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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Reference: Small business employment

THURSDAY, 10 OCTOBER 2002

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SENATE
EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Thursday, 10 October 2002

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

Substitute members: Senator Cherry for Senator Stott Despoja and Senator Conroy for 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 Barnett, George Campbell and Conroy

Terms of reference for the inquiry:

To inquire into and report on:

1. The effect of government regulation on employment in small business, specifically including the areas of workplace relations, taxation, superannuation, occupational health and safety, local government, planning and tenancy laws.
2. The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people.
3. The extent to which the complexity and duplication of regulation by Commonwealth, state and territory government inhibits growth or performance in the small business factor.
4. Measures that would enhance the capacity of small business to employ more people.

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Committee met at 10.12 a.m.

DERCHO, Mr David, Manager, Economic Development, City of Salisbury

WALLER, Mr Greg, Director, Development and Environmental Services, City of Salisbury

EDGECOMBE, Mr Michael, Executive Officer, Regional Development South Australia

MILLER, Mr Euan McLaren, Executive Officer, Business Enterprise Centres SA Inc.

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 this committee an inquiry into small business employment. The terms of reference focus on broadly two main issues: first, the effect of government regulation on the performance of small business, including the complexity of these regulations and the overlap between Commonwealth, state and local government regulations; 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 all observers to the public hearing.

I welcome our first witnesses from local government in South Australia, the business enterprises of South Australia and the regional development board of South Australia. The committee has before it your submissions, Nos 90 and 88: are there any changes you wish to make to those submissions?

Mr Dercho—No.

Mr Miller—No.

CHAIR—The committee prefers all evidence to be given in public. However, 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 the witnesses to make a brief opening statement.

Mr Dercho—Firstly, I would like to apologise on behalf of the Local Government Association for its not being present today. There was a clash with its major conference. So, rather than represent the Local Government Association of South Australia, Greg Waller and I will be representing the City of Salisbury as a local government authority and highlight some case studies. We will briefly respond—and broadly—to sections 1, 2 and 4 of the terms of reference. I will discuss some of the issues in regard to the local economic development activities we are undertaking and Greg will touch on some of the regulatory issues.

To start with, the City of Salisbury participated in a pilot project with the Local Government Association back in 1999 to develop an initial business charter for our business community. Ninety-three per cent of our businesses—probably around 4,000 or so—are small to medium sized enterprises. We highlighted the need to provide good quality customer service and to highlight that customer service to business. We outlined a range of different customer service guarantees in the areas of planning, building and other regulatory services, economic development, environmental services, the provision of special small business assistance and general council information in regard to proposed turnaround times and the level and quality of service that business can expect. That was done with five other councils in a pilot across South Australia, including regional councils.

We have subsequently undertaken a major review of our economic development arrangements and we are in the process of reviewing again our levels of commitment and service guarantees to business. But that certainly was a first major step in officially recognising the important role that we need to play to our business community. So the business charter is something that the Local Government Association's submission touches on and it is something that we were pleased to be a part of.

From that, and a review of our economic development arrangements, the City of Salisbury created as a separate business unit the Salisbury Business and Export Centre, which was specifically set up to facilitate and provide general business information assistance and specific export facilitation assistance to small and medium sized enterprises in Salisbury. We have been up and running for our first 12 months now. We have provided support to over 400 businesses, including assisting 30 businesses into export for the first time. We started off as a pilot initiative with funding from state and local government. That level of support and resourcing has been increased subsequently to our first review, and local and state government are now looking at entering into a longer-term funding agreement for the centre.

Senator CONROY—What are the sorts of businesses that you have that export?

Mr Dercho—It is a diverse range, anything from food related businesses through to grain equipment, conveyor belts into Iraq et cetera. It really is a broad range. In addition, we still provide that generic small business assistance and business start-up assistance. But we have taken a conscious decision to aggressively target our services to growth companies and, through a major database exercise that we have undertaken with our companies, we understand those that are growing, we understand those that are undertaking R&D, those that are planning to employ more people in the next 12 months. Twenty per cent or around 700 of our small to medium sized enterprises are looking to employ more people in the next 12 months and 42 per

cent are planning to grow. What we are all about is improving the capacity and capability of small business, providing them with the necessary tools and information so they can grow. From that, there will be employment that is a spin-off. We are not trying to create employment; we are trying to provide the best possible environment for employment growth. Perhaps Greg can now talk about some of the regulatory issues that we deal with.

Mr Waller—My experience in local government is dealing with the full range of regulatory functions that are delegated from state government to local government. Not all of them involve small business, such as dog and cat management and some parts of public and environmental health. I will just talk about specifically those that I think have a direct impact on small business.

Planning and building control in South Australia is one of those functions. We have developed a one-stop shop here in our legislation, where we have brought the two pieces of legislation together. We were the first state in Australia to do that. I know now most other states have done that. It is probably worth mentioning the LARP program that was developed by the Commonwealth in the early nineties, where they identified that there was a potential saving of \$2 billion annually through slow approval processes in planning and building. That program was rolled out around the country.

The city of Salisbury, through its concentration on business and supporting business, have been able to speed up their approval times and we now have an average approval time of 3.2 days for non-notified applications, which compares exceptionally well. We have done benchmarking with other councils in Adelaide. One of our inner-city councils has got an approval time of the 73 days and there is a council in New South Wales that I visited recently which still has an approval time of five months. So our 3.2 days is recognised by small businesses as being a distinct advantage to them. We process about 3,500 applications a year, so it is certainly not a small number, and approve about \$150 million worth of development. Salisbury is a growing area and those approval times are recognised as a key component of supporting business generally.

Food safety is another area. We have a Food Act in South Australia which is primarily delegated to local government to administer. We have 450 food premises in Salisbury where food is prepared for sale to the public. We work very closely with those businesses. We try and avoid a regulatory environment. We do not want to be seen as going in and causing a hurdle to these people. We actually spend a lot of time in communicating with them understanding their needs. I think it is fair to say that, when you read the objects of the Food Act, the council and businesses are all trying to achieve the same thing. It is much easier to work with these businesses to support them rather than to be seen as a regulatory authority there to essentially be a policing agent. Again it is more achieving common goals.

The Public and Environmental Health Act and environmental protection is another area that we deal with. Again our focus is on working with businesses rather than working against them. An example of that is that we employ a stormwater pollution prevention officer, and his role is to go out into the community to the business community and assist them with their stormwater disposal methods. Rather than waiting for a problem to occur, a spill to occur, we are out there dealing with them with their stormwater management plans in a proactive sense. We see that as being supporting business rather than taking a purely policing role.

Competition in regulatory services is something that has been introduced in South Australia and I believe in the rest of Australia. Here it deals with building control, where an applicant for building approval no longer needs to come to council. There is the introduction of private certifiers. In a lot of councils that is seen as a negative step or a step backwards. We believe that it is a positive step which has introduced competition. We have worked very hard with our business community to win most of that work, and currently 96 per cent of applications are dealt with by the council. So that step in competition has really assisted, and I think there is an opportunity for that to be rolled out in other areas of regulatory services.

The last point I want to make deals with consistency across councils, and I do see this as a problem. Not all councils deal with regulatory services in the same way, and in talking to local business I understand that is a great frustration, that some councils do things differently to others, and if those businesses are working across councils it does cause a degree of frustration and annoyance. I do not have the answer to that, but I would certainly recognise that as a major problem that does need to be worked on.

Mr Miller—The business enterprise centre is part of a network of BECs across Australia. There are 138 of them across Australia and we have seven here in the metropolitan area of Adelaide. They function as a partnership between state and local government and the private sector and we get funding from all three sources. We provide free services to the micro and small business sector, focusing on economic development and job creation. We have been particularly successful in South Australia and see something like 25,000 businesses a year through the services that we provide, and we believe we are generating something like \$200 million worth of new investment and somewhere around 2,600 new jobs each year through the advice that we give to small business.

In the submission we highlighted four or five different strategies that we have employed here which are rather unique to Australia. One is the human resource advisory service, where we are using 44 consultants to provide a service to help small business with HR problems. That was set up initially because of the unfair dismissal difficulties of small business. In our experience, a lot of the problems were caused by ignorance on the part of the employer. That has been particularly impressive. For each consultancy, which costs small business somewhere between \$200 and \$500, we are generating between one and two jobs.

Another is the New World Of Work, which is a strategy, again, that we feel quite strongly about, that recognises that the whole labour market has changed and that over the last 10 years there has been no real growth in full-time employment—all the growth is in occurring in part-time and casual work. What we feel needs to happen is that people need to be trained to be self-managed and enterprising to take advantage of that situation. We did some work with the City of Salisbury two years ago which was incredibly successful, working with people on disability pensions. We had a success rate of between 90 per cent and 100 per cent in getting those people into work.

We are doing another project with the Virginia Horticultural Centre. There are over 1,000 horticultural market gardeners in the Virginia area just north of Adelaide. They have chronic labour shortages there. We estimate that there are something like 800 full-time-equivalent positions there that are continually vacant, and it is usually because of poor employment practices. We are working with the growers up there on a pilot program, training them in employment practices, and we are expecting to have a marked impact on that problem.

The final thing that I mentioned was another study we did into barriers to employment. Again, in this world of unemployment, we identified four industries that had chronic shortages of labour and found the reasons why that was occurring. Mostly it was because of ignorance in the community about where the jobs were in these industries. We have worked with those industries to try to improve their communication both to school leavers and to existing members of the work force so that opportunities for work in those industries becomes more widely known.

CHAIR—Thank you, Mr Miller. Mr Edgecombe, in your comments, can you identify for us who the regional development boards are. Are they an extension of the REDOs?

Mr Edgecombe—No, there is a relationship in a couple of cases between the regional economic development organisations established by the Commonwealth in the late eighties and early nineties and current regional development boards. That is an accident of their individual history rather than the way they were deliberately constructed.

CHAIR—What is the relationship between the ACCs and the regional development boards?

Mr Edgecombe—The ACCs, of which there are five in South Australia of the 46 nationally, are a federal government regional network driven out of the Department of Employment and Workplace Relations and now, I believe, the Department of Transport and Regional Services.

CHAIR—But they are independent?

Mr Edgecombe—They are independent. There are good cross-links, in that quite a few regional development board members and staff are also board members or general members of the area consultative committees, but those links depend on the relations in individual areas. I have provided a brochure which provides a reasonably good background about the structure and role and achievements of the regional development boards, and I commend that to the inquiry.

I would like to provide a few comments about the background to our submission. Regional Development South Australia represents the 13 regional economic development boards that cover non-metropolitan South Australia and provide a wide range of economic development services across that area. They are a partnership between local communities, local government and the state government in South Australia and draw their funding from a wide range of sources, including federal grant funding at times. They are important in regional community leadership. They provide specific economic development services in the following: business facilitation, which includes enterprise start-up, business incubators services, business advice and assistance, enabling businesses to tap into government services and government grant funding; labour market programs in both the employment and training area—in the training area, for example, there is a wide range of training areas that are important in regions, including small business management skills; and a range of industry development programs, including export development, industry cluster development, regional promotion and marketing, and the facilitation of regional infrastructure development in partnership with the local government sector. Finally, they have an important role in regional policy making and regional planning, both in trying to influence state and federal policy that relates to the region and in advocacy for their region.

There are a number of detailed comments in the submission we have provided, particularly against terms of reference 1, 2 and 4. I would like to make some very brief points. While there are very good instances of outreach and business service from a number of federal government agencies, the level of complexity in relation to some bodies of regulation, particularly taxation, is very daunting. Even though the agencies have demonstrated considerable goodwill in trying to overcome that complexity, sometimes the task itself, I think, daunts the agencies themselves. Small business and microbusiness, which would make up 90 to 95 per cent of the small business sector in regional South Australia—by microbusinesses, I mean businesses that have fewer than five employees—struggle with a lot of problems. They are time poor, they are money poor and, of course, they have to deal with the many challenges that face small business and regional businesses generally. I have provided more detail about that in our submission.

Finally, in terms of measures that would actually enhance the capacity of small business to employ more people, the key point I would really like to draw to your attention is that employment grows when enterprise grows. It is valuable, no doubt, to be training people and skilling them to take advantage of existing jobs; but, if we are looking at growing the employment capacity of small business and medium enterprises in Australia generally, but particularly in regional areas like regional South Australia, it is important for us to be growing the enterprises in those regions because that is where the new jobs will come from. New jobs represent considerably more important value to the community and to Australia's economy than do existing jobs that we are filling. It is important, yes, for us to be facilitating the labour market, but it is also important for us to be producing new jobs, and that will come through enterprise growth. So it is important for us to concentrate on that as a key strategy for employment growth in regional areas.

