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# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Small business employment**

WEDNESDAY, 14 AUGUST 2002

SYDNEY

BY AUTHORITY OF THE SENATE

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

**Wednesday, 14 August 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 Cherry for Senator Stott Despoja

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

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

**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**

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**Committee met at 3.06 p.m.**

**CHAIR**—I declare open this public hearing of the Senate Employment, Workplace Relations and Education References Committee. As part of this inquiry into small business regulation and employment issues, the committee is conducting a series of roundtable meetings with small business people, representatives of small business association or interest groups and, in this case, mentors and advisers. 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 the committee to obtain information and advice from those who do not wish to make a formal submission but nevertheless have an important contribution to make. 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. We are interested in developing a better understanding of the current government programs and approaches to assisting small business, particularly in the areas of business skills or management training. We want to learn more about what is currently being done, what works well and what needs to be changed or improved. This will assist us in reporting to the Senate on additional measures that the Commonwealth and perhaps the states could implement to assist small business to achieve its potential.

I should mention that, although these roundtable discussions are meant to be informal, we are bound to observe one important rule of the Senate in regard to privilege. This discussion is privileged and you are protected from legal proceedings in regard to what you may say. Hansard will produce a verbatim transcript of evidence which will be provided to participants and available also on the committee's Internet site as official documentation of the committee's proceedings. This recording is not intended to inhibit informal discussion and we can go into 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 our 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 would like. I shall start proceedings by asking you to introduce yourselves. Following the introductions, I will have a couple of questions to initiate our discussion.

[3.09 p.m.]

**BAINBRIDGE, Mr David Ross, Volunteer Business Facilitator, Business Buddies Committee Member and Coordinating Adviser for Young Achievement Group, Business Buddies**

**BAUMGARTEN, Mr David, Centre Director, Eastern Suburbs Business Enterprise Centre; and Chief Executive Officer, Business Buddies**

**PETERS, Mr Kit, Representative, Business Buddies**

**TAYLOR, Mr Robin Geoffrey, Representative, Business Buddies**

**GOODWIN, Mr Paul Geoffrey, Chief Executive Officer, GROW Employment Council Inc.**

**HAILEY, Ms Linda Maree, Director, Hailey Enterprises Pty Ltd**

**LOEWENTHAL, Ms Clare, Publishing Director, Loyalty Australasia**

**SMALL, Mr David Steven, Director, Symonds and Associates Pty Ltd**

**CHAIR**—Welcome. Do you have any comments to make about the organisation you represent or the capacity in which you appear?

**Mr Taylor**—Business Buddies is a volunteer group which offers its services free to businesses that have just started up and are in need of specific help on specific issues.

**Ms Hailey**—I am a self-employed small business marketing consultant, author and presenter on small business issues.

**Ms Loewenthal**—I publish the *Dynamic Small Business* magazine and *Nothing ventured, nothing gained: venture capital explained*. I have published a magazine for the Department of State and Regional Development and I also publish *Hands on Retail*.

**Mr Small**—I run a small business called Company Planners and am a practising tax accountant.

**CHAIR**—I open proceedings by saying that in the roundtable discussions we have had so far we posed a number of questions to participants. The first question asked was to what extent the participants had any skills or training for managing businesses, as opposed to the specific skills they might have that are related to running the business. In addressing that issue I would also like to hear your views on, or what knowledge you have of, the training package for small business, which was developed by the industry training board, I think, in 2001 and distributed to

all relevant agencies. I would like to know whether you think that is useful, what sort of play it gets with small business, and what the response has been from small business to that package.

The second key question asked was to what extent the combination of state, federal and local government regulations are a real impediment to businesses being able to grow as opposed to a perceived impediment to that growth—and whether or not participants thought that what the federal government is doing to address and cut red tape is adequate and meeting the challenge in that area. Those are a couple of issues to get proceedings under way. I will throw it open now to whoever wants to open the batting. Do not be constrained by those two questions; if there is any issue you wish to raise, then raise it.

**Mr Baumgarten**—I will talk about the business services training package. We are a registered training organisation as well as a business enterprise centre. We have just gone through the preparation for our reaccreditation, which is absolutely horrendous; it totally exhausted me and my organisation. The resources that are required for a small RTO to have to go through that process are horrendous. We actually had to get an independent consultant to come and do it.

**Senator BARNETT**—Is this accreditation to be a trainer?

**Mr Baumgarten**—Accreditation to be a registered training organisation. Because we are now moving towards the use of training packages as opposed to delivering certificates, we have to reskill ourselves with regard to the delivery of these programs. What it all boils down to is that we are delivering competency based training. In the old days you provided training where people used to come into a room, spend a certain period there, get a certificate and off they would go. Under the competency based training, it is fine for someone to come and do the training, but before they are awarded a certificate you have got to make sure that they know how to apply it in their business and the impact it is going to have.

The way the business services training package has been put together allows us, as a registered training organisation, greater flexibility in our delivery so we can meet the needs of small businesses out there. Before we used to deliver a whole certificate—which probably would have been over 200 hours during 15 weeks or six weeks straight—whereas now, under the business services training package, I can put together particular modules from what is on offer and deliver them to the needs of the small business person. I can take a few modules from here and a couple from there. The focus might be on retail, so it allows me greater flexibility to do that.

This method of training also allows an opportunity to start bundling up training—which is an area that we are moving into—with complementary things that we do, such as putting together a day seminar with some other training and then bundling it up into the needs of small business. As part of the process that we went through as a training organisation, as far as small business is concerned, we did a survey of 200 businesses and we were able to ascertain what their needs were. They do not like the word ‘training’; they like the word ‘workshops’. They—along with their staff—would be prepared to spend two hours a week on training. They told us the actual times when they would like to do the training and, more importantly, what they were looking for.

By having all that information, I can now put together some training to suit their needs. I am sure someone somewhere thought that this was a good idea and put a lot of bureaucracy into it, which says: let's make it a little hard. I have manuals on anything you could possibly wish for. I have a manual on opening a door under this business services training package. But having said that, I suppose it has lifted the bar to deliver that quality training out there. Obviously there were organisations out there just delivering training to small business people who came along, and it was not truly effective. With this training package we have that reinforcement back into the small business sector.

**CHAIR**—To what extent are these programs or modules aimed at general business skills—such as business planning, handling cash flow management and those types of issues—as opposed to specific skills? You commented about training on opening a door. I talked to some of the training people in Perth and they told me that there was a seven-hour module for the cleaning industry on how to empty a bin. My mind boggles as to how you can take seven hours to work out how to empty a bin. Maybe there is a logic to it that we do not really understand. I know you get those sorts of weird examples in other training proposals as well, but we are concerned about the extent to which those specific managerial skills are available. There is obviously a crying need for them across the small business community, though not too many small businesses we spoke to were able to say to us that they had done specific training in this area. The cleaner we talked to in Perth, for example, had been accredited as a registered training organisation and he had done those courses. But he finally admitted to us that he had never done any training in terms of how he ought to run his business. I suppose there is not a quid in doing that training, but there is in becoming a registered training organisation, so to speak.

**Mr Baumgarten**—We are a business organisation, and our sole mission in life is to empower people with skills to run a small business. Our clients are micro small business. You may ask me what a microbusiness is—and I have had this discussion in the past. There is a segment out there on microbusinesses that have a distinct need, as opposed to small businesses. The small business packages that we deliver are business such as cash flow business planning, time management, marketing, marketing and research, negotiation skills and the legal side of small business—it is the whole gamut. As an organisation, it is totally focused on small business.

I have on my scope—which is like my car registration as a training organisation—only courses that relate to my target market. I listen to my market. I am continually surveying and talking to them—again, across all the services we provide—to find out what their needs are. There are distinct needs. You do have the new start business. What is a new start? People say that that is under six months; others say it is under two years. Different programs cater for different new starts. They have a different set of needs and a different set of small business requirements, as opposed to businesses that have been going for two or three years and beyond.

In actual fact, I think one of the most exciting things about the small business training package for me, being in a training organisation as well as a business enterprise centre, is that I can actually deliver to the level and I can add value all the way through. I can actually go out and deliver this business services training package. As long as I am meeting the competencies and outcomes, I can basically add value all the way through to the need of the specific client. If they are a new start business, they only want entry level training; they are not interested in the more advanced management side of it, whereas people who have actually done the training are now coming back to me and saying: 'That was great as a starter. But now I've been going for



two years, I want more training. When I started my business, I really didn't quite understand. I did the training; I got myself empowered. But I'm at the stage now where I need to take on staff. Can you deliver some training in regard to the employment work practices and all that?' I have that scope now with my car registration. As a training organisation, I can actually bring that in and add value through to it.

**CHAIR**—We might just pause there for a moment to welcome Mr Peters and ask him to introduce himself.

**Mr Peters**—Good afternoon. I apologise for arriving late and bleeding. I had a strange accident on the way in. I got a piece of dust in my eye and, while trying to get it out, I stumbled into a door and cut my head.

**CHAIR**—I have used that excuse a few times, too.

**Mr Peters**—There is the blood to prove it. I am a business buddy; I am also a business coach by profession. That is what I do: I look after small businesses. I have been with Business Buddies for two years or so. I have been with Women in Business now for three years as a voluntary mentor. I started my own first business when I was 19 years old, and I have run businesses since then. I find this fascinating and interesting—the challenges facing the government wanting to actually promote employment. The core of this is to promote employment. What has been done in this country, both with the New South Wales government and with the federal government, is incredible. I am not a Pom actually, but I spent a long time there and I can tell you that things are a lot better here than what I saw there in ways of assisting small businesses. I am here to help and support, and I do have some ideas which maybe you will get to later.

