



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Small business employment**

THURSDAY, 12 SEPTEMBER 2002

BRISBANE

BY AUTHORITY OF THE SENATE

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

**Thursday, 12 September 2002**

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

**Substitute members:** Senator Conroy to replace Senator Carr

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

**Senators in attendance:** Senators George Campbell, Barnett, Cherry 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.

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**Committee met at 9.01 a.m.**

**CHAIR**—I declare open this public hearing of the Senate Employment, Workplace Relations and Education References Committee. On 20 March 2002, the Senate referred to its Employment, Workplace Relations and Education References Committee an inquiry into small business employment. The terms of reference focus on broadly two main issues: first, the effects of government regulation on the performance of small business, including the complexity of these regulations and the overlap between Commonwealth, state and local government regulation; and second, the special needs and circumstances of the sector, particularly in regard to the capacity of small business to employ more people. Some of these issues were canvassed by this committee in its inquiry into regional unemployment which was reported late in 1999. The committee acknowledges the vital importance of small business in the Australian enterprise structure and the need to ensure that the sector has the capacity to grow and to increase the size of the labour market. Of particular interest to the committee is the challenge of transforming successful small businesses into dynamic medium sized industries capable of driving economic growth and employment. The committee has received submissions from a wide range of small business interests and is conducting public hearings in most states, as well as less formal roundtable discussions with local businesspeople.

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

[9. 03 a.m.]

**DEWSBERY, Mrs Irene Helen, Treasurer, National New Enterprise Incentive Scheme Association**

**CHAIR**—Welcome. The committee has before it submission No. 80. Are there any changes you wish to make to the submission?

**Mrs Dewsbery**—No, thank you.

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

**Mrs Dewsbery**—Thank you for inviting me here this morning. Our presentation is about the NEIS network and about the ability of NEIS managing agents across Australia to support the development of small business. I am also available to talk to you about small business as it happens and training issues.

**CHAIR**—Thank you.

**Senator BARNETT**—Thank you, Mrs Dewsbery, for your submission and your presence here today. I would just like to flesh out a little more the actual program, as you see it, its merits and its outcomes in terms of unemployed people moving off benefits, small business survival and the generation of additional jobs—so there are obvious benefits that flow from your program. You have indicated in your submission that there is a need for 22,000 NEIS placements to be offered each year. I was wondering if you could expand on the reasons for that; describe the benefits to us and then set down any sort of evidence that you have to support the recommendation in your submission.

**Mrs Dewsbery**—The figure of 22,000 was compiled from a survey that a previous treasurer did. It is not comprised entirely of NEIS places, in the sense that they would all be funded for NEIS allowance. Does everybody understand how the NEIS program actually works? It is a training program that takes six to eight weeks, and that is followed by a 12-month mentoring and coaching program. During that mentoring and coaching, the federal government pays each participant an income allowance. Our proposal is not to provide 22,000 places under the full NEIS program but to provide 22,000 places that incorporate the full NEIS program with additional places for people who are thinking of starting a business or would like to start a business but are not sure what to do. Generally, what happens to people like that is that they go out and buy a business without getting a lot of advice. They tend to start the business without researching the business, without understanding what is involved in running a business, and the failure rate is well documented. In those situations, about 75 per cent fail in the first year of operation. The NEIS program is really successful because you have to do a training component. We believe that there are a large number of people—my Internet site and the NNA site alone would get at least 10 inquiries a day from people who just happened to find the National NEIS

Association, which is quite an obscure organisation, really—who are looking to start a business. They do not know whether they are eligible for NEIS. They do not know how to find out about starting a business.

A good example was the Ansett collapse. We had a lot of people approach the National NEIS Association of managing agents Australia-wide, but we were not able to help them: because of their redundancy payout amounts, they were not eligible for NEIS. A lot of them had not actually lost their jobs—technically, they had lost their jobs, but they were still employed and, because of the redundancy agreement, they were not allowed to resign. If they did, it affected payouts et cetera. So for people like that, we believe that if there were a more formal program set up where companies could apply to buy NEIS places and run a proper training program for people who have opted for or who are interested in going into small business—

**Senator BARNETT**—Can I just clarify that. Do the 22,000 places that you are recommending apply to the six to eight weeks training as well or just to the 12-month allowance following that initial training?

**Mrs Dewsbery**—We believe it could be a combination of both, where people could get the training—we think the training is absolutely critical—and their contribution might be some form of cost towards the mentoring if they want it. But maybe the mentoring could be optional. Or a company could buy the full program for their clients, but part of it would be subsidised by the federal government.

**Senator BARNETT**—I have two supplementary questions. Can you give us a thumbnail sketch of your association and how it works—how your constitution operates.

**Mrs Dewsbery**—It is an incorporated association, incorporated in NSW. We exist entirely to support our members, so what we do is negotiate with DEWR on contract issues, delivery issues and quality issues, and that is our primary function. That is all we do, because it is run entirely voluntarily.

**Senator BARNETT**—Is it?

**Mrs Dewsbery**—Yes. It used to be funded prior to Job Network. We used to get about \$250,000 a year to run the association, but when Job Network came into play, we did not get any funding.

**Senator BARNETT**—My other related question is on the current places available. Just bring us up to date on that.

**Mrs Dewsbery**—There are 7,500.

**Senator BARNETT**—So you would support an increase from 7,500 to 22,000?

**Mrs Dewsbery**—Yes.

**Senator BARNETT**—I am trying to be analytical about it and to find the evidence to support such an increase—whether it should be 10,000, 18,000, 22,000 or 30,000, for example. Is there any evidence? You have mentioned a survey that your treasurer did.

**Mrs Dewsbery**—Yes, we did do a survey.

**Senator BARNETT**—How long ago was that?

**Mrs Dewsbery**—It was done about 1995 or 1996. I can send that information through to you, if you like.

**Senator BARNETT**—Yes. What did that survey show?

**Mrs Dewsbery**—It was a survey of people who were interested in starting a business but, because they did not know where to go and how to find out what to do to start a business, tended either not to do anything or to go and just buy a business and start a business anyway. It was really an estimate showing the potential size of the market for NEIS to be around 22,000. It was also based on some research from the United States. I cannot tell you specifically, because I have not brought it with me.

**Senator BARNETT**—Would you happily provide the information on that survey to our committee?

**Mrs Dewsbery**—Yes, I can provide that information.

**Senator BARNETT**—That would be appreciated. Would you expand a little more about the benefits of the NEIS program and how it works? I understand it is both an employment program and a small business support program—a mixture of both.

**Mrs Dewsbery**—Essentially it is a labour market program. The national statistics for NEIS currently reflect that about 82 per cent are off benefits after 15 months. I believe the department is going to undertake longer term surveys, but a lot of managing agents like me have run their own surveys for years. Our long-term survival rate is over 70 per cent after three years, which is phenomenally successful. Surprisingly enough, it is actually better in regional areas than in metropolitan areas. My own observation of why that is the case is that there are very few other options for employment in regional areas. Unemployment benefit, particularly in rural locations, is something that people do not want to have to rely on if they can avoid it: it is looked on as a social stigma, so people tend to shy away from it. I think that makes them more determined to make their business survive. I think their income expectations are lower as well.

**Senator BARNETT**—Is the 70 per cent survival rate after three years categorically set out in evidence and accepted by the department and everybody else?

**Mrs Dewsbery**—No, they are just surveys that have been conducted by managing agents of their own client base. We have provided the department with this evidence over the years, but we have never been able to fund a proper survey.

**Senator BARNETT**—We can ask the department about that, but is that disputed by the department?

**Mrs Dewsbery**—No, I do not think so. I believe they are going to undertake a six months or nine months off NEIS allowance survey themselves.

**Senator BARNETT**—So you would say that there is very persuasive evidence to support an increase in the current 8,000?

**Mrs Dewsbery**—Yes. Under a previous Labor government—I think it was in 1995-96—the places were increased to 10,500 in a year. I cannot think of the program now.

**Senator BARNETT**—No, that is fine. Thank you.

**Senator CHERRY**—I read through your submission, and the figure of 22,000 is an analytical figure based on the estimated demand for places. Do you have any figures from your association on the actual unmet demand for places out there at the moment? I know from talking to NEIS providers that, roughly, there are two to three applicants for each vacancy. What are your association's figures on those sorts of issue?

**Mrs Dewsbery**—Not that I can recall, but I know my own figures. Out of every 100 inquiries, we process about 12 places. All our inquiries go into a database, so it is really easy for me to get out the statistics. I do not think you can say that an inquiry is necessarily a real application. From the inquiry stage we send them a kit, and most managing agents would do that. People then have to submit a basic feasibility study on their proposal. There are various ways that that is done, but generally people answer a range of questions on the kind of business it is, the market they want to target and their financial position. Out of 100 inquiries, we get something like 22 applications. So there is a huge drop-out between the inquiry and getting that application in. We do a lot of follow-up with clients whom we think, potentially, have good applications when they come into the call centre. Often that encourages people who lack the confidence to take the first step. There might be a question that they do not know the answer to and they think they cannot put the application in. It is very difficult to understand why people make the inquiry and then do not follow through with an application.

**Senator CHERRY**—Your submission also deals with the Self-Employment Development Scheme—SEDS, I think it is called. We have heard some evidence in this committee—and we have certainly heard it from outside, from other providers—that that scheme is not working very well.

**Mrs Dewsbery**—No, it is underfunded.

**Senator CHERRY**—I notice that you have some recommendations for change. Do you want to expand on those?

**Mrs Dewsbery**—Yes. Prior to Job Network, managing agents could apply to their local CES to get what was called pre-NEIS training funding. It was a bit like Job Search in a sense, except that the objective was to see whether these people were potential candidates to start a business. SEDS was designed and developed by the department of social security in about 1994. It was

really their program; it was never a DEETYA or DEWR program. Now it is just a form of approved activity for people who may be thinking of starting a business. We believe the program could become a real feeder for NEIS and for those long-term unemployed people who may be thinking of starting a business but really do lack that personal confidence to make that first step. So it is a similar role to what is currently called Job Search training, but instead of looking for a job, you are looking to start a business. We think that a pre-NEIS program, properly funded for training, could really help to support those people in small business.

**CHAIR**—Would you deliver that independent of Job Network or through Job Network? It seems to me, from the people we have talked to so far who have gone into the NEIS program, that there are particularly individuals who have had some experience in management, or have skills in a particular area, which are suitable to starting up a business. Obviously not everyone that goes through Job Network is suited to running a business. To what extent does Job Network identify people who may be suitable candidates for the NEIS type schemes or programs? How would Job Network get involved in delivering this pre-training program you are talking about? Or should they?

**Mrs Dewsbery**—To deliver free NEIS training you do need to be a specialist trainer in small business training. The NEIS program is not well understood by Job Network providers unless they are also NEIS managing agents. Most managing agents are just NEIS managing agents. A few of them do other Job Network programs, but Job Network itself as well as Centrelink do not really understand the NEIS program at all. It is very poorly understood. NEIS managing agents really have to go into Centrelink and train their staff. Likewise, we have to go to Job Network providers and train their staff about NEIS. Overall, Job Network providers are probably better informed than Centrelink on the NEIS program, but it is very poorly promoted and marketed through Job Network and Centrelink.

The NEIS association has pushed the NEIS bandwagon and we have managed now to get regular NEIS stories into Centrelink and Job Network magazines to try and lift the profile so that people know. But it is not unusual for us to get phone calls from people who have been in business for two or three months or even a year and who say that they were never told about NEIS at Centrelink or by their Job Network provider. Of course, they are then quite disappointed to find out that they could have had that support but are no longer eligible. That is quite common.

**Senator CHERRY**—The other issue that is often raised when people talk about expanding NEIS places is the issue of competition with other small businesses. If NEIS and the related programs were expanded by a factor of two or three, as you suggested, do you think you would come up against that issue of competing against existing small businesses? How would you deal with that within your program?

**Mrs Dewsbery**—As I said before, our intention was not to promote 22,000 fully funded NEIS places. The competition issue really only relates to the income support. That is where people get upset—somebody may start a business that may be competing against another business and the new business is getting income support. Our proposal is that the additional places be for training or a combination of training and mentoring or just mentoring, so there would be a bag of options that individuals could access. I do not see that issue you mentioned as a major thing, because you can assume that a number of people who are starting businesses

without any support or training whatsoever are going to start those businesses anyway. People are going to start businesses and they are going to fail because they do not have any training. They do not know how to manage their accounts and they do not understand marketing, promotion, customer service or any of those issues.

**Senator CHERRY**—Aren't some of those services provided by the state departments?

**Mrs Dewsbery**—Yes, the state government departments do run programs, but I think you will find that, in regional locations, they are virtually not able to provide any sort of real service.

**CHAIR**—Is there no requirement for NEIS applicants or people who participate in the scheme to actually undertake basic business skills training? I would have thought that would have been part of it.

**Mrs Dewsbery**—In NEIS?

**CHAIR**—Yes.

**Mrs Dewsbery**—Yes, they have to undergo the training—it is compulsory.

**CHAIR**—So that is compulsory as part of the program?

**Mrs Dewsbery**—Yes.

**CHAIR**—One of the issues that has emerged in this inquiry so far is that of training in business skills for small businesses generally—there appears to be a very substantial lack of skills in the small business community. The vast majority that we have talked to have all admitted that they have had either very little or no basic skills training in cash flow management and those types of things, yet they have invested substantial amounts of money into their small businesses. One of the issues that has been raised in this inquiry is whether or not we should look at some formal licensing or certification for people seeking to start up a business to ensure that they have at least those basic business skills before they make the investment. That has obviously brought calls of: 'You're interfering in the marketplace. You can't stop people doing what they want to do with their money,' et cetera. But having at least some insurance that they have the basic skills to undertake the task that they are entering into is as much a protection for them as it is for everyone else. Have you had any experience in this area? You come across a lot of small business people, I presume?

**Mrs Dewsbery**—What you say is very true. There are models. I believe that the licensing program they have in Holland incorporates either some form of training or you have to have some form of qualification. I am not entirely sure what that entails and whether it is like our Gold Card. If you are a trade organisation here, you have to undergo some sort of certification, and that does involve a basic business course. It is a 40-hour course, but it is better than nothing. If you look at the statistics of problems in the building industry, it obviously does not work that well, because there are continuous liquidations and bankruptcies. I do not believe the 40-hour course is really enough. I have had a look at it—we run it ourselves—and it is very basic. It is about year 10 level.

I believe what the NEIS program does differently is to make people write a business plan that is then monitored constantly to make sure that they are complying with it or reading it and following it and, if it is not working, revising it and reviewing what they are doing. The sorts of things that managing agents will do for a client who is not really performing—in other words, their business just does not seem to be happening—is to send out someone to talk to them. If it is a marketing issue; we will come up with an action plan of what they have to do and we get them to fax that information in on a weekly basis. We really push them quite hard because people tend to get into business and think, ‘All I have to do is put an ad in the paper and the phone is going to ring,’ and of course it doesn’t. They have to get out there and talk to people.

Another great benefit of the NEIS program is that you have this big network of businesses. We link in a lot, and a lot of managing agents link in, with BECs. A lot of BECs are also managing agents. We link in with the Queensland Department of State Development and the tax office. We organise seminars for them to come along and talk to clients. In fact, that was all set up in Queensland, working with the tax office initially. We have done a lot to create those sorts of relationships and to make people realise that the tax office and its staff are there to help them. Unfortunately, a lot of people see the tax office as being somebody they do not ever want to talk to or speak to. We have tried very hard to break down that barrier by involving tax office staff in our programs.

I do not know if I am answering the question well enough here, but I think the program and the way it is designed for NEIS clearly works very well. Our proposal is about how we might be able to expand that support, either through training or mentoring, to those people who, for whatever reason, are not eligible for the entire program. A lot of people are coming out of organisations with good redundancy payouts who could clearly pay a contribution towards the training and mentoring. We believe that, if the program was available to people in some formal sense, the outcome for a lot of small businesses would improve and ,consequently, the employment opportunities would improve.

**Senator CHERRY**—I have a question about your presence in regional areas. From the NEIS providers I have spoken to, mostly in Queensland, the impression I get is that, because of the demand for places, priority tends to be given to those businesses that are closer to the providers—usually in the largest regional centre—and that NEIS is not really extended effectively into smaller regional centres. I would be interested in your views on that and on how we might expand availability into smaller regional centres.

**Mrs Dewsbery**—NEIS in Queensland was contracted out in 1992. That is when I started in the program. I used to run about 160 to 200 places a year in Southern Queensland, which included everywhere up to Kingaroy, more or less. It did not include the Wide Bay area. Under Job Network that was all changed and we had to have competition, so my places were halved. Now I do 40 a year, which is not a viable contract really, but it is part of my overall business operation so I can still run it. It is true that, because of the compulsory competitive approach to this program, whereas I used to do at least 15 per cent Aboriginal places a year, now I do none. I used to do places in St George. In Tara there are probably six businesses that I set up seven years ago that are still going. I used to do businesses in Roma. I did a lot in Stanthorpe, Goondiwindi, everywhere. The new rules are going to make you drive out to all of these places to mentor people face to face. I do not know how people are going to provide that sort of service. It is because we have always done it. I am able to provide it because we run training

right throughout our region, so I can incorporate my mentoring. But a lot of managing agents are not in that position.

We have five providers in the Southern Queensland/Wide Bay area. The total number of places allocated is 200, which is fewer than we were doing in 1992. We do not even have to advertise, because I could fill 40 places in three weeks if I really wanted to. I have to make them last. Under my contract I cannot overdeliver, so I have to make them last. You cannot run classes, because you have to pick the best. You might get three in one month, none the next, and one in the next month. You have to make those places that are worth while last. You are under all these different constraints to deliver a quality program. To me, it has been a monumental disaster for rural areas. NEIS is no longer really offered in a lot of places, in my view. We still do it. We still get people from Warwick and Stanthorpe, but I do not believe we are able to provide anywhere near as good a service as we used to.