Senator BARNETT—Where do you say they are coming from?

Mr Edgecombe—New jobs will come from enterprise growth.

Senator BARNETT—What do you mean by that; can you just expand on that?

Mr Edgecombe—Yes. They will come from new enterprises actually starting up in regional areas, and they will tend to be successful where they are taking advantage of sustainable competitive advantages in those regional areas, such as natural assets or cultural assets. They will also come from the expansion of existing enterprises. In some cases, they will come from incremental gains made by larger enterprises, but in most of regional Australia—and regional South Australia would certainly represent this—there are not many larger enterprises. A very large enterprise in my region, for example, which is close to metropolitan Adelaide, would be employing in the order of 50 to 80 people. So we are still talking small business, according to a technical definition. That would be even more true the further you went from Adelaide. Finally, they will come from small businesses that are able to suddenly kick forward with a burst of growth because they are able to tap into national or international markets. The measures that we have drawn to your attention under term of reference 4 are particularly aimed at freeing up the environment and encouraging businesses in that third category to grow.

I go back to a McKinsey and Co. survey that was conducted in the early 1990s which indicated that 70 per cent of local economic growth would come from the growth of existing enterprises. So it is very important for us to be focusing on growing that sector. The survey predicted that 20 per cent would come from industries that were attracted into the region,

industrial recruitment, and that 10 per cent would come from totally new industries that would develop as new technologies emerged to deal with environmental issues et cetera. So it is very important for us to be focusing on that 70 per cent and leveraging the value of those enterprises into new jobs. We have provided some ideas in our submission against term of reference 4 for doing that.

CHAIR—Thank you. Perhaps I can start off by asking Mr Waller or Mr Dercho a question. The Local Government Association has developed these business charters, yet you say that there are still different rules being applied by local councils to deal with small business. Have you, through this process of cooperation and consultation, tried to eliminate those differences? Why do the differences still exist? Are they fundamental issues or are local councils just marking their territories, if we can describe it like that?

Mr Dercho—There are probably two issues to that question. The business charters project was a very generic project that did not necessarily take into account the differences in council services provision and guarantees. It was very much a framework that was put together for each council to tailor to its own specific needs. The documentation that you have been provided with today gives you an outline of the process that we went through and that other councils are now starting to go through to develop their own specific charters. Perhaps Greg can talk about the regulations side.

Mr Waller—I believe it reflects the different nature of each different council area. Salisbury is an example of a growing middle to outer suburb. The inner city council areas have different pressures on them from a political perspective and a community perspective, so they respond differently to the regulations. Town planning is a classic example of that, where the different pressures and different issues result in different approaches in the way in which they deal with planning applications.

CHAIR—To what extent have you tried to eliminate those differences in South Australia? It seems to be a problem everywhere. It was a problem in Western Australia, with small business saying different councils had different attitudes. Some councils required them to register if they were a home business and some councils did not. When we talked to the councils, they said they required them to register because they wanted to know how many were in the local areas. So they had reasons for doing it when you dug underneath it. In Victoria we heard evidence about some councils being very good in terms of the way in which they dealt with small business and other councils being not so good. That message is repeated all around the country.

It seems to me that one of the problems we have is that there is a multiplicity of regulation. If we have a different attitude being adopted by local councils within a state about, for instance, getting a certificate to do a bit of plumbing or whatever and then you overlay that with differences with state government regulation and federal government regulation, at the end of the day it really is a confusing picture. I would like to know to what extent, through the Local Government Association, you are actually sitting down and trying to address these issues and to find a way to at least present a face to small business as if government, rather than a multiplicity of different organisations, is dealing with the issue.

Mr Waller—There have been a number of programs adopted by the Local Government Association in a variety of different areas to try to achieve that consistency. Food premise inspections is one of those, where they have come up with a set of standard criteria based upon

need. That is being put out to the councils, and most councils have adopted those criteria. In a number of areas there has been a degree of work undertaken which has been largely successful. But it is an area that I believe needs to be consistently looked at. It is not something where you can sit back and say, 'We've done enough'; it really does need constant review.

Mr Miller—We have done some work with the home based businesses. We think that something like 60 per cent of the businesses in Adelaide are home based business, and it is certainly the largest growing area that we have at the moment. We have now done surveys in five council areas to identify those home based businesses. We in fact doubled the number of businesses in each of those councils once the surveys were completed. We are now trying to get those five councils to have consistent policies in dealing with home based business.

There are two problems. One problem is that there is an attitude of fear that the council or somebody is going to regulate them out of existence, so people are afraid to stick their head up if they are running a home based business. The other issue is that some councils are quite small business friendly in the home based setting. We have a rough rule of thumb where we say that if the neighbours are not complaining and you are not into food you are okay. But there are some councils that worry about the number of cars that are parked on properties or on the streets outside properties and there are some that have worries about signage. We are trying to see if we can get some consistency, because it is a very important job generator. It is a difficulty with local government because there are so many councils and they are all independent, and getting a consistent view is not particularly easy.

CHAIR—One of the issues that was floated with us—we cannot claim originality in terms of the idea—was the establishment of what was termed a G-shop, for want of a better term; in other words, a government shop where people could get information about government regulation and services, lodge their BAS and do the array of things that business has to do with government, without necessarily identifying which arm of government it is. What would your reaction be to that sort of proposal if it were taken up?

Mr Dercho—I am sure a centralisation of services would assist. The Salisbury Business and Export Centre has taken that role on for Salisbury businesses to be that single point of contact for every business inquiry conceivable. So we will then put people in the right direction to where they need to go and what they need to do and actually get on the front foot and go out there, work with them, find out their needs and also hook them up with federal—

CHAIR—Do you deal with inquiries at all levels of government, whether it is local, state or federal?

Mr Dercho—Absolutely. To be that one port of call and to be very much a portal for Salisbury business.

Mr Miller—I think David is right, that you have to do it both ways. There is just such a plethora of rules and regulations that small business face from three spheres of government as well as from statutory authorities. What you need to do is to be proactive in terms of going out to businesses, identifying what their issues are and where the problems are. A lot of them just are not aware that they are creating problems for themselves. A lot of it is through ignorance. And then you do get people who are more informed, who are just trying to find their way through the system.

One of the reasons that home based businesses are reluctant to identify themselves is because of Telstra. They know that they will have to pay a business rate on their phone if they identify themselves as a business. We do not think that is working in Telstra's best interest. Because people are not declaring the fact that they are running a business from home, the actual amount of traffic that is occurring on their phone lines through Internet, telephone and fax use is much higher than Telstra has been able to plan for because they are treating these as residential users rather than as business users. In New Zealand, Telecom New Zealand struck a special rate and decided to try and assist these home based businesses to identify themselves by encouraging them to 'come out', as it were. I think that is an approach that perhaps should be tried in Australia as well.

Mr Edgecombe—I would like to comment against your question very briefly. There are two points that I would make. The first is that you need some kind of process re-engineering to make a single point of contact like that work in the first instance. With 67 local governments in South Australia, plus the state and federal layers as well, it is important not simply to put them in one place or make them available through one channel but to be streamlining and aligning the processes according to the kind of best practices that have been identified by Salisbury.

Secondly, I would point to the Australian Taxation Office as a good example of an agency which has taken all of the complexity that is inherent in its administrative task and put it up on the Web and said, 'Okay, there you are. All this information is now available.' I do not know if you have ever been to the ATO website and tried to answer a simple inquiry or get hold of a clause of legislation. For all the good work that has been done over the last 10 years, it is still very hard to find exactly the information you are after. I know, because I have had a couple of search tasks recently myself. The complexity needs to be addressed. Simply putting it up on the Web or making it available through one point of contact does not, in itself, reduce the complexity. It is a valuable initiative if some of those other complexity issues could be addressed.

CHAIR—On that issue, we have had a lot of government departments say to us, 'We've got the business entry point. We've got the information up on the Web. People can access it through the Internet. We're making it easier to make payments et cetera.' But when we talk to small business, they say, 'It is all difficult. When you get onto the web site, it is complex. We can't read it. We can't understand it.' A lot of small businesses in regional areas have got no broadband services. Their connection is slow, the downloading time is slow in terms of access, so they pay an additional penalty to be able to access the information. One of the comments is that they are time poor; they have not got the capacity to sit for an hour fiddling around on the Internet trying to wade their way through a government web site to get information that they may not understand anyway.

Mr Miller—They do not often know the questions to ask anyway.

CHAIR—Yes. And at the end of the day a lot of them have said to us, 'We would prefer a face-to-face contact. We would prefer someone we could talk to, explain our problems to and get the answer we need. In other words, we want a "just a time" solution. We just want the information that we need at that point in time to solve our problem.' I think that is why there is a very strong support for the ACCs and the business enterprise centres. I think individuals who were out there providing the service had some knowledge of the various issues and were able to provide a 'just in time' answer. That is why I think the G shop concept has got some attraction

to it, because they could go along and talk to a face and explain the problem they have got and get some response to it.

Mr Miller—The federal government has got the Small Business Assistance Officer program at the moment, through the ACC, which is changing. We think it is important that it does change. While in one sense it is a good idea and it is addressing those issues, Senator, that you pointed out of providing face-to-face assistance, we found that there were a couple of problems with it. One of those is that the ACC regions are just so large that one officer cannot reach the number of businesses that there are. We estimate that there are between 2,000 and 4,000 businesses in each of those regions, and some of those regions in South Australia are enormous. They would spend all day travelling, let alone seeing businesses.

The other difficulty is the constraints on it at the moment—and the Small Business Answers program will address that—where they are meant to be directing people to Commonwealth programs; that is their prime focus. We find that with the level of business we are dealing with the programs that the Commonwealth run are pitched far too high—they are just not able to access them. The only way they could do it would be to form clusters or groups to pick up training. With most of the programs—the R&D programs, the export programs—the businesses generally are just too small to be able to access them.

CHAIR—Does this raise the issue of really looking at where the best point of access might be and how you organise that access? We have had this discussion in Western Australia as to whether or not there should be one channel of access or multichannels. There are arguments both ways, but there are more and more examples coming out of local councils who are getting proactive now in dealing with their local businesses and providing business assistance, and there are some good examples of them. Because local councils are out there in virtually every region and have a point of contact, I wonder whether or not they are the best point of contact initially for small business or business.

Mr Miller—I think it has to be a multichannel approach, because local government varies enormously in terms of its support for small business. We changed the Local Government Act here in South Australia a few years ago to focus on economic development at the council level and also increase the size of the council. You get councils like Salisbury that are very proactive and very business oriented and you get other councils like Mitcham, for example, which is another large council, which is still struggling to come to terms with services to business. They see themselves as a residentially focused council and small business is just left to its own devices. So you get enormous variations in approach. I think it is probably true in the country as well, is it Michael?

Mr Edgecombe—Yes, certainly in regional areas the regional development boards are tasked with providing those kinds of business facilitation services. Their resources are fairly stretched, because of both the large geographical distances and the large number of businesses. In the Adelaide Hills, for example, we have four and a half thousand small businesses. One adviser clearly is not going to get around those businesses within a lifetime, so there needs to be some kind of structured approach.

It is difficult always to provide that deep level of service. We have a very good relationship with the small business assistance officer who works out of the area consultative committee in the same building as us. But that depends very much on personal goodwill between the two

operators and, of course, that is always going to be important. But the structure itself, in providing different sources of advice out in a region, can be confusing for businesses and can actually be frustrating when they access our service, get to the limit of that service and find they then have to start all over again with somebody else.

Mr Dercho—I would like to reiterate the point that both Michael and Euan made earlier in terms of there being a significant opportunity: some very innovative models that have been developed and tested in Northern Adelaide in regard to being very proactive and getting on the front foot, identifying growth companies, mentoring them and working very closely with them. This complements the discussion we have had so far in regard to regulation and other issues which may be holding business back. We need to assist them in developing their marketing plans and export development plans and linking them with these structures and other programs that are in operation now. Information is one thing, but there still needs, in my opinion, to be that local facilitation and the bringing of the programs to the region rather than just a single point of contact saying, 'Here they are.' In our experience working with those businesses in a very intensive manner and looking for some private and public sector funding we have had some fantastic success stories in a short period of time.