**CHAIR**—Yes. Thank you.

**Ms Hailey**—I was going to say that there is a perception in the marketplace from established businesses, which I would classify from that two- to four-year period, that training is for start-up. There is a very strong feeling that, once you get to a certain stage, most of the training that is available is really more applicable to start-up businesses. Established businesses see their needs completely differently. They do not want to sit in the room with start-ups. They want higher level training and they want training that is specific to their particular situation, whether that be industry specific or time line specific.

**Mr Small**—I have been in business for 18 years. I would agree with Linda. Whilst coming into business at the age of 26, I had done some degree courses. Back then, of course, a lot of these training courses were not available. Through time—I hope successfully—I have run two small businesses, which are still going today. My needs obviously are different to those of start-up businesses. I attend lots of courses on specific topics purely for knowledge, because things have changed so dramatically. I am not sure what everybody needs to do, but in our industry they say that you need to do a minimum of 20 hours training just to keep on board with your professional development.

A lot of people baulk at the costs. I know that ESBE's courses—not that I have attended any of their training courses, but I certainly have been to some of their workshops, as David calls

them, over time—are reasonably priced. I get a lot of literature over my desk, and some of these courses are \$500 or \$600. A lot of small businesses are not prepared to pay that. I actually went to one course on Monday with one of my staff, and the cost for each of us was \$180 excluding GST. That was a three-hour course, and I thought that was good value.

So I think it also depends on who is promoting the course. Part of my knowledge in what I do as an accountant overseeing a lot of businesses is that I see, going to some of these seminars, how much money some of these trainers actually make by filling a hall with a thousand people and charging \$200 a head. It is very easy to work out that they are coming out with a huge amount of money. But I think that all small businesses need to put some time into training, and the most important thing is for the trainers out there to keep the cost at a fair and reasonable price.

**Ms Loewenthal**—Anecdotal information that I get back from my readers is that it is not just the cost factor, it is actually time—especially for a microbusiness. If they are taking two or three days out of their business, they have to replace themselves and often that is not easy. So I do not think it is always just the dollar value; it is how convenient that workshop or training period is and how they can get the time away out of their own business.

**CHAIR**—I will follow that up by addressing a question to anyone around the table. Do you think that people who are providing the training are responsive to that and understand that? Are they running the courses at times that really are suitable for small business and microbusiness people to get to those courses?

**Mr Small**—I can speak for myself. Some courses that I have gone to actually started at seven o'clock at night. If you are in small business, it is not a nine to five job. A lot of people will not put in the time. I think it really depends on the small business, but they have to be there because they are running their business and they need to be better trained. If they are not prepared to put in the time outside of nine to five or 8.30 to 5.30 or six o'clock, then they should not be in small business. I quite often go to seminars at seven at night and study at 7.30 in the morning—that is me doing it. But there are a lot of business owners that have family commitments, which is understandable, or they just say, 'I can't get to those things.' There are a lot of trainers that do ask you: what are the suitable times? They do encourage you to fill in surveys so that they can plan sessions to fit around what their people want.

**Mr Bainbridge**—This is not quite on that particular topic but it follows on from the comments made before. Apart from not having the time, a lot of small business operators are really not so much interested in training as in information. Training is one way of providing information, but within Business Buddies we have been looking at other possibilities. There is a lot of information out there—a lot of government departments produce information on particular aspects of business and a lot of other organisations do the same. I have used the following analogy in talking within ESBE about how we should plan this. It is almost like the analogy used by a lot of cognitive scientists: there are a lot of leaves out there and there is a lot of information, but there are not the branches and the trunks to actually pull all that information into a usable format. So small business people go to the BECs and other places where they can get information, and they have a huge amount of documentation and all sorts of other authoritative information—

**Senator BARNETT**—What sort of information are you talking about—regulations?

**Mr Bainbridge**—It could be on regulations or it could be on particular aspects of business. David Baumgarten would be able to give more information on the particular government departments. Information specific to the start-up of a new business is available. The information is not just about regulations but about general business requirements—the kinds of requirements for adequate financing, control of funds and all of these things that you need to do as a small business operator. These things are not part of a certificate course; they are just background information which all businesses need to have access to but it is very difficult for them to source that in a coordinated way. I have been talking with David Baumgarten about the possibility of having online facilities for people to access. Through a series of checklists, we could work out whether they need a bit of facilitation through Business Buddies or whether we could put them in touch with particular pieces of information for whatever area they identify as a weakness or an area lacking in their business.

**Ms Hailey**—I have a very short point on timing. As a presenter, it does not matter whether I present for Westfield or a small town in the middle of New South Wales; most of the organisers take a lot of time and effort to make sure that the timing is appropriate to their community. However, there is another factor, which is the hierarchy of importance. It may be scheduled for five o'clock because that is what everybody wanted, but, if they have a crisis, a staff member is sick or something happens, training is fairly low down the hierarchy of immediacy. Training is the thing that tends to fall by the wayside, unfortunately.

**Mr Taylor**—I think there is another dimension involved in this, other than time and money, and that is the matter of attitude. A lot of small businesses go into small business because they are fiercely independent and very confident in their own abilities. They see taking training as maybe a little bit of a failure; they think they know it all. It is not just a matter of time and those sorts of issues; you need to change their attitudes to some degree as to the fact that they do need training and they do not know everything that they need to run their own businesses.

**CHAIR**—On that issue, how do small business people respond to the Business Buddies type program? Presumably, they would see that as a bit of a failure, too, if they thought they required your assistance to help them through the process.

**Mr Taylor**—The ones who come to us are already over the hump of having that attitude.

**Senator CONROY**—They are in trouble already.

**Mr Baumgarten**—This program has come out of the Eastern Suburbs Business Enterprise Centre. We obtained funding from the federal government to test it. We have positioned Business Buddies to pick up issues that are happening in businesses as opposed to mentoring. We acknowledge the needs of businesses. They want help now, they want help with a particular issue and they want to be able to sit down with someone that can take them through a thought process outside the square. Their response to that positioning in the market has been overwhelming. In fact, our current hub of buddies are 55 in number and, at any one time, we are assisting around 40 businesses on a face-to-face basis and around 25 businesses via email. That is in Queensland and regional New South Wales. That is where we are positioned. Again, acknowledging time is a big issue. They want the information; they do not know where to get

the information; and they would like someone to take them outside the square and go through the process of understanding how they can apply this information in their business.

**Senator CONROY**—Apart from word of mouth, how do they find out about you?

**Mr Baumgarten**—That is the big issue with Buddies at the moment. You have to log on to Buddies through a webpage. We have positioned it on the IT side, and there is word of mouth. That is our positioning out there. We have some very strong strategic alliances with small business magazines, with the now defunct *Small Business Show* on Channel Nine, and with the Yellow Pages. We have positioned it into other organisations that are moving into that sector. With regard to training, if you mentioned the word ‘training’ to small business, you do not have them onsite, but if you basically talk to them about upskilling, workshops, best practice, how I can help you, they are more than receptive to it. Yes, timing is a huge issue.

Microbusinesses are out there—‘I’ve got to serve the client. I’ve got to get the work done. I’ve got to quote on a contract.’ As a business enterprise centre, we know from our research when they will do training or upskilling. They want it in the evening and they want it at weekends. They tell us that they need best practice. It is back to those old chestnuts: marketing, business planning, time management. For small business over the last few years, there has been the GST—which has had a huge effect on how people think—email, IT and electronics. These things have paced it so much faster. Time is a huge issue. If they can get that information fast when they need it, either through Buddies or by coming into a business enterprise centre, that is what they want. Listening to the comments, we provide best practice: best practice in accounting, best practice in business planning, and in hiring and firing people. They ask, ‘I’ve got to take on someone. How do I do it?’ We say, ‘This is the web site you need to go to. This is the information.’

**Mr Goodwin**—Just to support what David has been saying: we run projects around Sydney where I suppose we are a catalyst to bring local, state and federal governments and the Business Enterprise Centre experts—the BECEs—together to essentially achieve projects. An example I would give is home based business. In Baulkham Hills and Blacktown we assembled 50-odd home based businesses. A survey was done to find out which of those had the best chance of growing and developing. They were provided training in upskilling, but one of the main benefits they had at the end of the program was the network they had formed. Those people were able to share experiences. When they were having a similar experience with a difficult employee or some specific situation, there was this network and the capacity to share a problem and be able to relate to each other. That network has kept going. That is one of the major benefits they see apart from the training component. That seems to be what small business needs—a network of support, if you like, to assist them.

**Senator BARNETT**—Was that a one-off or are you doing more of that?

**Mr Goodwin**—As an example, the Regional Assistance Program allows what are essentially one-off projects. Then, having proved the pilot, you demonstrate how they could be taken up in other areas. One of the issues that I would like to raise concerns area consultative committees, of which there are 56 around Australia. A metropolitan or a regional centre may have a good small business program and they should be encouraged to transfer that program to—you could almost argue—all of the ACCs where it demonstrates appropriate outcomes.

