

GOVERNMENT RESPONSE TO THE REPORT OF THE  
SENATE EMPLOYMENT, WORKPLACE RELATIONS AND  
EDUCATION REFERENCES COMMITTEE  
SMALL BUSINESS EMPLOYMENT

August 2003

## **Introduction**

The Senate referred the small business employment inquiry to the Employment, Workplace Relations and Education References Committee on 20 March 2002. The terms of reference for the inquiry covered the effect of regulation on small business; the special needs and circumstances of small business; the extent to which regulation inhibits growth or performance in the small business sector; and measures that would enhance the capacity of small business to employ more people.

The committee tabled its report on the inquiry in the Senate on 6 February 2003. The report makes 29 recommendations dealing with the relationship between government and the small business sector; employment; skills development; and reducing the burden of excessive regulation. Government members of the committee were in general agreement with the report's findings but expressed reservations, in particular in relation to the report's treatment of unfair dismissal and the Government's achievements on behalf of small business over the past six years. This response addresses the Government Senators' reservations then deals with each recommendation in detail.

Small business is a dynamic driver of the economy, a vital source of enterprise, innovation and jobs. Australia's 1.1 million small businesses are our biggest employer, generating 3.3 million jobs or 47% of private sector non-agricultural employment. The sector generates around 30% of Australia's total economic activity and 47,000 new small businesses were established in 2001/2002.

## **Response to the Government Senators' Reservations**

The Government strongly supports the sentiments expressed by Government Senators in relation to the report's findings and recommendations. Since coming to office in 1996, this Government has given a high priority to small business issues and delivered wide-ranging reforms across key portfolios – including tax reform, fair trading reform and reform leading to more flexible workplaces – against a background of sound economic management delivering low interest rates and low inflation.

The Government has provided a voice for small business by appointing a Minister for Small Business, establishing a Commonwealth Office of Small Business (OSB), and supporting a variety of consultative mechanisms – including the National Small Business Forum, which twice a year draws together representatives of peak bodies from around Australia to meet with the Minister. These mechanisms are significantly reinforced by measures introduced by this Government requiring the production of regulation impact statements (RISs) for new policy proposals, including an assessment of the possible regulatory impacts on small business, and the assessment by OSB of Cabinet submissions that may impact on small business.

The Government believes that a workplace relations environment characterised by freedom and fairness is one of the primary keys to achieving prosperity and employment growth. In this regard, workplace relations reform can be seen as one of the key drivers of job creation.

In particular, the Government remains committed to reshaping the workplace relations system to better suit the specific needs of small business. Research by the Melbourne Institute of Applied Economic and Social Research, released on 29 October 2002, estimated the cost to small and medium sized businesses of unfair dismissal laws at \$1.3 billion each year. The Government will continue to push for a total exemption for small businesses from the unfair dismissal laws, to alleviate this burden.

This measure will add to the raft of workplace relations initiatives this Government has introduced, including legislation to:

- make individual and collective agreements easier for business
- stop unprotected industrial action
- simplify awards.

### **Recommendation 1**

The committee recommends that governments consider appropriate ways of developing a better understanding of micro-business and home based business and their potential.

(Committee report, page 20)

#### ***Response***

The Government acknowledges the important contribution of micro and home based businesses to the Australian economy. In 1996 the Commonwealth Government established the Micro Business Consultative Group to report on options for development of the micro business sector in Australia. The group reported in 1998, outlining a range of issues in the areas of regulatory reform, taxation reform, fair trading, information, information technology, training and profile. Subsequent reforms in those areas for which the Commonwealth Government has responsibility have substantively addressed the issues raised in that report.

On 6 March 2003, the Minister for Small Business and Tourism, the Hon. Joe Hockey, MP, hosted a summit for home based businesses to examine their needs and characteristics and raise awareness of this small business group. The summit recognised the dynamic nature of home based businesses, their rapid growth and their growing significance to the Australian economy in terms of activity, employment and income. Further forums to explore specific issues raised during the summit will be held throughout 2003.

The exporting potential of small businesses was a key focus of Austrade's 2002 report *Knowing and Growing the Exporter Community*. Austrade's research found that while small to medium sized businesses (SMEs) made up 97 per cent of the total Australian export community only 4 per cent of SMEs were actually exporting. The research also found that the next generation of exporters would be small in size, have been in business only a few years, be located in small towns as well as capital cities, adopt new ways of 'going international' and be knowledge based.

As a result of this research the Government has identified a pool of untapped export potential among Australian small businesses, especially those from non-traditional export sectors. To assist these small businesses to achieve their full potential, the Government has committed to doubling the number of Australian exporters by 2006. More small businesses engaged in exporting means greater opportunities for job creation. As many regional and rural communities depend on small business for the strength of their economies, a greater export focus will also bring benefits to the regions.

## Recommendation 2

The committee recommends that the Commonwealth Government resumes the Business Longitudinal Survey, in close consultation with the small business community.

(p. 32)

### *Response*

The ABS conducted a Business Longitudinal Survey from 1994–95 to 1998–99 (inclusive) with the support of the Small Business Research Programme (SBRP). A large proportion of the funding for that programme was for the survey, which tracked about 6000 firms over four years to provide data to explore the relationships between firm behaviour and firm performance. The Commonwealth Government established the SBRP to fill particular gaps in information relevant to policy making for the small business sector at that time.

Through the ABS, the Government is planning to develop a new business longitudinal database using a combination of administrative data and existing ABS survey data. The primary administrative data source will be the Australian Business Register (ABR). The Australian Business Number (ABN), which is the business identifier used in the ABR, will be used to link relevant datasets which also use the ABN as a key identifier. The ABS will commence development of the database from July 2003, and will undertake an extensive consultation process in the early stages of the project. This will enable the identification of any information requirements which cannot be satisfied using existing data sources, and for which data may be supplemented from additional survey activity.

The database will be developed over the three years 2003–04, 2004–05 and 2005–06. While the final database will be available at the end of the project, data for specific components may be available at stages during the development period.

The ABS also produces a wide range of statistics on small business using data from existing ABS surveys. Major publications include *Small Business in Australia* (Catalogue 1321.0), which has provided a range of statistics relating to small business drawn mainly from ABS collections that present statistics classified by employer size. These have included the Employment and Earnings Survey, the annual Economic Activity Survey and periodic Service Industries Surveys. It also presents some data from external sources. Another major publication is *Characteristics of Small Business, Australia* (Catalogue 8127.0), which presents data collected as a supplementary topic in the ABS Monthly Labour Force Survey (MLFS). Data on characteristics of small business owners are collected each year in the June MLFS.

While it is important to have accurate and timely data on the small business sector, government is not the only source of such information. A number of tertiary institutions and private sector organisations also carry out small business surveys on a wide variety of topics.

In addition, the Government is mindful of the compliance burden for small business associated with statistical collections. The Small Business Deregulation Task Force, in its report produced in 1996, recommended a reduction in the reporting load associated with requests for statistical information. The Government responded with a range of initiatives, including a target of reducing business's reporting load by 20 per cent. The ABS has reduced its overall reporting load by around 40 per cent by introducing a range of initiatives including ceasing some statistical collections, reducing the frequency of other collections, reducing the size of the sample for a number of surveys and substituting administrative data for statistical collections. Improved management of contact with businesses has also been a high priority for the ABS and has

resulted in the initiation of projects aimed at providing better infrastructure and business processes.