Again, the Sustainable Regions program, which Salisbury and Playford fall into, is a great opportunity for us to push those things through. We are developing some draft projects which will talk about some significant employment outcomes and major business growth. So being proactive and getting in there, understanding business needs and working with business on an intensive basis should be pursued further, and we will certainly be pursuing it further in Northern Adelaide.

CHAIR—You are essentially talking about a proactive model, getting out there rather than waiting for business to come to you.

Mr Dercho—Absolutely. The regulatory side of things that we have been discussing and some of those impediments are critical in that they need to be addressed, but I think that can be complemented with an agency—and certainly in Salisbury's case the business and export centre—getting out there and finding out what those business needs are, linking them up with programs and tailoring specific business solutions for them and getting them on their way. Often it is that first step which is the biggest hurdle, cracking the first export market et cetera. Once that is there, the company is rolling and we can move on to another growth company. We have got some fantastic companies undertaking R&D and looking to grow, but they are not quite sure how to do it at this stage. They need some mentoring; they need some support.

CHAIR—How many people do you have operating in this field actually out there working with business people?

Mr Dercho—I manage the economic development unit. We have an employment development officer position and the manager of the business and export centre, a business adviser position—which we are considering at the moment—and then some administrative staff. In addition to that, we work very closely with the industry associations, Austrade, the centre for innovation et cetera. So we are pretty well connected.

CHAIR—So you have really put together a little team.

Mr Dercho—That is right.

Mr Edgecombe—Regional development boards have a very similar structure. As chief executive officer of my particular board, for example, I also provide the industry development and the planning and policy making input. We have a business development manager who looks after business facilitation services and an employment and training manager who looks after our labour market programs. Then we will have project officers for limited periods of time for specific tasks such as disability employment matching or mature age employment matching at the moment.

CHAIR—Mr Miller, you say your human resources advisory service has been successful in fostering the creation of a large number of jobs. How many businesses have benefited from the scheme? Can you identify how many jobs have been created as a result of that?

Mr Miller—It has now been running for about three years and we have only in the last 12 months been doing some active measurement of the number of jobs. It is a program that is funded by Office of Employment, which is our department of employment here in the state. So it is up to them to do some measuring, and they are actually doing some measuring now. The program runs right across the state, and the regional development boards also have access to the funding for the program. In the metropolitan area we have created about 1,800 jobs, we believe, in the three years that we have been involved with the program.

CHAIR—This is essentially providing advice to small business on how to employ people.

Mr Miller—It is basically a confidence building thing, getting small business to feel confident that if they employ somebody they are not going to get an unfair dismissal claim. It is a fear issue with small business rather than being based on any real fact. It is giving them the confidence to do that. The consultants are asked to provide some assistance in drawing up organisation charts for businesses. Most businesses do not really have any idea about how to structure their businesses to prioritise, who they should choose, what skills they should have, what sorts of employment conditions they should have—all those things, including occupational health and safety, which is a big issue we had been working on with the Virginia Horticultural Centre. One of the things we have done there is halve their spray costs. They used to spray anything that moved, and now we have got them down to targeting the insects that actually damage the crops. Things like that and having proper measures in place mean that staff will work for them because they feel they are not going to get nuked out of existence with poor practices. It is a whole range of things on introducing better business practices but focusing on employment.

CHAIR—Do you use at all the material that is produced by ANTA? We have raised this with ANTA, that in virtually every area they have key competencies for various skills required in the community and then they have KPIs, key performance indicators, to measure those competencies. That seems to me to be something sitting there as a ready-made tool for small business to use if they want to employ people, yet we had business people coming here giving us evidence saying, ‘We don’t know basically what skills we require, what individual has got the skills, how to measure that they have got the skills until we have employed them and we find out we have got the problem.’

Mr Miller—We have been using those with Virginia. We have got some of the employers up to level 5, and we are encouraging them to employ people with at least level 2 qualifications. Just getting them to recognise that skills set and the competency levels that are there which they can use to measure things has been an eye-opener for them.

The difficulty we have with ANTA is that we feel that the whole focus of ANTA's policies has been on school leavers and traineeships. It is focusing at the bottom end of the market or bringing people into employment. Whereas we feel, particularly with the high unemployment rates and the fact that Michael mentioned that you need to create more enterprises to create more jobs, that the whole market of existing employers has been left aside and that ANTA does not reach that market at all. Certainly in the small business area it is almost nonexistent. We find, particularly with the TAFE institutions, difficulties in that people are not prepared to adapt their training programs to the cultures of small business. As Michael said, they are time poor, so people need to be taught before they go to work or after they finish work and they need to have their training in pieces. They do not want to do a course. They have an immediate issue that needs to be addressed, so there needs to be a module that can address that issue. We think that if that happened we would get better educated businesses, and that would lead to much better performance in terms of both economic development and job creation.

CHAIR—In ANTA's defence and the recent appearances they made before the committee, it is fair to say that they now seem to be taking a bits and pieces approach to training in this area, of delivering just in time what people want. They have been able to break up the various components of their programs into segments which are deliverable. Perhaps a next step is whether or not business proprietors are forced to go out of the business environment and into the institutional environment to get that training or other training that can be delivered in the business environment, which I think is much more accommodating.

Mr Miller—Absolutely. That is essential, and that is what we and Virginia have done. I will give you another example: in the housing construction industry there is quite an innovative registered training provider here in Port Adelaide—the Port Adelaide Training and Development Centre. They offer training programs in the construction industry in which they teach on wet days. So when it is raining and obviously an employer cannot employ their staff, they go in for training. They have worked out how many rainy days there are in a year and have developed their programs around that.

Mr Edgecombe—I would like to comment on the ANTA issue. We deliver a lot of accredited training and most of that is accredited because it is within the competency framework that ANTA administers. Small business management skills training is available through ANTA to certificate 4 level. We have a number of programs. The regional training program, which is about \$1.5 million across South Australia, is delivered through the regional development boards for regional businesses, not only for small business management training but also for a wide range of regionally important vocations. We also—

CHAIR—Is this in generic business skills?

Mr Edgecombe—Yes, but it is to certificate 4 level so it is reasonably sophisticated. At that point it stops. We deal a lot with people who have been through the New Enterprise Incentive Scheme—NEIS—and they have received that as part of the NEIS program. We have some other

programs that we run as well to help people into business, and that often involves modules from the small business management competency framework.

The two problems that we have, particularly in terms of our client base, is that the ANTA money is dished out on the basis of state training plans that are put by the state VEET boards, and there is a big hole in their information base relating to regional industry needs. It has been described to me by one industry insider as the grey blanket approach. They say that looking at the state as a whole—which is always going to be heavily loaded in terms of the metropolitan areas because that is where they are going to get good information—this is what we need, whereas they really need much more, the patchwork quilt approach, where they can be sophisticated about how they deal with shifting needs in different areas. So that is one part of the problem. The other part is the providers themselves, particularly the Public Service providers. Even though they have changed significantly over the last decade or so, they are still fairly inflexible in terms of delivery. The point that Euan was making is that, unless you go to a private sector provider, you will find that essentially you work within their time frame, and they do not really come to the businesses that will provide the training at times or locations that are convenient for business.

CHAIR—That is an important point and something that we have taken on board.

Mr Miller—We found with the printing industry, for example, that printers were asking for computer trained people; that the whole printing industry was no longer operated by people with ink on their hands but by people dressed in collars and ties who were operating sophisticated machinery. We went to TAFE about that, and they said that they could not afford the equipment to train people that way so they trained them in the old methods. We suggested to them that they needed to develop a partnership with these companies and train people on site.

CHAIR—Thank you, Mr Miller.

Senator BARNETT—At the outset, I apologise for my late entry. It was subject, unfortunately, to some computer problems at Qantas. Thank you for your submissions, which I have perused. I think they will be very helpful to the inquiry. I will try to make my questions as brief as possible. Firstly, with regard to the Human Resource Advisory Service, congratulations on what seems to have been a great success over the last three years. You have responded to the chair in regard to the 1,800 jobs in that time. Will those numbers be confirmed in the near future, and is the advisory service going to continue? Your submission says that it was initially set up to reduce the number of unfair dismissal claims. Has that has been achieved?

Mr Miller—Yes, we believe it has. Certainly, in terms of the unfair dismissal claims, if you look at the market across Australia, the vast bulk of claims are in Victoria. There are almost as many in Victoria as in the rest of Australia combined. They have certainly dropped here in South Australia. But it is hard to actually measure that, because so many unfair dismissal claims are now settled out of court and people do not appear before the tribunal. As far as the future of the scheme goes, that is being reviewed at the moment. We have a new government—

Senator BARNETT—Just on the settling out of court matter, do you provide a service to help with settling out of court?

Mr Miller—No, we have not had to deal with unfair dismissal claims through this program. The whole thing is designed to try to stop those claims from occurring.

Senator BARNETT—How does that happen?

Mr Miller—Sixty per cent of the businesses we deal with are owner-operators. The difficulties usually begin when they employ their first employee, so we try to intervene before that happens. The only other thing about the Human Resource Advisory Service program is that it is being reviewed at the moment. We have a new government, and they are reviewing all their programs.

Mr Edgecombe—The Human Resource Advisory Service has a fairly broad charter. For example, when the boards deliver, it often deals with those kinds of issues, but it can also address communication problems within the workplace that can make teamwork a lot more effective and prevent dismissals that way. It can also help with business structuring, for example. They are just two examples of a broad range of human resource initiatives within a business that the service subsidises.

Senator BARNETT—Are you familiar with the CPA proposal? We heard from witnesses in Canberra that they can set up a software program where businesses can go in and look at the awards and the rates applicable to employing, say, three casuals and one part timer—those sorts of things—and work out, via the Web, what is appropriate. Are you familiar with that, and do you think it could work?

Mr Miller—Our chamber of commerce offers a similar program.

Senator BARNETT—Which chamber of commerce?

Mr Miller—It is the South Australian Chamber of Commerce and Industry, and Business SA is their trading name.

Mr Edgecombe—For \$299 a business can access a full range of precedents, templates, draft contracts and all sorts of award details.

Senator BARNETT—And that is all through Business SA?

Mr Miller—Yes, that is right, and they are also one of our 44 consultants who provide that Human Resource Advisory Service.

Senator BARNETT—I will go quickly to local government. Are sunset clauses for local government by-laws and regulations used here in South Australia, and do you use any specific initiatives to try to make consistency amongst local government in this state in that regard? We hear from business all the time that what happens in one place is not what happens in another, the inconsistency issue. Do you have any response to those questions?

Mr Waller—All our by-laws are made by local government, so each council has its opportunity to make its own by-laws to deal with things such as portable signs on footpaths. There is no consistency. Each council does it their own way and for their own reasons.

Senator BARNETT—So there is no effort to have uniform by-laws in this state?

Mr Waller—No.

Mr Edgecombe—The Local Government Association is very good, I think, at trying to spread best practice, but in the end it is a decision by individual councils about what they pick up. In the end, you do end up with quite a wide variation.

Senator BARNETT—Are there any state laws that require a sunset clause on local government by-laws?

Mr Waller—They have to be reviewed every seven years.

Senator BARNETT—Reviewed or repealed?

Mr Waller—They are repealed and replaced.

Senator BARNETT—Every seven years?

Mr Waller—Yes. That is part of the Local Government Act.

CHAIR—Thank you, gentlemen, for your contribution.

Proceedings suspended from 11.05 a.m. to 11.20 a.m.

ATTERTON, Mr Tim, Director, Entrepreneurship and Business Development Unit, Curtin Business School

CHAIR—Welcome. The committee has before it submission No. 92. Are there any changes you wish to make to the submission?

Mr Atterton—No.

CHAIR—The committee prefers 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. Do you wish to make an opening statement?

Mr Atterton—Yes. Thank you for this opportunity. I hope I can give you some input that is additional and worth while. I tried to be a bit provocative in my paper, so I apologise if it was overly provocative.

Senator BARNETT—It is just how we like it.

Mr Atterton—Great. A couple of words, if I may, about my background. Fundamentally, I think I have got the best job in world. I have spent about 20 years working mainly with growth businesses and their support networks—policymakers, accountants, bankers. The ideas and thoughts I have put to you today are drawn mainly from two contexts: certainly about 20 years in the UK and perhaps five years in Australia, but also lots of different, exciting places like South Africa, Malawi, Ghana, China and so on.