Our mantle at the present time is employment outcomes, although there has been a change of charter; we have changed departmental responsibilities to the Department of Transport and Regional Services. But at the moment employment outcomes are our primary focus. If there is a project which helps small business and gets employment outcomes, then it should be transferable. Having said that, the Baulkham Hills, Blacktown home based business example is currently being proposed by the Hawkesbury Council. So there are examples of people taking up a pilot project and transferring it with modifications.

**Mr Baumgarten**—Business Buddies was one of those pilot programs. We got the funding through GROW. We have a program that works. It hits the target market. Our frustration is to get it out there and to get someone in Canberra to listen to us: ‘Hey. The model works. Everything is fine with it. We have road tested it. We have continuously improved on it.’ We are at the stage where we are doing it anyway and getting it out to a wider field.

**CHAIR**—Have you talked to the Office of Small Business?

**Mr Baumgarten**—Yes.

**CHAIR**—What has been the response?

**Mr Baumgarten**—I do not think they really understand what Buddies is about. They actually came up, saw us and spoke to us about whether it was worth looking at taking it out there. Trying to really sit down with someone and go through it is a difficulty.

**Senator BARNETT**—You mentioned that you are funded through GROW. Are you sponsored as well?

**Mr Baumgarten**—Yes. The initial seed funding came partly from GROW and also from contributions from our local community.

**Senator BARNETT**—What is your ongoing funding?

**Mr Baumgarten**—We are funding it ourselves.

**Senator BARNETT**—Who is we?

**Mr Baumgarten**—The Business Enterprise Centre. For the last 18 months we have had no federal or state funding for it. We are doing it through the good efforts of the volunteers—the business buddies—who are quite happy to go out there and share their knowledge and skills to help that sector.

**Senator BARNETT**—Do you link in with other mentor resources organisations? In Tasmania we have Mentor Resources of Tasmania, and there are other groups around the country. Do you link in with them?

**Mr Baumgarten**—There are other mentoring programs out there: we actually deliver the Women in Business mentor program for the state government in the eastern suburbs and in

Mosman. We have positioned Business Buddies to cross boundaries and state borders so that we can, as we have demonstrated, take the expertise that is in Sydney and apply it to a business in, say, Brisbane, or we can use the expertise to help a winery in the Hunter, which we are doing at the moment. Because we deal with issue based, quick information, as opposed to mentoring long term, we see Business Buddies as feeding in to other mentoring programs out there and, as I said, not being anchored in a state or with a state government but rather right across. That is where we have positioned it.

**Mr Bainbridge**—I have been involved with David Baumgarten and a number of others in a committee looking at the structure and the code of conduct and so on of Business Buddies, and revising it. The way I see it, Business Buddies started off with a lot of people thinking of it as a business advisory, business mentoring type of organisation, but we have gradually ground it down to the stage where it cannot be that; it has to be something else. We have described it as a facilitating organisation, where we act as a sounding board for the business owner's own ideas. We provide someone with experience to bounce ideas backwards and forwards. The person who defines the issues and comes up with the solutions is the business owner, but we facilitate that. All business buddies have to do a facilitation training program, and that describes what Business Buddies does. As David said, it is issues based and fairly limited, both by the types of the issues that it discusses and by the time. We try to define the time as no more than three months and, if there are things that are still ongoing after that, maybe people go onto a mentoring program.

I want to get back to this idea of developing some kind of database, some kind of web based resource which people can log into, browse around in and gain a lot of information from. It will provide streams where people can go in and start to define what their issues are. A lot of companies, a lot of small businesses, have not done training and they do not know what the issues for small business are. If there are a number of questions that they can go through in a questionnaire and start to define for themselves what they should be looking at, then there could be the facility for them to be able to get in touch with Business Buddies if they think they need some external help. Or maybe Business Buddies might look at it and say: 'You do not need us; you need a mentoring arrangement.' It seems to me that a core resource which is really lacking at the moment is this online resource that provides the stream, if you like, to put people in touch with all of the other facilities.

**Senator BARNETT**—Does everybody agree with that? I am interested in whether that is a consistent view across the board, because you have a business licence information service. There are various portals that you can go to, but I take the point that you want it all in the one.

**Mr Peters**—There is a commercial version that is already available at quite a low cost: the Entrepreneur Business Centre, which is based in Perth. It is very good. You do have to pay a fee, but it is not very high and you have an incredible amount of information that is very well organised.

**CHAIR**—Is this run through the Small Business Development Corporation?

**Mr Peters**—No, it is owned by CCH. One of the accounting gentlemen down there will know CCH very well.

**Mr Bainbridge**—Yes.

**Mr Peters**—They are a Dutch information company. EBC was developed in Perth by a Perth entrepreneur.

**Senator BARNETT**—Do you know the web site name?

**Mr Peters**—It is ebc.com.au. They are on our team for MAUS, which was once an Australian owned software company. Unfortunately it is no longer Australian owned; it is owned by CCH. They really are very good, I have to say. That is not to say that we would not benefit by having a free portal available to small businesses. The availability of information on the Internet at the moment for anybody with not a lot of skill and just a bit of experience is incredible. They hardly want for anything. Government departments supply extraordinary and very helpful information. Try IP Australia. What do you need to pay a patent agent for? Just phone them up and they will tell you how to do it. It is incredible. The core problem is not so much the lack of information, but how you use it and having the confidence.

Small businesses are mostly limited not by their own vision but by their perception of their potential and ability to do something. Having an organisation like Business Buddies or a program like the Women in Business mentor program is wonderful. They set people alight and show them that there is a better way. A six-month mentoring program such as the one offered by Women in Business is very good. Belonging in the longer term to an organisation that helps them track their own business in relation to others is helpful.

I was listening to Mr Paul Goodwin and his experience with the roundtable discussions. There is an organisation called The Executive Connection. I do not know if anybody has heard of it. TEC, as its name implies, is a very high-level roundtable organisation. It is very expensive—\$15,000 a seat—and only companies with a turnover of \$3 million plus have access to a seat. However, it is extraordinary. Most of the people I know who belong to it—my wife being one—would say that it is the most powerful force in their business life; it has helped them shape their companies and helped make them successful. Part of that strength is having a bunch of like-minded folk. When you come in, you sign a commitment and take on the credo to be open and honest with your problems, and you grow with those people. Some people belong to the same TEC group for 10 years or more. I know some that have, and they would give TEC the kudos for helping them grow the business for years.

TEC is not available to small businesses, because \$15,000 a year is right out of their scope, but it seems to me that the Business Buddies idea or Paul Goodwin's experience with the roundtable discussions could do something similar. The most important thing is that you have a professional and dedicated chair who is there to help them grow their businesses. That is such a powerful model in my experience. If that could come out of Business Buddies or GROW Australia or something, I do not see that it need be very expensive to run. In a sense, those businesses with the potential to grow will be self-selecting. I think there should be a reasonable price paid by them for membership, because they are the people who really do want to grow their businesses—and surely they are the people that the government is interested in investing in, because they are the ones that are going to grow employment. They are not capping their business by their own limitations or perceived limitations. That handholding through a long

growth period is a very valuable way of assisting businesses with real potential to grow in the long term.

**Mr Goodwin**—Feedback from small business to me through the chamber in Western Sydney was that the *Small Business Handbook* is a very valuable document. People felt that the information on the web site was not as helpful and that it would be good, as the *Small Business Handbook* costs \$22, if that information could be put onto the web site and made freely available. That would be the most valuable information that could be provided. It seemed to them, given the industrial costs of all the issues that small business faces, that the \$22 a copy in revenue that the government receive would be far outweighed by the free availability of the information.

**Senator BARNETT**—Who publishes that?

**Mr Goodwin**—I think it is the department of workplace relations.

**Senator BARNETT**—Federal or state?

**Mr Goodwin**—Federal.

**Mr Baumgarten**—The information out there is in abundance and that is probably the problem: there is too much information. We have found through Business Buddies that people do not know which path to go down and how to use that information. What we try to do through the issues is direct them as to which pathway they go down. Again, in any mentoring training, gone are the days where you just deliver training. If you really understand who that small business person is, it is a mix of different services: training, networking and mentoring—through the Women in Business Mentor Program or other programs—and it is basically bringing these different components together. To get maximum use out of the business services training package, the smart RTO would be bundling it up and bringing in all those different components.

Regarding the Women in Business Mentor Program that I have just finished in the eastern suburbs, those ladies have now formed themselves into another little group and have gone off and got themselves sponsorship. I am hoping that a home based business in our area will spring out of that because that is another huge area that is totally untapped. I think that we have positioned Business Buddies so that there is an entry level into small business where Business Buddies is totally focused on the established business market. So what we are really saying with Buddies is: ‘You’ve hit that two- or three-year mark, your needs and issues are different and you’re going through a different life cycle, a different phase in your business. We acknowledge that and that is where we want to help you go through that.’

Again, we are not saying that we can provide all of the information; we are saying that we will give you the pathways. I do think there is a need for that out there. We have the Business Entry Point, which is a very good web site but it is database driven. You do not have any of that interaction with real people through that process, and I think that is the key—to draw on the community through the mentoring side of Buddies.



