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Small Business Employment
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National Federation of Independent Business (Gold Coast) Inc.

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Submission to the Senate Inquiry into Small Business Employment

Dear Senators,

The National Federation of Independent Businesses represents thousands of small business families throughout S.E. Queensland and, through its alliance with other groups, in every other state in Australia.

The main impact on the capacity of small business to employ is the cost of doing business. To appreciate this point fully, the senators need to be conscious of the fact that small, independent business owners provide their own finance and risk their own assets for the "pleasure" of employing others to enable them to conduct their businesses.

Conversely, corporate Australia uses other people's money to expand their market share often at the expense of small businesses.

We maintain that the system in Australia allows big business to have an unfair advantage over small businesses in many areas and is able to exploit their market share to maintain that unfair advantage.

One of the main areas of concern is the cost of labour and the workplace relations environment. Of major concern is the **Unfair Dismissal** legislation.

Many of our members have been subjected to vexatious claims for which the employee has received free legal advice to pursue while the family business owner is left to fund large fees of industrial advocates and lawyers from their own purse. Big business can fight such cases with investor funds.

We would seek some protection from vexatious claims via some sort of free or low-cost mediation process that would determine whether or not the claim is valid or the employer has a case to answer.

Taxation is another area of concern, particularly the cost of implementation and compliance with the GST. This organisation has been a long term campaigner for some form of compensation for macro businesses probably in the form of tax credits. Small businesses are at a significant disadvantage in bearing the cost of this tax, especially in light of the fact that compliance costs

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those controls that were initiated to prevent unfair market manipulation and predatory conduct that has become common in the retail food and grocery industry in particular.

This organisation believes that only the capping of market shares in conjunction with strong anti-trust legislation will lead to fair competition and provide small business with an equal playing field on which to compete and continue to grow their employment opportunities. The increasing concentration of market power and deregulation has led to the mass shedding of jobs. Only a healthy small business sector, given a fair market, will provide the jobs growth this country needs.

Insurance Premiums and Superannuation Costs are also cost burdens that direct small business funds away from employment investment. Small business owners are taxed 15% then another 15% for having the courage to stand up and have a go at running a business instead of relying on welfare.

The cost of **Bank Fees and Finance Charges** also discriminate against small business and provide yet another advantage to big business who have hardly proven to be more financially prudent or fiscally responsible than small business owners. What this organisation seeks is some form of government scheme to assist small business owners in accessing finance and investment funding at a fair cost.

We recommend to you the U.S. Small Business Authority that gives the impression that the U.S. Government is far more committed to the development of the small business sector and makes the Australian approach to small business appear to be little more than tokenism.

More information can be found at www.sba.gov/aboutsba/


The current **taxation system, employment on-costs, cost of and poor access to finance, and burden of red-tape**, act as deterrents to small business investment and have led small business owners to view employment as a risky cost rather than as an investment.

One of the major causes of bureaucratic red tape overload is the compliance requirements of **three tiers of government** for different aspects of business operations. What is needed is a streamlining of bureaucratic red tape to effect savings to both small business and government.

Small Business is widely acknowledged as the engine room of financial and employment growth. Yet governments offer no real incentives for them to grow and employ. There is an apparent lack of any real understanding of what it is like to run a small business, the risks involved, and the treatment handed out by the major players in key industries.

The government has taken the right step in promising that future legislation will be subject to a small business impact study, but until the government elevates the status of the small business portfolio to the front bench as a key cabinet position then they cannot expect to be seen as serious about improving the prospects for employment growth in the Australian small business sector.

Yours sincerely,



Vincent Schofield
President

NATIONAL FEDERATION OF INDEPENDENT BUSINESS (GOLD COAST) INC

MODEL TO PUT BEFORE GOVERNMENT TO PROPERLY COMPENSATE SMALL BUSINESS FOR COSTS INCURRED IN COLLECTING & ACCOUNTING FOR G.S.T.
THE MODEL WE HAVE DISSECTED SMALL BUSINESS INTO FOUR CATEGORIES:

SMALL 1-3 STAFF	MEDIUM 10-49 STAFF	LARGE 50-99 STAFF	MAJOR 100+ STAFF
1,400.00	2000	3000	4000
800	2000	3000	4000
\$ 2,000.00	4000	6000	8000

