

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

INQUIRY INTO SMALL BUSINESS EMPLOYMENT

Submitted by

**GULF SAVANNAH DEVELOPMENT
CAIRNS, QUEENSLAND**

Kate Sutcliffe
Chief Executive Officer
Contact: (07) 40311631
Email: ceo@gulf-savannah.com.au

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SUBMISSION FROM GULF SAVANNAH DEVELOPMENT INC, CAIRNS

May 2002

INTRODUCTION

The following comments are provided to set the GSD submission into context.

The Gulf region, an example of a remote, developing region is located in far northwest Queensland adjoining the Gulf of Carpentaria. The region covers some 186,000 square kilometres and includes the Shires of Etheridge, Croydon, Carpentaria, Burke, Mornington Island and the Aboriginal communities of Doomadgee and Kowanyama. The population is in the order of 8,000 people settled in scattered towns and small centres. The nearest major centres are Cairns and Mt Isa. (See map).

The characteristics of the Gulf region are:

- Large area and vast distances
- Relatively small population approximately 50% indigenous origin
- Little arable land
- Limited infrastructure
- Low income
- Absence of secondary industry
- High dependence on public funding and subsidies
- Limited private investment and shortage of investment capital
- High unemployment

A major regional plan, The Gulf Regional Development Plan (GRDP) was approved by State Cabinet in November 2000 and is the planning blueprint for the region. (Web site www.dlgp.qld.gov.au)

Data contained in "Country Matters - Social Atlas of Regional and Rural Australia Statistics¹ clearly demonstrate the lack of economic and social infrastructure in the region. As an example in relation to the non-metro average:

- Mean income 0 -10% below
- Social disadvantage 100 points below

¹ The Bureau of Rural Science (2000) Department of Agriculture, Fisheries and Forestry

- Children in low income families 30-40% above
- 25 years and over in receipt of labour market benefits 20-40% above.

Nature of the Gulf business environment

The GRDP identifies the key industries and development potential for the region and highlights the difficulties faced in community capacity building and the gaps in service provision across the Gulf region. It also considers the difficulties and barriers to increasing employment prospects within the region. These are mentioned briefly below.

The guiding principles to regional development as recognised by the Regional Australia Summit² were:

- A joint responsibility between governments, business and community to address the issues and work in partnership
- A “bottom up” approach to empower communities at the local level
- Flexibility in the initiatives to cater for particular needs and circumstances.

For the Gulf region this translates into certain key areas for attention:

- Community capacity building and empowerment
- Economic diversification and flexible financial structures
- Raising the level of service delivery in the vital areas of education & training, health and infrastructure.

Key industries in the Gulf

- Pastoral: beef cattle and live export of beef and dairy cattle through the port of Karumba.
- Fishing - centred on Karumba the prawning industry was the catalyst for development of the port. Much of the processing is now done on mother ships with maintenance and repairs being undertaken in Karumba.
- Mining - Century Mine is the largest employer in the western Gulf and exports lead and zinc through the port of Karumba.
- Tourism - around 80,000 travellers visit the Gulf region every year with the drive market being the mainstay of the tourism industry in the Gulf. The Savannah Way tourism adventure drive from Cairns to Broome is expected to increase visitation to the region.

The mining and fishing industries make the greatest contribution to the gross state product, while the tourism, pastoral retail and hospitality sectors make the greatest contribution to the gross regional product. The tourism industry has the greatest potential for regional expansion in the immediate future.

² Final Report, Regional Australia Summit, December 2000

Future potential

- Tourism is seen as key area for potential development –
 - A wide range of niche areas exist for exploitation by small and micro businesses – given the skills, capital and confidence to seize the opportunity
 - Nature of workforce required: the tourism industry is of a seasonal nature and both training and employment need to be geared to that condition.
 - Tourism is directly linked to the development of a range of small business activities in retail, hospitality and service industries in all towns across the Gulf. Development of the Savannah Way a themed tourist adventure drive from Cairns to Broome is expected to dramatically increase visitation and lead to a wealth of business, commercial and employment opportunities.

Importance of small business to the future Gulf economy

- New and particularly expanding small business is seen as the key means to increase employment in the region
- It provides a major means for sustainable population increase and rural and regional renewal, having a flow on effect that touches on all areas of community development and sustainability.

The State of the Regions Report 2000 stated: “From a regional point of view, what matters about regional economic development is not so much growth in gross regional product as growth in incomes received within a region, and employment”³.

Barriers and hindrances

Key hindrances to the development of small business in the Gulf are seen as:

- Infrastructure – e.g. housing for additional staff
- Resident skills base and the need to import expertise, certainly in the short term
- Lack of flexible funding options and banking services
- Access to and knowledge of government programs – there is a decreasing physical presence of government personnel in remote areas
- Development costs of infrastructure, housing, maintenance
- Communication
- Education standards

³ National economics, “State of the Regions 2000”.

