

Mr John Carter
Secretary to the Committee
Inquiry to Small Business Employment
Senate Employment, Workplace Relations and Education References Committee
Suite S1.61 Parliament House
CANBERRA ACT 2600

Dear Secretary,

I am writing in response to a letter of 23 July 2002 from the Committee Chair, Senator George Campbell to the Minister for Transport and Regional Services, the Hon John Anderson, inviting the Department of Transport and Regional Services to provide a formal submission in response to the Terms of Reference for an inquiry into small business employment matters. In his letter, the Chair identified Area Consultative Committees as an area of specific interest.

The Department's submission reports comments collected from the Area Consultative Committee Network, and as such some comments do not necessarily represent the views of the Department. As you would be aware, some Area Consultative Committees have provided submissions directly to the Inquiry. The submission also addresses issues raised in relation to small business growth through the Department's regional tourism involvement in the current development of the Federal Government's *10 Year Plan for Tourism*.

The Inquiry may be aware of the Regional Business Development Analysis, an initiative under the Federal Government's *Stronger Regions, A Stronger Australia* Statement released last year by Minister Anderson. The Analysis will investigate and analyse options for the development of sustainable regional businesses. Minister Anderson has appointed an independent Panel for the Analysis, which will bring forward an Action Plan in April next year. The Terms of Reference for the Analysis and the composition of the Panel are at Attachment A and B respectively.

The enclosed response addresses the four Terms of Reference outlined by the Inquiry, based on the submissions received via the Area Consultative Committee Network and the Department's involvement in regional tourism matters.

Thank you for the opportunity to provide comment on this Inquiry.

Yours sincerely,

John Doherty
First Assistant Secretary
Regional Policy Division
Department of Transport and Regional Services
6 November 2002

**Submission of the Department of Transport and Regional Services to the Senate
Employment, Workplace Relations and Education References Committee on the inquiry
into small business employment**

Last year, the Federal Government launched the *Stronger Regions, A Stronger Australia* statement, providing the framework for the promotion of a strong, viable and sustainable regional Australia. This framework is centred on working in partnership with regional communities, the private sector, and state, territory and local governments to develop self-reliant regions. The partnership approach aims to foster innovative, locally driven solutions to the challenges posed by social, economic and environmental change. This framework is also based on a whole of government approach to policy development and programme delivery.

The Federal Government is working in partnership with local communities, businesses and other levels of government to increase the ability of small regional businesses to expand and employ greater numbers. The Federal Government's *Sustainable Regions Programme* utilises a partnership approach to provide capacity and support to regions undergoing major economic, social or environmental change. Eight prototype regions across Australia are developing local solutions to priority issues that local communities have identified, aimed at encouraging investment, infrastructure development and economic growth. As these projects target many of the impediments identified by small businesses, the implementation of these projects should provide an environment that will foster the growth of small businesses.

The Regional Business Development Analysis is an initiative under the Federal Government's *Stronger Regions, A Stronger Australia* <http://www.dotars.gov.au/regional/statement/contents.htm> statement to examine issues that impact regional businesses, including the impact of regulation on regional businesses. The Analysis aims to identify impediments and develop practical solutions to achieving sustainable regional businesses and examine the effectiveness of current Federal Government assistance for regional businesses. A small independent panel of experts have been appointed to develop an Action plan to bring forward to the Federal Government in April next year. Currently, the Panel is conducting consultations across regional Australia to inform the development of the Action plan.

The national network of fifty-six Area Consultative Committees (ACCs) provide an important link between the Federal Government and rural and metropolitan Australia, being uniquely placed to respond to issues in their regions. The ACCs provide a conduit to government on local, social and economic conditions and work in partnership with the Department of Transport and Regional Services to identify opportunities, priorities and development strategies for their regions. The ACCs have been providing support to small regional businesses, assisting them in identifying potential funding and identifying and developing opportunities for growth.

Through networks and partnerships, the ACCs promote and disseminate information on Government priorities and programmes for the benefit of business and the community. ACCs are an example of how the Federal Government is working in partnership with business and the community to achieve regional economic growth. The ACC network has a broad, whole of Government focus, and contributes to regional economic growth by harnessing opportunities for new jobs, actively supporting small business and addressing training and skills development needs. The ACCs have been involved in the Small Business Assistance

Officer pilot, a Commonwealth initiative which has been providing support and assistance to regional small businesses.