BASED ON THE PREMISE OF ONGOING ANNUAL COSTS AS FOLLOWS:

CONTINGENCY COSTS OF 4X QUARTERLY BAS STATEMENTS
COST OF HIRING BOOKKEEPER (MINIMAL) AND/OR ADDITIONAL HELP FROM ACCOUNTANT

17. WE HAVE ASSUMED FOR THE MODEL THAT A DIRECT CORRELATION BETWEEN STAFF NOS. AND SALES EXISTS.
18. IT IS UNDERSTOOD THAT EXCEPTIONS WILL OCCUR BUT THE MAJORITY OF CASES WILL CONFORM.

ANNUAL TURNOVER (G.S.T ATTRACTING) \$	G.S.T.COLLECTED \$	COST \$
55000	5000	2000
110000	10000	2000
220000	20000	2000
440000	40000	4000
660000	60000	4000
1100000	100000	6000
2200000	200000	8000
5500000	500000	8000

PREPARED BY:
VINCENT SCHOFIELD CPA, REIQ, R&CQ
PRESIDENT N.F.I.B. (G.C.)

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19. COSTS INCURRED BY THE LOWER SIZED ENTITIES CANNOT BE RECOMPENSED BY A % OF TURNOVER EVEN AT A SLIDING SCALE. WE THEREFORE RECOMMEND A MINIMUM COLLECTION FEE BE INTRODUCED TO BE IN PLACE UNTIL THE SLIDING SCALE BECOMES RELEVANT.

20. SCHEDULE OF FEE'S COLLECTED WOULD THEREFORE BE AS FOLLOWS:

G.S.T.COLLECTED	COLLECTION FEE
\$5000 TO \$20000	MINIMUM \$2,000
\$20001 TO \$50000	10% TO A MAXIMUM OF \$4000
\$50001 TO \$200000	8% TO A MAXIMUM OF \$6000
\$200001 TO \$1000000	3% TO A MAXIMUM OF \$8000

COLLECTION OF THIS FEE WOULD BE BY FOUR EQUAL INSTALMENTS REDUCING G.S.T. PAYABLE ON QUARTERLY ACTIVITY STATEMENTS.

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The N.F.I.B. ADVOCATE



The N.F.I.B. GIVES POWER and PROTECTION to SMALL BUSINESS.

APRIL 2002

Small businesses assured of tough times

Despite a joint ministerial meeting on insurance, small business will still have to deal with the impact of escalating public liability premiums.

As reported in the Australian Financial Review, the meeting agreed to consider capping payouts, encouraging group buying of insurance, and further regulation of the insurance industry.

According to the latest survey, small business was the hardest

hit by the post September 11 rise in public liability premiums.

The March survey revealed that average industry premiums are expected to rise by 41 per cent.

The rising cost of premiums has forced some small businesses to restructure, resulting in increased risk exposure to the public.

And to make matters worse, the proposed legislation being pushed by the federal opposition to protect employee entitlements

could mean even further costs to business.

The proposed legislation requires all business employing 20 or more staff to take out employee entitlement protection insurance with an approved insurer.

Although no date has been set for the introduction of the Bill, indications are that it will come before the parliament after consultation with small business and the finance industry.

Spectre of more insolvencies

A leading insolvency expert has warned that an alarming number of small businesses were doing it tough, casting doubts on how the sector and the banks will weather the predicted interest rate rises.

It is predicted that small business would feel more pressure in the next six months as the Australian Tax Office starts to crack down on GST compliance

These predictions came in the

wake of a rise in insolvencies in March after a quiet start to 2002

Worst affected were smaller businesses with a bank debt of less than \$5 million.

It appears that the most at-risk sectors include retirement homes, the building industry and retail discounters.

There are encouraging signs of new life in the hospitality sector, and certain areas of the retail industry, including fashion.

Save on insurance through the NFIB

The NFIB has contacted several insurance brokers who have advised us that our members can take advantage of bulk buying insurance as a group through the organisation and save as much as 30% if not more on their insurance premiums.

We have still to finalise details and choose the best offer but will advise members in due course.