**CHAIR**—Are you familiar with the business services training package developed with ANTA funding?

**Mrs Dewsbery**—Yes.

**CHAIR**—How do you find that package? How does it compare with the general training that is provided under NEIS?

**Mrs Dewsbery**—It really has not been designed to suit the NEIS program, but under the training package rules you can take units from other packages. There is a really good unit in the financial services training package that I think is far better suited. It is designed to teach people basic manual bookkeeping and then a computerised system. There is really nothing much like that in the new business services training package. The NEIS association has had meetings with the ITAB about it. We said to them that we thought that it really did not suit the NEIS program at all. It is more designed for people who are in business rather than people who are starting a new business or even just buying a new business. We felt there were big gaps in it. However, we have had negotiations with the ITAB about it and we are still trying to finalise with the department exactly what units will go into the next new NEIS contract.

**CHAIR**—You have had a fair bit of experience in this whole training area. There is a real concern, as I said earlier, about this lack of normal business skills amongst small businesses. If we were putting together a package to deliver basic business skills to small business per se, not just NEIS participants, what sorts of things should we be looking to do? What should be the priorities? What are the areas that we should be trying to address? What would be the implications of this for resources in this area?

**Mrs Dewsbery**—The sort of thing that people need the most is understanding their market—who they are trying to target. They need to understand how to manage their financial affairs and how to invoice. I still get invoices every week from suppliers—and quite large suppliers—that are not tax compliant invoices. The understanding of GST in the marketplace is so bad. I have to send invoices back weekly. I ring people and say, ‘Your invoice is just not compliant.’ I send them back, and you can do that over and over again. Understanding the financial side of the business is a major issue.

There is no easy package available for small business people. To me, the whole program should be much better funded. I am trying to set up deals myself for the NEIS managing agents with suppliers, but try talking to Microsoft—you have to write to God to get there. Try talking to MYOB—you cannot get the phone answered—and QuickBooks. It is very difficult for people in small business to access the right sort of support. There are a few good programs around, but QuickBooks and MYOB are just too complex for a new business owner. The type of people that we are dealing with do not have the computer skills to be able to handle that level of technology. They have to have something much simpler. They need more than basic manual book-keeping, however.

**CHAIR**—Have you raised these issues with the Office of Small Business? Have you brought them to their attention?

**Mrs Dewsbery**—I have been to many meetings, I have flown to Melbourne and I have seen many ministers. I have paid \$200 for taxi fares to go and see ministers in their own electorates to try and get through the problems that small business people are facing. So I think I have tried very hard. It is not easy to get people to understand.

I was just saying to John Carter prior to coming in here that my own business is a small business. But the biggest constraint I have to growing my business is getting staff, which I know sounds unbelievable, even in a training organisation. It is not really cost effective for me to take a person with no skills and put them into my business. For someone starting a business, the main issues are understanding their market and the financial affairs of their business, if you had to break it down. A pre NEIS program would be some combination of marketing and financial management. It would not be the full program.

Once a business is set up and running, the next big problem is recruiting staff. That is a major issue for small business owners. We do not do it well and I would be the first to admit it. We do not take the time to really test and recruit people properly. We do not match their skills. Very few small businesses would have job descriptions that had key performance indicators with skills matching to the job. We just do not have those sorts of things in small businesses, but we really do need them because we get this constant mish-mash and poor matching of skills. We get a high staff turnover as a result.

**CHAIR**—A lot of that stuff is out there. A lot of that stuff has been developed across a whole range of industries, so it is not as if small business would have to start from scratch to put that stuff in place. A lot of the work has already been done through the ITABs and through the various elements of ANTA over a number of years. Are they just not packaged in a way in which it is easily accessible for a small business to pick them up?

**Mrs Dewsbery**—No. I deliver training packages and I am not aware of anything that I could pick up and use in my own business that would fit that, to be honest. They are not easily identifiable or easily accessible. That would be true.

**CHAIR**—Perhaps that is a question we ought to ask ANTA. We can get that from them. We had a witness before the committee who expressed concern that those who started a business under NEIS may not be able to sustain in the longer term, presumably because business formation is driven by lack of employment rather than entrepreneurial drive. Is there any evidence for

or against that view? I notice in your submission you indicate that there has not been any real assessment of the NEIS program to determine whether it is economically efficient or whether it is delivering any real economic benefits back to the community. Has it been in place long enough for that sort of assessment to be done? Is it worth while doing that sort of assessment?

**Mrs Dewsbery**—The NEIS program has been around for about 15 years in its current form. I think it would be worth while to do a longer term survey—there is no doubt about that. On what basis was that person making the statement that NEIS businesses may not survive in the longer term?

**CHAIR**—He was an academic from the University of Newcastle who works in this area. He was saying that if you have people putting together businesses on the basis of creating employment rather than on entrepreneurial skills then there is a likelihood that they would fall over. He did not really give us any evidence for or against to say a majority do or a majority do not fail. I think it was an assessment he was making of the reason the program was put in place and what that subsequently might lead to.

**Mrs Dewsbery**—When a person goes into the NEIS program one of the things we test is how entrepreneurial the person is. I do not know whether that is necessarily such a huge requirement. Entrepreneurial people will want to grow and expand their business. Not everybody that goes into NEIS wants to do that. If people who are over 45 in rural and regional areas get their business started and survive and are continually able to employ themselves—essentially all they are doing is creating their own employment—if they remain off benefits for the last 15 years of their working life, I do not see the fact that they may not be an entrepreneur in the true sense of the word as a problem at all. I think the objective of the program is to assist people who have some entrepreneurial flair and some skills. It might be a trade type business—they tend to do quite well in regional and rural areas—and those skills are needed in rural and regional areas. If that person survives and is off a benefit I do not see a problem. I do not think NEIS was ever designed to be a truly entrepreneurial program.

**CHAIR**—You raised a couple of issues. You said that people on NEIS ought to have further support from government. I think you were referring to them being put onto a list of providers to the government, that the government ought to show some faith in the scheme by at least listing these people who are providing these services as preferred providers with government departments. I understand that and I think that is relatively easy to do. There may be merit in that sort of proposal. However, the other issue you raise is about them getting access to research and development funds. How would you envisage that working, given that there are pretty strict criteria as to what research and development is? I would have thought that if they are genuinely carrying out research and development they would have access to those funds now. They would be eligible under the current schemes to apply for access to R&D start grants or whatever funds are available.

**Mrs Dewsbery**—The NEIS managing agents network Australia-wide does cover regional and rural areas. We believe it is very underutilised. GST implementation was a good example of that. We were not able to get any programs up and running under the GST implementation. A few years ago the NNA ran a pilot program on how many businesses exported through a government department in Canberra that runs export development grants.

**CHAIR**—The Department of Foreign Affairs and Trade.

**Mrs Dewsbery**—Yes. It showed that small businesses of that size which wanted to undertake some sort of R&D for export purposes did not know how to access that information and, because of their size and their lack of a track record, they were not eligible for any sort of assistance. We believe there could be an opportunity for that to be looked at—it could be looked at and should be looked at.

**CHAIR**—You were not expressing the position of giving them any special consideration or special funding, but simply that they should be given the opportunity to apply for whatever programs are currently in existence, albeit that they currently suspended anyway because there is no money to fund them.

**Mrs Dewsbery**—Our proposal has been about expanding programs and spending more money.

**CHAIR**—Has there ever been an audit of NEIS at any stage to your knowledge?

**Mrs Dewsbery**—Yes, there have been a lot of surveys done. There was one done last year by Professor Murdoch from the Western Australian University.

**CHAIR**—Yes, but there has not been an official government audit done of the program?

**Mrs Dewsbery**—What do you mean by an audit, exactly?

**CHAIR**—Essentially an assessment of the program to see whether it is achieving its goals.

**Mrs Dewsbery**—Yes, there has been. That research was commissioned by DEWR.

**CHAIR**—And done by Professor Murdoch?

**Mrs Dewsbery**—Yes, Professor Murdoch.

**CHAIR**—Have you got a copy there?

**Mrs Dewsbery**—I can get you the information.

**CHAIR**—Where is Professor Murdoch from, Mrs Dewsbery?

**Mrs Dewsbery**—Western Australia.

**Senator BARNETT**—Not the Murdoch University?

**Mrs Dewsbery**—No, I am pretty sure it was Professor Murdoch. I kept getting confused over that myself. I am fairly confident it was Professor Murdoch. I can send that information off to Margaret for you.

**CHAIR**—We would appreciate that.

**Mrs Dewsbery**—Following on from that, there has been some further research by that team on mature age people. I will get that information to Margaret as well, because I think that is very interesting.

**CHAIR**—That would be excellent. Thank you.

**Senator BARNETT**—In response to Senator Cherry's question, you said that of 100 inquiries you had 12 applications made. As a generic overview, what is the uptake rate from the inquiries that are made and what percentage kick into places that are granted?

**Mrs Dewsbery**—Around 10 per cent is what NEIS managing agents will tell you. Overall about 10 per cent will actually get through the program. I am saying that we get 12 applications.

**Senator BARNETT**—So 10 per cent of the legitimate inquiries. They fill out their application and—

**Mrs Dewsbery**—No, 10 per cent of the actual inquiries. Of the 100 people that might inquire we would get 22 applications, and out of the 22 we would put through 12.

**Senator BARNETT**—Are the 22 that do the applications an industry standard? In Sydney we heard it was closer to 30 per cent who fill out the applications. I might be wrong on that, but it was about that figure.

**Mrs Dewsbery**—It could be; it could vary. My application could be a bit tougher. My expectations might be higher.

**Senator BARNETT**—But you say that you would take about 50 per cent of those applications. Their percentage was much lower than that. Are you familiar with the figures around Australia for the uptake rate?

**Mrs Dewsbery**—No, I am not. We have done some surveys in the association, so I could have a look and see if we have done anything like that.

**Senator BARNETT**—If that is convenient, that would be good. You also compliment the micro-business consultative group in your submission, for which I thank you as a member of that group. You mention that mentoring is a particular strength of NEIS. Were you recommending in your submission that you outsource the mentoring program to micro-businesses that are currently out there—at a cost?

**Mrs Dewsbery**—Yes, we would like to be able to provide that service in a broader sense. We see a lot of replication of what we do in some form or another, either through state government programs or new initiatives that come out for whatever reason from the federal government. We believe that the NEIS managing agent network is really much better suited to deliver a lot of those programs.

**CHAIR**—Thank you, Mrs Dewsbery.

[9.54 a.m.]

**SCHOFIELD, Mr Vincent Charles, President, National Federation of Independent Business**

**SMITH, Mr George Arthur, Secretary, National Federation of Independent Business**

**CHAIR**—Welcome. The committee has before it submission No. 14. Are there any changes you wish to make to the submission?

**Mr Schofield**—I have distributed addenda to our submission. I will be referring to those.

**CHAIR**—Those are the *NFIB Advocate* of July 2002 and *Finding a balance*, the Reid report. Is that right?

**Mr Schofield**—Yes. I have just given you 17 pages of the recommendations from the Reid report from 1977, which we feel have due relevance to the committee.

**CHAIR**—Those documents will be tabled, by agreement. The committee prefers all evidence to be given in public, although the committee will also consider any request for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. Do you wish to make an opening statement?

**Mr Schofield**—Yes. Firstly, welcome to Queensland, gentlemen. Thank you for inviting us. We represent the NFIB—the National Federation of Independent Business, Gold Coast branch—which is a registered association. We are one of the first federation branches started in Australia, which have formed and are based on the NFIB USA which has over 600,000 members. Our membership covers the area from Tweed Heads to southern Brisbane suburbs and out to Nerang. It includes solicitors, builders, lawyers, retail shopkeepers, subcontractors and architects, et cetera. We are apolitical, and do not favour any party. We are, in effect, a lobby group for small independent businesses of our region. We consider each candidate at election, study their agenda in relation to small business and vote for the candidate and not the party, including manning booths for selected candidates and donating political funds in that area. As small business, there are impediments to conducting business and especially to employing further staff in small business.

In our submission, we have talked about the effects of GST. I will add that GST and the whole new tax system have caused untold grief to small business. We are not against GST itself, and agree that the system we had before had to be overhauled. However, the major weight of the administration of the whole new system of GST, BAS and IAS has been placed squarely on the shoulders of small business. The compliance costs have been horrendous. Our main aim has been to obtain compensation for the time and input of that system.

In our submission you will see a model, developed by our branch, which we feel would adequately compensate small business for the time and effort they put in. We have spoken to many of your colleagues in the Senate and in the House, and have submitted our model to them.

Many of them have been very pleasantly and happily in agreement with it, but nothing has ever come to parliament—especially in the Senate. People have come to address us at our meetings on the Gold Coast, including Senators Andrew Murray, Andrew Bartlett and Ron Boswell and, from the government, Ian Macfarlane, Joe Hockey, Tony Abbott and John Anderson. Our two local members, Margaret May and Steve Ciobo, are both very supportive of our system, as are Bob Katter, Steve Martin—who was very much involved before he retired—the former shadow minister for small business Joel Fitzgibbon and, in the local state area, Michael Horan. All have received this document and all have said they are very supportive. The senators had the problem that, although they are agreeing with it, they cannot initiate a bill in the Senate; it has to come from the floor of the House. Joel Fitzgibbon spoke to Simon Crean, who said they were going to instigate a private member's bill if necessary to get it into the House. However, that has never happened. We are still pushing the barrow.

I have brought copies of the Reid report—the committee may have the report but may not have it on hand. We were involved insofar as we spoke to the people involved; we did not give evidence to the Reid inquiry. The Reid report is our bible. Most of us, on the Gold Coast especially, are retailers. The Reid inquiry is similar in many ways to today's inquiry in that it is looking after small business. I refer the committee to two parts I have highlighted that really are interesting to us: recommendation 2.1 and recommendation 2.4. All small businesses in Australia are 100 per cent in agreement with them. The issue of length of tenancy—in shopping centres especially—has never been brought in and never been addressed. It was unanimously recommended by an all-party committee that this happen. Not only has it not happened but also the model that was supposed to be put down for Australia has not happened. Under 2.1 it recommends that:

... the Uniform Retail Tenancy Code be submitted to the Council of Australian Governments with a view to the adoption of uniform retail tenancy legislation ...

That has never happened. In each state we are living under a different act governing shop leases. The tenancy is always limited, so you are very careful about who you employ. Because you only have a five-year lease, if you put somebody in a job for longer than that, you are going to have to retrench them when you do not get your lease renewed. This has been a big worry to us. We would love to see incorporated in the committee's report something to push this along: 'Hey, the Senate has already looked at this, can we please get this working? Why, when this was put in five years ago, has no-one done anything about it?' A lot of the recommendations that were to do with the ACCC have been adopted—Queensland only adopted it last year into their retail shop lease laws as 51AA, under unconscionable conduct—but many of these recommendations have not been adopted. They are all really pro small business, and obviously the big business end of town has fought very hard to stop them happening.

The next part of our submission is on unfair dismissal claims with regard to small business. We have much anecdotal evidence, even within our own branch, of vexatious and fictitious claims. We beseech you to change your stance in the Senate, if the Senate is involved, and pass Mr Abbott's amendments, because small business is suffering badly. I have a restaurant and I do not employ permanent people; I have 12 casuals. There is no way I can make them permanent. I cannot really put any more on because I have already had an unfair dismissal claim. It was dismissed but it cost me a lot of money. It did not cost the person involved anything because they walked away from it.

You have heard a lot on insurance, or will hear a lot in the future. On public liability insurance, my own business cover is up 50 per cent and I am just a restaurant, but our association, NFIB Gold Coast, is up 350 per cent because directors' and officers' liability—as though we would do anything naughty; we are not supposed to—went from \$400 to \$1,700 this year, and we have never had a claim. A lot of our membership fees go to paying insurance. We cannot give it back to help members.

With regard to superannuation, I do not know how long the nine per cent will last. I realise that with the baby boomers coming to retirement, nine per cent is not enough for anyone to retire on. However, business cannot afford any more. My cheque every month is about \$2,000 just for the superannuation guarantee fee for my staff. It is a large impost. I do not mind it as long as the staff know about it. Most of them do not seem to realise it is in lieu of wages. I think a very good idea to help all businesses—especially ours—would be for employees to have to make a compulsory contribution out of their wages to go with our nine per cent. Looking down the track like this will help Australia in 20 years time when these people are retiring; it will help them have enough superannuation to live on.

One of the newer items that has come out since we put this submission in is maternity leave—and I refer you to our *NFIB Advocate*. We have quite a few articles in there which are of general interest, including one on maternity leave. We are not against it as such, but obviously small business will not be able to afford it and we hope that the government will not have to impose extra taxes if they do bring it in.

My only other comment is about the GST. Senator Conroy made a beautiful comment under the headline 'Commonwealth fails GST tax audit'. As you know the Auditor-General found that something like 15 per cent of the Public Service got their GST returns wrong and Senator Conroy said:

If the Government cannot comply with a GST itself, how can small business be expected to comply?

I let my case rest.

**Senator CHERRY**—In your submission you ask initially about seeking some protection from vexatious claims, and then you suggest that a possible way would be a free or low-cost mediation service that might determine whether or not the claim is valid or the employer has a case to answer. Could you expand on that proposal a bit more and how that differs from the conciliation process in the commissions at the moment?

**Mr Schofield**—Sure. I have been through the commission process, right through the front door of the actual court. At the moment all parties go with their legal advisers to an informal hearing with the commissioner and, in our case—it was here, in our street—the commissioner said, 'There are just two of you. This is a very small issue; I shouldn't really have to hear this; go away and work it out.' So we went into a separate room and talked it over but could not agree. The facts were that the lady had resigned and then decided that she was scared to tell her husband. Then she told him that she had been sacked and he made her take legal action to say that she had been unfairly dismissed. She asked for five or six weeks wages, which is \$3,000, as compensation. We believed she had resigned and said that she was welcome to come back. She was a good member of our staff; we liked her and she worked hard. She had some medical

problems at the time and we suggested that she might like to take a week off for her medical problems. She said, 'I won't be back any more; you're sacking me; I'm resigning.' Then we got the claim from the court and we had two mediation sessions. We said, 'We'll have you back; you can start tomorrow.' At that stage she said, 'I've already got another job; I just want the six weeks I was out of work looking for another job—\$3,000.'