**CHAIR**—Two questions arise from that response. To what extent are there too many organisations out there also delivering programs and confusion about who is delivering what? We have had mixed views about that from different groups that we have actually spoken to. The second issue is to what extent are we treating the small business community as a homogenous group when we ought to be looking at perhaps segregating it into different groups and breaking it down into more compatible areas, instead of trying to deal with every business ranging up to 20 employees, with pretty diverse and different issues to deal with?

**Ms Hailey**—That is exactly the point that I was going to make. One of the big issues with the small business community is that we are treated as a homogenous community, and it is not. A very simple way of segmenting the small business market is actually via a time line. There are four very distinct phases in small business—this is only anecdotal evidence from work I have done with other consultants. There tends to be a period from nought to two years, which we call start-up, where there are very specific issues. I call it the Nike phase: ‘Just do it.’ They lose money, they are focused on systems and product and they have not really got it together.

They have then got the take-off period, which tends to kick in at four years, and one of three things happens. The first is that the business fails. One of the reasons it fails is that there was no market, it was insufficient. The business owner decides that they want to go back to corporate life and do something else. The other thing that happens is that they make a conscious decision to structurally stay the same, so they do not hire staff or they look at other revenue sources. The take-off phase is when they identify a new market for their existing product or they identify another product for their existing market. If they get over that four-year phase, they then usually experience fairly rapid growth and that is where a lot of your employment comes from—that very intense phase where they suddenly grow. In my work as a consultant, they know where they want to go but they are not quite sure how to get there. In some cases, that is the same issue that Business Buddies will address but in a smaller area.

Once they have got there, they then hit the next phase, which is seven years. That might be called the seven-year itch. It is consolidation. All the systems that they set up on day one, and that ranges from the computer systems and their phone systems, to the way they communicate with their staff, start to wobble because the volumes increase to such a point where they can no longer cope. The revenue is coming in but it is all the underpinnings. That is the next key phase. If you can imagine it, the type of business support and training that is needed for a consolidation business is completely different to our Nike phase. The last phase is if they get that right they are usually at a stage where they can move to major expansion. That can be anywhere from eight to 10 years. The area of business that they expanded then goes back and acts like a start-up. As I said, this is purely anecdotal but it has been gathered from information that I have shared with colleagues.

**Senator BARNETT**—Can I ask a question on that? It is appreciated and I can see where you are coming from. But that would apply to those businesses that are wanting to grow, presumably? We have had advice that a large proportion of the home based businesses, over half or thereabouts, actually for lifestyle reasons or other reasons do not want to grow. I presume they are in a different category?

**Ms Hailey**—If you remember, in the take-off phase one of the decisions is not to grow. That is a completely different stream. I am talking specifically about businesses that do want to grow.

**CHAIR**—Are there characteristics about those businesses that are easily discernible?

**Ms Hailey**—Yes.

**CHAIR**—Have you identified what those characteristics are?

**Ms Hailey**—Yes. In actual fact it is a book that I am working on at the moment. My next step is to start doing focus groups to try and define those. Anecdotally, I can give you a lot of characteristics but I have no evidence to back them up at this point in time, apart from the fact that when you talk about it with businesses they can identify themselves very quickly.

**Mr Taylor**—I used to work for a major bank in the marketing department and they put no small effort into trying to segment the small business market and they never really succeeded in doing it. With massive resources to research and quantify, nothing really worked in terms of predicting behaviour, predicting attitudes. They were a very diverse mob.

**Senator BARNETT**—I think we all agree on that.

**CHAIR**—So does that suggest it would be very difficult to—

**Mr Taylor**—It does. This was quite a few years ago but I do not think things have changed that much since then. Businesses are individualists and they will have their own insular way of going about doing things. It is very hard to group them.

**Mr Bainbridge**—However, there are common characteristics of all businesses, common needs—finance, marketing or selling. By identifying their product or market or whatever there are certain things that are common to all businesses—generic.

**Mr Taylor**—There are common things but there are differentiating things.

**Mr Bainbridge**—Yes. And the way those generic things show up in each business will be different. This is where a lot of business resources can be applied fairly broadly across a whole range of businesses and then it needs to be tailored. The particular element, whether it is marketing, finance, cash control, inventory control—if they had inventory—debtors control, all these things need to be tailored. As I keep saying, the thing that preserves a company in the long term is profitability. In the short term, it is cash control. Growth obviously comes out of defining your market. So there are all these elements that apply in different ways to different business but all those same elements are there.

**Ms Loewenthal**—I think there is some commonality. I agree that there is a huge and diverse range of personality types that enter small business but I think when you are looking at training needs you have to understand that being an entrepreneur is actually very lonely. You are quite isolated. You cannot talk to your staff about your problems. Your wife or husband does not really want to hear about it at the end of the day. Often, you struggle with things and keep them very private. I think one of the reasons why mentoring and the Business Buddies are successful ways of interacting with the small business community is all of a sudden there is someone to listen to them. Sometimes that person may not give them the solution; sometimes by talking

about it they will find their own solution. But I think it is really important to acknowledge the fact that it is a very isolated state and that to have some sort of personal face to it is good. As David was saying, we all know that the Internet is a very efficient way of delivering information and the Business Entry Point and sites like that have served a very useful purpose. But there is nothing like that human contact of one person sitting down with another.

**Mr Goodwin**—I was going to re-emphasise that I think the important issue being faced here is that, while Business Buddies has been successfully established, the very difficult phase is building the awareness throughout Australia or in other areas. The vice versa might be true if there are other programs available in other states as well. Maybe that sharing of successful models is important.

The other point I wanted to make was about the glass ceiling principle. Again, it has been fed back to me from small business that there is a lot of assistance for businesses in the start-up phase but that, once they reach a certain employment level, a lot of government regulations come into play that make it even more difficult for them to move from that first phase of business growth to the second phase. Essentially, moving from their original concept into a bigger operation is probably when they face the most risk. Where the government could provide some support would be in looking at what is called the glass ceiling. If you get beyond—is it?—15 employees then suddenly a whole lot of regulations come to bear, and there is a whole list of those. Essentially, the outcome of that is that, at the very time that these people are running the greatest risk with their enterprise, the regulations work against them. If you are in the small start-up phase then I think the regulations assist greatly but, when you get to that second stage, not only do you have to take the risks to move to the larger phase of your operation but also there are negative regulations which can impinge upon you.

The example was given to me that I think two doctors can work in a local area and hire five or eight nurses but, if there are five doctors, suddenly new regulations apply that make it very difficult for them to operate as five doctors. Yet, a household of five people would probably have the same traffic issues. There is no reason such as its impact on the community as to why five doctors are treated in a different way from two doctors, but necessarily it discourages people from moving to that next stage.

To go on a little bit further, the point where they are making this critical decision as to whether they do or do not move to the next stage will affect employment. Bear in mind that GROW's philosophy is to try to build employment, so we are looking for opportunities for small businesses to grow and build employment. If these factors are operating on a business in making that decision, some of their friends or their compatriots in business may say, 'Don't do it,' and discourage them from taking that next step—which would build employment—because of the risks that are involved and the greater difficulties. Their life and their business will become far more complicated so, at the very point when we want them to be supported in making that move, there is probably a lot of anecdotal experience that that move is not worth the extra aggravation and effort.

**Senator CONROY**—Is that an argument to move the glass ceiling up or down?

**Mr Goodwin**—I do not pretend to be an absolute expert in this but, essentially, there are some situations where they are arguing that perhaps the glass ceiling should not be there, but

there are other situations where they were arguing that it should be moved substantially upwards. I think what was being put to me was that there should be a review of that second phase to really understand what it does to small business and what negative effect it really has on that decision to move to the next phase. A range of examples were given to me.

**Senator CONROY**—Just before they are about to make that jump, they are at their strongest, if you like. There would almost be an argument to prepare them for the jump by having it cut in earlier so that when they are at their strongest, rather than when they are at their most vulnerable, they know how to cope.

**Ms Hailey**—Some of them are not strong; some of them are growing out of control. They are on a roller-coaster.

**Senator CONROY**—But are they going to fall over anyway if it is in that part of the show?

**Ms Hailey**—No. Part of this is about managing growth as well. Some of them are in a very strong position but, for instance, new technology business, with its high demand, will just have to go with what the market is saying.

**Mr Peters**—I want to ask Senator Barnett a question about his comment concerning capping. That is statistically based, isn't it? In other words, it is not simply based on the fact that a number of businesses have been around for many years and have not grown. They are there now; you can count them. That says absolutely nothing about the reasons why they might be static businesses and, therefore, seem to lack potential.

**CHAIR**—That is right. I have to say that we have had wide and varied reasons as to why that does not occur.

**Senator CONROY**—Micro support groups have come in and talked to us about it. They have done surveys that break it down. I think 37 per cent said, 'We just don't want to grow because, if we take the next step of hiring an employee, it means we've got to move outside a home and, frankly, we don't want to. We like the lifestyle issue of staying in a home and having an office in a home.'

**Mr Peters**—Thirty-seven per cent said that?

**Senator CONROY**—It might have been an even higher number than that—this was just surveying their own membership.

**CHAIR**—In Western Australia, I think 66 per cent of small business were home based businesses.

**Mr Small**—From my experience as an accountant and seeing a wide range of businesses, I have had lots of clients who had thought 'big is beautiful'. Big was not beautiful, because they started making losses because of the increase in overheads. We have tailored them back to being smaller businesses for the particular point that they have made more money and they have not had a stressful life having to find the extra working capital that a lot of businesses cannot find. A

lot of businesses most probably would say, 'Look, we can't get any bigger; we can't fund the business.' Some of my clients who have gone that way have actually made horrendous losses. We have cut back and gone into a smaller business and made more money than before by pruning expenses et cetera. I think that will also have a lot to do with it.