Other programmes administered by the Department of Transport and Regional Services have also provided support and assistance to regional small businesses such as the *Regional Solutions Programme* (RSP), the *Regional Assistance Programme* (RAP) and the *Dairy Regional Assistance Programme* (DRAP). Funding for the RSP is targeted at communities dealing with economic stagnation or population decline due to industry restructuring and a lack of development opportunities, and regional areas with high population growth experiencing above average unemployment levels. RAP provides funding to develop projects aimed at generating employment and to build the skill base of regions so that job opportunities can be taken up by the local workforce. DRAP facilitates long term employment by supplementing business investment and provides support for services that will lead to on-going economic and social benefits for regions affected by dairy deregulation.

Tourism generates a wide variety of new local small business and employment opportunities in regional Australia and contributes to the sustainability and viability of many regional communities. The Department has been involved in ensuring the role of regional tourism is considered in the current development of the Federal Government's *10 Year Plan for Tourism*. In recognition of the importance of tourism to regional Australia, Minister Anderson and Minister Hockey convened a Regional Tourism Roundtable on 12 August 2002. The Roundtable brought together the Area Consultative Committee Chairs Reference Group with innovators in the regional and national tourism industry. The outcomes of the Roundtable identified impediments and opportunities for development and growth in the regions, including small businesses, and discussed some innovative and practical approaches.

The Department's response to the Inquiry's Terms of Reference is based on submissions received from the ACCs and the outcomes of the Regional Tourism Roundtable. As such, it must be clear that the submission does not record the Department's view, but conveys those views expressed by the submissions received via the ACCs and relevant matters raised at the Regional Tourism Roundtable.

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

The submissions received from the ACCs expressed the view that Government regulations can place an additional burden on small businesses, due to the complex regulatory requirements and the time and costs involved in ensuring compliance. A number of other issues were identified in relation to the effect of regulation on regional small businesses through individual submissions, which can be categories into three broad concerns.

Superannuation and taxation

Small businesses consider that they have been disadvantaged with the high combined costs of superannuation, workcover premiums, payroll tax, leave loading and fringe benefit taxes. These costs have a proportionally higher impact on small businesses which is reducing the capital they have available to pursue development opportunities.

Planning

Planning laws determine the location, size and rate of development for small businesses. Planning laws are seen to often restrict growth of new industries and commercial enterprises, due to the inavailability of appropriately zoned land or the type of restrictions placed on potential expansion opportunities. Home based work is an area with large growth potential, yet current planning regimes seem not to recognise this.

Compliance costs

The high costs and time taken associated with ensuring compliance were identified as a significant impediment on employment in small businesses. The cost of locating and obtaining inspectors and professional advice in regional areas is particularly detrimental to small businesses. High levels of demand are placed on regional small businesses to ensure compliance, which is compounded by requirements to provide statistical information such as that required by local government or the Australian Bureau of Statistics.

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

Promoting a conducive environment for the growth and development of regional businesses is essential for the sustainability of regional Australia, and contributes to the overall wellbeing of the nation. Small businesses in regional and remote areas play an important role in the local economy, creating new jobs from local ideas and contributing to the prosperity of the community. These businesses allow local economies to diversify, making them more adaptable to change, and provide diverse employment opportunities which can assist population retention. Therefore, it is important that the special needs and circumstances of regional small businesses are considered.

Submissions received from the ACCs have highlighted some of the impediments and barriers that are facing regional small businesses. Technology such as telephone and internet shopping is increasingly competing for market share of services traditionally provided by locally based businesses. Regional consumers are able to access metropolitan goods via technology, rather than having to rely on local providers, without having to physically travel to metropolitan centres. Communities need to be educated and aware of the value of small businesses and the potential for positive economic flow on they can provide to local communities. Regional small businesses are often tied to agricultural cycles resulting in a high degree of seasonality, which can be reflected in employment needs. Other concerns that were expressed through the submissions can be grouped into four main categories.

