne. They actually did come up to Albury. But it still means that we have to take time off in businesses that are often just on the borderline. We are asked to do more and more regulation. With the GST now, I think most small businesses are having to take it to the accountants three or four times a year. That is a cost factor for us which we have not had before. Usually, in the old days, we would take the shoebox in and that was it—he sorted it all out. These days, while it is good that you have been made to watch your business, at the same time it is at a cost and that cost is onto people who are just making a living out of their business; their business is not an extra.

For example, we purchase our goods from one purchaser over a month. Our wholesaler gives us invoices. I deal with mine weekly. In that week we might get seven or eight invoices from the one wholesaler. The GST is on the invoices, but it is not on the statement. So then we have to sit down and physically transfer it all over and add it all up. It sounds minor, but it all adds to our costs. It should be on the one statement. For a big firm it should be an easy thing of just pushing a button and putting it down on that side of the statement, but for a small firm, if you have a few suppliers, you have to continually do it. The bureaucracy does not even seem to look at little things like that. It is all part of the cost. The other part, as I said, is that those of us living in small country towns and that are struggling do not get any help at all. Anything that happens always happens in the big centres. We are supposed to travel to them or to write letters, which could take forever.

**CHAIR**—Mrs Murdoch, do you find that you are having to spend more and more time in the back office?

**Mrs Murdoch**—An excessive amount of time.

**CHAIR**—Can you estimate how much that has increased?

**Mrs Murdoch**—Every night I spend probably an extra 15 or 20 minutes doing the books compared with what I did before. In the back office it is even harder to describe because I am racing in and out all the time. I am best spending my time with the people that I am making money out of—that is, my customer contact—and with ordering, but I have to continually check the computer to make sure that the GST and all of those sorts of things are on it. You get a computer because it is supposed to save you time, but in the end you spend more time as you have to check it to make sure that all the facts and figures are on it so that you do not make mistakes and that you do comply. The one thought you have is the terror that you have been putting something through with no GST marked on it or something like that. It is rather scary, because you are going to be audited at some stage.

**CHAIR**—Are you familiar with the ACCs, the area consultative councils? We had witnesses here yesterday from the Greater Green Triangle ACC, which is in the western part of the state, and from the Albury-Wodonga Area Consultative Council, whose small business officer said that around the Albury-Wodonga region they were conducting seminars on some of these issues that you have raised, but obviously they have not got to Chiltern yet.

**Mrs Murdoch**—No.

**Senator BARNETT**—Where is Chiltern?

**Mrs Murdoch**—Chiltern is halfway between Wangaratta and Wodonga; it is about a 35-minute drive either way. We have the same problems with the health laws as well; everything happens outside our town and we are expected to go elsewhere. We are probably one of the biggest businesses in town; the others are a lot smaller, and they find it even more difficult to do that. We also have problems with major competition in bigger centres, and we have been through that before.

**CHAIR**—We can probably give you the contact numbers for the small business officer of the Albury-Wodonga region.

**Senator CONROY**—Or we could give them yours.

**CHAIR**—Or we could give them yours—one of the two.

**Mrs Murdoch**—That is the problem when you are in small business. If you are in trouble, you might have the time to have a look. If you are not in trouble, you tend to just sail along until such time that you are in trouble, and then you spend time looking to see who you need to talk to. These people who are supposed to represent the government should be out on the ground representing the government and getting to those people who are least likely to be able to get to them. They are probably the ones that need help the most, and sometimes they do not realise that they do.

**Mr Roberts**—I would like to comment on a couple of points that the chair started with. He mentioned the lack of management skills of many small business people. Just speaking for our group, I thoroughly endorse that. In the small food shop area our constituents are often migrants. It is their first attempt to get an economic foothold in the country, if they cannot otherwise be employed. Frequently our constituents are retrenched workers who have just come out of employment without ever having learned any management skills for their own business, and others are people who are just trying to fulfil a modest dream that they have carried around with them all of their lives—that is, they would love to own their own business. The vast majority come in very underprepared for the rigours of today's business environment.

In our association the current wave of migrants going through our types of stores are from Asia, but that is just a repeat of history: before that it was the Lebanese, before that it was somebody else and before that it was somebody else, going right back to postwar migration. Our association has been looking after these people for 80 years. I have not been there that long—

**Senator MURRAY**—It just feels like it!

**Mr Roberts**—but there are people in the association that have been. I think it was a lot easier postwar to get a foothold into a small business in Australia, because you just seemed to need to sacrifice a lot of things for your children by working very hard and long hours. It seemed to be that, by applying just about that, you could not help but succeed. But today, we are having to caution people that you need more than that now. You need a fair bit of cash, a fair bit of money, behind you. You need to know the rules of the game, which are much tougher today. It is not just about competition, although competition is a lot fiercer. In Victoria, until recently, our corner stores—our once ubiquitous milk bars—had an advantage in that there were restricted trading hours and the big end of town closed up at the weekends and late in the day. That is all out the door now, so that segment has taken a shock. You cannot, anymore, just walk into a milk bar type operation and hope to make a living; you have to be a skilled operator.

The other matter is about the cash economy growing: I think that is right. One aspect of that is the payment of cash under the counter or under the desk to employees. I have found over the years that that is driven more by the employee's needs than the employer's needs. I get reports

frequently from members wanting to do absolutely the right thing by putting everything on the books, only to find it is very difficult on occasions to employ the staff they need, who are essentially part-time, casual or short-term people. There is not a career path, as such, in our types of stores, so people are often working as part-time employees for their own particular short-term purposes. I agree that nothing that has happened recently has made it easier for our small employers to be absolutely above board when it comes to all the requirements.

I also support what Richard said, if I gathered it correctly: that there needs to be a distinction between micro business and small business, because under this umbrella of small business there can be some pretty big businesses as far as we are concerned. We would also like to see arising from that a small business impact study at every level of government; not just at the federal or state level but also at the council level. We are finding that the straw that finally breaks the camel's back is when a council imposes a cost but is not remotely interested in the fact that that is added to a cost that is imposed by a state government instrumentality, and they, in turn, are not interested in what the council does or what the federal government does. We are constantly adding single straws and eventually the camel's back breaks. I will leave it at that for the moment.

**Mr Gaffney**—I will pick up on a few points you have raised. The Housing Industry Association represents about 11,000 businesses in Victoria. The top 20 of those do \$2 billion worth of work on their own, so they are not small businesses. But the remainder are, by and large, usually husband and wife teams which operate as a builder or a subcontract bricklayer or carpenter—everyone knows how the housing industry operates; it is a unique sort of subcontract system. Management training and other skills and training are almost non-existent in the housing industry, unfortunately. It is not a good ethic with regard to training and we do not know how we fix that; we do everything we can to get people trained.

If we link the second couple of topics that have been talked about today in terms of the GST and—I will throw in a new one—the APSI legislation, which is all about the Ralph recommendations and changes for contractors, and massage all those things together, by default the government made all the small businesses improve their lot. The GST training we provided at government expense and now the Ralph legislation training we provided with government support meant that in terms of GST training we trained 23,000 people in Victoria. So what we have seen is that a lot of those people who used to have the shoe box—it may have been a bricklaying business with maybe one apprentice or something—have gone from being pretty dismal in terms of handling their financial affairs to being fairly proficient. So I think a spin-off of the GST was that they did improve.

I think the Ralph legislation is a big overhang for the government that I am nervous about. Lots of people do not understand it. The tax office are trying to get out onto building sites and talk to subcontractors—good luck. If they get onto a building site, everyone is going to disappear. Everyone is frightened of the tax office for some reason or other. But there is a big gap in the Ralph legislation. Not enough people understand it; the accountants of this country do not understand the Ralph legislation. We have run lots of trade nights to try to bring people up to speed, but it is nowhere near correct yet and people are going to get hurt in the next tax year.

The final thing I would mention is the cash economy. Many builders, from people who turn over millions of dollars down to very small players, are saying that they cannot believe the amount of cash around now. They are getting people who want to come and pay for an \$800,000 house in cash at the end of the project. This is phenomenal stuff, and it was never on offer years ago. Of course, real businesses have to say that they are not interested, but down at the lower end of the spectrum, especially in the owner-builder market, owner-builders will go to a contractor and say, 'I'll buy the timber. You supply the labour, and I'll pay you cash.' So we are losing a lot of good tradespeople, who should be in the professional side of the industry, to an owner-builder market. Obviously tax is being avoided at a great rate of knots. Owner-builders currently account for about 20 per cent of all houses built in Victoria, and I would say that not much tax is being paid on any of them.

**CHAIR**—That is interesting. Mr Gaffney, as an extension of that, is there any evidence of any increase in barter going on between businesses—services for services or goods for goods?