**Ms Hailey**—I agree with David. I have noticed in the last five years that more and more of my consultancy clients come looking for lifestyle. They may say, 'I want to grow my business, but I want to be home every night at three o'clock to play with my son,' or 'I want to work four days a week.' So part of their business planning is, 'How do I maintain and grow my business but still have my lifestyle?'

**Mr Peters**—The point I want to make about those small businesses is that many of them are capped simply because of incompetency. When I say that, I do not mean it cruelly; I mean they just do not know how to do better. A lot of micro businesses that I have come across would love to know how to grow, but they simply do not and they live a life of frustration and misery, too often.

**Mr Baumgarten**—A lot of small businesses out there get to a stage where the market overtakes them as a person. They do not have the skills and they are not smart enough to go out and seek some workshops or empowerment to get to that next level. They go looking for the information and they are so overwhelmed with so much out there. 'How do I work it out? How do I get that help?' They just do not know.

**Mr Goodwin**—I would like to make a small point. The principles of marketing a business, I think, are that you have to continue growing; you cannot really remain stagnant. While I think there is a risk if a business remains the same size, it may not be successful in the longer term. Others can disagree with that. But the point I was wanting to make is that we should be encouraging business to grow. That should be the way we approach things because that leads to employment outcomes and improvement in the economy. We should be trying to set things up to encourage people who can make the next step to actually make that step and provide that support. It may be just a matter of identifying what the barriers are that can be overcome for those businesses that are successful and want to grow and that perhaps are not being allowed to grow through the current regulations or circumstances.

**Mr Small**—It is not only the regulations. I can also speak from experience. Staff, and good staff, are hard to find. There is a huge shortage of people out there. The attitude of people is, 'I want to be paid top dollar. I want to work the least number of hours.' Then there are the regulations, which we can get into under other topics: taxation and other work related matters. That is a big disincentive.

**CHAIR**—Certainly one of the big issues that has been raised with us is lack of skilled personnel. There is a bit of a conundrum here—historically, small businesses are notoriously bad trainers, but they want to employ the best-trained people in their businesses. So that is a bit of a contradiction. The issue that consistently comes up is that of getting good, skilled, reliable people. Part of the problem for employers is having the time to make judgments about individuals, to go through the process of proper interviewing and to make the proper assessments. They say that quite often they take people on in a crisis situation—they virtually

grab the first person they see in the street and put an apron on them, or whatever is required in that business, and then worry about the consequences later on.

**Mr Small**—The biggest problem is that a lot of people try to oversell themselves. Their resume looks great and they come up well in the interview—you are laughing down there, David—

**Mr Baumgarten**—Yes, I see it all the time.

**Mr Small**—I am sure that a lot of us who are in small business or who have been in small business at some time have come across this. They tell you that they can do these marvellous things, but you sit them down to do them and they have absolutely no idea. You go through the frustrating interview process with so many people and you appoint somebody, only to find that they cannot do the job. So you waste two weeks or two months before you realise that they are not suitable, then you have to go through the process of trying to find somebody else again. That is a big problem as well.

**Mr Taylor**—Another issue with taking staff on is loss of control. I am not saying that all small business owners are control freaks, but a lot of them do have a lot of trouble with delegation. They have built the business up themselves and they reach the stage where it needs extra staff, but they are terrified of losing control and of the job not being done to the standard that they demand of themselves.

**Ms Hailey**—Just on the point of recruiting, I think one of the issues for small businesses is that they treat business like family and staff like family members and then they do not know how to let family members go. So their expectations are probably more family based. A lot of the complaints I hear are things to do with staff not sharing the same values that they have—as well as skills, obviously; I totally agree with what David is saying. I often find that people keep staff on who are unsuitable because they do not actually know how to get rid of them. So many people let a three-month trial period go by because they do not know how to deal with it.

**Mr Peters**—Yes, I would back you up on that point. The common denominator of all of these failings is the business principal's lack of skills. If I were to invest my time and effort, I would invest it first in the business principal before anybody or anything else. If you want change, you start from the top.

**CHAIR**—Do you all agree with that?

**Mr Small**—Yes, definitely.

**Senator CONROY**—One of our previous witnesses was saying that, in instances where you have to file a business plan before you can get a grant, the business plan was just seen as something you had to do—it was not something you actually took seriously. It sat on the shelf. So even when you try to get a process in place that would build some skills—or some thought about some skills—it still does not really seem to make a difference. Is that your experience as well?

**Mr Peters**—Business planning is what I do most of. It is certainly the most difficult part of business, without a doubt. Trying to put a case forward for business planning to a very tired and fed up business principal who does not ever want to hear the word again takes quite a lot of doing. But it is the only way that we human beings know of to approach a business sensibly or to make sense out of business, and it is the best way.

**CHAIR**—Is there an argument for, or is it possible to introduce, a process of licensing or something similar to that which would require people, before they start up a business or get a business name registered, to demonstrate that they have at least some basic business skills?

**Ms Loewenthal**—I believe that it does happen in some European countries and the failure rates in those countries are vastly below ours in Australia. Unfortunately, I think that most Australians think that starting their own business is a bit like owning their own home—it is their God-given right. I think that we have to accept that there are certain characteristics—

**CHAIR**—We would not let them build a shack! We have some regulations that you have to do certain things.

**Ms Loewenthal**—You do. We have to accept that entrepreneurs are going to have certain wilful characteristics, and they are going to do things despite government regulation and your good intentions. It is often quite hard for entrepreneurs to admit that they are lacking in skills. You are not automatically a good HR person just because you have particular skills or talents that allow you to start a small business. So I think there is also that factor whereby they need to be approached in such a way that they are going to be receptive to the concepts of training and support. I do not think that is always an easy thing for government to do because most small business owners are not going to be completely comfortable with the notion that the government is there to help them grow their business.

**Senator CONROY**—Is there a solution to that? You said you have to foster culture so they see it as a positive. How do we do that?

**Ms Loewenthal**—It is frustrating for me to know that there are a myriad of good programs that can assist my readers in developing their business, but most of the time they simply do not know that they exist. A lot of the time the dealings that small business have with government concerning their business is with the ATO, so they are not going to open themselves up to—

**Senator CONROY**—I read this morning—are you on strike, Mr Small?

**Mr Small**—I will make my comments later.

**Ms Loewenthal**—I think this is a real issue for government. It is not just about providing good services; it is about presenting them in such a way that small businesses are going to be prepared to take up the training and the assistance.

**Mr Small**—On that issue of business company planners who specialise in business formations, whether it be company trust or other business structures, you would be horrified at the number of people that ring us who will not spend the money to get advice from an accountant or a solicitor before they spend their money setting up a company. They have

absolutely no idea what they are trying to do but they will not spend an hour of time, whether it costs \$200 or \$500, getting some professional advice before they come to us and try to bumble through a process. Whilst we try to encourage them to do that, and whilst I am an accountant, I do not want to spend half my day advising them on issues that I cannot help them with. I am prepared to talk to them for five minutes and help them. But unless training is provided somewhere, and at no cost—and that may well be the point—you still have to get it across to these people that they really need to do this so they need to know what goes on. The percentage of individuals who ring us—despite the fact that our main clientele are accountants and solicitors—who do not want to go through their accountant, or through an accountant or solicitor, purely because of the cost factor is horrendously and shockingly high.

**Senator BARNETT**—I came into the Senate in February after having been in small business for 13 years. From a small business perspective, shouldn't we be designing a system, at all levels of government, that is not complex and costly for small business and so that they do not have to spend all their money and time with lawyers and accountants? I am a lawyer myself so I am arguing against myself.

**CHAIR**—I was never under any illusion that you were a lawyer!

**Senator BARNETT**—Thank you for reminding me of that point. It is incumbent on us to design a system that is simple and which enables these small businesses—micro and whatever—to be able to make it happen without having to jump through all these hoops.

**Mr Small**—I definitely agree. These are huge issues, which we will hopefully deal with later. Not getting there is one thing, but once you are in business, to employ, to comply with this, to insure—

**Senator BARNETT**—I know.

**Mr Small**—to pay super, and pay everything else is horrendous. It is mind-boggling.

**Mr Bainbridge**—I think the idea of having a licence to start a business is a bit of social engineering which, as a basic concept, I do not think government ought to be involved in at all.

**Senator BARNETT**—Why is that?

**Mr Bainbridge**—We ought to start with the family and say: let's get a marriage licence. You have to sit for an exam before you can get married.

**Mr Peter**—That is a pretty good idea!

**Senator CONROY**—Have you been to the ACT?

**CHAIR**—They started on it as the first in the line.

**Senator CONROY**—Compulsory counselling in the ACT.



**Mr Bainbridge**—What you would be encouraging if you did that would be a lot more de facto relationships. You would also end up having a lot of de facto businesses if you had that kind of situation. I just do not think it is the role of government to do that. However, I would say that government would certainly have a role in making it easier for people, free of charge or at very low cost, to get access to resources. I was making the point before that there are a lot of resources out there but they are not easy to access. What we need is that kind of connection, that link in between.

