



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Reference: Small business employment

THURSDAY, 10 OCTOBER 2002

ADELAIDE

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

SENATE
EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

Thursday, 10 October 2002

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

Substitute members: Senator Cherry for Senator Stott Despoja and Senator Conroy for Senator Carr

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

PARTICIPANTS

GIBBS, Mrs Susanne Gabriel, Owner and Managing Director, Professional Choice Financial Services	989
HANDLEY, Mr Harold James, Proprietor, H.J. Handley	989
HAYGREEN, Mr Geoffrey Charles, Owner/Retailer/Managing Director, Parafield Betta Electrical.....	989
HOLLIDGE, Mr Graeme Wyndham, Managing Partner, Scammell & Company	989
LEE, Ms Susan, Director, Soniclean Pty Ltd	989
SAUNDERS, Mr Robert, Legal Practitioner, Andrew Rogers Lawyers	989
SEYMOUR, Ms Ellen Karen, Director, Strategic Futures Pty Ltd	989
SLOAN, Mr Francis Neil, Director, Century 21	989
SPAIN, Mr Ronald, Administration Manager, Calbic Pty Ltd.....	989
STOCKLEY, Mr Ricky Allan, Director, Carlec Pty Ltd.....	989
WATTS, Mr Ronald James, Chairman, Northern Adelaide Business Enterprise Centre Inc.	989

Committee met at 3.30 p.m.

PARTICIPANTS

GIBBS, Mrs Susanne Gabriel, Owner and Managing Director, Professional Choice Financial Services

HANDLEY, Mr Harold James, Proprietor, H.J. Handley

HAYGREEN, Mr Geoffrey Charles, Owner/Retailer/Managing Director, Parafield Betta Electrical

HOLLIDGE, Mr Graeme Wyndham, Managing Partner, Scammell & Company

LEE, Ms Susan, Director, Soniclean Pty Ltd

SAUNDERS, Mr Robert, Legal Practitioner, Andrew Rogers Lawyers

SEYMOUR, Ms Ellen Karen, Director, Strategic Futures Pty Ltd

SLOAN, Mr Francis Neil, Director, Century 21

SPAIN, Mr Ronald, Administration Manager, Calbic Pty Ltd

STOCKLEY, Mr Ricky Allan, Director, Carlec Pty Ltd

WATTS, Mr Ronald James, Chairman, Northern Adelaide Business Enterprise Centre Inc.

CHAIR—As part of its inquiry into small business regulation and employment issues, the Senate Employment, Workplace Relations and Education Committee is conducting a series of roundtable meetings with small business people. The committee is also holding more formal public hearings with input from those who have made submissions to the inquiry. The purpose of these roundtable discussions is to enable a broad range of small business people to bring their concerns and issues to the attention of the committee. We want to hear your views on matters which relate to the terms of reference of the inquiry, a copy of which has been made available to you.

I should mention that, although these roundtable discussions are meant to be informal, we are bound to observe one important rule of the Senate in regard to privilege. This discussion is privileged and you are protected from legal proceedings in regard to what you may say. Hansard will produce a transcript of evidence which will be provided to participants, and it will be available also on the committee Internet site as official documentation of the committee's proceedings. This recording is not intended to inhibit informal discussion, and we can go in camera if you want to put something to the committee in confidence. I point out, however, that such evidence is often difficult to report in an inquiry of this nature. In any event, the Senate may order the release of such evidence. I would like the discussion to be guided by the

framework provided by the terms of reference, but within each of the four reference points we can be as free ranging as we like.

I shall start proceedings by asking you to introduce yourselves. Following introductions, I will have a couple of questions to kick off our discussions. Also, for the assistance of Hansard, if people would speak in sequence rather than speak to or at each other it will make it much easier for us to decipher at the end of the day what everyone has actually said for the record. Contributions to these roundtable discussions have been very important in terms of the information the committee has had so far.

Mr Haygreen—I am a retailer, having an electrical retail store at Parafield airport. I am president of the local chamber of commerce there for the Port Adelaide-Enfield district, and I am also a member of the Western Area Business Enterprise Centre board.

Mr Hollidge—I am the managing partner of Scammell and Company, solicitors. We employ approximately 20 people. We are based in Port Adelaide.

Mr Sloan—I trade as Century 21, as a land agent, in Port Adelaide. We have a staff of six people. I am also a member of the Port Adelaide-Enfield Chamber of Commerce and the Western Area Business Enterprise Centre.

Ms Seymour—I am a director of Strategic Futures, providing HR. We are a human resource management consultancy primarily. I am also a member of the Western Area Business Enterprise Centre board, and I provide services primarily to small business and community-based agencies.

Mrs Gibbs—I am director of Professional Choice Financial Services. I have a staff of four, and I am a financial adviser and a mortgage broker.

Mr Handley—I am a chartered accountant with a practice in Port Adelaide and also in the city. I am vice-chair of the Western Area Business Enterprise Centre, and also a member of the Chamber of Commerce.

Mr Saunders—I am a legal practitioner with Andrew Rogers Lawyers, who are a member of the local BEC. I am the immediate past president of the Blackwood and District Chamber of Commerce.

Senator BARNETT—Is Blackwood close by, or outside the local area?

Mr Saunders—It is outside the local area.

Mr Watts—I am the managing director of a company called Versatile Pty Ltd. We are a specialist ceiling supply company. I am also the chairman of the Northern Adelaide Business Enterprise Centre. I have also today spoken with a number of small business owners on the terms of reference to get a few viewpoints from other people so I can represent their views.

Mr Spain—I am an administration manager with Calbic Pty Ltd of Elizabeth, who are precision engineers and a 2002 winner of the Telstra Small Business Award. I am also a systems consultant when I am not working for private enterprise.

Mr Stockley—I am the owner of Carlec Pty Ltd. We provide auto electrical and fuel injection services, and we have a staff of six.

CHAIR—Can I start the discussion with two issues which have been fairly predominant in the hearings of the committee so far and in the round tables. I will ask you for your views, but please do not feel limited by the questions that I put on the table. If there are other issues you want to raise, feel free to do so. The first one is the question of training. What has emerged out of the hearings we have had around the country is that a lot of small businesses are missing out on, have not engaged in or have not undertaken generic training—in other words, training dealing with business planning, cash flow management and those types of issues. They are very good at producing the products that they are engaged in, but there has not been a lot of involvement in training for actually running the business. We would like to get your views on how you see that—whether you think that is important, whether you have tried to undertake it and how you think that might be best delivered to small businesspeople. We have come across the term ‘time per’ for many small businesses: with the time involved in running the business, there is very little left to engage in some of this other activity.

The other issue is a question of government regulation, government compliance and meeting the requirements of government—whether it be in dealing with the GST, regulations for health and safety or whatever. What has the impact of that been on your businesses? What amount of time are you able to devote specifically to your business as opposed to that management part of the business? Just what is the general impact? Do you feel that the burden is being reduced or is growing? Governments over the past few years have said a lot about reducing the amount of red tape for businesses, but whether that is happening in practice is another matter. We would like to get a bit of a feel from you on how you see these compliance issues and what impact you think they might be having on your capacities to run your businesses.

They are two issues. As I said, there are plenty of others which I am sure spring to your mind and which may be pet issues that you want to put on the table. Feel free to do so. But at least that will open up the discussion. Who wants to open the batting?

Mr Haygreen—On the subject of training, recently I just happen to have got involved with a business coaching program run by the Centre for Innovation, Business and Manufacturing. You appreciate its role?

Senator BARNETT—We will be there at lunchtime today.