The bottom line came down to, 'I'll see you in court or you give me \$2,000, because that's what it's going to cost you to hire lawyers and go to the industrial court.' We said, 'No, we'll see you in there; we reckon we can win.' We had 12 affidavits from the staff who had heard her resign, so we believed that we were on a good thing. We got to the court date and she said, 'We're not going ahead; we're withdrawing,' and walked away, leaving us with our legal fees of \$350. If this had gone to a mediator and not to the arbitration court, we would not have needed lawyers and we could have sat down and explained it to her. In the first discussion in the arbitration court there is no evidence taken, so we were not allowed to table our 12 affidavits. It is an informal hearing with just you and them to work it out between you in front of the commissioner. We could not do that, and the commissioner was quite annoyed and said, 'Go away for two months and then come back.' If we had been able to sit down with an unbiased person during that time and say, 'This is what we've got. What's this lady got?' it would have been over just like that, because they would have known straight away that she had a problem. However, we had to wait all that time and spend that money and in the end she pulled out. She kept reducing the amount—'Give me \$3,000, give me \$2,000, give me \$1,000, give me \$500, forget it.' I call that a vexatious claim.

We have another member who has had exactly the same thing. I will not go through the details, but it was the same type of idea. If the two sides were able to get together with a negotiator from outside the system—someone like a retired judge or magistrate or a senior bank manager—I think a lot of claims would disappear. They would not even have to clog up the arbitration commission, which has more important things to do than dealing with individuals with these types of small claims. We had to drive up from the Gold Coast and back three times to attend the court. That used up time and energy of the owners of the business. We had to put people on to cover for us at those times. Does that answer your question?

**Senator CHERRY**—Yes. I think you have explained about retail shop leases, but could you expand on the issue of how competition law impacts on small business employment, with some examples from your area?

**Mr Smith**—Coming back again to the retail sector, a lot of retailers and other small businesses are loath to prosecute their rights under the act because of concern about retaliation. For instance, in a claim for unconscionable conduct relating to the lease, the fact that there is no continuous security of tenure means that they are loath to upset the landlord, because they do not want to win the battle and lose the war—lose their lease. So, while the landlord owns the lease or a major supplier can hold them to ransom because they will lose the contract for complaining, there needs to be some sort of protection for the tenant or the small supplier. This is a concern to people. They say, 'What's the good? If I do it, I'll lose the contract,' or 'If I do it, I'll lose my lease.' This is particularly relevant in the leasing area. We have worked closely with the ACCC. They have been very good; they are obviously pro small business and making a level playing field. We are encouraged by that, and we know the government is aware of it. The frustrating part, as the legislation is being slowly but surely improved, is that there is still that

lag about the idea of retribution that is in place at the moment. It is not an easy question, but it is of concern to us. Once again, it inhibits the growth of individual businesses in many ways and impacts on employment, because a retailer will not employ if he thinks he is going to lose his lease in a short period of time or is not going to have that contract.

**Senator CHERRY**—In your submission you also highlight the fact that your submission to the ACCC talked about the anticompetitive behaviour of below or unreasonably low pricing. Do you want to expand on how that affects small business growth?

**Mr Smith**—It happens mainly in the food area—we were parties to the submission to have the market share of the major chains capped—and it happens to a degree in the film and distribution industry where you have about two major suppliers who also own distributors and exhibitors, which is a separate issue. Where you have people like, say, Coles and Woolworths, who have suppliers under control in the markets, they can virtually control the price of their food and make it uncompetitive by control of price. It is still predatory pricing and they will tell you that if you drop your price below that certain price, they will drop below it. In many ways they are stopping small business competing against them on price because they make the threat that they will drop everything against them. They use the words, ‘We have more money than you.’

You also have a link with the fact that they are key tenants in most shopping centres. The push for more shopping centres actually underpins the market share growth because when they put in a new shopping centre they are not going to ask Joe’s Corner Store to go into a key tenancy and give him 12 months free rent and let the other traders share their outgoings. They are going to put in a key trader and Coles and Woolworths have grown in market share to an unhealthy level through the extra assistance that they get. Not only do they control the price, they are under all sorts of advantageous tenancy agreements whereby, once a tenancy’s MAT drops to a certain level, they get compensation but the small business person does not.

We are not frightened of competition. We all compete against each other and, let us face it, small business has much more initiative, they are more flexible and they can respond to market pressures much easier than a corporate giant. If we had the money behind us that Coles has we would not be losing millions of dollars like they are. When you see the fact that they are using other people’s money to compete against small businesses who have funded their own business with their own money, the cost of the money is much higher. The banks do not come up to managers of small businesses saying, ‘We see you are having a bad time. Let’s lend you more money’, but they will do it with major corporations. As for the cost of money, the cost of the GST is about 60c for \$10,000 of turnover for a big company; it is about \$60 for a small business.

We are looking for stronger anticompetitive laws similar to the ones in the United States where they have antitrust legislation which does tend to give them a fair go. We get newsletters from America every day and we follow what is happening in the United States. Of course, it is a much bigger market and probably you cannot have a Woolworths having less than 20 per cent or 15 per cent of the market. We understand that, but when they have 86 per cent between two of them—they also have the liquor suppliers, the petrol outlets and those sorts of things—it just makes it difficult.

**CHAIR**—Mr Schofield, first of all, do you have a working relationship with the Gold Coast ACC?

**Mr Schofield**—In Brisbane? There is none on the Gold Coast. Do you mean the ACCC?

**CHAIR**—No, ACC, the Area Consultative Council.

**Mr Schofield**—No, we do not. We know some of the members on them. We only got to find out who they were when we went to your web site. We had not realised they actually existed so they had not made themselves known to us.

**CHAIR**—You clearly represent thousands of small businesses across south-east Queensland and the Gold Coast and I am sure they would be interested.

**Mr Schofield**—A couple of their people are members of NFIB. We did not know. They had never told us.

**CHAIR**—Do you know if there are members of yours who are members of the Gold Coast ACC?

**Mr Schofield**—In that submission they put in, no.

**CHAIR**—I suppose we will ask them.

**Mr Schofield**—Two of them are members of us.

**CHAIR**—On the unfair dismissals issue that you went through, was that done in the state commission?

**Mr Schofield**—Yes.

**CHAIR**—So the proposed changes to the law federally would not have affected you anyway?

**Mr Schofield**—It should be drawn down if it is made in a federal court. When the 18 per cent went through recently for federal awards all the states drew them down. We just had it put through in Queensland.

**CHAIR**—But it is not necessarily the case. Unfair dismissal laws have been in the states for some 30 years but they have only been in the federal jurisdiction for the past 10.

**Mr Schofield**—But we felt that, with your influence, if you could put it through and say, ‘We should do this,’ then the Labor states, especially, would listen to you.

**CHAIR**—You do know, however, that in the recent legislation that was put through and rejected by the Senate we did in fact put up amendments to deal with some of the issues you are raising, which were rejected by the government. They would have reduced the impact of the

legal profession's involvement in unfair dismissal and created a more conciliatory approach up-front by the commission.

**Mr Schofield**—I saw that. The ALP said that they did not believe that small business should be any different to large business, and they were not going to pass the legislation under any conditions. I realise that could change.

**CHAIR**—No. Amendments were moved by the Democrats and the ALP to deal with some of these issues that you have raised this morning, which were rejected by the government. The government's view is you either take it or you get nothing at all. You raised the issue of compensation in terms of the GST, and you talked about compensation proposals as having being shelved. What proposals were they?

**Mr Schofield**—If you look at our submission right there in front of you—all members should have one—you will see the model we put up of how we would deal with it. It is on page 4 or 5 of our submission.

**CHAIR**—I see. So this is a proposal that you put forward? Who did you put the proposal to?

**Mr Schofield**—Treasury.

**CHAIR**—Did it go to the tax office?

**Mr Schofield**—Through Costello, I suppose, and through the other ministers we spoke to.

**CHAIR**—But do you know if it went to the tax office as well?

**Mr Schofield**—No. I personally did not send a copy—definitely not. I assumed the Treasurer would give it to the tax office. We have again spoken to Senator Coonan, who wrote back and said that she has looked at it and she cannot see any way of doing it at the moment, but that she has done all these other fine things for small business, which may be fine but they do not really recompense us as we wish to be. Joe Hockey also said something similar. The actual Treasury area in the government have not been oversympathetic. They have said, 'It looks good, but we cannot do it.' Whereas both Labor and the Democrats have taken it on board and said, 'Yes. If we were in power, we would do it.'

**CHAIR**—So you have put this proposal to the government and Senator Coonan has responded to you?

**Mr Schofield**—And Senator Hockey before that.

**CHAIR**—Can you table those replies?

**Mr Schofield**—You have caught me short here.

**CHAIR**—Can you make copies available to the committee?

**Mr Schofield**—Yes, I will do that later.

**CHAIR**—Are you aware of any international precedents for compensating small business for the compliance course on taxation.

**Mr Schofield**—To my knowledge, no. It has not happened yet. We would be appreciative if it did happen.

**CHAIR**—On financing issues, is your main concern with bank fees or is it access to finance on better terms available through the bank? Are you saying, for example, that small business is disadvantaged in terms of borrowers in the marketplace?

**Mr Schofield**—Sure. Because we have not got a AAA-plus rating like BHP, for instance, our rate is a lot higher and a lot harder. We all had to put up our personal homes to gain finance to enter business. As my colleague here said, we put our money in, whereas big business puts shareholders' money in—and we see what happens to some shareholders' money in various companies like HIH. If our business goes bottom up, we lose the house, we lose the lot, we are gone. And for the pleasure of doing that, we pay several more per cent to the bank and a lot more bank fees and other fees because we cannot argue. Once you have gone, they say, 'Take it or leave it,' and that is it.

**CHAIR**—Are you suggesting that we should look at some special scheme to equalise the borrowing capacity?

**Mr Schofield**—Yes.

**CHAIR**—What about something similar to HECS, where you would pay it back through the tax system as a debt in proportion to your income?

**Mr Schofield**—Sure. Some assistance some way. It does not necessarily have to come out of taxpayers' funds, but maybe the ACCC could say, 'Anyone under \$5 million gets a special percentage,' and you make it up on big business, which currently is getting very advantageous bank rates.

**CHAIR**—Is this a big issue for your membership?

**Mr Schofield**—All our members need assistance. All members are indebted to the bank.

**CHAIR**—What sort of financing is it? Is it financing to expand the businesses—

**Mr Smith**—A lot of it is.

**CHAIR**—or is it running costs?

**Mr Schofield**—Most of it is working capital and perhaps a bit is to purchase new capital items. In my shop, for instance, every five years the landlord requires me to do a refit. For a restaurant, that costs about \$350,000. So, every five years, apart from the rent I am paying—which is \$8,000 a month, or \$300 a day, for 60 square metres—I have to find \$350,000 to refit

ich is \$8,000 a month, or \$300 a day, for 60 square metres—I have to find \$350,000 to refit the shop. That is a demand. They will not give you a new lease, if you are going to get a new lease—and, at the moment, we are trading well, so I gather we will—unless you spend that money. You usually have not saved that much money in a cafe-restaurant—you have had to draw money—and you have already put in that much to start with. Let us say it cost us \$400,000 altogether to set up; you have to write off that \$400,000 over the five years—so that is \$80,000 a year—apart from any profits. When you get to the end of the time, it is not worth a thing.

They could say, ‘We don’t want you anymore,’ for whatever reason and, in our position particularly, they are going to knock us down and rebuild us in Pacific Fair. AMP said, ‘Right, you’re not getting a new lease in this place. You’re going to have a new shop and you’re going to have to refit it.’ That is going to be about \$350,000. I am going to have to go to the bank and they’re going to ask, ‘What have you got?’ I am going to say, ‘Nothing at the moment; I’ve just got an empty shop,’ so they will say, ‘Give us your house and then we’ll lend you the money.’ If AMP happen to make a mistake and put us in the wrong place, I will go belly up and lose my house. That is it.

**Mr Smith**—And you have people in situations like mine. I have a business that has grown quite quickly but, because I do not have a large asset backing, I cannot employ an extra two people to take advantage of the business opportunities I have and to invest in the business. There is a lot of that. There is no real venture capital, especially for small business, in Australia as such. The HECS would work. A lot of people have so much faith in the business that they are quite prepared to go into that sort of arrangement to fund their growth. There are similar schemes in the States, for instance, where they have funding for small businesses.

**CHAIR**—I am aware of that. You refer to the compliance requirements of the three tiers of government being a particular problem. Can you elaborate on that? Can you give us some examples?

**Mr Schofield**—Sure. I am a great believer that we are overgoverned in Australia, and I believe—and I think many of our members believe—that the state government is superfluous. That may be a terrible thing to say, but I think the federal government and the local councils could divvy up what the state governments do.

**CHAIR**—You are an old Whitlamite!

**Mr Schofield**—I am not, actually, but it does not matter; I agree with that perspective, because we are wasting so much time. This document would answer the question. All these recommendations were made but none of them has been taken up in the state’s retail shopping acts. We had to fight very hard to get the 51AC recommendations brought into Queensland. It took us until last July to do it and we had to push through Macfarlane and Abbott to put pressure on the government here and to say, ‘Listen, draw it down into your act.’ As you said with the commission, it is a state thing and, unless the states want to draw down what the federal government says, it does not help us at all. I would have one leases act for Australia and all leases would be the same—education would be the same, as education is all over the place at the moment and there different agendas; police could all be under the same area; roads could be under local government; and health could be national, because at the moment it is all over the

place with some states in diabolical strife because of their hospitals and others not. There would be a lot of savings. We are overgoverned and I think it is in the state area.

**CHAIR**—Is it the uniformity of regulations between the three tiers of government that is of concern to you rather than the volume of regulation?

**Mr Schofield**—Correct. I would not mind if I had only one book to go to. The tax act has gone from 400 to 8,000 pages, and we are trying to understand it. I know that is a federal thing and that we are all under it, but it is that sort of thing. It would be good if it were in one place; now you have to go to three different places all the time to find it.

**CHAIR**—I understand the point that you are making. How do your members learn about the changes that occur in regulations that affect them? Do they rely on you?

**Mr Schofield**—Apart from us?

**CHAIR**—Yes.

**Mr Schofield**—I have not asked them. Some of them are on the web—not many—and they get it through that and mainly through the news and, I would say, 90 per cent get information through the *Advocate*. We try to keep them informed—that is what their subs are for—and we do that every one or two months. We try to give them as much up-to-date information as possible. A lot of them would be in another association. The difference with us is that we cover all types of employment and businesses, whereas the chambers of commerce in Nerang or Brisbane just look after those areas; we look after a much larger area. I am also in the Restaurant and Caterers Association, because I own a restaurant, but they only tell me about things happening in the restaurant area; they do not tell me about my lease, unfair dismissal or insurance. They tell me about the health act, employment and my awards, so I have to be in that too. I am also in the REIQ, because I am in the hospitality industry. So if anything comes up I get a newsletter from the REIQ, but they are only interested in their particular field. This is why we felt there was a need for someone to cover all areas to try to help everyone.

**Mr Smith**—We are not a trade association and, as such, we do not offer that. We are also trying to get our members politically active. It is no good being reactionary; we have to be proactive. In America there are 600,000 members and 38 per cent of the members are actively involved in the political process. Their members contribute to the funds, they advertise in their shops and they support whoever they think is going to do a good job for small business. It is a bit different over there, of course, because there is no problem with crossing the floor on certain issues.

**CHAIR**—Is it fair to say that there would be a reasonable percentage of your membership who are probably in breach of the law or regulations simply because they are not aware of changes that have occurred?

**Mr Smith**—We constantly find people who fail to comply, and suffer from it. For instance, a couple of our members who have been in retail for a long time had not realised that they had not applied to renew the lease in the specified time; they had just assumed that things would happen and the landlord would come and say, 'Your lease is due again next month.' They have lost their

businesses because someone has gone and negotiated behind their back and got their site. Some of them are big industries because retail now is a seven-days-a-week job. By the time you go home and do all your compliance, the last thing you want to do is read the paper. So we have to act as an information base for them.

**Mr Schofield**—We refer them to our newsletter.

**CHAIR**—Yes, and I have seen that in your newsletter.

**Mr Schofield**—What you say is right: usually they are unaware because of a lack of knowledge and a lack of being told. There is always someone coming to us saying, ‘I did not know. Can you help me?’ Our committee tries to help them and negotiate the way out. Because on the coast it is mainly retailers, our biggest thing is not complying with the shop leases and trading acts. That is where a lot of our time goes. The other area is obviously taxation, but we have a taxation specialist, so we refer people to them. Businesses usually find they are in breach for some reason, whether it is the BAS or the IAS—nearly everyone has done something wrong with that, especially if they have done it themselves. I am not a CPA but I am an accountant and I have been in retail for 20 years, and I have costs in this area in that I employ a CPA to do mine because it is miles too complicated and there is no way I could do it. We do all the accounting on our computer and give it to them, but they do the final difficult bits. Our costs for doing that have gone up 100 per cent since the new tax system came in: it used to cost me \$4,000 a year and now it costs me \$8,000 a year.

**Mr Smith**—The other problem for a lot of small businesses is an assumption in the legislation that everybody has an English-speaking background and is actually literate in English. Even amongst members who are schooled, lots of older members left school at year 10, and the complexity of conforming to legislation now is beyond a lot of them. I have clients I mediate for who have a Greek background. They speak very well but they do not read, they do not understand. A lot of them do not even understand that a small business is a legal entity. They are the sorts of things that we are addressing.

**CHAIR**—Thank you for that. Mr Schofield, this is the real Senator Conroy. He has been singing your praises, Senator Conroy. You must be rapt.

**Mr Schofield**—I will just repeat it. I will go back to that headline now—I loved your quote, because a lot of our members have problems. You said:

If the government cannot comply with the GST ... how can small businesses be expected to comply?

This is the whole basis of it. I kept that in my scrapbook because I think that is beautiful. You will have to read our GST discussion from the *Hansard* because I am afraid you missed it—but a lot of it was meant for you.

**Senator BARNETT**—It is good to know that it is now confirmed that Senator Conroy is a legend in his own lifetime!

**CHAIR**—He has always been aware of that!

**Senator BARNETT**—Congratulations, Senator!

**Senator CONROY**—Usually, I am a legend in my own lunchtime.

**Senator BARNETT**—I have a question for Mr Schofield and Mr Smith: is your organisation related to COSBOA, NARGA—the National Association of Retail Grocers of Australia—or NIRO, the National Independent Retailers Organisation?

**Mr Schofield**—We work with them. They are not part of us, we are not part of them, but we talk to each other quite a bit.