The key observation and the key message that I would like to get over to this committee—and I will say this with regret—is that Australia is actually substantially behind international best practice in terms of support for established, existing small and medium enterprises. I think there is a massive opportunity there for both wealth and job creation. The reality of the marketplace—and there are probably about 1.2 million small businesses in Australia—is that you can usually reckon that about 80 per cent of the wealth creation will come from five per cent of the market. Normally in a developed economy you have got about 75 per cent of the small business stock that is dormant—steady state. In my view, that 75 per cent is all too often dismissed as being ‘lifestyle businesses’—a phrase I really hate, which we might explore later. There is a substantial proportion of that 75 per cent, which is—what?—900,000 businesses in this country, who actually want to grow and realise their potential. In my view and in the view of many people in the field that I am in, they just do not know how to: they lack the management skills to do it.

Senator BARNETT—Do you have a percentage on that?

Mr Atterton—No; but if you were able to increase your five per cent real-growth sector to six per cent, you would probably be talking about between 15,000 to 20,000 new growth businesses in Australia, which is a substantial number. The challenge is to develop what I call growth management skills within established businesses—and it is dangerous to use turnover thresholds, but probably within the band of about \$500,000 turnover to perhaps \$2 million, \$3

million, \$4 million. I fundamentally believe that businesses get stuck in that threshold. Without wanting to be rude, they often refer to themselves as ‘busy fools’—they are working harder to make less money. They are probably working for the bank, if the truth be known, and they need help to break through that.

What I have observed, both in Australia and in other countries, is that the higher education sector and the FE sector do not really have the skills to respond to that challenge. Ironically, they tend to blame the customer. They say that SMEs will not pay for training, they do not have the time. Bluntly, I think they get the offer wrong. As soon as you get the training offer right and give the customer something that they can contextualise, which is about moving away from functional management training towards giving them ‘how to’ skills, there will be a queue from here to Canberra. So it is about getting the supply side right.

I suppose my other suggestion for this committee that we might explore is that I think in policy terms what we have here is temporary market failure. I hope it is not permanent market failure because that would be pretty disappointing. I think there is a strong case for government in policy terms to intervene if it is temporary market failure. The intervention would be in terms of developing what I would call supply side capability, developing people’s confidence in the training sector to work to develop these growth management skills.

CHAIR—Thank you. Senator Barnett.

Senator BARNETT—I will go back to the percentages and flesh that out a little bit. I appreciate your submission and the provocative nature of it. You are saying that 75 per cent of small businesses are dormant, which is 900,000-odd. We have heard evidence that a lot of the home based businesses do not wish to grow—lifestyle businesses, as you do not like to call them. Can you break up that 75 per cent or that 900,000 as to which categories are which? Then I want to go on to the other percentage, the five per cent which is looking at growth.

Mr Atterton—Let me say first of all that I am not an economist, so I am not into those econometric figures and things like that. I think you can break down that 75 per cent, that 900,000, probably pretty equally into your home based lifestyle businesses, if we can use that phrase, that do not want to grow and the others. I suspect somewhere approaching half of them really do want to do something in terms of building their business, either to hand on to the next generation to create jobs for the kids—

Senator BARNETT—Would they be micro businesses primarily?

Mr Atterton—The turnover bounds I work with are probably about half a million dollars turnover at the bottom, so they have gone through all the birth pains. They have probably got a pretty good existing customer base. I strongly suspect most of them are price driven.

Senator BARNETT—So they have probably been around a year or two.

Mr Atterton—Yes, quite likely three to five years old. They are almost inevitably frustrated because they do not know how to make this breakthrough to the next level.

Senator BARNETT—We are talking about hundreds of thousands of small businesses, aren’t we?

Mr Atterton—I think we are talking about tens of thousands in terms of those that you might influence. Yes, there are hundreds of thousands, probably 900,000 of them, but I think there is some really interesting research done in the UK by a guy called David Storey at Warwick Business School. It was David who came up with this figure that about five per cent of the small business population grows. David reckons, on some really good well-funded research, that you could increase that four or five per cent to five or six per cent, but of course the effect of that is disproportionate in terms of the economy and the jobs.

Senator BARNETT—If it went from five per cent to six per cent that is a one per cent increase. How many jobs did that mean?

Mr Atterton—I am not sure about jobs, but you are probably talking about influencing between 15,000 and 20,000 businesses. One of the prejudices I have is that establishing between 20,000 and 25,000 new growth businesses across Australia in the next three years would be a stunning achievement. I try not to get carried away with the million or the 900,000.

Senator BARNETT—I understand. This is very interesting because it is probably the first time we have had a witness prepared to actually give us some ballpark thoughts on this. You are saying that five per cent of small businesses grow and if we can increase that by one per cent then the consequence is that 20,000 to 50,000 small businesses will grow if we can help them.

Mr Atterton—I can illustrate that with a UK example.

Senator BARNETT—Is your UK example published research and does that include these percentages?

Mr Atterton—There is a lot of published research on small business statistics in the UK. I can certainly give you access to that.

Senator BARNETT—Does it back up what you are saying here about the five per cent?

Mr Atterton—Absolutely. There is a wonderful book written by David Storey called *Understanding the Small Business Sector*.

Senator BARNETT—If you can give the secretariat the reference or lead us in the right direction, that would be very interesting.

Mr Atterton—Certainly. I will give you an observation, contrasting Australia to the UK. The small business support industry has evolved in a very similar way—lots of business counselling and support and lots of start-up support. What I observe here—and please excuse me for being a little bit critical—is that the small business support industry has stalled. We have stalled at business start-up, and it has not made the evolution that other developed countries have made about trying now to develop the stock that has already been established. When I left the UK three years ago, the UK government was putting £85 million a year through its business link network, which was about stimulating the five per cent—

Senator BARNETT—Existing businesses or new businesses?

Mr Atterton—All existing businesses.

Senator BARNETT—Are you saying that our emphasis should be on stimulating existing businesses rather than start-ups?

Mr Atterton—To be honest, I think you should do both, but it is a finite pocket, isn't it? It is a moot point about whether you should put government money at start-up or existing business.

Senator BARNETT—You are saying that half of the 75 per cent are home based lifestyle businesses that do not really wish to grow but there is possibly another half that would like to grow if they possibly could.

Mr Atterton—I firmly believe that. I cannot give you evidence, other than anecdotal evidence, for that. In my unit in Curtin Business School I run a business growth program, which is expensive by small business terms. It costs \$10,000 to do it, so it is very expensive by small business terms. Every time we launch one of those we attract interest from about 500 businesses—of which 450 cannot afford it. What are they doing? Where else are they going? I actually find it quite embarrassing, because I have nowhere to point them in terms of follow-up.

Senator BARNETT—Are you saying that if we can provide mechanisms to help them grow, that will get the five per cent to six per cent or whatever and that will be a huge boost for Australia?

Mr Atterton—I would hope. Again, the evaluation of some of the small business associations in the States and business links in the UK would give you some good statistics on the effect of that.

Senator BARNETT—You spoke in your submission about international best practice. What evidence do you have to back that up?

Mr Atterton—The international best practice that I relate to in that submission is more to do with training practice, but there is statistical evidence to back up the justification of the spend.

Senator BARNETT—Your submission talks about management education, which is something the committee is interested in. You say it is undeveloped in Australia compared to international best practice.

Mr Atterton—I think it is underdeveloped generally, but Australia is probably behind the pack. Would you like me to expand on that?

Senator BARNETT—Yes.

Mr Atterton—Again, this is somewhat provocative, so please accept this in the spirit it is made. The development of management education tends to be in the domain of business schools and so on. To them, the corporate world is proper business. Their skills tend to be in functional management—matrix management, finance operations, strategy, all that sort of stuff. I wish I had \$5 for every small firm I have heard that has been on one of those training courses that have very uncritically said, 'That was really interesting but I don't know how to use this stuff.' They

do not know how to take that sort of functional knowledge and implement it in their businesses. Cedefop, which is the vocational training arm of the European Union, did some fascinating research way back in the early 1990s that was about the sorts of training approaches and training styles you need to help give what was called ‘how to’ skills, rather than knowledge, to small business. The knowledge is easy, but it is about showing them how to contextualise it and how to use it.

Senator BARNETT—Would you make a similar observation about VCE training and other small business training—rather than just through universities?

Mr Atterton—I am probably not close enough and have not been in Australia long enough to make that observation, if you do not mind.

Senator BARNETT—In another area of your submission you say ‘one of the highest rates of small business start-up in Australia’, which sounds encouraging, and ‘one of the highest rates of small business ownership in the world’. Is there any evidence you can point to to back that up?

Mr Atterton—I think the most intriguing research that you can get your hands on is the GEM study, which I assumed you guys would have seen. It is the Global Entrepreneurship Monitor study.

Senator BARNETT—It does not ring a bell.

Mr Atterton—GEM is basically a survey that is run in 29 different countries. It evolved out of Babson and London business schools. Basically it is an entrepreneurship barometer that is used in those 29 different countries. In terms of new business creation—and I think Australia is ranking third at the moment behind New Zealand and Mexico—we are away ahead of the States.

Senator BARNETT—When was the study done?

Mr Atterton—It is done annually. I believe the last one was published in June 2002.

Senator BARNETT—That is very interesting. I am keen to get my hands on that.

Mr Atterton—It is excellent stuff. The Australian agent for that is Swinburne.

Senator BARNETT—We will certainly follow up on that. So it is based on that? We are in the top three of those 29 countries?

Mr Atterton—It is the GEM study that comes up with a wonderful quote that I used in my paper—that the entrepreneurship behaviour does not run very deep, with lots of start-up and not a lot of growth. I think it is the ABS—I might be wrong here—that recognises that the stock of non-growing businesses has increased by 18 per cent in each of the last four years. From a policy perspective, that is very frightening. It is what stimulated my paper to this committee, to be honest.

Senator BARNETT—I will check whether the secretariat has access to the ATO information, because I had not heard that particular figure. There has been an increase of 18 per cent in the non-growth?

Mr Atterton—Yes. That might be a lot of your home based businesses.

Senator BARNETT—Is that in the last 12 months or so?

Mr Atterton—If I remember rightly, the ABS says that is 18 per cent in each of the last four years.

Senator BARNETT—That was not in their submission that we have had in evidence recently, but there are a lot of things that we perhaps are missing.

Mr Atterton—You will need to check it out. I think the GEM study says—which I think is absolutely fascinating from a policy point of view—that we are developing a very broad base of small businesses but we are not helping them to grow and to fulfil their potential.

Senator BARNETT—You say that we have one of the highest rates of small business ownership in the world. Does the GEM study show that as well as this start-up? Does it talk about small business ownership as well? How do they rate that?

Mr Atterton—GEM looks at two parameters—I might get my definitions wrong, because it is their methodology and not mine. It looks at levels of new businesses created per head of population, and it looks at the proportion of businesses that are less than four years old. So it is looking at it from two angles. Australia comes out of that very well.

Senator BARNETT—In the top three again?

Mr Atterton—I think it is third on one and fifth on the other.

Senator BARNETT—Thank you very much indeed. Tell me in your own words why entrepreneurship is good for Australia.

Mr Atterton—Gosh! I've only got an hour, haven't I!

Senator BARNETT—Just give us a short version.

Mr Atterton—My definition of entrepreneurship is probably more European than American. I think the Australian definition of entrepreneurship is very much influenced by America. In Europe, entrepreneurship is now seen as a management skill that applies equally to the public sector and to large or small companies. I think entrepreneurship is a set of management skills that allows people to manage change and complexity. The small business is a wonderful demonstration of that. Small businesses do not have any divine right or exclusivity to entrepreneurial behaviour. I am sorry, that is probably not the answer you wanted.

Senator BARNETT—No, but that is okay. With some of the witnesses we have touched on—I cannot remember whether this is in your submission—the centres for excellence. I know

you are part of the Entrepreneurship and Business Development Unit at Curtin University. Is there merit in building this culture of entrepreneurship in this country—which is something that I have had an interest all my small business life—and encouraging people to get out there and have a go, be creative and make things happen?

Mr Atterton—Absolutely. I came to Australia to build a centre of excellence, having done that in the UK. It is a lot harder here—raising funds for innovation is much harder here. In the UK, I had access to European Community money and things like that. Raising funds to innovate is very difficult, and I understand why.

Senator BARNETT—Where should that leadership come from—the federal government, big business or small business?

