

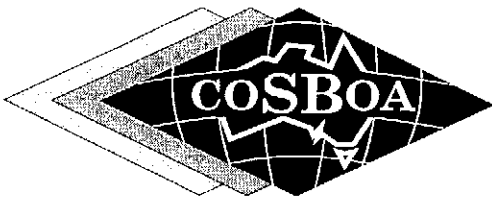
Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a) + (c)

Submission No. 25

Note: also Submission No. 7 to Reference (b)

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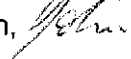
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4 April 2000

Senator John Watson
Chair
Select Committee on Superannuation
and Financial Services
Parliament House
CANBERRA ACT 2600

Attention: Mrs Sue Morton

Superannuation and Financial Services Inquiry

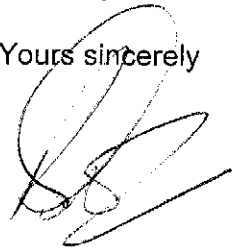
Dear Senator Watson, 

Please find attached this council brief.

As Indicated, we are struggling a little with the demands associated with preparing our sector for the GST and apologise for the lateness and obvious haste in drafting the attachments.

Naturally, we are available to expand on these comments if this would be helpful.

Yours sincerely



Rob Bastian
Chief Executive

Attachment 1. COSBOA Submission (4 pages)

COSBOA SUBMISSION TO THE SUPERANNUATION AND FINANCE SERVICES INQUIRY

BACKGROUND

COSBOA. COSBOA is known to the committee. Should it's history, make up and track record be required, appropriate material will be forwarded on request.

COSBOA's Broader Position on Superannuation. The Australian government is aware of COSBOA's broader views on superannuation through numerous earlier submissions and public hearings. The essentials of these views are as follows:

- *Care for the aged in whatever form is a matter correctly left between the state and it's citizens.*
- *The insertion of employers as intermediaries between the state and its tax paying citizens is a flawed concept because it assumes a uniform administrative capacity on the part of the former, this simply doesn't exist.*
- *It's inevitable that small employers will never be able to achieve the economies of scale available to large employers and this places a disproportional burden on them.*

See figure 1.

- *If public responsibilities are to be transferred to the private sector, it is the task of government to cost the activities being transferred, and legislate to ensure that those burdens are compensated for. This must be done in ways that minimise labour market distortion in the private sector.*
- *The essential market place reaction to superannuation and similar publicly inspired employment on-costs, has been for larger private and public sector structures to downsize and outsource their labour requirements wherever possible. Lacking capital, many small labour intensive firms remain captive to these on-costs despite still being in direct competition with those larger firms which are shedding them.*

Employment Implications. A recent analysis of the ABS longitudinal data on Small Business by Access Economics revealed that 60% of net employment growth in 1998 was produced by firms described as "mini's" (> 5 employees) and Micro's (>20 employees). A high proportion of this 60 % was attributed to tiny start-up firms.

Separation of Business Revenue and Employment

In the BRW's 1998 coverage of Australia's top 1000 firms, IBIS research reported a 7.9% growth in revenue for the top 1000 against shedding 1.4% of their workforce, while the remainder of firms grew revenue by only 1.96% but lifted employment by 4.11%.

Simply put, this means that Commercial efficiency and Employment efficiency are at odds.

See figure 2.

Though crude, this information underscores the need for public vigilance on all regulatory measures which are regressive to the capital interests of small employers.

In summary, COSBOA believes Small Business has reason to be hostile to the administrative burden the current superannuation regime brings to them.

INQUIRY TERMS OF REFERENCE

Consistent with the issues and views set out above and the time we have to devote to the inquiry. Council makes the following single recommendation under each heading.

Enforcement of the Super Guarantee Charge

It is council's understanding from the ATO, that superannuation audits only occur as a result of complaints from disgruntled employees. On those occasions which the ATO determines superannuation has been underpaid, even by a couple of cents, an administration fee of \$50.00 plus \$30.00 per person, is charged on top of any fines, interest component and/or reparation. As the fine and/or interest component is generally trivial, this is usually waived but not the administration fee. As the ATO is sustained by public revenue (ie, taxes), and as employers are performing a free service for the crown, usually under duress:

- **It is recommended that all administration fees be removed.**

Australia as Centre for Global Services

Council has previously argued that superannuation monies should be applied directly to our local economy and not available for investment overseas.

