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# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Small business employment**

TUESDAY, 8 OCTOBER 2002

CANBERRA

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

**Tuesday, 8 October 2002**

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

**Substitute members:** Senators Murray for Senator Stott Despoja and Senator Conroy for Senator Carr

**Participating members:** Senators Abetz, Boswell, Buckland, Chapman, Cherry, Jacinta 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 sector.
4. Measures that would enhance the capacity of small business to employ more people.

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**Committee met at 8.51 a.m.**

**CHAIR**—Order! I declare open this public hearing of the Senate Employment, Workplace Relations and Education References Committee. On 20 March 2002, the Senate referred to its Employment, Workplace Relations and Education References Committee an inquiry into small business employment. The terms of reference focus broadly on two main issues: first, the effects of government regulation on the performance of small business, including the complexity of these regulations and the overlap between Commonwealth, state and local government regulations; and, second, the special needs and circumstances of the sector, particularly with 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 employment, which was reported in late 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 for its members and others necessary for the discharge of 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 this public hearing.

[8.53 a.m.]

**MANN, Mr Neil, Deputy Commissioner, Small Business, Australian Taxation Office**

**CHAIR**—Welcome. The committee has before it your agency's responses to questions on notice arising from previous hearings. Are there any changes you wish to make to those responses?

**Mr Mann**—No, but I did want to make mention of my last appearance. I was asked a question about the capacity of individuals to pay online and I wanted to clarify at this point that I took that question to mean lodge and pay on time in the business activity statement context. I wish to clarify that individual taxpayers who avail themselves of e-tax can pay their annual income tax assessment online using Bpay. Business taxpayers can also pay their activity statement obligations online, provided they are registered users of Electronic Commerce Interface. Admittedly, at the moment that extends to only about 76,000 businesses, but other taxpayers can pay via the Internet using Bpay or a similar facility. I wanted to draw the committee's attention, however, to a series of pilots we are conducting which are testing a range of ways that business taxpayers could lodge and pay their activity statements online. These pilots involve around 30 to 70 users at present and, by the end of November, we hope to have a report on how they are progressing.

**Senator BARNETT**—How many? I did not hear that.

**Mr Mann**—Each pilot will have around 30 to 70 participants. There are about seven pilots. We are piloting web based activity statements with both facilitated and integrated payment through the business entry point as well as software activity statements that could be lodged through the E-Record, which is a tax office product, and working with commercial software providers so that in the future we may not need to post out paper copies or require the lodgment of paper copies. So we are working on the facility for integrated lodgment and payment online. I draw the committee's attention to that to clarify my earlier remarks.

**CHAIR**—The committee prefers that all evidence be given in public, although the committee may also consider the request for all or part of the evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. Mr Mann, do you wish to make a brief opening statement or shall we go straight to questions?

**Mr Mann**—I do not have an opening statement.

**Senator BARNETT**—It is nice to see you again, Mr Mann. Thank you for coming back and for giving us the answers to the questions—they are very much appreciated. I just want to nail that down because one of the issues I wanted to bring up this morning was about lodging and paying online. I am not thinking of only business taxpayers but other taxpayers—and we have had a number of witnesses who, particularly in rural and remote areas, are able to pay but cannot lodge online. What is the prognosis for those taxpayers as well?

**Mr Mann**—Individual taxpayers, including sole traders, are able to avail themselves of the e-tax product which allows them to lodge electronically, and they can also pay their annual income tax assessment annually.

**Senator BARNETT**—How do they do that?

**Mr Mann**—You can download e-tax software for free from the ATO, and there are also a number of commercial providers that provide a similar return preparation service.

**Senator BARNETT**—Do they need the e-tax software to do it?

**Mr Mann**—It can be downloaded from the ATO's web site. It walks you through an electronic version of Tax Pack. In fact, it has enhanced features of calculators to assist you to make calculations—for example, it has a capital gains tax calculator which takes a lot of the hard work out of looking at the different options and also making your mind up about which option you wish to use in terms of the capital gains tax. That is available to all self-preparers who are lodging their annual income tax assessment who are individual taxpayers. We do not as yet have the same facility for corporate taxpayers.

**Senator BARNETT**—Why is that? I am not sure why that would be.

**Mr Mann**—It is mainly because such a large proportion of business taxpayers and corporate taxpayers lodge electronically, but through their tax agents who are registered with our electronic lodgment service. So we have a very small minority of business and corporate taxpayers who prepare their own tax returns. Thus the priority was given to the 25 per cent or so individual taxpayers who were still preparing their own tax returns.

**Senator BARNETT**—What proportion of Australian businesses—we have 1.2 million of them—would prepare their own return compared with using a taxation agent?

**Mr Mann**—Around five per cent would prepare their own tax return.

**Senator BARNETT**—Is this pilot project designed to assist that five per cent?

**Mr Mann**—That is for the annual income tax return. A much larger proportion are completing their own activity statements—either the monthly or the quarterly—and so the pilots that we are running will enable those businesses self-preparing their activity statements to lodge and pay online. At the moment, as you know, we mail out a paper activity statement and require the lodgment of at least part of that activity statement. We are hoping to remove that part of the transaction. And there we are seeing a much higher proportion—I do not have the figures with me, but close to 40 to 50 per cent of businesses are preparing their own activity statements, hence the logic of moving into that area.

**Senator BARNETT**—What is your timing prognosis for when this is going to kick in?

**Mr Mann**—At the moment we are trialling what the most usable method is. Is it through the business entry point? Is it through the free to market ATO cash accounting e-record product? Or

is it through the commercial suppliers? In some sense, we would be hoping to have our basic services come on board over the next year, but that is dependent on how quickly the commercial suppliers take up the opportunities.

**Senator BARNETT**—Just going back to your downloading of the e-tax software, do the individual taxpayers know about that at the moment or does an education process need to take place?

**Mr Mann**—So far this year we have had, year to date, more e-tax lodges than we had for the entire period last year, so it does seem to be something that builds over time—through word of mouth as much as anything. We are advertising in *Tax Pack*, and that is largely how people have their first go, rather than completing *Tax Pack*. We heavily promote e-tax there and direct them to where they can find the product.

**Senator BARNETT**—Do you know what sort of numbers have taken it up?

**Mr Mann**—I would like to take that on notice and get back to you. It would be some hundreds of thousands.

**Senator BARNETT**—It seems like a sensible move and therefore I would have thought that a lot of people probably are not aware of it, do not know how to access it or whatever. Maybe that is something that could be looked at in terms of educating taxpayers.

**Mr Mann**—It certainly has been a profile in our free-to-air media campaigns. Each year, before the end of the financial year, we tend to do a bit of PR around the new products and the enhancements. It is part of our *Tax Pack* advertising. As with all of our tax information, marketing is something we do need to continue.

**Senator BARNETT**—Thank you very much. I will go to a totally different topic and deal with that, and then there are a couple of other issues I want to ask about. On the last page of your answers to questions regarding personal services income, you indicated that you were meeting with representatives of APESMA and the Institution of Engineers later this month. Your answer is dated 6 August. How are you getting on with assisting those organisations in addressing their concerns about personal services income?

**Mr Mann**—Our meeting with the Institution of Engineers is now scheduled for 21 October. At their request we are meeting them on that date. They have raised two particular issues that we believe we can assist them with, and that is by providing some clarity around how the current law operates. I think there was a view from the industry that the results test was not available to engineers on long-term contracts. We will be outlining to them our view that there is no restriction in that regard. Even though the income might be in regard to a number of income years, we do not read into the current law any restriction on access to the results test for engineers on long-term contracts. Hopefully that will be of some assistance to their institution.

The other area was a view that, under one of the other tests, referred to as the rectification condition, physical rectification was required. We have made it clear in our rulings that where physical rectification is not possible the provision would be satisfied where a right to claim for damages exists. Basically, where a contract places the provider of the services at some



commercial risk and they are liable to be sued for damages, they would also meet that condition of the results test. So there are a number of areas where we think we can assist the institution to clarify the operation of the law. There are other areas, however, where the current law may well apply to a range of their members, and it would be a matter for them whether they wish to take that further with government.

**Senator BARNETT**—Thanks for that response. The issue was raised and they put forward some very persuasive arguments as witnesses. I hope the meeting on 21 October and subsequent meetings, if they happen, are productive and fruitful.

I have two other brief questions on this. The Small Business Advisory Group was recently established—I am not sure how recently. I just want to clarify with you: how is it working, how effective is it, are you getting the feedback that you are seeking from small business, and do you think that the prognosis for this group is positive?

**Mr Mann**—We have a two-tier small business consultation framework operating within the tax office. The commissioner convenes, usually twice yearly, a small business consultative group. That comprises representatives of major industry associations and accounting bodies, by and large, and it has been meeting over the last few years. We are still lacking a grassroots forum to really talk to small business operators and to get to grips with some of the practical problems that the administration of tax was causing.

**Senator BARNETT**—Is that the group you recently established?

**Mr Mann**—Yes. In the lead-up to tax reform we established a small business advisory group. A rotating range of small business operators meet every six to eight weeks, which is quite a commitment from their perspective—taking time out from their own small businesses to contribute in this way. We have found it to be a remarkably successful facility for not only the Australian Taxation Office but also other organisations and government agencies looking to find a forum that has practical small business operators who have the time to spend looking at government regulatory issues. Their main role is to tease out some of the implications of change from an administrative perspective for small business and then help the ATO develop some of its administrative approaches, information products and services, to assist us to make them more relevant and usable for small business taxpayers.

**Senator BARNETT**—Have any particular lessons been learnt from that Small Business Advisory Group?

**Mr Mann**—The constant battle that we have is turning tax legislation into plain English and making it relevant in a business cycle sense to small business people. Very much they are time poor and need help navigating the amount of information that they are required to absorb and assimilate. I guess that is one of the reasons that there is such a reliance on either the tax office, through call centres and web sites, or trusted intermediaries, such as tax agents, for advice.

**CHAIR**—Are there any specific changes that you can point to that have arisen as a result of this advisory group?

**Mr Mann**—Most of the products that we are now publishing—for example, brochures for small business—have been road-tested with this group. A good illustration would be the consolidations measure, which is complex by its very nature. For small business the real issue is whether or not they need to worry about it. The eligibility requirements are probably the only things most small businesses need to understand—either it is open to them or, for most of them, it is not. Through, very much, the advice of this group, a one-page flyer in very plain English basically lets 90 per cent of them know that they do not have to worry at all about this measure. Our traditional approach would have been to provide, as we have, a manual to help you work through each element of consolidations in great deal. Small business people are looking for the kind of device that is quick and efficient to work out whether they need to worry.

When we have developed some of our decision-making tools, in addition to other market testing, we ask the advisory group what sorts of questions they think we would need to answer in terms of developing those products. Through the advisory group's input and ideas, more and more we are branching out into what could be called 'applied research'—relying not only on the forum or meeting people every six to eight weeks, but going out and working with operators one on one to tease out some of the language and some of the products. Having listened to that advisory group, it has made us realise how important it is to roll up our sleeves and get out of the office to try to design the information products and services that we need.

**CHAIR**—That is one of the messages coming through from this group and it has been put to us in some other areas—in other words, what small business want is a 'just in time' approach; they just want the information they need at the time they need it. I suppose a challenge for the tax office is to extract that out of the myriad of material you produce and provide small business with what they require at the time they require it, rather than reams and reams of paper that are irrelevant to their particular needs.

**Mr Mann**—Very much so. We rely on groups like that to help us not only to sift the messages we need to communicate but also to know when to do it—as you were saying, just in time. The more we can get a feel for whether there is any pattern to when businesses purchase assets or when they visit their tax agents, the sooner we can start to tailor information that is relevant to those businesses. So, yes, groups like this have sent us a very strong message, and it is a constant struggle for us to try to apply it.

**Senator BARNETT**—Just to finish it off, with a system you are about to implement across the country, it would seem normal to test it in focus groups. Do you do that with all your legislation—with all the new rules that are coming in? If not, why not. If not, can we do it?

**Mr Mann**—Firstly, it is meant to make it clear that, from 1 July, the role of preparing legislation has moved to Treasury. All I can speak of is our past experience with regard to new regulations. Over the tax reform period, we have found that the time frames have been so pressing, and the amount of changes have been so great, that the opportunity for informed and timely input has been under pressure. Certainly, there has not been the scope to prototype and to take a year or two to perfect some of the administrative systems.

**Senator BARNETT**—That is the history. How do we do it better in the future?

**Mr Mann**—With the consolidations measure I just made reference to, we were certainly keen to make it clear to the community, at the same time the law was being drafted, how we would administer those changes—for example, what the forms would look like and what the system would look like.

**Senator BARNETT**—Is that a job for Treasury now or for ATO?

**Mr Mann**—We would see ourselves very much supporting them in this. Certainly our experience would be the greater in that there has been community involvement up front and so the more we have been able to tease out some of the implications of legislation. But, more importantly now, the ATO can look at, on an ongoing basis, whether the administrative systems we are designing have hit the mark.

**Senator BARNETT**—Is it the responsibility of the ATO to work in this area and to make it practical and useful for the taxpayer?

**Mr Mann**—Treasury will have a lead role in consulting with the community on any new legislation. We believe and expect that we will be involved in that process into the future. Our particular focus will be on the administrative aspects of the new measures.

**Senator BARNETT**—If your Small Business Advisory Group is working well, and it seems to be a commonsense approach, have you considered having advisory groups that target different ATO customers—for example the small business grocer, the butcher, the baker, the doctor and the dentist? Do you think there is merit in it?

**Mr Mann**—Yes, we do. In addition to the Small Business Advisory Group, we have also set up a range of industry partnerships. There would be over 20 now. Over the last 2½ years, their immediate focus was to assist each industry to come to grips with the activity statement, the GST and pay-as-you-go changes. We are looking to continue those bodies into the future. We very much hope to expand their role to bring the issues of their particular constituencies to our attention and so we can address it.

**Senator BARNETT**—So it is happening?

**Mr Mann**—It is happening. Different industry partnerships have different degrees of success.

**Senator BARNETT**—How many are there? Can you identify them?

**Mr Mann**—The last I heard there were about 14, but I will take it on notice.

**Senator BARNETT**—Can you take it on notice and let us know the different groups that are partnered? Again, it seems a sensible, meritorious approach to partner with your stakeholder customers and taxpayers.

**Mr Mann**—On that issue, over this past year we have run a series of focus groups and creative retreats. We have a representative cross-section of small business—both rural and urban, and covering manufacturing, retailing, service and primary production. We have taken

this year to listen to what the irritants are after a few years of tax reform and to ascertain the level we should work on. One of the things that they have come up with is very much the issue that you are raising—that they would like to be able to deal with a tax administration that speaks their language. The industry focus is very much one that is coming out of that consultation.

**Senator BARNETT**—That is where I am coming from: you do not want the ATO to be up here somewhere totally divorced from the taxpayers; you want to have that working relationship where you can work together. So I think we are on the same wavelength. I have two other questions. One is in response to a question on notice on 6 August regarding field visits from 1 July 2001 to 30 June 2002. You have replied that there were approximately 3,000 visits to agents by field staff and 42,500 visits to taxpayers by field staff. Thank you for that response. However, I thought we asked the question seeking a comparison with previous years. Do you have that information with you? If not, could you provide that on notice.

**Mr Mann**—Could you refer me to that answer.

**Senator BARNETT**—It is on page 6 under the topic ‘Simplified Tax System’ in the *Hansard* EWRW 511.

**Mr Mann**—Thank you. If I could answer in this way, in terms of our advisory visit program and year on year comparisons, I think I said that in the first two years we had undertaken roughly 400,000 advisory visit and that last year it was closer to 40,000. This year we are aiming to do around 50,000 to 60,000. The visits that you are referring to there in relation to the simplified tax system are—

**Senator BARNETT**—Are those visits only regarding the simplified tax system?

**Mr Mann**—No, our visit program covers your basic obligations under the GST and pay-as-you-go system. The year on year comparison is that for the first two years visits were averaging around 200,000, coming down to 40,000 and stabilising at around 50,000 to 60,000 in the future. Obviously, that depends on demand, and we have seen quite a reduction in demand for people seeking advice for those basic obligations. In addition to that, we run advisory programs for particular issues. The STS together with the uniform capital allows regime and the prepayment regime are dealt with as a group of issues, and we are focusing on tax agents that are likely to have eligible taxpayers. But, if someone rings up and says, ‘I would like a visit around STS,’ then some of those 40,000 to 60,000 visits this year would be tailored for that purpose.

**Senator BARNETT**—I am interested to know whether this is in response to taxpayer demand or whether it is a reflection of budgetary issues within the ATO; that is, whether you can only allow a certain number of field staff to be available.

**Mr Mann**—The STS visits to taxpayers are purely driven by demand from taxpayers.

**Senator BARNETT**—What about the non-STs visits?

**Mr Mann**—Again, you ring up and/or log on and ask for one, so it is in response to demand.

**Senator BARNETT**—You have had 200,000, 200,000 and then down to 40,000—it seems like a huge drop.

**Mr Mann**—That is indicative of the fact that, after a couple of years, people have basically got the hang of things.

**Senator BARNETT**—Okay, thank you. The other question, which is probably my main one, is on this regulation and the compliance costs for small business. We have had witnesses estimating the compliance costs. One estimate was \$12,000 a year additional costs for bookkeeping fees as a result of the new tax system. There have been a range of surveys: NARG—the National Association of Retail Grocers—who have done their own analysis, will be appearing later today and their analysis is a public document. We are looking at the issue of cost and the regulation impact statement, and you have responded to some our questions, which we thank you for. However, you have responded by referring to this regulatory impact statement booklet of September 1998 and the key steps for preparing the RIS on page 6, where it says that, where possible, the costs and benefits of particular options should be quantified and that the RIS should also identify any cash flow impacts. It says that specifically in your RIS booklet.

I am now asking what did the ATO estimate the compliance burden on small business of the new tax system to be, and, in the estimates that you undertook as a result of the regulatory impact statement, what time estimates did you think that small business would have to put into responding to the new tax system? Do you have a response to that? It seems as though we have largely different views regarding the costs of compliance, particularly for small and micro business, which is an area I have a particular concern about. What were the ATO's estimates pre the new tax system and what is the answer now as to the facts? Is it going to get better or worse?

**Mr Mann**—Prior to the new tax system we commissioned some research through the University of New South Wales that came up with micro businesses of around \$25 for every \$1,000 turnover. That was based on, I think, 1994-95 income year data. We are currently finalising a more recent one, I think 1998-99 income year data, to get a better benchmark, if you like, pre the new tax system. We do not have a similar result yet in terms of the new tax system. We do not believe the transitional period is the right time to do that but we will in due course come back and have a look at the comparison using the same methodology that we have used in the past.

**Senator BARNETT**—How was that \$25 per \$1,000 of turnover calculated? Was that on the basis of the number of hours—

**Mr Mann**—It is on direct costs and opportunity costs there, so there is a time cost accorded to the time spent by an operator.

**Senator BARNETT**—What sorts of costs?

**Mr Mann**—I have not got that detail with me, but I can provide it to you.

**Senator BARNETT**—Is that a study that has been done by the university?

**Mr Mann**—Yes. I can provide you with a copy of that study.

**Senator BARNETT**—I have not seen that before. Was that made available previously?

**Mr Mann**—In 1997 I think it was first published.

**Senator BARNETT**—Is that the only analysis that the ATO did in regard to the cost of compliance on small business of the new tax system?

**Mr Mann**—Yes. In terms of the impacts of the new tax system, I was not personally involved so I can only give you the best explanation I can. My understanding is that the estimates were based on experience in New Zealand with the introduction of a value added tax and also some academic work in this area. It came out with a fairly aggregate impact of the new tax system, and certainly it said the additional cost, if you like, of the new system was around \$250 per business.

**Senator BARNETT**—Per annum?

**Mr Mann**—That is my understanding.

**Senator BARNETT**—Is that the reason for the \$250 cheque subsidy for small business?

**Mr Mann**—I was not involved so I cannot answer that question.

**Senator BARNETT**—That is the equivalent figure. That was \$250, from memory, wasn't it? It was \$200, was it?

**Mr Mann**—It was \$200 in vouchers, yes.

**Senator BARNETT**—The vouchers, yes.

**Mr Mann**—I think the issue we are having difficulty with is distinguishing between the costs of keeping books of account and recording transactions for business purposes and for purposes under the existing system and what the additional costs might have been of the changeover to the new tax system. I think it is a fair assumption, and certainly accountants put it to me, that any business should be keeping a minimum level of business information, their profit and loss, to keep track of debtors and creditors. It is apparent, looking back over the last couple of years, that many sole traders and other smaller businesses were perhaps not keeping records other than for tax reasons, and the regularity of the new system probably meant that they had to pay attention to record keeping on a more frequent basis.

**Senator BARNETT**—I am certain that is all very true, but I am trying to represent the interests of the small business community in Australia today. If we had to do this whole thing again, would you do it the same way? That is another way of asking the question. I am trying to ask: what did we do for small business interests in this country—and there are 1.2 million of them? What estimates were there of the compliance costs on the different sizes and the different types of small businesses, and what time input was estimated for them to complete their BASs?

If it was not done or if it was not comprehensively done, we need to recognise that and do it better in the future. You are saying there is a \$250 cost per annum for the aggregate and that the study in 1997 was \$25 for every \$1,000 of turnover. That is all I have so far.

**Mr Mann**—I want to make it clear that one is the benchmark of what the cost of compliance is and the other is an impact statement of what the new system might result in. I think it is fair to say that the activity statement is unique in the world and that we did not have anything to compare it with, foot on foot, in terms of bringing employer obligations, VAT obligations and annual income tax instalment obligations together into one process. There was no opportunity to trial and run what the cost might be in real time.

**Senator BARNETT**—Quite honestly, I do not believe that. I believe that you could have had a range of small business advisory groups or groups that could actually do those tests. Anyway, you have your opinion and I have mine. Do you want to add anything further?