**Mr Gaffney**—There has always been an element of that. I think the volume manufacturers and suppliers handle it in a slightly more sophisticated way than barter. They actually give builders credits; they get world trips or all sorts of stuff, depending on what activity level they will put with a certain entity. So it is not so much a transfer of goods; we do not see that, but we do see really significant credits for loyalty.

**Mr Wright**—I should mention a couple of other tasks I do as well as run a small business. I was a member of the Small Business Advisory Council for the Victorian government, reporting to the small business minister. I am also on a strategic audit of the professions in Victoria, to see ways in which the government can assist the professions to perform their roles better. I am also the national judge of a thing called Shell LiveWIRE, which is a competition for young business people who are starting out. They enter their business plan and the best business plan wins the national prize—20,000 bucks and a trip to England to compete internationally. I will address the four points you raised at the beginning, Senator. One point was managerial skills and training for small business. That sort of input from industry—in this particular case it is Shell, and I must admit that all the state government departments of small business put in money and time—is a perfect way of training those people who want to be trained.

Having been involved with the Small Business Advisory Council for a couple of years, I have come to the conclusion that those people who do not want to be trained are not going to be trained. I guess it is the old 80 to 20 principle. There are just some people in small business that you cannot help. I quite often talk to small business people and say, 'If you've just taken your redundancy payment and you've been an electrician all your life, don't go and open a restaurant.' There is nothing you can do to help those people, except repeat the message and hope that it gets through. So the government has to accept that there are some lost causes.

However, possibly the government could see its way clear to get business to be the champion of training or of incentive for small business. I also believe that with people being captive in the education system—these days up to the age of 17—and with 60 per cent of people now being employed in small business, the education system should have some role in preparing people for a role in small business. I think people who are turned out at the age of 17 do not have any idea about how to do it unless they have had a paper round or done what a lot of the older ones of us did when we were young because we had to earn a quid.

You asked about practical examples of where the government obstructs, intentionally or unintentionally. In small business the biggest problem is cash flow. If I am not paid I cannot pay my supplier, who cannot pay his supplier, who cannot pay his salaries. I think today we have to sign a cheque for BAS and in my particular case that is many tens of thousands of dollars. That money has to go out of my bank account to the government and it has to go today. Unfortunately, because the cash from my clients has not come in yet, that means that there will be some people who are not paid and who are not going to pay. BAS accidentally stops the cash flowing and that is bad for small business. That is a government obstruction.

On the cash economy, I go back to what Allen said: there are a lot of migrants whose first chance at earning real money in this country is to start up a business of their own—whether it is a small shop, a lawn mowing firm or a cleaning business. In my own professional business the cash economy does not exist. It did not exist before GST; it does not exist after GST because there is no benefit in it for anybody, particularly for me. But in my own private life the cash economy does exist, because nearly every small business person that works for me, providing a service to me—if they are not a professional—wants to be paid in cash. There is no benefit to anybody not paying them in cash, so you might as well do it. Whether they take it and pay the tax is entirely up to them.

The government providing positive assistance: I thought I would tackle that one too. I thought I would be the last person to say this, but taxes, including the GST, and some of the government rules that have come in have forced businesses to get their books in order. They have forced them to look at their businesses on a day-to-day basis with current rather than historical information. So those businesses that were on the edge of being good businesses have now been able to become good businesses and have probably grown stronger as a result of that. Those businesses that were destined to fall over have probably fallen over. I believe that in New Zealand the GST enabled quite a few businesses to (a) fall over or (b) become stronger. So I think that some of those government policies are good.

The last good thing I would say about government policies is that government now recognises small businesses. There is a federal department and there are state departments. I think the importance of small business is not quite recognised yet but it is being recognised—and we are being listened to; fora like this exist which allow us to be listened to. There are your four points.

**Mrs Abruzzi**—Our focus is on SMEs and how we can assist them. As I have travelled around the world I have noticed—and I am sure you are all very aware—that SMEs are now a growing phenomenon in every economy across Asia-Pacific and the world. But here at home most of our SMEs are home based businesses. Most councils frown on home based businesses—they do not like them—so we need to look at the legislation of councils to allow urban development to reflect this new economy. I believe that councils need to play a much more prominent role in the development of the businesses in their region. They need to take on a business sector within their councils to set up a proper section on business and for business, and to work with the local chambers of commerce to look at all the issues relating to the needs of the small business people in their community. The councils are the ones who have got the database of everyone who is there. They have the local newspapers—they have every bit of media—at their fingertips.

When government passes something, it usually never gets to the small business person. As we were saying before with Douglas, when there is a grant, nobody knows about it except for the ones who really go fishing for it. Small business have not got a clue what is out there that can assist them. We need to work more effectively through our local councils, who already have the media and the know-how to get out to individual people. You will have far more effective business communities when you start addressing the grassroots problems.

**Mr Russell**—On incentives and government subsidies, relating to employment in particular, there are numerous incentives available for employing trainees and apprentices. Unfortunately, many small businesses do not know about them and they find it very difficult, even if they do discover them, to get through the paperwork required to actually obtain the subsidy in the end. This is particularly so with apprentices.

In the retail motor industry, employing an apprentice is the traditional way of training people. It is a good way of training people, but it is not as popular as it used to be, and that is causing a problem. However, employers in the retail motor industry do want to put apprentices on and they find that they are confused by the great number of various subsidy opportunities, even to the point where the VACC as an organisation has people out on the road who will visit our members who are employing apprentices in order to assist them to obtain the correct subsidies. Quite frankly, it is ludicrous that an association actually has to help small businesses to obtain subsidies to which they are entitled. When we do that, they are very grateful; they obtain their subsidies and the training experience, hopefully for everybody concerned, is better, but it should not necessarily be that way. We would think—and this is in the submission made by the Motor Trades Association of Australia to your committee—that there should be a review of the method of obtaining subsidies for apprentices.

**CHAIR**—Thank you for that.

**Mr Gaffney**—We are finding exactly the same thing with building entities or subcontracting entities. Bringing on an apprentice is too difficult. Group training companies have evolved as a result of that—one of which we run with about 100 apprentices in it—basically because small business cannot be bothered with all the paperwork; they want us to do it for them. Eventually, if we keep going like this, it will finish up being all group training and no-one indentured to their own employer. That might be a good thing in some respects, but it is something that government needs to be aware of. Even we, with dozens of staff, find it difficult to claim all the grants and things that are available—it is very complex.

**Mrs Murdoch**—In a small country town where you have a very stable work force, you find that you are employing people in competition with towns and bigger firms that have a work force that is turning over and they are able to take these grants and subsidies. The choice in our area is: do you say, ‘Well, I’m sorry, every 12 months we will turn you over’ or do you keep your stable work force? I would prefer to keep the staff that I have got, and maybe they are better over the long term, but it does mean that we are disadvantaged in that there are subsidies available if you are willing to take on new people—but to take on new people, you have got to get rid of the ones you have got, and I do not think that is an option.

**CHAIR**—Which is simply churning in the labour market.

**Mrs Murdoch**—Yes, so it makes it hard to take those subsidies. Allen was talking about new people coming into businesses and starting up businesses. One of the things that is a problem these days is that once you got into those small businesses—the milk bars and so on—you could resell them. You can't now. You can put in a lot of effort and maybe not make as much. You can put your money back into the business but, at the end, you do not get the money out of that business, because you can't sell it.

**CHAIR**—Just before I call you, Mrs Abruzzi, I welcome Mr Giles from the Australian Hotels Association.

**Mr Giles**—Thank you. I apologise for being late. I also have to offer an apology for Margaret Kearney. We had some problems coming up from Geelong.

**CHAIR**—Fine. Feel free to contribute when you want to, Mr Giles. Mrs Abruzzi?

**Mrs Abruzzi**—I just wanted to add to our discussion on the paperwork that is so horrendous. Simplicity of wording in documents has been identified as an area in need of attention by many of our members. Most of these documents are formulated by lawyers who work in another language, as you and I well know. The everyday SME does not really understand what half those words mean. They are not stupid; they just do not understand that category of wording. What they need is simplicity of wording in these documents that they have to submit.

**CHAIR**—That is a very good point. Senator Murray wants to add something.

**Senator MURRAY**—I want to add to what you have just been discussing. I think you are dead right, by the way: plain English is highly desirable at every level. We as a committee have the following situation. We have established, and we know as practitioners, that there is a great need for information to come to us—to legislators, to bureaucrats, to policy makers. Also, small business needs products and services, downwards. Typically, both federal and state ministries and agencies, including small business departments, service small business. You get industry, community and sectoral associations. You get, on the state side, business enterprise centres: in Western Australia, for instance, you get eight regional development commissions. On the federal side, there is the area consultative committees. There is a multilayered sort of situation and yet it is all clogged, both going up, so we understand the issues, and going down, so that you get the help, assistance, advice and information that you need.