Mr Atterton—Probably both. I think it would be truly wonderful if the federal government were to consider establishing three or four centres of excellence—perhaps pump priming them but most definitely not exclusively funding them. The South Africans did that and it was a disaster. They funded 12 universities to become small business centres of excellence and they all got fat and did not do anything. I should not have said that, because this is being quoted, but it did happen. I think stimulating and pump priming centres of excellence would be a fantastic way to go forward.

Senator BARNETT—But centres of excellence in entrepreneurship and innovation or what?

Mr Atterton—Yes, but critically in the ‘how to’ aspects of it rather than the observation of it. We have actually got some very good observers of entrepreneurship, whether it be the Swinburnes or the RMITs. The economists are actually doing a good job in that area. But what I perceive is that we have got few people who are picking that up and saying, ‘How are we going to change this; what models and approaches are we going to develop?’ I think that is where the need is.

Senator BARNETT—Are you saying we need a change in our culture as well in this country in terms of our thinking and what the ordinary man and woman in the street needs to think about business and small business? They say there is the tall poppy syndrome. But in the USA they say, if somebody has a fast car, ‘Gee, I want to earn more money and have a business and earn one of those,’ and in Australia it is sort of the opposite.

Mr Atterton—I am not convinced by that but, again, that is just a casual observation. West Australia is an incredibly entrepreneurial state; it has to be to survive, because if you are not in the mining sector you are in small business. I think we are entrepreneurial.

Senator BARNETT—So you think we have got a culture there but we just need to—

Mr Atterton—I think we could do more to promote role models. There is still a slight residue from the eighties and nineties which says that entrepreneurship might not have been what we wanted it to be. We need to promote more role models.

Senator BARNETT—I will finish there for the moment and let the chair go on. Thank you very much.

CHAIR—I have a few questions, Mr Atterton. But, just finishing off on the point that you were discussing with Senator Barnett, one of the problems with Australian entrepreneurship in totality is, firstly, that we have had a business community that has been risk averse to very large extent. It has not been very keen in investing unless investment returns are virtually guaranteed. I think that was one of the problems when we opened up the economy in the eighties—we actually had some real difficulties in that area. I think the other problem we face in this country—I do not know your view about it—is that we also have a banking sector that is extremely risk averse in terms of backing entrepreneurship in this country. A lot of small business people have complained to us. They pay a premium for access to funds over and above what the larger players in the community do, simply because they are small business. In order to get funds they have got to have the bricks and mortar to be able to attract the investment in many of their businesses. So there is a cultural issue there within our economic structure that needs to be dealt with.

The other issue with small business also, which has been well identified in Australia, is that there has been an aversion to taking in equity partners. They have always sought to grow their businesses by debt rather than equity and that has been a problem in terms of getting growth. I think it still is a problem when you talk to a lot of small business people—they are not interested in taking equity partners into the business. They prefer to take on the debt and keep control of the reins themselves. Those are cultural issues which still have not been resolved in this country.

Mr Atterton—Can I comment on both of those?

CHAIR—Please do.

Mr Atterton—In the UK I spent 10 years working with the UK's largest small business bank. They had nearly one million small business customers. I have to confess that my post is actually sponsored by one of the West Australian banks. I have got some sympathy for the Australian banks, to be honest—I know it is not very small business friendly to say that. The bank I am sponsored by has, I think, a 26 per cent market share of the small business in the state. By any definition, you would be pretty proud of a 26 per cent market share. That really only gives them 30,000 small business customers. Their profitability on those 30,000 small business customers is half the level of profitability of a UK or European bank in this sector. So you have got a small market that is profitable but not as profitable as in other countries. The scope for developing your financial services portfolio in that is very limited and I have a great deal of sympathy for them.

I honestly do not know how you get beyond that. For example, in Europe, many of the banks now recognise that a non-borrowing customer is a better small business customer. I do not think the Australian banks have managed to reach that plateau yet. But the idea that a non-borrowing customer is a good customer and probably a growth customer is very healthy.

I think the equity issue is fascinating. I do not think small businesses in Australia are different from businesses anywhere else in the world, with the possible exception of America. No business is going to be very inclined to give you 25 or 26 per cent minimum of their equity stake when they have spent five or six years doing the hard yakka getting to that point. I think it is a real dilemma. I do not think it much worse or better here than anywhere else.

CHAIR—It is interesting to hear that because, at the end of the day, it is one of the quickest and easiest ways there is to raise the capital.

Mr Atterton—Perhaps stimulate the private equity market. The institutions are never going to respond where there are pension funds because there is just not the rate of return unless you are in biotechnology or nanotechnology.

CHAIR—This David Storey you referred to: has he got a web site?

Mr Atterton—Certainly his centre has a web site.

CHAIR—Is it the Warwick Business School?

Mr Atterton—Yes.

CHAIR—We should be able to track it down through that area.

Mr Atterton—His centre was commissioned by one of the research councils in the UK to do a three-year study of the small business sector in the UK. Over £1 million went into that tracking study. It was extremely good. There is a book that was published which, again, is very good.

CHAIR—You say in your report that compelling evidence exists internationally to support the view that building managerial competence is a key to unlocking the potential of the small enterprise sector. What is that evidence other than what David Storey has done?

Mr Atterton—If you pick up some of the top business schools—and I am sorry to quote business schools but it is the domain I come from—

CHAIR—I understand.

Mr Atterton—The top business schools in the States—the Northwesterns, the Babsons, even the Harvards—and those in the UK—probably London, Durham and Warwick—and those in Europe—the Bocconi—are all establishing what you might call entrepreneurial competence. Almost without exception, they are doing that in parallel to what they are doing with their core faculties. The Babson Business School, for example, which is probably the highest profile entrepreneurial business school, more or less has two separate faculties now. One is an entrepreneurial faculty; one is their core MBA type of faculty. All over the world, what I would regard as really progressive business schools are moving into this area because they realise it is where the potential is to make a difference.

CHAIR—In Australia there has just recently been established an organisation of the deans of the business schools. I think we have written to them, or we are in the process of writing to them, to ask them what they are doing in the area of small business. There is the issue of training and skills for small business and I presume we are both talking about the same thing—that is, generic business skills, the basic ‘how to’ tools to run a business rather than the specific skills of producing the food and water in the bottles—

Mr Atterton—Absolutely, management skills.

CHAIR—From the perspective of small business, the issue is whether that is better delivered through those business schools, which are essentially seen as pretty high powered, dynamic organisations, or whether it is better delivered through the vocational education and training sector. There are already programs that have been put in place, we are told, by ANTA this year in business training, but they do not know the extent to which that has been accessed by proprietors of small business vis-a-vis students who are just taking on small business studies but not necessarily running small businesses. That is an issue that we need to try and get to the bottom of.

The other issue is whether or not, in that area, there is a need to find a way to take the training to small business rather than have small business come to the institution. They have said that these programs have been developed in a ‘just in time’ form so they can deliver just in time the bouts of training that small business want at any given point in time, rather than trying to deal with all the parameters of it. Is your experience similar? Are you aware of what ANTA is doing in this area?

Mr Atterton—Indeed, yes. I think it is a cultural issue, actually. Whether your training provider is in the private sector, in higher education or wherever they are, it is about their orientation. To be successful, wherever you are positioned, you have to establish mechanisms for totally immersing yourself as an institution in the small business marketplace. One of the key performance indicators I have for my unit is how many small businesses we see each year. We have to be seeing entrepreneurs and small business operators every day of the week to pick up their problems and develop the empathy we need to work with them. To me, one of the problems with the training side is the ‘This is what we’ve got; do you want it?’ attitude, as opposed to trying to get close to them and alongside them and developing new models with them.

CHAIR—Given that, if we turned around and said to you, ‘Here’s your task; make sure the small business community in Australia has these skills,’ how would you approach dealing with the existing business community and the new entrants? It seems to me there is a need for a slightly different approach for one as opposed to the other.

Mr Atterton—I agree entirely.

CHAIR—How would you set about doing it? What are the best mechanisms to actually get out there quickly to that business community and start infiltrating it?

Mr Atterton—The first thing I would probably do is to set up a couple of centres of excellence in terms of business development support. I do not think it would have to be training, because training would be a part of it. I would give ownership of that to the small business community. If there were some sort of organising committee for it, I would stock it with small business owners. There are business schools in Europe that are run entirely by their local small business community, so their boards of governors are made up exclusively of small businesses, which I think is excellent. I would challenge those centres of excellence to do two things: create a new cadre of small business educators that are different from what we have now—educators that probably have real small business experience and an understanding of the issues of small business; and use those centres of excellence to develop three, four or five really good training

models that would then be disseminated nationally, and probably only to people who could demonstrate they have empathetic SME trainers, as opposed to using faculty who have got spare time.

CHAIR—Would you go through the institutional trainers such as the TAFE colleges or the business schools, or would you go through organisations such as business enterprise centres?

Mr Atterton—I would probably open it up, but the criterion for acceptance would be demonstration that you have what I would call an empathetic cadre of trainers. It was a long time ago now but we had an extremely interesting experience in the UK where we developed a program called Skills into Business. The idea was to marry business start-up and management training with training in areas such as electrical trades and plumbing—those sorts of vocational skills. The materials were great, but it failed very badly in the first instance because it was delivered in a very functional way; it was not delivered in a way that people could use it. So we had to go back—this is back in the eighties, by the way—and retrain the trainers to be able to deliver the materials, because they did not know how to do it; they did not have the skills and experience to do it.

One of the things that comes out very strongly in terms of small business development and small business training is that, on the whole, small businesses do not have a lot of respect for the educational sector. I am not sure ‘respect’ is the right word but they do not necessarily see that the education community understands their needs. If you look at who they like to learn from—and the Americans have done a lot of work on this—it is from their friends, their colleagues, their families and their trusted business acquaintances. That imposes an imperative, in terms of training, to use peer groups and to use experience exchange, to help small businesses to learn from each other. That is a challenge for most educators because, on the whole, we do not do that.

CHAIR—How do you deal with the time issue for small business, making the time and space available to actually provide the training? For them that is a big issue: they say they do not have the time.

Mr Atterton—Again that comes back to something I said in my introduction. If you get the offer right that you make to them on training they will make time. At the moment the offer perhaps is not attractive enough for them to sacrifice something else. A very personal view is that they need to make time because the challenge of growth is about moving away from operational management to strategic management, and if they have not got the time it demonstrates to me anyway that they are probably too operationally focused. I say to people on my growth program that, really, a challenge is that within the next year you should be trying to spend at least half a day, if not a day, a week working on your business, not in it. Making the time is part of the challenge that faces them. To come back to previous questions, I think we are probably just talking about one or two per cent that we are going to make that breakthrough with.

Senator BARNETT—I will pick up on something you just said. You talked about getting training from other small businesses and so forth. What are your thoughts on mentoring and coaching and the merits and benefits of that, and how can we progress or stimulate that in Australia?

Mr Atterton—I am a massive fan of mentoring and coaching.

Senator BARNETT—So am I.

Mr Atterton—As ever, it is a question of the quality of the individual, isn't it? All too often it might be used as a euphemism for white-collar redundancy, to be honest. We have to be a bit careful. I think we could train our mentors and coaches into methodologies which are about business improvement. I think we could invest in that.

Senator BARNETT—There are a whole range of government programs out there to help business. Is this an area that we should be investing in? If so, how should we do it?

Mr Atterton—There are a lot of programs and, with my other hat on, the Small Business Development Corporation of Western Australia has its own mentor program, for example. But again my observation is that we do not invest in the infrastructure. We set up the scheme and then let it flow. I think we should do more to build what I would call supply side capability to show people how to do it better and more effectively. That is a one-off action, because you are investing in the capability that then hopefully—

Senator BARNETT—Is that a federal government thing or state government?

Mr Atterton—State government. Personally I do not think we invest enough in supply side capability, but I would have said that in Europe and I would probably say that in any country, not just Australia.

Senator BARNETT—Okay. Is there anything else we can do to encourage mentoring and coaching?

Mr Atterton—I think these things are always underresourced; it is just the nature of the beast. For example, do we do enough to promote the advantages of it in terms of marketing the whole idea? I suspect not. I am sure there are lots of things we could do.

CHAIR—I suppose the other issue is that there is a myriad of programs out there for small business and small business support groups at varying levels. It comes back to whether or not there are too many of them, whether we would not be better off actually rationalising the range of mechanisms out there, trying to focus the resources on the two or three key areas that will actually deliver something of substance. We cannot guarantee that we get the right areas, though.