**Senator BARNETT**—Excellent. I just note some of the views that you put are very similar, so I was just getting a feel for that.

**Mr Smith**—Yes, we shared submissions.

**Senator BARNETT**—You mentioned the Reid report and the recommendations tabled today—thank you for that. Are you familiar with the Baird report and the retailing inquiry? There were 10 recommendations, which were unanimous, that came out of that report and inquiry, and there were supplementary recommendations by Senator Boswell from Queensland and also two or three by Senator Murray. I wanted to draw that to your attention if you were not aware of it. It is very worthwhile having a look at those. In regard to unfair dismissals, Mr Schofield, I gather the point you were making is that you want a government to take the lead in exempting small business and you are looking to the federal government to take that lead.

**Mr Schofield**—Correct.

**Senator BARNETT**—And for you there was a very real problem, although it was in a state jurisdiction. What you are saying is that, once one government takes the lead, things tend to flow through to the other jurisdictions, and that at the moment it is an impediment to small business and employment growth.

**Mr Schofield**—Very much so.

**Senator BARNETT**—How much so?

**Mr Schofield**—I will not put any permanents on—full stop; I have not done so for the last few years. I think twice before putting someone on, because even casuals come under the net now. The one who sued us was actually a casual. Because she had been there two years, we got sued for unfair dismissal. At the time, I was amazed; I thought we were exempt with casuals, even long-term casuals. And, as you can see, more power is coming. The unions are trying to bring more power to casuals and make them nearly equal to permanents, with long service leave and parental leave.

**Senator BARNETT**—So you are saying it is an impediment to small business growth and it is causing the casualisation of the work force?

**Mr Schofield**—It has, totally. I would prefer to go and do the work myself if we have a busy month. I am over 60 and I will still go in—over the school holiday period, for instance—and work the counter myself rather than put someone on, because at the end of that period they are going to say, ‘You cannot get rid of me unless there is a good reason.’ So I am too scared. I am not going back to court. It costs too much; it is just not worth it.

**Senator BARNETT**—On the other issue of the competition laws, which I am familiar with, have you made a submission to the Dawson committee?

**Mr Schofield**—Yes, we have.

**Senator BARNETT**—I notice you have that there.

**Mr Schofield**—I have, yes.

**Senator BARNETT**—You have set out your views in the *Advocate* that you have tabled today?

**Mr Schofield**—Correct. That is a summary of what our views are to the Dawson committee.

**Senator BARNETT**—I notice in there you talk about anticompetitive business acquisitions. Does that include creeping acquisitions by, say, the major chains of small business retailers?

**Mr Schofield**—Especially this grog thing that they are doing at the moment.

**Mr Smith**—We were very vocal and we were one of the leaders in the submissions to stop the Liquor Act being changed to allow them to stock it, so they went around the wall and they are now buying the chains.

**Senator BARNETT**—Do you have a view on section 46, the misuse of market power, as to whether it should include a purpose or an effects test?

**Mr Schofield**—Yes, it should. There have been many interpretations of section 46, and I really feel there should be some power there for the ACCC to look at it and say which way it should go.

**Senator BARNETT**—So they should look at the effect of the action and not just the purpose and try to prove some intent?

**Mr Schofield**—Yes.

**Mr Smith**—The competitive impact. Where it is falling down is that you cannot prove intent.

**Senator BARNETT**—So you would support tougher powers for the ACCC?

**Mr Smith**—Absolutely.

**Mr Schofield**—Yes, we have in our submission.

**Senator BARNETT**—I note you have said in your last dot point that you would support the ACCC being empowered to break up firms repeatedly misusing market power.

**Mr Schofield**—Correct.

**Senator BARNETT**—They are certainly tougher powers than they have at the moment.

**Mr Schofield**—Correct.

**Senator BARNETT**—Would you also support cease and desist powers, giving them powers to force companies to cease what they are doing?

**Mr Smith**—Yes, absolutely. That would get around that problem mentioned before about small suppliers feeling reluctant to prosecute their case for fear of retribution. It would stop that retribution.

**Senator BARNETT**—Thank you very much.

**Mr Schofield**—While we are on the ACCC, one of the problems with section 51AA, on unconscionable conduct, is that the ACCC have only had about six cases actually get to court. We are very closely involved with the manager here in Brisbane, Paul Jones, and we have submitted many cases to him that he has had to reject on the grounds that they did not quite fit the book. We will not go into the nitty-gritty of why, but the problem with most of the cases is getting some very hard evidence and, as my colleague said, the aggrieved person being willing to go all the way to the courts—and, to go to the Federal Court, you are talking about \$100,000. That is the problem: we cannot afford it. It would be better if we could all go to a much lower level. Unofficially, we know that one of our tenants was told by one of the big boys, ‘We have a million dollars to win this case.’ This was one of our little retail tenants who had them on unconscionable conduct but who had to give up. This is a real problem. The ACCC have all this power but, unless it is under state legislation, it is very hard for them to use it. They can use it, but the tenant, or the person who is aggrieved, cannot afford the money to go to court to fight it. Therefore, the big people win by default. They cannot get enough people to the court door, because no-one can afford it.

**Senator BARNETT**—And this is the point you made earlier about the market share of the major chains being so large?

**Mr Smith**—Yes.

**Senator BARNETT**—Thank you for your submission.

**CHAIR**—Thank you, Mr Smith and Mr Schofield.

**Proceedings suspended from 10.38 a.m. to 10.57 a.m.**

**MARCHANT, Mr Frederick, Small Business Assistance Officer, Far North Queensland Area Consultative Committee**

**VIEIRA, Mr Tomas Artur, Executive Officer, Far North Queensland Area Consultative Committee**

**SUTCLIFFE, Ms Kathryn Ann, Chief Executive Officer, Gulf Savannah Development Inc.**

**CHAIR**—Welcome. The committee has before it submissions Nos 6 and 38. Are there any changes you want to make to those submissions?

**Ms Sutcliffe**—No.

**Mr Vieira**—No.

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

**Mr Vieira**—Thank you very much for having us here today. It is a privilege to have the opportunity to present views from regional and remote Australia. Oftentimes I think that some of the scrutiny of service provision et cetera does not get up to us to the extent that it does in metropolitan areas, and it is great to have this opportunity. The format that we are going to take this morning is that I am going to make a couple of comments on behalf of the whole of the region, because Gulf Savannah Development actually are in our Queensland area and Kate, while representing the Gulf Savannah Development Association, is also a member of the board of our area consultative committee. We wanted to make a couple of key points here, and I will then invite questions from you.

Very broadly, the biggest issue that we have is that, while small business are the backbone of employment in our area and support to them is critical, there is a lack of support for small business. There are a couple of things that are emerging that are going to be issues. I would like to draw your attention to the fact that it appears that the Queensland Department of State Development, who have been providing assistance to businesses, are concerned with liability and insurance and are therefore pulling back in terms of their services. They are now taking the approach of just handing out information packages et cetera. They do not necessarily have the time and resources to spend with microbusinesses, which really are the bulk of businesses in our area.

There is a very real need, we believe, for greater support from government for coaching and mentoring services to small business. We make the point in our submission that our small business adviser made that the casualties of start-ups should not be taken for granted. There is a lot more that we can and should be doing for small businesses to ensure that they survive. That is where our employment and our growth are going to come from. I would like to pass on to Kate Sutcliffe.

**Ms Sutcliffe**—Gulf Savannah Development represents one of the remotest parts of the northern Queensland area. We have 190,000 square kilometres and 10,000 people, which includes a number of Indigenous communities. We would see that small business development across that region is the way to start to increase the rural renewal for that region. Historically, the areas of employment have been cattle, fishing and mining, all of which are starting to be on the decline. One area that is starting to improve with regard to the Gulf Savannah region is tourism. We would see that tourism is in fact small business, and we are placing a lot of emphasis on that in terms of trying to restore the economic development to the regional and rural communities out there. We see it as being a reasonably sustainable way of doing so.

I would echo Tom's comment about the Department of State Development withdrawing their services. We have a regional business adviser working out of Gulf Savannah Development, and just two days ago the state development department said that it is quite likely that the role of the regional business advisers will be diminished considerably because of the concern over professional liability insurance costs. I know that a number of the regional organisations in Queensland have found it difficult to meet those insurance costs. The Department of State Development, as a result of that, is now saying, 'We are going to instruct you that your regional business advisers virtually cannot advise,' and I simply say, 'There's not much point in having them.'

We have taken a different tack with our regional development adviser in that we have an accountant who is on a contract basis. I simply said that we would probably ignore the instructions because we have a separate contract, but it is going to have a big impact on other smaller organisations that do rely on the Queensland Regional Business Advisory Service. That service provides a one-on-one coaching and mentoring role which we see as essential for the support of small business out in those remote areas.

In terms of training, you have two areas. One is training for the business owners. But the business owners do not necessarily want accredited training, they do not want a certificate—all they want is a means to improve their skills so that they can run their business better—whereas the staff, employees and trainees of those businesses do need accredited training. At the moment, the funding for training goes through the registered training organisations. The mode of delivery of that training is totally inflexible. It is not delivered out in the region, and it is stuck to a 12-months time frame, which is not appropriate for the remote areas of the gulf, where you have nine months when you can work and the remainder is wet season. Businesses cannot afford to keep on trainees when there is no business coming in. So there is no training delivered out there apart from a one-on-one process for which we rely on the Queensland Regional Business Advisory Service and also other funding that we can get from the Department of Employment and Workplace Relations. We would see that as a key issue, and we would emphasise that we would be looking at coaching more than at mentoring. In mentoring, you have the concept of some shining example out in the gulf that can act as a mentor. In fact, we do not have any yet, so we are looking at emphasising the role of coaching one-on-one in improving small business.

The other area in which small business needs advice and support is on the host of regulations that control small business in terms of employment. It is very intimidating and it all just gets too hard. GST is another area where, as we mentioned in our submission, some small businesses find it all too hard.

To finish off, we would like to see government looking at incentives for small business, whether it is in revolving loans or in tax concessions. I think local government has a role to play, although in smaller local governments there is a limit to how much they can do. Certainly we would like the government to start looking at incentives for small business development, because in terms of the rural renewal of the gulf region small business is vital. That is where it is going to happen.

**Mr Marchant**—Thank you very much for the opportunity to speak to this committee. These guys have pretty much said a whole lot of the stuff that I would have covered, so that is good. In my role as a small business assistance officer—there is a classic old saying about finding out what the customer wants and giving it to them—I have been able to talk to many businesses across the Far North Queensland and Torres Strait area, and certainly the message from small business is that they do not want another brochure, that they do not want another seminar and that they do want specific answers to their specific problems, with one-on-one contact.

I endorse the idea of coaching as opposed to mentoring. I guess the nub of the submission is that education is going to be the real help for small business. There tends to be a government approach to promoting small businesses of looking at the new, the bright and the fluffy—all the good things that small businesses should be getting into—when in fact a lot of small businesses are simply struggling to survive and there is not a lot of help for the small businesses that are failing. There is a lot of help for businesses that have got perhaps a new idea, going into export et cetera. The reality is that a lot of businesses out there could be doing a lot better and hence be employing more people and improving employment if they simply could do what they do a lot better. Also, those in businesses that are failing are usually working very hard, they have a good idea, they have basically a good business; they just do not possess the skills and the education to do their work properly. I am sure there would be a tremendous economic benefit in saving a few of these failing businesses.

Just reiterating what Tom Vieira said, there are statistics out there saying X amount of businesses fail within the first year. That figure changes all the time, so I will not quote it. There seems to be an acceptance. It is just saying, ‘Well, that’s life.’ I guess we used to say that about polio and child mortality and things like that only a few years ago, but we have changed that. That concludes what I have to say.

**Senator CONROY**—I would like to talk about the liability issue which you mentioned. Is it state government advisers that are withdrawing at the moment?

**Ms Sutcliffe**—Yes.

**Senator CONROY**—Are they suggesting that they will come back into the field in the near future? There has been a lot of discussion about public liability right across the country, and in some states like New South Wales now there seems to be companies coming back into the public liability area, although not in every jurisdiction. Are they saying that it is a permanent withdrawal or just a temporary thing while they try and resolve it? I know the Queensland government have been taking a number of steps. They probably have not taken as many as the Carr government are taking. I am interested in what they are saying to you about that.

**Ms Sutcliffe**—The sorts of things that they are saying are that they are going to change the role of the Queensland Regional Business Advisory Service officers and virtually put them in a situation where they are not giving advice. One of the benefits of that service is that it can sit one-on-one with small business operators and go through a whole range of issues, whether it is GST or whatever, and give advice and referrals. I understand, from talking to the Department of State Development in Cairns, that what they are going to be doing is withdrawing some of that advisory service, which to us is a worry. If that happens, we just wonder what that person is going to do, apart from sitting around having a cup of tea.

**Mr Vieira**—We have not been given an indication that this is a short-term measure while they address the liability issue, so I think that really the concern is whether this is a significant shift in the way they do business. If that is the case, then a huge hole is going to be left. I introduce the point that the federal government has the small business assistance officers program, which will be rebadged as the small business answers program. There the issue becomes: will the government cover this service in terms of its liability so that we can go in there and plug the gap? If we do not, we will really have a huge hole.

**Mr Marchant**—One of the issues is strictly finance, the economics of it. Even if insurance is available, it is costing a lot of money. That is the feedback I have been getting from rural business advisers, that their budget just does not allow for it. Their funding is usually split from state government and other organisations, and they are unable to meet the extra \$6,000 a year.

**Senator CONROY**—What sort of advice do they give to your small businesses that could draw them into this problem? I apologise if that sounds like an ignorant question; I am just trying to understand why they are suddenly so afraid of the situation.

**Mr Marchant**—A small business officer would not be giving advice such as ‘I think you should borrow this money and invest in this business’ or ‘Red is better than green.’ The advice usually given is very much formula stuff; it is advising people that they need a business plan, showing them how to do one and so on. But there is a perception that people will find some way of suing if things do not work out.

**Mr Vieira**—Senator Conroy, I think Fred was talking about our position but what you meant was in terms of the state guys.

**Senator CONROY**—Yes, the state government.

**Mr Vieira**—The state guys are sitting down with them and doing some of that strategic planning stuff, so that is where it could be construed that advice is given about what step to take next and what procedures you should undertake if you are going to grow your business. Anywhere along that process one could be seen as being liable for the advice, yet that is precisely what small business is asking for. As Kate said, it is not asking for another course or the availability to undertake training but asking to sit down with somebody and have them assist them with strategic planning. Fred spends a lot of his time in that area, actually spending time with people, talking to them about the process of thinking that they need to undertake in terms of planning so that they can get themselves out of particular situations or plan to grow their businesses. They are head down, bum up; they do not have the time to undertake that process.

**Senator CONROY**—You mentioned in your submission—and you referred to it just before—that ongoing support and training for the GST is required, which you say many businesses have not yet come to grips with. Are you aware that in the budget the Treasurer announced increases in funding and staffing to the ATO to clamp down on small business? Are you concerned that the role of the ATO is moving from an educational role to an enforcement role, when you are flagging that the educational role is still very important?

**Ms Sutcliffe**—That is right: it has to continue. Small businesses out there are saying that it is all too hard. They are spending quite a lot of time trying to meet the compliance requirements. But, of course, when they are doing that they are not earning income for their very small businesses—and you are talking small business out there. So, unless they have an increase in their income, they are running at a loss to try to meet the requirements. So certainly the education role has to continue.

**Mr Vieira**—While we have a really good operative from the ATO in our area, he has a hell of a time getting any kind of funding to allow him to accompany our person out into the field—into the rural and remote areas—to take a roadshow and deliver the education necessary. It is extremely difficult.

**Ms Sutcliffe**—I think for the gulf it is one trip a year, which just does not meet it.

**Senator CONROY**—It seems that on the one hand you are arguing that you do not want any more seminars, but you are still saying you need the educational process.

**Ms Sutcliffe**—Yes, one on one.

**Mr Marchant**—That might be simply somebody to help fill out an ABN or run through their tax obligations if they are a start-up business, or even just to check how they are doing.

**Senator CONROY**—You referred to the difficulty of finding access to and knowledge of government programs. Is it your opinion that the government puts too much emphasis on the Internet as a medium to advertise and provide small business assistance services? Is that a fair way to summarise your views?

**Ms Sutcliffe**—We are encouraging people to use the Internet, but of course out there in a region like the gulf quite a few people do not have computers. A number of small businesses do not have computers at all. Some might have computers and they do not really have the confidence to use the Internet for business purposes. Then you have call centres. If they are wanting to check on something, say with the GST or whatever it might be, the call centres are usually so remote from conditions out in the gulf—

**Senator CONROY**—I think there is a campaign about that issue at the moment—I am sure you have noticed—trying to bring the tax office back to reality in just having those centralised call centres. While I am sure that Senator Barnett enjoys having them down in Tasmania, there is not a lot of localised knowledge for you guys at the other end of the country.

**Ms Sutcliffe**—We certainly try and help people to use the Internet.

**CHAIR**—What is the network like in the gulf region?

**Ms Sutcliffe**—It is improving. There was a mad dash just in the last few months to try and improve delivery of services out there with wideband access. Telstra had a satellite phone offer accompanied by a cheap IBM computer offer. I know that quite a number of people took that up. That will help, but you still do not get over the issue of the confidence of businesses to actually use it. They might have it there and it is sitting in the corner, but it is a bit like filling in the GST forms: they do not know which box to put the numbers in so they do not fill any boxes in and then they wind up with a fine. That is happening. It is a confidence thing. Existing businesses just need to build that confidence but with new businesses you constantly have to keep up that educational role.

**Mr Marchant**—It would be fair to say that they are a bit behind the times, if you like, in many of the rural areas. They are getting into the computer age, they are getting into the Internet and so on, but they are some years off becoming proficient at it.

**Senator CONROY**—You are probably also aware that the budget recently announced a \$24 million small business answers program; I think you mentioned it was a rebadge rather than necessarily a new program. Is that an increase in funding? Do you think enough of that funding is going to filter its way up to the gulf to make a difference? Is that going to help Mr Marchant to get around?

**Mr Vieira**—We are actually conducting a workshop—

**Senator CONROY**—You are after about \$22 million of it, are you?

**Mr Vieira**—That is right. We are actually having a workshop with our stakeholders tomorrow when we get back to Cairns to actually look at what we will need to do and how much we can realistically service and what level of service we can realistically supply. But in addition to that there are other programs, such as the small business enterprise culture program. That is a small program that I believe is an excellent model. However, because it is a grants based program, you do not have the continuity.