Current activities to improve situation

- GSD is currently working with Invest Australia - to develop a data base for the region. This will be used to create an investment document and investment feasibility studies for the Gulf Savannah, which will be made available to organisations such as Austrade.
- GSD is undertaking a housing affordability strategy
- Savannah Way development of signage, interpretation and safety measures
- Training to meet the needs of the tourism industry and small business
- Communication initiatives - Networking the Nation
- The region now (May 2002) has subsidised air routes and the state government is undertaking an investigation and review of airfares, following on representations made by GSD.

TERMS OF REFERENCE

1. Impact of Government Regulation on Employment in Small Business.

Some recommendations relevant to section 1 are included under section 4.

Workplace/occupational health and safety

Increasingly, small businesses are being required to induct and train staff, even temporary and casual staff, in Occupational Health and Safety matters. To meet these requirements there is a need to deliver training and induction sessions. These sessions incur a cost in time and staff release, which is an increased burden to businesses even for temporary employees. This has an impact on seasonal industries such as tourism and fishing placing the burden for expenditure on the employer, without a corresponding increase in revenue and currently little opportunity to increase market share or market size. As such, these requirements provide a significant disincentive to employment creation.

Recommendation:

- Provision of funding to provide both training and information to provide services

OR

- Exemptions for temporary / casual staff operating at minimal levels (e.g. calculated on number of employees, times of operation)

Regulations generally

Regulations that apply to larger businesses in the city are often not appropriate in remote areas. An example is the requirement to upgrade kitchens to a certain standard (e.g. with stainless steel fittings). It is difficult to readily access the most common, basic fittings let alone specialised fittings such as these. Significant changes and increased requirements from small business to comply with regulations are strangling business growth incentive.

Recommendation:

- Increased exposure and access to advice on how they can meet the regulations – the written word is often not enough to adequately explain the complex regulations, and / or
- Exemptions regarding compliance.

Taxation

Imposition of GST – the real cost of implementing the requirements of GST must be noted. While it can make a small business more efficient, the time spent by a business to administer the process on the part of government needs to be taken into account. An extra burden has been placed on sole operators and traders but

where there is no added income they suffer a loss. There is no ready access to the skills of bookkeepers and accountants in remote areas.

Recommendation

- Continuation of training and support mechanisms to handle GST and
- Facilitation of bookkeeping and accounting expertise to remote areas through incentives to make it economical for the expertise to reach these areas as a short-term solution and through training as a longer-term solution.

Traineeships

Training is not freely available for casual employees who form the bulk of those in the tourism industry and other seasonal industries in the region. In the Gulf the tourism industry is particularly subject to seasonal fluctuation between the Wet and Dry Season. They are also required to train temporary employees, which is an additional cost. Traineeships are not an option for seasonal workers, as the trainee process does not readily accommodate seasonal work patterns.

Funding for the servicing of trainees and training generally is not equitable to the costs of delivery in remote areas and so Training Providers do not service the region.

Recommendation:

- A funding model to make it economical for training providers to service remote areas be established;
- Review the process to allow portability over time (flexibility for the trainee to access training over a period of time)

Licence requirements

Greater flexibility and coordination between local and state requirements is needed. Training requirements are restrictive in many instances requiring accredited programs to be delivered to cover workers.

For example, all workers on building sites will need to be inducted through an accredited program prior to walking on a site in Queensland. This is likely to send building contractors in remote areas to the wall and drive up unemployment.

Recommendation:

- There should be exemptions for those working under qualified builders in remote areas.

Insurances

Public Liability and other insurances remain a hindrance. The impact on the income of small business in remote areas is significant as events are cancelled with a reduction in visitors. Remote areas do not have ready access to insurance brokers or providers to source economic alternatives adding to the severe problems already being experienced in this area.

Access

Access to services and advice are difficult in remote areas. Governments should give consideration to decentralisation of services and personnel.

Freight and transport

Both are costly and prohibitive in remote areas. Services are infrequent and irregular particularly for communities not on the "main track".

Native Title and land clearance requirements remain an ongoing hindrance and expense to business and commercial development, housing etc. Accessibility to freehold land and restrictions on leases continues to limit expansion and diversification, although the recent initiatives by the Queensland Government to relax lease conditions may assist.

Heritage and environmental requirements often place an onerous burden on business development and expansion. Frequently residents of remote areas are more aware of their environmental responsibilities because of the significant impact on their business patterns /behaviours.

2. Special Needs and circumstances of Small Business

The recommendations for this section are contained in Section 4.

Following are the special needs of small business in the Gulf area:

Housing availability and infrastructure in remote areas

Lack of housing infrastructure prohibits the employment of outside people to build businesses. Small and light industrial businesses in Normanton and Karumba find difficulty in obtaining and retaining skilled staff due to lack of suitable accommodation especially if the prospective employee is a young married person with children. This has a double impact. Firstly it retards the development of local industry and small business. Secondly it is through developing the capacity of a town to obtain and retain younger people in the workforce that the depopulation of rural areas will be turned around.

Tender processes

Tendering processes frequently result in tenders being awarded to organisations who are external to the community in which the tender is being conducted. The impact results in employment and skill development opportunities not being given to local people and also the economic returns for the project flow out of the community.