The essential argument is that these are funds generated by legislation, not market forces and they have therefore a social, rather than pure profit imperative. This recommendation was made at a time when capital availability to small business was being debated. Now that the employment contribution of small business is clear, it is felt that the argument for directing some portion of superannuation funds to stimulate employment growth in the sector is stronger.

- **It is recommended that legislation prescribing investment of superannuation funds in the Australian economy be developed.**

Prudential Superannuation

Small Business employs larger numbers of part-time and casual people who carry very high management costs. Some large superannuation funds are requiring employers to pay joining fees for the privilege of sending in employees' contributions. Council is concerned about the administration inevitably associated with multiple or unlimited choices. It is not blind to the logic of efficiently sending each employee's deductions to their fund of choice but believes the Small Business Community at large is opposed to this on cost grounds.

It would assist small players if they were to be able to send combined cheques, specifying the employees covered and the amount etc to a single public authority which retained at one point responsibility for redirecting all payments.

- **It is recommended that a simple authority be established to direct single payments from employers to employees fund choices.**

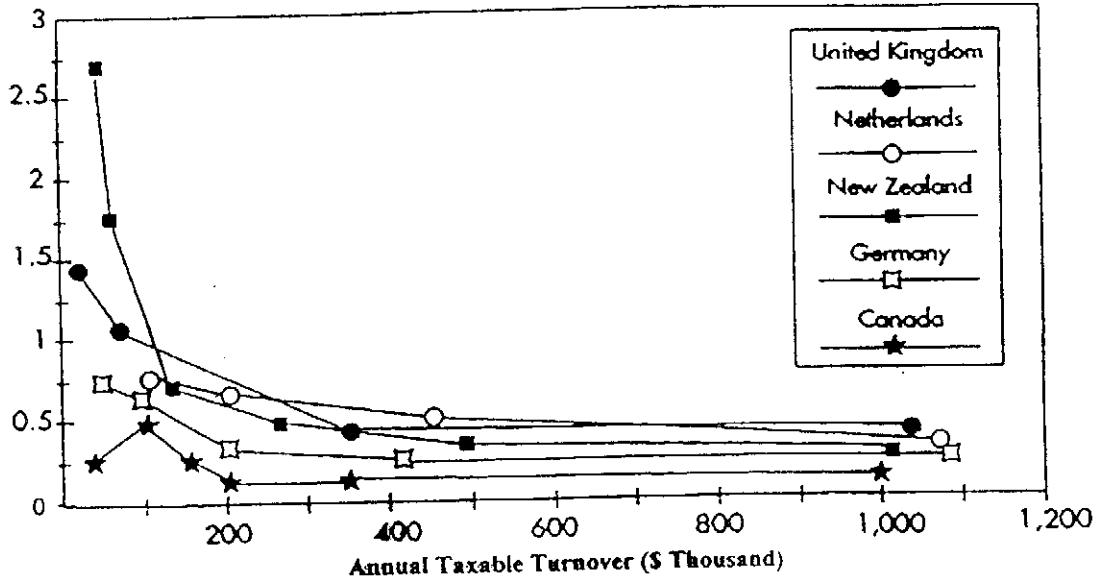
The Bottom Line

The bottom line for this hasty submission is, that the inquiry recommend nothing to government that adds to the compliance costs of small and labour intensive firms.

Naturally we are available to expand on these comments if requested.

FIGURE 1

**COMPLIANCE COSTS
(PERCENTAGE OF TURNOVER)**



Source: Evan, C., and Walpole, M., "The Hidden Cost of a GST — An International Perspective", *Policy*, 12(4):3-10.

FIGURE 2

COMPARISON OF REVENUE AND JOBS GROWTH FROM 1997 TO 1998