In Western Australia—I think this is also the case in New South Wales—they have tried to address this by the creation of the Small Business Development Corporation, an independent statutory body which has been there for a couple of decades now. It is a one-stop shop to tell you all about licences and charges and where you go for what. It does the surveys and points people in the right direction. Any small business person can ring them up and get real advice. They are advocates, upwards and downwards. That device, though, has not prevented the same kinds of problems that you are expressing to us today being expressed in Western Australia. Nevertheless, it is a known and very valuable additional service, particularly the idea of its web site, which has all the different kinds of information you need to know about councils, laws, services and products and who to go to. It has the ability to provide practical advice. Do you know of that body? Would you think that such a body needs to be replicated in every state as one more area of assistance?



**Mr Roberts**—Yes, I am aware of that body. In fact, in Victoria we have Small Business Victoria, and its precursor was Small Business Development Corporation. But it was much more proactive a few governments back. I cannot remember what political colour the government was—it almost does not matter—but five or 10 years ago it had a much bigger budget. It was much more proactive. It went out of its way to draw attention to itself and associations like ours that were loosely in the same game of educating, training and assisting newcomers to small business. We found it was very effective.

I can look up our own records, but we were getting lots of referrals—people that were attracted by the effort put in by the Small Business Development Corporation. The corporation used to run small business seminars on weekends and the like, but it seems to me that the budget has dried up. Yes, it is a one-stop shop but today, instead of any number of people and any number of services, it has shrunk. We get hardly any referrals from the corporation now. I do not think the public is aware any more that the Victorian government has a facility like that. Harking back to the good old days, it was much more effective—it was expensive, too—when the corporation had a bigger budget and was treated as a more vigorous organisation. It is only a rump organisation now, as far as we see it.

**Mr Cowley**—I would like to support some of the comments that were made before. I think there is a lack of understanding from the legislators on the impact of the legislation. One of the questions we quite often get asked is: what does all this mean? People are ringing up saying, ‘Something has come through; I don’t understand it.’ These people we are talking to, probably in the terms that you were talking about before, do have a lack of management skills and ability. They are working in businesses whereby they are getting the day-to-day work done. They are really not giving themselves time, probably for financial reasons, to sit back and think about the other aspects of it. Something comes through and they really do not know how to tackle it. A lot of the legislation and things that they are required to read are not couched in easy-to-read terms or, as I call it, kindergarten level terms. They have to wade through the information, and we have to do that for them. Part of our role, because there is no-one else to help, is to do that for them; we actually do that.

I think a good example of this is the occupational health and safety legislation, whereby everyone agrees that what is in there is correct and that what has to be done should be done, but it is necessary to help people wind their way through that. If you are a small business and you have to wind your way through it yourself, it is quite difficult. If you have a look at some very large organisations, they will run training courses for a week on the management of occupational health and safety. You cannot do that in a small business, so we have to help them do it. When the legislation is drafted, I do not think the total ramifications are really thought through, to use the term used earlier, at the micro business level.

**Mr Giles**—I think one of the problems that small business has today is that, in a sense, big business is better organised. It is quite common to see governments, when they go into government, that are very pro small business, but they become seduced by big business. They become seduced not just because it is what happens but because big business is able to present its case in a much better way. Big business is able to pay for the types of professionals that could put over its case, whereas small business is still presenting usually fairly emotional arguments rather than looking at what the legal argument or the very practical argument would be. I think that that is a problem. Small business is usually represented by small associations that spend a

lot of time trying to remain in existence and cannot quite fund their way through to these things. So, if ever small business is going to be better represented, someone needs to look at how it is funded.

I think another problem we have is that there is no doubt that that carries through into things like we saw the other day: the ACCC is wanting to bring in some stronger penalties for big business getting stuck into small business. We have the Competition Council coming out and saying, 'Hang on, let's go back to the basics of what this is all about.' The fact is that small business cannot survive in that rational economy that exists in the minds of competition policy councils. It is a fight all the time, and they do need protection. Protection is constantly withheld or constantly found to be unavailable, and that is really a problem. So we find that what we are getting is small businesses coming into business, putting a lot of money into it and then going broke. One-third of our members go out of business every two years, one-third of them never go out of business and one-third of them are lifestyle-type operations.

**Senator CONROY**—Hanging around in the ether!

**Mr Giles**—That is the big problem for small business. It really almost is a lifestyle or a 'luck style' category of work. I would also like to add to that—and I am sorry I missed the start with you—that another way that we see poor service today is from the unions. Unfortunately, I do not think the unions today have the challenges that they had when I was young, when I started out in business, which is 40 years ago. They are very lacking in professional skills. I am amazed at the lack of assistance that the unions give to the workers in my industry. Only four or five per cent of our people are actually members of the unions and there is no leadership coming from the unions for young people. So the leadership for young people coming in at a working level has to come from the employer—which is good—but there is none coming from the unions, which should be providing a much better service to their members.

**Mr Evans**—I think it is fair to say that the franchise sector in Australia prior to 1997's Reid report to the parliament was a bit robust. Since that time, I understand franchising to be the only industry sector to have a code of conduct which is regulated, through legislation, by the ACCC. Because our sector was forced to become more compliant with regulation, education increased, the relationship between franchisor and franchisee became one of education, there was full disclosure of information on how to run a business and operational manuals were then available. The failure rate in franchising is very low compared to that of the broader small business sector. I think it is fair then to say, although I am not an advocate of regulated codes, that the franchising code may in fact be a model worth looking at.

In terms of education, I think we do no favours to people who want to invest money in small business with the amount of education that is around at the moment. I do not believe that really tells the truth about the demands upon small business. Mr Wright mentioned before that, if someone wants to invest half a million dollars, they will go and do it. No matter what they want to do, they will ask the next-door neighbour whether it is good to go into business—'Oh yeah, John, off you go!' But they do not really understand the demands placed upon them. Income and revenue is only a small part of small business. There is also everything else associated with it. If you go to source that education, where do you find it? Senator Murray quite rightly identified things in Western Australia. But what sort of information has come out of those associations or departments? I question whether or not they actually tell the truth in terms of what it is really

like to do business. I think there is an opportunity. I think it was Mr Roberts who mentioned the funding process—and I think Mr Giles also mentioned it—between government and the micro sector. That could in fact be through associations like our own, and there may be some opportunities there to look at some sorts of models regarding education through that, but it all comes back again to funding. Our associations are there, trying to do the best for our members, but at the same time we should in fact have an education role as well and that comes back to funding. Education in my view is the most important area which is lacking for small business. I do not know how to solve it. I have no great answers for you, other than to say that somewhere along the line there has to be a partnership between government and business, and not big business but small business and maybe through the associations.

We heard before about compliance. Compliance is a necessary evil. If you were to ask us about compliance, it would be very hard to identify where you can fix compliance. The point is that it is very hard, but there is no recognition of the hard-working Mrs Murdochs of this world who need to comply but who do not have the time to comply, whereas I think big business, governments, policy makers and legislators—even unions, for that matter—assume that small businesses have the necessary skills, that we have the accountant out the back, the bookkeeper over here and all these other people, when in fact that is not the case.

You have to remember that a lot of businesses in Australia consist of single operators who have bought themselves jobs. They have to meet all these compliance rules. When they are threatened with the ACCC, what do they do? They buckle at the knees. Education is a very important aspect of small business. I reinforce the fact that there needs to be recognition by all stakeholders—governments, associations and unions—that micro business is separate from small business. There needs to be recognition of that.

**CHAIR**—Can you make available to the committee the code of conduct you were referring to?

**Mr Evans**—I sure can. The Franchise Council of Australia has a code which I think is in its sunset years—it was established in 1997—and I will happily make that available to you. Since the introduction of that code we have seen less controversy, more education and a lower failure rate in this sector. A lot of people object to the code but it has forced franchisors and franchisees to have a more successful, stronger relationship. I go back to the issue of education: people go into small business without really knowing the pitfalls. It does not apply just to revenue but everything else associated with that.

**CHAIR**—So that I am clear, is that a mandatory or a voluntary code?

**Mr Evans**—It is a mandatory code.

**Senator MURRAY**—Mr Evans and Mr Giles have just said things which I think are of seminal importance. Without doubt the committee is of the view that management training, in the sense of planning, systems and understanding, is needed and is vital. But you have indicated two things. Firstly, you have indicated that in the franchise industry the provision of planning systems, management training and skills lowers the failure rate. Mr Giles has indicated that as a rule of thumb about a third of businesses in his industry fail, while they do not in the franchise industry. That must mean that you are capable of measuring a considerable economic cost—and

a social cost, I might say, because of the stress on people—of business failure where proper training does not exist. And, in a cost-benefit sense, if you are saying to government, ‘Put money in here,’ you need to know, if that is a cost to the taxpayer, what the benefit is. The benefit is avoiding failure.