Inquiry into Small Business Employment

On March 20 the Senate referred the matter of small business employment to the Senate Employment, Workplace Relations & Education reference committee to conduct an inquiry and hand down their report by November 19, 2002.

Organisations and individuals are invited to express their views on some or all of the terms of reference and to lodge written submissions by May 17, 2002.

The terms of reference include-

- The impact of government regulation on employment in small business.
- The extent to which the complexity and duplication of regulation by all levels of government inhibits growth or performance of small business.
- Key factors that effect the capacity of small business to employ more people.
- Measures that would enhance the capacity of small

businesses to employ more people.

The NFIB is preparing a major submission and soon will be contacting members for their input.

Any member wishing to lodge their own submission can e-mail it to eet_sen@aph.gov.au or post it to Suite S161, Parliament House, Canberra ACT 2600.

Copies of the submission will also be presented to local MP's Steve Ciobo and Margaret May.

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NFIB to seek meeting with "friendlier" ATO

Prompted by a report in the Australian Financial Review the NFIB will seek a meeting with the Australian Tax Office to discuss the stated intentions of Tax Commissioner Carmody to make the tax system easier, cheaper, and more personalised.

In the AFR story, Mr Carmody promised a "kinder, gentler" ATO with dramatic changes to the way it does business.

Since the Commissioner has called for contribution of ideas from small business, the NFIB will be seeking an opportunity to meet with local ATO representatives to discuss the proposed changes that will include internet access to tax accounts, like on-line banking, 24-hour refunds, and solutions "co-designed" with taxpayers.

BAS gets easier but GST costs remain a problem

The results of a recent survey by Dun & Bradstreet reflect the views of the NFIB in that although most businesses are finding the GST and Business Activity Statement much more manageable, the cost of the new tax system is significant and, in most cases, is being passed on to the consumer.

More than half of the survey respondents said they factored some or all of the cost of the GST into their selling price.

However, while businesses had argued that the GST's quarterly reporting obligation represents a real problem, the survey shows 68% have retained quarterly reporting and 20% monthly lodgement rather than take up the annual lodgement option.

The report gives sufficient support for the NFIB view that

the cost of GST compliance is still of concern to many small businesses and that our claim for some form of compensation is well warranted.

ACCC releases updated Franchising Code

Franchising has become the fastest growing area of small business. Now the Australian Competition and Consumer Commission has updated the Franchising Code of Conduct with several changes including a short form disclosure document for franchisees turning over less than \$50,000 a year.

The NFIB has intervened on behalf of a franchisees to find that there is an arbitration system in place that can provide low-cost resolution to disputes with franchisees.

The Code, which has the force of Law, has been designed and reviewed to enable franchisees of businesses of any size to make informed decisions by requiring franchisors to disclose adequate and sufficient information.

The intention is to provide a more level playing field for small businesses in negotiations with larger enterprises.

Those interested can access the Code at www.accc.gov.au

Arbitration rather than litigation cuts costs

According to the Institute of Arbitrators and Mediators of Australia, businesses are costing themselves millions of dollars a year by pursuing costly litigation rather than accessing the less costly option of arbitration.

The Institute claims that only about five percent of firms avail themselves of the opportunity of arbitration procedures.

The I.A.M.'s Chief Executive,

Peter Condliffe advises that new, industry based schemes allow businesses easy access to dispute resolution procedures.

The Institute has introduced a set of Industry and Consumer Scheme Rules to provide quick and cost-effective resolution of claims and disputes.

The rules provide for two stages in the dispute resolution process.

The first stage is Conciliation, a relatively informal process where an independent person assists the parties to negotiate a settlement.

Then there is Arbitration which provides a final and binding determination of the dispute by an independent person.

Bond University has a course in Mediation and Arbitration. The NFIB will contact Bond to see if we can arrange an information evening for members.

Fight for uniformity in state compo legislation

Long-time NFIB member and President of the Nerang Chamber of Commerce, Bob Janssen is leading the fight for uniform workers compensation laws to protect local small business owners.

Employers who send staff to work across the Queensland-NSW border could be trapped in a legal minefield of complex and ambiguous compensation laws.