One of the issues that we have in rural and remote Australia is people coming in and developing rapport only to be gone six months later, then another person comes in that has been able to access that program and they are now saying, 'We're the funded small business enterprise culture program, and we're here to help you.' If you have this kind of pattern going on year after year, you have businesspeople that cannot develop a long-term relationship with anybody who is able to offer them that assistance. So, while we think that is a great program, we think that there needs to be more of it and in a sustained way, not this one-off grant sort of model that you have got going.

**Ms Sutcliffe**—We would like to see more and more emphasis on capacity building for the small businesses out there. I was talking about the whole concept of capacity building your community to create the capability within that community to act as coaches for other small business operators. That gets away from this whole idea of people coming in saying, 'I'm here to save you,' and the next thing they are gone and everybody says, 'Gee, what was that?' You

really have to emphasise the building of the capability of a community and a business community to manage their own affairs.

**Mr Vieira**—In answer to your question, Senator Conroy, there probably is not enough money, because we are already thinking along those lines. We are now looking at saying in regard to our small business person that, perhaps in some of these remote communities and up in the Torres Strait islands, for example, communities may need to nominate a person they will buddy up with, and maybe they can be supported in some way to at least be a focal point who can then refer back to us. It is travelling down that path again of saying, ‘What do you do when you can’t deliver the services and you need to strengthen the capacity and the community?’ We are already looking at those sorts of solutions. That is the next step—to empower those people in those communities with that knowledge. The short answer is no, one person cannot get around that area.

**CHAIR**—What is the level of Indigenous small business in the region?

**Ms Sutcliffe**—Minimal. In our region we would have a handful of small business people.

**CHAIR**—Is ATSI taking any interest in this area at all?

**Ms Sutcliffe**—A little bit.

**Mr Vieira**—How many hours do we have here! I do not have the numbers here, but certainly FNQ is the third largest region in terms of the number of Indigenous people, so it is significant. There is a growing interest among Indigenous communities to get into business. We are certainly getting a lot busier in that area and they are expressing a lot of interest. In terms of existing businesses, there are very few. In terms of the real opportunity to move into business, it is very limited.

The issue here is that Indigenous people have land which they cannot use for collateral, and yet there are huge opportunities there. If they go to ATSI, they have a voluminous document that they have to fill in before they can go anywhere. I think ATSI have addressed that to some degree by saying that they will provide a consultant to help them draft that. The next hurdle, which is the major hurdle, is: ‘Do you have the 25 per cent equity to enable you to get the loan?’ No. If there is something that we can do—and I think the time is right now—it to encourage government to promote joint ventures between Indigenous and non-Indigenous participants. There is a real need to get behind low-interest loans specifically for Indigenous people, and I would hazard to say that we have got organisations like the CBA who could help—the Commonwealth has done very nicely out of holding funds for Indigenous people for many years. We would like to see corporate entities engaged as a partner in this endeavour to get behind this. We are hearing stories of Indigenous groups approaching overseas organisations who have set up these soft loan facilities. It is a disgrace: we have not yet got those sorts of programs up in our country and you have Indigenous groups looking overseas to get venture capital. It is not good enough.

**CHAIR**—Thank you for that.

**Senator BARNETT**—Firstly, thank you for your submission and taking the time to present to us. It is very much appreciated. You have been advised that the Department of State Development regional business advisers are no longer able to fulfil their role as advisers because of the professional indemnity issue?

**Ms Sutcliffe**—I understand that they are looking at the situation right now. As I said, a few days ago in Cairns we were presented with an indication that the regional business advisers would be withdrawing from advising in any capacity where they might be likely to be sued down the track.

**Senator BARNETT**—They have withdrawn or will be withdrawing?

**Mr Vieira**—They will be. They are looking at it now.

**Senator BARNETT**—Is this across Queensland or just Far North Queensland?

**Mr Vieira**—It will be across Queensland.

**Senator BARNETT**—We are talking about a precedent here that I am assuming could potentially apply to a range of advisers, government or otherwise. I do not know what would happen with Mr Marchant's position but presumably there is a professional indemnity issue involved. Do you pay fees for professional indemnity insurance in regard to that advice provided for Mr Marchant?

**Ms Sutcliffe**—Yes. This might have started to come about because one of the regional business advisers in the north was told not to work at all by their board because the board could not afford the professional indemnity cost. So that person was withdrawn entirely from operating. I think that triggered a response in State Development, which was, 'Oh golly, this is something we have to be aware of.'

**Mr Vieira**—In relation to the assistance officer, it was very clear this was about referral: from the officer, on to referral and so on. The new program talks about sitting down with small business and providing some advice—but, hang on a minute, I wonder who is covering us? This is great but the Commonwealth has to make sure that this program is covered and the cost is not shifted to area consultative committees to address.

**Senator BARNETT**—Somebody mentioned the figure of \$6,000.

**Mr Marchant**—I threw that figure in. I was talking with a rural business officer the other day who referred to someone who had a \$6,000 increase in insurance costs and they were unable to meet that cost.

**Ms Sutcliffe**—It was \$6,000 to \$8,000.

**Senator BARNETT**—Are you familiar with any other ACCs that have had similar issues around Queensland?

**Mr Vieira**—They will be coming shortly and they will tell you pretty much the same stuff in relation to the insurance issues.

**Senator BARNETT**—What I am getting at is that this is potentially the beginning of setting a precedent which could flow through not only to Queensland but around the country. Is that the way you see it or not?

**Ms Sutcliffe**—Yes, that is correct. This currently relates to the state program for regional business advisers. I think they have about 14 throughout Queensland and these people work through regional organisations like ours. We overcame the problem by going out to contract for this position with an accountant who already has professional indemnity, whereas other organisations have been engaging these people under their own umbrella and the costs have gone right through the roof.

**CHAIR**—Are these officers who are operating on behalf of State Development on contract or are they public servants?

**Ms Sutcliffe**—They are not public servants. Some of them are on contract; we have someone on contract. Some of the regional development organisations have them as staff employees, which to me was an inefficient way of going about it, so we did not go down that track.

**CHAIR**—But they are not direct government employees?

**Ms Sutcliffe**—No, they are not.

**CHAIR**—I was wondering why professional indemnity was an issue and now I understand.

**Senator BARNETT**—We have had a lot of witnesses express concern about public liability insurance. Is that an issue for your people and the businesses in your area?

**Mr Vieira**—Certainly. It is a huge impost in terms of setting up or even looking at setting up a business. You cannot get to the start line.

**Mr Marchant**—In Far North Queensland there are a lot of tourist based businesses—covering adventure, trail bikes, boats et cetera—who are really struggling with insurance. In fact we have had closures because of it.

**Senator BARNETT**—Senator Conroy mentioned that New South Wales is probably leading to some extent in regard to reforms of the law of negligence, capping and so forth. What is happening in Queensland? Is the state government doing enough to make a difference?

**Ms Sutcliffe**—We are still finding out actually because it only just came out of the Premier's office in the last couple weeks and we are yet to get the details.

**Senator BARNETT**—Not a problem. I would like to move to the issue of the Internet and access because it is a rural and regional community issue. We have had witnesses in Western Australia who have expressed similar concerns. I am sure your concerns are about as valid as

you can possibly get. How useful is the Internet? What is the percentage of Internet usage in your area? What benefits have you seen in regard to Internet usage? Also, in relation to the business entry point—where people go and find out about licences, permits and approvals that are relevant to their business—do you find that that is a helpful service or is it not really all that relevant?

**Ms Sutcliffe**—For some it is a helpful service. Again, it is an issue of lack of confidence in using that medium. We are right at the ground level, where people have just got their computer. Now they are finding out about the Internet and they have to be convinced that if they push a button the thing does not explode. It is a matter of knowledge, of using the whole process. One of the areas we are looking at concentrating on is trying to increase the individual's expertise in the use of the Internet. It is certainly going to be the way to go with business expertise, education, the delivery of health services and so on. Broadband access is going to be essential for the more remote regions. It will at least start to reduce the isolation.

**Mr Marchant**—There is a high cost too for a lot of rural people to use the Internet, because of STD calls and so on.

**Ms Sutcliffe**—Yes, that is true.

**CHAIR**—The line charges would be pretty high.

**Ms Sutcliffe**—Yes, they are a bit over the top.

**Senator BARNETT**—Do you want to comment on how useful the business entry point is?

**Ms Sutcliffe**—It is limited at this stage. A few businesses out there would feel confident enough to use it, but, again, it gets back to an understanding of the whole process and the medium and getting the confidence to actually use it. It will improve; it will increase.

**Mr Marchant**—I do not get too many phone calls from people saying, 'I am very good at using the Internet. I am not having any problems. Please don't come and see me.' I use the various portals for business information and I tend to work as a bit of a translator or broker for many businesses. A fairly big chunk of my work is doing research on the Internet and picking bits out for people to go into, because some of the sites are unwieldy to say the least.

**Mr Vieira**—I do not think there is much of a take-up of use from small businesses themselves.

**Mr Marchant**—Part of our role is to encourage that use.

**Senator BARNETT**—Are there things that we should be doing to help and to make it more effective and efficient for small business?

**Mr Vieira**—The access is going to be important. The other day we were down for hours and I phoned the Internet service provider and said, 'What is going on here?' They said, 'We have got spammed. Sorry, your messages are tied up. Don't worry; they won't be lost. You will

probably get them late today or tomorrow.’ This is the sort of thing we are seeing. We do not have a large customer base to operate from and all of these factors add up in terms of access to information.

**CHAIR**—Is it delivered by satellite or landline?

**Mr Vieira**—We have a combination right through the whole area.

**CHAIR**—Is there any optical fibre in there or is it all copper wire?

**Mr Vieira**—There is a ring around the CBD of Cairns, and that isn’t the best. We are just preparing our submission now with businesses and we are about to have roundtables with them for the telecommunications inquiry. Certainly it is an issue. There is some fibre around Cairns. We have found that, whilst BigPond says, ‘We are online 99 per cent of the time,’ the small percentage of the time that they are not online is the time that we need them.

**Mr Marchant**—The download times are very slow as well. The terminology is that we do not have fibre optics; we have a wet piece of string.

**Senator BARNETT**—We will certainly take that one on board! You mentioned cattle, mining and fishing being important and you talked about your Indigenous communities. If there were one or two things that we could do to help and support small business growth in Indigenous communities, what would they be? I know you have talked about soft loans, Mr Vieira. Is there anything else you would recommend that we should be thinking about in terms of encouragement and support of small business growth?

**Ms Sutcliffe**—I think it comes back to the issue of availability of funding, doesn’t it?

**Mr Vieira**—Mentoring again. It is capacity building.

**Ms Sutcliffe**—Mentoring, coaching. It has to be a one-on-one situation.

**CHAIR**—On this funding question, is it a question of working capital?

**Mr Vieira**—It is.

**CHAIR**—That is essentially the key issue, is it?

**Ms Sutcliffe**—Yes, establishment capital and working capital.

**Mr Vieira**—We can bury Indigenous communities in funding for feasibility studies and business plans. We all—state and federal organisations—fall over to offer them that service. We have got stacks of plans sitting on shelves. The question is: how do they get to the next phase and put those plans into operation?

**Ms Sutcliffe**—That is where it falls down.

**Mr Marchant**—We do not need another white shirt and tie adviser in the bush—there needs to be someone the communities can relate to, who can provide ongoing support.

**Mr Vieira**—In our area of the gulf, we made the submission through the 10-year tourism plan. There is an idea, specific to our area, of Cairns becoming a hub, and we think that there is real opportunity there. If we take it literally, the hub needs spokes. We see those spokes as infrastructure—in particular, in our area, transport and road infrastructure. One of the issues in opening up the opportunities for Cape York Peninsula is that we really need to look at the Cape York Peninsula development road becoming a road of national importance. Until it is upgraded and we have all-weather access up to the cape, how can we encourage investment into the area? How can we get markets? In terms of tourism being able to be leveraged off this concept of hubs, then, again, the spoke out into the gulf—up to the cape—relies on good infrastructure. If we can lay down that kind of infrastructure, then we can invite private enterprise in to invest but, if we do not have that kind of infrastructure in place, what are we really doing? I think that government needs to go a bit further in looking at this concept of hubbing and the spokes; there is a very real opportunity in our region. Cairns is established as the leading tourism capital of Australia, and it has the greatest opportunity in terms of location to markets.

We are quite excited about the concept of the Savannah Way. We talk about the growth of Northern Australia and the opportunities to grow Northern Australia. We believe that the Savannah Way is an opportunity to link travel from Broome across to Cairns. If we look at that, and the kind of infrastructure needed to support that vision of travelling east-west or west-east across Australia, in a market place that is looking for something different now, we see that we have got opportunities. And I believe we have the expertise because, interestingly enough, in Cairns, we are looking for new product; in Broome we are looking for capital. If we can start linking those across into Darwin and to already significant areas of tourism, it can become a route that becomes a lifeblood for rejuvenating the whole gulf-savannah area right across Northern Australia.

**Senator CHERRY**—I want to compliment you on this excellent submission, which is full of magnificent ideas. One of the ones I wanted to ask more about is your proposal for a rural, remote area empowerment zone based on social entrepreneurial principles. I am fairly familiar with a lot of the US research on this, but I wonder what you mean by ‘basing it on social entrepreneurial principles’ and how you would apply that in your area?

**Ms Sutcliffe**—Our interpretation of that is that you are capacity building within the community. The process that we would use would be to identify the leaders within that community to give them mentoring, support and coaching, and then to use that structure to start to build the capacity of that community. The reason we came up with that was that we had been looking at economic zones and so on, and there had been quite a lot done on that. But the gulf is nowhere near ready for a hard-nosed, economic-type process like that. What it requires is a more social based, community development process to be put in place to build the capacity of those communities to enable them to take up the opportunities and plan for their own future. I suppose we are looking at a community capacity-building process based on the skills of certain leaders within that community.

**Senator CHERRY**—Just as a matter of interest, Gulf Savannah Development is a state government funded organisation, isn't it?

**Ms Sutcliffe**—It is state government funded and the member shires also pay for support.

**Senator CHERRY**—What sort of role does local government take in your area in terms of economic development in the smaller shires?

**Ms Sutcliffe**—It is an increasing role. Previously, they were about rates, rubbish and roads. The reason that GSD was set up many years ago was to get the road sealed through to Normanton and Karumba. Now the individual shires through GSD are looking at a whole range of initiatives in economic development and the promotion of health, education and training. More and more, local authorities are looking at actions that they can take to improve the environment for small business. They are limited in the extent to which they can provide rate rebates and those sorts of things. I raised that with them, but they have a very limited budget and they really cannot afford to do that. However, through the development of infrastructure and the improvement of the whole process of environmental management, they are trying to make life a little easier for small business.

**CHAIR**—In your submission you talk about working with the Invest Australia development database for the region. What exactly are you doing there? Can you give us a bit more detail on that?

**Ms Sutcliffe**—Invest Australia have a database—it is a whole program—and you would be aware of the work that they did with Spencer Gulf and so on. I made contact with them after I had seen that document and I said that we would be interested. We went to see them in Canberra and they gave us the database. Then, through each of the councils, we gathered a huge amount of information. We sent that down to Canberra and they loaded it all in for us. That is as far as it has got so far. We are now going to work with them on the development of an investment document and we can then use that. They have been very useful in doing that because it is well beyond the sort of work that we would be able to do.

**CHAIR**—So this is essentially putting a document together which would go out to the international marketplace and to potential investors?

**Ms Sutcliffe**—Yes, to Australian investors and also, through their web site, to international investors.

**CHAIR**—Are they targeting specific areas or is it a more general description?

**Ms Sutcliffe**—Initially it will be general, but in the next stage we will be looking with them at what we can target and what is best to target for that region. We will probably be looking at tourism—I am guessing there, but I would say that it will come down to that. We have just finished the stage of getting all of the information loaded and down to them. The next stage is the development of that investment document.

**CHAIR**—Will they be dealing with any of the infrastructure issues that you talk about, such as roads and so forth?

**Ms Sutcliffe**—The infrastructure issues for the gulf are not only roads.

**CHAIR**—Communications?

**Ms Sutcliffe**—Yes, communications as well. Accommodation is another big issue that we are facing.

**Mr Vieira**—The Department of Transport and Regional Services has instituted a trade and investment package and it is working with agencies such as Invest Australia et cetera. It is a three-pronged package. It will be valuable in educating practitioners, accountants, the local business community et cetera on being investment ready, but I still think that we are not going far enough. One of the things about Northern Australia is that it is tropical—I do not really believe that we are exploiting that as well as we should. I think that we are also still focused on what we can do as opposed to what the market wants. That is where our focus should be. We should be getting the state and federal trade departments to send intelligence back to us about what the market is looking to invest in. We know that the future is aquaculture and we have opportunities in Northern Australia to export that aquaculture. But who is doing what, where is the interest coming from, where are the potential investors coming from and can we target those people and then work back the other way to build the capacity within the local communities to house that particular project? I think there is a real gap there.

I would like to talk a little about institutional investment. I do not have the figures in front of me, but I read the figures about the amount of superannuation that we generate in Northern Australia that then gets spent on the type of infrastructure you can see in George Street. It is not coming back into our regions. If, on the other hand, we were generating leads on projects for major project investment in Northern Australia, then perhaps we could also work hand in hand enticing the institutional investors to come to play. But, at the moment, where do we actually start when, as Kate said, we have limited capacity, we have limited access to finance and venture capital and we do not have the capacity to go out there and get that kind of market intelligence and generate it? I really think it has to work from the other way back.

**CHAIR**—Thank you, Mr Vieira, Ms Sutcliffe and Mr Marchant. I could go on for quite a while longer on this subject, but thank you.

[11.46 a.m.]

**FORD, Ms Cindy, Executive Officer, Ipswich and Regional Area Consultative Committee**

**GASSMAN, Mr Brian Francis, Chair, Gold Coast and Region Area Consultative Committee**

**HARM, Mr Jason Robert, Small Business Assistance Officer, Ipswich and Regional Area Consultative Committee; and Small Business Assistance Officer, Gold Coast and Region Area Consultative Committee**

**JOEL, Mr Richard Alexander, Chief Executive Officer, Office of Economic Development, City of Brisbane**

**CHAIR**—Welcome. The committee has before it submission No. 45 from the Gold Coast ACC, submission No. 66 from the Brisbane Office of Economic Development and submission No. 85 from the Ipswich ACC. Are there any changes you wish to make to these submissions?