A central statistical clearing house for all business based statistical collections of Commonwealth departments and agencies was also established in 1996. Operated by the ABS, its primary goal is to ensure that surveys impose the minimum load on business respondents and that the data collected are fit for their intended uses.

The Australian Taxation Office (ATO) undertakes regular surveys involving small business and different parts of the small business community, both directly and through external consultants. In addition to this, the ATO conducts ad hoc research. For example, a small business communications profiling research project was recently commissioned. This research project will explore communication issues such as:

- communication preferences and information needs
- role of tax professionals/intermediaries
- record keeping practices
- capacity to deal electronically and levels of computerisation
- perceptions
- lodgement experience
- attitudes/behaviours.

Having regard to the privacy implications associated with data transfer, the ATO also shares non-identifiable information and data regarding the small business community, for example by contributing data to the Australian Bureau of Statistics (ABS) for survey and statistical purposes.

### **Recommendation 3**

The committee considers that governments should promote awareness among the small business community of avenues open to them to improve business performance and to enhance their attractiveness as employers through improving the quality of jobs without necessarily adding to costs.

(p. 35)

#### ***Response***

The Government agrees with this recommendation and notes that it has effectively been implemented. The Government will soon release a comprehensive guide to e-Business which is designed to outline how getting online can improve the performance of companies. The non-technical guide will focus on the business process and has been designed to meet the needs of small companies with 1-20 employees. It will assist companies to maximise their return on their investment in getting online and undertaking e-Business activities. The Government currently provides small business with information on improving business performance, including links to services provided by other levels of government and industry associations, through the online Business Entry Point (BEP). The Government actively promotes the BEP through its small business assistance programmes and those of other levels of government. The Government considers that a more extensive awareness campaign would be expensive and unlikely to deliver substantial benefits, given existing concerns within the small business community about information overload.

In May 2002 the Government announced a new \$60 million Small Business Assistance programme which provides tailored advice and skills development opportunities for small business in those areas not already supported by similar state government programmes. As part of that wider programme, the Small Business Enterprise Culture Programme (SBECP) aims to develop and enhance the business skills of small business owner-managers and demonstrate the contribution that such skills can make to business viability and growth.

In addition, a range of initiatives announced in the Government's \$3 billion Innovation Statement, *Backing Australia's Ability*, aim to assist small business in gaining access to global research and technologies, adopting innovative practices and enhancing business planning and management skills. These programmes include the Commercialising Emerging Technologies programme, which has funding of \$70 million over six years to enhance small start-up company commercialisation prospects by supporting activities such as business planning and management skills development. This has assisted more than 700 firms since 1999. The Innovation Access Programme – Industry is designed to promote industry innovation and competitiveness by increasing access to global research and technologies, and adoption of innovative practices by firms, particularly SMEs.

Small businesses can also improve their business performance and enhance their attractiveness as employers through exporting. Austrade's discussion paper, *Why Australia Needs Exports: The Economic Case for Exporting*, found that exporting firms make better employers than non-exporting firms. Austrade's research found that exporters, on average, outperform non-exporters in terms of wages and salaries, employment conditions, occupational health and safety, and employment status. The Government, through its Exporting for the Future programme, aims to enhance community understanding of the benefits of trade as well as to increase the number of new exporters by raising awareness of overseas markets and communicating specific opportunities to current and potential exporters.

The Government has also allocated funding of \$21.5 million over four years to the TradeStart Network, which seeks to raise awareness of exporting, ensure businesses outside the major metropolitan centres have access to Austrade's export advisory services, and maximise the benefits of trade for local communities. From July 2002 Austrade's New Exporter Development programme has been delivered through the TradeStart network and provides a range of free services to help Australian small businesses to develop their businesses overseas and make their first export sales.

The Government supports the committee's view that there are ways small businesses can enhance their attractiveness as employers, with consequent positive impact on overall employment growth, through improving the quality of jobs, without necessarily adding to costs. The Government believes there is scope within existing small business assistance programmes to provide practical advice on attracting and retaining high quality staff.

One of the most effective methods of improving the quality of jobs and enhancing the attractiveness of small businesses as employers, and one that is currently under-utilised by small businesses, is through workplace agreements. Formal workplace agreements allow employees and employers to replace inflexible award arrangements with arrangements that are tailored to the specific circumstances of businesses and their employees. Substantial opportunities exist to establish more flexible and productive workplace relations arrangements that better meet businesses' needs and the work, family and lifestyle needs of employees.

Most small businesses and their employees would be able to make formal agreements under either Commonwealth or state workplace relations laws. A wide range of information is

available on how to make formal agreements, including from the relevant industrial tribunals and government departments. The Government is putting arrangements in place to provide face-to-face help with agreement-making under Commonwealth law, particularly to assist small businesses. Many businesses would also be able to make Commonwealth individual agreements known as Australian Workplace Agreements (AWAs) directly with their employees. The Office of the Employment Advocate (OEA) provides a wide range of easily accessible information, advice and assistance on the making of AWAs. The OEA also has a project, under its Better Work and Management Practices project, which aims to inform SMEs about the benefits of performance pay and ways of introducing performance pay through workplace agreements.

In addition, small business employees can access training that leads to nationally recognised qualifications through the range of nationally recognised training packages which now collectively cover 82 per cent of the workforce. More particularly, in the Business Services Training Package, the Certificate IV in Business (Small Business Management) was designed to address the needs of small business proprietors, and a number of units were developed to help people intending to start up small businesses.

The Australian National Training Authority (ANTA) has recognised that there is a need to bring this set of resources to the notice of organisations which have strong links to small business through provision of advice and training, but which don't necessarily know and understand the vocational education and training (VET) system or the benefits of nationally recognised training. Such organisations are well placed to help SMEs to adopt skills development as a business improvement tool because their staff are in contact with businesses at times when they are seeking help to establish or grow their businesses.

ANTA is currently negotiating to fund a trial which will support 'linkers' in such business support organisations. The 'linkers' would work with these organisations' staff, equipping them to help SME operators identify critical skills needs for themselves and their employees, develop training responses and source training from a wide range of providers. It is expected the trial will be in place by July 2003 and it will provide a useful model for raising small business awareness of avenues to improving business performance.

In 2002 ANTA also produced a ten part television series with the Australian Broadcasting Corporation that illustrates the contribution that small business mentors can make. The series 'Eight Days a Week' looked at real businesses and the decisions their owners have to make. It aired from December 2002 to February 2003 and has been backed up by a website with tools and resources. The videos are available for sale.

#### **Recommendation 4**

The committee recommends that the Small Business Ministers Council commissions research into measures to assist small business to become employment ready and to enhance its capacity to recruit appropriate employees including through identifying:

- the attributes and skills that small business needs in its employees;
- ways in which the Job Network could better meet the recruitment needs of small business; and
- tools to assist small business make more informed decisions about employment arrangements, including the basis of employment.

This research should include consideration of how the competency standards and key performance indicators developed by the Industry Training Advisory Bodies could be more effectively used by small business in recruitment, training and performance management.

**Response**

The Small Business Ministers' Council (SBMC) is a Commonwealth, State and Territory body. It does not received independent funding which would enable it to commission research of the kind recommended by the Committee.

However, the Commonwealth, through ANTA, is currently undertaking an evaluation of national strategic planning and industry advisory arrangements for VET. The evaluation will address aspects of the issues the committee wishes to have investigated.