Ability to attract employees

Regional small businesses are disadvantaged in their ability to attract and retain high quality employees. Small regional businesses are often unable to attract high quality employees due to inability to provide opportunities, technology and lifestyle comparable with larger businesses. The expectation of potential employees for regional small businesses to provide comparable opportunities to their metropolitan counterparts is seen as unreasonable. The option of providing a remote allowance for potential employees is seen as too costly to be feasible. Small regional businesses have encountered a lack of adequately trained and skilled employees in regional areas. Compounding this problem is the inability of small regional businesses to find the funds to train or upskill existing employees.

Access and maintenance of infrastructure

Access to regional infrastructure is required to support regional small businesses. Small regional businesses have identified that the lack or level of infrastructure in regional areas is a serious impediment to growth. Regional areas have indicated that there is a large difficulty in attracting the investment necessary to improve or maintain current infrastructure. The higher transport costs facing regional small businesses compared to metropolitan areas are seen as prohibitive and restrictive.

Access to finance and investment

Regional small businesses have difficulty in accessing commercial loans and sourcing seed funding. This adversely affects their ability to expand. This is compounded by professional business planning and management advice often being too costly or difficult to obtain. Government assistance is seen as not being well targeted towards small businesses, especially microbusinesses, reducing their capacity to employ and ability to attract investment.

Cost of regulation

The costs and complexity of regulation have been identified as an impediment to small business. These factors are contributing to small businesses employing higher numbers of casual and part time workers to reduce costs imposed by regulations.

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.

As identified above, the issue of complexity and duplication of regulation is seen as a significant barrier to the growth of small businesses. Submissions received from the ACCs indicate that the complexity of legislation and requirements leads to an uncertainty of the obligations of small business and an associated unwillingness to employ.

These submissions also indicate concern regarding the provision of information and coordination between different levels of government. There is a perceived overlap of regulatory requirements between the three tiers of government, and small businesses are unsure which level of government should be approached. Information that is available to help small businesses is seen to be poorly disseminated.

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

Submissions from the ACCs and the regional tourism roundtable have produced a range of suggested measures to enhance the capacity of small businesses to employ more people. These include:

- The more effective provision of information to aid in regulation compliance through a ‘one stop shop’ approach.
- The promotion of networking to share success stories and advice through organisations such as Chambers of Commerce.

- Encouraging community capacity building and the adoption of the ‘stronger regions approach’ where communities lead their own development in partnership with government, industry and businesses.
- The streamlining of requirements and access to grant applications across government agencies to make funding more accessible.
- The implementation of mentoring programmes and provision of professional advice to improve small business management and planning.
- Access to improved regional data and information to inform investment decisions for small business.
- A review of current regulatory requirements and their impacts on small businesses, including local planning regimes, taxation, superannuation and unfair dismissal requirements.
- Increasing the access of small businesses to low interest commercial loans, with the government acting as guarantor if necessary.
- Ensuring adequate provision and maintenance of regional infrastructure.
- Providing access and subsidies to training and skill development for small business employees.
- The development of guidelines or information manuals to assist small business in the local development application process.

Regional Business Development Analysis

Terms of Reference

The Regional Business Development Analysis Panel will recommend an action plan to the Federal Government on how it can improve the regional business environment and reduce impediments to growth. The action plan will be revenue neutral with respect to the Commonwealth budget.

The Panel will specifically examine and report on:

- (a) options to encourage the growth of regional businesses and to attract new investment to regions;
- (b) impediments to growth of regional businesses including access to finance, skills, infrastructure and technology;
- (c) the effectiveness of current Federal, state and territory and local government assistance for regional businesses and the scope for greater cooperation between Federal, state and territory and local government in providing assistance for regional businesses; and
- (d) international practice and arrangements for providing assistance to regional businesses.

ATTACHMENT B

Regional Business Development Analysis

The RBDA Panel

The Regional Business Development Analysis Panel is an independent panel appointed by the government. The Panel consists of a chairperson and four members who all bring to the Analysis a wealth of business skills and experience, and an intimate understanding of the needs of regional Australia.

The following people have been appointed to the panel:

John Keniry – Chairman

Aivars Blums – Member

Ed Notter – Member

Elsbeth Radford – Member

Sally Thomson – Member