**Mr Harm**—No.

**CHAIR**—The committee prefers all evidence to be given in public, although the committee will also consider any requests for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make an opening statement. Do you all want to make a contribution, or is someone going to speak on behalf you all?

**Mr Gassman**—We probably all have our own barrows to push. Thank you very much for the opportunity. You all have a copy of our submission. While I will not read it again, I would like to highlight points 11, 12 and 13, including the fact that, since the mid-nineties, there has been a 13.4 per cent decline in the number of small businesses in the Gold Coast and region. We also speak about the low average business profits, the poor ratio of skilled to routine workers, and—probably the most disturbing point—the fact that businesses that succeed are those that originate their goods and services in the region but trade outside the region and have a clear product differentiation.

With respect to the issues in the terms of reference, we were speaking amongst ourselves while the previous speakers were making their presentations and it is very much a common theme as far as the Gold Coast is concerned. With respect to terms of reference point 1, about government regulation, the issues that were raised at the working groups that the Gold Coast and Region ACC conducted were workplace relations, taxation, superannuation and occupational health and safety. With respect to the influences on small business, the feedback from the 40-odd people in the workshop was about issues such as maternity leave, public liability and general insurance. On the Gold Coast in particular, there were cross-border issues of regulation and interpretation between Queensland and New South Wales and the difficulty people have in doing consistent business in both. Terms of reference point 2 was:

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.

This again raised similar themes of government regulation, fear of unfair dismissal laws and the utilisation of superannuation funds. In a lot of cases the super funds would be more accessible for investment in Australia particularly for business and industry in local areas to promote greater employment. That was a huge opportunity that our group felt was lost.

Terms of reference point 3 was about complexity and duplication. This covered areas such as planning, environment, and licensing and registration. These were all basic issues that seem to keep coming up again and again. I want to highlight the issue of enhancing the capacity of small business to employ more people. One issue raised in our research was the access of small business to innovative finance options. That did not come across as a group of businesspeople wanting handouts or having a handout mentality, but it was made very clear that, as far as small business is concerned, the customers of banks certainly are not the account holders these days and if there was a way that small business could feel less threatened by financial institutions and able to get on with doing what they do best there would be a lot more productivity and opportunity for employment.

**Ms Ford**—Representing the Ipswich and Regional Area Consultative Committee, I would like to point out that our area is probably a little bit unique in that we have an urban hub surrounded very closely by a big drop to rural centres. So what we are finding in our region is that there is a gap between the urban hub and the rural areas surrounding it. We feel that the businesses in those areas surrounding Ipswich feel not that they have an integrated service delivery option but that they are very much out there on their own. Because of the dramatic drop in the number and sizes of businesses in the farming community, especially in the agricultural-horticultural industry that surrounds Ipswich, they do not feel that they benefit from a stronger town centre such as Ipswich. So there are isolation issues.

I also point out that a lot of the small businesses in Ipswich city are missing out because they are considered to be a gap area. Most services are delivered from Brisbane or Toowoomba. Ipswich businesses never get considered because they are not considered rural enough for the programs on offer for rural and regional Australia; they are considered too close to Brisbane—but in fact most Ipswich people do not or cannot access the services in Brisbane because they are too busy servicing Brisbane itself. I know that Ipswich suffers severely from missing out on a lot of the programs and incentives that are on offer because of Ipswich being in that in between area. They are not considered urbanised enough or regional enough; they sit in the middle.

We conducted about four or five workshops with small businesses in the regional areas, and most of our submission is based around rural and regional issues of small business. They are definitely the perceptions of those small businesses, and in most cases they focus on the constraints that local government is imposing on them. They did not have nearly as many issues in relation to Commonwealth government regulation; it was more at the local government level. You will notice that a lot of our submission talks about those local government issues. One key area that came forth was that it has been mooted that local governments in regional areas will get more autonomy in relation to delivery of service, and I can tell you now that every small business out there will be screaming if that happens, because they do not want it to happen. They do not see that their local councils are actually able to support them now, let alone if we give the councils more autonomy and more delivery of service. The management capabilities of

local councils from the business perspective is that they are so busy struggling to manage their own councils that they do not actually deliver any service to the business community.

Probably some of the other key issues are, as mooted before, superannuation, fuel subsidies and transport costs to rural and regional Australia. Small businesses are actually hurting badly because of the infrastructure for getting their product to market. The cost of fuel in that respect is so high that they feel they need more assistance there. There were also some issues that my small business officer will go into in relation to superannuation for the horticulture industry that might be of interest to you. The other key point that came about was, again, small business needing access to financial assistance, that commercial lenders are only lending to bricks and mortar. So commercial lenders are not able to help start-up business because they do not have an existing business that is considered viable; they are starting up.

**CHAIR**—Is working capital the big issue?

**Ms Ford**—The big issue is that, if they can get sufficient capital, it does not do anything more than cover the start up of their business. There is nothing to help them go into the next phase. All of it is eaten up through the cost of planning requirements, permits and so on at the local government level. They get ready to open the door and there is no cash flow left. That was very clear right across the five regional shires that we spoke to. The businesses, as was mentioned before, are not necessarily seeking handouts either. They have some very innovative comments to make in relation to what they can see could be improved, and I would like to reiterate that and maybe expand on that once we get further on. I will now let the others have a chance to speak.

**Mr Harm**—As a small business assistance officer for the region I cover five local shires within the Ipswich, Beaudesert and Gold Coast areas, but I do not actually go into the Gold Coast small business section. I cover Beaudesert, which is in the rural sector. One of the key issues that I have to address at the grassroots level—and, as a small business assistance officer, I am right down at the mums' and dads' level of business; to me, that is predominantly what we have in our region and across Australia—is that there is not enough government focus on existing businesses. If you can promote and drive the mentoring or the business coaching for those businesses to develop skills, they can then further their businesses and generate employment in that small business sector. By the time the mums and dads generate their businesses—and, as we all know, it takes about five years before a business can make a healthy profit—they are generally 40 or 45 years of age. They want to know how to take that business to its next stage of development, so one of the drives is to provide some sort of coaching assistance so that those businesses can be driven on to employ more people in the local community.

The other drive that Cindy mentioned is in the horticultural industry. The Lockyer Valley, which is one of the biggest horticultural sectors in Australia, employs in excess of 1,000 backpackers, itinerants and locals per day in that region. The farmers are getting lumbered with superannuation from the small business sector; they are contributing to superannuation schemes that go nowhere. The money out of that local community gets chewed up in fees—they never access it, they never use it. That local community is suffering the loss of millions of dollars that could stay in that community if there were an exemption or some way of leaving that superannuation money that the itinerant or backpacker workers are not utilising.

The other key thing in that area is payroll tax. Farmers in the vegetable sector of the industry employ hands-on labour and unskilled labour. The \$850,000 payroll tax is affecting these farmers in that the labour hire companies are subjected to payroll tax and, of course, it goes down to the end user. It is passed on to the little mum and dad farmers, because these companies incorporate it in their labour hire fees. Indirectly, you are affecting mum and dad farmers by having a policy that is costing them more to get their vegetables cut and to market.

Across the board, Cindy and I went around and spoke to a lot of small businesses in the roundtable sessions. The feeling was that local government was restricting new investment into the area. They felt that they could not get new business investment to come into the regions, because the councils did not have the ability to assist them through the planning stages, to showcase, if you want to put it like that, what incentives were there in that local community to bring business into the rural sector.

**CHAIR**—Thank you.

**Mr Joel**—Endorsing the comments that the other speakers have made, I would like to take a different tack in regard to the fact that our office is responsible for facilitating and encouraging investment in the city of Brisbane. Over the last 12 to 15 years, the city has put considerable money into promoting and facilitating investment. What we have not done—and these are the issues that we are confronted with in small business—is to ensure that the processes work, not just at the local government level but at all government levels, to make it easier for business in the small to medium area to operate. For instance, when a large company comes to us to talk about a \$2 million investment, they bring a battery of people along, they have all the facilities and it really is fairly simple for us to make the process work. When a small company comes along to invest \$2 million, which for them is a major investment, they do not necessarily have the backup or the facilities to make this happen.

The difficulty is that we do not have a process which allows us to be flexible, whether that be at the state level—and we work closely with the state government—the local level or the Commonwealth level. We get questions raised to us about the inflexibility of legislation. I am not suggesting everyone has not got to comply with the same legislation, but it is so much easier for large corporations than small corporations to do that and we do not seem to have a system that allows for some flexibility. There is a tendency to think that it is easier, as I said in my submission, for larger unions to deal with larger companies and bigger companies to deal with government. It is easier in that sense to get results than it is for the small to medium size. I think that is a real issue.

I listened to what Cindy said about local government and the delays in decision making. I am not suggesting that happens in all areas but at levels of government there are delays in decision making for small business and they find it very frustrating. You made a very good point about the fact they will run out of money. A moment ago, I said \$2 million for some small company could be the biggest investment they are going to make and if we delay we are really frustrating their business. It has got nothing to do with whether we give them incentives. Simply because we are saying that is the basis on which the law is laid out and that is the way we put up with the integrated planning act or the taxation act, I do not think that works. I think we have to show considerably more flexibility in that regard. That is not discriminating for one citizen against another in complying with laws and legislation; it is simply being more realistic.

You cannot have this unilateral situation of one size fits all. I think you have to have a basis on which government particularly shows a good deal more flexibility than it does. We find that in the processes with which we deal with the council and our office sits outside the council and was set up exactly for that reason even though it was supported financially by the city to allow it to operate more flexibly. We sit outside to try and get a different perspective, one from a private sector viewpoint. But we deal with the city and state governments and there are frustrations in those processes. It is not that people want to delay but it just simply happens. It is really concerning. They have the same needs in small and medium businesses as large businesses; they want opportunities and they need assistance no differently from a large business.

The final thing I would say is that we have to do more to look at the retention of business particularly in the small to medium sized companies. I think that as we rush out to try and attract new investment, we forget so often the existing companies that are here that we really do need to grow more with these opportunities. I listed in my submission a company—which is really a criticism of my office and government in general—called Filtronics, a major company, who went out and found itself a number of small cluster companies to set up to help supply and operate. I think that is as much our role as it is of others in government to do that, and we do not do that.

In summary, I would say that there is a need for a considerably better understanding of the issues that face small business—an understanding of the fact that one size does not fit all and that there are certainly some issues to do with decision making and flexibility that I do not think we show.

**CHAIR**—On that issue, it has been put to us in other hearings that you cannot treat the small business sector as a sector, that there is a need to disaggregate the sector, that there are different levels of small business and you really need to tailor policies to suit all of the various levels, from microbusinesses through to family businesses, to businesses employing five people and businesses employing 20 people. In the Sydney hearings, they went even further. They said that there are certain stages of progress in business: there is the nought to two years phase, which is a set-up phase; there is the two to four years phase, which is a sort of maturity phase; and there is—I think they said—the four to seven years phase, which, if businesses are going to grow, is the period they are going to grow in. There is a time element overlap in terms of the distinctive nature of the small businesses themselves. If you were to take that approach, doesn't that raise the nightmare of more complexity in terms of regulation or decision making about how you deal with these various elements of small business?

**Mr Joel**—That is probably true, but I think that is the challenge. I think it is simplistic to be able to box things and say that big business is X, medium business is Y, small business is Z, and that that has solved the problem and it does not matter where you fit as long as you get into one of those three boxes. The real issue is, yes, it can possibly create complexity but, if we are going to be the smart nation and the clever nation and we are going to advance ourselves, we are probably smart enough to try and look at how we can make those adjustments. I am not suggesting that we should provide—pardon my French—a dog's breakfast, where it is so confusing that we cannot solve anything, but I think we have to be a lot more analytical of what the needs of small business are, a lot more analytical of the issues, and we must try to address them. We will not solve everything, but we have to do a lot better than we are doing at the moment.

**CHAIR**—Is that what you mean when you talk about flexibility?

**Mr Joel**—Yes.

**Senator BARNETT**—Thank you for your submissions. They are very much appreciated. Mr Joel, can you clarify for me—because I did not receive a copy of your annual report with the submission—whether you are funded by the Brisbane City Council?

**Mr Joel**—Mostly. We get probably 75 per cent of our funding from the city. We operate with a budget of about \$1.5 million.

**Senator BARNETT**—So your purpose, as you have said in your submission, is to support development in the city.

**Mr Joel**—It is to try and encourage investment and facilitate that investment in the city—though we work closely with not just the state government but with the regional councils in South-East Queensland, particularly the Gold Coast, Ipswich and Logan councils.

**Senator BARNETT**—A common theme that I have picked up from all of the speakers this morning is this issue of red tape, regulation, compliance costs, jurisdictional problems—as Mr Gassman was saying exist down on the Gold Coast, with northern New South Wales—and the local government issues and so forth out in the Ipswich area. That theme is coming through. Are there any specific recommendations that you can make to fix the problems? We have had witnesses talk to us about the benefits of model regulations and model by-laws in local governments to deal with the planning issues. They have talked about these going across state jurisdictions. Some people have talked about wiping out state governments altogether. Are there some recommendations that you would make to try and fix these compliance and red tape issues?

**Mr Joel**—The first thing is I do not think we are ever going to get rid of state governments. Constitutionally that is going to be impossible, so I do not think that is an issue. On the question of red tape, something that Cindy—or maybe one of the earlier speakers—said is true: councils today are doing different things at the local government level than they ever did before. They may get elected on rates, roads and rubbish, but they are now faced with making decisions that are far more wide reaching than they ever had to make before. They have to approve projects today that they did not have to approve yesterday. They are approving recycling plants, when town-planners have always only been basically responsible for approving buildings and things like that. They are approving power plants. Approving a whole range of new industry, be it large or small, is very difficult. Sometimes we get regulations that are still 10 years behind where we are trying to take the world and that causes confusion and difficulty.

I understand how hard it is to change legislation—the processes that are gone through and the consultation. But we have to make an effort to try and ensure that the legislation matches what modern society and business require. By doing that you get some flexibility. It is no use saying you need 12 months to approve something when that small business might need it in three months. We have to find a way to match the three months.

**Ms Ford**—In our area, for example, Ipswich City Council were able to introduce an incentives policy. I think that incentives policy refers to flexibility in that it allows for certain things: ‘Providing you meet certain criteria, we may allow you to pay off your planning fees over a longer period of time. We will give you more time. Right now, you only need two car parks but within six months time when your business reaches this level you will need 10 car parks.’ So we are working and looking at incentive packages that will alleviate the stress on small business. That is not happening in the regional councils—the more rural councils. The reason why I believe it is not happening is they do not have the ability financially to be able to offer those incentive packages. They are smaller councils and they struggle to survive. They cannot pass on any incentives to small business.

Small business is not interacting with local government in regional areas. Local government do not even interact very often with their business community to plan what new business they need to bring into the region. Most of our regional councils would not have a plan as to what sort of new businesses they are trying to attract, let alone what businesses they have in their town that need to expand or have the potential to expand. It is an ad hoc situation—treated with a bandaid as it happens—because we are trying to just manage as we are. I believe it is a financial issue for them in not being able to provide the same sort of incentives. But in answer to your question, I thought that type of incentive policy that has been implemented could be rolled out through some assistance package to regional councils to allow them to deliver that.

**Mr Gassman**—I think Richard summed it up before: it is very difficult with respect to the level of thinking. Local councillors are elected on rates, roads and rubbish and most of them believe that, if they say no to everything with respect to their local community of 5,000 or 10,000 people whom they represent, they will be a councillor for life. It has been very difficult to get them to think at the next level and to be entrepreneurial enough to take some chances with public money. The biggest challenge for the Gold Coast and Beaudesert, from a local government point of view, is to get them to take a consistent approach. Senator Campbell talked about the different boxes before—to have a policy for one or two employees, then to change the rules again for three to five et cetera. We need that sort of good management where the basic, consistent principles come through. Over the last five or six years, or maybe longer, SECROC—the southern regional councils—have tried to get together to talk about the bigger picture issues.

**Senator BARNETT**—Did that work? What happened?

**Mr Gassman**—To a certain degree it does, doesn’t it?

**Mr Joel**—It does.

**Mr Gassman**—It does. But it has not filtered down to day-to-day action. Local government bureaucrats are still pushing off in different directions. We suffer on the Gold Coast and in Beaudesert from what I term ‘paralysis by analysis’. We could fill this room with a number of reports, for instance, that the Gold Coast city has produced in the last couple of years.

**Senator BARNETT**—I asked a question earlier about the business licence information service, or the business entry point—and there was not a high commendation of it from the

previous witnesses. Do you have a response as to how effective it might be, or efficient it is, or useful to small business?

**Mr Gassman**—Basically, it is of very little use to small business. Of course we try and promote it through the ACC. There is a real reluctance to get people to take the step and look up the site, let alone get past the home page.

**Senator BARNETT**—Why is that?

**Mr Gassman**—I think people still want to deal with bureaucracy on a face-to-face basis, or at least over the telephone where it is a little less impersonal.

**Senator BARNETT**—Are there any different or additional views to that?

**Ms Ford**—No, but that then raises the issue I would like to talk about, which is the Small Business Answers program. We also have an issue in that we think the Small Businesses Assistance program was the best thing ever introduced. It has worked extremely well. We have had fantastic positive results. The business committee have embraced it and they are positive about it. Now that it has turned into the Small Business Answers program I think it gives the connotation that this person is going to have all the answers, and that is not the case. I think it is the wrong name, for a start.

If it is implemented as a Small Business Answers program, we are going to have a severe problem in relation to insurance. If it had been with all the 56 ACCs, we could have implemented an insurance package collectively and solved that problem. But because it is open slather and anybody can apply, we are all out on our own with the insurance issue. Whoever wins the bid and gets the Small Business Answers people will be fighting for their own insurance policies to cover them for those issues in relation to giving advice. My view is that it would have been better left with the ACCs, not because I am from an ACC but from the perspective of collectively being able to insure those Answers people, because that is what business want. Business want one-on-one mentoring and advice.