Although the legislation of both states contain clauses to protect workers while interstate, legal loopholes mean the protection may not be always be available.

WorkCover NSW advises that a Queensland company sending a worker across the border must have a NSW Worker's Compensation policy but would not be expected to pay the full premium of the work was temporary.

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WorkCover Queensland admits the legislation is complex with many variables and suggested that concerned businesses should contact WorkCover to assess their individual situation.

To add to the confusion, an injured worker could be awarded compensation in both states.

We believe Australian Worker's compensation authorities are reviewing the legislation to try and resolve the matter but it is a matter we shall raise with our local state MP's.

Labor push for uniform Industrial Relations Law

Leading Labor figures are calling for uniform industrial relations legislation throughout Australia. Of course, they are not speaking of federal legislation with its watering down of unfair dismissal laws for small business but the state laws that are strong on worker rights but lacking in appreciation of employer rights.

This move has gathered pace in NSW where Premier Carr has signalled a push within the Labor Party. With all state governments in the hands of Labor, there has never been a better time for such a move to succeed.

The NFIB agrees with the notion that the legislation must be simplified. There are more than 130 pieces of State and federal legislation concerning industrial law.

But the NFIB will maintain the fight for greater understanding of the plight of the small business owner facing the intimidating threat of industrial court action.

In the meantime, federal Labor has proposed some measures to ease the regulatory burden on small business, including removing the importance of some procedural requirements before dismissing employees.

There is also consideration being given to removing lawyers and professional advisors from the unfair dismissal process for cases involving small business.

These last two considerations are all the NFIB has been asking. There has been no will to exploit employees, only a demand for a level playing field in IR matters.

Paid maternity leave to accelerate this year

Since the Australian Catholic University agreed to twelve months paid maternity leave for its staff, other employers have followed suit. To date this has only occurred in the enterprise bargaining process at individual workplaces.

But the ACTU is building up momentum in the push for a general application in each state.

Supporters of paid maternity leave are quick to point out that Australia and the United States are the only remaining developed countries without paid maternity leave but slow to point out that in only three of the countries with paid maternity leave does business foot the bill.

In the majority of countries the bill is met through social security payments or insurance.

This will be the focus of any discussion with the NFIB because small business cannot afford to fund the payments.

The Small Business Consultative Committee

Member for Moncrieff, Steve Ciobo has put the NFIB in contact with the federal government Small Business Consultative Committee (SBCC)

The SBCC was established in 1998 to advise the government and assist small business with

the transition to the GST and advise on small business taxation in general.

The SBCC continues to provide advice to Government (through the Minister for Small Business) on the main issues affecting small business, in particular those issues arising from the reform of the taxation system.

The SBCC is also expected to provide ideas to reduce the burden of taxation compliance.

Members of the SBCC are appointed by the Minister for Small Business for a period of two years, meeting in Canberra at least four times a year.

Mrs Mary Wilson of Mt Gravatt is the Queensland rep. on the SBCC. The NFIB will try to set up a meeting with her to present our argument and model for compensation for the GST.

The best way to contact the SBCC is through their secretariat which is located within the Office of Small Business.

NFIB stands up to the Shopping Centre Council

The latest Occupancy Cost Survey shows that while rents in shopping centres have grown considerably over the past four years, and that there was no legislation to protect tenants in this area.

The report was featured in the Australian Financial Review and the Shopping Centre Council responded by pointing out that occupancy costs have increased because turnover has remained static over that four year period.

The N.F.I.B.'s wrote to the AFR stating that the Council had merely reinforced our campaign for shopping centre rents to be linked to turnover figures.

We repeated our assertion that rent increases are driven by the

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demand for profit in the absence of principle and without security of tenure for tenants while the law allows rent increases to be forced on tenants without the landlords being held accountable for performance.

Furthermore most leases have a clause forcing tenants to pay more once their turnover reaches a certain level but there is no mechanism to compensate them if centre turnover falls

The Australian Competition and Consumer Commission are aware of the situation. They have suggested a Code of Conduct but the NFIB believes that any such Code of Conduct must be underpinned by the unconscionable conduct clauses of the Trade Practices Act and drawn down into retail shop leases legislation.

This is an issue that the NFIB will bring to the table when the retail shop leases legislation comes up for review.