Mr Atterton—I am hinting at that in my submission, to be honest. We talk about the small business sector as if it is some sort of market niche and I do not know how 96 per cent of anything can be a market niche. It is a massively heterogeneous group and I think we could do far more in terms of segmentation: which segments we want to work with and how we develop the capability to work in that sector.

CHAIR—That is part of the problem, isn't it? We tend to treat the small business sector as a homogenous mass and it is not; it is a very fragmented group of people.

Mr Atterton—You undoubtedly need different skills and even different marketing approaches to work with established businesses and even early growth businesses than you do with start-ups. It is totally different approaches and totally different skills. I am not so sure that one does not almost alienate the other. If you are a start-up agency like a business enterprise centre—I am a big fan of the BECs, but can a business enterprise centre legitimately start supporting established businesses? Its existing market might be affected. I do not know. There are some interesting issues there.

CHAIR—Chinese walls?

Mr Atterton—Yes. There is one other comment I would like to make, if I may, and this is going back to my being provocative. The main feedback I get from my 400 or so alumni, which are all pretty good growth businesses, is that they struggle very badly at the threshold stage to get good accounting advice. Again, I am not taking a cheap shot at the accountants, but what I observe is that the accountancy profession is so busy with compliance and regulation issues—and, bluntly, probably making a very good income out of that—that very few early growth businesses have access to good business improvement and accounting advice. They get good compliance advice in the audit process and all of that, but, without exception, the businesses I work with will come to me and say, ‘Should we change our accountants? If so, what should we be asking for?’ I know it is something the CPA are very interested in, because I have been talking to them, and I know it is something that the medium-sized accounting firms like BDO are looking at. They are looking to move away from compliance and audit work to business support work, but I think that process needs to speed up a bit. A lot of businesses that need it cannot access it. If you add that to our comments about the banking sector being perhaps underdeveloped and an accounting profession that focuses on compliance not develop, I think you have a pretty lonely small business sector.

CHAIR—The other side of the issue that we are trying to grapple with is the extent of compliance that businesses have to grapple with and whether or not there is room at the moment for CPAs to actually focus on some of these other issues related to business growth.

Mr Atterton—Yes. Those that do, in my experience, do it very well and add huge value to their businesses. This, again, is very much a personal prejudice—and I apologise for this—but I think it is too easy just to blame the macro environment for constraints on growth. It is too easy to say, ‘We have overregulation,’ or ‘We have a banking sector that doesn’t understand us.’ Perhaps the gist of the message I am trying to put over to this committee is that we should look to see if the problem lies within as much as without. It is interesting that, in all my time of working with growth businesses, I cannot remember a really good, dynamic growth business complaining about compliance or taxation issues. They are just other issues that have to be dealt with. The businesses that I hear complaining about that are the businesses that probably are not as good as some of the others. In my view, the good ones do not complain about that.

CHAIR—It is an interesting point you make, because I have come across some people in small business who have said that one of the reasons for their success is that they have hired somebody to worry about running the business and they have kept worrying about managing and improving the product, that they have not allowed themselves to get involved in that other detail.

Mr Atterton—Isn't the GST a wonderful example of that? You could make a strong argument that GST could have been one of the best things to happen to small businesses, just in terms of cash flow. But how many small businesses have you heard say that?

CHAIR—Most of the ones that have mentioned anything have said that the good thing about the GST is that they now know they are going broke and they did not know before.

Mr Atterton—And the first time they got management information.

CHAIR—Exactly, yes. Thank you very much, Mr Atterton. That was a very useful contribution that focused the committee on a few issues.

Proceedings suspended from 12.04 p.m. to 2.00 p.m.

BOWMAN, Dr Kaye, General Manager, Research and Evaluation, National Centre for Vocational Education Research

BYRNE, Mr David John, Lecturer, Small Business Training Centre, Adelaide Institute of TAFE

CHAIR—Welcome. We have before us submission No. 91 and submission No. 93. Are there any changes you wish to make to your submissions?

Mr Byrne—No.

CHAIR—The committee prefers all evidence 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. Do you wish to make an opening statement?

Mr Byrne—Thank you for the opportunity. In terms of my personal observations of the small business sector and its willingness to employ, we divide the sector into two sections: the small business owners and the entrepreneurs. The entrepreneurs are the people who want to grow their businesses; therefore, they are the ones who will offer the employment chances way above everybody else. Many of the other small business owners have no growth of potential at all—they do not want to; it is a personal decision. Part of that is fostered by the fact that many of them see employees as problems. They see that growth equals a problem. I think there is a group in there that would like to grow, but they hear of many bad employment experiences either through networking or from their own experiences, and that influences them. Legal issues are still an issue for many of them.

Senator BARNETT—Legal issues?

Mr Byrne—Things like unfair dismissals and all the regulations that they have to go through. Many of them just see more paperwork, and it is all too hard. That is a barrier to some of them.

Senator CONROY—I think Rowena Barrett, from one of the Melbourne universities, argues that they are not skilled in the hiring process.

Mr Byrne—They are getting there. It is a two-way process, to follow on from what you said. Many of the small business people are not particularly good managers, and they lack the management skills to select the right people in the first place. When you put all those things together, a lot of them just think, ‘I can’t do this.’ In the Yellow Pages survey, finding the right employees is ranked as No. 3 in the biggest problems in small business. For the right people, there is no career path, so attracting good people to small business is an inherent problem in the first place. When you put all of those things together, including the networking, many of them think it is just too hard. We can educate them and, when we get hold of them, there are some of them whom we can alter. But there are some we cannot, because I do not think some of them really want to grow. They are happy with their business the way it is, because employees equal problems which equal time away from their families and other issues. But there is a very sizeable percentage for whom we make a difference when we can get our hands on them.

The Small Business Training Centre at Adelaide TAFE has been involved in this business for 18 years. We are specialist small business trainers. We are not business studies teachers from anywhere else; we just deal with small business. We have learned quite a lot, to say the least. What we have done has been based on all of the research that has come out of Australia in the last 10 to 15 years. The first thing is that there are some fundamental rules for TAFE if they are going to run small business courses. Courses must be short, relevant and gutsy. There can be no mucking around—you have to fit a three-month course into about a week, and we have worked out how to do a lot of this.

Courses must have a good selection of subjects that suit people's needs because people like to learn when they need to. Therefore, you have to offer them frequently. So it has to be a fairly continuous thing. The trainers must have credibility. These people vote with their feet. They walk out the door if it is the wrong person, if they think the trainers do not know what they are talking about. The trainers have got to have that experience.

The information you deliver has got to be relevant and up to date. The cost is a consideration because it is a price sensitive market and a time sensitive market, completely and utterly. The learning materials that you use must be small business orientated, preferably customised to the industry, but that is not always possible, of course. They should be allowed to do assessment tasks on their own businesses, not on some airy-fairy thing that does not apply to them. It must be relevant.

The delivery must be flexible—and we have continuous enrolment. That means you can walk in and enrol in any subject on any day of the year. You have to study in your own time, of course. But there should be opportunity to learn how to put your business plan together when the bank manager wants it. You should be able to walk in, pick up the module and start the next day. That is the sort of thing they need. We run evening courses, day courses and industry customised courses. I think we have run them all. The other thing we find is that you must have ease of enrolment. You must have a high-profile shopfront so that people can walk in and do not have to go through all the TAFE or university procedures. If they have to do that, you will lose them. So we have a shopfront: they walk in, it is clearly badged and it is straightforward.

In Australia, we have a lot to do with everything in TAFE in this area. We have supplied the certificate IV in small business management, which is taught throughout Australia, and supplied the materials, so we are in a very good position to judge. There are sections in different states—and I will not go into details—where the TAFE sector does not perform well. They break all these fundamental rules. They use the wrong people; they teach the wrong subjects. Their approach is not orientated to small business. If that happens, you have problems.

We do not teach school leavers unless they have a family background, otherwise they do not have the appreciation of what they are going to do. We do try to put it into different units through TAFE where we can, where it is relevant, but as a whole we take people with experience in small business or those with a family connection. School leavers are not the way to go. If you hear reports of TAFE not doing so well, it is possibly true because some areas do not follow these basic rules. Where they do in Australia, you will find that it is delivered well and it is highly regarded by the population.

I have read the ANTA submission and I thought the research they put into that was very good. I agreed with virtually every single thing that the ANTA submission said. But in there they refer

to the small business training package that they have just put out with this. Unfortunately, that package contradicts a lot of the stuff in the ANTA submission, in my opinion. The modules have been lengthened, which means that they have put subjects that were 20 hours into 60 or 80 hours. That will put small business people off and not encourage them. That is a real problem. That means we will not be able to offer the subjects as frequently and we will have to put the price up. That will hit them in all directions, which contravenes the rules. Business law, in particular, is a subject where no-one listened to us.

The packaging of the certificate is a problem. It is quite possible to get your certificate without doing any finance or marketing. Doing a small business certificate and not having to do finance would, in my opinion, be like teaching a pilot to fly and making navigation optional. It would be an absolute disaster. I would not fly with him—and I would not like to be in a small business with someone who had not done any finance in their certificate either. So that is a problem as well. They have been done in haste and there is some wide interpretation of content. There are a few problems to sort out in that area. It is not a panacea, to say the least. The concept is good. We quite like it. It allows us to mix and match. It has a lot of potential for one on one, but we are not funded for it, so we cannot use it in the way that it was designed. We do not get the funding; the government funding just is not enough.

Senator CONROY—ANTA appeared before us on Tuesday in Canberra. You will not have had a chance to look at the *Hansard* yet. I invite you to look at it; you may have further follow-up comments. We raised some of your concerns about their package. One of the things they put back to us was that the way that funding is granted is per enrolment at the beginning. So there is a drive to get the bodies in at the beginning, which does not really allow the sort of flexibility that you are talking about.

Mr Byrne—No, it does not allow us the flexibility. For example, we would like to break down business law and take out, say, the ownership structure, which we used to do. Then if you just wanted to do ownership structure you would come in and just do that. If someone wants to do that, we cannot claim back any revenue until they do the entire module, and that just defeats the purpose. We have tax thrown into that and we have five different subjects—and there were five subjects before—all bunged into one. That means exactly what you are saying: we need flexibility and funding to let them learn the bits they want to learn on the subsidised rate.

CHAIR—Mr Byrne, have you completed your opening remarks?

Mr Byrne—Yes.

CHAIR—Dr Bowman, would you like to say a few words?

Dr Bowman—Thank you for the opportunity to make the submission and for this opportunity to appear today. The National Centre for Vocational Education Research houses the national VET statistics collection and international research database. Our submission is drawn very selectively on these extensive databases and provides a few key messages that I would like to emphasise. Firstly, small business do undertake a lot of informal training specific to their immediate needs. This informal training is very important to them and it is most legitimate to satisfying those short-term needs. We think, though, that small business would benefit if there were some longer term structured training added to, not instead of, informal training. The

structured forms of training would give small businesses a greater capacity to employ people and so grow.

Why would this be the case? Because training availability is a very powerful incentive to attract good people or the right people these days. We know that individuals are very concerned about employability and being relevant and current in all aspects of their job. For those that are not seeking to employ—and we do know there are small businesses that are not—ongoing training, or longer term training, is nevertheless pretty necessary today, as we all know, to keep abreast of developments, to remain competitive and to ensure your business success. Despite the diverse nature of small business, I think those two messages are fairly common messages that would apply to all.

The statistics that we presented suggest that the education training sector most relevant to small business is the vocational education and training sector. We also provide statistics that suggest that formal vocational education and training—that is, that which is structured and within the national training system led by ANTA—already plays a role and can deliver very successfully. We have shown that once into the system small businesses appear to be equally satisfied—eight out of 10 on our latest survey—as are medium and larger businesses, with the relevance and appropriateness of the training that they or their employees receive. That being the case, we think it is more a matter of overcoming the reasons why small business may not think formal VET is for them, as opposed to how well the system might be able to help those that do decide that it is okay and suitable for them.

Some of the ways forward: we actually chose to provide a full research report as an attachment to our submission. It argues the case for a complete learning framework for small business which is informal plus formal combined and linked in appropriate ways and also appropriately linked with all the government service initiatives. That full report that we provided to you is by Peter Kearns. It was a managed piece of work by the NCVET on behalf of the national system. He was looking at a snapshot of the provision of training and learning services for small businesses. It was done earlier this year. Why did we offer this particular report? Because it is very recent; it takes a very broad perspective, which we thought was very suitable for this inquiry; and it provides a snapshot, impressionistic as it might be—as the report itself suggests, it is a six-week report. I think most of the main points made in the report are highly valid. It is thought provoking and I think it suggests some ways forward.