**Mr Mann**—No, that is fine.

**Senator BARNETT**—Chair, I am a bit tight on time so I had better let you go for it.

**CHAIR**—I would say you are; you have taken up three-quarters of the session!

**Senator BARNETT**—Yes, that is really good of you!

**CHAIR**—I have been very generous to you this morning.

**Senator BARNETT**—You have been very good, Chair.

**CHAIR**—Mr Mann, first of all, I would like to thank you for the responses to the fairly detailed questions that were put on notice on the last occasion. We appreciate that. I have a couple of initial questions. A lot of the small business witnesses that have appeared before us have complained about inadequate staffing and the limited knowledge and training of front-line staff at the ATO. Are you aware of these criticisms? What steps are you taking to try and improve the situation? For good measure, I will throw in this comment: a lot of small business people are strapped for time. They do not have a lot of time to fiddle around, looking for answers to stuff. When they have a problem they want a just-in-time response or approach to work.

I had occasion last week to ring the ATO for some advice. I spent half a day ringing the number and getting sent back to the original number again. I gave up and rang the next day and the thing was corrected. I wonder about the sort of frustration that this creates for small businesses out there when they get confronted by that type of problem at the call centre, if they are trying to get answers to issues that may be of some importance and urgency to them. I wonder to what extent this is being monitored and corrections are being made on the way through.

**Mr Mann**—I guess we are trying to really understand what the problem is. We look at our service levels in terms of access to information. Last year, due to workloads and staffing, there were times when people had unacceptable delays in getting through to our phone services. We

are now well back on track. In the year to date, over 80 per cent of people get through on the phone within two minutes—two minutes is not where we would like to be in the long-term, but it is acceptable at this stage for most people—and some 91 per cent get through in five minutes. At the moment we see that people are getting through to us.

The next question seems to be: but are they getting the run-around or are they getting the answer that they want? Our quality assurance of what our operators are giving out over the phone is done through listening to taped calls and applying a series of criteria: have they understood the question correctly, have they made sure the person has identified themselves correctly, have they given the correct answer to the question that was asked and have they identified themselves? We check all the sorts of things that we think people would want to know. The QA results are very high. The pass rate on the criterion of the correct answer being given was 86 per cent in August—so, yes, we could have done better on 14 per cent. Is that translating into the complaints that you are hearing? We would obviously like to see a much higher pass rate and we are certainly working on that.

What we have found, though, is that people do not know what they do not know, so, when you are calling, very often you need someone to help you work out what the right question is. That is an area where we are spending more time training our operators to think about what circumstances a person might be in. It probably takes us about six months to get a call service operator up to the speed where they have sufficient knowledge and experience in dealing with small business people to help them. In the meanwhile, we support them with coaches and experts in the call centre for them to escalate matters to. Sometimes they might try to answer a question when perhaps they should go and find some help, and that might cause some frustration.

Certainly, identifying the correct question is one of the big issues that we have. Part of that is the language issue. We are looking at how our call service operators can better understand some of the issues for different occupations—for example, what does trading stock mean for a farmer as opposed to a retailer?—and actually understand what the business person is going through. That is hard work, but certainly it is an area where we think we need to put in more training. The other area appears to be finding the right person. That seems to be the issue that you confronted.

**CHAIR**—No, the issue that I confronted was slightly different. When you dial the number, there are a number of prompts to go to certain areas. My inquiry was with respect to the superannuation payment. By the time I got through to superannuation, which I think was the third prompt in the third set of prompts and hit the button, it went back to say, ‘You’ve now called the ATO. Please listen to the prompts and follow the prompts,’ and it just kept going back through the circle. I never got through to anyone in superannuation.

**Mr Mann**—I certainly have not heard many complaints of that kind.

**CHAIR**—This went on for about half a day. The question I am really asking is to what degree is it monitored so that those sorts of errors, which I presume are technical, are able to be quickly picked up because I presume, if you are a small business person at the other end terminating someone or with someone wanting to leave, you would be pretty frustrated by the end of the day by not being able to get through to find out what the payment is. The other side



of it was that when I eventually got through on the next day—and this is no criticism of the operator—I felt that the answers I was getting from the individual were pretty much programmed answers and, despite the fact I tried to put it in a different way, the answer still came back a bit programmed. That is not a criticism because I understand that they have to be careful that they do not give wrong answers or mislead people.

**Mr Mann**—We monitor daily our service and service difficulties. I am not aware of the particular issue you have raised but from time to time, yes, technology does malfunction and we need to fix it. Across the ATO, we have a telephony reference group, which is comprised of the senior managers across superannuation, personal taxes, business taxes and excise who meet very regularly to look at how we can better flow calls. Many calls relate to more than one issue. We are finding at the moment that most calls are around transactions or account inquiries, so we are looking at whether we have configured the front-end—how you access us—to stream that traffic in the most efficient way.

On your second point, one of the steps forward in the establishment of our call infrastructure is that we now have a national reference database that provides the same answers to callers wherever they call from. There is always this tension between people complaining about inconsistency and then complaining about inflexibility. Part of the issue of flexibility is that we train our people to give an answer to a question and, if it steps outside those parameters and becomes a bit complex, they should either escalate that or it should be put in writing because it is not something that we can provide a general verbal answer to. I guess we are struggling with how much advice you can give over the phone as opposed to a question that requires a more detailed answer that might go into some of the particular circumstances the taxpayer might have—to do that, we generally need to have more facts at our disposal and, probably, a more senior person to look at the issue.

**CHAIR**—I suppose that was one of those situations. I was trying to find out what the tax liability on my superannuation pay-out was. At the end of the day, I finished off where I started: I may or may not have a liability.

**Mr Mann**—And they may well be instructed that we need to answer a question like that in writing when we know the actual facts.

**CHAIR**—Sure, and I am not suggesting for a moment that they were not doing the right thing or doing what they had been instructed to do.

**Mr Mann**—That is frustrating from your perspective.

**CHAIR**—That is frustrating, yes. In your response on the simplified tax system you state that the STS was not presented by government as a means of compensating small businesses for GST. However you also say that the government, in accepting the STS proposal and the review and making its recommendations for the STS, referred to the disproportionate effect of the GST on small business. Do you know why the two matters were linked, if the STS was not a form of compensation or at least a means of addressing the disproportionate compliance burden?

**Mr Mann**—I ask for clarification when you say the two issues were linked.

**CHAIR**—The simplified tax system and the GST.

**Mr Mann**—To my knowledge, they have not been explicitly linked. The simplified tax system was a recommendation of the Ralph committee, reviewing business taxes. I do not believe any reference was made specifically to the GST; it was rather harking back to the benchmark data I have already given you: that for small-microbusinesses compliance costs under the old system were around \$25 for every \$1,000 of turnover and for medium businesses it was something like \$1. very large businesses—because of the time value of money—were making some 60c from the period of holding group taxes and other taxes. So, from that alone, the disproportionate nature is quite clear: the smaller the business, the greater the proportion of its turnover that is taken up in meeting tax compliance. That was true under the old system, as no doubt it is under the new.

**CHAIR**—Just on that issue, a large number of submissions that we have received have provided evidence that the initial and recurrent compliance costs to small businesses of the new tax system far outweigh the estimates in the ATO's regulation impact statement assessment. One witness estimated that she now had \$12,000 a year additional costs in bookkeepers fees. What is your assessment of the recurrent cost to small business and the difference between the estimate and the actual cost? Are there any changes being proposed to the system in order to address these concerns? I might add that these are concerns that were raised with us consistently, right across the board, in all our hearings.

**Mr Mann**—I am not in a position to make any definitive statement about the comparative costs but I will mention a couple of things. The frequency of reporting means that the timeliness of keeping your records and getting tax advice may have increased, in that many businesses now have a monthly, if not a quarterly, obligation. In the past, many businesses may have only sought external advice once a year. In the transition to the new system I think many businesses have found that they have had to seek advice much more frequently. Whether or not that is a transitional issue remains to be seen. What we have seen is requests to us for advice decrease over that period of time. What we have also seen is a decrease in the time people say it takes to complete their activity statement.

So just working out whether this is a transitional phenomena, given that it is a significant change to the structure of the tax system, or whether it is an ongoing issue is something that we need to continue to monitor. Those are probably the only general comments which I can make at this time. As I said before, we are looking to do a postimplementation compliance cost study in the future, but we do not think it will serve much useful policy purpose to do that just for the transition; we would rather do that once we believe the system is bedded down.

**CHAIR**—What is the ATO specifically doing to reduce the compliance burden on small business? This is a government policy objective. We were told on the last occasion by some of the government departments that there are a range of government committees. But none of this seems to be translating out there, certainly in the minds of small businesses, into any actual easing of the compliance burden on them. I am not denying that all these committees are meeting and all these discussions are taking place, but there seems to be a substantial time lag in that translating into any tangible outcomes as far as the small business community is concerned.

**Mr Mann**—The compliance costs, to some extent, are an arithmetic equation of how much regulation there is.

**CHAIR**—I think it is not just a question of costs; it is the whole regulatory burden that people or businesses fail on. I think cost is one element of it, but there is the whole question of filling in documentation and of more demands from government in a whole range of areas—of which tax is one—for compliance requirements to be met.

**Mr Mann**—I guess at the highest level there are a number of initiatives that we are actively part of as a whole of government approach. Those are the establishment of the Australian Business Register that we would hope, over time—and obviously it is up to other agencies and government to determine—would become a central register for all Australian business. Largely, it is that already. People can access it; it is a public register. Other businesses can view it. The extent to which we can build behind the Australian Business Register some of the facilities to minimise updating information for government—so updating agencies for changes in addresses or directors—the more that that can be done in one place, that is time that can be saved right across the board. Certainly, looking at how we could leverage and exploit the Australian Business Register to minimise, at a whole of government level, the amount of information businesses need to give government is one very active strategy.

The other is about getting business online. We are working very closely with NOIE, the Business Entry Point and the Office of Small Business to really try and work out how you can take some of the time and delay out of regulation by getting businesses online. We have seen that, as a proportion of total small businesses, while many have computers and maybe half have access to the Internet, not many are actively using them for commerce or dealings with government at this stage. But we believe the answer there is to provide more functionality and more things you can do, such as to lodge and pay online for activity statements to make it a more attractive value proposition for businesses to spend the money to work online.

Those are both long-term strategies in terms of how we leverage the Business Register and how we could promote the take-up of electronic commerce. We do believe, however, that they are very important strategies in the longer term to minimise some of the compliance burden. Once you have got the single register, you are starting to bring together a lot of the different levels of government programs and you can start teasing out whether or not you need a different definition for this or that. If there is not a good reason, perhaps it becomes a bit easier to deal with. At the moment, however, there is nothing bringing all of that interface with government into one place. Over time, we think that the Business Register does have some strategic importance; getting business online has some strategic importance. Meanwhile, we are really about taming the complexity for people. By that I mean over the last couple of years we have looked at how the new ‘pay as you go’ system is working for people and we have relaxed some of the criteria for requiring people to be in there. Under our administrative rules, I think we have taken some two million entities that would initially have had a requirement to pay under the instalment system, and we have either let them out because they are small players or they have a nil balance. We can do things at that end to try and minimise administratively the impact of many systems.

The government announced the streamlined reporting options for the activity statement. Interestingly, we have only seen about 10 per cent of business actually take up those streamlined

options. Largely, that is because the law itself requires a business to actually go through a number of steps. Using e-tax is an example. What we are trying to do is use technology to build some of the calculators for capital gains tax or those sorts of issues to take time away and to work with software developers and others to get integrated solutions into your business software that can basically do a lot of the hard yards for you.

So the third strategy is probably taming this complexity by looking at how we can use new technologies and software that your business might have for other purposes to do a lot of the hard work for you. There are barriers to all of those things. Accountants are a bit suspicious of the accuracy of many of the software products on the market, so we have to work with both parties to try to make sure that we are happy with the quality. Those are the sorts of strategies we can do without going back to changing the underlying legislation, which for the most part actually does set the scene for what is required.

**CHAIR**—The thing that troubles me about your answer is that it seems that an approach has been taken by the ATO and by other government departments, and in the context that it has been done in there is nothing wrong with it, and that is looking at online Internet services to make things more efficient. But when we go out and talk to small businesspeople they say, ‘That’s all well and good but I don’t have half an hour or three-quarters of an hour to sit down in front of the computer and try and work my way through these systems.’ When you talk to people in regional and rural Australia they say, ‘It takes you three-quarters of an hour to connect to the computer, never mind start to get the information,’ and the cost of accessing the Internet comparative to metropolitan areas is essentially dearer for them because of the time lines, response times and all the rest of it. Many of them say, ‘We’d much rather have a face-to-face type of arrangement where we can actually pick up the phone and talk to somebody and get the answer or talk to the person down in the local tax office or what have you.’ It seems to me that some of the responses that government is developing are going in one direction when small business is really saying, ‘Hang on a minute. We’re nowhere near at the level of being able to interface with that. We think there’s a more practical, easier solution, and that’s to be able to talk to someone face to face about these issues because we don’t have the competency, the training or the time to engage in it.’ So I wonder to what extent some of the solutions that are being developed have actually been thought through or talked through with representatives of the small business community.

**Mr Mann**—They are. When you are talking about new technologies you see early adaptors that, if you like, do a lot of the R&D with us to work out how we can make it more attractive, affordable and usable. Unearthing issues like service difficulties for regional taxpayers means that it is not a viable option for some. I guess the issue is that it is a whole of government issue in terms of how we fix that to make it accessible to all on a convenient basis, and there is work under way around that.

**CHAIR**—Is it a whole of government approach that has been adopted here?

**Mr Mann**—We are working very closely with the National Office for the Information Economy and Business Entry Point as the two key channels for us to work collaboratively around advancing this proposition. We see the ATO playing a part. Given that you have to register your business with us and given that we touch so many businesses, the more we can provide some of the infrastructure and some of the applications for your business online the

more attractive it is, and we can work with some of these big agencies to get things done. But at the same time—I do not want to mislead you—there are low-tech solutions as well, and those low-tech solutions we see as probably having some disadvantages in that by relying on hard copy information or relying on your personal networks and face-to-face contact there are problems with the currency of information that you are receiving, and sometimes it is not in context. So we provide a wide range of services through business enterprise centres and other regional and remote service providers where small businesspeople come to get information. All our hard copy information is there or we can channel people. What we are trying to do is give them a bureau where they have Internet access, and people coming in can access our information through those channels at some subsidy from government to extend those services into those areas without a business having to have the Internet connection themselves, for example.

But when it comes to our face-to-face visits, the fact is that 80 per cent of small businesses are within 100 kilometres of an advisory visit. If they ring up, we will send someone out to talk to them. We are providing those services as well. I guess what we are saying is that we are seeing into the longer term added quality coming from getting business online. That is not to say we are not continuing to provide the hard copy information booklets and outreach programs through intermediaries and visits, but in many ways we see that they are not as good as what we could provide in an online environment.

**CHAIR**—An issue that has been raised with us on a number of occasions by small business is the way in which the new tax system is working which requires them to pay out money before it is collected, and the impact that is having on their cash flow. We heard, for example, from a crash repair company in Western Australia where the insurance company was paying them only the actual repair costs minus the GST. They had to pay the truck repair company repair costs plus the GST and then claim the GST back. We heard from a plumbing company in Brisbane of a similar set of circumstances where they had had to make the payments, including the GST, but had not received payment from the main contractor they were working for. We have heard several examples like this, where companies are actually paying out the GST and not being recompensed for it, and the impact that has on their cash flow. Why does the system work that way? How is it possible for it to work that way?

**Mr Mann**—What we have seen more over the last couple of years, or maybe we are more conscious of it, is larger players in the market looking to demand payment earlier and also delaying payment to themselves to the maximum extent. We have also seen some pressure on where any price increase should be absorbed or felt in terms of where the profit might be being taken. Trying to disentangle these business condition issues, which seem to be trends in terms of trade being extended by suppliers, to look at bargaining over profit share in the distribution chain and then trying to overlay that with a change to a GST system, it is very hard to work out what is driving what. I certainly hear frequently from small business operators that, depending on the industry they are in, they are now having to pay for their stock, and sometimes even have prepay for their stock but, when it comes to being paid themselves by larger customers, they seem to have to fight pretty hard to get payment on time.

To the extent to which the GST has introduced another element—that people are looking to shift with the price and profit falls—that may well be something the marketplace is working through. We are not seeing any deliberate breaches of the legislation, though, in terms of that

that I can tell. Without more specific examples, I am happy to follow up the one that you gave us to see whether or not that is allowable within the current rules. I just wanted to provide you with some insight that we are seeing some shift in the terms of trade. When we talk to businesspeople they say, 'Well, that's indicative of business conditions generally; it is not necessarily linked to the introduction of the new tax system.' So it is hard to work out exactly what is going on.

**CHAIR**—We will give you the *Hansard* references to the cases in point and ask you to have a look at them, because, if the system is working in such a way that it is disadvantaging small to medium sized enterprises, perhaps there is a need to look at whether or not there are some amendments needed in that area to protect them from some of the larger predators that are out there.

**Mr Mann**—There are timing issues around cash flow, depending on how goods are taxed for GST purposes, in terms of whether they are input taxed or not. The Pharmacy Guild, for example, is one of the ones that is concerned, and I think the government has made its position fairly clear on those concerns. That is not to say that there are not some examples where there has been a change in cash flow, but that has generally been a deliberate decision.

**CHAIR**—Thank you, Mr Mann. That concludes this session.

[9.56 a.m.]

**HENRICK, Mr Kenneth Michael, Senior Policy Adviser, National Association of Retail Grocers of Australia**

**McKENZIE, Mr Alan John, Director and National Spokesman, National Association of Retail Grocers of Australia**

**CHAIR**—Welcome. The committee prefers all evidence to be given in public, although the committee will also consider any requests for all or part of evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. The committee has before it submission No. 83. If you have no changes to make to the submission, I invite you to make a brief opening statement.

**Mr McKenzie**—We thank the committee for the opportunity to appear at this hearing. The material that we have provided to the committee are examples of the activities that NARGA is involved in on behalf of independent grocers. Our membership covers some 4,000 stores, which provide employment for more than 50,000 Australians. NARGA member stores are typically owner operated single stores, each with an annual turnover exceeding \$2 million and employing on average 14 or more full-time and part-time staff.

NARGA members operate in an environment where the major chains control close to 80 per cent of the market for branded package groceries. NARGA is therefore committed to the promotion of a more level playing field through the recognition of and a reduction in the regulatory compliance costs faced by small business and, secondly, the adoption of trade practices and competition policies that enable small business to compete vigorously in the marketplace. In doing so, NARGA does not seek handouts or protection for its members.

Small businesses invariably incur a disproportionate compliance cost burden in respect to regulatory imposts when compared to larger businesses. This is due to the lack of management resources and expertise, with compliance costs consuming a greater proportion of the resources of small business. Given the cost sensitive low profit nature of grocery retailing, any compliance costs incurred by independents place them at a competitive disadvantage in relation to the major supermarket chains.

The finetuning and strengthening of competition laws to promote a more level playing field and a sympathetic regulatory environment that keeps small business compliance costs to a minimum will help foster a more vigorous small business sector. In this way, even more employment opportunities will be created in this vital sector of the economy. It is this pro-competition philosophy that has seen NARGA take a leading role in the pursuit of trade practices reform and a simpler and fairer GST. We will be pleased to assist the committee in any way that we can and would now be happy to invite your questions.

**Senator BARNETT**—Thank you very much, Mr McKenzie and Mr Henrick, for your submission. It is very professional and comprehensive, and it is very much appreciated by the committee. You have raised a number of issues this morning. Firstly I will touch on the issue of

competition and market share. In the submission you set out a range of market share in different countries around the world, and there is a comparison between the major retailers and the independents. Can you tell us why that is important in terms of competition and draw some arguments in favour of your concerns in that regard?

**Mr McKenzie**—As our submission points out, Australia has some of the most highly concentrated industries in the world, and it is our view that trade practices laws have to keep pace with the ever-increasing market concentration that we find in Australia, and particularly so in the retail grocery industry where, with the break-up of Franklins, Coles and Woolworths now have something approaching 80 per cent of the national grocery market. That amount of market power puts enormous pressure on the independent sector, which provides the third force in the marketplace. NARGA, consistent with its pro-competitive stance, is advocating a number of trade practices reforms to promote even more vigorous competition in the marketplace, because it is our view that a viable independent sector is necessary to sustain competition in the best interests of consumers and that Australia and the consuming public will be far better off the more competition there is in the marketplace. NARGA has looked around the world at what other jurisdictions do. In our submission to the Dawson review we provided a number of examples of the sorts of trade practices laws that apply in other jurisdictions.

**Senator BARNETT**—Can I pick you up on that? You have mentioned a number of recommendations to Dawson. Do you think those recommendations would have relevance to this committee in terms of supporting small business employment? Specifically you have mentioned the effects test. Would you like to comment on that?

**Mr McKenzie**—We understand that this committee is not looking specifically at trade practices reform. We actually appeared earlier this year in front of the Senate in relation to a couple of proposals regarding trade practices reform and we understand that we need to direct our energy in that regard to the Dawson review, but we know that the Senate is keeping a close eye on what is happening with Dawson and we know that, while they have decided to take a rest for the time being with their own inquiry, indeed they may be prepared to relook at that, subject to what comes out of the Dawson review.

**Senator BARNETT**—The reason I ask is because obviously you are saying you are pro-competition. There has been an argument put by COSBOA, and I think you have referred to it in your submission, where for every job that is gained in a major retail chain 1.7 jobs go in small business. If you are pro-competition, it will have a flow-on effect through to small business employment.

**Mr McKenzie**—Yes. We are very much of the view that small business is the jobs generator for the economy. I have seen the research by COSBOA that shows that for every one job that the chains pick up in our marketplace 1.7 jobs are lost in the small business sector, and that every one per cent shift in market share means a loss of 1,800 jobs in the small business sector. That evidence also was put before the Baird retailing inquiry back in 1999. Even if you disagree with the magnitude of the numbers, I think there would be general agreement that small business tends to be a larger employer of labour on a per dollar of turnover basis than big business.



**Senator BARNETT**—Thank you for that. I think that point about the important role of small business is noted. In fact, the Office of Small Business have put in a submission backing up your argument there. They say that employment has grown by an average of 3.1 per cent each year in the last 15-odd years compared with 2.5 per cent for other businesses, so it is clearly far and away the jobs generator. You have made public comment recently, I understand, regarding the ACCC report into grocery prices in the Senate. What was the thrust of your comments?