Mr Haygreen—I was there this morning with my team of 10 people. Ten coaches were chosen, and we take groups of 10 people, who I suppose we partly mentor. That was the term used when we applied for the job, but in fact we try to keep it down to the role of coaching. However, I have discovered that it is a use of terminology. Some people would dispute whether it is really coaching. I have always had a passion for this. I have always felt, from my own experience in small business, that, had I known back when I started the things I know now—and I think everybody around here who is in small business would agree—I would have done things very differently. I am finding that this program is really positive and is helping the people

that I am dealing with in my team, and I know that the other nine coaches out of the 10 of us are all saying the same things.

We are setting people in the right direction. A lot of them are start-up businesses, but we are finding that those of us who have been in business, say, for 30 years have still got a lot to offer the established ones, who have been going between five and 10 years. We can help them not make mistakes, and we can help them nurture, develop and grow the business and get back on track, which leads to employment. In fact, there has been an increase in employment through my people already, and the directions they are taking are far more positive than they were. I really do believe very strongly that anything that can be done to improve training in the ability of small business operators and medium business operators is really important. I applaud the government support that has been here for this program, and I would definitely like to see it on a federal level.

CHAIR—What value do you put on the synergy of what CIBM does in terms of not only providing that training or mentoring role but also in doing it in the context of people out of a particular industry area? I understand that all the people involved at CIBM are essentially from the manufacturing sector, so people who are doing the training or mentoring are from the manufacturing sector also.

Mr Haygreen—No, they are quite diverse.

CHAIR—They are, are they?

Mr Haygreen—Yes.

CHAIR—That is not that important.

Mr Haygreen—That is not an important thing. I did have some concerns when I first got the list of people I was going to be dealing with. I thought, ‘Oh crikey, I know nothing about this industry they are in,’ but it is basic business practices and I think that is what came out of it. The idea of having monthly group meetings and then following up with one on one meetings with individuals is working extremely well. The synergy you get from the group, the discussion that comes out of the group and the conversation and ideas it stimulates really help each person in the group to decide on the direction they need to be examining and to set goals and get things moving. I think if I were dealing with them one on one I would struggle with that a little bit, compared with the effect the group has.

Mr Watts—I have been involved in a number of businesses, and one in particular was working with employment within the horticultural industry in Virginia. We discovered fairly quickly that, while the growers had great skill and were very proficient businesspeople, they had no qualifications and that often led to a lack of self-esteem and a lack of confidence in the people they employed. They would not employ people who they thought knew more than they did, so that tended to hold things down. In the last couple of years a process of accreditation has been undertaken. Currently about 120 of the growers out there have gone through this accreditation. Of course, a lot of these people left school at 13 or 14 and went to work on their fathers’ farms. They can drive all sorts of equipment and run multimillion dollar businesses but they have no formal qualifications, yet they are very capable people. We are finding now that with a level of accreditation—there has been an accreditation level established at local TAFE

colleges to undertake the evaluation process and then provide gap training to bring them up to the next level—quite often these growers are discovered to be at a level 5, even a level 6, and level 6 is just below a diploma level. So they have very good skills and once they have actually been granted this qualification they are suddenly discovering a new horizon. All of a sudden they want to train their people, all of a sudden they have new work opportunities because they understand the process.

So those things are really gathering momentum and they are trying to bring them into the business enterprise centre in Elizabeth to establish them with small business operators. Many of these small business operators who left school at 13, 14, 15 have been tradesmen—very good tradesmen—and all of a sudden their business has grown and they are employing people. Their wife is doing the books and she did not want to do that; she wanted to get married and have babies and look after the home. A lot of the women are excellent, they really are; and of course the small businesses have not got the financial resources to meet that requirement. So there is a need to train, and I think training is the key element. Just as you were talking about coaching, Geoff, I think that training of employers as they develop, and accreditation for their skill base as it develops, is very important as well.

Mr Haygreen—I did ask around a few people, as Ron did, before we came here, and the feedback I got was very much that there is a need for more training for employees, because a lot of the people they were going out there to employ were not adequately skilled. Certainly people who are going to run businesses need to have some form of training base or some knowledge, and if they are already in business and it is too late for that then they need some guidance of some sort to avoid the many disasters out there.

Mr Spain—I would like to add to what has been said and make a suggestion. The problem with small businesses is that they are small. With the number of employees they have, there is very little opportunity for people to get away on training courses—at whatever level, whether we are talking about the factory floor level or about the management level—because they are very often hands-on people, and if you take the hands away the wheels stop turning. I would like to see the provision of this sort of training along the lines of, perhaps, the Open University system in the Northern Hemisphere. I know we have that sort of thing here for university training. I wonder whether that sort of provision of educational resources could be allocated to a channel on television at a particular time, and promoted on that basis, so that businesspeople do not have to walk away from the business. I know it is very important to have the one on one contact, and I know it is very important to have the communication between participants, but I feel that the time is the essence of the sort of training we are talking about. It is essential that we upgrade the skills of our managers. It has been said that we have pretty low-grade manager training and education in Australia. As to whether or not that is true, I am in no position to comment, but if it were true then I think the method of delivery of the training programs could be improved, and perhaps television could be considered.

Ms Seymour—One of the things that occurs to me in my work, because I am working in HR management, is that there has been a lot of emphasis in recent times on providing skills in business planning and financial and cash flow management in those sorts of areas. The management of people seems to get left just a tad behind. The people that I am seeing very often have reached a point where they have got that business stuff under control, they know about their business, they have their business plans and they have their financial stuff sorted but they have problems with managing their staff. They do not actually understand the dynamics

that often exist within a workplace team, they do not understand how to communicate with their staff effectively and they do not understand the differences that exist just because people are people. I think there has been very little emphasis on providing support to small business owners in the arena of managing people. Certainly I have worked with some of Geoff's clients and these are the sorts of issues that they are coming up with. They say, 'I am managing and running the business and I do not have time to pay attention to what my staff are doing.' Of course, if you do not pay attention to what your staff are doing then your staff stop doing things and become very unhappy. The emphasis on human resource management skills is just essential.

Mr Handley—It is very interesting, when I look at people who are going to come into Todd Street as new members of the centre, that nine times out of 10 none of them have a business plan and none of them really have any idea about how they are going to run their business but, in fact, they most surely have a good idea and a good product they want to be involved with, or they are very good at what they do. I would say a vast majority does not have a business plan. In fact, one of the things we talk about to people coming in here is that they actually have to get a business plan.

Once they get in here they actually do get some training through the Todd centre and through other areas they hear about, and they are very keen to take it. But one of the things that I think is necessary is that, at some stage before people actually go into business, there should be some way for them to get some basic training before they start. The problem is that these people get into trouble down the track and therefore have financial difficulties. They do not understand cash flow and they do not understand how to run a business, but they do know how to make a product. I just think it is essential that at some stage they should have this sort of training before they start going too far down the track.

Mrs Gibbs—As a financial planner, like Jim has said, I have had many people who have actually received redundancy payouts and quite a lot of money. They cannot find employment out there because of their skill base or their age and they have gone and taken up some sort of franchise or a fruit and vegetable shop or whatever. They may have had a business plan but, as most people have never been in business, they are making a business plan for something they really do not know anything about. So what is happening further down the track is that the business is failing, it has not done what the business plan said it was going to do and, of course, they then find they have lost their funds and their redundancy payouts, and obviously all they have left is the superannuation that is in there. As Jim has said, I feel they really need—if someone is going to register for a business—a goalpost or something that sticks up straight away and gives them a bit of direction as to where to go and get the advice before they actually go out there and blow all their money.