Face-to-face assistance with decision making on employment issues is also available from other sources, including state government bodies and private sector advisors.

The Government has also simplified employers' access to information about the Job Network and their local providers. An employer-specific telephone number is available, and information for employers is provided on the Government's workplace website, [www.workplace.gov.au](http://www.workplace.gov.au). To improve understanding between Job Network providers and small business employers, on 17 February 2003 the Minister for Employment Services, the Hon. Mal Brough MP, launched an initiative developed by the Government with Restaurant and Catering Australia and the employment services industry peak body, the National Employment Services Association. The initiative provides a streamlined vacancy lodgement process for employers and increased marketing of Job Network services to restaurant and catering businesses. As well as increased understanding, the initiative intends to develop industry specific information on the Government's JobSearch website, to publicise opportunities, information and entry requirements for the industry. The Government will identify other industries to engage in similar projects.

From July 2003 the Government will provide Job Placement services, which are employer focused recruitment services. Job Placement organisations will canvas and list job vacancies and fill them on behalf of employers.

The Department of Employment and Workplace Relations operates the New Enterprise Incentive Scheme (NEIS) that helps eligible unemployed people to become self-supporting by establishing and running their own viable businesses. NEIS assistance includes training in small business management, business skills and business plan development, and income maintenance and other support during the first year of business operation. Nearly 7000 people are able to join NEIS each year.

Prospective NEIS participants earn the nationally recognised qualification Certificate IV in Business (Small Business Management). Competencies include the development of a financial plan which identifies the financial requirements of the business. Award enterprise agreements and relevant industrial instruments, national, state/territory and local government legislative requirements affecting business operation, especially in regard to Occupational Health and Safety and environment issues, EEO, workplace relations and anti-discrimination are also covered. Relevant industry codes of practice are also included in the training. These competencies and skills help the NEIS participant when making employment related decisions affecting the viability of their business.



Through the New Apprenticeships Incentives Programme the Commonwealth Government provides assistance to employers to help reduce the real cost of training and employing apprentices. The amount of incentives provided for each new apprentice is determined by a number of factors including the level of the qualification attained and individual characteristics of the person being trained. The May 2002 ANTA report of the review of group training found that the majority of firms utilising the services of Group Training Organisations (GTOs) were SMEs.

The group training industry is a key player in the new apprenticeship market for small business. The capacity of GTOs to rotate new apprentices through several host employers has meant that many SMEs, otherwise unable to employ a new apprentice in their own right, have been able to participate in skilling the Australian workforce. This rotation also offers the new apprentice a wider range of experience and potential skill development opportunities than one small employer alone could provide, therefore making work in the small business sector a more attractive option.

The national training system provides credible national qualifications linked to industry requirements, which has potential to simplify staff selection and lessen employment risk for all employers.

ANTA has also produced a tool, *Successful Recruitment for Small Business*, which provides a guide to the selection process and tips for successful recruitment of apprentices and trainees, in both online and print materials formats. The materials are widely available on websites for small business.

In addition, the national consultations around the development of the next national VET strategy have emphasised a need to capitalise fully on the potential of training packages to be used as a business tool in areas such as work redesign, recruitment and performance management.

## **Recommendation 5**

The committee recommends that the Small Business Ministers Council develops a national framework for small business support, with each tier of government having agreed areas of responsibility and more formalised information sharing arrangements. Within the framework, the Council should develop a national strategy with identified priorities for small business assistance based on a thorough needs analysis and evaluation of the effectiveness of current programs.

(p. 63)

### ***Response***

The Government is very conscious of the need to reduce duplication in small business support services and the confusion felt by small business when faced with a myriad of different programmes and/or services. The SBMC has delivered significant outcomes in this area. The National Executive of Small Business Agencies (NESBA), a group of officials representing Commonwealth, state and territory small business government agencies, meets on a regular basis to discuss areas of common interest. Currently they meet twice yearly to share information on small business programmes in their respective jurisdictions.

During 2001, NESBA prepared a report for consideration by the SBMC evaluating small business assistance programmes, principally in terms of duplication between Commonwealth and state and territory governments. The SBMC endorsed a set of recommendations designed to

remove duplication in the development and implementation of small business assistance programmes.

As part of this process, NESBA developed a compendium of programmes, products and services. The compendium provided the basis for an information sharing mechanism designed to include programmes under development and meet the requirements of the online Programme Information Sharing Mechanism (PRISM). In 2001, the SBMC agreed to the development of PRISM as a tool for sharing programme information.

A set of guidelines has also been developed to reflect best practice in small business services design and delivery. The SBMC agreed to adopt these two information tools as appropriate to drive better outcomes for small businesses that use business programmes from government. This promotes a more cohesive approach to service delivery at the local level.

Many agencies participate in a formalised whole-of-government programme that exists in most states and territories. This programme draws together government agencies and departments from Commonwealth, state and local government that have compliance or regulatory roles with small business. It provides an existing small business support framework, the aim of which is to:

- facilitate the more effective and efficient delivery of government services to the small business sector
- assist agencies to learn from each other and improve government understanding of the issues facing small business
- maximise resources and reduce duplication in service delivery to small business.

This framework would provide a valuable resource for the development and implementation of needs analysis and evaluation strategies.

## **Recommendation 6**

The committee recommends that the Commonwealth government examines the feasibility of developing a virtual small business department with more interactive support and clearer, simpler information delivery.

(p. 69)

### ***Response***

The Commonwealth Government is committed to the Business Entry Point (BEP) as the online service delivery vehicle for business, especially small business. BEP is a cooperative initiative of the Commonwealth, state and territory governments that brings together business information and services at a single point. It allows business people to access current information on a wide range of government assistance programmes and services; make initial business registrations online and undertake a number of transactions; and submit tenders for some government contracts. As such the BEP acts as a business portal, an aggregator of content and a transaction conduit pertaining to the various levels of government.

The site is continually being refined. The BEP website was redeveloped in August 2001 in response to user testing and client feedback. The redeveloped site incorporated new personalisation options and performance enhancements in terms of meeting web accessibility guidelines.

Work commenced in May 2002 to further improve the website and to fully incorporate other projects, such as content syndication and the Business Resource Facility (BRF). Content

syndication is the process by which relevant and essential government information is made available for use on third-party websites. The BRF is a Government initiative, established in September 2001, to enhance small business's access to government. As an extension of the BEP initiative, the BRF focused on expanding the discovery of online information and services relevant to business from all levels of government. A redeveloped site was launched in October 2002 after direct input from small business. The redevelopment included making the information and the language used more relevant to business.

In terms of interactive support for small business, the OSB, along with the National Office for the Information Economy, has undertaken a review of Government operations providing telephone hotline services to the business sector. Business hotlines have been reviewed in order to improve access to, and make better use of, all forms of information delivery to business – be it via telephone, Internet or post, or face-to-face. The Review outcomes can be viewed at [www.noie.gov.au](http://www.noie.gov.au).

### **Recommendation 7**

The committee recommends that the Small Business Ministers Council undertakes a pilot project to trial the feasibility of introducing one-stop shops of government information and assistance for small business, with an evaluation of the project to be conducted after the first year.

(p. 69)

### ***Response***

The SBMC's objectives are to provide a forum for ministers to discuss small business issues of mutual interest; promote a national, consistent and coordinated approach to small business policy and development; and, where appropriate, provide the means to achieve integrated action by governments on small business issues. Its role involves facilitating consultation and cooperation between governments, developing policy jointly and carrying out joint action in resolution of small business issues that arise between governments. The SBMC's role does not extend to undertaking projects of this nature.