**Mr McKenzie**—The ACCC has recently reported on the differences in grocery prices paid by the independent sector compared with the major retail chains. The finding was that the major retail chains are being favoured on the prices that they pay to suppliers. The report probably raises more questions than it answers, but it provides, for the first time, independent objective evidence that the major retail chains are being favoured on the prices that they pay—something that the independent sector has believed for a long time. We are thankful to the ACCC for having done the work to get that information on the table. We intend to take that to the Dawson review to demonstrate further evidence for one of the key reforms that we are seeking—that is, that there be a prohibition against anticompetitive pricing discrimination built into the Trade Practices Act.

**Senator BARNETT**—Elsewhere in your submission you support a toughening of the public interest test when it comes to national competition policy and the implementation of it. Let us say that in a particular state there is deregulation of shop trading hours, which has a direct and adverse impact on small independent retail grocers. Do you back up the claim and the argument that it has an adverse impact on small business retail grocers, particularly in rural and regional areas? Secondly, is there an argument in favour of those competition policy payments being made to the states on the basis that the payments are meted out to the areas and businesses in greatest need? Can you respond to those arguments?

**Mr McKenzie**—In general terms, we support the findings of the Senate when they concluded that the big losers from national competition policy are small business and rural and regional Australia. Of course, in our particular case, we have direct evidence of the impact on small business. Shop trading hours restrictions are very much under the hammer when it comes to the work of the NCC. More recently we have seen pressure in Queensland lead to seven-day trading in south-east Queensland. Tasmania will have deregulated shop trading hours as from 1 December, and there is now pressure on South Australia and Western Australia. The competition council threatened state governments with the withholding of federal grants if they do not abide by the strict legislative review process that they dictate. In the case of South Australia, I think they are currently threatening the withholding of about \$57 million worth of federal grants if the South Australian government does not conduct the type of review that the NCC is dictating with respect to shop trading hours.

Notwithstanding all of that, it is our view that, if these reviews go forward and the decision is made to deregulate shop trading hours, along with any other form of NCC initiative, the losers ought to get some sort of structural adjustment support. We would strongly advocate in relation to these federal grants that are being withheld, subject to these reviews taking place, that some of that money is used to assist those businesses and rural and regional Australia if it can be demonstrated that they are the direct losers from that process. It is not something that we have developed a specific paper on, but it is something that we very strongly support and is something that we propose to do some more work on.

**Senator BARNETT**—The Senate has undertaken a number of inquiries into the impact of NCP, particularly in rural and regional areas. I think that backs up that argument. Is there a precedent that we can look at to support your arguments that the NCP payments be paid to those adversely affected? I notice that in Victoria recently the major chains have voluntarily thrown in substantial money to support the independent liquor retailers.

**Mr McKenzie**—In Victoria, under pressure from the national competition policy, the government has decided to take the eight per cent cap off the number of liquor licences that any particular entity can hold. As part of that negotiating process, and in conjunction with the Victorian government, Coles and Woolworths have agreed to put forward \$1.5 million each—a total of \$3 million—to help assist the small businesses in the packaged liquor industry to adjust to any changes and to avail themselves of additional training and other means of support to try to become more vigorous competitors. So the change reached with the government was a quid pro quo. There are also going to be other aspects, including a code of conduct to govern behaviour in the liquor industry. Ultimately, the small business sector supported that reform, given that due consideration was paid to the fact that there were going to be losers from that process. I think that serves as a very useful precedent for what we are talking about in terms of the way those national competition payments can be utilised.

**Senator CONROY**—On a minor matter, an attachment to your submission shows that independent stores will have a 24 per cent market share in 2002 compared with 17 per cent in 2001. Is that an error?

**Mr McKenzie**—That is a result of the break-up of Franklins. I should also say that there has been a very positive resurgence within the independent sector. I think it is largely due to the fact that a lot of stores that were previously Franklins stores have found their way into the independent sector.

**Senator CONROY**—So that has actually gone better than you would have hoped at the beginning?

**Mr McKenzie**—While there have been problems in bedding those stores in, it has given the sector a real boost in terms of not only store numbers and volume but also confidence. I think it has been a very positive development all round. It has led to an increase in our market share. What it has not done, of course, is seen the market share of Coles and Woolworths come back. In fact, they have both also increased their market share because they also purchased a large number of Franklins stores. Woolworths got in early and picked up the best Franklins stores and Coles came in towards the end and picked up another 37. Franklins has basically been split down the middle: half of it has gone into Coles and Woolworths and the other half has gone into what I call the independent sector, which includes the new Franklins—as opposed to the old Franklins—and also the Action chain, which now operates in Queensland.

**Senator CONROY**—You note the higher concentration of market share of the supermarket majors in Australia compared with other OECD countries. Are differences in the regulation of competition the main factor or are other factors also relevant?

**Mr McKenzie**—Australia seems to have been particularly tolerant in allowing the level of market concentration that we have. Ultimately, it comes down to our competition laws. The

national competition policy has certainly pursued a laissez-faire approach and, rather than looking at injecting more competition into the marketplace, they have ultimately stripped away laws which protect small business and level the playing field—shop trading hours are the classic example in our industry. We would much rather see national competition policy take a more holistic approach and actually look to inject more competition into markets rather than have a very narrow focus of legislative review, which means ripping away so-called competitive restrictions. I do believe that the Trade Practices Act has not been strong enough in Australia. I also believe that national competition policy has not really achieved the objective of injecting more competition into the marketplace because, during that time, all we have seen is increasing levels of concentration across key markets in the economy. In our submission to the Dawson review, we have been able to point to the types of the laws in the States, in Canada and the UK that we believe ought to be looked at in Australia so that Australia has world's best practice.

**Senator CONROY**—I was just going to come to that. Can you advise whether the anti-trust or similar styles of laws in Canada and the US have had an effect on market concentration?

**Mr McKenzie**—One of the projects we have been given by the Dawson committee is to try to get some more information on how these laws have worked overseas. The US has the Robinson-Patman Act, which deals with anticompetitive price discrimination. I think that has had an impact on the way suppliers operate in the US. They tend to have much more structured trading terms with their key customers and that has helped to promote a more level playing field. Canada has some of the key laws that we are seeking through the Dawson review that deal with anticompetitive pricing discrimination, the coercion or intimidation of suppliers to provide more favourable prices, and also with strategic targeting and predatory pricing. Predatory pricing ultimately means below cost or unreasonably low pricing. Strategic targeting is where a powerful entity will charge different prices in different markets where it has stronger competition. That ultimately leads to the undermining of the independent sector. We have brought evidence of that to the Dawson review. In our view, those laws have made a difference in those countries. Certainly, they have lower levels of market concentration than we do in Australia, and we are trying to get some more evidence on that for the Dawson review.

**Senator CONROY**—Touching on one of the issues you were talking with Senator Barnett about, you have argued the need for changes to the Trade Practices Act. Are the powers themselves inadequate or does the cost of bringing actions under the current act function as a barrier to effective use? Is it balanced or is one more than the other?

**Mr McKenzie**—I think the ACCC is very cautious about taking cases because they are costly and take a long time. The ACCC has given evidence on how long it takes—seven or eight years—to bring these cases to a conclusion because of the appeals process and so on. The ACCC often, I am sure, looks at the cost of bringing a case even before it looks at the merits of a case. So cost is an issue. I think that the Dawson committee has been saying that the ACCC should take more cases to test the act. But the reality is that there are very few cases going forward in terms of section 46, which is the key area from a small business point of view. The other issue is that section 46 is a provision of general application. Our view is that section 46 needs to be finetuned so that it helps courts to identify anticompetitive conduct. At the moment it is very difficult for a court to define that fine line where competitive conduct crosses into anticompetitive conduct. That is why we are talking about specific prohibitions and an effects test—both means by which there can be more objective evaluation of the nature of the conduct.

At the moment, as I say, there are a few cases going forward and they are all tied up in appeals. The difficulty is that it is going to take a long time for the jurisprudence to develop, and we cannot wait that long. I do not think most small business can wait that long. We need some pre-emptive action from Dawson to identify the type of anticompetitive conduct that should be targeted by the act.

**Senator CONROY**—Moving on to GST compliance costs, you argue the need for some further simplification on the basis of your year 2000 survey. Do you have any specific proposals?

**Mr McKenzie**—We have been involved in discussions with the tax office, which so far have been unproductive. We do not intend to give up.

**Senator CONROY**—They seemed like such nice people just before.

**Mr McKenzie**—They are very nice people. But of course they have a job in life; they have a job to apply the act and collect the revenue, and we understand that. We understand that, at the end of the day, if we do not make the necessary headway with the tax office, we are going to have to come back to the government and the other parties and put our case. But there was an understanding when GST was introduced that it was going to impact in particular on food retailers. Simplified accounting methods were introduced to assist small retailers to adjust to the GST. The unfortunate thing from our point of view is that the restrictions on those simplified accounting methods are so great that very few of our members are able to access them, either because they have a turnover in excess of \$2 million a year or because they have a scanning system in place which enables them to get an accurate GST take on the output side through the checkout. That does nothing on the input side and the input side is where the biggest single cost is in terms of the compliance of independent grocers.

**Senator CONROY**—Could you expand on what you mean when you say the input side of it? My next question was: what are those major compliance burdens?

**Mr McKenzie**—The single biggest burden identified last year in our Hall Chadwick study was the fact that every single invoice has to be checked for the GST and that GST has to be recorded in the system because, for every input credit you are not picking up, you are going backwards. It has become a very critical task in the store. Whereas before it would have been given to a fairly junior person in the store to tick off and make sure that the goods on the invoice had been received, now they have to also identify and account for the GST. Because of the nature of our business—we sell a mix of tax free and taxable goods—you have to check every invoice. There are no short cuts.

**Senator CONROY**—The Treasurer when he announced this, though, said this was an opportunity for small business to modernise their systems and to take advantage of this change. Are your members dinosaurs? Are they not modern?

**Mr McKenzie**—If you look at the level of technology in the grocery retail supermarket industry, it is very advanced. But, at the end of the day, while they have superefficient host support systems in the back room that govern all their pricing behaviour, all their specials and

so on and they have scanning registers at the front end, it does not help them when it comes to checking those invoices.

The government has to appreciate that \$2 million might be a big turnover for an average food retailer but that it is small bickies in the supermarket and grocery area. Most of our retailers have had to invest in some sort of scanning system to cope with the GST, so increasingly we have less and less ability to use the simplified accounting methods. The tax office and the government have to understand that we need an expansion of the simplified accounting methods to accommodate a higher level of turnover ceiling and the ability to use actual figures at the front end but estimates at the back end if we are going to cut into GST compliance costs. While the overseas evidence suggests that GST compliance costs reduce over time, we think a lot of the costs that are now in the system are embedded. While our members have got more used to dealing with GST, we see a major problem unless we get some relief from the government in that regard.

**Senator CONROY**—Didn't your members take up the government's generous offer of the \$200 voucher?

**Mr McKenzie**—Some of them did. 'Generous' is a word that you might want to use; it is not the word we would use. We felt there was merit for compensation, but ultimately we understand that there are budgetary constraints on these things. We were very strong in the initial phases on the need for compensation, but in the end we said, 'We can live without the compensation as long as you can give us the simplification.'

**Senator CONROY**—And that is still not there?

**Mr McKenzie**—That is still not forthcoming. As I say, we have not given up. We have a dialogue with the tax office. I have a guy who is a GST expert working on another proposal for me to take to the tax office. But, ultimately, if the tax office does not see it our way, we will have to come back to the government. We are prepared to be patient but, at the end of the day, you have to know when to go to the next step.

**Senator CONROY**—I want to talk about insurance costs, which I know are a national problem in all sectors. Most states are addressing this issue within their own jurisdictions. Do you see a role for the Commonwealth?

**Mr Henrick**—The difficulty our members in the states have is that they are finding it very difficult to get insurance cover at all, at any price. That is something that maybe needs to be coordinated by the Commonwealth but, at the end of the day, it is going to be state-level legislation that implements it. I think it is really a states matter.

**Senator CONROY**—But with the need for coordination?

**Mr Henrick**—Yes.

**Senator CONROY**—On the Privacy Act, you argue that many small businesses remain unaware of the need to comply with the privacy legislation by 21 December this year and that there needs to be a national education campaign to raise awareness of the requirements of the

legislation. Are you engaged in any discussions about that with the government? What information has been provided to small business to date? Why do you think that is insufficient?

**Mr Henrick**—No, we are not involved in conversations with the government about it. That issue was raised by some of our member organisations and they are very conscious that, if individual businesses around Australia are aware of it, it is in a very rudimentary way. They certainly do not understand the requirements of the details of the legislation, and they are not prepared for a 1 December implementation.

**Senator CONROY**—Do you think there is a best model for advising small businesses? Everyone keeps saying, ‘We’ve put it on the Net.’

**Mr Henrick**—Yes. Some businesses have access to the Net, but a lot of them do not. A lot of them are too small to have the time to access the Net. There are lots of other things that people put on the Net, too, so the task of getting information off the Net is pretty complicated. The sorts of campaigns that the government has run in the past on all sorts of issues have been basically television based, and I think at the end of the day television and press advertising raises awareness.

**Senator CONROY**—With the GST, we saw a lot of money given to organisations. I am not sure if NARGA received any GST money.

**Mr McKenzie**—We got some.

**Senator CONROY**—Is that a role you can play? Are you not in a position to independently undertake this sort of education campaign? Mr McKenzie, you are regularly on TV.

**Mr McKenzie**—Some of our organisations offer training facilities, and it could be embraced within those areas. If there were some support from the government in that area, we might be able to incorporate some of these things into the training programs. We are more likely to get the message through in a training program than by sending somebody a piece of paper on a fax or an email. I was talking to one of our retailers the other day, and he said he gets about 20 bits of paper every day. Most of it just goes straight into the bin; he does not have time to read it.

**Senator CONROY**—We know that feeling!

**Mr McKenzie**—If you want to get the message through, you have to find other ways.

**Senator CONROY**—You mentioned that 21 December is just not going to work for your members. If the government were to send the privacy officers to knock on doors on 21 December, would you see a disaster looming?

**Mr Henrick**—If they are planning to enforce from that date, yes, there is a disaster looming. But, if they regard the first six months or so as an educational period in which departmental officers—

**Senator CONROY**—I think you are too far away from an election for there to be an educational period; it will be straight enforcement.

**Mr Henrick**—You could be right.

**Senator CONROY**—Are they indicating a phase-in period?

**Mr Henrick**—Not that I am aware of, no.

**Mr McKenzie**—If we look at the GST experience, we could probably say that there will be more tolerance if they adopt the same approach.

**Senator CONROY**—But there is no election. The GST was phased in right next to an election.

**Senator BARNETT**—That is a bit of a leading question, Mr Chairman.

**Senator CONROY**—I think Mr McKenzie has played a dead bat; you are safe, Senator Barnett.

**Mr McKenzie**—One would hope that this committee, among others, will get the message through that there has to be a period of leniency and that there has to be a phase-in period, particularly for small business—who are just not geared for this constant whirl of changes. The key point we would like to make today probably as much as any is that this issue of compliance cost is just overwhelming for small business. There seems to be a constant stream of regulatory changes, and small business just cannot cope with it. There has to be some way to ameliorate the effects of the constant stream of change. The Office of Small Business are supposed to provide a small business impact statement with every cabinet submission. I have not seen any of them, and I guess some of you may have. I do not know what sort of role the OSB are playing in that regard and I do not know where they are consulting; they have not spoken to us about anything.

**Senator CONROY**—They have never spoken to your organisation?

**Mr McKenzie**—No, not specifically about that.

**Senator CONROY**—They are coming up after lunch. We will have a chat with them.

**Mr McKenzie**—Yes, please. One of the things that was a bit curious the other day was super choice. That is now, as I understand it, a bill in the parliament, yet the Treasury openly admits that there will be massive small business compliance cost issues. What has been done for small business in these areas? Who is speaking up on behalf of small business when these proposals get brought forward? The OSB ought to be active in that area, but these proposals still seem to get through with all the compliance cost issues.

**Senator CONROY**—The banks are the major champions of choice of super funds.

**Mr McKenzie**—It goes to the heart of this whole issue, and that is: who is looking after small business?

**Senator BARNETT**—So you support choice now, Senator Conroy?

**Senator CONROY**—We have a choice model on the table. Are the GST and the privacy legislation your main concerns in the area of compliance or are there other concerns such as OH&S and employment laws? I think you made reference to the fact that it is just a burgeoning area—

**Mr McKenzie**—They are two or three that obviously come to mind. I am concerned as to what processes are in place to ensure that the full impact on small business is on the table for all to see. How much transparency is there? To me, government says that small business is the most deserving sector in the economy because of its job creation role, the fact that it is a wellspring of innovation and entrepreneurs et cetera. But when it comes to the crunch, it seems to be the line of least resistance.

**Senator CONROY**—As I said, we have the Office of Small Business coming in after lunch. If we were to convince them that one of the ways for them to look at a compliance model was to sit down with a small business to see how the legislation that has been proposed impacts directly, would any of your members be available, if the Office of Small Business would like to meet a small business?

**Mr McKenzie**—Yes. I know the government has its consultative groups.

**Senator CONROY**—I mean a real small business—actually come in and sit there and have someone say, ‘This privacy law, this is what it is going to mean’, and work with them.

**Mr McKenzie**—We would be happy to provide that facility if we are asked. We have people—

**Senator CONROY**—I will let them know that you are available. Leave me your card and I will give it to them.

**Mr McKenzie**—I think it is an important point, because the Office of Small Business is there and I would imagine that one of its roles is to look out for small business, to make sure that governments are aware of the impacts. I think it is an area worth pursuing.

**Senator CONROY**—Given that there are only 32 in the entire Office of Small Business, they are probably suffering from a bit of regulatory overload like yourselves.

**Mr McKenzie**—That is a fair point.

**CHAIR**—I thank the witnesses.

**Proceedings suspended from 10.32 a.m. to 10.49 a.m.**



**SCOLLAY, Ms Moira, Chief Executive Officer, Australian National Training Authority**

**COULDREY, Ms Margo, Director, Client Relationships, Australian National Training Authority**

**CHAIR**—I would like to welcome representatives of the Australian National Training Authority. The committee has received submission No. 84. Are there any changes you wish to make to the submission?

**Ms Scollay**—No.

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

**Ms Scollay**—No.

**CHAIR**—This is really a follow-on from the discussions we were having in Brisbane, where I think we ran short in terms of some of the issues that we wished to discuss. In the Brisbane hearing, we discussed with you what was very evident to us: the lack of real training across the whole of the business community, but in particular the small business community, in business skills as opposed to the particular skills they require to produce whatever it is they produce, and the implications of that for the small business community. You talked to us about the small business services scoping project.

**Ms Scollay**—The business services training package.

**CHAIR**—One of the things you raised was that there is no way of identifying through the VET system whether students who attend TAFE to take up these packages are people who are running small businesses as opposed to people who are seeking particular business skills. Have you had an opportunity to revisit how we can make a clearer identification in this area and how we might focus these programs on delivering to small business operators as such, where the perceived need is?

**Ms Scollay**—Yes. We do not have any further information for the committee about whether the people who enrol in vocational education and training courses are small business owners or operators or whether they are self-employed in the main. We do not collect those statistics. There probably are other surveys conducted from time to time that might give us sampling that would allow us to draw inference from that, but I do not have anything further to give you at this stage on the actual numbers.

To follow on from the rest of what you just put to me, it is true that we now have the business services training package, a component of which was designed by and for small businesses. As I said to you last time, I want to clarify what the training packages are—because they have a name, that does not really explain what they are. Over the last five or six years, the vocational

education and training system in Australia has been going through the most comprehensive mapping process across Australian industry of the skills and competencies people need to do the work, to the point where this work is recognised internationally in a whole range of areas across a whole range of industries. It is usually run through the Industry Training Advisory Body, and there is consultation all over Australia and with all sectors of the industry to define at different levels in the Australian Qualifications Framework the skills and competencies a particular industry needs. The business services training package, as I told you last time, was launched in September 2001, so enrolments against that training package probably did not start until the beginning of this year. That does not mean there has not been stuff happening before then. There was a very active group that developed skills, competencies and descriptors for small businesses as far back as 1991. They have evolved and developed since then and have culminated now in this business services training package.

I have here a few pieces of information about the development of this latest training package. More than 1,000 individuals were consulted in every state and territory. As well, during the last six months of development, there was a web site that people could use for information or for commentary. There were 50,000 hits per month, which is a tremendous number when you consider that it is about developing a business services training package. It has been received with a great deal of interest. It contains a total of 45 qualifications and 390 units of competency covering all of the things you would need across the whole of business administration, but there are specific aspects of the package which are for small business.

The product is available. As I said to you last time, the delivery of that product is quite a challenge, because we know that small businesses do not want to just walk into a TAFE. Many people in small business tell us that they want short, sharp, highly relevant, right-on-the-moment training products. For a large number of people who are owner operators in small businesses, having to enrol in a whole qualification and front up to a TAFE on a regular basis does not work. We are looking at a whole range of flexible ways of delivering which are available within the recognised training system. From the point of view of the national policy people, provided you get a proper assessment of the skills and competencies that have been learnt, we are not at all prescriptive about how training providers and individuals go about learning those things. If it works it will be acceptable. It can include recognition of prior learning, on the job training and mentoring. It can include a whole array of things that are not at all associated with having to enrol in a whole course and doing a whole TAFE qualification. It is a challenge for us, though. Going to a TAFE college, for instance, is a very cost effective way of delivering. We are constantly looking at ways of educating the providers to think of more innovative approaches.

The other thing I probably did not stress enough last time is that, as I am sure you are aware, there are a plethora of other people who are out there doing things for small business. One of the things that I said was that whole of government approaches, which are easy to say and harder to do, are absolutely critical in this area, whether they are business development programs, employment based programs, community capacity building programs or whatever. They can be offered by a whole range of state and federal departments or they can be arranged by local chambers of commerce. There are all sorts of different people out there offering different bits. We are working now, particularly at a policy level, to try to find ways of interlocking those people who are already out there with the formal training agenda, because there is a hell of a lot happening that is funded by governments of different kinds. A lot of it is

not paying attention to the training side, so we want to link those with others who have got access to small business in order to bring the training agenda forward. We also need to find better ways of recognising those things that are being learnt informally and bringing them into the formal framework. If people are learning what they need to know, in the small, bite-size chunks that they need to know it in, and it suits them, then that is fine.

