

AUSTRALIAN PROPERTY INSTITUTE INC.

NATIONAL SECRETARIAT

INQUIRY INTO SMALL BUSINESS EMPLOYMENT

**SUBMISSION TO THE SENATE EMPLOYMENT, WORKPLACE RELATIONS and
REFERENCES COMMITTEE**

JUNE 2002

INTRODUCTION

This submission responds to the *Terms of Reference* of the *Inquiry into small business employment issues* as detailed at www.aph.gov.au/senate/committee/eet_ctte/index

This submission by the Australian Property Institute (API) is in response to an invitation by the Committee Secretary for interested organisations to make comments and submissions in response to the inquiry by the Committee.

The Institute fully supports the inquiry by the Committee into small business employment issues, particularly in relation to impediments to employment growth, including government regulation.

The Institutes submission is drawn from comments supplied by its members across Australia.

The Institute is happy to discuss any of the matters raised in its submission or to provide any additional information required. Arrangements can be made by contacting Mr Grant Warner, API Director Policy & research on telephone no. (02) 6282-2411.

COMMENTS AND RECOMMENDATIONS

This Submission follows the order of topics contained within the Terms of Reference.

- 1. The effect of government regulation in small business, specifically including the areas of workplace relations, taxation, superannuation, occupational health and safety, local government, planning and tenancy laws.**

Many small businesses have had to employ additional staff just to comply with significant increases in government regulation and taxation administration.

The unfair dismissal laws and continuing uncertainty in their application will always be a disincentive to small businesses expanding and employing more people. There should be further exemptions for small business so that they can have flexibility in staff management.

Implementation of the GST tax regime has come at a significant and continuing cost and many small businesses are resentful of the duties imposed on their business at their cost to collect government taxes. At the very least there should be some form of payment or subsidy to businesses for collecting and paying significant amounts of GST.

In relation to OH & S laws, disabled facilities are required in every new development at a significant cost and are rarely if ever used. The experience of some firms is that there are a lot of expensive storage cupboards in commercial and industrial premises designed as disabled facilities and are now filled with cardboard boxes and rubbish. In public places these facilities are essential and there should be many of them however to impose them on all commercial and industrial developments without exception takes up substantial amounts of floor space at significant expense.

2. The special needs and circumstances of small business, and the key factors that have an effect on the capacity of small business to employ more people.

For many firms in the property industry, a key factor is the need for well trained young personnel. Local TAFE's are generally doing a great job producing a certain number of well trained people however, the majority passing through these courses have mediocre to inferior skills and training.

The unfair dismissal laws will always be a disincentive and our members experience in this regard with former staff members has made them very nervous. A small business cannot afford to enter into the situation where the dismissal of a staff member could cost the business tens of thousands of dollars. These laws should be repealed for all small-to-medium businesses.

In macro economic terms, the focus on competition to drive costs and prices down has a negative side. When providers of goods and services of an inferior standard compete in the open market they reduce both costs and standards and employers with high standards are forced to reduce the standards and put off staff to compete. The deregulation of many trades and professions has had this impact. Although the consumer may be getting a cheaper price, in many cases they are getting an inferior product or service and some of the better quality businesses have had to shrink in size to remain viable. The quality of goods and services is reduced to 'the lowest common denominator'.

Payroll Tax should be removed. Clarification and co-ordination of definitions and rules relating to sub-contractors as between Commonwealth and State Governments should be undertaken.

This is a crippling tax because it actually taxes the business on the amount paid to staff over the threshold and becomes quite a significant cost if the firm is expanding from a small size to a medium size company ie going over, say 15 people. The tax makes no sense and is a significant barrier to employing more staff.

Compliance Issues.

This relates to all compliance issues and not just GST, ie occupational health & safety, insurance etc. The amount of regulation with which small business has to comply is enormous and small business just does not have the capacity to employ extra staff to comply with all regulations. In a number of cases they probably just don't comply.

Accrual accounting.

When small businesses generate turnover over \$1m to \$1.5m (approx) in fees they are supposed to adopt accrual accounting principles i.e. pay tax on billings not actual receipts. This negatively impacts on the business, which is then forced to continually work in overdraft rather than pay tax on their actual earnings. The threshold for accrual accounting should be lifted to over \$4m in gross fees and tax should not have to be paid in advance of actual receipts. Perhaps a better question is why have a requirement for accrual accounting anyway? (there's bound to be a good answer to that question).

3. The extent to which the complexity and duplication of regulation by Commonwealth, State and Territory governments inhibits growth or performance in the small business sector.