Since 1 July 2001, the Commonwealth has provided funding for assistance officers to deliver face-to-face referral services to small businesses on a regional basis, in collaboration with other local service providers and business advisers. Initially delivered through the Small Business Assistance Officer project, in January 2003 this service adopted a new delivery mechanism, called Small Business Answers. Small Business Answers continues to provide general advice, information and assistance on issues of relevance to small businesses, in their local regions, including in relation to programmes and services offered by the Commonwealth Government. The programme particularly focuses on regional areas not already served by existing advisory bodies.

On 1 August 2002, the Government launched the Commonwealth Regional Information Service (CRIS), the Commonwealth Government's information access service for country people. This programme provides people living outside capital cities with information about Commonwealth Government programmes, agencies and services.

CRIS offers four major services – a free telephone information line; an up-to-date guide to Commonwealth Government services and programmes, *Commonwealth Regional Information Directory*; a CRIS shopfront which visits regional shows and field days; and CRIS community information stands, located with regional community groups as local sources of information.

The BEP also provides a one-stop shop for small business, available online every day at [www.business.gov.au](http://www.business.gov.au). It provides businesses with access to up-to-date information on government assistance programmes and services, starting up and closing down a business, and managing and expanding a business, particularly in relation to taxation, licensing and legislation. Businesses can also process a range of transactions online, including registrations, licence applications and government payments.

In addition, the Government has a commitment to rural businesses through the Regional and Remote Programme. As part of the programme, the ATO contracts community resource centres in 180 towns around Australia to provide local access to tax information. These centres have a role in raising business awareness of ATO publications and services and promoting opportunities to access information online. In utilising established community based resource centres, rather than creating new infrastructure, the ATO is supporting one-stop shop delivery of services in rural communities. The programme also supports delivery of tax information through the Small Business Answers Programme. A portal page has been developed on the ATOassist website as a tool to support these intermediaries in accessing tax information.

### **Recommendation 8**

The committee recommends that the Small Business Ministers Council develops a national small business support programme, incorporating Commonwealth and state and territory programs, within the context of a national framework and with a clear and distinctive national brand.

(p. 69)

#### ***Response***

The Government agrees in principle to this recommendation. The Government will seek to put the issues of a national framework for, and national branding of, small business support programmes forward for consideration by a meeting of the SBMC as soon as practicable. However, it should be noted that Small Business Answers is aimed at a national framework with providers expected to collaborate and/or co-deliver a whole suite of support services with other local service providers. AusIndustry, as the primary provider of applicable Commonwealth small business programmes, has indicated its support for involvement in any resulting national framework and national branding.

### **Recommendation 9**

The committee recommends that the Small Business Ministers Council considers options to improve the capacity of small business to put its case to government and for individual small businesses to have improved representation in their dealings with government and big business.

(p. 73)

#### ***Response***

Through a variety of mechanisms, the Commonwealth already provides small businesses and their representatives with the opportunity to formally articulate their views and encourage meaningful dialogue between small business and the highest levels of government.

The SBMC was established in 1999 under a Council of Australian Governments (COAG) agreement. The SBMC provides a forum for ministers with responsibility for small business

matters to discuss policy approaches and promote consistent and coordinated support services. In March 2000, the SBMC endorsed a paper on consultation with small business, *Giving Small Business a Voice – Achieving Best Practice Consultation with Small Business*.

The National Small Business Forum is made up of senior representatives from 34 peak industry associations representing small business. The forum brings the country's peak small business lobby groups, representative organisations, the Small Business Minister and high level officials together to discuss key issues of concern. The forum meets twice a year and is an effective mechanism for communication between key small business representatives and the Government.

The Small Business Consultative Committee enables small business representatives to express to the Minister their concerns on a full range of issues. The committee was established in 1998. In July 2001, the Government extended the terms of reference of the committee to provide advice on a wider range of taxation and small business matters. The membership of the committee comprises actual small business operators from around the country as well as representatives of groups representing small business interests.

Since 24 September 2001, Commonwealth Government departments have been required to flag Cabinet submissions with a potential impact on small business. These are forwarded to the OSB for assessment prior to examination by Cabinet. Through this role, the OSB ensures that small business issues are given appropriate consideration in Cabinet deliberations concerning such policy proposals.

## **Recommendation 10**

The committee recommends that the Commonwealth Government examines the feasibility of options to improve small business access to finance, including improved information on finance options and pathways and an income contingent loan scheme for small business modelled on Higher Education Contribution Scheme (HECS).

(p. 78)

### ***Response***

The Commonwealth Government is concerned to ensure that small businesses have the best possible access to commercial finance. However, the Government does not agree that Commonwealth funds should be used to finance small business start-up costs.

The Government believes the most efficient and effective means of addressing access to finance by small business is ensuring the market for finance operates competitively. Sound economic management, including the repayment of public sector debt, has contributed to an environment where interest rates are at historical lows, inflation is low and growth is strong.

The Government has delivered substantial reforms of the finance sector to ensure that small business has access to finance on fair and equitable terms. The many reforms implemented in response to the *Financial System Inquiry Final Report* (Wallis report) have delivered an environment in which greater financial sector innovation, competition and efficiency thrive while maintaining financial sector stability, prudence and safety.

In addition, the Government has responded to particular issues identified in the equity capital market. In 1999, the Government introduced changes to the Corporations Law which made capital raising easier for small businesses. These changes enabled businesses to raise up to \$5 million using an offer information statement (rather than a prospectus); up to \$2 million from up

to 20 private investors; and amounts of less than \$500 000 from sophisticated investors such as individual 'business angels' without a prospectus or information statement.

The ABS, in collaboration with the Departments of Industry, Tourism and Resources and Communication, Information Technology and the Arts, has undertaken an annual survey of venture capital managers over the past three financial years. The survey findings are used in developing and evaluating venture capital policies and programmes as well as providing valuable feedback to the industry on its performance.

Innovative SMEs with high growth potential have higher associated risks, and hence greater difficulty in obtaining equity capital. The Government has introduced a number of initiatives to assist innovative small businesses to raise equity capital and commercialise new ideas.

The Government recently made changes to Australian taxation law to allow the establishment of venture capital limited partnerships (VCLPs) with flow-through tax treatment and to exempt certain classes of foreign investors from tax on the capital gains on the sales of investments made by VCLPs. The Pooled Development Funds programme, which aims to develop and demonstrate the potential of the market for providing patient equity capital (including venture capital) to Australian SMEs, has raised \$668 million and invested \$496 million in the ten years since its inception. The Innovation Investment Fund was established in 1998 to promote the commercialisation of Australian research and development by supporting the provision of early stage capital to new technology based firms. In total, the programme has contributed \$358.4 million of early stage capital, of which the Commonwealth has contributed \$220.7 million. Similarly the Pre-seed Fund, established in 2001 to encourage universities and public sector research agencies to develop their discoveries and create new business opportunities, will provide a pool of over \$100 million to be managed by private sector fund managers.

In addition there is a wide range of private sector intermediaries in the finance market, providing a diverse range of mediation services regarding finance options to small business. A number of private sector 'infomediaries', such as Cannex, provide readily available advice on where small businesses can access the best deals. On 8 January 2003, the Government was pleased to acknowledge the work being undertaken by the Australian Bankers' Association (ABA) to help small businesses better understand and compare the many different banking products. The Commonwealth Government will continue to work with the ABA and small business representatives as the ABA progresses this initiative. However, it is not the Government's policy to duplicate services already provided competitively in the marketplace.