**Senator BARNETT**—In light of the time, chair, I will conclude my questions now, as I understand other senators want to ask questions.

**CHAIR**—I have only one question, which is to do with the cross-border issue. How big a difficulty is it for you down in the area around Coolangatta?

**Mr Gassman**—In terms of businesses trying to work, we have the obvious challenge of differences due to daylight saving.

**CHAIR**—I know. I was an hour late for a meeting one day and it was just across the road.

**Mr Gassman**—It is a constant problem and a real cultural thing between the two. Northern New South Wales is governed out of Sydney and the Gold Coast is not so bad as it is governed out of Brisbane. There seems to be that constant difficulty of different policies. Again, groups have tried to get together. We tried to get together with the Northern Rivers ACC, for instance, to resolve some of those issues, but we are constantly knocking our heads against a brick wall.

**CHAIR**—Are they seen as serious impediments or is it just an irritation?

**Mr Gassman**—At times it is seen as a serious impediment, particularly when you are looking at planning issues and environmental issues, though not so much with registration issues. It is those sorts of things, like health regulations, that stop businesses opening a branch office 50 or 100 kilometres away. It continues to be a real drawback.

**Senator CHERRY**—In your submission you talk about the need for additional mentoring and assistance for micro businesses. Exactly what sort of assistance is needed for micro businesses from a federal perspective? How do current programs stack up against that?

**Ms Ford**—I will start with the New Enterprise Incentive Scheme, which is very good but very restrictive in that you have to be long-term unemployed to enter that scheme. Most start-up businesses that need that mentoring at the new enterprise level are not necessarily people who have been long-term unemployed. They just have the desire, and probably a product, that they want to get up and running as a business. I think the NEIS program is too restrictive for the entry level.

We feel after the NEIS program there is a gap in the business coaching and mentoring that is required. It is okay to get a person to the point of understanding how to fill out a business plan and do a cash flow projection and get them to the point where they have identified their market—that is great. But when they are ready to rock and roll and get into business they are out on their own. They walk out of that NEIS program and there is nothing to flow on from that. The coaching and mentoring is required to take them on from that NEIS step.

Coaching and mentoring is also required for businesses that are ready to expand. Many of the successful businesses tend to stay where they are, in their comfort zone. I think quite often we have an opportunity to grow our regional areas through the existing businesses that are already working well and we need to coach and mentor them into export markets et cetera.

**Senator CHERRY**—How do you identify those sorts of businesses and then deliver assistance to them?

**Ms Ford**—I would have to say that the best way we have been delivering that is through the Small Business Assistance Program, in that we have someone going out and knocking on doors. There is no point in our putting up policies and programs and waiting for business to access them. We have to take them out there one on one. We have to knock on doors and find out their issues. We do what we call a business analysis process where we go out, knock on doors and meet and greet, but we then analyse where they are at with their business—are they happy; are they comfortable; do they have a good turnover et cetera. Once you analyse that business, you can then start to map out where the assistance is needed. Where the Small Business Assistance Program mentoring and coaching works well is that they can take a whole-of-government view. Quite often we then bring to that business a state government program, a federal government program and maybe a local government representative. We bring them all into that room with that business to actually help them grow. I do believe there has to be a whole-of-government approach to mentoring and business coaching, not just at one level.

**Mr Harm**—It is whole of government and industry.

**Senator CHERRY**—Sure. You touched on the fact that the feedback you are getting from business is fairly critical of local government. Presumably that is more about the issue of the financial capacity of smaller councils, essentially?

**Ms Ford**—It certainly is. It is not, I do not think, for the want that the council could implement those if they were more financially capable of doing so. I think we could also put a little more work into building the relationship between smaller local councils and their business community. What we identified when we ran our workshops was a bit of a gap there.

**Senator CHERRY**—A lot of councils have put on economic development officers. Is that linking in with some of these issues?

**Ms Ford**—In what we are seeing, the economic development officers have not been successful in local councils. I believe that is because the way in which they approach their business is strategic and not necessarily grassroots stuff.

**Senator CHERRY**—Thank you. Mr Joel, following on from that issue, would you say that your office is more about the broader, strategic, larger investments than about assisting smaller business—in terms of the role of local government in these sorts of areas?

**Mr Joel**—I think it is a combination of both. The office's role specifically is to attract investment and to assist that whether it be large or small. The difficulty is that we have to ensure that the issues that face each level of business can be handled individually for that particular company. As I said a moment ago, I do not think every company has the same needs or the same issues, and therefore that is something we have to address. That is difficult. The Brisbane City Council is large. That has its advantages and its disadvantages in some respects. It gets down to the fact that, when dealing with different companies, we have to ensure that government—not just local government, but state government too—recognises, as we said a moment ago, how to look at issues and how to handle them in a way that will get the best results for the company that is trying to invest. That often does not happen. I do not think it is for the want of not wishing it to happen; I think it does not happen because sometimes the system does not allow it. It is easier for a conglomerate system to try to be one thing rather than trying to be individualistic, but I think you have to make the effort. It may be more difficult—as Senator Campbell said about how you define industry—but it is the way to success.

**Senator CONROY**—I want to follow up on a conversation that you probably heard us having with the previous witnesses on access to the Internet as a medium. Your comments about the portals that exist now probably already answer this, but it was a question of whether or not there was enough access to the Net in your area as well as whether or not enough people use it even if they have access.

**CHAIR**—And whether it is easy to use.

**Ms Ford**—The Ipswich region actually leads the way in relation to community Internet. We were the first area to implement a community owned ISP provider. That now has become even bigger, in that we followed the Bendigo Bank model and we now have what we call iTel, which is a community owned provision service for Internet access for the whole community. That is being rolled out right now.

I think we are fairly advanced in that we also have a good Networking the Nation program that was implemented throughout the region to train people in how to use the Internet. They are introducing broadband, so that will improve things. But we still have pocket areas in our regional communities that do not even have mobile phone access, let alone access to the Internet. Nine times out of 10, they do not go to the trouble of getting Internet access for their homes or their businesses if they cannot get telephone lines. We have quite a lot of those little pocket areas throughout our regional areas.

**Senator CONROY**—What about in terms of small business taking advantage of this?

**Ms Ford**—Primarily at this point it has been concentrating on the Ipswich urban centre again, and we will be trying our best to get them to push it out into the regional areas—but it is very much in the early stages, so it is concentrating on the urban centre at the moment. I can see it being rolled out to the regional areas, provided we can get the phone connections working better.

**Mr Joel**—Brisbane also has an Our Brisbane program. Senator Campbell made an interesting point during an earlier presentation when he asked whether people in small business understood assistance packages and whether they got the information. I think the real answer is that, if you can make it easier for people then a lot of the things go away because they get the information and they know how to act on it. In the case of assistance packages, for instance, I am not sure that people would necessarily know where to look on the Internet. That is not because of the ease of the situation when you find the package but because, as someone said earlier, accessing some of the Internet information is not easy. People have to learn to move ahead and clearly we have to embrace the Internet, and small business has to do that whether it wants to or not. The fact is that, if we do not make it easy to get the information and easy to act on that information, it can be very frustrating. I think that is an issue that needs to be addressed.

**CHAIR**—I have a general question to all of you. On this issue of regulation—whether of small business or of whatever—is there an argument to try to distinguish between the roles in these areas of federal, state and local governments? Is there too much overlap between the three layers of government in terms of how we regulate in the small business area? Is that an issue? To what extent ought local government be involved in the process? The reason I ask is that there are some good examples of local government being directly involved with small business and in promoting business opportunities. Monash Council in Victoria is a very good example of a proactive council working with the local businesses and helping them to grow. There are some bad examples as well, so it is not all uniform.

One of the problems there appears to be with small business and local governments is that councils in the same metropolitan cities—and this is not so much a problem in Brisbane but it is in other states—are making different decisions about regulation of small businesses. You can virtually be on one side of the road operating under a set of rules which are different from the rules the businesses on the other side of road are operating under. There is a different set of rules because there is a different local council. To what extent is there a need to clean up that overlap and those differences between the rules or regulations of local councils in this area of business?

**Mr Joel**—Today—if you leave out issues like taxation—most of the issues that affect small business are at a local government level. Small businesses are worried about where the planning is coming from, what their rates are and whether they will get their permits, so local government is a real issue for them. I think the problem is exactly what you said it was: it is easier in a state like Queensland where you have larger councils like Brisbane, the Gold Coast, Ipswich and Logan and where you have that ability to do that than it is in other states where you do not and where there is this confusion. Other states perhaps have areas which local government do not handle which are handled by either a statutory authority or a state government. For instance, in Brisbane, Brisbane is the planning authority and it runs the water and sewerage; in Sydney, the water board and its operations run these areas. So there is a need.

That can become very confusing for small business. I am not even sure that in Queensland all businesses clearly understand what areas and parameters are handled by each level of government. You can suggest that they go and get advice from the appropriate groups that can support them—Cindy's or others—but it is still difficult for them. There is some need to clarify that. I think there is a recognition that there is an overlap between some areas that needs to be better understood. Again, that all gets down to ease of process, which makes it more simple for a business to operate, particularly a small business.

**Mr Harm**—It gets down to the definition of small business. Is it defined as from one to 100 employees, which seems to be generally the definition at the moment? That is a broad band. How do you get your requirements and red tape to fit in with such a broad band of small business?

**CHAIR**—It really does not matter whether it is small business or large business. It is a question of how you manage the way in which we regulate.

**Ms Ford**—I could give a classic example; quite often it is easier to learn those things by example. Just recently some major investors were trying to develop some land in one of our rural shires. The land is actually owned by a state government body but is leased to the council. The council in turn are leasing it out to an organisation which is allowing development on it. Through that circle of different levels of government, the developer was ready to run. He came in and was ready to put his development in place. When he went to local council to pay his development fees, they had put a stop work on the development. The state government body that actually owned the land were trying to give it a 2A zoning and council were disagreeing, saying, 'No, it is 2B'—so everybody put a stop work on it. Next minute that fellow took his money and said, 'I will go somewhere else, thank you very much.' That small community lost out simply because a local council and a state government authority did not agree on the regulation requirements for the zoning of that particular development.

**CHAIR**—What were the implications of that for the community?

**Ms Ford**—They were tremendous.

**Mr Harm**—If that development had happened, existing small businesses would have grown out of it, wouldn't they?

**CHAIR**—Were jobs lost?

**Ms Ford**—It is happening right now. This is something that has happened in the last week. We are doing our best as an Area Consultative Committee to bring the different levels of government together. I suppose by bringing them together we are saying, ‘Let’s come to a resolution.’ We often play the round-the-table role. I think, also, that we have to be careful when we talk about overlap of services. I know that services such as the Small Business Officers were almost not implemented again because people like the Department of State Development said we already have officers on the ground. There is a distinct difference between the types of services they offer in most areas but I think it can be easily perceived that there is an overlap. In most cases I feel that from the Commonwealth perspective we actually have a role to play for the whole of government more than anybody else. We do not necessarily eradicate some of the other levels of government, but actually take the lead role in working them together.

We would like to leave a paper with the committee. It is a concept that we have been putting out to small business in our region, an idea about how people in small business could get financial assistance in the form of a payback system to help them grow. The response on this feedback form was exceptional. May we present that?

**CHAIR**—There being no objection to the tabling of the document, it is so ordered. This question might be more directed to your area, Mr Joel. We had a proposition put to us in Albany—I should really have raised it with the last group of witnesses too—by a person who had worked there as one of the Taxation Office advisory people when the GST was first introduced. She suggested that we ought to look at creating what she called G shops or government shops—one-stop shops in regions. The logical thing would be to link them to the ACCs because the ACCs are established. People could go there for all government services. They could go there to lodge their BAS statements and do all of that; they could get advice about government programs and what assistance packages might be available to them. To some degree that would address the issue you raised about taking the assistance packages out to the market rather than having them come to you to assess or find out what packages are available. What do you think of that concept? Is it worth pursuing? Does it have some logic? Would that address some of the issues?

**Ms Ford**—I have actually got ‘one stop shop’ in my submission. I very strongly believe that we should provide one entry point for small business. We are formulating that in our region at the moment—we have state development and the local council merging together to distribute our information and field our inquiries through one central point.

**CHAIR**—This would be a physical access point?

**Ms Ford**—That is the ACC. The Department of State Development and the local council will be using the ACC as the entry point. We can present them with a range of options that they have in relation to services and programs across all three levels of government. Small business does not differentiate between different levels of government. They just see a service, a suite of packages.

**Mr Joel**—I agree with that. That really addresses the issue that big business can afford to do that whereas small business, as I said earlier, cannot. There needs to be some method. What Cindy said is absolutely true: big business is very good—it can identify the issues of federal,

state and local government and it has the resources to do that. Small business sees one government, one issue and it needs some access. I think that is an excellent suggestion.

**CHAIR**—One of the arguments says that that is already there through the small Business Entry Point. The question is whether that is adequate or whether you need a physical presence.

**Mr Harm**—Are you referring to Business Entry Point?

**CHAIR**—Yes.

**Ms Ford**—It does not get used—we promote it front page all the time, we try to push it. We advise people to use it and nobody takes it up.

**Mr Harm**—You have to look at the market you are attacking. When you look at small business and who is going into it, for example, into start-up businesses, you see there are a lot of superannuation retirees coming into business. They are cashed up. They are targets, if you want to put it like that. They are going to lose their superannuation very quickly because they do not have that mentoring process or an understanding of being in business. It is one thing coming from a protected job in the bureaucratic system or working for a boss and another to actually venture out into that small business world on your own.

**CHAIR**—There are no more questions. Thank you Ms Ford, Mr Harm and Mr Joel. It was very useful. The committee stands adjourned until 1.30 p.m.

**Proceedings suspended from 12.37 p.m. to 1.39 p.m.**

**NEAL, Mr Philip Ian, Acting Program Manager, Customer Lending and Support Services Centre, Aboriginal and Torres Strait Islander Commission**

**O'DONOGHUE, Mr Leslie, Policy Officer, Economic, Employment and Training, National Policy Office, Aboriginal and Torres Strait Islander Commission**

**CHAIR**—Welcome. The committee has before it submission No. 87. Are there any changes you wish to make to the submission?

**Mr Neal**—No. The submission is an interim submission and we will be providing a final submission on 27 September.

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

**Mr Neal**—Thank you for providing ATSIC with the opportunity to speak to it. I regret the short timeframe that the inquiry has had to read the document that was recently forwarded, and ATSIC recognises that you may not have had adequate time, given your competing priorities, to fully digest its contents. With your forbearance, I will run through a set of statistics to put ATSIC's interest in the inquiry into context. The employment rate for Indigenous Australians is 40 per cent compared with 57 per cent for the total Australian population. Income, which is a significant part of business growth, is \$231 per week for Indigenous Australians, \$150 less than non-Indigenous Australians. The Indigenous working age population is forecast to grow by 28 per cent between 1996 and 2006 compared with a non-Indigenous working age growth of 11.6 per cent. There is a material difference between the two.

**Senator CONROY**—That is growth in what?

**Mr Neal**—Working age population. The Indigenous population is much younger on average than the Australian population and that causes the disproportionate growth rates between 1996 and 2006. A flow-on effect of that is that to achieve employment equality with the rest of the Australian population an additional 77,000 jobs would have to be created for Indigenous Australians by 2006. If you took out the CDEP, the unemployment rate in Australia for Indigenous Australians is 40 per cent. It will be 48 per cent by 2006 if those jobs are not created.

**Senator CONROY**—And what is it today?

**Mr O'Donoghue**—At an estimate it is between 20 and 25 per cent.

**Mr Neal**—One of the key issues with the Community Development Employment Project is that 32,000 of the present 35,000-odd CDEP workers are in rural and remote Australia. There is a significant employment issue facing Indigenous Australians. Small business presents an opportunity to redress some of that disproportionate unemployment and CDEP participation. At

the same time, there are fewer self-employed Indigenous Australians when compared with the number of Indigenous self-employed in Canada and New Zealand, for example. Indigenous people in those two countries are more likely to be self-employed than Indigenous Australians.

Through the Business Development Program ATSIC currently has about 600 small businesses financed and the loan portfolio is a little over \$70 million. There is a view that ATSIC is not a financier of the last resort for Indigenous Australians but a financier of first choice. In addition, the Business Development Program, the BDP, is meeting only existing need, not potential. It is not tapping into the development needs that may exist. ATSIC has a view that, if you can increase small business opportunities, you can increase employment.

The focus of our paper, as attached, essentially looks at the creation of economic zones as an opportunity to increase small business growth, small business employment and taxation incentives. In essence, the paper we have produced suggests that the impact of the regulatory regime has a more significant effect on Indigenous Australians because they often have literacy and numeracy skills at a lower baseline than non-Indigenous Australians. To some extent, ATSIC has a view that the state governments are not equitably meeting the needs of Indigenous Australian business support and they are certainly not in the range of business finance. ATSIC, for the moment, is assuming the principal responsibility for the risk in business finance. The paper also outlines some of the national policy office policy initiatives around industry strategies, such as aquaculture, forestry and tourism.

**CHAIR**—Mr O'Donoghue, do you want to add anything?

**Mr O'Donoghue**—Getting back to Senator Barnett's request about the unemployment rate, we will provide more details in our formal submission at a later date.

**Senator BARNETT**—Thank you for your submission. I look forward to reading through it and your subsequent submission. Thank you for your input and taking the time to present to the inquiry. With regard to self-employment in Indigenous communities, you mentioned a comparison with Canada and that we were less percentage wise. Do you have what percentage or numbers we are talking about in terms of Australia in those comparisons with, say, Canada or other places?

**Mr Neal**—We think the Indigenous self-employment rate globally in Australia is between 3,000 and 4,000 Indigenous businesses. We think that that percentage is around three per cent whereas in New Zealand, for example, I believe it is around five per cent and I think in Canada it is higher, but we can provide more specific figures at a later date. There is a difference.

**Senator BARNETT**—I am just trying to see how important self-employment and small business development is in those Indigenous communities. What do you think?

**Mr Neal**—For some communities, that is the only form of employment. Indigenous Australians go into small business for a number of reasons apart from making dollars. Some of the other guiding principles are that they open up a business to create employment for their community and they open up a business to provide a service for their community. But, whilst there may be a level of altruistic non-Indigenous self-employed people around, we believe that the focus is greater in Indigenous communities.