**CHAIR**—I will make the point, Mr Bainbridge—before giving the call to Mr Baumgarten—that I use the term ‘licence’ because I just have not thought of any other way of expressing it. What we are really trying to do is protect people from themselves. One of the issues that has come up in this whole process is not just the number of small business people who go broke or bankrupt; there are a lot of people who buy businesses and lose a lot of equity in them. We cannot measure the cost of that to the economy, but it is very substantial in many respects.

**Mr Baumgarten**—As a business enterprise centre, we have been working with the Australian tax office very closely—again, through the Eastern Suburbs BEC, which has now spread out across the state. We run the BizStart seminars, so anyone that links in for an ABN immediately gets told to contact their local business enterprise centre—we have one in the eastern suburbs—and to book in for the workshops on BAS, GST, capital gains, FBT and all the rest of it. That then gives us the opportunity of tapping into them and catering to any other needs that they have out there. There are 149 business enterprise centres around Australia that are already there to do that.

**Senator CONROY**—What percentage would you say follow up? They get the brochure that tells them to contact you—

**Mr Baumgarten**—We run them every six weeks and then we have a gap there for four weeks. We would get around 25 people at every workshop.

**Senator BARNETT**—What percentage of all new businesses is that? You are saying that all of those who apply for an ABN get your notice—

**Mr Baumgarten**—They get a notice from the Australian tax office that there are free workshops that show them how to do their GST, BAS or whatever. That is your first contact point; that is your opportunity to grab it and to teach and show these people best practice. It could be business planning—

**Senator BARNETT**—What percentage do you reckon take that up?

**Mr Baumgarten**—Very small.

**Senator BARNETT**—Does anybody know what it is?

**Mr Baumgarten**—I do not know.

**Senator BARNETT**—We can follow up on that, perhaps.

**Mr Baumgarten**—The other thing is that it is too easy to start a small business. People come to me—and we are seeing these people all the time; there are some real nutters out there, believe me!

**Senator CONROY**—We see some of them too.

**Mr Baumgarten**—They say they want to start a small business.

**Senator BARNETT**—You should join the Labor Party!

**Mr Baumgarten**—They come to us and they say, ‘I wish to start a small business.’ We say, ‘Congratulations. What do you want to do?’ They reply, ‘I want to do X, Y and Z.’ We ask them, ‘Is there a market out there?’ Some of the answers we get back are just crazy. They go out the door, but they ask, ‘What have I got to do?’ We tell them they have to have insurances and, yes, they have to go to the tax office and, yes, they need to contact the Business Licence Information Service and they will give them all the licences they require. But there is nothing to say, ‘You really should put together a three-page document at least setting out your goals.’ You do need to make something there just a little bit more difficult; it is too easy.

**Senator CONROY**—I accept Mr Bainbridge’s point about not wanting to get into coercion but encouragement does not seem to work, from the sound of that percentage. It is a bit like when the government had to face a choice a few years back about superannuation. We had virtually tax-free superannuation; it was just that the majority of people did not take it out. Yet everyone said it was good for the country and it was good for people. Now, 10 years down the track, people say it was a bloody good decision: it is good for the country, it is providing retirement incomes to people and taking the pressure off government—all of those sorts of arguments. It is possible for a degree of coercion, even though it is social engineering to a degree, to be beneficial in the end to both the individual and the macro economy.

**Mr Bainbridge**—Sure. On the question of superannuation, some small business people that I talk to say they are paying double taxation because they have to pay their superannuation, and I say, ‘Hang on!’ They are complaining about superannuation as one of the on-costs and they talk about it as if it were taxation. What they do not understand—and perhaps this is something that someone in government could have a look at within Australia—is the issue of labour on-costs. I have never seen a government study of labour on-costs here in Australia. There are groups with workers comp, holidays, long service leave et cetera—all those things—who say, ‘Labour on-costs are killing us,’ but, in actual fact, all the sums I have ever done come up with a figure for full-time employees of between 38 and 40 per cent on-cost, depending on the workers comp rates and so on for that class of employee. I saw a comparison done in Germany—this is going back a few years—and they came up with on-costs of something like 70 per cent. Australia was on that list and it had one of the lowest rates of labour on-cost. This is not widely understood in Australia. Unfortunately—I suppose this is an issue with globalisation—various countries struggling to get competitive economies attack the labour on-costs. I think it might help if there were some proper studies done and regularly updated so that people understood what the labour on-costs and the relativities were between different countries. Small business people in Australia have certain perceptions about the cost of employing people that might be helped if they understood—

**Senator CONROY**—That we are quite competitive internationally.

**Mr Bainbridge**—Yes, in comparison, globally.

**Mr Taylor**—In relation to the subject of finding criteria for start-up businesses, there was a very good study done in the 1970s by, I think, Professor Henderson from Newcastle University. He studied something like 13,000 businesses over 10 years, and he got a very clear picture of what made a business fail and what made a business succeed. There were simple things like: did they have previous experience in running a shop or anything else? Did they keep their books properly? Those things were about 90 per cent accurate predictors of whether they would fail within the first year. If you do not have rules and regulations, at least you can have education for anyone going into a small business. If you have not done these things, you have a 99 per cent chance of failure. That might stop a lot of these people going into businesses in the first place, losing their money and becoming unemployed.

**CHAIR**—In fact, I saw a statement somewhere by someone who said, ‘If you want to be a successful businessman, you should fail three times before you become successful.’ I think there is some logic in that.

**Mr Peters**—It is a bit of an expensive way of learning, though, isn’t it?

**CHAIR**—Yes, it is.

**Mr Peters**—I am a long-time, laissez-faire, right-wing entrepreneur—somewhat less so now—and I have thought a lot about the business licence idea. I must say I have come to the conclusion that, yes, it would be a great thing—well, a good thing. You could say it is like licensing a gun so that somebody can shoot themselves in the foot, but at least you know that the gun is bloody well there.

**Mr Goodwin**—Perhaps a more positive way of approaching it would be something like a national networking scheme. It is essentially similar to Business Buddies, but for someone starting out there does not seem to be access, I suppose, to real support. By ‘support’, I mean talking to people perhaps from like industries who had a like experience. I guess Business Buddies is the best example, but I would like to see a national scheme where at least someone starting out could provide some sort of discussion, if you like. The example given to me is that, if there are two bakers in competing suburbs, they will not be part of the same network. You necessarily have people from perhaps out of the area who are not competing directly with them. But the example given—I think it is the US experience—is that management information exchange has been quite successful in supporting small business. I do not quite know how it could be done, and maybe the model is Business Buddies, but essentially a national networking scheme to provide support and the ability to get together one to one with a group of small businesses facing the same issues may help those starting out to understand the practical experiences a bit better.

It seems to me that training is important, but, necessarily, when you face a problem it is probably six months after it that you have the training. The better way is the mentor or Business Buddies approach or access to a network, where at least you can discuss human resources problems at that time and say, for example, ‘I am having a problem with my employee—they have not turned up to work for three days. What do I do?’ For someone who does not have

anyone else to talk to, that sort of access is probably going to provide a lot more support and would be seen as a positive move on the part of the government.

**CHAIR**—That brings me back to the initial question I raised with you about the range of organisations out there that provide resources and assistance for small business. We have had conflicting arguments—some say that the more you have the better, because the more overlap there is the more you cover the field; others say that, because there are so many of them, people do not know which one to go to. You have the ACC and the Business Enterprise Network. You have industry associations that say, ‘You would be better referring them to us, because most of us have run businesses—we know what it takes to run a successful hotel or retail business and we can tell them whether their investment will be a success or a failure.’ There are the network type situations that you are raising. Then you have state governments—Western Australia has the Small Business Development Corporation, Victoria has got a similar type of organisation and New South Wales has something as well. The federal government has programs, as do local governments—there are some very good examples in some of the local councils and some very bad examples in others. But there is a whole plethora of different programs out there. If I were starting up a business and I looked around, I would wonder which one was the right one for me to go to. Maybe a business directory or an assistance directory might be of some assistance in this area.

**Mr Baumgarten**—I agree, there is just so much out there. The problem is that a lot of it is state-anchored. It is really not coming from the federal government. The federal government Office of Small Business is about policy, from what I hear—

**Senator CONROY**—They do only have 32 people.

**Mr Baumgarten**—Yes.

**Senator CONROY**—That is the entire department.

**Mr Baumgarten**—In my humble opinion, they should be taking the lead and looking at something national. We have been trying to do that with buddies. It needs to be consistent—

**Senator BARNETT**—You know that they fund the ACCs?

**Mr Baumgarten**—Yes. We will not let a state take control of it. We will have a state as a partner, but we want to go right across the top.

**Senator BARNETT**—That was my question earlier: how do you actually make it happen? Mr Goodwin made the suggestion—and I presume you support it—of a national mentoring program right across Australia for these new businesses. Do you have a suggestion or a recommendation on how that can happen?

**Mr Baumgarten**—Under the buddy concept we have lots of plan Bs and plan Cs. We are in the process—again, with the model—of coming up with what we are calling the network lounge, which is the networking arm to Business Buddies. We are now launching that in the Bondi Junction area. We are positioning that at the two-year market—to the established businesses. Then we have another concept—my board has not heard about it yet, so I am not

going to talk about it—on the electronic side, which is an electronic lounge. Again, that brings in the different boundaries.