Senator CONROY—Do most of you think it should be mandatory? This is an argument we are having right across the country. There have been people passionately arguing about these exact points. They are saying there should be some compulsory training—so you come to the BEC and you go with your certificate to register—but others are saying, 'No, that would stifle entrepreneurship and the free market,' and that sort of thing. What are other people's views?

Mr Watts—I agree. I do not think you can regulate enterprise. Enterprise will find its own level. There are people who will lose their shirts and people who will make a lot of money. It is true that a lot of people taking redundancies should be advised not to go into business because a

lot of them are very ill equipped. I would suggest to you that a lot of people who have business plans do not read them or apply them. You are never going to be able to regulate enterprise, because people will do what people do.

Ms Lee—I run a small business, and I employ about 20 people and export to 45 countries. The issue that I have with what has been said here is that there is a lot of information out there. I have a lot to say about it because I am on the Small Business Advisory Council to the state Minister for Small Business and I am also involved with the South Australian Youth Entrepreneur Scheme. That has been running for the last three years. I want to say a little about that scheme because what you are saying is actually happening there. They have a business plan and they understand the basics and everything else. Out of the 76 companies that have been looked after, they are all student businesses except for two that have taken different directions. It does not mean that they have failed in business, but they have taken different directions.

While I was on the advisory committee to the Minister for Small Business, we looked at all these things we are talking about. There is someone out there with funding to help people with human resource management. A lot of business information is available from CIBM at this moment. But communicating to people out there is the problem. For example, if they want to get a licence or register to start a business, maybe they can be directed to that before they start. There is too much information out there. It is information overload. When we talk about distance learning or whatever, a lot of people do not even know how to start a computer. They find it very difficult to understand. What I am getting at is that information is out there and they know they have to do something about it. Globalisation is making a lot of changes and there is a lot of technology. They do not understand that technology is just a tool and they still need to learn how to use it. We are saying make it affordable for everyone and make it an equal playing field. Do not have too many regulations. Also advise them in the IT area to help them with information and to get information to them. There is too much information out there and the connection is not there.

CHAIR—So you are saying that there is an information overload but the information is not packaged in a way which people can easily consume.

Ms Lee—It does not get to the end users. This is what happens a lot of the time.

Ms Seymour—I have a comment to make about information overload. One of the things I think that is really important to remember with human resource management is that information is not enough. Managing people is not just about having the information; it is about having the skill. There is a difference between someone giving you information and you learning a particular skill or changing your behaviour. It is a very different thing. Regarding the HR advisory service that operates in South Australia that you talked about, I think the money ran out yesterday. So although there is a program, there is not much money involved.

Ms Lee—I think the decision on that was made at the last meeting.

Ms Seymour—Even with a service like that, where you can provide advice to people in business, there is not the capacity necessarily to get into a lot of training and skill development because running training programs within an organisation is prohibited under that program. I think the distinction really needs to be made between giving information and helping people build a skill base for themselves.

Ms Lee—Before they can get to that, they have to know that it is available to them.

Ms Seymour—Sure.

Ms Lee—A lot of them do not know about it. When I was looking at all these organisations, I found a lot of them were doing the same thing. They have all the information and all the packages, but the people who really need that have no idea where to start looking. We say, ‘Go on to the computer and go on to the Internet. If you click on this, it is all there.’ But they have not even learned how to turn the computer on. We cannot get away from the fact that we still need information in booklet form or people going out to all the shops and saying, ‘This is what we have.’ We have to go on telling people that. That might be one way. I am not sure what the other ways are.

Mr Haygreen—I agree. It really amazes me that the people I am dealing with in this coaching course at CIBM come to the building to be part of it, yet—

Senator BARNETT—Which building?

Mr Haygreen—The CIBM building—where you were this morning. They are coming into the building where this information is and are not aware that the information is available in the building. They have heard about the coaching course and have started that, but when fellow team members talk about what is going on in the building, the courses they can take, the information that is available in the library and what they can look up on the Internet, they have no idea. To be honest, if I had not been involved in what I am involved in, I would not have known that this was going on in the background.

CHAIR—In the small business community that you are involved with, is it fair to say that face-to-face communication is still the most effective way?

Ms Lee—It could be. The CIBM mentoring program started from the Small Business Advisory Council. We acknowledge that there are lots of situations where information is given, but that is not enough because you need continuity and meetings to talk with people who are in the same boat. I can say that it is a very successful program.

Mr Watts—I agree. Advice and training are quite separate. I am very interested in Ellen’s comments about HR management, and I find that much the same. It constantly amazes me that some managements will go through a fairly scientific process and then look someone up and down and make a decision. That happens all the time and I get very frustrated by that. I do think that a face-to-face consultation or advice provision to small business operators is what a lot of them can deal with. A lot of them cannot deal with masses of information. They are intimidated by big groups, quite often. I suspect that is a throwback to their own beginnings. A lot of them started with very humble beginnings and find it difficult to express themselves in a bigger group. I think all of us have difficulty sometimes in coming to grips with where the information is. We know there is something, but we do not know how to find it or where it is. We search a long time and usually we end up finding it because we will go out and track it down. But I think a lot of people give up before they get to that point. So I agree with lots of things that have been said.

Mr Stockley—I want to go back to Ron's point about being able to receive the training that you require, but not have an interruption to your business. I am a participant in the course that you are talking about as well. It is very useful except for the fact that I have to leave my business at 2.30 on a Thursday afternoon, spend half the day there, and it is that inflexible that the door gets slammed shut at 6 o'clock and we have to be out. It takes half of my day and, if I have things I need to discuss further or the group wants to go longer, we cannot because the door gets shut.

Mr Haygreen—That is why I am underwriting the boy.

Mr Stockley—It is still an interruption to business. At the end of the day we are a staff of six and my participation in the business is important. When you go into a business you like to see the owner there being part of the business. So I want to spend as much time there as possible. The mentoring system is great except that it is an interruption to business. So it needs to be flexible. With your discussions about planning, finance, human resources and all the other types of things, what one business or one employer needs will be completely different to another. Maybe those things need to be in modules so, if you require the financial part or the human resources part, you can go and do that. What is available at the moment does not seem to be specific enough to any one thing; it is too general.

Mr Hollidge—I deal with a lot of small business clients and I sometimes tackle these issues with them unasked. There is a high level of resistance, and I think it is a cultural issue that they do not want to be interfered with. I think they view it as interference. I do not think that they have any concept of the benefits that could come from it. Unless you can change that mental attitude of resistance, they will not be trained. A lot of the people I deal with are Asian small businesspeople who have language difficulties. Their businesses generally are totally shambolic. Indeed, some of them try to run under the old country rules and totally disregard the Australian legal system as though it was not there. I am not aware of any resource that I could direct them to in their own languages and cultures that would perhaps change their attitude. Many of these businesses fail over time. A year later they will try another business, and that goes for two years and then fails. They certainly seem to be persistent triers, but persistent failures as well. Whilst I see a lot of that in the Asian community, I also see it in the general community quite extensively.

Ms Lee—I think there are a lot of issues in the Asian community. A lot of them have a language problem, and I think that is a fairly big issue that needs to be looked at.

Mr Spain—If I could just move to another area of the discussion today—employment—a lot of small businesses, our own in particular, have the desire to grow. In fact, in our new business plan—which we do have—we have extended our vision from \$1.5 million turnover this year to \$5 million in the next three years. However, the problem we have is that payroll tax seems to be an encouragement to downsize rather than to grow by means of employing more people. The threshold is in a particular position where the encouragement is to get rid of somebody in order to drop down to that level where you might be saving \$1,000 a month in payroll tax. I feel that that is a real deterrent.