Australia is a heavily regulated country in many areas. Much of this regulation is necessary however some of it is overly bureaucratic. Workplace relations laws, unfair dismissal laws and OH & S laws generally fall into the latter category although it is recognised that there are necessary requirements in relation to the first and last of these. Once a regulation is enforced, it is generally applied rigidly in Australia. This lack of flexibility then becomes a constraint in many circumstances where common sense should prevail.

4. Measures that would enhance the capacity of small business to employ more people.

A revision of the following issues is seen as vital for the growth of small business:

- Repeal unfair dismissal laws especially for small businesses.
- Removal of Payroll Tax imposition.
- Restore the balance in the competition regulation to reduce the emphasis on competition at all costs. Competition is appropriate and healthy but not in the complete absence of regulation in many trades and professions as this causes a reduction in standards, which can have significant indirect negative impacts on the economy.
- The prospect of litigation from almost any private, public or professional activity is now a very significant constraint. The reaction is that businesses are less willing to undertake risks in relation to products, new services and innovations. Product safety legislation is a case in point and whilst it is recognised that there is a need for such it should not be a blanket approach to all products. We believe this legislation has impacted significantly on suppliers of second hand and reconditioned parts and equipment.
- Remove the stamp duty burden. Stamp duty is one of the biggest impediments to commercial property investment in Australia.
 - It is complex and inconsistent across the states
 - Administration costs of stamp duty legislation are high.
 - Stamp Duty only arises where there is a transaction – encouraging inefficiency where commercial property owners hold on to existing properties rather than buying new premises – rather than allocating resources to their most efficient or useful activity.
 - Stamp duty distorts investment decisions away from property (investment in ‘cash’ assets incurs no stamp duty).

- The aggregation of land tax is inequitable to owners of multiple properties and their tenants. It stifles jobs and business growth. It should be revised using funds from a broadened land tax base, which includes all land, except land used for owner occupied residential, non-profit religious and charitable activities.

The misleading and deceptive conduct provisions of the various fair trading acts and the Trade Practices Act have been exploited to a great degree by lawyers. This legislation should be amended to better reflect societies concerns that legislation and litigation has gone too far.

There must be recognition and reward for high quality service and product. Sacrificing all economic principles on the altar of competition has gone too far and mediocrity is the common standard across many trades, professions and service industries. This contradicts the "smart country" philosophy and the principle of enhanced education and training.

Choice of retail trading hours in Western Australia

- Consumers in suburban Perth and some regional areas of WA are deprived choice of shopping times.
- Limited trading hours inhibits choice, reduces convenience, restricts sales, and unnecessarily caps investment performance.
- Job opportunities are lost – for example, in Perth Sunday trading would create new jobs and many of these would go to young jobseekers.
- With WA's current trading hours, community assets worth billions of dollars lie idle for about 55 days a year.
- Consumers in Perth CBD, central Fremantle, and regional areas (where there has been a successful application), are able to shop on Sundays – but consumers are unable to shop at a suburban shopping center.
- There are deregulated trading hours in the other states and territories – NSW, VIC, ACT, QLD & NT and small business has not collapsed in these States.
- If WA is to remain competitive with other States for the tourism and investment dollar, it is essential that reforms in retail trading hours are implemented.

ATTACHMENT A

AUSTRALIAN PROPERTY INSTITUTE INC.

The Australian Property Institute (API), (formerly known as the Australian Institute of Valuers and Land Economists), has enjoyed a proud and long history.

Originally formed over seventy five Years ago in 1926, the Institute today represents the interests of approximately 7500 property experts throughout Australia. As the peak professional property organisation the API has been pivotal in providing factual and dispassionate advice on a broad range of property issues addressed by the Commonwealth and State/Territory governments since the Institute was formed.

In addition, the Institute's advice has increasingly been sought by overseas bodies such as the United Nations and the World Bank, evidencing a level of expertise within the API and its membership which is recognised globally.

However, as a professional organisation the primary role of the Australian Property Institute is to set and maintain the highest standards of professional practice, education, ethics and discipline for its members.

Institute members are engaged in all facets of the property industry including valuation, property development and management, property financing and trusts, professional property consultancy, plant and machinery valuation, town planning consultancy, property law, and architecture. Membership of the Australian Property Institute has become synonymous with traits and qualities such as professional integrity and client service, industry experience, specialist expertise, together with tertiary level education and life long continuing professional development.

Members are the Institute's greatest asset, and the Australian Property Institute is committed to maintaining a strong base for the future of the property profession through the broadening of the expertise, and knowledge of the membership.

Integrity

The Membership of the Australian Property Institute is bound by:

- A Code of Ethics and
- A Code of Conduct