The reason we encourage that sort of learning to be in some way recognised is the portability of the qualification, and that is particularly important for an employee. Although it might not be front of mind for a small business owner at the time, if their circumstances change they might want to cash in what they know. But from government's point of view it is a sort of efficiency and effectiveness measure because it is a waste of everybody's resources to be training people in what they have already been trained in or training them for what they already know, and we ought to be doing a better job across all of government to link the informal with the formal so that when what you have done has been recognised it means that you do not have to do it again.

**CHAIR**—It seems to me that there are two distinct areas here that we are confronted with in terms of a challenge in training for small to medium enterprises. One is in the area of current business proprietors—in other words, people who are out there running businesses, who have invested their moneys in them and have skills in particular areas, whether plumbing, cleaning et cetera, but basically do not have the business skills. How do you actually deliver a program of training to them in the context that they have to run businesses and are probably working 14 or 16 hours a day anyway, and how do we actually get them interested in the process.

The second side of it is the prospective, I suppose, business proprietor and what we do to ensure that they have the skills before they invest their money. There have been some discussions at this committee about looking at some form of registration or certification which says that you have these skills before you can actually invest your dollars in business. Obviously there is a reverse side to that which says that that is interfering in the market et cetera. But it is an area which I think is of real concern because lots of people are getting superannuation payments, getting redundancy payments, and they are out putting \$250,000 or \$300,000 into a restaurant and six months later they are out the back door. On the other side, we can identify all the bankruptcies going on. But lots of people invest their money in small businesses and actually lose equity in the business; they do not go bankrupt but lose equity in the business. They might pay \$300,000 for it and sell it for \$50,000 and at the end of the day they have lost \$250,000 of equity, which collectively is a substantial loss for the community, but there is no way to measure that. How do we ensure that people, before they get into that process, actually have the qualifications necessary to at least give them an even break in terms of being able to operate in the marketplace?

The other side of that is how you deliver the mechanisms. I understand exactly what you are saying about people going into the TAFE system—their anxiety about going in, and the perception of people in the 40s age bracket. It is a bit like what I recall in Wollongong in the 1980s with the changes in the steel industry. Steelworkers were taught by going in and doing TAFE college courses, but they thought that it would be like sitting at a desk in school—they remembered it from 40 years ago. Life had moved on, but that was their image and there was no way in the world they were going to go and sit in a classroom environment like that. So there is a problem in how you might deliver these programs.

It seems to me that two bodies stand out—amongst probably lots of bodies out there assisting small business—that small business have some affinity with and that could provide a mechanism to deliver some of these packages out in the field, and they are the business enterprise centres, which seem to us to be doing a fairly substantial job with small business generally and also with the business women's network and the NEIS programs. The ACCs, the area consultative councils, also seem to have a fair degree of affinity with the small business communities in their local areas or spheres of influence. Both these bodies have a fairly substantial national coverage in the sense that they probably cover 80 per cent of the country, if not more, in terms of their reach. Perhaps there is a mechanism there whereby we ought to be looking at empowering them to be able to deliver some of these programs or at least to go out and do the thing that you said, deliver the bite-sized chunks to people when people need those bite-sized chunks, rather than trying to feed them the whole piece of fish at the one time, so to speak. I ask your views on that, because it interrelates to some degree with our training system and whether or not the training system is actually flexible enough to accommodate that type of approach.

**Ms Scollay**—Going back to the current businesses, I suppose that from where we sit how you get them interested is probably the starting point. You might remember that, at the last hearing, I gave you that research that we had on attitudes to training of small and microbusinesses, and there are many of them in the 'not interested' category. So long as they are there, there is no point in taking them a piece of fish, because they are not going to eat it. There really is an issue for Australia about developing a learning culture. It is a broader issue than just small business, but it is particularly an issue in a large number of small businesses.

There is a lot I could say about how you might develop a learning culture which would not be directly about how you would necessarily train small business operators. As a macro issue for the longer-term future of this country, a training culture would be something that we ought to have as a national aspiration, because if we need to be part of the knowledge economy, we are going to need a lot of training, skilling and upskilling in all sorts of areas, of which this is one. If, as a community, we are not generally switched on to being interested in it, that is an issue for the whole society. That is a really fundamental starting point because, if you cannot get people interested, there is no point in having the best training program, the best training providers and the program delivered in the most exciting ways. If people do not understand the benefits, they will not find the time. That is the very common story that we hear from many small businesses.

We do know of ways to turn people on to training. We know that approaching them where they are at is a pretty good start. We know the ACE sector—the adult and community education sector—is terrific at finding ways in for people who are not switched on or not interested, but there is almost a level at which, at a societal level, we need to start raising more awareness about the need for people to learn, train, upskill and reskill. It is an issue that we have about the whole upskilling of the existing work force, not just small business. Seventy per cent of the people who will be in jobs in 10 years time are in jobs now, and there will be so much change to those jobs in the next 10 years. All of the parties to the training venture, whether it is the industries, individuals or governments, are going to have to look really seriously at how we are going to continue to upskill in this world where the front-end loader view does not work any more. You cannot just get it once and hope it will last you for a lifetime—it will not.

**Ms Couldrey**—The other way, in terms of a particular strategy for engaging and reaching out to current proprietors, is the strategy we mentioned briefly last time around—the linkers pilot. We know that many small businesses access local networks for particular business advice or solutions, and those networks are trusted by them.

**CHAIR**—That is why I mentioned the BAC and the ACC, because they seem to have a real affinity with the proprietors.

**Ms Couldrey**—It is those sorts of groups: local business groups, solicitors, accountants and banking services. At the point at which small businesses are going to those people for advice about a business solution to meet a particular challenge, we would like to be able to link in with those people so that they know that training is one very effective business solution to meet a business challenge. We know it is only one strategy of a number, but one of the issues for us is how we reach those networks. The linkers trial is all about placing linkers in some of those key networks to actually build their awareness of the training strategies and solutions that are available and link people to appropriate training providers.

That will then have to link into your other point about the mechanism for delivery. We know that currently there are some very innovative solutions to delivery where training providers are looking at, for example, clusters of small businesses. It might be that some of those local networks that you referred to before would have knowledge about how to bring those clusters together. We are hopeful that the pilot might give us some ideas about models that work, as well.

**CHAIR**—Who is involved in the linkers trial?

**Ms Couldrey**—We have commissioned some people to run the pilot for us in a number of regions. Queensland is part of that.

**Ms Scollay**—I think it is mainly in Queensland and Tasmania. It is being run by the consultants who did the major evaluation of another small business exercise that was run by DEST—DEETYA then—in Tasmania a few years ago. They are very knowledgeable about small business and what small businesses need. They are looking at working with organisations like the business enterprise centres, the area consultative councils and others to see how we can link the business and the training agendas and then link people with the right provider if they get switched on to the idea of doing some training.

**CHAIR**—Is the Office of Small Business involved in this? Are they aware of it?

**Ms Couldrey**—My understanding is that the people who are working with us on the linkers project recently met with the executives of small business agencies to talk that through with them and to look at ways of working together.

**Ms Scollay**—That would be at the Commonwealth and state levels.

**Ms Couldrey**—To follow up your point about prospective business providers and how you reach those, ideally we in ANTA would love to see a mechanism whereby we could link with people who are working with prospective proprietors on their business plans. Most proprietors

need to look at setting up a business plan particularly around financing at the early stages. Ideally, we would love to see a situation where business plans include training as an integral strategic part of the plan to deliver the business outcomes. Again, that means getting in there early and linking up with the networks that work with small businesses on their business plans.

**Ms Scollay**—You posed the dilemma of whether it should be a carrot or stick approach. Not wanting to get involved in the politics of what that answer might entail, it certainly seems to me that, from the point of view of people learning, sticks have not worked very well in the past. As I say, if people are not switched on to learning, even if they are required to go through some mandatory course, the learning they would achieve from it, if it was not something that they felt was relevant to them, would not be worth it. Having said that, where people starting up are going to be in receipt of other people's money, the people who are giving them that money may want to stipulate what it is that they will require as a basis for moving forward.

Recently, I was providing some assistance to the PMSEIC—that is, the Prime Minister's Science, Engineering and Innovation Council working group—which is looking at how you can teach business skills to high-growth, high-tech start-up companies. The issue there was whether venture capitalists who might be looking to invest in those sorts of companies would be prepared to invest if they were not sure that the business side of it would be run properly. The same may be true where governments are looking to provide assistance to companies that are starting up—and in some instances they do. Where there is extra assistance being provided, it may be possible to have some basic requirements on the application of that money. One of those requirements might be that they know how to do the really fundamental things involved in running a business. That could be established through a range of ways, one of which might be recognition of prior learning and experience in business and another might be, if they are really fresh starters into this world, a training program of some kind.

**CHAIR**—The old National Industry Extension Service ran a lot of these types of programs in the 1980s. They were joint state-federal programs, not necessarily tied to small business. It did cash flow planning and business planning and it had programs for getting companies investment-ready—all of that stuff which goes into basic business skills. It provided a raft of packages. That was a service that was provided and funded by state and federal governments. I am just wondering whether something like that is necessary or whether that has gone past its use-by date and there is a different need in terms of the way in which we approach this whole training issue. Essentially, the program was driven by people going out and knocking on doors and saying, 'Have we got a deal for you,' so to speak, and then sitting down and talking to the business about its strengths and weaknesses and providing the appropriate program to meet those weaknesses.

**Ms Scollay**—There is a program in the UK at the moment called Investors in People, which you may know of. It is a very effective way of getting to small business. That program is funded, at least in part, by the government. Someone goes into a business and does an assessment of the needs of the business. It is not only training; it is the whole issue of what you need to use new technology and run a proper, innovative, well-run, well-planned business. The Investors in People program has a licence to operate here in Australia. It is not funded the way the British program is funded. Most of what is contained in that program is now available within the business services training package product. The issue comes down to whether or not

there would be ways of targeting funding to go along with it, and I am not really in a position to know how that would work.

**Senator CONROY**—One of the things that has really hit home to me, and possibly the other committee members, is the segmentation, if not fragmentation. I was just wondering how you cope with your training programs. We have met with small business and, to some degree, some private providers that have made the same points. We have been told that there is a training program needed for those just starting, another needed probably at two years when they are about to take the next step—so they have survived the first year and the second year and think, ‘What do we do now?’—another needed in the third year and then there are the micros. You make the point—and we have been given the same sort of evidence—that a lot of micros are not interested in expanding and training; they are just interested in survival and doing what they do. How do you manage to tailor programs to meet all of those needs, given that it can be the same business but it needs two different training programs: one to start and one to take the second step? I raise that because the NCVER have made some comments that, to a degree, suggest that the recent VET reforms, including the training package, are not quite hitting the mark in this area.

**Ms Scollay**—That is probably a Peter Kearns report that NCVER forwarded to the committee.

**Senator CONROY**—It is called *Are the two worlds colliding?*

**Ms Scollay**—Yes.

**Senator CONROY**—I am just interested in those two aspects—that is, how do you try to meet all those disparate needs, and does that fit in with that criticism?

**Ms Scollay**—Let me deal with the criticism first. I suppose you would expect me to defend the system but, as I said when we first appeared—and it is in our submission—we have found it a great challenge to get to small business. It is so much easier to have a registered training provider turn up at the door of a company with 500 employees. You can train them all then and there in the workplace, with training facilities, HR managers and all of that.

One of the points that we have been making is that, as far as we are concerned, the products, the training packages, have units of competency for all of those needs that you just described, whether they are a start-up business, a business wanting to decrease or a business wanting to expand.

**Senator CONROY**—Can you apply for different units? Can you say, ‘I am up to that bit in my development’?

**Ms Scollay**—Yes

**Senator CONROY**—So you can go for certain bits?

**Ms Scollay**—Yes. The system itself should be flexible enough for you, as a training provider working with a small-business person, to be able to say, ‘You can have a bit of this and a bit of

this because you need that right now; and in a year's time you'll need a bit of this and a bit of that, and eventually you might actually get a whole qualification, but you may not want that.' That is entirely available within the flexibilities of the system and in terms of what the frameworks and products offer, but it is hard to achieve in the actual delivery. That is partly because many TAFE institutes—as I said to you last time, they are responsible for between 75 and 85 per cent of delivery—still do enrolments on the basis of a whole qualification and not on the basis of units. We are pushing reforms to try to get changes.

**Senator CONROY**—Is that a fault with the way that you are funded? You have to sign people up at the beginning for the whole year and funding is contingent on that first sign up of the year, even if they never had any intention—

**Ms Scollay**—Often the funding is a driver. If the flexibilities are not carried through the system, often it is because of a very logical reason around funding, measurement or one of those things. We are looking at ways of freeing that up to facilitate an easier delivery. But, even if a training provider, such as a TAFE, understands—and many of them do now—that they really have to package smaller, more clever bits together, maybe from across a range of different training packages, which they can also do, there is still the issue of how cost effective it is for one training provider to deal with one microbusiness where there is one owner-operator.

Clearly, there need to be ways to get a critical mass of people together. That is one of the ways in which we are doing further segmentation. For instance, in this country franchises make up 15 per cent of businesses and many of them are small. You can actually use the franchise as the mechanism to get to that whole range of small businesses. So you have taken a cluster there and actually found a way of dealing with 15 per cent of your clientele by thinking about it cleverly. In other cases you have cooperatives—whether it is taxi drivers, fishing cooperatives or whatever—where, again, you can use the networks that are there, by virtue of their need to collaborate on other things, in order to get in and see if you can find a critical mass.

Another way that we know is working in the auto industry is through the supply chain. You go back through all the little companies that are part of the auto manufacturing supply chain, including the delivery, sales and service sides. Even the big car companies are realising the need for them to quality assure production all the way through, even the bits they do not own.

**Senator CONROY**—So do they help by saying that a person has to have proper accreditation from ANTA to get into their chain?

**Ms Scollay**—Yes. So that then becomes part of the quality control process of the supply chain. That is a way of getting at another segment.

**Senator CONROY**—And they do that for skills rather than for trade qualifications? When you say that they want quality control, do you mean that they want the management to have those skills or that they want the actual product to be guaranteed? I am trying to understand whether what we are talking about is being able to run a cash flow—that sort of thing. I presume that they do not write in that you have to have an ANTA qualification on cash flow, do they? What are those qualifications in that chain?



**Ms Scollay**—At the moment in the auto industry you are probably right—it is much more about the manufacturing of the part—but increasingly there is emphasis on, for instance, the quality control systems, which is a management function, and the information flows. So it is increasingly becoming a mixture of what you would call management training and production training.

**CHAIR**—The training certificates are a core element of that.

**Ms Scollay**—They can be. They are not mandatory, but they are increasingly becoming one of the ways in which the big companies can guarantee the quality that is coming through.

**Senator CONROY**—Do you think those flexibilities overcome the criticisms in the document ‘Are two worlds colliding?’?

**Ms Scollay**—Peter Kearns in that report is right to the extent that, so far, we have not done a good job of taking the informal stuff that is happening out there and integrating it with the formal. That is another issue. To that extent, I would agree with him—we find that very hard. There are some areas in which we have done it. We have done a major exercise in the rural industries. As I mentioned last time, there was a committee called RILC—the Rural Industries Learning Committee—chaired by Wendy Craik, who was at the time the Chief Executive of the National Farmers Federation. She and I were both on this committee, bringing all the agricultural, FarmBis and informal training programs run through the ag departments together with the formal VET agenda and finding ways of one crediting the other so that, if a farmer were to go broke and needed to move off the land, they could cash in what they had learned through those informal programs for what might be a more formal qualification that would then give them portability of those skills. But generally within Australia I think we have a long way to go to get the informal stuff and the formal stuff coming together more cleverly.

**CHAIR**—In terms of the issue we are discussing now, to what extent do you see the industry associations playing a key role in this as natural networking bodies?

**Ms Scollay**—One of the hallmarks of the system that we have now is that it is described as ‘industry led’, and a lot of that industry leadership comes from industry associations. They play a role at all levels and, as far as this is concerned, I think an increasing role right down to the delivery. Organisations like your local chambers of commerce and industry are key players in bringing small businesspeople together and then offering them these short, tailored just-in-time courses that small businesspeople really thrive on. So I do see that they have a major role to play—at the policy level where we usually deal with them and then at the delivery level where, out on the ground, they are interacting with other training providers. Many of them are training providers in their own right, which means they can give a formal qualification as well. They are part of this linking pilot that we are running. As industry associations have credibility with small business, they are one of the networks into a range of small businesses.

One of the impediments to the standard delivery of small business management training is that you have to have credibility as a small business operator in your own right if you are going to teach someone else how to do it. That is quite hard if it is TAFE delivery and the person delivering it has not recently run a small business, because small businesspeople will suss it out really quickly. I am not being critical of TAFE delivery, but they have got a constant challenge

to make sure that their skills are relevant. Small business proprietors are the most demanding in wanting another small business proprietor teaching them how to do it.

**CHAIR**—To what extent, Ms Scollay, is there an interface between TAFE and organisations like the BECs or the ACCs or the industry associations? Is there any sort of collaborative interface going on between these various groups in terms of actually getting the end point delivery of these programs or are they all out there operating in their own independent little worlds?

**Ms Scollay**—I think you will find a continuum ranging from brilliant to terrible. You have some TAFEs and other providers who are doing it absolutely brilliantly, where at the local community level—and I think it ironically is sometimes easier in rural or remoter communities—the whole lot get together. Whatever it is that is happening there is now being looked at as whole of government, whole of business and whole of community capacity building, of which training, education, learning is an absolutely critical part. You will find instances, although I cannot give you specific examples of where they have specifically used business enterprise centres or area consultative committees. Margo might have specific examples.

**Ms Couldrey**—It might be worth mentioning that last year we ran a small pilot in ANTA called learning communities. It was very small; just 10 selected communities, rural and regional, throughout Australia. One of the interesting results was that TAFEs played a leadership role in the networks in those learning communities. We commissioned those communities to do what we called a learning audit to look at what sorts of learning strategies were in place to develop their community capacity. In most instances, the TAFEs took a leadership role. It was very interesting to see that coming out consistently across those communities. We are hoping to take that pilot forward to another phase.

**Ms Scollay**—You will find in metropolitan areas as well that TAFEs are absolutely connected with the outer suburbs of the big metropolitan cities, for instance, where you have a manufacturing base. The TAFE is an integral part of everything that is happening in that business world. But then you will find the other extremes, where there is quite a disconnect between the training that is going on and the world of business that is right on their doorstep. Clearly, as far as we are concerned, our agenda is to push the delivery, whether it is by TAFE or otherwise, to be as connected as possible to its client base, both its individual students and the industries it is serving. There is a continuum of response to that.

**CHAIR**—Is there an argument for us to look at promoting the establishment of a number of pilots in this area, perhaps looking at different models of delivery over a period of time to see what the end result is? I think it is true to say that, when you look at regional and rural areas, the integration between various segments of the community is much greater than it is necessarily in the metropolitan areas where the base is much more diverse. Although even in the metropolitan area I think from the examples we had in the eastern suburbs, such as the BEC at Bondi Junction and the sort of work that they were doing, there was a very distinct community that they were servicing. You are right when you say there is no one singular model that would represent the whole of the community or the whole of the country.

**Ms Scollay**—Moving away a bit from the small business agenda, there are also the students who just pile in to the learning, who are not yet particularly attached to an industry but want to go to a TAFE college to get a learning experience. The employment outcomes from that may be a bit more remote because they are going to take a weaving pathway to get to where they eventually want to go, but that is another side of the demand. You have the demand from industry for skills but you also have every year a whole lot of kids who leave school and will go into TAFE and do a range of things there without necessarily yet being attached to an industry. That is meeting a client need as well, but it is a different kind of client need.

**CHAIR**—The other area we discussed in Brisbane which has been raised with us consistently by small business is that they cannot get the types of employees that they want with the skills that they want. In many instances they finish up employing people who do not have the skills and they are then confronted with having to get rid of those people. This raises the spectre of unfair dismissals et cetera.

It seems to me that, knowing the work that ANTA and the ITABs have done over the years in identifying skills and competencies across a range of virtually all the industry sectors, it should not be hard to put together profiles—I think they are probably already there—of the various employees that are needed. For example, in the retail industry, what are the skills and competencies those individuals are required to have? What skills are they required to have and what key competencies would you use to measure that? There would be some sort of pro forma to assist small business in evaluating people who come along for employment, so that they would know what questions they needed to ask and what they ought to be looking for. I do not know to what extent it would be difficult to put those packages together, but it does not seem to me to be an enormous task, given that they are already sitting there in some form or other anyway.

**Ms Scollay**—Yes, I think you are absolutely right. We mentioned to you last time that, either moving away from the notion of a whole qualification or at least alongside the notion of a whole qualification, we are looking at different collections of units of competency that increasingly people want in unusual combinations—a bit of this and a bit of that—and we are looking again at a skills passport. That might be a register, if you like, of what somebody has accomplished in their recognised competencies. Since you raised this issue, we have been discussing it within ANTA. As you say, the competencies have a title and a descriptor. Some of the descriptors would have to be rewritten, but many of them would not even have to be touched because they are a short and succinct description of exactly what the person needs to know and do to achieve that competency and to be assessed as competent. So it would be a very logical step in our development of the skills passport—which we are doing right now—to look at putting in the descriptor against the competency. For a small business employer who does not really know the system and does not know that a certificate II in retail or a certificate III in auto means you have certain skills, it would be a much more informative document for them to use to look at a prospective employee and to know the skills, competencies and knowledge that they were hiring. Since you raised that with us, that is something that we will be looking to take forward.

**CHAIR**—Presumably, if they wanted to put out a job description or an advert, they would be able to take those and build them into the job description.

**Ms Scollay**—Yes.

**CHAIR**—So that if, at any given point in time, an individual demonstrates that they do not meet the competencies or skills required in the job description, the unfair dismissal issue becomes much easier for the employer to deal with because the person would not have met the requirements of the employment in the first place.

**Ms Couldrey**—There are a number of tools already around to assist employers in that regard. It is sometimes a matter of people knowing that those tools are there. A project was done in Victoria about apprentice and trainee selection for small business, which was called ‘Successful recruitment for small business’, and the tools were published. It had a series of about 10 tips on employing the right person. It had exactly those sorts of things: how do you construct a job description; what are the right questions to ask to make sure you get the right person for your business? I think it goes to the heart of the issue you raised with us last time about people feeling confident in recruitment practices. If you have tools like that and you put them together with something like the skills passport, which gives accurate descriptors of what people know, can do and are competent in, it is going to raise confidence.