Transport infrastructure:

Greater frequency and reliability of road, air and sea transport is required to enable small business to be able to pan ahead and be assured of deliveries.

Financial institution and other professional support

The major banks have left many of the smaller towns. Small business is therefore isolated and without professional support. The difficulties businesses experience with banking, loans, and financial advice is ongoing. This also extends to the information/services provided by some government departments e.g. ATO and Centrelink. Telephone interviews are not satisfactory particularly when the person fielding the telephone query does not have any idea about the remoteness of some of these people. Neither do all people have access to e-commerce solutions.

Start up/seed funding, micro loans

There is no start-up/ seed funding for non-Indigenous businesses.

3 Complexity and duplication of regulation inhibits growth

The issues raised in section 1 also relate here.

Essentially more and more paper work is required of small business. This cuts into the income of a business and hinders growth where there is no added income to compensate and cover the time and resources to meet the requirements.

The small businesses in the region are faced with 2 choices:

1. comply or
2. not comply and take the risk.

It is our belief that many businesses in the region opt for the second choice and expose themselves to risk because they do not have the income, time, knowledge or capacity to comply with regulatory requirements - let alone employ someone to help them.

With regard to regulations, many small operators do not differentiate between state and federal regulations or authorities. Add to this there is a lack of cohesion between the 3 tiers of government with instances of approvals being

granted by local government for initiatives only to have a proposal knocked back by the state level of government.

The recommendation relating to the tax concession zones in section 4 is relevant here.

4 *Measures to enhance capacity of small business to employ more people*

The introduction provided an overview of the business environment of the region. The Gulf region is disadvantaged with respect to all the socio/economic indicators. Disadvantages are:

- Low capital base
- High unemployment
- Inadequate housing and business infrastructure
- Poorly developed skills base and lack of confidence in handling new technology
- Fragmented education facilities/provision

Provision of infrastructure is essential for economic development. A comment from Stronger Regions, A Stronger Australia “investment is likely to occur when the economic climate is right; the infrastructure is in place” applies to the Gulf region. Current development and investment potential is hindered by the dearth of infrastructure within the region. Avenues and incentives to expand existing and provide new infrastructure need to be explored.

Recommendations:

Incentives:

- Incentives specifically for small business development in remote areas where such development is supported by sound regional planning forecasts and principles, such as:
 - Tax concessions to enable small business in remote areas to be competitive in the wider market
 - A tax credit system for small business developments and improvements to infrastructure.
- Freight and tax concessions for developmental projects (e.g. along the lines of the USA urban and rural revitalisation program⁴), particularly where private enterprise is able to provide/supplement government services.
- Positive action in the form of zonal tax concessions, tax credits, bonuses, planning relaxations etc. to encourage and facilitate the construction of low to medium income housing for rental would provide affordable and

⁴ “Empowerment Zone and Enterprise Community Tax Incentives” US Department of Housing and Urban Development

reasonable housing for imported labour and enable businesses to expand/establish. This could be achieved through negotiated assistance to remote area local governments – a form of partnership.

- Rural/remote area Empowerment Zone based on social entrepreneurial principles. This would be aimed at creating jobs and business opportunities by offering benefits such as tax incentives, investment tax credits; credits for creating new jobs and developing/improving infrastructure
- Differentials in costs of service delivery need to be recognised by government and funded accordingly.

Funding:

- Use existing funding sources (such as occurs with land care) for a revolving loans structure and micro financing; local enterprise investment fund.
- Government returns a proportion of the GST collected from a region and makes funding available for small business development through a micro financing program, such as a revolving loans fund which could be locally administered for e.g. capital development, training, expansion, business planning etc.
- Develop programs to provide seed funding for indigenous and non-indigenous businesses – micro enterprise lending

Community capacity building

- Encourage local purchase policies for local government
- Enhance programs to provide professional infrastructure and support
- Free up taxation requirements on small business in remote areas where there are no support systems OR make sure the support mechanisms and systems are in place, accessible and above all “user friendly”; make it easier to comply
- Local businesses should be assisted to develop the capacity to deliver government services – more partnerships between government and the private sector.

- Clustering and Incubators: Adopt a social entrepreneurial approach – similar to business incubators but more flexible. Potential to provide funding to local government or regional organisations to foster business and clustering.
- Place an emphasis on targeted training – particularly in the areas involving new technology and e-commerce and build on the benefits arising from NtN. These initiatives overcome the impact of remoteness once the users are skilled and resourced to use the technology. Support E-commerce training in remote areas. With the expansion of the Internet through NtN, the IT infrastructure will be available. It will be a matter of educating the businesses to capitalise on the asset.

External investment potential development

- Attract external investment for new business, expansion of existing business and capital:
- Encourage awareness in major institutions and central governments re regional conditions, requirements

Ms Kate Sutcliffe
Chief Executive Officer
Gulf Savannah Development
74 Abbott Street, Cairns, Qld 4870
Phone: (07) 40311631 Email: ceo@gulf-savannah.com.au

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