It may be that I am speaking on behalf of a particular industry; it may be that I am speaking on behalf of a particular size of small business. Currently, we employ 17 people, and we have just gone over the threshold where there is a little bit of agonising about whether we should

have done. The reason we went over is because the management of the company do see the need for the training of young people. I am not saying that is an altruistic point of view; it is because we feel that we can train young people. We have a second-year apprentice, a first-year apprentice and at the end of this year we are taking on another apprentice. It would be very nice to think, apart from the financial encouragement of taking on an apprentice, that we were not continually putting ourselves into a fairly unrealistic financial situation as a result of payroll tax. I would like that to be considered as a means by which small businesses could grow.

CHAIR—Does everyone support that?

Ms Lee—Yes, definitely.

Mr Hollidge—That is part of a package of impediments to employment.

CHAIR—Yes, there are others.

Mr Hollidge—One that concerns me is the inability to claim deductions for provisions I make for long service leave and the like. I have \$100,000 sitting in a bank account waiting until somebody claims it in five or 10 years time, and it is not tax deductible. To me, that is an even bigger disincentive than the payroll tax.

Mr Handley—Going back to training, I think it is essential that people who are just starting out get training. I know that you need to have enterprise and all those sorts of things, but it is just amazing the number of people who have no idea at all about cash flow. I think it is essential that people should have some very basic skills before they go out. They should at least know what a cashbook is and how to do a bank reconciliation. A lot of these people have no idea about that.

Ms Lee—Can I just say something that might sound silly. My daughter is doing matric at the moment, and one of the subjects she chose was business maths. It is fantastic. All I can say is that I wish I had done business maths before I started my business. If small businesses started by doing even that module, it would be excellent. It is a very good basis to start from. It talks about cash flow, depreciation and all sorts of issues. I think that is the basic they should start with. I agree.

CHAIR—But how do we deal with that issue? It has been a common theme throughout the whole discussion on this inquiry. I think there is general agreement that there is a need to do something but, when we raise issues such as whether to look at a licensing arrangement or a certification arrangement, everybody throws up their hands in horror.

Ms Lee—Too much regulation.

CHAIR—Is there a way of separating out existing businesses from new businesses? Is there a starting point at which we could begin a process of having some lessons in business management? We licence people to drive cars around the streets.

Mr Handley—Taxi drivers have accreditation. There are lots of people that have those sorts of things. But if someone is starting up a business or a new company then they are going to

have a business name, so surely it is a matter of filling out a form which says, 'Have you ever had any experience in this?' Then perhaps people can indicate what their experience is and if they have not had experience then we can point them in the direction of training for that and say, 'This is what you have to do.' It could be a day course or a half-day course. Anything is better than nothing, I think.

Mr Spain—There are already many forms of accreditation that businesses would find essential, if not required, under regulations in order to run a business. They are already existing in areas such as quality assurance, occupational health and safety and environmental management systems. Why can there not be a form of accreditation available—or encouraged, I would say, rather than regulated, initially at least—where businesspeople can learn how to run a business?

I would like to move back to the area of young people because that is a concern of mine. I wonder whether the education process should not concentrate more on training people. Given that there are not a lot of jobs around anyway, many of them are going to have to go out there, show some entrepreneurial spirit and start something up themselves. Therefore, shouldn't the education syllabus include such subjects as business maths as a mandatory subject to prepare people to go out there and earn a living by whatever means?

I have just come back from Sydney where there are people standing on corners with what look like supermarket trolleys selling things that glow in the dark for kids or playing musical instruments. They are business people and they are starting out. They need to understand how to expand and develop themselves in order to run their own businesses. The big companies are not employing so many people—that is self-evident. There are not so many jobs available with other people; therefore we have to go out there and encourage kids to go into the work force and start up themselves. The point where you have to start that is education. So perhaps we need a change in the approach to that in the syllabus.

Ms Lee—Actually there is. One of the issues that the Small Business Advisory Council has identified is that we need to get more entrepreneurs, so we are trying to get courses into schools. TAFE colleges are tying up with high schools to provide this sort of information. Business studies are being taken up quite a lot at high school level. You have all heard about things like the Young Achievers group. They are looking at young people who are interested in business. There are a lot of those. We are just waiting for these young people to come through to make it happen. These things only started about five or six years ago and they are going really well. So there are these things out there. What concerns a lot of us is the people who have been in a business for five or six years. There are a lot of changes in business. New businesses are coming out and some businesses will just not survive because of all of these changes. The people who are in the transition of change—the people who have never gone through what our kids are going through now—are the ones that are having this problem of managing a business. That is why you have a lot of people going for the mentoring at that level.

I think there is a lot being done at school level. Even at high school the year 10 students can go and do a retail course, an IT course or things to do with that. What concerns me is that there are a lot of young people out there who know computers really well and have gone through the training, but there is a group of business people who do not know enough. These people want experience, but they have no money to pay for people to come and help them to go to the next step of learning about the IT world. I would love to see something come from using young

people to work helping businesses, even just with plugging in a computer, putting the screen on and learning a couple of Microsoft things. You are helping both sides out—the students who need experience and the people who cannot afford the training. Training is very expensive. To have e-commerce in my company I practically have to take the last two years' profits just to make it happen. It is expensive nowadays. If you get an IT person to come in it costs you \$50 or \$90 an hour.

Mr Handley—Or \$140 an hour.

Ms Lee—Yes. They are pricing themselves out of the market. Smart people like me sometimes use overseas outsourcing and we get it done that way. But other people cannot do it. Yet we have students who say that they cannot apply what they have learned at school because no-one will take them on. Something should be done to encourage that sort of measure. It is just a smart way of looking at the problem and using the resources that you have.

Mr Spain—The point that Susan is making is very valid, but I think she is probably talking about people who are going to be entrepreneurs anyway. They are the ones who are in the right level of education. They are probably, but not necessarily, in private schools, or they are in the better state schools.

Ms Lee—No, the public schools are doing it very well.

Mr Spain—Yes, and state schools. I am concerned about the people who need to be driven rather than the ones who are driving themselves. They are the majority, so they need more help.

Mrs Gibbs—I want to comment on training in simple things like cash flow. It is quite obvious that, if someone is going into business, at some time they are going to have to pay tax; otherwise, they should not be business, because it means they are not making a profit. I am finding that a lot of people, when it comes to paying their tax, are alarmed at the bill and they have not put the money aside or, even with a quarterly statement, they have not got the money for either tax or GST. If people start up a business, perhaps a body through the tax department could say to them: 'These are the rules that you have to abide by. You need to have some training, because this is the way it is going to go.' Do you know what I mean? A lot of people come to me who want to refinance their house and so on to pay a tax bill, because they have not saved the money—something as simple as that. They just have not thought ahead.

CHAIR—That gets back to the licensing or accreditation process and whether or not you could introduce something that could apply to existing businesspeople as well as to new entrants. It would be infinitely easier to apply it to new entrants, because you have a starting point. Could you apply it to existing businesspeople? I do not know.

Mr Saunders—The idea of regulating businesses really does not have a lot of appeal. More people will try to avoid regulation than will embrace it. The way to attract businesspeople to engage in training is to have incentives available such as taxation concessions, rebates or discounts on, for example, telephone bills. For instance, if a businessperson has achieved a certain level of competency in a course, perhaps that should qualify them for 10 per cent off their Telstra bill or whatever. You really need to have in place some kind of incentive. It is not enough to say, 'You're going to be a better businessperson if you complete this course'; they really need some kind of financial incentive.