**Ms Scollay**—That is a big task for us. We understand the obligation on ANTA to get better information out to people about what is available. It is a constant challenge to us to get that information to small businesses, because you basically have to do it by word of mouth. The linking project that we have described to you would be one way of doing that, but on an Australia-wide scale it is something that almost needs a publicity campaign.

**CHAIR**—But I wonder to what extent there is a need for ANTA to sit down with the Office of Small Business and some of the state small business offices, actually work through some of these issues and find a package of mechanisms as to how you deliver these things and how you advertise them. I suppose the other question is to what extent there is a will for people to do this. I do not know what sort of interface you have with the Office of Small Business or to what extent whole-of-government approaches genuinely work in drawing in the myriad of groups that are out there delivering services and looking at new ways and means of doing things.

**Ms Scollay**—We were recently asked by the Small Business Ministerial Council to advise them on these sorts of issues. Ms Couldrey was part of that.

**Ms Couldrey**—We have had contact with the secretariat of the Small Business Ministerial Council around their concerns in this area, and that contact is ongoing. In addition, we have had contact with the Small Business Consultative Committee around their concerns, particularly around small business proprietors and their skills. Last time, we were speaking with you about whole-of-government approaches. We think that that is probably the only way to go as well. I think there is a will there but, as we said last time, it is the actual doing of it that poses challenges, because you do have to have very good sets of relationships that you build through regular communication. That takes a lot of effort and will.

**CHAIR**—Is turf war still a big issue in terms of trying to get a whole-of-government approach?

**Ms Scollay**—I have not found it to be so. There is an enormous willingness to share information and cooperate. Often, if there is turf war, it will be around funding in the end, but in our deliberations around small business it has not come to that. Because we are so tiny as ANTA, we would normally contract out a lot of the project work that does this sort of thing for us. That is why we have contracted this organisation to do this linking project for us, and they are working with offices of small business at federal and state level as part of this pilot. We would have some contact with federal and state, but it would not be anything like as much as a particular project that is looking at how something might work on the ground.

**Senator BARNETT**—I want to follow on from the question in regard to having this whole-of-government approach and throw open a generic question as to how we can do it better. I understand the structures that you have at the moment. You have your board. The state and territory ministers and the federal minister for education are obviously the ministerial council that I understand is relevant, but you have mentioned having contact with the secretariat of the Small Business Ministerial Council. Is there a better way? Is there a better system? Have you got any thoughts on how we can develop a better system where we can integrate the different stakeholder groups and different interests to inject that into your training methods?

**Ms Scollay**—That is a big question. My answer to questions of structure is usually this: if you have got good relationships, the structures do not matter; if you have got no relationships, bad structures will certainly be an impediment. I often wonder about the fact that, with our industry board, we report to education and training ministers. Sometimes they are employment ministers as well, at the state level.

**Senator BARNETT**—So sometimes those ministers are employment ministers as well. Is that what you said?

**Ms Scollay**—Yes. In some states, the minister is a minister for maybe employment and training, not necessarily education. It varies all the time as regimes change around the country.

**Senator BARNETT**—Have you found one to be more relevant than the other—education or employment and training?

**Ms Scollay**—I suppose I am a great integrator. I would like to see a much greater integration of vocational education and training with a whole range of other portfolios. I often find that we in ANTA are at an intersection of where government policy hits from a whole range of areas. I was recently talking to an environmental group about all the things we are doing in the VET sector to make sure we are having sustainable development. Then it will be an employment focus, a small business focus, a healthy ageing focus and a labour market focus. We are at an intersection where a lot of whole of government things meet. Ms Couldrey was talking about the pilots that we had on learning communities and we are now doing work with the Department of Transport and Regional Services, so we are constantly linking with a range of portfolios.

**Senator BARNETT**—I realise that is a tough question but I thought I would throw it out there anyway. I take your point about relationships and how important that is to getting good outcomes. My point is that, if you develop a structure, it can benefit the system and encourage good systems which will flow through to good outcomes. Another way of asking the question

is: if you had a blank piece of paper today, how would you structure it? I do not know if that is possible to answer.

**Ms Scollay**—Hypothetically, there are nine ministers of education and training around the country who are involved in this current MINCO, and I wonder whether it would not have been more productive to have had some industry ministers represented as well.

**Senator BARNETT**—That is where I am coming from. I am very small business focused and that is the nature of the inquiry that we are involved in at the moment and how we can inject the business angle in there. I take your point about aged care and all the other areas as well.

**Ms Scollay**—We are an industry led system, unlike the other two sectors of education, which are schools and universities. Our relationship with industry is very strong, not only the industry board but through the ITABs and all the work that is done in the development of the competency based system. There is a sense in which we feel owned by industry. We are always looking for closer links to better establish those relationships.

**Senator BARNETT**—I take your point and totally agree, but the ministerial council you report to is education and training primarily.

**Ms Scollay**—Yes. But the onus is on us to make sure that we liaise with the others. I have contacts in the industry department and with the industry action agendas that are being developed at federal level. ANTA is involved in several of them. We are responsible for the coordination of a lot of the textile, clothing and footwear industry action agenda. Across all of industry, we are finding linkages. We are also establishing links with many of the cooperative research centres because they are the most likely places for predicting future skill needs for large and small business, and even start-up small businesses. We are constantly using our tentacles to be in there, have influence and get the training issues on the agenda.

**Ms Couldrey**—We believe very strongly that vocational education and training can make a difference for the better to people's lives but that the only way we can do that is if we partner with all the other strategies. Also, because we are so small, we have to do that to have influence. In terms of specific things, we are trying a few things. It was mentioned before that we are trying to link into existing structures that are around whole of government and whole of community to get better influence around outcomes for vocational education and training. One of the ways is to link into the Department of Transport and Regional Services Sustainable Regions initiatives where we can go into partnership for specific vocation education and training outcomes. So we are trying to give it a go in a number of areas, work it through and see what works.

**Senator BARNETT**—That is encouraging. You made the point that it is industry led training, and that is the emphasis I would like to see. In Brisbane, I asked you a question about the statistics on the proportion or number of small business operators taking TAFE courses and we could not put a figure on it. I was wondering whether there are any statistics on RTO training of small business operators in business skills. Do you have any figures on that?

**Ms Scollay**—I do not believe we do; I do not believe we collect that. But we can take that on notice. On the question we discussed last time, where I said that, for the course delivery that is

publicly funded that we know of, courses for small business employers are of the order of less than one per cent. I know that you were a bit shocked by that.

**Senator BARNETT**—Yes.

**Ms Scollay**—It is important to understand the number of other players out there doing this. It is not the totality of what is happening; it is just the totality of what is happening with publicly-funded formal course delivery.

**Senator BARNETT**—Yes, point taken, but we are looking at a national training program. Obviously, I was surprised by that figure.

**Ms Scollay**—Yes. The employees of small businesses are very large users of the publicly funded VET system. The issue is the owner-operators. I suppose it is in the context where we know that owner-operators want short courses, but actually the big companies are doing the short courses and not the small proprietors. Our view of that is that it is probably because they are not interested or they do not have time—even though it is what they want—that the numbers are so small.

**Ms Couldrey**—Or they do not have the economies of scale that big businesses do to run them in-house.

**Senator BARNETT**—That is a point that was made to us in Western Australia by the Department of Training. You probably saw some of their arguments. They said that management training is difficult to do under the ANTA framework because most small businesses do not want to do training under that format with those restrictions. They actually fund other forms of training. What sorts of implications does that have for a national training package for the country?

**Ms Scollay**—It does have implications. We like to see things done, to the extent that they can be, within the national framework because of all of the advantages that I have spelled out. But we are not fanatical about it; if good learning is happening in whatever ways it happens and it is the right thing to be happening then that is a good thing. It is a question of translating that into the formal, if we need to for a particular reason. That is, as I highlighted earlier, out of the Kearns report *Are two worlds colliding?* that I believe has been tabled before the committee. That is what he is talking about: you have a whole lot of informal stuff happening which is not necessarily being acknowledged within the national training framework.

**CHAIR**—It is also about putting a value on it, at the end of the day.

**Ms Scollay**—Yes, that is right—to put a value on it. Some people do not want it; they do not want it necessarily at the time they do the training or they might want to, if you like, cash it in later. That facility exists under recognition of prior learning within the framework, but it is not always taken up.

**Senator BARNETT**—No. But I suppose where I am coming from is trying to make sure we have an integrated, whole-of-government type approach. You have your approach and they have their approach, and we have to make sure that the right hand knows what the left hand is doing.

**Ms Scollay**—The West Australian state training authority is one of the nine government departments we link with very closely. I chair a committee of the CEOs of all of those state and territory training authorities, and they are all part of, and their ministers approve, the development of the business services training package. All training packages are approved by all the nine ministers, and their departments advise them on that. To the extent that they are doing material that is outside the—

**Senator BARNETT**—They all know what the others are doing?

**Ms Scollay**—Yes.

**Senator BARNETT**—That is accepted?

**Ms Scollay**—Yes. In the formal structure they do. Informally, if there are short bits and pieces that they are doing to meet a particular localised need, and it does not exist within the training package, that is something that they would do on a local basis. Our emphasis would be that that is fine, that is what the need is, but at some stage recognition for that may be required in the national framework. That is what we try to ensure is allowable even though it may not happen; it is possible.

**Senator BARNETT**—The other issue that came up in Brisbane related to FarmBis and the rural industries learning program. You said that Dr Wendy Craik was involved in that and you talked about that being mapped. Could you clarify what mapping actually means?

**Ms Scollay**—We took the informal programs like FarmBis and a range of mentoring programs that happen and are funded through the agriculture departments and we looked at what was in the training packages. We worked across the agriculture departments and the training packages to amend the training packages so that some of the stuff that FarmBis is delivering would be able to be better integrated if recognition was later required for that. Something like FarmBis, which the farmers love, would not be a nationally recognised qualification because it is not delivered by a recognised training organisation. But what we established was, if you had done a particular program within FarmBis, what an RTO might then give you credit for as part of a qualification. So it was a mapping exercise between the informal and the formal to make it as easy as possible for anyone doing those informal agricultural based farm programs. Sometimes they are run by chemical companies, stock and station agents and all sorts of different people. With all those sorts of programs, if a registered training organisation was to be approached, we mapped how they would be acknowledged and credited towards a qualification if that was what the person wanted.

**Senator BARNETT**—That is important to developing your national framework for training?

**Ms Scollay**—Yes.

**Senator BARNETT**—Does that fit in neatly?

**Ms Scollay**—Yes.

**Senator BARNETT**—That is why you are doing the mapping?



**Ms Scollay**—Yes.

**Senator BARNETT**—Mentoring is an area that I have a special interest in. Are you able to offer any packages of support for mentoring for small business in any of the states or is that done outside your jurisdiction?

**Ms Scollay**—It is mainly outside our jurisdiction but it can be done in conjunction. We know that mentoring is a very effective strategy with small businesses. If they are also doing some units of competency, it can be a strategy used by the registered training organisation as part of the delivery of and support for the knowledge and skills being learnt through the formal VET system. It is more like a support mechanism than an actual end in itself, but a very important one which is likely to be used in lots of different ways around the country.

**Senator BARNETT**—I think it is extremely valuable to small business, particularly micro business. They appreciate that one on one mentoring service, but it is not funded nationally. It is very ad hoc in this country at the moment; different states have it and it is funded in different ways. I am wondering whether there is some way we can integrate that into a national approach for supporting small business, in particular micro business, with regard to mentoring.

**Ms Scollay**—It may be something that the committee wants to focus on but it would not be a centre stage issue for the VET system. When we are looking at breaking down the barriers between VET and other parts of the system, all sorts of things are possible.

**Ms Couldrey**—If I could make a comment on the mentoring issue, it is not something that we are directly involved in a program with as such but we have worked with the ABC on a series of 10 programs which go to air from December. They focus on case studies, many of which focus on mentoring as a theme of supporting small businesses. There will be an interactive web site developed to go along with those programs, and materials and tools will be added to those.

**Senator BARNETT**—Is that your web site or someone else's web site?

**Ms Couldrey**—The ABC will own the web site. We are working with them on the content. Those programs have been developed by a memorandum of understanding with the ABC and ANTA.

**Ms Scollay**—For small business.

**Ms Couldrey**—Yes, specifically targeting small business, and with mentoring as one of the key themes.

**Senator BARNETT**—That sounds very encouraging. Presumably there will be appropriate linkages on the web site to your small business training packages and other mentoring packages. We have had New South Wales and Tasmania, and I think other groups as well, offering mentoring. Thanks for that. The other question is in regard to education and awareness by small business of the services and the training systems around the country that you offer via the Web, and the one-stop shop business entry point. Are you linked into the business entry points and the different state government business entry point web sites?

**Ms Scollay**—Not directly, but we are at the moment developing what we are calling our VET portal, which will be a one-stop shop access into state, territory and federal training systems, and you will be able to approach that, depending on who you are, as a client of the system—whether a small business, a training provider, an individual or a large business. The aim of that is to link you to any relevant site. It is based on an incredibly powerful search engine which will allow you to—

**Senator BARNETT**—Is that far away time-wise?

**Ms Scollay**—The first release will be May next year, and it will be fully functioning within about two years.

**Senator BARNETT**—It sounds like a long time.

**Ms Scollay**—It is big. It will mean, if you are a small business anywhere, you can ask your question and it will find a database to tell you what the answer is from a training perspective in terms of availability of courses, availability of relevant units of competency, who could deliver it, how much of it is online, and all sorts of things.

**Senator BARNETT**—As regards the state based training, they would have a lot of that on their own web sites now, wouldn't they?

**Ms Scollay**—Yes, and our web site links with their web sites now. You can go to the web site and click onto links to the state training authorities and get in now, but this will be a national overlay that has added depth before you go into different databases. It will allow you to track information. It is very localised to your needs.

**Senator BARNETT**—The reason I asked the question is that all the witnesses and small businesses generally support this idea of a one-stop shop business entry point. They may want to find out about their tax, their super or their licences, permits and approvals relevant to establishing their petrol station and general store, and they would like to know about training and education and what options they have got. They just want to keep it simple, and that is where I am coming from.

**Ms Scollay**—Yes. At the moment we are not linked to the small business entry point.

**Senator BARNETT**—Why is that?

**Ms Scollay**—We probably have not got to it. We probably could. That is probably something that we can take up.

**Senator BARNETT**—That would be good. Thanks very much for your submission and the responses we have got from Brisbane. It is appreciated.

**CHAIR**—Ms Scollay, you said earlier your interface with government is through the education ministers at both state and federal levels but you also have access to other

departments. To what extent are you aware of any collaboration that occurs between the departments on some of these issues—between Industry and Education, for example?

**Ms Scollay**—At the state level and the local level it is different in every state and territory, but it happens. There are different combinations—

**CHAIR**—Does it happen by accident or design?

**Ms Scollay**—There is an increasing awareness around the country of the need for whole of government approaches. Interestingly, it is most visible in areas like Indigenous affairs and working with people with disabilities. For instance, within ANTA we have two major strategies, one on Indigenous Australians and one on people with disabilities, and you cannot go anywhere with those issues without dealing with whole of government. It is a waste of time unless you treat people with disabilities as a whole of life, whole of person issue. The best training in the world does not do any good if they cannot get the bus or cannot get up the stairs into the training place if they have a physical disability. It is interesting to me that, from a public policy perspective, the greatest collaborations across industry, across federal, state and local, are happening in those areas where you would have to say the need is greatest, but it is happening across departments as well at the state and the federal level. It does not make sense in this modern world of unusual combinations of complex problems for things to be treated in silos. Increasingly we are having to collaborate to solve problems. It is happening.

**CHAIR**—But there is no one central access point yet, is there, where you can feed in an issue and be confident that it will get exposed to the whole of the government community?

**Ms Scollay**—No, but in my view that will be because not everybody puts the same priority on the issue, not because the mechanisms are not there. Those of us that are dealing with a particular issue at a particular time think it is the most important issue, but when it gets fed into a whole of government approach there will be other priorities. It will be keeping something like this agenda with enough priority that will be the issue.

**Ms Couldrey**—There is an interesting model that is just about to get under way. As far as I am aware it involves the Commonwealth and Queensland governments at this point, but there could be others involved as well—I simply know of that region in the Cape York area where they are looking at that issues based way of dealing with things. One person will be appointed and one department will be appointed as a broker and will take lead responsibility across all the other departments at the Commonwealth and the state levels for dealing with the issue within the community so that the community has one interface for the funding and the problem they are trying to address. That has just been announced and is about to get under way. We will be watching that and trying to get in there with the training agenda—

**CHAIR**—It is almost our G-shop model.

**Ms Couldrey**—We might be able to learn from that.

**CHAIR**—Thank you.

**Senator BARNETT**—The OSB, in appendix C to their submission, say that at the beginning of May 2002 there were 73 training packages—66 industry and seven enterprise—estimated to cover around 75 per cent of the work force. Does that sound about right to you?

**Ms Scollay**—It is not quite right, but it is closeish. There are 77 training packages covering 82 per cent of industry.

**Senator BARNETT**—Eighty-two per cent of industry or the work force? What is the difference?

**Ms Scollay**—I think it is 82 per cent of industry, but I will come back to you on that.

**Senator BARNETT**—I just wanted to clarify that. It is not a problem.

**CHAIR**—Thank you, Ms Scollay and Ms Couldrey.

**Proceedings suspended from 12.09 p.m. to 1.31 p.m.**

**BEETHAM, Mrs Robyn Lynette, First Assistant Secretary, Regional Programs Division, Department of Transport and Regional Services**

**LAWLESS, Ms Jan, Acting Assistant Secretary, Regional Network Branch, Department of Transport and Regional Services**

**BRUGGER, Mr Antony William, Acting General Manager, Office of Small Business**

**CLARKE, Mr Drew, Executive General Manager, AusIndustry, Department of Industry, Tourism and Resources**

**GRIFFIN, Mr Paul Anthony, General Manager, Business Entry Point Branch, Department of Industry, Tourism and Resources**

**PRATT, Mr Finn, Group Manager, Job Seeker Support Group, Department of Employment and Workplace Relations**

**WALTERS, Mr Colin John, Group Manager, Vocational Education and Training Group, Department of Education, Science and Training**

**CHAIR**—Welcome. The committee has invited you to a joint appearance to allow it to pursue a number of matters related to the range of programs for small business, including policy and program coordination, and the need for a whole of government approach as well as some agency specific issues. The committee has before it submissions Nos 71, 54 and 94. You have indicated there are no changes the departments wish to make to those submissions.

The committee prefers all evidence to be given in public, although the committee will 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 invite each agency to start by briefly outlining its role in relation to small business, highlighting any policies and programs that it administers which are either primarily concerned with small business or where small business is an important part of the group. Who wants to open the batting, as the saying goes?

**Mr Brugger**—The Office of Small Business has a general policy coordination role across small business issues and, while we do not deliver programs per se, AusIndustry delivers them for us. Drew Clarke will go into those programs in more detail.

**Mr Pratt**—I am here to represent employment services, in particular the New Enterprise Incentives Scheme, which I understand the committee has an interest in. I am also able to comment on a range of issues in relation to employment services run by DEWR.

**Mr Walters**—I am able to answer any other questions the committee may have on training issues, although I notice that the committee has already had a fairly extensive briefing from the chief executive of the National Training Authority.

**CHAIR**—Yes, we have.

**Mr Clarke**—I would like, if I may, to raise four issues with the committee regarding AusIndustry. These points arise from issues that the committee has already addressed and that I hope may contribute to the inquiry. Firstly, I will outline briefly AusIndustry's role in supporting small business—what AusIndustry is about. I will then touch on our regional services initiative, which is our particular focus on businesses in regional Australia. Thirdly, I will mention the way in which we go about trying to respond to companies that we contact. Finally, I would like to address the issue of program flexibility which, Senator, you and I discussed briefly at the last estimates and which I know you have raised again in this inquiry. With your agreement, I will go through those four points.

On AusIndustry's role in supporting small business, AusIndustry is currently in its third incarnation as a unit within the industry department. In our current model, we are the program delivery arm of the industry department, where policy responsibility has all been separated from program delivery. For example, in regard to small business, the Office of Small Business is our policy owner and, in regard to innovation programs, there is an innovation policy branch. However, AusIndustry now delivers around 24 business programs from within the industry department. These 24 programs have a nominal value of around \$1.7 billion per year, and we are currently servicing around 9,000 customers, principally Australian businesses. Around 50 per cent of those customers are small businesses using the definition of a \$5 million per year turnover. I recognise that the definition of small business is somewhat problematic. The \$5 million turnover was the number that we could use most consistently across our program databases. Of those 24 programs, seven are exclusively targeted at the small business sector, either directly or indirectly.

**Senator BARNETT**—Why are we specifically using that definition?

**Mr Clarke**—I have used that definition only for the purpose of informing the committee of the nature of the customer base. In several cases, the \$5 million turnover is actually a criteria that applies to eligibility for some of the programs. I am very conscious that full-time equivalent employment is often a more useful definition for a lot of policy purposes. One of the things that AusIndustry needs to do is build its customer database to incorporate FTE. We have it in some programs but not in all, so I have used the \$5 million turnover for consistency across our customer base.

**Senator BARNETT**—Thank you.

**Mr Clarke**—The second item was regional services. Late last year, AusIndustry implemented 14 regional offices around Australia. Our service delivery model up till then had been through an office in Canberra and each of the state capitals, and we have since added 14 one-person offices. These are all collocated with other business agencies in regional Australia. Eight of them are collocated with our state government counterparts, and the other six are variously with regional development boards, area consultative committees et cetera. This initiative was designed to overcome the disadvantage that businesses in regional Australia have in terms of access to and awareness of business programs.