The Higher Education Contribution Scheme (HECS) was introduced to ensure that students contribute to the cost of their higher education. It is considered reasonable that students who directly benefit from higher education should pay part of the cost of their studies, while the Commonwealth pays the major part of the costs involved. Small business start-up costs are in no way analogous to this situation.

## **Recommendation 11**

The committee recommends that the Small Business Ministers Council considers the following initiatives to foster enterprise development in Indigenous communities:

- financial and administrative support for an Indigenous small business association;
- consideration of ways of adjusting small business assistance programs to better meet the needs of Indigenous people; and

- the development, in conjunction with ATSIC, of guidelines to assist Commonwealth and state and territory agencies proposing regulatory change to better accommodate the information needs of Indigenous entrepreneurs.

The Committee also recommends that the Commonwealth discuss with ATSIC the need for any special provision under the Small Business Answers programme for advisers to work with Indigenous business people.

(p. 80)

### *Response*

The Government supports the development of Indigenous business activity. The strong link between job creation and innovation and small business in Indigenous communities has long been established and recognised.

In recent years the SBMC has extensively considered issues associated with improving Indigenous economic outcomes. At the SBMC meeting held on 23 November 2000, ministers endorsed the development of a strategy to improve access by Indigenous Australians to both mainstream and targeted small business assistance programmes, with the aim of increasing the number of Indigenous Australians starting and staying in business.

On 19 December 2000, the Prime Minister, the Hon. John Howard, MP, wrote to the SBMC on behalf of COAG requesting that, over the subsequent 12 months, the SBMC develop action plans, performance monitoring strategies and benchmarks to assist in improving the economic outcomes of Indigenous Australians.

The SBMC convened a national working party to report to the SBMC's standing committee and to develop an action plan. The SBMC Standing Committee of Officials endorsed the action plan at its 29 June 2001 meeting and made a range of specific recommendations. Since then, the working party has addressed each recommendation.

The Commonwealth provides considerable support for Indigenous small business development. The Indigenous Small Business Fund, funds Indigenous organisations to provide business support to Indigenous business people. The fund also provides access to funding to Indigenous individuals to support the development of business plans.

Funding has been set aside in the 2003-04 Budget for an Indigenous Capital Assistance scheme. The new element of the Indigenous Employment Policy (IEP) will increase employment opportunities, including self-employment, for Aboriginal and Torres Strait Islander people by engaging the private financial sector to help to kick-start Indigenous businesses. The scheme will promote economic independence for Indigenous people by encouraging the private financial sector to provide business and financial advice prior to and during the early stages of a loan period. Additional business advice provided through existing Indigenous business support programmes may also be packaged into the support.

In addition, ATSIC's Business Development Programme assists Aboriginal and Torres Strait Islander people to acquire, establish and develop commercially viable enterprises. Also, a number of the projects funded under the SBCEP support Indigenous small businesses.

There is scope for the issues raised by this recommendation to be pursued through existing consultative and review mechanisms, such as the COAG whole-of-government approach under the framework for Aboriginal reconciliation. The Indigenous Business Review, a review of strategies to develop an environment that generates more viable businesses for Indigenous

Australians, commenced on 2 April 2003. The review is under the management of the Office of Aboriginal and Torres Strait Islander Affairs, within the Department of Immigration and Multicultural and Indigenous Affairs. It will examine support for Indigenous businesses across the non-government and government sectors, including the willingness or capacity of the private sector to assist. It will also determine the need for government programmes to address any failure of the private sector; and identify how government programmes can better facilitate sustained Indigenous participation in mainstream business.

## **Recommendation 12**

The committee recommends that the Small Business Ministers Council examines the feasibility of introducing a small business training and accreditation programme with the following components:

- a start-up kit, including a checklist of the skills required to run a business, contact details for training course providers, and advice on regulation requirements to be provided to all those registering a new business;
- a system of accreditation in business management for those who have successfully completed an approved business management skills course and are able to demonstrate appropriate competencies; and
- an analysis of the availability of training programs for start-ups across Australia against current and future needs, with a view to developing an expanded range of opportunities if required.

Consideration should be given to the introduction of a mandatory licencing regime once the voluntary programme has been in operation for two years.

(p. 92)

### ***Response***

The Government does not consider the SBMC the appropriate vehicle for implementing such a scheme, nor is it clear that such a centralised approach is warranted.

A wide range of education providers deliver courses aimed at developing small business skills. This existing network reflects the national distribution of the 1.1 million Australian small businesses. The need to prove commercial viability and management skills in order to gain finance from lending organisations acts as an incentive to obtain training.

In terms of certification, the National Training Framework already provides a system for certification of skills. Individuals who can demonstrate competency can achieve recognition against defined business skills competencies. A wide range of relevant competencies is covered by the Business Services Training Package and in the majority of other training packages which collectively cover 82 per cent of the workforce.

The Government also provides funding to foster the growth of small business by developing the business skills of small business owner-managers under the \$60 million Small Business Assistance Programme (SBAP).

SBAP helps small businesses grow and prosper by providing funding for a range of activities including the establishment of small business incubators, skills development and mentoring projects for owners and operators, and advisory services for small business on relevant government programmes and initiatives. The SBCEP component of SBAP has funded 168 projects over 4 years at a cost of \$9.2 million— all aimed at small business training.



The Government, through the ATO, maintains relationships with a range of education providers and small business intermediaries – discussed in more detail under Recommendation 23 – to ensure that information regarding tax obligations is built into their programmes. This also involves building in or offering modules from the ATO developed BizStart programme, aimed at new and intending small businesses, or more specialised packages through the Tax Education and Seminars programme.

In relation to their tax obligations, the ATO provides start up kits to new ABN applicants. The ABN is the one constant key event in the registration process for small businesses. The ATO, through its Small Business Alliances and Information Programme, its links to the formalised whole-of-government networks and relationships with small business intermediaries, can contribute to the development and implementation of an appropriate and comprehensive start-up kit on receipt of the application for an ABN.

The Office of Small Business has also developed a Compendium of Commonwealth Government Initiatives and Contacts for Small Business.

Also in recognition of longstanding concerns about the quality of some of Australia's tourism product, the Commonwealth provided seed funding for the establishment of a national business accreditation framework run by the industry. This framework, which is overseen by the Australian Tourism Accreditation Association, identifies a range of generic business standards that are suitable for all tourism businesses to adopt and involves a complaints and auditing process. Programmes rolled out under this framework, which are funded by stakeholders such as industry and state governments, are operating in most states and territories.

The Government is committed to reducing the regulatory burden faced by small business. Introducing a mandatory licensing regime for small businesses would impose an unnecessary additional regulatory burden on them.

### **Recommendation 13**

The committee recommends that the Commonwealth Government supports the establishment of a professional development programme for incubator managers across Australia.

(p. 94)

#### ***Response***

The Government agrees, in principle, with this recommendation and considers that there are potential benefits to be gained from such a professional development programme. However, the Government believes that the industry itself is best placed to develop such a programme and also notes the widespread availability of more general professional development programmes provided by the education system and the private sector.