CHAIR—Incentives is one way to go about it, but there are two issues here. At the end of the day it is not just an issue of saying to the businessperson, ‘If you complete this course, you’ll be a better businessperson,’ but also an issue of saying to the consumer, ‘With this person having completed these courses, you’ve got a better chance of getting the services that you are prepared to pay for.’ I had renovations done to my home a couple of years ago which were fairly substantial. Before I gave the builder the contract, I asked to see his business licence and I looked at a few properties that he had renovated, but I never asked him whether he knew how to manage a business. He could have gone broke in the middle of my renovations, and I would have done a substantial amount of money. It never crossed my mind to ask him whether or not he knew how to run his business. It is just as well that I did not ask him because he had gone broke a few years beforehand, but that was because the banks got him to invest his money in Swedish franks and German marks and he had done his dough that way.

Senator CONROY—I am not sure of the cost of a business licence or registering for a business number, but say it is \$1,000 if you have not been through a course and \$500 if you have been through a course—

Ms Lee—It is \$90. It is very cheap.

Senator CONROY—I am saying that you have got to put it up so that it would encourage. Say it is \$1,000 if you do not come in with a piece of paper that says that you have done a course and it is only \$500 or \$100 if you have—is that a way to create an incentive?

Ms Lee—I do not know. I am always worried about too much regulation; that always bugs me a lot. I am not sure if that is the answer. We know that they have got to do something. I am not sure. I do not know. I do not like too much regulation; that is my big problem.

Mr Haygreen—What concerns me—we have just brushed over this—is when they go broke. That is part of free enterprise: people try things and they go broke. Fine, I accept that. People are going to be entrepreneurs and are going to go out and try things and they are going to make mistakes. However, a lot of people get into business or take a retirement package and invest that money in a business they know nothing about, with no business skills. When they go broke, there is a cost. They usually do a lot of damage to the businesses around them. It is quite a common story, especially in my industry, the retail industry, where somebody goes broke and discounts their stock and affects all the retailers around them while they are doing that. So there is a fairly big cost to society when these people fold.

Fine, if they have a silly idea, Ron, and they make a mistake, and they are bad judges about certain things they get involved with and they go broke; we accept that. But if it is just because we have been derelict in making sure they were armed with the skills they should have and with some guidance to run the businesses properly, why would we create that situation? Surely, we would try to avoid it by providing something for them.

Senator CONROY—If they had just lost their own money, maybe you could take Ron’s view.

Mr Haygreen—That is their fault, but they take a lot of people with them: all the creditors—

Senator CONROY—Is that a market failure in terms of people getting into the position in the first place where they can then affect everybody else?

Mr Haygreen—Yes. Your suggestion that part of starting up a business, in other words, be regulated to a certain extent so they have to take some form of formal training would probably avoid some of those issues. Take the guy who gets a retirement package and goes and buys a fried chicken shop, when he has never run one before in his life. Suddenly he realises he has no personality at all—he has worked behind a desk all his life—and the business folds because the person before him, who was doing \$10 million a year, was an absolutely whizzbang personality and well known in the community. How do you stop that happening if you do not give them some warning? Some of the basic things about running a business can be discussed with them.

Ms Lee—You need a good business plan, a lot of information, a lot of management skill and everything else. A business can be successful or fail based on other factors as well. I take your point about retail. Different sectors have different issues. In the retail sector and sectors like that, a lot of people go into business because they think it is easy: you just stand up there, open the door and people come in. I think the responsibility is still on the individual to make sure that the money they are spending is actually spent very well. I want to come back to the point that we have a lot of information out there—too much; we have to simplify, streamline and, at the coalface, give it to the people, just that alone.

Mr Handley—One of the issues, though, for people who are going into small business, from whatever area, is that they do not know what they do not know. In other words, they do not know anything about cash flow, bank recs and all those sorts of things. Therefore, they do not ask and they do not look. I am saying that somewhere along the line they need to be informed about these issues so they can actually say: ‘Hang on, there’s a problem here. Can I afford to go into this?’ I think that needs to start before they go too far down the track into the business, because they do not know that they do not know.

CHAIR—It is an interesting point you make, because we talked to some people from South Australian TAFE who teach in their business school, and they made the point that a lot of their time is spent on talking people who are ill-equipped to go into business out of going into business. They put a lot of energy into that area—stopping people from blowing their redundancy payments or their superannuation payments. They may be an electrician opening up a Kentucky Fried Chicken shop, all those sorts of things. But it is a question of how you do it—

Ms Lee—How you give the information.

CHAIR—in a way which will be acceptable to the community and that the community sees as a benefit to the community. It is not about more regulation, it is not about imposing more restrictions on people; it is about providing protection for people.

Mr Handley—Yes. I really do not understand why you cannot do it when they start up, when they actually go for a business name or they set up a company, and get a reference from them to say what they have done in the past.

CHAIR—Would that point, when they register for a business name, be the easiest and most effective point to do it?

Ms Lee—I think so. There could be a checklist for them to say: ‘Have you checked this or that? Have you found out about these places? Could you check these things?’ Let them have a simple, one-page checklist, not with too many things. That would be very useful. This is a practical way of doing it. It is better than not knowing.

Senator BARNETT—With the concept of compulsion when someone wants to start a business, who is going to enforce it? Are you telling me that the government is going to come down like a ton of bricks because this young 17-year-old has not done his training and has not got his certificate at some cost? What is going to happen to him? Isn’t small business about return on funds invested? That is why they do the training: they get a return on funds invested so they get a profit at the bottom line. That is the sort of feedback I get from most small businesses and from my small business background. When you throw in compulsion with certificates and regulations that is the sort of thing that makes them throw up their hands. The sort of message I get back is that small businesses want the government off their back. So I am wondering what sort of message you want to send through to the committee. I take your point that there are market failures, bankruptcies and it obviously affects small businesses—they lose their money and that affects others. But when you say they need to fix the system, who is going to determine what that is and how it is going to happen? I am just trying to clarify the message that you are trying to send through to the committee.

Mr Watts—I would like to take up that point. As I said before, I do not think you can actually regulate enterprise. I do agree that business plans and cash flows are vital. I would not have survived 29 years in business without all of that sort of information. When I started I did not have any of that, but I learnt about it. There are a number of places at which you can start to bring this requirement on board. One is obviously the banks. The banks require information from businesses about their cash flows and their long-term prospects when they present themselves for borrowing and the like. Another is obviously the Taxation Office because they require us to register and to put in returns. They can also be an instrument that does not insist on but offers training or streamlining or offers some advice on how to go about it. Business enterprise centres obviously need to be expanded to get more face-to-face information out on the ground as well as more coaching and more financial planning advice. All of these things are very important factors that can be delivered at different points along the way. It could be a start-up business; it could be an existing business; it could be a business moving to the next level.

At the other end of the spectrum are schools. We talked about schools. I would suggest to you that the majority of students leaving school from anywhere in the spectrum across the entire country are simply not ready for work. Very often they have no work ethic. Very often they have the wrong attitude. Very often they are not prepared for that first six months out of school. The greatest unemployment rate is in the group aged between 18 and 22. A lot of young people will not work in that first four years out of school because they have not got any life skills; they have not got any focus; they really have not got the commonsense that a lot of employers are looking for. I think business maths instilled in schools at that point would certainly be an opportunity to improve that basis of understanding. Who knows at 15 or 16 years of age whether you are going to go into business? Who said that Kerry Packer—who has no degree and probably no formal qualifications—was ever going to take over his father’s business? And look what he did with it: he improved it a thousand times.

Mr Stockley—His father did.

Mr Watts—Yes, his father started it.

Ms Lee—He got mentored all the way through.

Mr Watts—Absolutely. It is a big plus when your father leaves you all that.

Senator CONROY—Kerry is mentoring James at the moment.