Kearns argues that we need to link informal and formal—recognising informal is valid but finding ways of linking that with more formal systems as well—and to link up across various agencies that might have a role here. He talks about, through their own networks and from the perspective of small business, building clusters—which is a new concept of supplier/receiver chains; I know that local governments are looking into this quite a bit—but around clusters that are industry sector specific, they are supplier/receiver chains; collaborative self-help approaches; and segmenting more, because there are lots of different groups in there, as we have just been talking about.

Our submission also mentions, in very general terms, the fact that ANTA is leading several initiatives at this stage aimed at engaging small business more in the mainstream, formal VET and so building on what I would call some of the specific initiatives to date—a sample only of which we provide in the report. I believe that, with the ANTA initiatives and so on, we can expect to see formal VET grow amongst small businesses. ANTA's approach is not

contradictory to Kearns and is not contradictory to other people reporting in much the same way. I have brought with me a less recent report; a *Research at a glance* report put together by the NCVER—you may already have one, I am not sure—in 1998, and many of the messages in that report remain valid today. I only have one copy.

CHAIR—Do you wish to table it?

Dr Bowman—Yes, I wish to table it.

CHAIR—That being agreed, it is so ordered.

Dr Bowman—That concludes my opening remarks. Thank you.

CHAIR—Thank you, Dr Bowman.

Senator BARNETT—Thank you for your presentation and submission. What is the coverage of the VETs of small business? When we met with ANTA the other day they were basically saying it was extremely low, but they were not quite sure how much coverage of small business employees they actually had. Have you got any feeling for the coverage in terms of small business employees' take-up of your programs?

Dr Bowman—We keep various data sources. The main data source we have, though, is student oriented. Unfortunately, that does not tell you whether the person is employed in a particular size of business. That is not to say that you could not decide to change that in future. However, there is some work being done in Western Australia looking at segmenting the people that come into vocational education and training, so it is segmenting why they are there. These are Western Australian statistics. I could not guarantee what the national statistics would be, but these statistics show that some people come into vocational education and training to get their first job—they are labour market entrants—some come to improve their skills for their existing job; some come to change career; and some come for further education, perhaps as an initial course to then get into a further course. Then there is the new apprentices category. They are special enough, even though they may be labour market entrants, to be separated out, because they have contracted training. Some come for bridging reasons—

Senator BARNETT—Bridging?

Dr Bowman—To move from where they are now: they do a little more study to add to what they have to maybe end up with a qualification. And some come specifically for training to become a small business operator.

Senator BARNETT—Have you got any figures on the latter?

Dr Bowman—Of the Western Australian segment, six per cent of all students in Western Australia—that is students: I am not talking about how many hours they spend; I am talking about six per cent all students that come through the door—are there to be self-employed.

Senator BARNETT—That is the latter category?

Dr Bowman—Yes, they are there to learn how to manage their own business.

Senator BARNETT—Do you think they are existing operators or are they going to be new operators—or are you not sure?

Dr Bowman—My feeling is that they are first time around sort of people—fairly new people—but I cannot verify that. We would not know what the national figure is, but six per cent of everyone that comes in is not insignificant.

Senator BARNETT—What would six per cent be in numbers?

Dr Bowman—If that was a valid figure nationally, you would be talking about six per cent of the 1.7 million people coming through the doors each year. As I say, though, we cannot be sure whether WA would be representative of the rest of Australia. But this direction they are heading in—looking at reasons for study—is the direction that we may head in the future nationally and we may be able to learn a bit more about that. Obviously, it is for all the same reasons that you are hearing from everyone else: it is all about being able to customise, because all those people have very different needs and we need to start to understand that. So it cuts across whether they are small, medium or large. It cuts across all those reasons to really understand attitude and the reasons they are there.

Mr Byrne—We keep our own statistics on the number of people that come through. Around about 70 per cent of them fall into what we would call the ‘intenders’ package—they are the new entrants. Of those, about 20 per cent are employees, and most of them are doing it because they want to go and start their own business because they are sick of the boss and they reckon they can do better themselves or because one day they are going to start their own business. The other 30 per cent are the owner-managers. They come in for specifics. That is the way our figures pan out.

Senator BARNETT—That is helpful background. I want to ask you about the Small Business Professional Development program that was referred to. I understand it was in Tasmania and went from 1995 to 1999 but was discontinued. Are you familiar with that?

Mr Byrne—It did not penetrate much to us. It went to head office and somehow we did not know much about it. A little bit came down to us.

Senator BARNETT—Was it just in Tasmania?

Mr Byrne—No, it definitely took place here in South Australia. We knew about it but we were not asked to be involved, which puzzled us. It was partly TAFE but I think VET did it here. They did a fair bit of stuff and there was some interesting stuff that came out, but it did not seem to penetrate down to the coalface.

Senator BARNETT—But I understand there was also some good feedback about that, and it was positively received. But it was discontinued and I wondered if you knew why it was discontinued if it was doing well.

Mr Byrne—It did not penetrate to us enough for us to even form an opinion, to be honest with you.

Senator BARNETT—Would you like to comment, Dr Bowman?

Dr Bowman—I am not sure that I can tell you why it may have wound up. I think you will find that nearly all states have gone down the track of trying out small business programs. Some of them might have been pilot ‘getting things started’ kinds of initiatives. That may be the reason, but I really am not totally sure.

Senator BARNETT—How do we find out more about that? Do we have to ask the Tasmanian or South Australian providers?

Mr Byrne—VET in South Australia were in charge of that, so they should be able to supply information on what they did.

Senator BARNETT—This report entitled *Are two worlds colliding?* talks about these parallel courses with VET and having the courses which are ready now and action based and having parallel training. Do you support that approach or view and do you have any views on that and the merits of it?

Dr Bowman—I think the main point is that we need to validate and be aware that informal training, if it does the job, is equally as good. Where you can make that training relate to a formal system at a modular level it does allow you to build on your skills over the longer term. It is about trying to allow people to come in to training in a way that suits but for them to recognise the possibilities, from a small beginning, to do something bigger and longer term and more fulsome, as a rounded package of having looked at all aspects of management in the end so that even if you do not start out with financial modules you do include them. As I understand it, the report is suggesting trying to link those two things together in a meaningful way. I think that is a valid way to go.

Mr Byrne—I tend to agree. If you hit them when something is really timely that is the way to do it. The inquiries we had on e-commerce a year or so ago were from people who were all completely terrified that they were being left behind. They needed to find out, and CIBM, which is the centre here, and some business centres all got to work on it a fair bit in South Australia. I think a lot of them came away thinking: ‘I don’t have to panic yet.’ But if you can hit them when it is timely that is when you really get them receptive.

Senator BARNETT—That is exactly the feedback we have been getting during the inquiry: that they need it now and it has got to be relevant now and they just need that bit to respond to their needs.

Mr Byrne—They were really impressed by good news stories too.

Senator BARNETT—My other area of special interest is mentoring and coaching. Do you have any suggestions or recommendations on how we can progress that and build it into the system and make it useful for small business? Do you have any views on that?

Dr Bowman—The views that I might have relate to my previous experiences with regional development. I agree very much with the idea that you can have a shopfront as a better approach. I have seen various mechanisms—for instance, the DPI extension offices. I have seen them very successfully build clusters and groups and actually be the conduit between them and

training, which may be from the DPI or from other places. The shopfront can work very well. People come in, and they have common interests. I have heard of shopfronts that people know is a TAFE shopfront. Small business will still criticise TAFE to the hilt but they walk in and still take the courses. They seem to feel relaxed within that space—enough to criticise the very organisation that, through that space, is actually providing them with the courses.

Yes, I have seen quite a few of those where a regional business officer or a regional DPI officer, or whatever it be, can successfully facilitate and mentor groups or, amongst themselves, there are some collaborative networks that can work. I think the learning communities work that is going on in Australia, which local governments are interested in, is just another avenue of trying to raise the awareness of learning and its place in economic and social development.

Senator BARNETT—The Centre for Innovation, Business and Manufacturing, where we were at lunchtime today, has a program—and I am not sure whether you are familiar with it—with coaching and mentoring which is one on one. It is subsidised, so there is no payment. But it is one on one and it is on their select business. Your response is that it is good. Do you want to make comments on the program? And what about the rest of the small businesses out there that cannot access it? How do we offer it to them if it is that good—or should we and should they be paying?

Mr Byrne—I have done some consulting. Frequently, they do not come until it is too late, then they expect you to work a miracle and they resent paying. So I do not do it much, unless I select my client personally. I think the one on one mentoring, with people who have experience in the industry, pays dividends immensely. I have a student at the moment who is going into the footwear game. He has a mentor through the Young Entrepreneurs program. That person has experience. What that person has done for him, you just would not believe. There is no way any formal training could ever compensate. This person has the formal training and the mentor, and he understands what the mentor is talking about. The mentor is not actually training; he is just helping him grow the business. It works—and there is no doubt about that—but it is a very expensive option and we have to be sure of the quality of our counsellors.

I have been involved as Australia's representative on APEC for small business counselling and we are trying to launch a counselling course here. I might add that we have not had much luck with federal government support—I just thought I would throw in that plug! We are talking about putting it through Open Learning Australia next year as a correspondence course because APEC pay for all the material development—every single thing. We have this course to try and improve the quality of the counsellors so they can give good advice, because if they can get some accreditation it will help small business people and will help the total picture for small business.

Senator BARNETT—That is why we are here; we are here to listen. If you have some recommendations on how the federal government can be doing things better—or other governments, but our government primarily—then let us have them.

Mr Byrne—It needs to be a program well worth supporting because APEC has developed all this material—all of the course standards. It is a mutually recognised course with over 17 APEC economies, and we get the benefit of working with Canada or America and seeing what they have done and bringing it back here. I certainly recommend that government support that.

Senator BARNETT—Can you see a model for Australia? Have you got any suggestions on a model for Australia in terms of mentoring or coaching?

Mr Byrne—It is an industry based thing. I would personally like to see it industry based because these people relate to someone from their own industry. It would be good if we can work it through, first of all, the one stop shop, where people come in and get that general advice when they are getting started and get a bit of assistance. But once they get into their own business, they really do need hands-on help from people who know their industry. It makes no sense if I go and talk to someone about something I have no experience about. I can do exporting, but some people cannot.

CHAIR—Mr Byrne, do you think the CIBM model is a model that is worth repeating in other industry sectors? There is a focus on manufacturing that.

Mr Byrne—Yes, I think so. If we could get that level of training out to people, we would be taking the training package, which is a good concept, out to these people. We would be assessing them, working out what they need to learn, going to their workplace, making up a number of packaged units, putting it together to suit them and then delivering exactly what they want. But there is a cost problem. However, it would certainly be of benefit and it would work. I agree with it.

CHAIR—We had Tim Atterton here this morning. I do not know whether you know of him; he is Director of the Entrepreneurship and Business Development Unit at Curtin Business School. He was saying that, in his view, the whole issue in this area is the supply side problem. We do not have the supply side right in terms of trading for small business. I am wondering how your training centre got established at the Adelaide TAFE. Is that a common thing that applies elsewhere around the country or is it something that is unique to Adelaide? Was this an attempt by someone in the past to get the supply side right as far as Adelaide is concerned?

Mr Byrne—It was. It was started by Adelaide TAFE about 17 years ago. Its mission was to take small business training out of the general business stream and put it in its own stream, recognising it as a separate discipline, and then spreading it throughout the state. A centre of excellence—which is what they call it—was created at Adelaide TAFE. That is what we developed. We now have lecturers in all of the institutes in South Australia who specialise in the delivery of small business and that model. I know that other states have done something similar. The model in Victoria, where they use the BECs and TAFE, is quite a good one. I know that Tasmania are working very hard, a section in WA is working hard and Queensland are pretty good. Some states do not have dedicated staff, and that is where you get the problems.

CHAIR—So things are happening within the TAFE system that we are probably not as aware of as we should be.

Mr Byrne—Yes, definitely. Some good things are happening. They work very hard; it is a tough sector.