### **Recommendation 14**

The committee recommends that the Commonwealth Government undertakes a feasibility study of the establishment of a national mentor programme that would include training, accreditation and support for business mentors across Australia. The study should also examine the scope for an online advisory and mentoring service. A pilot study should form part of the feasibility study.

**Response**

In the 2002 Budget the Government provided funding for three years to Mentor Resources of Tasmania to continue to match volunteer mentors to small businesses and to enable this initiative to be trialled elsewhere in Australia.

The New Enterprise Incentive Scheme (NEIS) operated by the Department of Employment and Workplace Relations provides income support equivalent to the adult rate of Newstart Allowance along with mentor support in the first year of business operation. The role of the mentor is to provide business advice and counselling to participants during the first year of business operation to maximise the potential success of their businesses.

**Recommendation 15**

The committee recommends that the Small Business Ministers Council commissions a needs analysis of training programs targeting established small business and an assessment of the extent to which the current range of training programs meets the needs. This should occur in conjunction with the development of the integrated national framework for small business support recommended in Chapter 4 and the analysis of training programs for start-ups.

(p. 102)

**Response**

The Government does not believe the SBMC is an appropriate body to conduct such a needs analysis. The SBMC does not receive funding to conduct a needs analysis of training programmes. In addition, all Commonwealth training programmes are required to undergo an evaluation process to secure ongoing funding. These evaluations take into account the effectiveness, efficiency and appropriateness of each programme to the needs of the clients – in this case, small business and the local community.

The Government notes that research indicates small business people want small bites of training which are 'just in time' and meet immediate business needs, and they access a range of training which is outside the nationally recognised training framework. However it is important to note that efforts are being made to ensure nationally recognised training meets small business needs. One of the annual national priorities for the VET system for 2003, is to 'refine training packages and their implementation to improve their quality and enhance their flexibility to meet clients' needs, particularly for individuals and small business'. In effect, a training needs analysis is undertaken during the scoping and consultation stages of training package development and the needs of small business are taken into account in this process. Having said that, it is acknowledged that small business needs are diverse and there is no 'one size fits all'. ANTA's 'linkers' trial, also referred to in the response to Recommendation 3, is one way being piloted to better identify and meet the needs of small business.

**Recommendation 16**

The committee recommends that the Commonwealth government undertakes a feasibility study of a programme to foster the establishment of several centres of excellence in business development for the small business sector, with a focus on the needs of high growth business. The study should examine international

experiences with this approach and ways in which any such centres could be integrated with the broader structure of small business development support.

(p. 103)

### ***Response***

The Government considers that while this recommendation has merit, it would be necessary to develop a delivery mechanism which takes account of the physical dispersion of small businesses and the diversity of firms in the sector being targeted, and can be incorporated into the full schedules of potential candidates for development.

State governments would need to be involved in implementing this recommendation, and, given other priorities for the small business sector, its implementation would be subject to available funding.

### **Recommendation 17**

The committee recommends that the Commonwealth Government undertakes a follow-up to the Bell Task Force survey of the time and money that small business spends on compliance related matters. The committee also recommends that the Commonwealth Government, in consultation with state and territory governments, develops a consistent methodology for measuring the compliance burden of government regulations. It also recommends that the Commonwealth proposes to the OECD that it undertakes regular reviews of the effect of compliance on small and medium enterprise, with Australian participation, as a further means of tracking changes in the regulatory burden over time.

(p. 113)

### ***Response***

There are a number of government initiatives that have made a positive contribution toward reducing compliance costs and red tape for small business. Under the April 1995 National Competition Policy agreements, each government undertook to review legislation that restricts competition, and to systematically review legislation at least every ten years. These periodic reviews provide opportunities to ensure that unnecessary compliance costs are kept to a minimum. In addition, it is a requirement that Regulation Impact Statements (RISs) for reviews of existing regulations or proposals for new or amended regulations include analyses of compliance costs. There is evidence that many of the reforms that have been implemented have streamlined and simplified regulatory requirements, and in some cases resulted in greater harmonisation between jurisdictions.

The Organisation for Economic Cooperation and Development (OECD) methodology for measuring the compliance burden of government regulations is the most comprehensive work of this nature. The report on the findings of the OECD, titled *Businesses' Views on Red Tape*, was published in 2001. The survey was a very major undertaking, involving a significant resource commitment on the part of business groups and industry associations in the design and implementation of the survey. For these reasons, the survey is not a feature of the OECD's ongoing work programme.

### **Recommendation 18**

The committee recommends that the Commonwealth Government maintains and publishes an annual consolidated register of regulatory changes with a summary of their objectives and impact on business as a tool to monitor the growing body of

regulation. State and territory and local governments should consider a similar mechanism.

(p. 115)

***Response***

The Commonwealth sees merit in arrangements that provide public information regarding regulatory changes that may impact upon business and already addresses this objective through a number of mechanisms.

The BEP is an online government resource for the Australian business community that provides information regarding existing taxation and licensing regulation.

Regulatory plans, prepared by agencies and coordinated by the OSB, aim to provide stakeholders with access to information about changes to Commonwealth business regulation. These may be accessed through the website of the OSB at [www.industry.gov.au/annualregulatoryplans](http://www.industry.gov.au/annualregulatoryplans).

All Commonwealth primary legislation, including RISs which are published as part of explanatory material and statutory rules, are accessible electronically via SCALEplus and the legislative instruments databases on the website of the Attorney General's Department. A proposed register for subordinate legislative instruments is a key element of the Legislative Instruments Bill 2003.

**Recommendation 19**

The committee recommends that all levels of government introduce rolling programs of regulatory review to assess whether existing regulations are continuing to achieve their objectives as simply and efficiently as possible and to identify the need for any changes to regulations or administrative requirements.

(p. 117)

***Response***

The Commonwealth agrees that it is important that systematic processes are in place for the regular review of existing regulations, and has addressed this issue comprehensively.

Under the April 1995 Competition Principles Agreement, all Australian governments made a commitment to review and, in the absence of offsetting public benefits, reform legislation which potentially restricts competition. Some 1800 reviews have been carried out since 1996. In the case of the Commonwealth, the reviews have been focused on competition issues, but have involved a broader examination of the effectiveness and efficiency of regulatory regimes. The OECD has highlighted the Australian national legislation review programme as an example of good practice in such review processes.

Furthermore, the requirement that legislation, once reviewed, must be systematically reviewed again at least once every ten years provides opportunities to assess whether existing regulations are continuing to achieve their objectives and identify any need for change.

Moreover, RISs for proposed new or amended regulations must specifically address how regulations will be monitored and reviewed. They must also specifically address how each proposed policy option will affect existing regulations.

## **Recommendation 20**

The committee recommends that the Productivity Commission be asked to report to the Council of Australian Governments (COAG) on the most appropriate body to monitor and manage a continuing programme of cross-jurisdictional regulatory review and coordinate the rolling programs of regulatory review to be undertaken by all tiers of government.

(p. 119)

### ***Response***

As noted in the report there are a number of Commonwealth and state bodies that already play a role in regulatory reform and review. There are also in place mechanisms by which these bodies report to one another on current and potential regulatory reform that will have an impact across jurisdictions.

All jurisdictions have in place procedures to review legislation every ten years and there is also the requirement to undertake RISs when reviewing or developing legislation. In light of this, it is considered that at this stage there is little need for the Productivity Commission to report to COAG on the most appropriate body to monitor and manage regulatory review.