Mr Watts—That is exactly right. Maybe I take a liberty with that.

Senator CONROY—Half a billion at One.Tel—we know that is good mentoring.

Mr Watts—The other day I heard Rupert Murdoch say that his children had never made as many mistakes as he had. I saw the size of some of their mistakes and I wondered. Anyway, I think there are a lot of things that can be introduced through schools that will be the basis of people understanding that, if you are going to go into business, you need to go and look for this information. It is quite true what was said by Jim before: no-one going into business knows what they do not know. You do not even have a clue where to look for it; you have no idea.

Ms Seymour—I come from schools. I was a teacher before I did other things in my life. It bothers me when people put a lot of emphasis on introducing more and more work related subjects in schools, because I do not think schools are about teaching kids how to work. But I do think there are things that you can teach young people that equip them to make the right decisions. One of them is actually how to make a decision. I noticed, having gone back to university recently, that young people coming out of schools have been spoon-fed to a degree that I find appalling. In order to get kids through the education process and to get them that magic mark at the end of year 12, schools are just feeding young people information and providing them with this structure to work in. They do not actually know how to operate outside it. If schools are going to be targeted, the emphasis needs to be on providing problem-solving skills development and decision-making skills development so that when they come out of school they have more than just this little box within which to operate. I am concerned about forcing a lot of work related subjects, because I do not think it will make any difference. You are still going to get young people coming out who are confused, who do not know what they are doing, who do not know where they are going and who cannot find their place, because they do not have the life skills that Ron was talking about—they just do not have them.

Mr Watts—Thank you for that; I do agree with you. I think the life skills need to be tricked up a bit. It is that insular world of school. I would like to comment about youth achievement. I am an adviser to a current program, and I am really appalled at the lack of training or selection process that has gone into the students participating. They are failing miserably because they have no idea in the beginning of why they are there. We will probably get them through in the end, but it is a lot of work.

Ms Lee—Which program is that?

Mr Watts—The YAA—Young Achievers Australia.

Ms Lee—I think that is because of the mentoring system. I was going through it with one of my daughters and I think the people they pick are just the right sponsors—it could be a bank clerk leading the whole thing, or something like that.

Mr Watts—No, it is the students. The students themselves have put their hands up because it is worth four SOSE points. They see it as a fast track towards a SOSE certification. It is not really about understanding a business. It is a misconception of why they are doing it.

Mr Spain—Taking up the points made by Ron Watts and Robert Saunders: first of all, I think we should focus on the carrot rather than the stick. We do not want regulations. We do not want to kill entrepreneurial spirit by making it too difficult to go in there and start battling, as most of us did in the early stages. What we want to do is reward people for making the extra effort and taking the time out. In small businesses, that is going to cost them big money, either because they are paying a consultant to teach them or simply because they are going away from the business and putting it at some risk while they are away from it. And you made that point as well, Rick.

Going back to what Robert was saying, there might be some means by which we could forget about the stick and look at the carrot. We could say, ‘For achievement towards various grades of accreditation’—and off the top of my head, I cannot place those grades, but I could if I had time to sit down and write them, with some help—‘there are some monetary rewards.’ It is still going to cost businesses money in order to achieve that accreditation; it is going to cost them considerable amounts. There could be some reward at the end of it—not a reimbursement, so that if you put in \$5,000 then you take out \$5,000 at the end of it, but some sort of inducement. Part of the inducement would be, ‘My business is going to last longer and I am going to be more successful when I have done it, hopefully.’ The other bit would be some financial reward. I think that does come back to the government. We talked about the education area. I, too, was a teacher and I agree entirely. The point on which I would like to close my submission to this portion of the conversation is this: if we could reward people for efforts and not punish them for lack of effort in making their business more successful, that might be the way to go.

CHAIR—Taking the point you have just raised, Ron, we have had discussions with the Australian National Training Authority. They have just this year introduced into the VET system a new business training package, which covers all of the issues that we have been talking about. Part of the problem is that they cannot identify the students and whether they are taking these courses because they are going to help them improve in the business they are in or whether they are actually business proprietors who come in and take the courses to help them better run their businesses. They are saying that the package is designed in such a way that you can deliver it just in time. You can deliver just the elements of the package that business wants at any given point in time rather than them having to take the whole shebang in the one hit. If it is about cash flow management, you can do that or, if it is about business planning, you can do the business planning segment, but there obviously is a package of training measures there for small business.

There are two issues on it. One is: is it more effective to try and deliver that package of training to small business at the enterprise rather than having small business come out of the enterprise and go and sit in a classroom at CIBM or at a TAFE college? All of the experience that we seem to be hearing and the message we seem to be getting is that it is much more effective if it is done in the enterprise area, because that allows you to keep an eye on the

business while you are also undertaking the training. The second issue is: do you use a carrot or a stick approach? These courses have to be paid for. Could it be done on the basis of a dollar for dollar commitment; that is, if you undertake these packages, there is a dollar commitment from you and there is a dollar commitment by government?

Mr Spain—Exactly, Senator.

CHAIR—Do you get a bigger carrot if you take the whole package than if you only take part of the package?

Mr Spain—No, I think it should be progressive, because we cannot absorb all that all at once. We cannot take a degree course; we want to take a certificate course which leads to a diploma course which eventually leads to a degree course. That is the essence of small business: sustained growth and sustained learning. Perhaps it could be channelled so that there were levels that could be attained and each level was rewarded, perhaps on a dollar for dollar basis or perhaps, at the end of it, with part reimbursement, a taxation saving, telephone account discounts or something like that. Why are we in small business? To make some money. In order to make some money, we want to make our businesses and ourselves as successful and as clever as possible in a world where there are a lot more clever people trying to push us down. I am talking about other small businesses, not government. What we are trying to achieve there is the carrot, as I said before, and I think that can be attained gradually. There are reward systems that would be applicable, appropriate and welcomed with open arms by most sensible small business owners.

Ms Lee—I am going to harp on the main issue of how you are going to let these people know that there is such a package out there. That is the first thing. The second thing is that reducing taxation would be a very good incentive because, with dollar for dollar, you still have to put the dollar in front of you to get the other part of it. Taxation would be a very good way to go because most of the successful entrepreneurial countries in the world have much less tax than in Australia.

CHAIR—I am going to put the communications thing back to you. We are getting a lot of feedback from government departments that the Internet is the way to go—we have got to get it up on the web, we have got the Business Entry Point and there is a lot of work being done in that area. On the other side of the equation, we are getting small business people saying, ‘Face to face is the best method of communication.’ I suppose that the best relationship we have seen so far in our travels is the combination of the ACCs—area consultative councils—and the BECs, who seem to have their finger on the pulse in terms of what is happening with small business now. Are they two areas that we should be looking to strengthen in terms of channelling the communications through those areas on a face-to-face basis?

Ms Lee—I think, as you said, the BEC would be one good way to go about it, simply because they have already been there for a while and people are recognise them as a source of information. But they need to tighten up how they deliver the information, and I think they need to be more at the coalface at this stage. The web is the way to go, obviously, because it is the way that everybody does business nowadays. That is how I managed to sell to 45 countries in the last three years, simply by putting ourselves up there. I used to export to six countries before that, and it took me a lot of money to do that. Now it is very cheap, because I have got

everything on the web. But there are still a lot of businesses that are not at that level yet, and this is the part that I am a bit worried about.

CHAIR—One of the difficulties we have is that you probably find it easier to communicate with those 45 countries than you do to communicate with Whyalla. That is a difficulty that constantly gets pointed out to us.

Ms Lee—This is the infrastructure that the government has to address. This is what I am trying to say. It has to make sure there is lots of cabling around the whole place, and that is the sort of thing that is going to make even country people successful. That is all we need to do. It is very easy.