**Senator BARNETT**—Since the Howard government came in in 1996, there have been 600,000 more small businesses than there were at the time, and now there are 1.2 million Australia wide, based on the last estimates. Are the numbers going up or down in Indigenous communities with regard to small business growth? Has it doubled, for example, since 1996 or has it gone down, up or what?

**Mr Neal**—The businesses that ATSIIC are financing have increased each year. Each financial year we are receiving and approving more finance applications.

**Senator BARNETT**—How many would you be financing per year, roughly?

**Mr Neal**—Last year it was about 130. I will provide specific figures about that and the trend over time which shows an increase each year for the last five years.

**Senator BARNETT**—Do you think that might be reflective of the entire Indigenous small business community? There would be more small businesses now than, say, six years ago in the Indigenous communities?

**Mr Neal**—Yes, we would anticipate the census to prove that as well.

**CHAIR**—When you provide those figures, could you also provide the figures of the number of businesses that have collapsed each year?

**Mr Neal**—We can provide the figures for ATSIIC financed businesses that have collapsed. We believe that, of the businesses financed two years ago, over 70 per cent are still in business, which we think compares favourably to the broader anecdotal evidence that 80 per cent of small businesses collapse. They are still in business after two years. The percentage is slightly higher for those we financed in the last year.

**Mr O'Donoghue**—ATSIIC only has data on the ATSIIC specific businesses. Some of the Indigenous people accessed ATSIIC's funding. We do not have any data or other material on Indigenous people accessing some mainstream finances as well. All our data is only ATSIIC specific at the moment.

**Senator BARNETT**—Yes, that is totally understandable; it is fair comment. In your earlier presentation—and I realise you are coming back to us with the figures on unemployment; you mentioned 20 per cent to 25 per cent—did you mention 40 per cent in the year 2006?

**Mr Neal**—The Indigenous unemployment rate would exceed 40 per cent now if the CDEP participants were included. In the absence of the CDEP, by 2006 the unemployment rate would go up to 48 per cent. If you took out all the people on the CDEP, by 2006 the unemployment rate would be 48 per cent. Perhaps I have used an acronym you are not familiar with. CDEP stands for Community Development Employment Project. It is similar to, but was preceded by, the Work for the Dole scheme.

**Senator BARNETT**—That is totally different to your Business Development Program?

**Mr Neal**—That is right.

**Senator BARNETT**—So it is totally separate.

**CHAIR**—Since the labour market program?

**Mr Neal**—The CDEP?

**CHAIR**—Yes, as a labour market program.

**Mr Neal**—Its genesis was: involvement in the community in return for the equivalent to income support.

**Senator BARNETT**—And you liken it to Work for the Dole?

**Mr Neal**—Yes.

**Senator BARNETT**—Who oversees that program—is it ATSIIC or another government department?

**Mr Neal**—ATSIIC oversees the CDEP nationally. It is managed from the CDEP centre in Adelaide.

**Senator BARNETT**—How many people would be on that program at any one time?

**Mr O'Donoghue**—Approximately 33,000.

**Senator BARNETT**—So you are saying that, if you took those 33,000 out, that kicks in and pushes up—

**Mr Neal**—The unemployment rate profoundly.

**Senator BARNETT**—Does it work in the same way as Work for the Dole—for a certain period?

**Mr Neal**—No, it is structured differently. As I understand it—and we are not CDEP experts—Work for the Dole is a specific engagement for a specific period; the CDEP does not have sunset clauses and it permits people to manage their entry and exit. The community manages the participation.

**Senator BARNETT**—Is there an average period of stay within the CDEP? Is it six months or 12 months?

**Mr Neal**—It varies. I do not have accurate figures on that but I could provide them for the inquiry, if you would like.

**Senator BARNETT**—Okay. I am just trying to get a feel for how the system works. I will move on to the ATSIK Business Development Program that you referred to in attachment A—I am trying to get my head around it. The fast-track loan is capped to a maximum of \$12,500, essentially, in loan product, where the client does not need to satisfy a range of equity and security provisions. How many of those are there?

**Mr Neal**—We have written about 70 of those in the last 12 to 18 months.

**Senator BARNETT**—You indicated the success rate was quite good over the last three years. Did you say 70 per cent?

**Mr Neal**—Yes, that is right—that is for all loans, including the fast-track loans. The majority of our finance in dollar terms is for much more than \$12,500. We finance individuals, community groups, corporations and joint ventures.

**Senator BARNETT**—Indigenous groups obviously, but joint ventures with non-Indigenous people.

**Mr Neal**—That is right.

**Senator BARNETT**—We had witnesses appear this morning who talked about the lack of capital and the lack of access to capital. So would you say that there is a problem for Indigenous communities in accessing capital, or does this sort of business development program satisfy those needs?

**Mr Neal**—There is an absence of capital in the communities. The BDP has a range of criteria that are quite similar to those of financial institutions. We have equity expectations; we have security expectations; we have commercial viability expectations and we have management and technical ability expectations. The same four Cs of lending we apply. We have some discretion with our equity and security rights but, by and large, if someone has no security and no equity, ATSIK is probably not going to take the risk, other than for the fast-track loan.

**Senator BARNETT**—Do you get a return on the funds invested, as it were, or do you lose? What performance levels and key performance indicators do you apply?

**Mr Neal**—We seek a return of three per cent per year, and last year we returned \$12½ million to the portfolio, which is more than the three per cent interest and principal.

**Senator BARNETT**—Would you specify the key impediments to small business growth in Indigenous communities?

**Mr Neal**—We believe there is an impediment in the establishment of new businesses. In communities there is a range of structural problems that we have outlined in the paper, and they include an absence of financial services, so people cannot save money; they are starting from a low base; high unemployment—the transition from unemployment to self-employment is difficult. No financial services, no equity; no equity, no security, no capital. Also, it is not possible at this time to take security over community title land.

**Senator BARNETT**—That may change.

**Mr Neal**—Yes.

**Senator BARNETT**—Are there any other impediments that you would like to nominate?

**Mr Neal**—The absence of financial services also means that, particularly in remote areas, if you start up a business and you are dealing with an Indigenous community that does not have access to a bank or financial services, they will have no savings to pay your bills; so you will not stay in business for very long.

**Mr O'Donoghue**—Other impediments include a lack of financial literacy training. A lot of our communities are not financially literate, and a lot of our communities have low education levels.

**Senator BARNETT**—Do you have any statistics on literacy and numeracy?

**Mr O'Donoghue**—We can provide those stats to you. There is no actual financial incentive, similar to those provided in Canada and the United States, to start up a small business, or any type of business, on Indigenous lands. We provided a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade subcommittee inquiry last April that was dealing with attracting foreign investment or any other types of investments into communities. We outlined a number of impediments to the development of businesses and economic development in communities. We also outlined some solutions, such as tax incentives and communities being able to leverage some of their assets for further development.

**Senator BARNETT**—In your submission you refer to the dearth of regulation and red tape. Do you see that as an issue?

**Mr Neal**—It is, and it is compounded by a lack of financial literacy, lower education levels and second, third or fourth language difficulties. The problems associated with the regulatory regime are compounded by those types of issues. People find it hard.

**Senator BARNETT**—What sort of liaison would ATSIC have with, say, the area consultative committees, the business enterprise centres or the Small Business Development Corporation? Do you liaise with the Office of Small Business and those sorts of entities?

**Mr Neal**—We do work with the Office of Small Business, and we do have some relationships with the ACCs. That is irregular and not consistent nationally. What ATSIC has done with the business development programs is put in place a range of ATSIC engaged business facilitators to work with Indigenous entrepreneurs to develop their business ideas and also to help potential entrepreneurs make decisions that they do not want to go into business. So the success is measured both ways and they help them work out their business plan, do the modelling, the marketing projections and the cash flows.

**Senator BARNETT**—You are probably aware of the New Enterprise Incentive Scheme. Is that something that Indigenous people are involved with or do they go through your business development program instead?

**Mr Neal**—Anecdotally, we believe that NEIS does not meet the needs of Indigenous Australians. We also believe that ATSIC, notwithstanding that we can be sometimes slow, is a preferred provider because we do it in a way that meets the needs of the Indigenous people.

**Mr O’Donoghue**—Getting back to your earlier comment about whether we interact with other agencies, in the National Policy Office we try to provide the environment for any sort of business to be sustainable. So we are liaising with AFFA and Industry, Tourism and Resources to look at other industries such as agriculture, tourism and forestry, to name a few.

**Mr Neal**—And, jointly with DEWR, we also manage the Indigenous Small Business Fund.

**Senator BARNETT**—Is that a successful operation, in your view?

**Mr Neal**—From an ATSIC perspective, yes. It is a good program because that is the program through which we provide most of our business support services.

**Senator BARNETT**—How big a program is it? I am not familiar with it.

**Mr Neal**—Last year, I believe we spent about \$6½ million nationally on business support.

**Senator BARNETT**—On good investments?

**Mr Neal**—We think so.

**Senator BARNETT**—Thank you for your submission.

**CHAIR**—Mr Neal, on this issue it is not just a question of small business; it is a question of Indigenous businesses per se and what you can do to create self-sufficiency in the community. In the submission we had from the Far North Queensland ACC this morning, they were very much arguing for a joint venture approach. It seemed to me to be partly based on utilising the experience and skills that were there in business ventures to jointly venture with Indigenous businesses and use that as a base to grow the Indigenous business base. To what extent has ATSIC looked at this issue and to what extent have you looked at the delivery of training programs for Indigenous communities in business skills or even in related skills that the people have to have? For example, if they want to set up a plumbing business, they have to have the skills of a plumber, but it is also a question of having business skills, managing cash flow and doing all of those other things. Is that an issue that ATSIC also takes on board with specific programs for Indigenous communities or is there just nothing happening in that area?

**Mr Neal**—In relation to the Indigenous small business fund, two years ago ATSIC ran six workshops for Indigenous entrepreneurs. We took them through the process of business development, including cash flows, how their business plan had to look and how Indigenous politics might impact on their business. They were very successful workshops. In the last financial year we ran only one. This financial year we have five scheduled at the moment. We find that they are very successful.

We tend not to provide industry specific programs, such as plumbing. In that instance, if someone came to us, we would refer them to a business facilitator to help them work through what they need to do to position themselves to go into business. The facilitator works with the person to find the training program and to develop the business plan, and ATSIC agree whether or not we are going to finance that facilitator to work with that person. We deal with it on a case by case basis.

In Far North Queensland, I would suspect that one of the concerns they would have is, separate from there being limited employment opportunities, there would arguably be limited infrastructure. There would be limited buildings to use in which to base a business. Palm Island is not Far North Queensland, but it is an example of where there is a significant Indigenous community and where there are very limited physical assets that that community can use in which to base a business.

**CHAIR**—But this sort of community, presumably, would be well set up to get involved in agriculture, for example?

**Mr Neal**—Some communities are. We have been talking with the Indigenous Land Corporation and the CDEP in Adelaide about using the Indigenous estate to engage with the private sector to develop pastoral or primary industry ventures. At the moment we are looking at cattle. We have also been introduced to the Italian Chamber of Commerce and Industry. They have negotiated an Italian investment in a Goulburn Valley property. We and the ILC—the Indigenous Land Corporation—are trying to engage communities which own properties that were once viable farming ventures and to see if we can rehabilitate them on a case by case basis. If the model is proven, the financial sector and the investment sector might say, ‘This is not just pie in the sky. Here is a model that has worked.’ Similarly, we are having formative discussions with the mining industry to shift the focus towards employment and business development outcomes around the mine rather than just a passive income stream from royalties.

**CHAIR**—Can you take me through how the process works with ATSIC if I am an individual Indigenous person who wants to start a business? What criteria do I have to meet? What are the basics I have to have before ATSIC will consider me as a potential investment risk?

**Mr Neal**—You would ring up or come in and we would talk to you. If we think that you have a viable, reasonably well considered plan and that you demonstrate commitment to achieving an outcome, we refer you to a business facilitator to help you form your ideas, develop your business plan and look at your cash flows. You would do the work, so you would understand how the business would need to operate, how many hours you would have to work each week in that business—52 weeks a year or whatever—and what you would be likely to earn after tax. Then you would be asked, ‘Are you still interested in going into small business? Yes? Okay, let us go on to the next step: what equity and security do you have; what cash flow would you be bringing into the business?’ Once you get to that point and you are ready to go, you have a complete package to take to a financial institution, to get finance from a bank or a credit union, or you can come to ATSIC. Our process does not force you to come to ATSIC for finance; you make that choice yourself.

**CHAIR**—If I am an Indigenous person in a regional or remote community, living on community land, what assets am I likely to have?

**Mr Neal**—None. Unless you have access to a savings account, you are likely to have no assets.

**CHAIR**—So would I be virtually ruled out on that basis or not? Would there still be an assessment made of the business plan?

**Mr Neal**—It would be very difficult. The fast-track loan is unsecured; it does not require equity. The other thing that ATSIIC is doing at the moment is testing a microfinance pilot in northern New South Wales along with Grameen bank type models. We are optimistic that that will start to address some of those remote issues where it is microbusiness that is being financed rather than, for example, a service station.

**CHAIR**—What are the criteria for a community type project?

**Mr Neal**—They are the same criteria.

**CHAIR**—Presumably, at this stage the communities have no assets either, other than the land. I should explain, in case you do not know, that the reason I ask that is that this morning the Gulf Savannah Development group said they are working with Invest Australia to put together a database to try to attract investment opportunities, from Australia or overseas, into that northern region. Presumably, if they are able to get to that level, then the community has to have some capacity to go somewhere if there are investment opportunities, particularly if they are going to be joint ventures. What if a viable project comes along, with a joint venturer, and they do not have the asset base to sustain it? Is that going to also make it difficult for the community to borrow from ATSIIC funds?

**Mr Neal**—Yes. The difficulty is that, if ATSIIC or any financier takes security and the business does not work and then the financier realises the security, ATSIIC in particular would be in the invidious position of realising community title land and dispossessing Indigenous Australians or not realising the security, in which case a loans program suddenly becomes known as a grants program.

**Mr O'Donoghue**—Can I add in there an international experience. In Canada, where they also have community title land, they get a band council guarantee along with, say, the financier, and the band council guarantees the loan on behalf of a community or a person—either the housing or the business—to say that if that loan is not paid back then the band council will pay the loan back.

**CHAIR**—So that is a separate security?

**Mr O'Donoghue**—Yes, that is the way they are getting around the community land issue.

**CHAIR**—Is it possible for ATSIIC to do that or not?

**Mr Neal**—We are thinking about how we might do that. It is also an issue for home ownership on community title land. For many people, the family home is the leaping point and was the asset behind the small business, irrespective of what the banks say. So we have been

looking into home ownership on community title for some time—not just in Queensland but around Australia.

**CHAIR**—It seems to be very much a chicken and egg situation: how do you get to the starting point?

**Mr O’Donoghue**—There was also a banking finance workshop on 8 and 9 May in Sydney, which is at 4.6 of our submission. Some of the issues that were raised there were getting banks involved in Indigenous affairs and Indigenous economic development, including home ownership and business development as well. Going back to some of your comments earlier about joint venturing: we have Indigenous Business Australia, which also does joint venturing with the likes of mining companies and other large companies around the million dollar mark as well.

Also, some of ATSIIC’s focus in the national policy office is to look into the financial literacy of our communities and encourage banks and others to provide financial literacy training to our communities. We had a consumer awareness workshop in Alice Springs in April this year along with the ACCC and ASIC. There we signed an MOU between ATSIIC and the ACCC. So we are trying to develop some financial literacy skills.

**CHAIR**—I am sorry, I have not yet read your submission, but I will go back to it—and to the additional material you provide to us.

**Senator CHERRY**—Reading through your attachment to your submission, I have a question about your loans program. You acknowledged earlier in your evidence that the ATSIIC approval process is slow. I have certainly heard from people who have been through it that it is very slow. We also heard that the paperwork is quite cumbersome. I acknowledge the issues of accountability in ATSIIC; as you say, there is always the problem of needing not to make a loans program into a grants program. What measures are you looking at to try to make the Business Development Program a little more accessible or to speed up the processes—or just make it a bit more user-friendly?

**Mr Neal**—In my view, ATSIIC gets blamed unfairly for the lengthy process. I would be prepared to speculate that the vast majority of our loan applications are financed within two weeks of receiving all of the information provided. The process is client driven, and often the clients work at their own speed rather than at what would normally occur elsewhere in the financial sector. I believe that ATSIIC is blamed unfairly for the delays. It is a long process; I make no bones about that. That is often because we are starting from a long way back. We produced an information kit called *Good business? Or just a good idea?* We provide that to all people who inquire so people have a framework to follow. The commercial offices and the business facilitators have a responsibility to explain the process to each applicant, telling them what they need to do and the time frames ATSIIC works to—‘You do this, and we will give you a response within this period of time.’ We also subject those time frames and those performance standards to quality assurance.

**Senator CHERRY**—You also say in your submission that demand for business development assistance continues to outstrip the available funds. Has there been any attempt by the government to top up the funds for the business development programs? Are more funds available?

**Mr Neal**—It is an ATSIIC responsibility to take that issue to the minister. Before that happens, ATSIIC, Indigenous Business Australia and the Indigenous Land Corporation need to have a coherent and agreed strategy where each contributor has a clear and articulated role. Those discussions are presently in a formative stage.

**Senator CHERRY**—For each application you are able to successfully fund, how many would you be rejecting which would otherwise meet reasonable criteria?

**Mr Neal**—I do not collect data on the loans that we decline. Some are withdrawn. When the impediments become self-evident, we say to the client, ‘You cannot get through this threshold, this criterion,’ and they withdraw. Maybe one or two in 10 actually come to us and we formally decline them. Usually, if a business finance application is coming to us, particularly through the business facilitator process, we want them to be successful; otherwise, we have paid the business facilitator for a poor outcome—for us and for the client.

**Senator CHERRY**—So, essentially, demand is criteria driven rather than capped by the money you have available?

**Mr Neal**—Yes, that is right, but all our decisions are subject to available finance within the program.

**Senator CHERRY**—Thank you.

**CHAIR**—Thank you very much, Mr Neal and Mr O’Donoghue. We will look at your final submission when you send it in. Thank you for appearing today.

**Committee adjourned at 2.21 p.m.**