Typically, governments measure failure by the most extreme measure, which is bankruptcy. But in my long experience in business, failure most commonly means a loss of equity or home equity. It is not bankruptcy so it does not get measured. It is not measured in economic terms. If somebody loses a few hundred thousand dollars from their \$300,000, it does not appear in the stats. The question arising from these points that are being made is whether, in the experience of the very experienced people around this table, business failure typically is not expressed in bankruptcy terms but is merely expressed in the sense of losing money—losing equity, typically home equity.

**Mrs Abruzzi**—I cannot help but feel when we talk about Small Business Victoria and how the budget has decreased its effect on small business that I still would like to emphasise that local councils have to play a bigger role in business. Local people in business would be far more comfortable knowing that they could go to their local town hall for the information they need to undertake training and undertake start-up. There are all these different areas. A local person knows exactly where their town hall is, and they would come to know that that is a hub of business. You would find that small business would become far more effective if they had a focal point—if they knew where they could go. I believe that by reinforcing and building upon this, small businesses would grow into big businesses that would, in turn, employ more and more people. But they need a central place where they are comfortable.

I believe we need to give a lot more power back to our local councils to be able to look after their own communities. I would even put competition between the councils to find out who has got the greatest business innovation for their region. Let us put a bit more pride back into our regions. Let us start motivating the people at the grassroots, because that is where it comes from.

**CHAIR**—There are probably bad examples of how this is done, but there are also some good examples. I was at a Monash council the other day, for example, to have a look at the cluster they have established. They seem to have a very effective business support network in that council. They know where their businesses are, the number of people employed and all the rest of it. I presume there are bad examples too.

**Mrs Abruzzi**—I am not sure that there is actually a great deal of focus in a lot of councils in this area.

**CHAIR**—Certainly there is in Monash.

**Mrs Abruzzi**—I think there is more of it in the area I live in, which is Doncaster-Templestowe. They are a very innovative council open to all sorts of suggestions. I think we need to be able to empower and motivate our own councils because I think they can play a much larger role in supporting and helping to grow the business industry of their region.

**Mr Russell**—Firstly, on Senator Murray's assertion that small businesses lose equity more often than they go broke, I agree entirely. In fact one thing that we are currently experiencing in the retail motor industry is where people who are getting to the point perhaps of contemplating retirement or selling their businesses are discovering that they do not really have much there that they can sell. The equity they might have had in the back of their mind of X value is not there. They have been slowly but surely over the years squeezed to a point where the business no longer has that value and they no longer have the opportunity to exit in the way they had anticipated. That may not represent a bankruptcy but it may in fact represent a situation where the business is not sold—it simply ceases to operate. It closes up and you just have the weeds growing instead of the investment, and the opportunity for that business to continue to operate and to be sold disappears. Perhaps there is a little bit of the age of motor vehicle repairers and panel beaters and service station owners in all that but it is also that they are slowly being forced out of the business rather than ending with an asset that they can sell.

The one point that I really wanted to get to was the one on franchising codes raised by Mr Evans. The VACC is currently engaged in negotiations over the introduction of a code of business practice for the relationship between panel beaters and the insurance companies, specifically in Victoria at this moment, but we would say that this code should apply to the whole of Australia. I agree with Mr Evans that that type of code can improve the business relationship between those two parties and, we would hope, improve the longevity of businesses and the certainty that those people have in their business futures. The VACC has also supported over a number of years the establishment of a car code for motor vehicle dealers and car manufacturers. We have also been involved painfully for many years in Oilcode between petrol resellers and oil companies—and that is in limbo at the moment; it does not seem to be going anywhere. But the point there is that, yes, the codes can be an advantage. We would encourage the committee to look at codes as being a way forward and, hopefully, something that can improve the employment relationship and the relationship between the parties in industries where one is larger and the other is smaller—the insurer being larger and the panel beater being smaller.

**Senator CONROY**—When the franchise code was first proposed, was it resisted?

**Mr Evans**—It was resisted because it was something new—like the GST; everyone resisted that, I guess—but when it was actually applied and we had to sit down and do what was required, those that are left in the industry or the sector now support it. Originally they were very anti the code; they wanted to have a voluntary code. But, really, when all is said and done, everyone complies now and everyone is doing it and it is really beneficial not only for the franchisor but also for the franchisee.

**Mrs Murdoch**—I just want to say for Mr Evans that probably a code of practice would be a good idea, particularly in something like our industry. During the GST kerfuffle we had people ringing us about their computers and the problems that they had. It turned out that some of the industry had been buying computers on the recommendations of higher-up authorities who had an interest in those computers. With that sort of code of practice it should not happen. That was pretty devastating. In our industry I think there are 29—perhaps not that many, but quite a few—different computer systems to service the one industry, which makes it really difficult. How you get around that I do not know.

The other thing, when you were talking about education for small businesses, is information. During the GST time we went to something like eight lectures. Because we are licensed we went to the liquor one and the various other ones done by our warehousing. The best one was—Jennifer Flanagan is not here—by the MGAV, our own organisation. It was clear and concise. The government funded all these eight education areas—if only they had actually followed through on them. In one I think most of the business people got up and walked out halfway through because they could not understand the gobbledegook. It was just dreadful. Yet it was funded and there was no check to see whether that was a valid education process. I agree, one of the biggest problems is the lack of education. The best way to get it is by getting people into the business of training or teaching who actually know something about it.

You were talking about councillors taking over. I have had two hotels, this is the second supermarket and I have had a child-care centre in the last 25 years. All of those businesses have been successful, so I am not talking from the point of view of just being in there. We just tend to sit back in our small town and our small community and say, 'Look, they're starting up another business. Isn't that fun?' It is one of the things you do in a small country town when you are used to being in business. They have the economic development officer down there, and you look at the person and you think: No, that's not going to happen. We'll wait for 12 months until all the subsidies have run out. And they are gone. It is exactly the same thing: they do not go broke or bankrupt; they just close up and go. Therefore you have got people that are supposed to be supporting small businesses or the start-up of small businesses without any expertise in it. They are just willing to get runs on the board: 'This looks good; I'll get a job down the road later on as an economic development officer because I have started four up here.'

We have the same thing with reps. The rep comes into your shop. He is new. He sells you all this stuff and his figures look good and he goes on to another job and says, 'Look, I've done this.' You are left with no reps coming around again and that product just dies. That is exactly what happens with the economic development officers. It is not all of them, but it just seems to be something that you see happen.

Another case of it is when you want something in a town. I know the difficulties with this one. For example, we live in a small town that desperately needs a chemist. There are laws in place, I believe, that allow chemists to operate in more remote areas, but there are hoops that you have to jump through first. There is a guy at Stratford who went through it and got a lot of it through in his area, but I think our area is a couple of kilometres short of the requirement. Getting somebody out there and then trying to get the council on side is too hard, so they do not try.

It is recognition of what is needed to start with. For example, there was a florist in Yackandandah quite a few years ago, but anybody could work out that that business was not going to survive in a small town with a population of 400—and yet this person was supported by government funding. What are we doing? We are spending money where it need not be spent at all. It should be targeted. Education, as I said, is absolutely vital for small business people, but it is not going to happen if it is targeted in the wrong place.

**Mr Wright**—Following on from that point—and Barbara said she had run four successful small businesses—I do not know if there is any research available about whether people who run a business successfully the first time do it again the second time. My guess would be that

they would and that they would do it successfully the third time and the fourth time, which brings us to the matter of taxation.

Recently, in an effort to grow my business—and it is a successful public relations company of 14 years—I sold 20 per cent of it to some international people who brought with them entry into the Asian market because they have equity in other companies in Asia, which was excellent. I got quite a bit of cash out of that, which was also excellent, and I was going to use that money to expand the business in other areas. Unfortunately, I had to give a quarter of it to the government. So I had to pay capital gains tax on the sale of the business which I had paid legitimate tax on for 14 years. Had that 25 per cent that went to the government—I do not know what will happen with it—stayed in my hands, I would have used it entrepreneurially to create a bigger business and employ more people. So if we are talking about taxation, which is in the committee's terms of reference, and employment, I think on a business of that maturity—I obviously did not build the business to sell it; I built the business to create a business, and I sold part of that business to grow it—that tax is probably regressive. Capital gains tax on the sale of businesses—and those people are usually going to go back: once an entrepreneur always an entrepreneur—is a tax on entrepreneurship and a tax on potential employment, so that should be looked at.