Senator BARNETT—What do you think of the business entry point facility?

Ms Lee—There should be a check list and a business entry form—the licensing one. It is not very expensive to have a checklist; it is just a matter of trying to work out the easiest way to reach people. If people want to register a business, then give them a packet of information. For those people without a packet, there is an Internet address to go into if they want. Every time someone starts a business, give them a pack of information. I still think there are too many packages out there and we need to streamline that to something very simple for people. We are all information overloaded: you open your email and you have 100 a day coming through. If you send me that package through the Internet and tell me how wonderful you are, I will probably just look at it and discard it. Do you know what I am saying? It would not touch my heart.

CHAIR—That ‘x’ button is a wonderful tool, isn’t it!

Mr Watts—Can I say that I support all three of the models that you talked about; the BECs, the ACCs and the Internet are all excellent things. The Internet to me is just a tool.

Ms Lee—Yes, it is.

Mr Watts—It is a great reference point. If you are meeting face to face with somebody and you can give them information and refer them to the information source on the Internet, they can search that and find it themselves. The other point made earlier by Susan about there being an information overload is right. If we could get things into one place—it might be the business entry point, a BEC network or whatever we decide—we could get some commonality about what we are offering so that the information pack is the one information pack rather than 57. That is where the confusion comes in. Everyone is saying much the same thing, but let us say it once and not 57 times.

Senator CONROY—So you would like us to regulate the package?

Mr Watts—No, I do not want you to regulate anything; I just want to make it available.

Ms Seymour—One of the things about information that I have discovered is that sometimes the information you want is not actually available anywhere. I think this comes back to the regulatory frameworks. Sometimes you find yourself in a position where you cannot get an

answer to a question, regardless of how much you read or how many people you talk to, because the people who are in fact administering the regulations do not know the answers either, because there are grey areas. Jim and I have just had an instance where we were trying to work out how to assess someone's employment status—whether they would be an independent contractor or an employee. The rules relating to super and taxation are different from the rules that apply if you are applying the WorkCover legislation in South Australia, so you have an employer who is trying to work out whether they can have this person as a contractor or not. They are confused and cannot get an answer. So employers cannot rely on a package of information; you have to have some way or someone who can work their way through the mire and do some interpretation.

Mr Watts—I think that is what we advised.

Ms Seymour—Yes; and that is where you have your BECs and so on, and people like us.

Senator BARNETT—Are there any impediments to small business growth that we have not discussed so far? We have touched on the regulation and training and education. You have not touched on some of the other areas, whether it be superannuation or industrial relations. You mentioned tax briefly, but are there other things that are impeding small business growth?

Ms Seymour—When I was talking to people about potential barriers and impediments, someone mentioned that the commercial tenancy laws which prohibit short-term leases actually make it very difficult. If someone is moving from, say, an incubator, where you have monthly tenancy and you want to expand, you have to go from that situation into signing a much longer term lease.

Senator BARNETT—Is this a state law? Do you mean the retail tenancy code?

Ms Seymour—Am I right with this, Graeme? I am operating on someone else's information.

Mr Hollidge—No, that is not quite right. You are required to get independent legal advice that the lease may be terminated in less than five years; otherwise the landlord is compelled to give it to you for five years. Of course, that may not suit either party on occasions.

Senator BARNETT—So that is a state law. Okay.

Mr Hollidge— At the beginning of this discussion you raised the matter of simplification. I must say that I do not think I could survive another two years of simplification like the last two! I have been deluged with so much paper that I cannot grasp where anything has been simplified. I can certainly grasp the fact that my compliance staff, of which I have two, are tearing their hair out and there do not seem to be enough hours each week for them to comply. I have a total staff of 20, so it astounds me that I have to have a very expensive computer system and that amount of staff time applied to compliance. I have been in business basically on my own for 40 years, and 40 years ago I could do the paperwork on the back of an envelope. Nowadays, it takes two staff and a computer and I still cannot do it—in fact, I have given up. I now walk away from it and say, 'I pay you; you do it. It is beyond me. I have to go and make some money.' So I no longer attempt to do it myself. On top of that, I engage outside accountants to check up on what they are doing to make sure that they have got it right.

Mr Haygreen—Graeme has stolen my thunder. He has said a lot of what I was just about to say. People were saying to me, when I was asking around the place, that superannuation is starting to get beyond the pale.

Senator BARNETT—As in the rate?

Mr Haygreen—As in the amount that business is having to pay and, I suppose, the ability to recover that. It is like the time spent now looking after the GST within my organisation. My wife is our financial controller and she is very skilled—she has worked for an accountant for 14 years so she is more than a bookkeeper—and she says that the time factor has certainly increased. In the retail industry, because of the competition laws, it is extremely aggressive and Adelaide is over-retailed too, so to try to recover those costs is virtually impossible. That is an issue that I feel strongly about. One of the reasons why I do not employ young people and train them at the rate that I would like to is that the amount of margin I can make in the business is prohibitive. After the time I have been in the business I am a reasonably good operator. I am in a very big and powerful buying group, so I am not disadvantaged in any way, but there is certainly the pressure of competition. That is partly caused by people coming into the business who do not really know what they are doing and who ultimately go broke. Even big organisations do that: we have seen Brashes and Chandlers and people like that come to Adelaide and disappear, but they do damage on the way to the local person trying to make a living. I feel sad that I am not able to employ young people as much as I would like.

Senator BARNETT—On superannuation: do you think the employees have a sense of ownership of that nine per cent, or is just seen as an impost on the small business operator because they do not actually see it go into their pay packet—they have their pay packet and then it is on top? I am just seeking your feedback on the issue.

Ms Lee—This is how my staff see it now: they do not see it as extra money into their pocket at all. When I talk to them about pay rises and what my expectations of them are, they say ‘Oh, we only get \$16.50 an hour,’ or whatever it is. And I say, ‘Add on to that superannuation at nine per cent and WorkCover and all these other bits of the package, plus all the other factors like holiday pay and you are on about \$25 per hour.’ But they do not see it. They still say, ‘But I only get \$16.50 an hour.’ So there must be a way to make them recognise that that is what they are actually paid—that they have got a pay rise without doing anything different.

CHAIR—What is the average age of your employees?

Ms Lee—I have a lot of middle-aged people. I am getting more young people now, but most would be in their early 40s.

Mr Sloan—That was an interesting comment about us not wanting more regulation. If we want to hang up our shingle in many trades or professions, we have to have a qualification, but it seems there is a suggestion that to go into business we do not have to have a qualification. A thought went through my mind, as I have observed people who have come into the real estate business that I am in. I can think of an instance where a fellow had a separation package from somebody like Telstra and decided to become a land agent. He was like a bull in a china shop. He thought he could hire and fire at a moment’s notice, and he has. There would be prospective disasters not just with him but with people who have been in and out of jobs. I am sure he does

not register his letters of appointment with the Real Estate Employers Federation or do the sorts of things which are supposed to be done.

In the competitive side of our business, the people who run land agencies are so busy selling real estate that they do not spend time administering their business and they take all the short cuts in the world. There is a requirement that letters of appointment be lodged with the Real Estate Employers Federation and then be registered with the industrial court. I would take a bet that, if somebody did a survey on it, there might be 60 per cent who have done it and 40 per cent who have not. The level playing field, then, does not exist for those who are doing the right thing.