**Senator BARNETT**—So that is bent toward supporting the networking—

**Mr Baumgarten**—The networking is very crucial in small business.

**Senator BARNETT**—Yes, I agree.

**Mr Baumgarten**—That is really what it is about—getting that peer support. We can offer them all the workshops and training under the sun, but they need that support from their peer group so that they can exchange information and talk about issues and problems that are hitting them now. That is why I have kept repeating that all the way through this—this is the point at which they want the problems addressed.

**CHAIR**—It is a bit like a movie I watched last week called *Fight Club*. At the start this individual went to all of these buddy things—Alcoholics Anonymous, Business Support, Failure Anonymous, Drugs Anonymous—and he was the member of every one of them in the finish.

**Senator BARNETT**—Did it look like the Labor Party caucus?

**CHAIR**—It is a bit like that.

**Senator CONROY**—It feels like that at the moment, but we are doing better than the Democrats. We are setting ourselves a high benchmark.

**CHAIR**—An issue was raised with us in Perth that has disturbed me ever since it was said, quite frankly. It goes, again, to the plethora of things that are out there. At the roundtable we had in Perth, one small businessperson said, ‘There are so many compliance issues put on our shoulders that I am now confronted with a choice. That choice is either I run my business dishonestly—in other words, I get involved in cash in hand, I cook the books and do all those sorts of things—or I go out of business. The course of doing business is just too much for small business people at the moment.’ Are you getting those sorts of messages coming through?

**Mr Peters**—Yes.

**CHAIR**—It is really disturbing when someone says that we have put so much law in place and requirements on business that we are forcing people to be dishonest to survive in the marketplace. It is a bit counterproductive.

**Mr Small**—I am speaking for client base and everybody else involved in the nightmare they have to deal with. The government should make the simplified tax system simple—and whoever dreamt of that name should be taken out the back and politely whipped, I reckon, because it is an utter joke what they have done to the system. The tax office have no idea, and I understand their employment problems there; they do not have the staff. They have unqualified staff; they have taken people on and tried to retrain them. The experiences I have had with GST reviews is

an utter joke. I could have bulldozed them in any way I liked because they had absolutely no idea of what they were trying to do, despite the fact that they had a job to do.

The system for small business is too onerous. People do not care. John Howard's opinion is: we are going to target these small businesses, the cash businesses, the hairdressers, the small shops, the building industry, but if he knew of the large businesses that are dealing in hundreds of thousands of dollars of cash—and it horrifies me where these people have so much in cash reserves. People do not care about the system. I can cite you cases on day 2 of the GST's implementation. There were comments like, when someone ordered blinds for their house, 'If you want your blinds, you pay cash.' The government are making the system too onerous, despite the fact they have caught a lot more people in the net and flushed out a lot. But people do not care. I have clients who have not submitted a GST return for a year and a half. They might get a reminder letter every now and then—so what? Luckily, the guy in question does have the money unless he has spent it since we last talked. But there is no follow-up. I could ignore it and say, 'Mate, take your money and run. I will start a new company for you tomorrow.'

**Senator CONROY**—A cynic would say the tax office were not trying to apply the law before the last election, and now they have decided to apply it afterwards.

**Mr Small**—No, they decided to apply—

**Senator CONROY**—A cynic would say that, but I wouldn't. In the budget 2000, the government announced new tax inspectors at a cost of \$1.2 billion with the expectation of raising \$3 or \$4 for every dollar they spend.

**Mr Small**—They will not.

**Senator CONROY**—So it is just empty rhetoric?

**CHAIR**—That is a pretty confident statement.

**Mr Small**—They will not because the tax office do not have the experienced people. They are taking on ex-bank managers and 'ethnics'—if I can use that word—that do not understand our system who are being trained in areas that are far above their heads. Despite they come with a senior person, they have no idea—they really don't. They need people who have degrees in accounting. I can quote you where clients of mine have specialist computer systems. Even I cannot work out some of the things we have put through, let alone the tax office coming there to look at their computer system. I could have rorted the system in one case of GST for nearly \$20,000—I didn't, but I could have—because their computer said 'X'. I said to my client, 'I am going to do the right thing,' but the tax office would have looked at this report and would not have known any better. They would have had to be a smart little cookie to work out that the computer took the GST out where it should not have done.

I can well assure you that the poor small businesses out there that have absolutely no bookkeeping skills are doing their best, so the government is getting some money. But they do not have the staff to go round. I have been told by someone that knows someone higher up that they do not have the resources and, whatever their announcements in the budget are, they are

targeting big business because they believe they will get more out of them. They most probably will because the big businesses have the resources to bend the system a lot more.

**Senator BARNETT**—In your comments you were not referring to ethnic people and their inability to do the job, were you?

**Mr Small**—No, I was referring to the training that they are given, because they are not trained. Whoever trains the staff at the tax office cannot train them. I have had people come to me that have fumbled for 10 minutes trying to open and get into their laptop while I sat there. I could have whistled Dixie!

**Senator BARNETT**—You referred to the word ‘ethnics’ and I found that a little bit disturbing.

**Ms Hailey**—I do a lot of regional work. I was recently in a very small community of 2,000 people. They have just conducted a business survey. One thing they asked every business in town was, ‘Will your revenue increase or decrease over the next 12 months? What are you predicting?’ Eighty-five per cent of them had no idea, because they were not keeping records. This is common in regional New South Wales, where people who do not have business experience are buying retail businesses for lifestyle and cannot keep up with all of the regulations—and BAS in particular—so they have just stopped. I deal with whole communities where they have all gone: ‘It is too hard. We will go fishing.’ That backs up what David has been saying.

**Mr Goodwin**—I have a couple of points. One is about people from a non-English-speaking background. They have specific small business needs. For example, we have been involved in a couple of projects in Canterbury-Bankstown where we are assisting people of Korean and Arabic backgrounds. Those are examples where you can construct specific programs that are tailored to the region and the needs of the people within the region. GROW Employment Council has 13 committees across Sydney, and we encounter a whole range of different backgrounds and needs for small business across those different regions—and that is just in Sydney.

On the earlier point about how the network might work, we have learnt that, by networking the different groups or regions within Sydney and giving them examples of the home based business success in one region, or the Business Buddies success starting out in the eastern suburbs or whatever, other ACCs or regions could make network groups, bring them together and make them aware of these programs and how they have helped small business in this region. It is a bit like any product. You have to choose the product that is appropriate for your area. For example, what may work in Sydney may not work in Dubbo, but there may be an example in Tamworth that could work very well in Dubbo. The government’s role could be to provide a smorgasbord of small business networking activities and programs, including non-English speaking background programs, to try and assist the whole range of groups of small business across Australia.

**Mr Baumgarten**—Picking up what you said earlier, one of the issues is that there is just so much information out there. For small businesses to plan, they need to know about 12 months in advance what is out there so that they can put it into their budgets and cash flows, upskilling their staff and themselves. That is one of the big issues out there, because there is just so much.

You stumble on it and say, 'I can't really afford that now,' or, 'That was too late; I could have done with that last week.' Maybe there should be some sort of a calendar or directory. I do not know.

**Mr Small**—Small business is overloaded with trying to get different things done at different times of the year. The BAS has only made it worse. Regarding WorkCover, I have a case where a client's workers compensation bill went from \$28,000 to \$66,000 this year. My advice, with some learned solicitors, was to let the company go down the drain and start again. They said, 'We will see how it goes, but that is an option.'

**Mr Bainbridge**—Was that based on bad claims experience?

**Mr Small**—I will not reiterate this story, because I think it is laughable of an insurance company to even consider this, but someone put in a ridiculous claim. The insurance company said, 'There is a liability of \$150,000 to \$200,000.'

**Mr Bainbridge**—An outstanding liability?

**Mr Small**—No, there is a potential liability of a claim. They then said, 'We are going to make you pay for it over the next three years.' In the meantime they will most probably send this poor business broke. The business owners have decided to struggle on for the moment, but certainly the option is there. I am sure that, if they are smart, they will take it and let that company go down the drain. They will start up again under another name and restructure their affairs.

**Mr Peters**—I think everybody must know, and certainly I do through my experience—and it is a strange thing that we all accept this—that many small businesses employ people illegally. They employ them in large numbers illegally. You could probably say that almost every hotel and bar—

**Senator CONROY**—That is funny. We just had the restaurant and caterers association before as earlier today who assured us it is not happening anymore.

**Mr Peters**—Okay.

**Senator CONROY**—We can get you the transcripts.

**CHAIR**—In fact, we will make sure you get the transcripts.

**Mr Peters**—They all pay cash to employees because it is too hard. Potential employees are probably on the dole and they do not want to come off the dole and they want to work a few nights. That kind of thing goes on. Also, there may be visitors without the correct paperwork but that you would never stop. It has often concerned me that there ought to be some mechanism by which it would be easier for those employers who would go out of business if they could not employ those people—and their businesses do depend on them, really—to employ those people legitimately. There ought to be some way that could be done.