The third item that I mentioned briefly is the way in which we try and service the companies that we talk to. In essence, our value proposition for those companies has got four elements. Firstly, we advise them on which of the 24 AusIndustry programs may be relevant to their

businesses. Secondly, we assist them to make a competitive application or to register for their full entitlement. Thirdly, if we are unable to assist them, we attempt to refer them to other service providers, be they other levels of government or outside government. Fourthly, we try to do all this in a manner that minimises their transaction cost. We conduct satisfaction surveys of our customers, and we are currently tracking across the whole of our programs at around 80 per cent customer satisfaction. Obviously, I can delve into that in more detail if you are interested.

The final item that I know the committee is interested in is this matter of program flexibility. Senator, I think you asked me at the estimates in February how we might go about being more flexible in dealing with companies across that program range. I would like to give you three specific program examples and one generic example. The first example is the TCF SIP, the textiles, clothing and footwear program, where a change to the design and the eligibility rules was recently introduced, relating to the five per cent sales capping, which was a response to feedback from the market that there was an element that was not working in the appropriate manner. The second is an example that I know you are very familiar with: the whole industry consultation process that we went through with the R&D tax concession that led to the 175 per cent premium, the rebate element and the R&D plan, where the design was very much subject to company feedback. The third program example is the Biotechnology Innovation Fund, BIF. The nature of BIF is quite similar to R&D Start with the concept of 50 per cent of R&D costs, but the projects that we are supporting under BIF would not for the very large part, if not entirely, be eligible for support under Start because of their early stage nature. So the BIF program design quite explicitly addressed a barrier to access for a certain class of companies under the mainstream program of R&D Start.

The fourth is a generic example. AusIndustry's program suite now includes five programs where we are actually funding the service provider rather than working directly with the customer, the end user. We undertake a competitive selection process that generally gives a grant to an industry body which in turn delivers tailored services to the customer database. In most cases, it is to small businesses or certainly to SMEs. One of the five programs is the Innovation Access Program, in which current examples include the technology advisory service, which is directly helping companies with technology issues, and a recent grant to the Australian Industry Group to establish an innovation exchange linking, through a database and web site, users and providers of innovation services. The other four are: the COMET program, which is very much about tailoring the nature of the assistance through the business advisers; the Small Business Enterprise Culture Program, which is funding training and mentoring programs for small business owner-operators, again tailored by nature of the applicants designing the programs not AusIndustry; the Small Business Incubator Program, again tailored to the local community; and the Small Business Answers program which is building on this issue of awareness of and access to Commonwealth programs. That is all that I would like to say by way of opening remarks.

**CHAIR**—One of the issues that has been raised with us—I think it was by one of the participants in Western Australia—was the concept of setting up what they called a G-shop—in other words a government shop—where companies could go to get advice on what programs might be available from government, whether that be federal, state or local, and where they could also do their transactions with government. One of the issues was, for example, lodging a BAS statement. Instead of having to ensure that it got to Albury, I think it was, by the 28th of the month, they could lodge their BAS statement there and comply with the requirements. They

raised that in the context of saying that there are a lot of programs out there which governments deliver. There is advice about those programs on the web site but a lot of companies look it up, they see the program and say, 'I don't meet that criteria.' So they either do not bother going any further or go elsewhere.

I suppose the emphasis that they were putting on it was: 'There is no capacity for people from government to sit down and talk to us about our business, what we are doing or where they might be able to assist us to run the business better or to tailor their programs to meet the specific needs of my particular business as opposed to the business of the person next door.' That is the sort of flexibility that I have consistently raised with you. I understand what you are saying about flexibility, looking at the programs and, if they are not meeting the need, changing them to meet that need. But I think the flexibility that is being talked about here is much more extensive than that; it is about having the capacity within those programs to sit down and talk with the business proprietor about their business, what the strengths and weaknesses of it are, where they are failing, what packages that are available may be able to assist them and whether or not you have the capacity to alter, vary or reshape those programs to meet the specific means of an individual company.

**Mr Clarke**—Could I respond to that? I think we go a long way towards what you are saying, but I am not suggesting that it is 100 per cent. One of the advantages of putting all of the industry programs into one delivery agency is that when an AusIndustry customer service manager is talking to a company they have got all 24 programs in their kitbag, not just the one or two. If I can use a metaphor, we do not walk into a company and line up our 24 products on the table and say, 'Would you like to buy one of these?' Our approach is to say, 'Tell us about your business; tell us where you are at, what you are doing and what are the current issues.' We see it as our job to try to advise the companies as to which, if any, of the programs we offer—degrees of flexibility taken into account—may be relevant to their circumstances. That is the opening part of our value proposition. If it is not one of the 24 Commonwealth industry programs, then we are training our staff to be able to say, 'We can't actually help you but it might be Austrade, it might be the state government, it might be the Business Enterprise Centre or whatever.' So there is a referral on to the appropriate service provider if it is not us.

**Senator BARNETT**—Does your area include the area consultative committees?

**Mrs Beetham**—Yes, it does.

**CHAIR**—On the issue you were just discussing, Mr Clarke, you say you now have 14 regional offices. I think at the last discussions, Mr Brugger, you said there were 44?

**Mr Brugger**—What I would count would be the assistance offices that are delivered through the area consultative committees.

**CHAIR**—Do we know collectively how many government access points are out there around regional and rural Australia in totality across all departments?

**Mr Brugger**—I can give you a very rough figure or I can give you a more exact figure if you allow me to take the question on notice.



**CHAIR**—You can take it on notice but you can give us a very rough figure, too. I am wondering how practical or impractical this proposal for a G-shop is. It may well be that the infrastructure is already substantially out there in one form or another. Have you any idea, Mrs Beetham?

**Mrs Beetham**—For our own part, we have 56 area consultative committees. We also have 12 regional offices that can be a link, but they are not specifically directed to the assistance of small business. We also have a GrantsLINK web site that enables people to access information about the various grant programs that we run, and, as mentioned by Mr Brugger, we have had in the past—and some still do have—small business assistance officers working with our area consultative committees. The arrangements under which that happens have changed this year. Initially, as I understand it, it was a program delivered through the Department of Employment and Workplace Relations—through our area consultative committee network and funded by DEWR—but more recently, since the responsibility for that program has moved to the Office of Small Business, our area consultative committees now must bid for an allocation of funds to retain those people. I do not have the number who still have small business assistance officers working with them but, from memory, it is a reasonably high proportion.

**Mr Brugger**—It is in excess of 90 per cent. There are between 70 and 80 Commonwealth offices—not counting the ATO, which has 24 locations, including some capital cities and 175 sites which disseminate information. On top of that, there are also 137 business enterprise centres, but they are not Commonwealth funded.

**CHAIR**—So there is a fairly extensive network out there already.

**Mr Brugger**—A number of those do co-locate. From the information I have, I cannot tell you in terms of discrete points, but I will look into it.

**Mr Clarke**—The other way of analysing the data is through the eyes of the business: what does it look like if you are a small business or a company trying to access government support and to understand what it is? That is the model that we are trying to focus on. There are probably two ways of looking at it. First of all, there is the online sense—that is, the Business Entry Point which my colleague Mr Griffin could talk about. If we talk about how many places an SME in regional Australia might have to go to get an understanding of business assistance in its broad, I think the answer is: order of magnitude 10, if you count them by agency or entity. But more often than not, those 10 are in two, three or, optimally, one location. There is a great deal of cooperation between them. I can certainly say, on behalf of AusIndustry, that we work very closely to develop relationships with those other service providers and have what we would call a ‘warm hand-off’: if I cannot help you I will refer you to the TradeStart officer from Austrade, to the state government agency or to the economic development officer from the local council—whatever is appropriate. We work very hard on those relationships.

**CHAIR**—That is good to hear, Mr Clarke. Before Mr Griffin comments, I would just make the point that, in the hearings we have had, in particular around regional Australia, we have found that small business seems to have a substantial degree of confidence in the ACCs and that network—because they are working hand in hand with them in those situations—and the BECs, the business enterprise centres, which also appear to have a very strong link with those community areas. One of the big issues that was raised with us—particularly in Brisbane, but

also elsewhere—was that, yes, there is the Business Entry Point, but they do not see the Internet as being an effective way for them to connect to government. They say it is sometimes complex getting through the system to actually find out what it is you want, and in a lot of regional and rural situations the Internet is very slow; their access time is lengthy and can be costly. Some of the people who talked to us—I think it was the ACC from Cape York—said that you can sit there for a long, long time before you can download a message. A lot of small businesses say that they do not have the time to sit down in front of a screen for an hour or three-quarters of an hour trying to get through to find out a piece of information; it is much more convenient for them to pick up the phone, talk to the local representative of the ACC or the BEC and say, ‘Is this program available?’ and they have an answer within a couple of minutes. The face-to-face thing seems to them to be of much more value than the Internet connection.

**Mr Clarke**—Our customer research supports that, but it also demonstrates that there is a life cycle that businesses go through. If the businesses had no contact or experience with the government agency at all, their absolute clear preferred form of communication is face to face in their place of business—not coming to us but us going to them. It is that point that we talked about of the service provider—in my case, the AusIndustry officer—taking the trouble to actually understand the nature of the business first before talking to them about the programs. Once they develop that understanding and confidence, they are far more comfortable using email, telephone or the web site to access documentation or to get answers to particular questions.

**CHAIR**—Once they have cleared that first point of contact?

**Mr Clarke**—There is a clear preference that the initial contact is face to face.

**Mr Griffin**—We take your point that the Business Entry Point is focused on online delivery of service; however, our market research shows that, like everyone else, a lot of businesses, particularly rural and remote businesses, are not able to access the online environment for a number of reasons. We have developed a strategy for delivering government information to those particular clients via intermediaries. Our market research has shown that those small businesses deal with a number of intermediaries: their accountants, their banks and their local industry associations or peak bodies. We have a program, which we call a ‘syndication’ program, which packages government information specifically around businesses or business cycles and delivers it online to those intermediaries, which by and large are online.

We deliver it through the certified practising accountants, through a number of banks and through a number of peak bodies—for example, the Retail Traders Association. We find, from a government point of view, that it is very effective in pushing out information when there is a regulatory change or some environmental change. If it gets to the Retail Traders Association in Queensland, we find the information flows very rapidly through to retail traders.

Small businesses frequently deal with banks, financial advisers and accountants. We have found that, by packaging information that is particularly focused on a particular business cycle in an industry, we can deliver just what businesses require at the point they require it in their business cycle, because they are generally going to their adviser or their intermediary to pick up precisely that piece of information. This program has been going now, in practical terms, for six

months. We have been out there putting it in place, and it is proving to be very popular and very successful. We are ramping up resources to try to broaden the scope and the direction of it.

Market research shows that small businesses go through particular business cycles, and there are some business cycles which involve some reasonably complex dealings with government—for example, the taxation arrangements, employing a new employee, starting a business and going into import or export. All of those types of things generally involve fairly complex arrangements at three levels of government. We push out this information not just to private enterprise but also to all levels of government.

Service Tasmania has a very extensive shopfront system, and this information is pushed out to their operatives at that level. Western Australia has the Small Business Development Corporation; South Australia has Bizgate. Every state has them. Queensland has a very extensive system, as do New South Wales and Victoria. We provide this Commonwealth information into those levels so that business not only gets the Commonwealth information but also the state and local government information at the same time. Getting the package right is a matter of some research and development experience, but it is proving to be successful and a very effective way of delivering, particularly in some of the regional and remote areas where access to the Internet is difficult.

**CHAIR**—Mr Griffin, this is a question not just for you but maybe for everyone here. To what extent is there collaboration between Commonwealth agencies and the various state agencies in terms of the program mix and the delivery of the programs as opposed to the targeting of the programs? Is there a genuine whole of government approach occurring here, or is it mythical?

**Mr Griffin**—I can answer from the Business Entry Point's point of view. Whilst we do not deliver any programs per se, we work very closely with our colleagues at the state, territory and local government level. We have developed a system, called the Business Licence Information System, which has been developed over the last decade or so at the state, federal and local government levels. Essentially, we have metadata or referenced information about most, if not all, the compliance issues that government requires a business to adhere to at the state, local and territory levels. We can put that information together, and we have done so, particularly at the state level. Businesses are more likely to ask information of government at the state and territory levels than directly at the Commonwealth level unless they are dealing with taxation, customs or something specific to the Commonwealth. The vast majority of services and compliance issues are dealt with at the state and territory levels.

We actively supply all the Commonwealth information to those state and territory governments. We meet and actively maintain those systems so that, no matter where a business enters—whether it be at the local government, state, territory or federal government levels or through a number of intermediaries—we can provide consistent information about the three levels of government service and requirements. I believe we do that quite successfully. With regard to integration of programs, you would have to seek advice from colleagues at the table.

**CHAIR**—I suppose that is the question I am asking. I do not know whether it is your responsibility, Mr Brugger, to answer it or whether it is Mr Clarke's. For example, you are in the area of delivering programs on industry. Virtually every state government has some form of programs going to industry. To what extent is there collaboration between the state governments

and your department about, one, the programs that are available—whether or not there is a matching of those programs by the state, an interfacing of them—and, two, how you effectively deliver them? At the end of the day, there seem to be a lot of things going on out there for small business but whether it is the most effective way of doing it is something that this committee is interested in finding out or establishing.

**Mr Clarke**—I will make two observations. First of all, I will respond as the program delivery arm of the department. In a sense, it is a question that would need to be directed to each of the policy areas in terms of the detail. From a program delivery perspective, every one of my state and regional managers is tasked with having an understanding of the business programs in their state—and, hence, region—and with maintaining a relationship with their state and territory counterparts. Their advice back to me is that overwhelmingly the programs are complementary rather than duplicative. There are always some issues at the margin, but overwhelmingly the programs that are introduced in any one year complement or fill a gap in relation to the other offerings in that area. So I am not getting a sense, as the program deliverer, that this is a big issue.

The other observation I would make is that the issue you address, particularly from a small business perspective—and, I think, particularly in regional Australia—is exactly one of the objectives of the Small Business Answers program, where there is an individual who understands the maze and who can cut through it and say to the company, ‘These are the three programs that might be relevant to you; I will set up the introductions,’ or, ‘I will track it down myself and advise you.’ That is one of the things that the SBAOs have proven quite effective in doing.

**CHAIR**—How do they access the Small Business Answers program?

**Mr Clarke**—Under the answers program—and applications close today for the answers element—one of the obligations back on AusIndustry is to be providing those people with the information base for them to do it. We will be using a lot of the information out of the Business Entry Point. For somebody trying to master the area of business assistance—if I can call it that—the BEP is an invaluable source of information, but our role would be to package that up and deliver it to these small business answers officers in a way in which they can in turn interpret it for their small business customers.

**CHAIR**—How many of them will there be around the country?

**Mr Clarke**—The order of magnitude will be similar to the current mix—that is, 40 to 50—but the actual number will depend on the assessments that we will be doing over the next few months.

**CHAIR**—Why do we feel the need to replace the small business advisory officers with the Small Business Answers program?

**Mr Clarke**—I would not call it replacing so much as just the bedding down of the program. As I understand it, SBAO was a pilot program, it was reviewed and the outcome of the review is the Small Business Answers.

**Mr Brugger**—One of the reasons for the change is that it increases the flexibility. It is also to try to avoid any question of overlap, because explicitly within the criteria for Small Business Answers is the demonstrated need for the service, that the service is not provided by another body—be it state, Commonwealth or local. We have taken the very point that you are raising and included it in the guidelines.

**CHAIR**—Will they be still attached to the ACCs?

**Mr Brugger**—They may be. We have opened up the flexibility for the competitive grants. It is the most effective delivery mechanism.

**Mr Clarke**—We expect to receive proposals at close of business today from most of the ACCs that currently support the provisions.

**CHAIR**—So this is a bidding program that has to be gone through?

**Mr Clarke**—It is. It is a competitive assessment process. We would expect the ACCs in most cases to bid. There will be some bids from the BECs and possibly from industry associations and other bodies involved in this whole area of information support advice to small business.

**Mr Brugger**—You asked about the coordination of programs. At a policy level there are a number of mechanisms. One of these is the Small Business Ministerial Council, which has had a focus on the coordination of small-business assistance over a number of years. That is also supported by a senior officials group which is made up of state and Commonwealth officials. So there is a large degree of information exchange on that which helps to deliver the complementarity that Mr Clarke referred to. Looking at questions or potential questions of overlap and complementarity is also one of the explicit terms of reference of the regional business development analysis, which is currently under way. It is probably more appropriate for Mrs Beetham to comment on that.

**CHAIR**—Mrs Beetham, do you want to make a comment?

**Mrs Beetham**—I can comment very briefly. It is being run by another area in our department but one which we work closely with. That is an investigation, being undertaken by an established committee, to explore with business in regional Australia the constraints they encounter in growing and prospering. Quite a few issues have been identified in the broad, but the committee is still putting together its final recommendations. In many respects the sorts of issues, as I recall them, that are coming out of that are—perhaps not surprisingly—remoteness, lack of appreciation of the benefits of small business, and some issues to do with taxation but not primarily. As I say, the recommendations have not yet been formulated, but that is expected to occur early in the new year. They have been consulting very widely and have met with some of our ACCs. Some ACCs have put in submissions to the analysis as well.

**CHAIR**—Mr Brugger, is it your view that the level of cross-portfolio and cross-departmental consultation in this whole area is adequate or extensive?

**Mr Brugger**—It is extensive and improving. As to whether or not it is adequate, there are always going to be issues where consultation will not be sufficient but, by and large, we have a

very significant degree of interaction with our state colleagues in particular, particularly on issue based matters. Just last week the state-Commonwealth body which looks at retail tenancy issues met. So on a specific issues basis it is very good. With the Small Business Ministerial Council over the top there is an overview approach as well. More could be done, but more could almost always be done on all consultation.

**CHAIR**—How effectively is this small business impact statement proposal operating? It is operating now at the federal level, isn't it?

**Mr Brugger**—Yes.

**CHAIR**—Is it also operating in a number of states?

**Mr Brugger**—Yes.

**CHAIR**—How effective is it in terms of the outcomes?

**Mr Brugger**—From a federal perspective, we have seen a noted improvement in the level of consultation with the Office of Small Business on proposals which impact on small business. With a growing awareness of these issues we are being brought in at a much earlier date, so there are better opportunities to address small-business concerns earlier. I understand that at state levels they have similar experiences. I could not comment on the policy processes of individual states because I am not that closely aligned with them.

**Senator CONROY**—So on, say, choice of fund legislation, OSB were consulted?

**Mr Brugger**—I do not know the details of that but I would assume so. I do not know the detail of that particular example.

**Senator CONROY**—You might have seen evidence given to the Senate committee on superannuation by the tax office, I think it was, about the enormous compliance costs for choice of fund. Are you familiar with that problem?

**Mr Brugger**—I am not familiar with that. I know that there are people in the Office of Small Business who have looked at the issue, but I do not know the level of consultation.

**Senator CONROY**—What would be the normal level of consultation? Take me through the process when, for example, the government announces there is going to be a bill.

**Mr Brugger**—Usually the process would involve a cabinet proposal to get policy authority. It is desirable to bring the Office of Small Business in early—depending on the sensitivity of the proposal, early can, of course, change—but, even if we are not brought into the policy process early, we have to be brought in for the cabinet coordination stage. We have mechanisms in place to do that: there must be an explicit recognition of the impact on small business in the cabinet process.

**Senator CONROY**—If, during this approval process, you are brought in and you do not have sufficient information on the proposal, do you then go to small business through your networks to try to assess the proposal? On the one on choice of super fund, what would be your process to determine the impact?

**Mr Brugger**—Again, I cannot comment on the choice proposal because I do not know the process that was followed with that. If we do not have information we are a little hamstrung, of course, by cabinet secrecy provisions—

**Senator CONROY**—I understand that; I am just trying to understand how you actually solve that for yourselves.

**Mr Brugger**—I will not say we ‘talk around’ an issue, but we can talk in generalities on issues and we do talk to business on a very regular basis. We review what information we have. We actually put it back to the proposing agency on many occasions to explicitly identify the benefits or costs to small business and then we can critically assess the information they provide to us. I cannot say there is a fixed process to go through because it will change with the issue.

**Senator CONROY**—Sure. So you are constrained in actually consulting small business, which is understandable in terms of the secrecy provisions and all those sorts of things: you could not just go and knock on half-a-dozen doors and say, ‘Look, the government is thinking about this. What do you think the impact would be?’

**Mr Brugger**—If we believe there is insufficient information—I know some proposals where this has occurred—we can actually ask the proposing agency to do that sort of consultation themselves. They will know where the sensitivities lie that we may not know. Therefore, they are better placed to advise us.

**Senator CONROY**—Hopefully, as the Office of Small Business, you would know the sensitivities of the impacts on small business better than, say, Treasury?

**Mr Brugger**—We try to, yes, but the detail may be something that we might encourage another agency to test. We recently had a proposal where we were asked to provide the names of some small business organisations so another department could test a proposal.

**Senator CONROY**—Okay.

**CHAIR**—I did not really get a direct answer—maybe there is not one—from the departments to my question, but what is the view of all the departments to this proposal for a one-stop shop? Is it a feasible proposition? Is there a strong argument for having something out there that people can walk into in a regional area and say, ‘That’s government’? They go into a shopping centre at the moment and say, ‘That’s Woolworths, that’s Kmart—I know I can buy golf balls, socks, underpants, whatever. I can get all my essential needs in that one shop.’ Is it feasible to have such a proposition for government? It does not necessarily have to be just federal government; it can be a combination, with state and local government involved in it also.

**Mr Brugger**—From an OSB perspective, it would be quite difficult. There are a number of small businesses who would not like to bring their problems to a one-stop shop that, say, also

had the tax office in it. It is a handling of information issue: there could be a perception that if you bring your concerns to the attention of a one-stop shop you may bring some undesired attention to yourself. That is a view that has been expressed to us on occasion.

**CHAIR**—I understand the point you are making. That is not a view that has been expressed to us.

**Mr Clarke**—AusIndustry faced this issue probably in a practical way when we were setting up these 14 new offices that I have referred to in that we had to choose a place to go to do it. Indeed, we were lobbied quite heavily in some places to choose a particular place. There is a very practical threshold issue, which is the accommodation. We are paying rent, and some of the places we might have liked to go to simply did not have suitable space for us. As I said, in eight of the locations we have set up we are co-located with the state government entity and there is usually much more than just the state government regional development department there as well. In the other six it is with some variation. For the committee's interest, I can table an analysis of exactly where each of our 14 offices are, and it lists who is also in the same building or on the same floor in each of them to give you a flavour of what it is about. If I go down the list here, Wollongong, our Illawarra office, is co-located with the Department of State and Regional Development. Also there is the New South Wales ISO office, and we have a lot of contact with the ISO people. That is important. The Illawarra Regional Development Board and the Austrade TradeStart office are all on the same floor. When I visited our Bunbury, South Australia, office, they seemed to have nearly everyone in one building, and that is very effective.