My point is about the qualification for going into business. Perhaps it could be incumbent on somebody to have gone to somewhere like a business enterprise centre, the Chamber of Commerce or Business SA and have done a basic course in business. They could be told, 'Here is what you are obliged to do.' A lot of them do not know, and they do not know that the information is available. I am not sure that there would not be a need for that. As I said, people go into business without a qualification in business; I think many do that. They do that without a qualification or an understanding of aspects of business such as superannuation, WorkCover, registering as a group employer or whatever they have to do. Sometimes it is the end of the year and they count up all the money and find they have not registered with the tax department. Some who are operating under business names do not go and register the business name. There does not seem to be, in my observation, much policing of that to say, 'Here's this new business name that has appeared that is not registered with us.'

Those who are doing it are incurring the costs of the administration and those who are not doing it are gaining a bit of an advantage. I think that aspect of business does have a lot of the dog-eat-dog type attitude, and I have observed that particularly in my industry and in others. I know that my competitors cannot possibly be doing the paperwork side of things they should be doing. I particularly observe this when I see perhaps two high-performing sales people leave a land agency—wherever it is—and start up in business. They have not agreed on who is going to make sure that the trust account gets reconciled every month; about six months later, one of them realises they have to do it and the other one says, 'I'm making all the money, and you're not doing any work.' They usually dissolve partnership within about six months, and it is usually over those sorts of circumstances. They do not know about business in the true sense.

Mr Handley—Going back to a couple of issues which have been spoken about before, I think it is really unfair of the federal government to have put through so many tax changes for small business in the last three or four years—such as GST, the simplified tax system and a number of other issues—which they have had to cope with. Therefore, they have come to people like me, which is fantastic for me because I make more money. They have had to try to cope with this; they have had to deal with the compliance work in putting it through and understanding it. For small business, it has been a helluva time over the last three or four years. In terms of simplifying the system, it has not happened. It has actually made it more complicated. From a small business point of view, it has been quite a tricky and difficult time. I am not sure what is going to happen in the future.

Take superannuation, for example. It has only been changed about 50 times in the last 10 years! How do you keep up to date? How does small business keep up to date with these changes in legislation? From an accounting point of view, it has been very difficult to do that.

But, from a small business point of view—as they do not have the skills to understand what has been going through—it has been quite difficult and in some ways unfair on them to have to have dealt with those legislative changes.

Senator CONROY—I have good news! The government are pressing ahead with their choice of superannuation fund legislation, which the tax office admitted a couple of weeks ago would cost \$14,000 per small business to implement. Most people laughed and said, ‘That is what you said about the GST.’ So that is coming to a business near you soon.

Mr Handley—This is tricky. I went to a course run by the tax office on the simplified tax system, and the people in the tax office were saying, ‘Who is going to be involved in the simplified tax system? What advantages are there?’ because of some of the disadvantages that are involved in it. I find that, from a small business point of view—not from my point of view, because I make money out of it—really quite onerous for them to understand and come to grips with. I think it has been really quite tricky over the last number of years for these legislative changes to come through. Does that make sense?

CHAIR—Yes, it does.

Ms Lee—I would like to go back to the impediments to small business owners employing more people. The unfair dismissal law is one of the issues. It is a very strong issue, and there has been a lot of debate on that. We find it so difficult in the sense that, if I have a staff member who has not been performing for a while and they get picked up on that, they may perform for a couple of weeks or for a month but then go back to doing that sort of thing and we cannot get anywhere. So, for businesses like mine, it is very difficult. That is one area.

The other area is that small business employees always have the idea that the owners are big corporate players who are being paid millions of dollars a year for what they are doing. They think we are making all the money and not sharing it with them. That culture has to change. The image of business owners has never been very great in Australia. People always think they are like the big corporate players, the ones with the money, and that they are not making sure their staff are looked after. I think that image has to be looked at. We have to see that business owners are risk takers. They are risking their mortgages and everything else, putting everything on the line, just to employ people and be successful and therefore produce good returns. So I think we all have to talk up the image of business owners.

We also have to be positive about businesses. We are always talking about business failures in the first five years. We never look at the data on why they have failed. In the last 10 years, there have been many reasons why they have failed. It is not because the business owners are not doing their best or that they did not do a lot of financial studies or whatever. There are other issues. There is the banking issue and what the banks did to small business owners because of what happened to big corporate players. There is the taxation issue and what that has been doing to small business owners. They think that big business is making all these profits and therefore there is this level of tax, but they forget the small business people. They are just ordinary people trying to make money.

For some people, a business lifestyle is all they need and all they want. If that is the way they want it, we should not change that either, because these are the people who support some of those people like me who want to grow their businesses. So we have to look at people in that

business lifestyle and at people who want to grow their businesses. There are a lot more impediments for people who want to grow their businesses. At this level, it is very difficult for me to put everything down, but I would be quite happy to write a list and deliver it later on. I think there are a lot more issues. You have to look at businesses in different ways. Apart from the training, image has to be looked at, because there have to be cultural changes to encourage more entrepreneurs.

Mr Saunders—I have two issues that I have been asked to bring up. The first issue is about contracting with government, which is a source of business for many small businesses. On that subject, it is very often the case that the business has to have some level of accreditation. I have been asked to raise whether, for a person who wants to break into that area and contract with either the federal government or a state government, funding is available to achieve that level of accreditation in order to win a contract with government. The other issue which I have been asked to bring up is with respect to people in the country. My advice is that people who have been trained in the country, in whatever industry or sector, tend to look to the city for further employment. Has any thought been given to retaining trained small business people in the country?

CHAIR—I think there are two questions there. The answer to the first one is no, there is not—to our knowledge anyway—any recompense for companies getting accreditation, whether it is AS 9000 or whatever it might be, to enable them to bid for government contracts. That is a matter for individual companies to take up. On the second issue, no, there has not been, either. That is a big issue, however, in terms of the debate. Certainly, from the point of view of my own party, it is something that we are seriously looking at at the moment from a policy perspective as to what you can do to retain skilled people in regional areas—not just to retain skilled people in regional areas but to attract enterprises and companies to locate to regional areas. Unless you create an incentive for factories and companies to set up there, you will not keep the skilled people there. Some demographic studies have been done and Monash University is the best one I know of. It demonstrates that out of the top 10—they have a chart which identifies the top 10 jobs in the new economy—54 per cent were located in the Sydney region and some 30 per cent of them were located in Melbourne. They are the jobs that young people are going after, so not only are young people leaving regional Australia to come to the cities for education but the jobs they are chasing are also located in the cities. Unless we do something about reversing that trend and getting some of those jobs located in regional Australia, you will see a continuation of the brain drain out of regional Australia into the metropolitan areas.

Ms Lee—We are talking about people from Adelaide going to Sydney, too—the brain drain. My daughter is in Sydney.

CHAIR—That is right. People in Newcastle, in New South Wales, are very proud of their community but, if you talk to people at the university, it is just a dormitory suburb for Sydney, because most of the community are now commuting to Sydney on a daily basis for their jobs.

Mr Spain—I do not think we have addressed item 4 terribly well, but we do not have time now. In order for small business to enhance the prospects of employment for youth, I would throw this back to the government and say that you can enhance our ability to employ more people, youth or otherwise, by reducing some of the levies and loads that are imposed on small businesses. I leave you with this thought: I believe the statistics still point to the fact that small businesses are the biggest employer in Australia, but we are very quickly being decimated. We

are being decimated by not only taxes but the method of collecting taxes for the government. If you want to enhance our ability to employ more people, will you help us, please?

Senator BARNETT—Small business employs 50 per cent of the private sector work force, according to the statistics.

CHAIR—As someone said, the greatest growth area in small business is chartered accountants. With those few words, I declare this hearing closed. Thank you all for your attendance and for your contributions. It has been terrific.

Committee adjourned at 4.59 p.m.