CHAIR—ANTA said that the key ingredient to this is JIT, just in time—delivering the elements of the programs required by small business and at the time they require it, rather than trying to deal with a whole raft of programs. One of the things they said to us was that they were not able to identify, for example, the number of students who went through small business

programs—the actual component who were small business operators—and who were seeking, I suppose, that just-in-time component, that bit of advice or teaching that they needed to assist them to run their businesses, and that that was a failing with the program. I would be interested in your perspective on the other side of it. With the centre that you have, do you take the programs out to small business or do they still come in to an institutionalised framework?

Mr Byrne—If we get a customised course, as we did for the arts industry, and they want it held on their premises, we will go. There is no issue. For general courses, we run them in the institute, and that is simply because of the cost factor. We just cannot do it any other way with the restrictions that we have on costing. But we will go out in the industry, and we have customised our material for various industries. With the rise of the RTOs and industry associations, some of this training has been taken over by their industries, which I think is a good thing and is probably the best place for it in many ways.

CHAIR—This is generic?

Mr Byrne—Yes, it is generic.

CHAIR—Where are the examples of this having been taken over by the industry organisations? We have not seen too many.

Mr Byrne—The electrical industry in South Australia and the hairdressing industry would be good examples. We used to do all of their training. With the pharmaceutical industry, we did it for the whole of Australia and then their industry body got together and constructed their own curriculum materials and they just took it over and ran it for their industry. Prior to that, we had adapted generic material, in conjunction with the industry, and delivered it for them. That worked; there was no problem with the model. The electrical industry here in South Australia uses all our material and simply puts their electrical questions on the end. The material is fundamental, apart from the profit and loss statement. You just have to make it fit their industry.

CHAIR—Are you aware of any particular model or do you feel that there is any particular model which is a better way of doing it than we are doing it now?

Dr Bowman—I do not think there is any one model. We have just heard about two models. One model is bringing them into an environment, a shopfront, that they quite like, as opposed to TAFE. I do not think it has to be an ACE provider; it can still be VET provision but it is just not at the TAFE institute. In that way, it is trying to get interaction between people, to build a bit of a network and to therefore deliver to a group of people in-house. The other model now being talked about is the one-on-one going out to small business. There is definitely an interest in that. It is the more expensive option, but for a long time everyone has known the need for brokers and the most effective brokerage can be to actually go to the small business. It is a just-in-time issue, but it is also knowing that there is just-in-time for you.

Senator BARNETT—What is that model?

Dr Bowman—We were talking about a mentoring one-on-one model. I am saying that we need both. You need a good mentoring model, as much as you might try some more approaches to clustering through a shopfront that can get people at the door. I recall Albury Wodonga set up a shopfront for a TAFE in their regional development heyday in the 1980s, and people would

come in and start to interact and get their networks going and then suddenly realise that there were 10 of them who would like to know something. That was the way that you started to get the economy of scale—to be able to have a class, so to speak, as opposed to the one-on-one. I think you actually need a couple of models, not one or the other.

Mr Byrne—There is no one way to solve this problem. It is going to be a whole mixture of things. With just-in-time, the most recent example we had was the GST with Mind Your Own Business—the computerised bookkeeping—and we did not have enough computers. The panic struck and we just could not feed enough people through. About a month before the GST was introduced, I heard a block saying that he thought the government was serious; so that tells you where you are coming with some of them. We are still running those courses and our resources are strapped. We do not have the resources to meet the need. The private sector picks it up, but the costs and the quality are sometimes not as good as they should be. The TAFE sector delivers very good quality at a very good price. We have been flat out with that—nonstop. We have hardly had any time to even scratch the surface on e-commerce. We would like to do more on exporting. Four per cent of small businesses export—it is an appalling figure. We could certainly do something about that.

CHAIR—Is the one-on-one mentoring something that is already delivered through the industry associations? Is that a role that is better performed by them?

Mr Byrne—I would think so. I do not think your average TAFE lecturer, to be quite honest with you, would have the expertise in all of those industries to be able to do it. Certain levels of stuff you could do, but ideally you are talking to someone who understands, for example, the aluminium industry and welding. If you can find a mentor who has had experience in engineering, that would obviously be better than having a generic lecturer because they would not understand the costs, the economies and all the rest of it.

Dr Bowman—On models and driving things, it is very early days. I look at the learning community new wave and I recall that, when I was in regional development in the 1980s, all this self-help and getting yourself organised was just starting in the role of local government. It is not exactly a model for small business. It is bigger than that; it is a framework. In trying to promote regional cooperative efforts in this, I know some local governments that have mapped the notion of the supply chain very well. It is interesting that local government have a training package, and it is a very broad spectrum one. Therefore, they might understand how training packages work. I think that, through local government, you could promote this more to your small businesses and encourage organisations at the local regional level to prepare models that will work in their own places. This would be based on generic models with a bit of room for them to work out for themselves what is the best approach to take with the players they have.

CHAIR—A lot of local councils are interacting with small business in very effective ways, and some are not so effective. Local councils, more and more, are playing a role with the business community. Maybe that is an area that we ought to look for a channel to force this through to the small business community rather than through the myriad governments.

In terms of the issues we have just been discussing, if we are looking at training in all of its senses to small business, I wonder whether it is best provided through that mechanism or, as Mr Atterton said this morning, we ought to be looking at setting up centres of excellence, which you also said. If you do do that, do you do it just from a training perspective for small

business—his is a generic thing—or do you do it on the CIBM model, which has a small business-come-industry sector perspective where they get the combination of the generic training and the more industry specific training?

Mr Byrne—You need to graduate them from one to the other. I tend to go for the latter. Just out of experience, the most successful thing we ever did to reach more people more effectively and more cost effectively was to do a program with Channel 9 on small business and back it up with training. It was called ‘Open for business’. We got the research report. They watched it and they then enrolled. We had real business owners telling of their experiences. They loved it and they were prompted to train. So, if you want to get them to overcome the problem of managing people, you hit the free to air and then offer them a training course to follow it. We found that that was more cost effective by far than putting people into the classroom. They watched it on the television, they then enrolled through the television and they came straight to us for the training course. The South Australian government subsidised it quite heavily.

Senator CONROY—They have cancelled the show.

Mr Byrne—I know. We did a series of 10. It was very effective when we did it. The cost was so much cheaper than putting people into classrooms. With this training package approach, the two would lock up. That is another model. There is a combination of things you need. There is no single way to do it.

Senator CONROY—I have a chicken and egg type question. We have been to a number of incubators, a number of centres, over the last couple of months. They seem to be striving for those companies that, in the words of one today, will increase shareholder wealth and how many jobs they could potentially increase. They seem to be focusing on those. Possibly that is a function of the accountability to government and how you prove you are doing a good job. You have to have benchmarks. You have to be able to show improvement. But, as an example, the centre puts the really huge resources into only 13 companies that they believe have potential.

Mr Byrne—The high valuers, yes.

Senator CONROY—My question is: if you can make a decision that you think they are that good, were they going to make it without you? If you pour all your money into the companies that were probably going to take the step anyway, is that a success in terms of what we are striving for in these programs? That is not to knock the successes that are there. It is perverted slightly because of the benchmarking style. You have to show that, because of what you have done, 500 extra jobs have been created whereas they could have been created without you and the other areas may have lost the jobs because you did not concentrate on them.

Mr Byrne—It is a very difficult question. I can understand why people do that. It is the entrepreneurs that are going to grow. On the other hand, I have never been able to quantify how many millions of dollars we have saved this economy by stopping people with separation packages from wasting them. We have put them into an intenders course and those people have learned, ‘I had better not spend my \$500,000 on this.’ We cannot quantify.

CHAIR—And we cannot either.

Mr Byrne—No, but that is the problem. I reckon that in the years I have been doing it the count could be millions. I cannot quantify it.

Senator CONROY—I am sure that is the case, and Senator Campbell has frequently asked a question about that. I have a gnawing suspicion that we are pouring money into companies that probably would have succeeded anyway.

Mr Byrne—I am a great believer in identifying entrepreneurs. I do a lot of work in Indonesia. We have worked in various countries in the world.

Senator CONROY—That is easy; you have just got to check their birth certificate!

Mr Byrne—We just have to know who to pay! At the same time, if you can identify the entrepreneurs, that is where you get the employment growth. These are the people who are going to do it anyway, as you say, but you will stop them from going bust and they are going to do it faster. It is a question: with limited resources, what is the best way to do it?

Dr Bowman—However, you want to give them a chance to decide it might be worth growing by surviving, don't you? I was once involved in employment creation schemes. Interestingly, these were people who had the technical skills and were back trying to be self-employed. It was compulsory to do a small business training component as part of this government subsidised program. It was very interesting to see at the end of the program—I would sponsor someone and that sort of thing—how many of them realised how important the program had been. But at the beginning of the program they could not see the benefits to them. But having gone through it, they then could see the benefits. So you cannot always assume that they can appreciate the benefits up front. That was a very good example of a group that then had a network as well, obviously, with other people that were just about to set out as they were. Therefore, if you could be successful on your own, you have got half a chance of then thinking, 'Maybe I will employ others.' So whilst I can see that you want to look for the entrepreneurs today, you want to try and make sure that any small business operator is entrepreneurial enough by having the basic management that they need.

Senator CONROY—That is what I am a little frightened of. Even though you say you cannot quantify it—and Senator Campbell has attempted to ask that question all around the country—it is a measure of success if you stop companies going bust or stop them wasting hundreds of thousands of dollars on a severance package.

Mr Byrne—Exactly.

Senator CONROY—And yet the funds seem to be not pointing in that direction. They seem to be more and more focused into those small number, albeit worthy—going to lead to more employment and all those sorts of things. Is it a question of trying to educate the government that the benchmark needs to be broader than simply saying that there will be X amount of dollars in increased shareholder wealth or 500 extra jobs? So it is not about increases; it is about governments—and that includes us at various stages, and Senator Barnett now—understanding that the measure of success is not just those two things.

Dr Bowman—That is sort of what the new work, which is very much preliminary, is about. It was developed by WA with different measures of success for different market segments. So one

measure of success is a new business operator and whether they have got what it takes to do that and to realise that it is an equally valid measure of success for a subgroup compared with other subgroups. That is, I would suggest, where the national system is at at the moment.

The WA work has been looked at by the appropriate national committee, and we are trying to better segment, like all those groups that I mentioned, the students that are coming in who want to be able to manage their own business. We know what they want. They are very different to the people who are upskilling. They are the ones that need it relevant, up to date, here and now. They will soon tell you if it is not, because they are in the industry and they are wanting the latest. That is why they are there.

So if you can better understand the groups, be they either enterprise segments or student segments, then your measures of success have to relate around those reasons for study. So I think it is a matter of not having too blanket a measure. You need to recognise that different groups will perhaps have different performance measures, and you need to be able to look at those different groups a bit more. One global measure will obscure all of this for you.

CHAIR—Dr Bowman, you talk about a need for a national approach, the provision of training services for small business. I thought we had a national approach now. I thought we had a national program going through the VET system. What do you mean when you talk about a national approach?

Dr Bowman—What I mean by the national approach—and, yes, there is one—is the difference between the informal and the formal training and who recognises it.

CHAIR—So essentially are you talking about taking a national approach to identify the informal training? Is that in such a way that it can become accredited? Have you put a value on it?

Dr Bowman—No. I am sorry—what is being experimented with or being looked at more closely now is segmentation of the market. Those components that I spoke to you about from the student point of view, those segments in Western Australia—they can tell you those because they ask ‘Why are you here?’ at the beginning. Other states do not ask that question, so we cannot address those other places. So we have a good idea coming forward in terms of some new, interesting segments that will yield some more information about what is true success—that is what I am saying. There is now a lot of interest in trying to bring those examples that are coming up from the various states and making a national approach. Everyone has a look at it from those angles so that we all learn and we could therefore one day maybe have some refined performance measures against agreed segments that make sense and help you better understand the system and what it is yielding.

CHAIR—I now understand.

Mr Byrne—We have been far too output driven in results for small business to make it work. It is handicapping us.

Senator CONROY—That is my concern.

Mr Byrne—They do not want to do the assessment because they just want the information, yet if I cannot put a grade down, someone will ask me why we will not fund you. Then they will say, ‘Your results are too poor.’ Yet small business people come in, get the information and use it. We have proven it. But we are being output driven and it is a real handicap for small business. It is a problem.

CHAIR—I think we may have to conclude there. Thank you very much, Dr Bowman and Mr Byrne.

Mr Byrne—Thank you for the opportunity. It is much appreciated.

Committee adjourned at 2.52 p.m.