**CHAIR**—In Newcastle you are out at the university, aren't you?

**Mr Clarke**—Correct. We are out, in Newcastle, at the IDC Building, the industry development building. There are always the physical practicalities of co-location with multiple agencies and leases and all the rest of it. Therefore, probably the more important thing that we have focused on is like a virtual one-stop shop where they all work together. They regard themselves as a network of stakeholders and the customer is the business. There are these warm hand-offs, referrals and meetings between the stakeholders that is the critical way of doing it. For the customer it feels like, 'I am being serviced by government.' My expectation is that you have had the same experience as we have had, that the businesses do not distinguish between federal, state and local—it is just government. Our people are very aware of that, so the idea that this is a federal program or a state program does not work. You talk to Fred about this, you talk to Mary about that and you go to Smith Street for this. That is really the practical approach that we try to implement.

**Mr Griffin**—From the business entry point point of view, we spent a considerable amount of time looking at the way in which you might combine processes or combine some government services. In fact, we were involved in one particular one that did that. The way in which we administer the various registries that government maintains is complex and the legislative and regulatory issues that that involves are complex. The notion of a one-stop shop to change business details, for example, is full of complexity that is very difficult to come to terms with in a practical sense. Across agencies, little more than three per cent of information about a business is kept in common in registries. A cadastral land-based registry at local government level and a revenue-based registry at something like the Taxation Office or an office of state



revenue are totally different registries administered in totally different ways with whole industries having grown up underneath them. The idea of just being able to carry out a single process which effects a change in those registries is complex and very difficult to do.

The business entry point was involved in assisting the Australian Taxation Office, the Australian Securities and Investments Commission, the Australian Bureau of Statistics and so forth in building a single registration process for an Australian business number. That invariably involved taxation law and companies law, and even two organisations at the Commonwealth level who were committed to working together to achieve this outcome—the administrative complexities of getting those two pieces of law to sort of come together to allow a single registration process—was not easy, was not trivial. It was very complex and very difficult. When you go across a federal and a state or territory jurisdiction boundary, you have privacy and all sorts of issues that are extremely difficult to deal with from a government point of view as it means having government agencies exchange information. However, one of the approaches we use in the business entry point is to allow a business to exchange information through what we call informed consent. We have a process in place where a business can manage, in the online environment, or an intermediary can manage for that business in the online environment, the storage of what we call profile information about that business in relation to the particular process of government they are involved with.

We believe that probably the most effective way forward is to allow the business to store the information it needs to supply to government electronically, to change the bits it needs to change and to have them routed in a very transparent way to those government agencies. Notwithstanding that, each registrar that runs a registry has to be satisfied that the information they are getting meets their requirements. Despite the fact that you may be able to change your information with the Australian Business Register, the register of cadastral information at your local government may not be satisfied by the same standards applied at the ABR. It is a very complex process in the administrative environment we live in. As for a simple answer to your question about a one-stop shop, Mr Clarke is right that the most effective way seems to be to provide a virtual service where you can access a lot of services from individual government agencies rather than to try to produce that service across the counter with one person. The complexities make that extremely difficult or rule it out.

**Mrs Beetham**—I would endorse that. There are all sorts of ways in which one might collocate staff, but I think the considerations are such that it is better to try to work it out behind the counter, to let the client come to one body and let them do a lot of the matching up behind the scenes. We certainly endeavour to do that when we are administering our programs—to consult with others to make sure that we are not duplicating the projects they are already funding, so that we make informed judgments about those we support. But I think that approach described by Mr Clarke is the more reasonable one. Another problem for us is portfolios. We have various functions for which we have a regional presence and we have difficulty sometimes even collocating those. But to split them up to be with a particular function being conducted by Commonwealth, state and local government would be more atomistic and make it harder for us to manage our job. So it is a complex issue.

**CHAIR**—You are saying really it is the nature of the service or the product—I think you might be saying this too, Mr Clarke—that determines the location rather than who might be providing the service or the product.

**Mrs Beetham**—That is not quite how I would put it.

**Mr Clarke**—I would certainly say that if you were starting with a clean sheet of paper and there was nothing in existence, why wouldn't you put everything in the one building? I acknowledge that the logic is quite compelling from a customer or company perspective. Given that there could be anything up to half a dozen in any one place, I am not sure that the cost of achieving that justifies the potential benefit. Our approach has been to see it as a network of stakeholders and to work on the relationships, but to always focus on the issue through the customer's eyes and to understand that the issue is about making this work for the companies rather than being for the convenience of the government agencies.

**Mr Griffin**—Also, there are a considerable number of intermediary industries out there which deal with government on behalf of clients. There are tax agents, solicitors, conveyancing agents and various development agents in the property management and sale business. Inside the chemical industry and all these industries there are intermediaries. If you attempt to create a single shop to do all this, you are starting to interfere in a marketplace where the outcomes are not well known, nor do I think you would be very successful doing that.

From our perspective inside the Business Entry Point, we adopt three fundamental rules in dealing with what we deal with. We do not deliver any services. We package up information about where you can obtain services and who you have to deal with to get those services, and we deliver it to the client. The rule we have put in place is that we do not interfere with the relationship between an agency and the client. It is up to the agency to deliver the service it delivers. They usually have a statutory responsibility to do that. Interfering with that is not very successful. We also do not interfere in the relationship between an agency and an intermediary. Again, it is usually a very efficient and effective way of delivering government service. Why interfere with it? It usually puts the intermediary and the agency offside. There is no point.

We also do not interfere in relationships between an intermediary and their client. The customer-client or the intermediary-client relationship is a very powerful one, which is usually built up at great expense by the intermediary, and one they will protect. Also, it is a very efficient conduit for delivering government information. The concept of a one-stop shop just about cuts across all three of those fundamental rules. The idea of a one-stop shop fundamentally alters the practical way in which we deliver administrative information, compliance and government services in this country. It also has similar parallels in business; trying to interfere with wholesale retail arrangements can disrupt a marketplace no end, particularly when the distribution network is extremely efficient. The idea of a one-stop shop is a nice concept but, in practical terms, how you put it in place is extremely complex and probably not very practical.

**Mr Walters**—The first thing I would say is that not all government services delivered out in the states are directed at businesses; some are directed at individuals rather than businesses and some are directed at a mixture of the two. An example of services directed at individuals is the bundle of welfare services and services for the entry of job seekers to the system, which is provided by Centrelink. Centrelink was a one-stop shop set up precisely to bring together a number of those features. An example of services delivered by our department directly to individuals is a lot of the Indigenous education services that are provided by our district offices. That is a good example of where it makes sense to have those offices where they are, because

that is where the client groups are. Although there are always advantages in bringing government offices together, because you can cut down overheads sometimes, you need always to look at what quality you are going to sacrifice by doing that and what is the most cost-effective solution. I would suggest that it varies over time. If I could bring to your attention a model where we have tried to bundle some services for the advantage of the client group and to address some of the interface issues with the states that you were raising, it is the new apprenticeship centres that have been created in order to provide a one-stop shop on apprenticeship and traineeship issues for those seeking to take out a new apprenticeship, but also particularly for employers. In this particular case, we have a process where the new apprenticeship centre can both channel Commonwealth incentives towards employers in appropriate cases and also make sure that employers and trainees get the paperwork signed up—increasingly, electronically I hasten to add—with the state training authorities, who are the agencies responsible for monitoring the quality of the training and making sure that people are signed up. That is from 1 January this year. We now have a single form which consists of the training contract and an application for Commonwealth incentives so that it fulfils both the state and the Commonwealth function in one hit. If I tell you that it took three years to agree on the contents of that form, because we are talking about—

**CHAIR**—I would suggest you have done well.

**Mr Walters**—eight different state and territory authorities plus the Commonwealth, you will have your own view on whether we did well or not. It took quite a bit of time, but it is there now, and it is an example of a collaborative mechanism which can help to service the needs of the consumers a little better. I do not know if that helps.

**CHAIR**—If that is achievable and that holds, I hope that may be achievable in some other areas as well.

**Mr Pratt**—I do not have much to add to Mr Walters's answer, in that Centrelink was the example I was thinking of as the one-stop shop or first-stop shop for the delivery of employment and welfare services. My view on this is that it is a horses for courses approach that we should take. I have no expertise in the area of small business, but in the area of employment services in some areas we find it is useful to bundle together the services. A good example would be that, with the government's announcement of the enhancements to the Job Network to take place from July next year, we are bringing together a range of the employment services which are delivered. We are requiring all of the future providers to deliver those services from a one-stop shop, simply to improve the convenience and accessibility for job seekers and to ensure that a better relationship develops between the job seekers and the Job Network members. Interestingly, however, with the New Enterprise Incentive Scheme or NEIS, which is also an employment service—it is an employment service for job seekers; we help them set up their own businesses in order to help them get into employment—we have chosen to keep that separate from the other employment services in the next tender. It is possible that employment service providers could be both a Job Network member and a NEIS provider. In some cases, they will not have the expertise to be both, so it will be more effective for them to be one or the other.

**CHAIR**—One of the big issues that is coming through in this inquiry is the lack of general business skills that our small business community possesses. A substantial majority of them are

very skilled in what they do, whether it is cleaning or plumbing or the supply of goods and services, but in terms of general business skills, such as business planning, cash flow planning, people management and those sorts of skills, there is a substantial deficiency out there. That is probably the best way to put it. Is the Department of Education, Science and Training aware of this and have you been looking at any programs to address this issue of management skills training? The Karpin report was quite some time ago. It highlighted a lot of these issues ten years ago now, I suppose, or maybe longer. I wonder whether or not the department is focusing on some of these issues and trying to address the matter of business management skills.

**Mr Walters**—The first thing you would have to say is that the small business sector is participating in the training system in increasing numbers in all sorts of different ways. We estimate that the proportion of new apprentices, for example, from small businesses—depending on how you do your calculations; I say that because two states do not give us a breakdown—is between 25 and 34 per cent. When you consider that a large proportion of small businesses are single person entities, that is actually quite impressive. That is a fairly high proportion of the rest.

The second thing you would have to say is that the overall system has grown enormously and with it the small business component. I heard your conversation with Moira Scollay about this. We do not have very hard and fast figures and we know that people participate in the vocational education and training system for all sorts of different reasons at different stages of their careers: some at entry level, some when they are seeking to upgrade skills later on and some when they are seeking to completely change careers. It might be in association with the start-up of a new business, for example. We know that the numbers participating in the system are now up to 1.7 million people every year, which is 13 per cent of the working age population of this country. It is something like a 25 per cent increase over the last six or seven years, I think you will find. So the small business component of that, although we cannot put hard and fast figures on it, is huge.

Why do people use the system? There are a whole host of different reasons. It is easy to say that small businesses are good at what they do, but it is often the case that skills are changing quite rapidly. For example, the man who came around to redesign my kitchen used a computer aided design system which he took around with him in a laptop on which he did all the calculations and sorted it out. There are a whole host of different types of businesses where going that extra step and getting computer aided design is going to create huge efficiencies and enable them to provide a better service. That is just one example of the way people use parts of the VET system to upgrade their skills and their business capabilities. Bringing that back to classic, if you like, business education, we know that that does make up a very large part of the system. We cannot break down those who are either employers or employees in small business in that.

We are trying to work with ANTA and the states and territories to produce one of the most flexible training systems in the world so that it is grouped around training packages which encompass the possibility of regrouping training and rebuilding it to meet individual market needs as they come along. That has now, as you heard from Ms Scollay, extended to something like three-quarters of the work force—a huge range of industries—but there are still some things outside it. We have tried to provide that flexibility. Rather than having a centrally determined system which tries to anticipate every need, we have tried to have a system where there are a

large number of providers out there, including something like 10 to 15 per cent of the market which are private providers, seeking to anticipate the business needs.

That brings me back to the point that we do not have any specific small business centred management development programs that I am aware of at the moment. Doubtless there are some in the states and territories. We have in the past had such programs and I have got the report of one which terminated in 2000, which is the national evaluation report of the Small Business Professional Development program. I am not sure whether the committee has already got a copy of the report but, if not, I would be glad to table it. I am sure that ministers will be only too glad to hear what the committee has got to say on the subject when it has considered all the evidence.

**Mr Brugger**—The Small Business Enterprise Culture program specifically targets skills and mentoring of small business on very specific bases in regional areas. Just looking at the list of successful funding projects in 2001-02, there are ones targeting women and targeting inland Indigenous businesses. There is a broad range of businesses with training needs that were specifically identified by small business and funded under this program. Mr Clarke has more information on that than I do, because it is delivered for AusIndustry.

**CHAIR**—Before Mr Clarke answers, I make the point that, despite what Mr Walters said and despite what you said, in all of the hearings we have had it has been very clearly demonstrated that the vast majority of small businesspeople sitting in on roundtables have not actually undertaken specific training in business skills. Sure, they knew how to operate the computer, they knew how to design the kitchen, but if you asked them to do cash flow business planning they did not have a clue what it meant. I would have thought that that raises some real issues of concern in that there is a gap in our training mechanism if we want these small businesses to actually grow and succeed and become employers but they have not got the basic equipment to get beyond the first station on the track. The reason I asked you, Mr Walters, what the department of education and training is doing in this area, if anything, is to establish whether it is an issue of specific concern that is being looked at.

**Mr Walters**—I think our concern is to increase the skills of the work force generally. The question is how best to go about that. Is it best to have provision directed specifically to small business? We do have some, as you have heard from my colleague here, operating that way. The approach of the department overall has been to provide a responsive national training system which opens up all sorts of possibilities for people and which opens up the entrepreneurial spirit, if you like, of training providers to go out and try and meet those needs. One of the things which has come out of the ANTA research is that there is a certain resistance amongst some small business employers themselves because they are under such pressure from other things that they do not actually see training as a high priority. So there is an issue around raising perceptions, and some of the work that ANTA has been doing is to do that. But our basic approach is to provide a training system which is not one size fits all but is broadly responsive to all sorts of needs, including this one.

**Senator BARNETT**—I refer to the OSB submission specifically and ask you, on behalf of the Department of Employment and Workplace Relations, Mr Pratt, a question in regard to confidence. You talked about the importance of confidence in terms of employing people. I agree with that, and certainly to the witnesses that have appeared before this committee it is

very important in terms of their employment conditions into the future. You have referred to a number of surveys, the ACCI and the CPA surveys, and the issues that are impediments to small business growth, one of which is the unfair dismissal laws. Can I clarify what your views are in regard to those impediments and if they are serious impediments to employing more people?

**Mr Brugger**—The unfair dismissal laws are consistently raised by small business with the government as impediments to employment, particularly in terms of the confidence factor, which we think is probably as important as the actual impact of the laws. It is giving the environment that is supportive of small business and adequately responds to small business needs. In terms of importance, they can be as important as general economic conditions. People focus on these issues in relation to how they view the environment and how responsive they think the government is to small business concerns. So, yes, I think they are very important.

**Senator BARNETT**—Mr Pratt, did you want to respond?

**Mr Pratt**—I am sorry, Senator, I am unable to help you with that one. I am from the employment services side of the department, so that is not my area of interest.

**CHAIR**—I would like to clarify something. When you say you get inquiries from small business, are the inquiries from individual small business or from small business organisations?

**Mr Brugger**—Both. The Minister for Small Business and Tourism gets a considerable amount of correspondence from individual small businesses, and a significant number of those do raise unfair dismissal as a concern that they hold. The organisations have also identified it, and the surveys referred to by Senator Barnett—which are the surveys by the industry organisations of their members—have also identified it. Based on all those three, yes, it is a concern for small business.

**CHAIR**—I suppose it is hard to put a percentage on it but, in this inquiry, of all the small business people who have been in front of us, it has not been a significant feature of the issues they raise. Certainly some of them have raised it, but it has not been a predominant issue.

**Senator BARNETT**—That is a reflection, Chair, that I would not agree with.

**CHAIR**—You may not, but I think the—

**Senator BARNETT**—That is your opinion.

**CHAIR**—Statistically, if you look at the discussions around roundtables et cetera I think you will find that is the case.

**Senator BARNETT**—I disagree.

**CHAIR**—You can disagree all you like. You can put that in your minority report, if you want.

**Senator BARNETT**—For sure.

**CHAIR**—So you have no feeling for the percentage?

**Mr Brugger**—Not off the top of my head, no. It is an issue, though, that is consistently raised with us—and from a number of different sources—which tends to indicate that there is a feeling out there.

**Senator BARNETT**—I do not know whether you have had the chance to look at the submission from the CPA in Melbourne. They talked about the merits of a software program that you could inject into the Business Entry Point that would help small business in terms of the awards system and the industrial relations system. They said that you could prepare some sort of software package where the small business operator, particularly the micro business, could go in and ask what the cost would be of employing a person casual 10 hours a week, a person part time and a person full time under the different awards structures. It was in the context of the inflexible arrangements in some of the states in terms of the awards and the IR system. Have you had a chance to have a look at that? Do you have any thoughts on whether that is possible? We are trying to think of ways and means of helping small business operators employ people.

**Mr Brugger**—I have not had a look at the CPA submission, so I cannot respond directly to it. Arising out of the ‘More time for business’ statement, some work was done called *Unravelling the threads*, which was designed to facilitate understanding of workplace relations. Mr Griffin may have some more information.

**Mr Griffin**—No, I do not have any more information on that.

**Senator BARNETT**—Does the concept of some sort of software package sound a possibility, where they can go in and say, ‘I am looking at employing these people and, under the Victorian system, these are the costs’?

**Mr Griffin**—There are always good ideas that people say can be manifested into software packages, and this may well be the case of one. However, at the end of the day, the general approach is to look at a business case for such a thing and look at the cost of setting it up for the return on the outcome. I would also point out that there seems to be a move in the marketplace to try to acquire that service from an intermediary; someone who can deliver that service very efficiently rather than having a small business trying to work their way through a software package to arrive at that. The question to ask—it is a chicken and egg situation—is whether it is more worth while to try to deliver that type of package via a software product via the Internet to the number of businesses that can access the Internet or whether we would be better off to put our resources into encouraging an intermediary sector which can deliver that type of service in a very cost-effective way. It is by no means clear which is the appropriate direction. These are the things we are grappling with at the present time.

**Senator BARNETT**—The reason I raised it is that I am seeking your views when you have looked at it. I would certainly welcome any feedback once you have had a chance to read the CPA’s submission. They put in a submission of merit that is worthy of consideration. On the tax office’s web site, for example, you can look at the different rates and scales and plug in what is relevant to you as the taxpayer. It then churns out the figures. So it is not rocket science. I am

simply asking you whether you think there is merit in it. I would welcome any feedback you have.

**Mr Brugger**—We would be happy to provide comments after we have read the submission.

**Senator BARNETT**—That would be really appreciated. The second one is the mentoring. It is an issue that has certainly been raised throughout the hearings, like the unfair dismissal laws. Mentoring is a program that seems to be reasonably ad hoc around the country at the moment. Mentoring Resources Tasmania seem to offer a reasonably effective service. They talk about the number of jobs that they have saved. New South Wales is another group, and I think in other states there are different types of mentoring programs. Do you have some thoughts on the merits of supporting mentoring programs? How can we do that at a national level? Is that best done by the various state regimes? How can we do it better?

**Mr Brugger**—I mentioned the Small Business Enterprise Culture Program, which has funded a number of mentoring projects. One of the attractions of the Small Business Enterprise Culture Program is that the mentoring it supports is on a demonstrated needs basis. So, instead of going for one ‘best fit’ solution national mentoring program, the individual regions and areas have come forward with proposals on mentoring, which gives the community support that underpins it. So mentoring is a desirable and valuable service, and there are mechanisms in place to support it.

**Senator BARNETT**—So, if you want to get one started up that goes through that particular program, you can apply for it?

**Mr Clarke**—Yes. Under the Small Business Enterprise Culture Program we specifically support three kinds of projects, one of which is mentoring. So applicants, which might be chambers of commerce, business enterprise centres or industry associations, will very often bid for a grant to fund—not in whole but substantially—delivery of mentoring services in their particular area.

**Senator BARNETT**—Has that been taken up? Is it encouraging to hear the progress to date?

**Mr Clarke**—It is a very competitive program. A lot of very good bids have come in for that, particularly from the industry associations, which see it as a way of targeting services to their members.

**Senator BARNETT**—How comprehensive is that around the country in terms of the mentoring? Has that been taken up in each state or just in some areas?

**Mr Clarke**—I would be pretty confident there would be at least one example of mentoring projects in every state. There are 60-odd enterprise culture program training initiatives on the go at the moment. Mentoring represents a good one-quarter, or one-third perhaps, of them.

**Senator BARNETT**—How long a period are they funded for?

**Mr Clarke**—They are typically 12-month projects.



**Senator BARNETT**—Do we have any progress to date on the achievements?

**Mr Clarke**—I do not have an evaluation report on that program at the moment.

**Senator BARNETT**—Are they evaluating once a year? How does it work?

**Mr Brugger**—We would have to take that on notice.

**Mr Clarke**—The generic answer to the question is that industry programs are evaluated every three years. I am sorry, I do not have at hand the information on when the last one was done on enterprise culture or when the next one will be done.

**Senator BARNETT**—When did the enterprise culture program kick off?

**Mr Clarke**—I will have to take that on notice.

**Senator BARNETT**—Moving on from that, the other one that I am interested in is the regulatory impact statement. We had some recommendations from some witnesses. I am not sure whether you read about it, but the regulatory impact statement is done prior to particular legislation being introduced. They make an assessment of the impact of that statement and do a cost-benefit analysis et cetera. The recommendation put to the committee was that that should be done on an ongoing basis—that is, annually or reviewed regularly in terms of whether or not a benchmark got achieved and the cost-benefit analysis. We had a discussion this morning with the ATO with respect to GST and the compliance cost on small business—the analysis that they did prior to the GST coming in, the cost of compliance now and down the track. Has any thought been given to that approach?