On the other hand, it is ridiculous for any government to contemplate, I would have thought, creating a second-class citizen tier of employee: 'If you work in a bar part time you do not get any compo and you could work under terrible conditions, and there's nothing we'll do about it; we will allow it.' We cannot do that. It seems to be a conundrum with no answer. It also seems that, within reason, no matter how much you raise or lower the bar they are going to carry on doing it. If you lower the bar, they will just lower the standards under which they employ those people. But I think what is really quite extraordinary, when you step back from it, is that we all know that and yet we all accept it; we all go along with it.

Turning to the GST, in the UK the VAT has been the reality for 27 years or so. When I left the UK it was still very common for you to be offered two prices on any job you wanted to have done in your home: the VAT price and the cash-in-hand price. The VAT officers—customs and excise do the collection of VAT in the UK—actually have a very businesslike approach to it. Of course they know that much is done and they set out to cop people and they take money in a fairly quick inspection and do a deal and life goes on. They are very, very businesslike. When you say, 'I don't think they'll achieve it,' I think they will in the end. They will learn how to be businesslike. They will just drop in on businesses and say, 'Right, let's have a look at your books.' And they will do a deal. This is done all the time in the UK now and it is a very efficient system. The government makes a lot of money out of it.

**Mr Bainbridge**—A discretionary taxation system.

**Mr Small**—Just getting back to that issue, I know there are some countries where they actually do on-the-spot fines, but I could only see people being railroaded out of small businesses in droves if they tried doing that here. I think the Australian would certainly take a cricket bat to somebody if that happened here. Just look at our road rage and other things that are the happening here.

Getting back to the cash economy in pubs and those things, the problem there is the taxation system. There is no incentive for someone to go and work a second job and be taxed a tremendous amount of money. There is the oncost for the employer that owns the pub—workers compensation, superannuation and everything else on top. They are paying huge amounts of money

**Mr Peters**—Can you see a practical solution, though?

**Mr Small**—Lower the tax rates. Give an incentive. There is no incentive. Why would anybody that is earning a reasonable amount of money go out and get a second job? When the Howard government and our beloved Democrats negotiated this whole GST, it was done all wrong. Howard's \$100,000 should have been there, not to move the top threshold to \$60,000. It is laughable. No wonder people are rorting the system. The biggest winners were between \$20,000 and \$50,000. Yes, there are certain people who only earn \$20,000 to \$50,000 but the average cleaner most probably earns \$55,000 these days. He is nearly at the top rate. What incentive is there for these people to go out and work more? That is why the cash economy is booming and it will always boom.

**Mr Peters**—The tax is certainly an issue, but another issue is simply the complication of dealing with short-term employees. I know that dissuades a lot of people from even trying. I

have thought that perhaps there could be another system of employment offered to people who wanted to be employed that way. In other words, perhaps people are on the dole or at college or whatever and they want to take on part-time or occasional work. They could have an official status which allows them to go to an employer and say: 'I am one of these. You can employ me.' It need not be that expensive to administer.

**Mr Small**—But, speaking from experience with clients, we still have the problem of these people finding skilled workers.

**Mr Peters**—That is another problem altogether, although a system whereby you can be legitimately employed easily and quickly might assist in that in the long term.

**Mr Small**—I think it would.

**Mr Peters**—It does not seem impossible to me that you could create this other level of employment or employment status. The contractor status has been abused and therefore disallowed by recent acts of parliament—hasn't it?

**Mr Small**—Funnily enough, from my experience with company planners I know that one Victorian Premier who has not been in office for a few years—and I will not mention his name, but we can mostly work out who it was—was adamant that any contractor in Victoria, before it could even apply for a contract, must be a company. The government is saying, 'You must do this,' and now, years down the track, we get this 80-20 rule—again an administrative nightmare. From speaking to fellow practitioners, we think it is a joke. It happens today, because we still have a contract with a semi-government body that says, 'When you come to us for a job, you must be a company before we will even consider giving you the job.' On the one hand, they are saying, 'You must do this.' On the other hand, they are saying that the 80-20 rule applies. We all know that if I am going to apply to a company and work for that body I am going to earn 100 per cent of my income from them. There are double standards. This system is just so onerous. We have a problem there.

**Mr Peters**—I have a quick comment.

**CHAIR**—I notice you are all dodging the bullets over there!

**Mr Peters**—You were disturbed by the ethnic comment earlier. I will tell you something that happened. I was approached to try and help a business get out of trouble. They had done a lot of employing of people with cash, taking cash et cetera. I appointed a bookkeeper first to go in and see if they could sort it out and tell me the story. The bookkeeper came back to me and I said, 'Talk to the tax office and ask them what needs to be done here, or what can be done.' We are talking about GST problems here. She came back to me and said: 'That is no problem. He was Indian.' I said, 'What do you mean?' She said, 'He could not even speak and he just said, "Send the papers," so I do not think we will have any problem there.' I asked her a little bit more about this and she said, 'They are employing people who do not know what they are talking about.' That is probably where that has dropped out of. Whether you see that as disturbing or not depends on your point of view.

**Senator BARNETT**—My response to that would be that that would apply to whoever does not know what they are talking about, notwithstanding their ethnic background.

**Mr Peters**—Of course.

**Mr Bainbridge**—There has been quite a bit of discussion about tax and so on. I would like to get back to another issue. I suppose it is related in some way to your comment about licensing or whatever. I see a role in various areas for some kind of accreditation system. David was talking about accreditation of training organisations, and I do not know who the accrediting authority is. Is it a government body?

**Mr Baumgarten**—It is ANTA—the Australian National Training Authority.

**Mr Bainbridge**—I have had something to do with what I regard is a very good model of accreditation, and that is in the health care industry. That is done very largely on a voluntary basis, where directors of nursing or directors of whatever—engineers and various people with different backgrounds from different organisations within the health care industry—give their time, or their organisations give their time, to go along. They run through all the processes and whatever of the hospitals or other health care facilities. To me, this is a very effective way of doing it because they are all people who are directly involved in it and they can adopt a very practical approach.

It sounds to me like there is a fairly bureaucratic approach with the training organisations, but for small business there could also be various levels of accreditation—it does not have to be a specific accreditation per se—where people can come along and say, ‘Do you want a bit of a health check on your business?’ It is something like Business Buddies, mentoring organisations or advisory organisations. There are a lot of people giving their time voluntarily; a lot of the people at this table give their time voluntarily. It could be run with government providing some kind of backup. If it is run by various organisations creating the measures by which the businesses can be assessed, I do not know how it could all work out. I believe that the health care accreditation system is a model that people could definitely look at and use as a guide for small business. Small business could perhaps go along and say, ‘Look, I’d like a few people to eyeball my operations and maybe come up with ideas.’ It is not a matter of them having to have accreditation before they can run in business, but it is certainly a way of giving some kind of health check and access to some kind of resource. I do not know how that would shape up—I do not know how it would be structured—but I think it is worth pursuing and worth asking the questions.

**Mr Baumgarten**—I think there is a soft approach. They obviously go for an ABN. It would be, ‘Tick the box. Have you been to a whatever? Have you been introduced to best practice?’ You could have questions on best practice such as: do you know what a business plan is? Do you know what marketing is? Basically, if they have had a green slip on best practice, they can get an ABN, but at least we have done the right thing by introducing them to support. ‘Hey, there is support out there for you. You may go ahead and register your business and start business anyway, as long as you are aware that there is an organisation or individuals around to give you that support because, mate, you’re going to need it.’

**Senator CONROY**—We are just trying to find a way—as you can see, we are grappling with this—to channel people to your organisation so that they have contact with you to try and save them from themselves.

**Mr Baumgarten**—It is there; you just need to finetune it.

**Ms Loewenthal**—If you take a step back from that, what we are really focusing on is providing people with training and skills at the time that they are about to go into business or have just gone into business. I think it is worth saying, even though it is a long-term strategy, that we could be educating people earlier than that through the education system. I have been involved in the production of a DVD on self-employment that will go into schools. It teaches the kids some of the fundamentals. I think that is something that long term can really help people select whether or not they are even right for small business.

It was quite interesting doing the architecture of it. I was the only person involved who was not an educator. When we were looking at all the different components, I said, ‘Why don’t you start it by having a little survey?’ They could run through it and say, ‘I’m not very good at working in isolation,’ or, ‘I need a lot of people around me all the time.’ By the end of it, that person could assess whether or not they were suitable to go into small business. All the educators were amazed that I said that. They felt it was enough to provide the information and to not really be interactive in making the students question themselves. There are some things we can be doing much earlier on so that it is not a matter of suddenly giving bandaid help to people when they have run out of money. We should be going backwards from that. If we can build it into the education system in a very non-threatening way then five, 10 or 15 years down the track that is going to have an impact.

**CHAIR**—That might be an appropriate point for us to finish. We have just run over time. Hansard worked pretty hard this afternoon trying to keep in touch with all of this. On behalf of the committee, I thank all of you. The input has been invaluable in terms of the discussions we have had so far. Can I ask you to keep thinking about those issues and, if you come up with any ideas or new thoughts, please try to feed them in to us. We have to report, at the latest, in the middle of November, so by October we will have something drafted and we will be looking at this education issue. It is true that we have to get right back into the schooling system. But that is dealing with the future, and we have to try to think about the present as well. It is a question of what we do in terms of marrying those two, but hopefully we will come up with something that is fairly constructive. I think we will be seeing some of you again tomorrow, anyway. On behalf of the committee, I thank all of you very much for your input. As I said, it has been invaluable.

**Committee adjourned at 5.02 p.m.**