Whatever happened to the Magnificent Seven ?

Gold Coast small business operators are wondering whatever happened to the seven magnificent new Labor MP's who were to provide us with unprecedented representation in state parliament

Well apart from local mum and dad issues such as roundabouts, roads, and school playgrounds, there has been a conspicuous absence of any of the seven on key issues.

Their responses to questions posed by the Gold Coast Bulletin reinforced the view that they are simply puppets in awe of a Premier who spends more time on his media image that he does on any issues of substance where small business is concerned.

Any involvement with business groups has been few and appear to have been driven by

appearance rather than any desire to support small business on key issues such as tourism.

But this is not surprising given the poor example shown by the Minister for Tourism herself.

Carrying the fight for small business equity

Every day Australia's small business owners lay their entrepreneurial spirit on the line to allow their businesses to grow and succeed.

They're not afraid of risk, and they don't shy away from competition - fair competition.

Free market competition from corporate Australia and the large chain stores can be fierce. But when competition is unfair or brought on by governments and bureaucrats living in a rarefied atmosphere, it's insulting and often offensive.

Small business owners need a referee - a referee who understands what it is to lay everything on the line for a dream without any guarantee - and that referee is the NFIB.

The NFIB is committed to advocating laws that create a truly level playing field for small business and works to oppose laws that hinder free-market practices.

Never has there been a greater need for the NFIB to lead small business in the fight for greater support from government in the face of the growing concentration of market power in a number of industries.

That's why we need the NFIB!

When small business owners wake up in the morning, they are like an animal in the middle of the food chain in the jungle - they don't know whether they will eat today... or be eaten.

Jim Blasingame

THE NFIB POLICY AGENDA AND LOBBY PLATFORM

FAIR TRADING

Fight for implementation of all recommendations and to ensure that any industry code of conduct are underpinned by law, especially in relation to unconscionable conduct.

TOWN PLANNING

Retail zoning and development laws under an economically sustainable strategic plan requiring independent small business impact studies

The GST

Compensation to Small Business for compliance and maintenance costs in accordance with the NFIB model developed on the Gold Coast

FAMILY TRUSTS

Small businesses and farms to be exempted from proposed changes.

UNFAIR DISMISSAL

Small family businesses to be exempt from unfair dismissal laws

WORK COVER

A full review of the current service to be held as soon as possible with a view to a more equitable outcome for small businesses

RETAIL SHOP LEASES

All relevant recommendations of the Fair Trading Inquiry, especially security of tenure, to be written into the Retail Shop Leases Act

National Federation of Independent Business (Gold Coast) Inc.

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President

Vincent Schofield

Vice President

Peter Stevenson

Media Co-ordinator

George A. Smith

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“YOU GOT IT WRONG !” Mr Howard

You promised that your new tax system would make life easier,
not harder for small business. Inside are just some of the
comments being made about the impact on small business of
your new tax system which show just how wrong you were.
If you don't think this will be key issue in the next election,
then once again you will be
WRONG ! WRONG! WRONG!

BE WARNED !

The National Federation of Independent Business along with
other small business groups throughout Australia will be united
in a campaign to oust any sitting MP who is not prepared to
fight for fairer treatment for small business in the tax reform
process – that includes compensation for collecting the GST

promises

PM forced to move in
self-employed tax row

not to save

Bitten by ANTS

for GST keeps sliding
backlash looms

Government
will pay for
GST pain

Little point
in salary
sacrifice

Now the GST worm has turned on Howard

Liberals revolt on super tax

GST wrath

BA changes will not
reduce paperwork
for SMEs

No happy returns as the GST turns 1

sh squeeze troubles small businesses

Poor outcomes from new tax law

We've been ignored!

Business talks of GST doubt

Hopes dashed of a GST windfall
GST sends retail sales into slump

Reform has failed to deliver
Incentive to work,

Business support
New small business

Businesses still grappling with tax reform

NT's Burke lashes out over GST

'The compliance burden associated with the tax system remains high on the list of small business concerns'

Attack of the tax creep

Small business

Coalition faces

GST errors adding up Tax more a liability for Government

GST war won at too great a cost

Tax shock looms for self-employed