**Mr Brugger**—We encourage periodic review of regulation and that will give rise to either a formal or an informal regulation impact statement. In terms of ongoing regulation, OSB is particularly keen and encourages other agencies to include periodic review. We think it is a valuable exercise to engage in.

**Senator BARNETT**—Is it happening to the degree that it should?

**Mr Brugger**—It is happening. I cannot tell you how often it happens because I have not done an analysis of that, but I am aware of that happening.

**Senator BARNETT**—There is no mandatory requirement at the moment other than for an RIS prior to the legislation or regulation being introduced? Is that a fair comment?

**Mr Brugger**—That is probably a fair comment. From my recollection, there are measures in the legislative instruments bill, which has not yet been considered by the parliament. It will formalise periodic review of regulation but I do not know the details.

**Senator BARNETT**—To take this concept of periodic review further, do you have a view on sunset clauses, say, for Commonwealth regulations or various other instruments? For example, in some states you do have a sunset clause on regulations.

**Mr Brugger**—A solid ongoing review process should remove the need for a sunset clause in theory because, if the regulation does not stand up to the review, it gives rise to recommendation to change or repeal the regulation. Sunset clauses, while they can impose a discipline, can also be a bit of a clumsy tool. It would be more desirable to have a robust ongoing review mechanism than to have an automatic sunset clause, if that makes sense.

**Senator BARNETT**—It does make sense so long as there is an ongoing and rigorous review process. That is the reason I raise it. Moving on to the next area, the big picture for the ACCs and the BECs, we have had good feedback around the country primarily in regard to the effectiveness of the ACCs. They have been well supported. No doubt that has been appreciated. And it has been similar with the BECs. They have been effective and are working well with the industry groups in the area. We have 56 ACCs and 137-odd BECs. I am looking at a preferred model. We touched on it earlier in discussion with the chair. If you pushed all that away and you had a white piece of paper, what would you put on it and how would you design it? Let us think long term and have the benefits of long-term thinking. I am not saying that you can do it all in five minutes. It might be a 10-year or a 20-year plan. Let us put all of that away for a few moments hypothetically and ask: what is the best practice model for us in this country?

**Mrs Beetham**—I am not sure I have the answer to that.

**Senator BARNETT**—That is fine, but give it a go.

**Mrs Beetham**—Certainly in terms of the notion of government agencies being collocated or at least very closely linked so that there is a virtual one-stop shop, I think that is a desirable aspiration but we are talking about a clean sheet of paper. I think it would be very difficult to go back from where we are to achieve that. As far as the ACCs are concerned, they have proved invaluable. They are new to me; I have only been responsible for them for the last year.

**Senator BARNETT**—But they have been operating—

**Mrs Beetham**—They have been operating longer than that, yes.

**Senator BARNETT**—How long?

**Mrs Beetham**—Six years or thereabouts. They are an invaluable resource, particularly given that the government is currently driving regional programs and development from a localised level rather than from central office in Canberra. They bring to bear on decision making informed judgments based on the experience of people who are working and running businesses in the community and are involved in the educational institutions and so on. So they are a very useful conduit for government in tapping local knowledge.

**Senator BARNETT**—Let us assume that it is a good process—and that is the feedback that we have been getting. Why don't we have total coverage across the nation, because the 56-odd ACCs only cover three-quarters of the country geographically?

**Mrs Beetham**—They cover all of the country actually.

**Senator BARNETT**—That is not the feedback we got.

**Mrs Beetham**—They are even in outer regional areas. They are not in the central metropolitan areas but the actual borders or boundaries that they cover, cover all of Australia.

**Senator BARNETT**—They do not cover every square inch of the country, based on the advice that we have received.

**Mrs Beetham**—The boundaries do; the individual representation may not cover every single town or community.

**Senator BARNETT**—You are saying that the ACC boundaries actually cover every square inch of the country?

**Mrs Beetham**—Yes.

**CHAIR**—Except metropolitan areas; they do not cover the—

**Mrs Beetham**—They are in the outer metropolitan areas of Melbourne and Sydney but not the central business districts.

**Senator BARNETT**—So it covers all of the country but it does not cover the central business district; is that what you are saying?

**Mrs Beetham**—Certainly the boundaries for the ACCs cover all of the country but they are more active in the outer metropolitan areas. Jan, you might like to comment.

**Ms Lawless**—The ACCs covering metropolitan areas do not have small business assistance officers contracted through them. That service was limited to the same areas that had GST signpost officers, which were the regional and rural ACCs.

**Senator BARNETT**—Just clarify for me: what areas do they cover?

**Ms Lawless**—The ACC boundaries, all 56 of them, cover every square inch of Australia, including metropolitan areas.

**Senator BARNETT**—Including the CBDs?

**Ms Lawless**—Yes.

**Senator BARNETT**—Are you saying that they do have a presence, then, in the CBDs?

**Ms Lawless**—Yes.

**CHAIR**—It is a very low-level one.

**Senator BARNETT**—I feel that is a misunderstanding that we have had with other witnesses. We will get to the bottom of that.

**CHAIR**—Mr Pratt, we have had fairly positive feedback in terms of NEIS; in fact, all the participants we talked to thought it was a very good scheme. I think it was in the submission from the NEIS Association that they argued for a significant expansion of program places, I think with the additional places not being funded with income support. Has this been assessed by the department? Are you looking at extending the program or opening it up to more participants?

**Mr Pratt**—The government is not considering doing that right now. In the budget, when the government announced the enhancements to the employment services for the next contract period—which runs for three years from July 2003—the number of places provided for the NEIS program was 6,800 in each year. Ultimately, it is up to the government as to whether or not it increases the size of a program and funds it appropriately. In looking at this issue, I think there are a number of aspects we need to consider. One is whether the level of demand actually does exist. Current feedback from our providers shows that we get just over 10,000 proposals for NEIS small businesses each year. Typically, we approve 6,000 or 6,500 of those. It is conceivable that we could approve more of them but, if we were to do that, that might be at the risk of approving small business proposals which are more likely to fail or which have a lower quality. We in one year did go as high as 10,000 places and at that time we did note a drop in the relative outcome rate for the program. My view is that there is a natural speed limit for the program, at least at this stage.

Some of the other aspects we need to consider in whether or not we expand NEIS are things like the extent to which we get increased levels of complaints from existing small businesses who do not appreciate the competition. There are also issues of dead weight—whether or not, if we were to fund these small businesses, we would be funding the creation of a small business which would have been created in any event without government intervention, thereby meaning that the funding cannot be spent somewhere else where it might be more useful. Another point I would like to make is that, in relation to the existing program, we have a cap of 6,800 places. In the financial year just completed, we used 6,100 of those. So, for the next three years, we have a bit of room for expansion—about 10 per cent—if sufficient quality small business proposals come up. The last point I would make is that it is open to the government at any stage, if there was sufficient evidence of high quality proposals going unfunded, to transfer funds from one of the other employment programs and to buy some extra places. That can happen fairly quickly and simply.

**CHAIR**—You have that flexibility?

**Mr Pratt**—That is correct.

**CHAIR**—Mr Brugger, can I ask you some questions about compliance issues. With respect to the Privacy Act, NARGA and some of the other interest groups contend that many small businesses remain unaware of the need to comply with privacy legislation by 21 December. Were you involved in reviewing the RIS for this legislation?

**Mr Brugger**—At that time, the Office of Small Business was not within the Department of Industry, Tourism and Resources, so I personally was not involved. But material was prepared to target small business to try and raise the awareness level, and we have been in ongoing dialogue with the Privacy Commissioner on ways in which small business awareness on the

Privacy Act can be raised. We are aware that there is a proportion of small businesses not as aware as they could be.

**CHAIR**—What lessons are there from the experience with the implementation of this legislation?

**Mr Brugger**—The impact of the Privacy Act on small business has been in some respects a very good example of how small business needs have been catered for in that there is an exemption for small businesses whose annual turnover is less than \$3 million, where the information practices pose no significant threat, and small business were given 12 months more than the rest of business to comply. Getting information to small business is an ongoing challenge for government and it is something that we continually monitor. There are aspects of information delivery that we are now better informed on as a consequence of this piece of legislation and its impacts. In terms of the policy process, the small business needs were well attended all the way through. We may have been able to do better some of the dissemination and we will have to review aspects of how we deliver information, including alternative ways of delivering information.

**CHAIR**—Is this going to have any implications for small business in terms of the compliance burdens and what they carry between now and the end of the year?

**Mr Brugger**—Small business already had, as I said, an extra 12 months to give them more time to respond. There is also the exemption. Within the policy intent, compliance costs for small business have been very carefully considered and steps have been taken to reduce them as far as possible. Will it have implications? Those small businesses which have not yet considered whether or not they are bound by the privacy legislation will have to consider that, but the \$3 million threshold will exempt a large number of small businesses. So, given the policy intent, I believe that the compliance cost issue has been handled as best it could have been.

**CHAIR**—Can you advise us on the progress for the development of a national approach to planning, as recommended by the Bell task force?

**Mr Brugger**—I will take that on notice. I do not know the detail of the planning issue. I am sorry.

**CHAIR**—Thank you.

**Senator BARNETT**—I have a quick follow-up question for Mr Pratt. Mr Pratt, you mentioned a figure of 10,000 for applications for the NEIS scheme and 6,800 approved.

**Mr Pratt**—The figure for last financial year was 6,100 approved. We have a cap of 6,800 places available in any given year.

**Senator BARNETT**—Thank you. We had anecdotal evidence that 10,000 was high. They were thinking that 30 per cent were actually approved, but it is actually over 60 per cent.

**Mr Pratt**—Yes. I think it might be a case of apples and oranges there. I saw the transcript for the Brisbane session of the committee, and there were some figures relating to the number of

inquiries that some of our NEIS providers might have received. Many of the inquiries do not translate into an actual formal proposal.

**Senator BARNETT**—That explains the difference.

**Mr Pratt**—Yes.

**CHAIR**—Thank you all.

**Proceedings suspended from 3.07 p.m. to 3.21 p.m.**

**DAVIS, Mr Ian, Deputy Chair, Capital Region Enterprise and Employment Development Association**

**WEBB, Mr Julian William, Chief Executive Officer, Capital Region Enterprise and Employment Development Association**

**CHAIR**—Welcome. The committee has before it submission No. 89. Are there any changes you wish to make to the submission?

**Mr Davis**—No.

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

**Mr Davis**—In addition to my position in CREEDA, I am also involved with the Canberra Business Council. I previously appeared as a witness on behalf of the Canberra Business Council before this inquiry, with the different hat on.

**CHAIR**—I thought you looked familiar.

**Mr Davis**—I operate my own small business, publishing newsletters and specialised research for industry associations about government activities. In addition to his position as CEO of CREEDA, Julian is also secretary of ANZABI, the Australia and New Zealand Association of Business Incubators.

CREEDA is a community organisation which has received considerable support from both federal and ACT governments. It was established 14 years ago as one of Australia's first business incubator organisations, partly as a result of the organisation's predecessor's experience with employment programs and their belief that there are employment benefits in enterprise development that do not always occur as a result of direct employment programs. CREEDA does not believe that business incubation is the only method of employment or enterprise development, and it believes that it is not necessarily the best avenue for all small businesses. But, for the right tenants of business incubators, it is the most effective means of developing their businesses. We believe this is borne out by our statistics which, over our 14 years of operation in business incubation, have shown an 80 per cent survival rate amongst small business tenants. That compares with a survival rate of, according to some statistics, as low as 20 per cent amongst small business.

CREEDA believes that if business growth and, therefore, employment growth outcomes are to be maximised, there needs to be an increased focus within small business programs on identifying those businesses which have the potential to grow and delivering services to them. To do this effectively, there needs to be an increased research effort. We need a better profile of small business: of how it varies geographically, of its needs, of its growth potential and of business operators' preferred means of obtaining information and assistance.

While CREEDA's own statistics and experience provide strong evidence of the success of business incubation in improving the success, survival and growth rates of small business, CREEDA also acknowledges that business incubation is just one of a number of enterprise and economic development tools that need to be available to help small business grow. CREEDA itself has diversified in recent years from primarily a business incubation organisation to one that complements incubation with a variety of employment assistance and training programs. The existing incubator funding program has changed over the years and in response to various reviews and is seen by the incubation industry as having most of the settings about right. However, the integration of the programs with AusIndustry can be expected to result in additional changes. This is an exciting opportunity for the industry to better integrate the incubator programs with other relevant business assistance programs.

The main points we want to make are that programs such as the business incubation program and other federal government small business programs should be integrated with other federal, state and local government programs and targeted at those businesses that want to grow. CREEDA has undertaken its own research into micro and home based businesses in most states in Australia. Continually we find that only about 20 per cent of microbusinesses want to grow to the point where they employ people. Only a percentage of this segment has the ability and capacity to in fact grow their businesses to employ people. There is a real danger that, in focusing on the majority of microbusinesses that do not want to grow any larger, policy and program development will be skewed away from those where there is the greatest potential.

We believe that there should be an agreement between federal, state and territory governments about what types of assistance each level of government will provide to business incubation. For instance, the Commonwealth could concentrate on funds for increasing the levels of skills of incubators and incubator managers and funds for upgrading incubator facilities, while state and territory governments might concentrate on the provision of buildings and funds for delivering advisory services. Such rationalisation could, we believe, be put on the agenda of the Small Business Ministerial Council. Increasing the skills of incubator managers and the availability of tailored interactive online business advice for small businesses which is available to them when they need it are, we believe, two high priority areas for improving small business growth and their potential as employers.

**Senator BARNETT**—Can you repeat your last paragraph or your last comment? I did not quite catch what you were saying about the two initiatives.

**Mr Davis**—We believe there is a need for a program that improves the skills of the managers of business incubators so that they can better provide assistance to businesses that are being incubated and we believe that there is a need for an online interactive service which small businesses and microbusinesses can access at the time that they want to access it and which will provide them with the advice that they need. The idea is that that advice is usually required by businesses in small chunks and not necessarily during working hours but after hours. We believe that there should be some form of online interactive service that helps match the small businesses with the advice that they require.

**Senator BARNETT**—Like the business entry point service? Does that link into that, or are you talking about a different type of service?



**Mr Webb**—A different type. The business entry point is only interactive to a degree. The concept we have been developing with CPA Australia—Certified Practising Accountants—would allow people to get actual advice online from accountants and mentors and to link themselves up with the advice they need. The business entry point provides static information.

**Senator BARNETT**—How would you do what you are saying? How is that achievable? It sounds a good concept. Can you flesh it out for us?

**Mr Webb**—I suppose the first stage is having physical screening to cut out the tyre kickers. So people get a password to a site and then when they go into that site they can directly link themselves up with accountants and lawyers and get online mentors who will be their mentor online. There is goodwill to do that from CPA Australia, lawyers and the whole range of those sorts of people. So they can actually be getting mentoring, without meeting face to face, at 11 o'clock at night. You can then have a system that is a knowledge bank of information, where people can post questions and they can have them answered by professionals, and they can see the previous answers that have occurred with that.

What makes this exciting is that, as the country gets broadbanded, you can instantly use videoconferencing—so people would not need to travel to meet their accountant or to meet a particular adviser. This is particularly important for regional Australia because, these days, the professional or the specialised services people are often concentrated in Brisbane, Sydney, Melbourne or Canberra—they are not out in Wagga or Albury.

**Senator BARNETT**—But we do not have broadband at this stage. You are talking about, say, in five years time?

**Mr Webb**—We are looking at putting in place a platform that can be experimented on or finetuned but can then be rolled out as more of the country gets broadbanded. Also, when you have that, you can have video training. An example I use is bookkeeping. You can put people through bookkeeping training.

**Senator BARNETT**—Via a videoconference?

**Mr Webb**—No. At the moment you can do a class on bookkeeping but, when people go away and try to do their bookkeeping, they may have a problem. A system is being developed around the world that will break bookkeeping into little tasks. You could download little bits of video online that would show you how to do a bank reconciliation at the time you needed it. So if you had a problem doing your bookkeeping, you could download little bits. You segment all of the various aspects of business management into little video clips. Web slides is what the IT people call them. You can get that sort of training.

I think there is potential to do a lot more online in the future, but there is certainly potential now. Another example I use is the business entry point. You can use the business entry point to find the award you should be using to pay your employees, but the average small business owner would not have a clue about how to read an award or how to interpret an award so they will faze out—they find it too difficult to read an award.

**Senator BARNETT**—Will this help those small businesses?

**Mr Webb**—It can do. There is technology available now in Australia that would allow someone to go into a site and type in that they are based in the ACT and they want to employ a receptionist. They never have to read an award. There are intelligent systems available now that would simply pop out: this is what you pay them, these are the conditions and here is a draft letter of offer. Larger businesses make use of solicitors or the ACCIs or the ABLs of this world to get that industrial relations advice. CREEDA does that: we use ABL to get industrial relations advice. Small businesses cannot afford that, so in the end they are not employing people well because they simply do not have the information.

To be able to simply find an award on the business entry point is a good thing, but it does not go far enough. If you have read lots of awards it is easy, but when you first try to read an award and you are not used to that, it is very difficult for a microbusiness to even grapple with understanding it.

**Senator BARNETT**—Can we load that software program onto the business entry point and make it available to every microbusiness?

**Mr Webb**—It could be done. The Softlaw Corporation, which is a company in Canberra, does this. It is one of our graduates, which is why we know this company well. They do a lot of work in the government area. All Centrelink and Veterans' Affairs payments are done using their systems that directly interrogate legislation. At one stage they put together a dummy for the business entry point to show how simple it could be with awards. That went nowhere because, unfortunately, this leading edge technology is expensive. But there is great potential to provide a very real service to small businesses that will provide no end of help in the industrial relations area.

**CHAIR**—How do you pay for it? Do you charge a fee for service?

**Mr Webb**—You could charge fee for service to a degree, but government would have to pay. Microbusinesses have trouble paying the membership fees for the chambers of commerce and the ABL. They do not have a lot of money to pay for this sort of thing.

**Senator BARNETT**—It is a major investment?

**Mr Webb**—I do not know what something like Softlaw's technology would cost, but it would be a one-off investment that would keep on going.

**CHAIR**—What about all those professional service people, like CPA, who presumably would have their input? How do they get their returns?

**Mr Webb**—You find with the microbusiness area—which is the majority of Australian businesses—that they will not be using those professionals for advice because they cannot afford it and will not pay for it. I think there is a market failure there already, in that microbusinesses do not use professionals for this sort of advice, so they are not getting advice. If you can do it in an automated way, with an up-front cost to get the software working, it is a relatively easy service to use.

**Mr Davis**—We have developed some elements of this proposal as a proposal which we have put to the ACT government. If you are interested in pursuing it, we certainly can provide it.

**Senator BARNETT**—I am very interested in pursuing this. I have raised it on—I will not say countless—a number of occasions throughout this inquiry, ever since the CPA raised it at the Melbourne hearings. I thought there was a lot of merit in what they put forward in terms of a software program for industrial relations to drill down to what you need as a microbusiness. As you say, it is very costly otherwise to get this sort of advice and, if you can obtain it this way, it is the cheapest and easiest way and it is a help to small and microbusiness.

**Mr Webb**—A lot of the thinking is changing. A lot of the theory about advice comes from larger businesses. People are only now getting used to dealing with the very small businesses and, frankly, a lot of accounting companies do not want them as clients because they are not good payers. They are a market that is very hard to deal with and people are not used to dealing with them.

**Senator BARNETT**—I think it is an excellent proposal and I would support any further information or advice you have on it.

**Mr Davis**—We should say that the software is not Blue Sky software. It is not unproven; it is software that is already in use in a number of government departments, including Veterans' Affairs.

**Senator BARNETT**—It is in use already?

**Mr Davis**—It is, but from the perspective of being used by clerical people within the Public Service to match claims rather than being used directly by the public. But it is software that apparently is quite easily adaptable.

**Senator BARNETT**—You are confident it can be done?

**Mr Webb**—We know it can be done. I have had dummies set up to do it already.

**Senator BARNETT**—Excellent. That is the answer we need. That is great. You mentioned that 20 per cent of microbusinesses do not wish to grow.

**Mr Webb**—No, 20 per cent of microbusinesses have an intention to grow and employ people.

**Senator BARNETT**—So we are talking about 80 per cent that do not wish to grow.

**Mr Webb**—Eighty per cent are happy the way they are.

**Senator BARNETT**—Would most of those be home based businesses?

**Mr Webb**—A large proportion are home based.

**Senator BARNETT**—That is the anecdotal evidence we have had during the inquiry.

**Mr Webb**—It keeps coming through in all of our surveys of home based microbusinesses that only 20 per cent want to grow and employ additional people.

**Senator BARNETT**—Is this anecdotal or do you have any research on this?

**Mr Webb**—We have research that shows this very clearly from South Australia, Queensland, the ACT and New South Wales.

**Mr Davis**—Through our consulting division, we run a number of projects to do exactly this—to identify those microbusinesses that have growth potential and to try to match them with the sort of assistance or sorts of programs that they need to realise that potential.

**Senator BARNETT**—I do not know if there is any possibility of you being able to help us in providing some of that research to back up that statement. We have had anecdotal evidence, during the course of the inquiry, saying that the vast majority of home based businesses do not wish to grow. This inquiry is all about small business employment growth—how do we make that happen; do we target those home based businesses or other types of businesses?—so if you have that research, that would be very helpful.

**Mr Webb**—We have. We can give you copies of that research. We ask a number of questions in the research, including: do you want to grow? The key question for us is: do you want to grow and employ people? Because, again, CREEDA as an organisation is interested in employment. We can pass on that research. The research in fact is publicly available, but we can get it to you.

**Senator BARNETT**—Perhaps tell the committee secretary.

**Mr Webb**—We will email you copies of the reports and those sorts of things.

**Senator BARNETT**—That would be good. My understanding is that we are due out of here in five minutes.

**CHAIR**—We are due out of here right now.

**Senator BARNETT**—That is why I will close and say thank you for your submission, because we are a bit tight on time. Your submission is really very much appreciated and is very comprehensive. There are some good recommendations in it.

**Mr Webb**—If you have questions about business incubators, we can talk about them later.

**Senator BARNETT**—Yes, like where we are going. I need to close there, but thank you very much indeed.

**CHAIR**—Thank you, Mr Davis and Mr Webb.

**Committee adjourned at 3.39 p.m.**