## **Recommendation 21**

The committee recommends that the Commonwealth and state and territory governments introduce a range of initiatives to assist small business to identify, understand and implement new and existing regulatory requirements. Information programs for small business should involve all components of the small business network.

(p. 123)

### ***Response***

The Commonwealth agrees that there should be initiatives to assist small business to identify, understand and implement new and existing regulatory requirements, and has addressed this. The BEP is an online government resource for the Australian business community. It provides businesses with a wide range of services and information about start-up, taxation, licensing and legislation, as well as significant transactions such as taxation compliance and licence applications.

The BEP enables businesses to comply with government requirements simply and conveniently by providing free online access to essential information and services. The BEP is coordinated by the Department of Industry, Tourism and Resources with the support and active participation of all state and territory governments.

Information and advice regarding business regulation issues can be sought through the Small Business Answers Programme, which is designed to provide advisory services for small business to access Commonwealth Government programmes and information in regions where there is a need for such a service.

In relation to taxation obligations, the ATO has developed an extensive network of contacts for the implementation of information programmes for small business, which is outlined in response to Recommendation 23. Working with these organisations helps the ATO to better understand the needs of micro and home based businesses and better target its information programmes.

## **Recommendation 22**

The committee recommends that:

- the Commonwealth Government reports to Parliament at the end of 2003 on the take-up of the Simplified Taxation System (STS) across the small business sector and on the extent to which the STS has reduced the compliance burden of participating businesses; and
- in the event that there is not both a significant take-up of the STS and evidence that the STS is producing the benefits expected in terms of reduced compliance burden, the Government should examine other measures to reduce the compliance burden of the taxation system on small business.

(p. 129)

### ***Response***

The Simplified Taxation System (STS) was intended to assist very small businesses. It was designed to reduce compliance costs by providing simpler rules for determining income and deductions, and provide simpler capital allowances and trading stock requirements. Further, the STS assists many small business owners by actually reducing the tax they are liable to pay.

As at 17 April 2003, about 14 per cent of all eligible taxpayers that had lodged their 2002 tax returns had elected to enter the STS.

A review of the take-up of the STS at the end of 2003 may provide some preliminary results, once the 2002 year lodgment and processing cycle is complete. However, the STS is still developing in line with original expectations. Take-up was always expected to continue over a number of years.

The Review of Business Taxation anticipated that, in a mature system, around 60 per cent of eligible businesses would take up the STS. The ATO estimates that it will take two to three years after implementation to reach maturity because:

- businesses need to prepare for the transition to the STS in the year prior to entry
- most small businesses use tax agents to prepare their tax returns and it is only since July 2002 that interest in the STS among tax agents has increased.

The STS is still developing in ways that will influence its take-up. For example, in March 2003 the Government altered the entry requirements for fuel retailers in such a way that most fuel retailers became eligible to enter the STS, with effect from 1 July 2001.

Another example of the continuing development of the STS is the announcement that the Government will, with effect from 1 July 2001, provide rollover relief in the STS where there is a partial change in the ownership of depreciating assets by a partnership, when a partner is added or removed.

## **Recommendation 23**

The committee recommends a follow-up education and assistance programme for the New Tax System to ensure that all small businesses, particularly in regional areas, are aware of the requirements and have access to appropriate assistance. The programme should be developed in conjunction and consultation with the various accountancy organisations, Area Consultative Committees and Business Enterprise Centres from regional areas and other members of the small business network.

**Response**

Through the ATO, the Government has a significant, ongoing commitment to assisting and educating small business taxpayers. Over the last two and a half years the ATO has undertaken an extensive help and education campaign across the country to help small businesses understand and meet their obligations under the New Tax System. For example the ATO has carried out well over 400 000 advisory visits around Australia since the introduction of the New Tax System. ATO's commitment to assisting small businesses is an integral part of its activities and will continue into the future.

The results of a recent survey commissioned by the ATO indicate that:

- 97 per cent of businesses surveyed have a high level of confidence that they complete their Business Activity Statement (BAS) correctly
- very few consider the BAS process to be hard
- businesses are becoming increasingly comfortable with the BAS process (55 per cent rated the process as 'easy')
- overall 84 per cent of businesses consider they are coping well with BAS requirements and three out of four now regard it as routine.

The Small Business Change Programme initiated by the Government comprises several projects also designed to make it easier, cheaper and more personalised for small businesses to meet their tax obligations. These projects involve working with the small business community to:

- improve relationship management through a small business portal, improved information products and services and a premium phone service
- improve record keeping.

The Government's primary focus is to help small business people and educate them about their obligations, both through their tax agents and industry associations and by providing them with information directly. A particular focus is on providing education products for new and intending business owners to help them start out on a sound basis.

The range of products and services that the ATO provides to support new and existing businesses with record keeping and other tax related issues includes E-record, a free electronic record keeping tool designed to help business owners complete activity statements and decide whether they are eligible for and will benefit from the STS. There is also a registered software facility to help business owners find accounting software packages that meet their needs, and a range of printed electronic information products.

This year the ATO will undertake some 50 000 advisory visits in response to requests from new and existing business owners seeking help with basic tax knowledge and record keeping. These visits are done in the business premises so as to reduce the burden on small business. As well, a further 10 000 'high risk' new goods and services tax (GST) registrants will be offered one-on-one assistance from the ATO staff. These visits ensure that people who are new to the business environment are aware of, and can meet, their tax obligations. ATO officers also attend farm field days, expos, trade shows and the like on a regular basis to answer questions from the public. Many of these events are in regional areas. Business operators can also visit ATOaccess centres to speak directly to enquiry staff.

The Business Tax Infoline expects to handle around 6.8 million phone calls in the 2002–03 income year, and there is a wide range of information and help services available from the ATO website.

As mentioned under Recommendation 12, the ATO offers information services through extensive relationships with all branches of the business community, including:

- educational institutions
- industry associations through the ATO's Industry Partnerships programme
- unions
- financial institutions
- tax practitioners
- local government
- chambers of commerce
- state government business assistance programmes (such as the Small Business Development Corporation in Western Australia or the Centre for Innovation Business and Manufacturing in South Australia)
- Business Enterprise Centres
- business incubators
- New Enterprise Incentive Scheme providers
- Small Business Assistance Officers (through the Small Business Answers Programme)
- business information centres
- Indigenous communities
- rural transaction centres
- regional development boards
- area consultative committees
- software developers.

For example, in Western Australia ATO officers are outposted to the state government's Small Business Development Corporation. Through this arrangement, small business people are able to obtain the information they need from a single location.

The Government also has a commitment to rural businesses through the ATO's Regional and Remote Programme. As part of the programme, the ATO contracts community resource centres in 180 towns around Australia to provide local access to tax information. These centres have a role in raising business awareness of ATO publications and services and promoting opportunities to access information online. In utilising established community based resource centres, rather than creating new infrastructure, the ATO is supporting one-stop shop delivery of services in rural communities. The programme also supports delivery of tax information through the Small Business Answers Programme. A portal page has been developed on the ATOassist website as a tool to support these intermediaries in accessing tax information.

In addition to these help services, around 3000 field staff conduct an extensive audit programme in the small business area. Around one in ten micro businesses can expect to be contacted as part of the programme this year, with a particular focus on GST and income tax matters. This programme will also check employer obligations such as pay as you go withholding, fringe benefits tax and superannuation contributions. Recently the ATO has commenced a campaign of 'walk-ins'. Through this campaign around 16 000 small businesses will be visited this financial



year. Through walk-ins, the ATO checks the registration details of small businesses visited as well as answering any questions the business operator may have.