On other matters that have been covered—and I will just try to mention all these points quickly because I know others want to speak—there was a perfect example in Gippsland, Victoria. Local council, state government and federal government small business groups were coming together at regular monthly meetings to work out how they could communicate all the benefits they bring to business collectively. That is a great example. I know that Small Business Victoria has the details of that grouping, and it may be worth looking at that as an example. Going back to tax, very quickly—

**CHAIR**—Just on that point, Mr Wright, it tends to work more effectively the more remote the region is.

**Mr Wright**—Yes, I would imagine that, Senator. Moving on to tax, I think anybody in small business will tell you that there is no way that any small business would survive a tax audit. It is just too complex; no-one would get through it. Yet every six months we are kept on our toes by the tax department putting out a press release saying that in the next three months they are going to audit 250,000 businesses. I am not quite sure how productive that is. It is aimed at the bad people; the good people are doing it legitimately—again, I guess the fear of God is put into them. But if you talk to your accountant, your accountant is quite confident that you would not survive a tax audit. Tax is just too complex in this country, and that is despite trying.

The other point to mention is labour laws. Of course, the thing that makes everybody in small business shudder is dismissal laws. Yes, you have to protect people in small business from shoddy operators, but good operators occasionally do have to dismiss people, sometimes for reasons of survival, because they simply cannot afford to pay. In small business really an employee—and I was talking to Diana about that—has to earn three times their salary. If that is not happening, unfortunately, as much as you would like to win new business, your only option is to dismiss somebody. If that is going to cost you a lot of money, then perhaps your only option is to close down.

The other one, too, is the talk of maternity or paternity leave. That sends a shudder through small business people too, because there is no way in the world they can afford to pay a salary to someone who is not actually producing income. I appreciate it is a juggling act, and I do not have the answer, but it is something in small business that has to be considered.

My final point to get across all of them on government is that, if we are going to use a new supplier in our business, our rule is that we get and check three references. If you wish to work for government, the rule is that you have worked for government before, which makes it very hard to get any government work if you have not. In 14 years as a PR company we have managed to avoid getting any government work because we have not had any before. I would imagine that that would continue to be the situation ad infinitum.

**CHAIR**—It is a vicious circle.

**Mr Giles**—Just following on from what government can perhaps do to help small business, I mention that I represent the hospitality industry. We have 12,000 small businesses here in Victoria. As I said, about a third of them are disappearing every couple of years. Because of the nature of our hospitality businesses—and think of hotels, restaurants and motels and places like that, although we will perhaps leave clubs out of it—the fact is that they have to put infrastructure into the buildings that they occupy. So, if a person goes out of business in one of them, there is not much else you can do except put in someone else who is going to run a pub, if it was a pub, or a restaurant if it was a restaurant. If someone goes out of business in a fruit shop, you can go down a week later and there will be a shoe shop there. Or if it was a shoe shop which went then it has become a clothing store and then it is a bookshop. We set businesses up and then they are there for ever, if you are not careful, whether they are needed or not. So people come along believing that this is a business that has been there for a hundred years: ‘It must be good, therefore I’ll buy it and go into it.’ Of course, if they had looked into it a bit deeper they would find that the last 10 people in the last 20 years did the same thing and that it would never have worked and it will never work.

With all the information that is now being collected, particularly with GST—and, as we have said, we have all learnt to be better at keeping our records and getting records in—I would have thought that there was an opportunity for government to develop some good benchmarking for small businesses so that it is available and so that people can actually see, when they are planning their business, what that place has been doing and how it compares against the benchmark. Usually they will be buying the business off someone who is presenting them with some sorts of figures. I have had 40 years in hospitality. I can look at a set of figures and say, ‘I know that’s wrong, and that’s wrong.’ You just go through it; that is natural. But for someone new coming into it, who does not know that, I think we could provide some excellent information that would help them make their decision not to go in, because in many cases the best thing that can happen is for people not to go into business rather than going into a business just because of one man.

**Senator BARNETT**—Thank you for that, Mr Giles. I think that is consistent with Allen Roberts’s earlier presentation about new entrants into small business needing that management training. I think we would certainly agree with that. In terms of the retail grocery sector, we have talked about the codes of conduct. I notice that Jennifer Flanagan from the MGAV is not here, unfortunately, but I wonder if there is any feedback on the retail grocery industry code of conduct. That has been around for a few years now. Any feedback you have on it would be



interesting. Secondly, in regard to duplication, there was a survey done in Tasmania regarding a petrol station and general store where up to 20 separate licences, permits and approvals were required to establish and operate that store. That is a case study; it is just an example. I am sure you have your own examples in your own businesses. I was wondering: do you have any case studies in regard to licences, permits and approvals?

Do you use the business entry point service here in Victoria, where you can go in or phone up and find out about the licences, permits and requirements for your particular business? How effective is that service? Can it be enhanced? We have had witnesses in the last few days and in Perth talking about a virtual department where you can go in via the Net and find out about the requirements for a shoe shop or whatever business it is. Do you have any thoughts or comments in terms of how we can benefit from that type of service? How has technology helped you run a better business, and is that part of the solution for the 21st century? There are a few questions there. If you cannot answer them, that is fine.

**Mrs Murdoch**—The grocery code of practice is as such a code between you and the customer. Most of us read it and then put it down because we are face to face with the customer and you tend to play every minute as you go along. A good example occurred the other day. We have an ATM, and we have all been encouraged to think that if we do not have an ATM in small towns without banks et cetera we are going to be behind the eight ball. This meant that the majority of us got in fairly fast and got these lovely things that create traffic flow, which is good—they come in, take their money and go out again! They create a lot of problems, but you find that out by experience. The people starting off on these machines are the ones that are finding out what is going wrong. There should be some sort of regulation of these ATMs to help small businesses.

We found out afterwards that a particular woman complained that we had taken more money out than she had. We thought to ourselves: ‘This is a bit of a problem,’ but we had no idea where to go. You take it for granted that the technology is going to work; you only find out that it is not going to when it does not. The customer fills out a complaint form in a bank and they come back to you and get a copy of it, and that is fine. It may be our fault, because nobody has been at it long enough to find out what the pitfalls are. I have got a letter here from another guy within our industry who has put out pretty succinctly what the pitfalls are, but where that goes to is another thing. I think there should be some sort of government regulation so that these things, that are provided as a service to the public that we are managing, have to be looked at. It is not just ATM machines: we have got EFTPOS machines and we are getting to the stage where we are almost becoming a supplementary service for banking services. This is particularly the case in small towns like ours. The grocery code of practice is something that you read when you are busy and say, ‘Yes, that’s nice,’ and you do not refer to it again until such time as you find you have to.

As to the next point, I have been 13 years in this particular business and you tend to pick up these licence approvals bit by bit. We have a liquor licence that we have to comply with, and that has changed over the years. We have got the health department licences, and there used to be the tobacco licence—it is changing all the time.

**Senator BARNETT**—Do you use the Business Information Service?

**Mrs Murdoch**—No. Because you have been in business for a long period of time you do not, because you have poured into each business one by one. I imagine that if you were going into a business for the first time you would have to use something like that and it would be really good idea. But if you are someone that has been in there for a long time you do not think about it

**Mr Evans**—I want to cover an issue that Mr Wright raised about item 4 of your terms of reference. I want to speak to that but, before I do, I want to say that the FCA does not advocate codes of conduct. We work with ours but we do not advocate them. Item 4 of the terms of reference reads:

Measures that would enhance the capacity of small business to employ more people.

Mr Wright stepped around it a bit, but unfair dismissal is an issue for small business. It is an issue that has been politicised and the debate is very difficult to talk about in non-political terms. My contention is that unfair dismissal has increased casual labour; it has increased the part-time market as well. With casual employees, their security does not exist. How can they go and get a mortgage on casual employment? They cannot, because they have no continuity of employment. If we want these workers in Australia to get some full-time work, how can we do that? In a micro business sense, unfair dismissal means that those businesses are afraid to employ people because of the regulation and legislation, so they will put people on casually or part time.

It is true that there are employers out there who treat their staff with disrespect. They do not care about them and they do whatever they like to them. I think these laws are there to protect against employers like that, and we support them. As Karl Marx said, people in the workplace get alienated from the workplace. It is true—they become alienated from the workplace—but in small business you cannot afford to have alienated workers working for you. If they do not accept the vision, the values and the training, and if they are not providing the required productivity, where can a small business turn to? What recourse has a small business got? If they go for the process, they are still stymied by unfair dismissal laws, and they have to, as Mr Wright said, pay out or close down.

The question is, and this comes back to No. 4, what measures are there? If you look at unfair dismissals in a micro employment sense—not in a business with 50-plus employees but in a one-on-one business—you might have a sole small business operator who says, ‘I need someone to come to work for me. I can’t afford to put someone on full time.’ So they employ someone casually. It does not give any security to the casual person, but it might provide some support for the micro person. It is an issue that government and policy makers and legislators have to consider. It really is an issue that needs to be got away from politics. You have to look at it in the serious sense of a micro business. I am talking about businesses with fewer than five people or even 10 people; I do not know what the number is in the current debate. But it is an issue that cannot be stepped around. It is an issue for small business. Unfortunately, it is too politicised to talk about.

**Mr Gilmour**—I would like to address that issue too. Because we find ourselves in a very difficult situation when we want to dismiss staff, we are very reluctant to employ them in the first place. If this process has happened once, it has happened 20 times in our business. We decide that we need more people, so we put ads in the paper or seek applicants in some other

way. But it becomes so hard and we are so jittery about putting someone on because we do not know if we will be able to get rid of them that halfway through this process we say, 'Let's see if we can just do with what we've got.' There is absolutely no doubt that we are reluctant to employ people because of the difficulties of putting them off. We have had a number of settlements with unfair dismissal cases, and we are shy of putting people on because of them. There is no question in my mind about that.

The second issue that I would like to address is that of technology and GST systems. We are just about to lodge our eighth BA statement on a quarterly basis. I think it is due on the 28th; I do not think that it is due tomorrow.

**Senator MURRAY**—You hope not!

**Mr Gilmour**—Absolutely! We have good computerised systems. I used to reconcile everything to the cent every day, and I have always tried to do that, but we have not been able to reconcile our BA statements in any one of the seven BASs that we have lodged. The systems do not work. The software does not balance. We have become masters of forcing the balance, if you understand the language. We have an errors account in our chartered accounts in which we force the balance. I have forced each of the balances for the last seven BASs, and for the next one—I have already drafted it—I will force the balance, as sure as fate. It might be \$100. I made a terrible mistake about three times ago and I owed the tax office \$11,000. I hurriedly found it and sent them a cheque within a fortnight, but by and large it is \$200, \$300 or \$1,000 one way or the other. I cannot reconcile it. We use a good computerised accounting system, but it just does not work. I know of no-one in small business, even those with the best computerised accounting systems, who can tell me that their system reconciles. It does not. The GST system is not working accurately.

**Mr Cowley**—We at VANA think technology is one of the ways forward for small business, not only for GST but for general business work. It is going to help to fill that gap of the lack of management skills and management ability by giving people more information they can work from. When the GST came in, a lot of newsagents had to put in computer systems to deal with it. Those systems also helped them to run their businesses—stock, gross profit et cetera; it gave them information. These people can now understand their businesses better. Computer systems have not just been put in for accounting; they have actually been put in to run the business. We believe that it is making them smarter and that, basically, technology is the way forward for our industry. It is also helping numbers of separate newsagents join together and work with each other and share information, which gets back to benchmarking: they can compare their businesses—and they are doing that—with groups of businesses. So we feel technology is a very important aspect within small business.

I would also add our voice to the unfair dismissal issue. I will not go through all the reasons—newsagents are the same as everybody else—but newsagents are, as was said earlier, frightened to put on more employees. The casual employee has been one of the ways to get around that. They are also frightened of some of the other legislation coming through affecting retail trades, such as penalty rates for weekends—they are going to affect them considerably—and maternity leave. They are major issues that are affecting newsagencies, which are exactly the same as the other retailers.

**Senator BARNETT**—What about maternity leave?

**Mr Cowley**—Think of it this way: you have a business—a newsagency; it does not matter what it is—you have a husband and wife and two or three employees. If one of those employees goes off, what do you do about replacing them? If you have to pay for that employee in some way—and tax deduction is not the way to do it—how do you get the value out of it? If that employee is earning \$25,000 or \$30,000 a year, maybe that is your total profit. If you put somebody else on, where are you? It really is a problem and a worry for people.

**Mrs Abruzzi**—Because we are a women's chamber of commerce, the issue of paid maternity leave is one we are dealing with at the moment. We are very aware of small business and the problems of small business in this area. We are working with the unions—with Sharan Burrow—to form an approach where we will be able to help small business. It is still in its early days, but we are developing something which we believe will help small business to overcome the very issues that you have just spoken about.

**CHAIR**—Ms Burrow gave evidence yesterday, and I think she said that the paid maternity leave claims, on average, would cost small businesses employing 20 persons about 67 cents a week per person or \$10 to \$15. It does not appear that the economic impact is going to be onerous, but obviously that is something that they will work through.

**Mrs Abruzzi**—Actually, we have a debate coming up on 8 August where Sharan and six women from country areas through to large business are going to have their say. This is a very deep concern for all of us, too.

**Mr Evans**—Twenty employees is not a small business; it is a fairly large business. A small business is one or two employees.

**CHAIR**—Sure, I understand that, but the figures on average did not seem to be that onerous—if it is 67 cents a week per employee. But I do not know what that translates into for smaller businesses with fewer employees.

**Mrs Abruzzi**—It is certainly being worked on so that it does not become a hardship to small business. Could I continue on another point?

**CHAIR**—Mrs Murdoch has been trying to get in, but I am sure she is happy for you to continue.

**Mrs Abruzzi**—I was looking at workers compensation claims for small business. Please do not get me wrong, I am all for workers being compensated for genuine mishaps that have happened to them, but what happens in the case of stupidity? I have seen in workers compensation claims that managers—whether they are there or not there—are now responsible for the stupidity of some of their employees.

I will give an example. A man was wanting to get to almost like the second level of a building. He was going to change something or do something; I cannot quite remember what it was. He got on a table, on a chair and reached up and he fell. He was then given a big workers compensation payout. To me, that was stupidity. The same man was doing the same thing a

month later. He went up on a piece of board and was pulling himself up on it. He did not get a ladder, did not get anything that any sane person would have. Had he fallen again, he would have got another payout. So where is the line drawn for stupidity in these claims and what is sensible?

**CHAIR**—That is a good question. All I can draw your attention to is the fact that the minister for industrial relations has referred workers compensation to the Productivity Commission, which is looking at all eight systems. So there is an opportunity to get in and argue for a national no-fault scheme.

**Senator MURRAY**—We would offer a stupidity prize but—

**CHAIR**—I do not know that that solves the problem of stupidity; it may lift the burden of small business.

**Mrs Abruzzi**—I think the courts need to address this more realistically than just handing out money left, right and centre as though the employer is the big bad boy or girl.

**CHAIR**—But it goes wider than workers compensation, too, because there is the whole question of public liability.

**Mrs Abruzzi**—Small business cannot afford that.

**CHAIR**—There was a recent case in Sydney where a person was seriously injured after diving into Bondi Beach while under the influence of strange substances. That person got a very substantial payout.

**Mrs Abruzzi**—Exactly. I rest my case.

**Mrs Murdoch**—I want to reiterate the business about technology. It really is a difficult one because our computers spit out a GST amount, and that is fine; it is the one we have to go with. But when you get in suppliers, they put the GST at the bottom of their print-out. When you go to put it into your computer program, it does not match. Therefore, it creates work, having to match it up with what your computer will do. Basically, there is not a system out there that is doing it properly. That is the first point. Secondly, even if there were, that means we all have to change to some other system. Again, it costs a lot of money to start changing your accounting systems over. So it is a problem that exists.

There is another problem that I do not think has been mentioned today in all of this. If you look around this table—apart from one person, and I am not reflecting on anyone—small business, particularly microbusiness, is made up of mostly women from what I can gather. Is it 70 per cent? It is a huge business.

**Mrs Abruzzi**—It is huge and it is growing rapidly.

**Mrs Murdoch**—Until we have—and I do not mean to say that this reflects on people—representation of women in it, it is not being looked at as well as it should be.

**Mrs Abruzzi**—And it is not a beast.

**Mrs Murdoch**—And I think a lot of that is because women do not put themselves out. They are less likely to make use of the services, particularly older women. I think it is a lot of older women that are coming into small businesses because they find that their children suddenly leave home and they think, ‘What will I do to make a living?’ They are left out. They are not being represented at all or not being looked at properly, I think, by government. There have been a few forays into it, but I do not think that there has been enough put into it yet.