The Government has a comprehensive programme to remind small businesses to lodge their activity statements and tax returns, pay on time and meet their obligations. Businesses having difficulty meeting these obligations can seek extra time, with requests considered on a case-by-case basis. The Government will continue to help small businesses meet their obligations by providing assistance through a variety of channels.

As part of the Commonwealth Government's tax reform programme, funding was provided to establish a network of GST Signpost Officers to assist small business in regional Australia to understand the ramifications of the introduction of the GST. At the conclusion of that programme, a broader referral service was established, now provided as Small Business Answers. This provides a local referral service to assist small business operators to find the most appropriate sources of advice or assistance on a range of Commonwealth, state and local government issues, including taxation. The Small Business Answers programme particularly focuses on regional areas not already served by advisory bodies.

## **Recommendation 24**

The committee recommends that the Commonwealth and state and territory governments develop a range of strategies, including software tools, information materials and training programs to assist small business to identify and understand their employment-related obligations.

(p. 135)

### ***Response***

The Government shares the committee's concern that small businesses are able to identify and meet their employment obligations and already provides information materials in a range of formats, as well as training, to assist them to do so.

The BEP provides access to information about employment related obligations, including links to state government services and resources. In addition, the Government has funded a number of publications including *Unravelling the threads: who is or is not an employee?*- produced by the OSB and *Hiring or firing: are you complying?*- produced by the Department of Employment and Workplace Relations.

The Office of the Employment Advocate provides a range of materials, through a website, to assist employers understand their rights and obligations in relation to union right of entry to the workplace, freedom of association, strike pay, and coercion and duress in relation to agreement making.

In addition to publications and online information, the Department of Employment and Workplace Relations also provides a telephone information service on employer and employee rights and obligations under federal employment law, WageLine, and has run seminars on aspects of federal employment law.

Government policy is to avoid duplicating services that are provided by the private sector. The Government also believes that other organisations, particularly industry associations, play an important role in educating their small business members on their employment-related obligations.

## Recommendation 25

The committee recommends that the Commonwealth and state and territory governments develop a range of suitable, free of charge, information materials and training programs on unfair dismissal legislation for small business. Information materials should be disseminated widely, including through the small business network. The committee also recommends that the Commonwealth Government introduces a simplified process for considering unfair dismissal claims.

(p. 137)

### *Response*

The Government believes that unfair dismissal laws provide a major employment disincentive for small businesses. It is the Government's policy that small businesses should be exempted from unfair dismissal legislation. Although the Government disseminates a wide range of information and training on complying with unfair dismissal laws, it does not believe that such information and training can fully address the problems inherent in the existing legislative arrangements, in particular the costs of defending claims and the complexity of the process.

The information the Government disseminates includes the booklet *Hiring or firing: are you complying?*, which aims to help businesses, and small businesses in particular, understand their federal employment obligations and deal with key issues relating to the employment relationship. In addition, the Government produces a brochure on federal time and wages records and payslips obligations, produces a fact sheet on Commonwealth unfair dismissal and termination of employment laws, and has run seminars on Commonwealth hiring and firing obligations and on the termination provisions of the Commonwealth Workplace Relations Act.

The Government has actively legislated to introduce a simpler and fairer process for the consideration of unfair dismissal claims involving small businesses. Most recently, the Government introduced the Workplace Relations Amendment (Termination of Employment) Bill 2002, which would reduce the complexity of the interaction of federal and state unfair dismissal systems by expanding the operation of the federal scheme to cover all employees of constitutional companies. In addition, the Bill contains a range of initiatives that would reduce the burden of unfair dismissal laws on small businesses, including by providing for the Australian Industrial Relations Commission to dismiss unfair dismissal applications made against small businesses without holding a hearing, if it is satisfied that the applications are vexatious, frivolous or lacking in substance. The Government will continue its efforts to have this legislation passed through the Parliament and brought into law.

## Recommendation 26

The committee recommends that the Commonwealth Government amends the Regulation Impact Statement (RIS) guidelines to require that agencies provide quantitative estimates of compliance costs, based on detailed proposals for implementation and administration. It also recommends that the Commonwealth Government commissions regular reviews of the accuracy of compliance estimates in the RISs for regulations with a major impact on business.

(p. 140)

**Response**

As noted above in relation to Recommendation 17, the preparation of RISs requires the provision of such information where appropriate. This recommendation is therefore consistent with current practice which requires consideration of quantitative costs where they are an important feature of the policy.

While the Office of Regulation Review continues to improve the general standard of analysis, there is an overriding requirement that the degree of detail and depth of analysis must be commensurate with the magnitude of the problem and with the size of the potential impact of the proposals. Accordingly, quantitative estimates of compliance costs will not always be appropriate and should not be mandatory.

While there may be merit in checking the accuracy of RIS compliance estimates by comparing them with observed impacts, it must be noted that the costs of conducting such evaluations, on any significant scale, are likely to be substantial. Further, the systematic review of legislation under the National Competition Policy agreements provides an ongoing opportunity for the review of RIS compliance estimates.

**Recommendation 27**

The committee also recommends that the Commonwealth and all state and territory governments review their current regulation impact assessment arrangements to ensure that they meet best practice standards with regards to minimising the compliance burden on small business.

(p. 141)

**Response**

The Commonwealth monitors the ongoing implementation of the RIS requirements and reports annually on compliance, including in relation to the adequacy of the analysis of compliance costs and small business impacts.

Further, most Australian jurisdictions that have implemented RIS processes have recently reviewed them, or are in the process of reviewing them. The Northern Territory is considering the introduction of RIS requirements, broadly based on the Commonwealth's approach. In addition, the Office of Regulation Review regularly meets with its state and territory counterparts to exchange information on regulatory best practice.

**Recommendation 28**

The committee recommends that the Commonwealth and the states and territories, in consultation with local government, develop national model legislation for home based business.

(p. 144)

**Response**

The issues raised by this recommendation were canvassed in the context of the home based business summit hosted by the Minister for Small Business and Tourism on 6 March 2003. Local government regulation was identified as having the most significant impact on home based businesses, particularly through local government licensing requirements and restrictions on business activity in residential areas. These matters fall outside Commonwealth jurisdiction. It is

understood the Australian Local Government Association will also be considering and responding to issues arising within local government jurisdiction and address actions local governments might take to remove unnecessary impediments to home based businesses.

The Government supports the development and promotion of best practice guidelines for local government policies and regulations friendly to home based business. The aim of these guidelines would be to:

- raise awareness amongst local councils of the social and economic benefits of a vibrant home based business sector
- promote home based businesses as a means of providing sustainable local employment
- encourage a consistent and supportive approach to home based businesses across local government jurisdictions.

The Commonwealth Government will also refer the matter of developing national guidelines for the development of legislation for home based businesses to state and territory small business and planning ministers for their consideration.

### **Recommendation 29**

The committee recommends that all states and territories develop model legislation for use by local governments in developing regulations within their jurisdictions.

(p. 144)

### ***Response***

The Government agrees in principle with the development of guidelines for use by local governments in developing regulations within their jurisdictions but notes the potential myriad of legal challenges to laws that could flow from the enactment of legislation.

The Government response to the “Small business employment” report is available to be downloaded at [www.industry.gov.au/smallbusiness](http://www.industry.gov.au/smallbusiness) on the Small Business Publications page.