**Mr Gilmour**—The reason that the women are not represented here is that they are running the business—

**Mrs Murdoch**—That is true.

**Mr Gilmour**—and doing it very well, in my experience. In our employment policies we have a bias towards women because they are good. May I just point out that if you have a policy of allowing maternity leave, there is not just the economic cost; there is the disruption of it. All these little things create biases in the hearts of employers like me. I say, ‘This girl might get pregnant and then I’ll have a disruption exercise.’ So I will avoid people who might get pregnant. I might say, ‘This youngster is too young. The award rates are too high for the youngster, so I will avoid the youngster.’ My workers comp experience tells me that employees over 50 have a higher rate of accidents and problems with workers comp than others, so I have an unconscious or a conscious bias against those people. What is happening is that you are building biases into people like me. I am not supposed to admit that I have those biases, but I can assure you that they are very common. I have them and most small businesses have them. The more you try to protect specific groups or provide specific support for individuals, the more you will create gentle biases in employers to their employment. I think that is what has happened in many cases in our business.

**Mr Gaffney**—There are a couple of things I will need to pick up on, because the topic is changing. On the technology front, communication wise, out of the 11,000 housing members we have in this state 60 per cent are now on email. That situation did not exist a couple of years ago. We are actually able to communicate with people a lot better than we used to be able to. This is where associations—and I happen to work for one—can be valuable to government to get the message out. We can get it out very rapidly and very cost effectively compared to our old mechanisms of mail, newsletters and whatever else.

I am happy to hear that other people have not had tax audits. The housing sector in this state has been thumped terribly by tax audits. They have slowed big businesses down to small businesses for weeks of down time to do full audits. But to date everyone who has confided in me as a result of their tax audit has had little or no pain out of the process and come out relatively unscathed. That gives us some confidence as to how some of our businesses operate.

Codes of conduct are interesting things. We run professional codes of conduct and all sorts of other codes of conduct that builders need to operate under, but the insurance world—and no-one has talked much about insurance yet today, and it is really a big issue—has put an artificial code of conduct on home builders by virtue of looking at their capacity to operate as businesses. Unless you really have significant balance sheet strength, you do not get an allowance to build

houses in this state or in this country. So the insurance world is taking a vital interest in us—probably different to that taken in a lot of other businesses around the table. The housing sector has been singled out in that sense.

**CHAIR**—I think Mrs Abruzzi is about to leave. Thank you very much for your participation. Could I just ask you to keep us up to date on the outcomes of the discussion you are having on 8 August, particularly regarding maternity leave, because it may well be helpful in terms of our final report, which is due in about November.

**Mrs Abruzzi**—Absolutely. Also, one of the big things we are doing through our organisation at the moment is holding forums once a month. Within those forums the businesswomen get together and they discuss all the issues related to business, all sharing each other's experiences. We are finding that extremely helpful, because we have all the wise ones and the young ones coming up. They have been absolutely inundated. I think we need to develop that sort of thing too.

**CHAIR**—That is a bit of a mentoring scheme then?

**Mrs Abruzzi**—It is.

**Mr Gaffney**—The last point I want to make—and I do not think we really picked it up from point 3 of your original terms of reference—is about the pace and cost of change that is happening across every sector. For the housing industry in this state, there are probably five big things on foot at this point in time. Occupational health and safety is probably number one. We have just signed a contract today to train 6,500 people for one member, and we have 11,000 members, so our job is going to be occ health and safety for the next couple of years. Insurance is a nightmare for small business. At this point a lot of my business members cannot get insurance in a number of fields. There is significant federal legislation and state legislation that has to be changed in a big hurry—

**Senator BARNETT**—What type of insurance are you talking about: public liability or professional indemnity?

**Mr Gaffney**—Both in our sector, and constructional risks and warranty, which I touched on, are a problem for some people. It is problematic across all those major sectors. It is not difficult getting protection for your tools, your trucks and all those sorts of things—they seem to be okay—but the insurance world has got very nervous about PI and public liability. Urgent reform is needed or the insurers have made us very aware that they are going to walk away from this country. So there is occ health and safety and insurance. Environment standards are changing too quickly for us to keep up with. They manifest themselves in terms of new energy standards for new homes. They are going to make houses a lot less affordable than they are now; they will be much more expensive. We heard some good things from Mrs Abruzzi about local government. The housing sector's interface with local government is less than pleasant. Local government are really hopeless in this state, and everything they do is a nightmare. It takes a long time to get things such as planning permits, building approvals and any sort of information you want out of a local government.

It has even got to the point now where it has manifested itself in there being a power in this state for local government to make its own local laws, and they are called local laws. When I was in local government it used to be a tortuous path—it took a couple of years—to make a by-law. Nowadays local governments can make a local law in about a fortnight and they can impose legislation—in a fairly undemocratic process, in our view; there is no regulatory impact statement process—that sometimes applies \$2,000 or \$3,000 to a site that will be built upon. This is rampant at the moment and it is not uniform. It is that pace and cost of change to industry that I think is driving the big businesses to get bigger and the small businesses to either shut or specialise.

**Mr Russell**—I want to refer to the unfair dismissal issue. Earlier I referred to a document which was submitted by the ACC industrial relations manager, Leyla Yilmaz, to the committee when it was inquiring into the package of workplace relation amendment bills, earlier this year. I would ask that you go back and look at that document in relation to this current inquiry. It does not prescribe the number of employees that a small business should have to be exempted from the unfair dismissal laws, because we do not agree with that. Our proposition in this document is that there are various processes in the unfair dismissal procedure which are the problem and which create the fears for small business. It is the process that is wrong and needs attention. It is not correct to say that small business should have the ability to unfairly dismiss as against a big business not being able to do it. Everybody should be treated equally in this respect.

The processes are well documented by, in this case, Leyla, who is a practitioner in the area and really knows how the system works. She has shown and documented what the problems are. In terms of a handbrake on small business, I agree with the other speakers: yes, it does create fear and frustration in the minds of small business operators when they come into contact with, or hear the stories about, the procedures in the Industrial Relations Commission that are so difficult to get through. Sometimes they are there for no good reason, anyway. It has almost become part of the culture of small business people that they will not think about employing or expanding because this issue is always being thrown at them. It is frustrating. It is something which somehow needs to be overcome. Somehow the message needs to change so that small businesses are encouraged to go out there and employ people without having that hanging over their heads.

**Senator MURRAY**—I will intercede there because it is important to convey some information to you. As you know—but many people do not, and it does not apply in Victoria—most unfair dismissal law is state law, not federal law. State unfair dismissal laws are in fact universally far worse, from a business perspective. In August or September last year there were major changes to process, which most small business people are not aware of. There is another bill before the parliament that I am certain will advance process reform even more—on which your VACC submission made quite an impact. So whilst there is no light at the end of the tunnel in terms of exemptions, there certainly is in terms of process.

**Mr Russell**—I am not advocating exemptions.

**Senator MURRAY**—But that issue is being addressed.

**Mr Russell**—That is good news. I was aware that there had been some activity, but somehow the message needs to be got across to the business community that changes have been made.



**Senator MURRAY**—Yes.

**Mr Russell**—I agree with you; I do not think they are even aware of the first set of changes let alone the ones that may be coming up.

**Mr Giles**—On the matter of maternity leave, we as an association have come out and supported the maternity leave proposal of the Democrats, which is a scheme paid for by the government. I am not too sure, but I think we are falling for the classic slippery slope situation here; that we are actually debating the issue as an industrial relations issue. Really, it should be retained—to me and to our industry, anyway—in the realm of a social issue. It should not be a matter of whether or not business should be involved in it; it should be a matter of whether or not the community of Australia is prepared to pay for it.

**Senator MURRAY**—That is right.

**Mr Giles**—I am just a little concerned that this debate constantly gets back to being a work related issue. It has a work related impact obviously, but I do not think it is fair to argue it from an industrial relations position. We support women being supported in having babies; it is obviously a wonderful thing to do, and it is something that our society should look favourably towards, but it is not something we should look to business, particularly small business, to make a contribution towards.

**CHAIR**—Setting aside the contribution issue and who funds it, whether it is business or government or whomever, how do you address the issues raised by Mr Gilmour of disruption and replacement and so forth?

**Mr Giles**—I think they will be overcome. If you look at other countries where they have this, I do not think those issues actually become an issue. We are small business people and we are very nervous. We are frightened, worried and concerned about things like this. But I think if the debate—

**CHAIR**—I think it will certainly not become an issue for bigger business because they have the capacity to cope more readily with it.

**Mr Giles**—Absolutely.

**CHAIR**—But if you have two or three employees, it may well be an issue if it is a key employee.

**Mr Giles**—We operate in some isolation and without a lot of help. But I think if the debate became a social debate, which it really is, small business would retreat very quickly from the fear that is being generated at the moment.

**Mrs Murdoch**—Before our debate ends on that subject, one of the things I often ask is, ‘How can you help small business?’ I have been through a lot of this with the dominance of the two big chains of our industry. You can help small business by giving them a hand instead of letting the big business take over.

**Senator MURRAY**—That is right.

**Mrs Murdoch**—I have been through a Senate committee hearing before on this, and nothing has changed. We now have two instead of three dominating our industry. Lately we have lost one of our wholesalers, AIW, which was an arm of Woolworths. Whilst I am all in favour of that because I do not think that the chain should have anything to do with the independents anyway, I am not in favour of paring us down to one supplier. Whilst our supplier is Metcash—and I have absolutely nothing against them because I think they have been great for our industry and have helped to move it ahead—I think we are in a dangerous situation: now we have one supplier. Seventy per cent is controlled by two companies, and the other one is controlled by one supplier. I think that is something that really should be looked at.

**CHAIR**—That is really a competition issue.

**Mrs Murdoch**—It is a competition issue. But what value is your business if you know that somebody else that is bigger wants to buy you out? I think that question was put to me at the inquiry and I was a bit stunned then but, when I looked at it, if there is only one buyer, they can name their price; you cannot.

**CHAIR**—As I said, the same issue was raised with us in Albany, I think. The concern there was about the big players like Coles and Woolworths actually coming in and operating at a loss until they squeeze all the smaller players out of the market.

**Mrs Murdoch**—And it is not just the smaller supermarkets; it is the smaller retail milk bars.

**CHAIR**—The corner stores.

**Mrs Murdoch**—There is a flow-on effect to the farming community with the supply of milk and pork—all of those things—or anybody that is supplying the control over the sale yards. Because if they are too big and do not turn up to a sale, it pretty much limits who is going to buy the stock. So I think it is probably one of the bigger issues at the moment, particularly in the retail industry.

**Senator MURRAY**—And they want to get their hands on the newsagents, the retailers—

**Mrs Murdoch**—The chemists.

**Senator MURRAY**—and the pharmacists as well. Then they will all be wrapped up.

**Mrs Murdoch**—And no other country does it.

**Mr Russell**—They already had their hands on the petrol retailing industry. Woolworths are now saying that they are actually capable of making money from petrol, which they had not really declared before. We thought their initial foray into this field was for the purpose of a lost leader, but they have declared that they are making money; they are expanding. The landscape for small businesses in petrol retailing and retail motor is that there are fewer of them around.

They have been soaked up by the larger players, whether it be oil companies or Woolworths or others entering the market.

So, in terms of employment and all the rest that goes with it in small business, you do not have small businesses in this respect anymore. You have a decreasing number of them. We will stick with the example of Woolworths, for the moment. You have Woolworths employing people to sell petrol in a different sort of fashion than people have been employed in the past, and that has meant, in Victoria, hundreds and hundreds of small business service station franchisees or independent owners leaving the market over the last three or four years.

**CHAIR**—I think Mr Wright wanted to say something.

**Mr Wright**—I just wanted to touch on a brief point about competition and insurance. In professional consulting and professional services, big companies insist that you have PI—professional indemnity insurance. The cost of that has skyrocketed. Smaller businesses are therefore being prohibited from competing, so smaller consultancies are being prohibited from competing with the bigger consultancies that can afford the PI. So that is a real competition issue that is knocking people out of the marketplace and that has to be looked at in some shape or form.

**Senator BARNETT**—On that issue: there is a review of the Trade Practices Act, called the Dawson inquiry, which has been set up. Your peak body, the National Association of Retail Grocers of Australia, and the Motor Traders Association have put in excellent submissions. Senator Murray has put in a good submission, as have others. They are all there on the Web and certainly I would be encouraging small business organisations to be putting in submissions to protect your interests, because the other major chains and the big boys will be putting in their submissions. I draw that to your attention and encourage you to make representations to protect your position. It is regarding the competition aspects of the Trade Practices Act, part IV, and, for example, section 46, Misuse of market power. I draw that to your attention.

**Mrs Murdoch**—Can I just say, though, that we get very cynical. We have already had one inquiry, and I think we got zilch, basically, out of it, because things have got worse. So what we really need is not a lot of talk. You could refer back to the last inquiry and it is probably all there.

**Senator BARNETT**—Sure, but the point is: what will happen if you do not have input? That is the point that I make.

**Mrs Murdoch**—I quite agree, but there is one thing that wears small business people down. There is the occasional crazy person like me who believes passionately in it.

**Senator BARNETT**—I totally understand.

**Mrs Murdoch**—But the majority of small business people just throw up their hands and say, 'It's just too hard. We will either go out backwards or we will find a niche.' That is the part that gets to you. Inquiry after inquiry does not help unless there is action to follow.

**Mr Evans**—I think the point that Mr Gaffney made was quite a relevant one; that is, that there is a role that associations can play in partnership with the government. Maybe there is a

linkage there that the committee might want to consider on how best to do that. We would say, 'Give us some funding and we'll do whatever you want us to do.'

**CHAIR**—We would expect you to say that!

**Mr Evans**—But PI is an issue. As an industry group, our members can take out the broad cover, but unfortunately we cannot do that at the moment under the current arrangements. But the area we want to push is that the definition of small business needs to be more defined. Small business can be 200 employees—that is in no way a small business. Education is another area where we think we can work in partnership with policy makers, and it is one area that we keep pushing.

**CHAIR**—It has been put to us by other submitters that there is a need to look at segregating this sector a bit more in terms of making the distinction between microbusiness and small business; businesses that want to grow and employ and those that do not want to operate. Those are all issues that are on the table, which we will take into consideration.

**Mr Russell**—They are things that can be worked out in a small business; it is quite a lot of work. Even if you are employing fewer than, say, five—which a lot of our members do, but you may also be a member of the ACC and employ 200—one of the common factors is that the actual asset of the capital that is used to start that business and grow that business comes out of the pocket of the person who is running the business. The structure is usually privately held—often in the form of the involvement of a family, but it may be sold on at some stage. The bottom line is whether the person who is making the decisions is going to either profit or, alternatively, lose by their own decisions in that business. So I think even an employer who may have a couple of hundred employees is still a small business by other measures and definitions. Certainly they are not a publicly listed company; they are not Coles Myer. I do not think you should restrict yourself to thinking that they are all under 10 or under 20. I do not think the numbers really mean that much. It is the attitude of the people running the business, and the attitude is generally the same, whether five people or up to 200 people are employed.

**Mr Roberts**—This might sound like a paid commercial, but I would like to pull a couple of things together. It came from what Alan Giles said about maybe the government benchmarking from figures it is now accumulating. The fact of it is that governments of all levels have a fantastic resource in the associations that look after this segment because we have been doing benchmarking of this sort for years. As Alan said, if any of us were thinking of buying a pub, if we did not know Alan, we would be thinking that we would talk to our accountant and our solicitor. Frankly, most solicitors know nothing about the pub industry and they know nothing about our industry, nor do most accountants. You would be mad to talk to them. If I were buying a pub, the first person I would speak to would be Alan. Each of our associations in its way has built up that expertise over many years. Just as Alan can look at the figures and the prospects of any of those businesses and instantly tell whether they are telling fibs or not and whether they are goers or not, so could Peter in his industry, so could Jennifer Flanagan, so could I and others.

That is why I hark back to the good old days, the glory days, of the Small Business Development Corporation in Victoria. They were very proactive in pushing new entrants into small business along to organisations like ours. It was not a direct funding into our organisations

but it gave us that flow of people. Unfortunately—and this is partly what Douglas said too—our greatest regret in our association is that, even though we might have 1,000 or 2,000 members at any one time, the vast majority join us after they have committed themselves to get into the business. Too often, very frequently the first call we get is a distress call and it is already too late to help them.

We simply do not have the funding or the money to promote ourselves consistently at large. That is where governments can step in. Rather than introduce new education schemes and open up the doors for these education companies, which seem to spring up like mushrooms in the first rainfall when there is funding about, you already have a fantastic resource in these associations that know it. We have all been in these businesses, and we know what makes them work. That might sound like a paid advertisement for us, but we really can help one of these small business people.

We are also giving them advice straight from the shoulder. We are not selling businesses, we are not pushing businesses; we just want to see these people get a fair chance of survival. We are genuinely there for their good, not just to promote our own agendas. So, if anything else comes out of this, if all of the governments of all persuasions could just remember that and internally direct people to associations like ours, we can help and we will.

**CHAIR**—Thank you for that, Mr Roberts. That point was well made and is well taken. On behalf of the committee, I thank all of you for giving up your time and coming along to make a contribution. I think it has been extremely valuable, as indeed have the other roundtable discussions that we have conducted so far. Hopefully we will come out with a constructive report.

**Committee adjourned at 3.35 p.m.**