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**S U B M I S S I O N
TO THE PRODUCTIVITY COMMISSION
ANNUAL REVIEW OF
REGULATORY BURDENS ON BUSINESS**

May 2008

Please find enclosed our response to the current review of regulatory burden. We thank you for the opportunity and are available to discuss our comments as the opportunity arises.

We would appreciate an acknowledgement that you have received this response.

If you have any questions do not hesitate to contact us or we can meet with your representatives as necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Steven', is written over a faint, larger version of the same signature.

Tony Steven
CEO

COSBOA background

The Council of Small Business Organisations of Australia Ltd (COSBOA) is widely recognised as a peak body of small business organisations, industry groups and individual members. It was founded in 1979, incorporated in 1985 and operates through a secretariat based in Belconnen, Canberra.

We represent the individuals in the small business sector in Australia. All members have the opportunity and means to influence, at political and government levels, for the wellbeing and future of their member small businesses.

- We provide the small business sector with information.
- We assist individual members and member associations.

We help individual members and member associations develop business opportunities through our affiliations with key organisations. All members can use COSBOA's affiliations and contacts with industry and business organisations.

We help members influence their external business environment, especially in the area of government policy.

COSBOA assists members by monitoring government activities, influencing the development of government policies, presenting industry viewpoints and providing opportunities for members to become involved in policy development.

COSBOA is the primary lobbying vehicle for issues relating to the small business sector.

COSBOA members can have ready access to information on key policies impacting on the small business sector.

COSBOA is headed by a Board of Management and the Chair, Mr. Bob Stanton, who also presides over the quarterly Council meetings consisting of all members, these are usually held in Canberra.

COSBOA also holds the National Small Business Summit annually and boasts the attendance of the Prime Minister on 4 of the 5 occasions it has been held. This reflects the importance of small business to the Australian community and the economy.

The Members of COSBOA have had at the top of their list of requirements from the Government "Red Tape" for a long time. The Bell report in the late nineties was received well but with the subsequent introduction of GST an enormous amount of process and procedure was developed to be administered by small business, all on behalf of Government without compensation.

There are over 1.8 million small businesses in Australia all of which must comply at some level with Government red tape. This is most evident when a small business employs their first staff member.

As stated many times small businesses are feeling swamped by the procedures they face just to exist and this is not just directly with Government. Indirect red tape is also playing havoc with the little time available to small business owners and their staff.

The key to reducing red tape does not lie with the word reduction alone, we feel as much can be done by introducing and developing facilities and tools for small businesses to assist them to comply. Easy to use web sites and Government supplied IT services should be developed and provided to make it easier for compliance.

Partnerships between the Government and software providers present an ideal opportunity to take advantage of an integrated approach. As IT is developed, a holistic way of thinking should be adopted by regulators to ensure a diminished workload on the business sector.

It must be strongly pointed out that COSBOA does not want to see any further deregulation of industries or professions that would allow the entry of unqualified persons passing themselves off as professional service providers. We see opportunities for utilising industry association.

Support of NIRA, NARGA and QRTSA submissions

COSBOA supports the submissions and comments provided to this review by NIRA and NARGA. These organisations have provided detailed analysis and comments over a number of years to this issue and we support their views and do not wish to repeat much of what they have presented. We also strongly support the submission from the Queensland Retailers Association (QRTSA).

In particular we note the examples provided in the NIRA submission of red tape confronted by small business. We will expand on this by highlighting the red tape imposed by non government organisations and businesses on the superannuation process.

We will also highlight the costs differential for mentioned in the NIRA report.

Superannuation – an example of red tape ‘buck passing’

Recently a small business owner had an experience that highlights the red tape and compliance issues created by non government organisations. This business is an independent retailer. He employs 4 people and manages his superannuation payments on a quarterly basis. He pays into three different superfunds.

There is one super fund that creates extra paperwork and problems for him. This is the Retail Employees Superannuation Trust – REST. This particular fund sends out complicated and difficult reports to be completed by the business owner. The paperwork includes items such as 8 codes for terminated members, 4 different columns with information for dollar values and dates and one and half pages of introduction, information and, what may be, instructions.

This small business operator has informed REST several times that he doesn't want the paperwork and that he will pay quarterly and give them the information they need at that time in his own format, but the paperwork keeps coming. Recently he received a letter of demand from the Industry Funds Credit Control (IFCC). This is in spite of the fact that he had paid the money due on time. When he contacted REST he was told that they couldn't change the information in the computer and that it was his fault as he had originally signed up to pay monthly. A copy of his email response is below:

To REST board of trustees From xxxxx

Okay, today I got a letter of demand from the IFCC!!!! This is spite of the fact that I have paid what I am supposed to pay.

REST sends out so much ridiculous paperwork that I just toss in the bin (please be more considerate of the environment). Apparently I signed some paperwork that agreed to monthly payments when I first purchased the shop. Do you people understand that I do not exist for superannuation???? When I took over the shop I signed about 500 bits of paper.....do you understand that! I had to get credit, suppliers, customers, employees, sign leases, create a company, go crazy, sell books, organise ASIC stuff and while all this was happening I had teenagers!!! I am an individual not a multi national organisation of some sort. I'm not even sure if I did sign that bit of paperwork. But let me tell you that I will be paying quarterly. DO NOT SEND ANYMORE PAPERWORK - I AM NOT HERE FOR YOU!!!

I am calming down slightly here - but I am lucky that I communicate well with my employees - what if they had opened that letter of demand (which they did) and assumed I was not paying their super (and I had to explain to them that REST was stupid, not me, and interestingly one of my employees told a story of real trouble he was also having with REST!)? My employees would have every right to then contact the ATO and a whole heap of other people and complain and cause me all sorts of grief even though I have done nothing wrong. You people should get your act together. I have informed REST several times that I will pay quarterly but apparently it is very hard to change that in the system. Seems like your system is the problem.

Anyhoo I shall contact the super ombudsman and hopefully you won't get to call yourselves the super fund of the year anymore because you are not.....

.....Small business is not big business. Every other superfund I pay into is fine, has no grief or excess paperwork and no complaints. GET YOUR ACT TOGETHER YOU ARE COSTING SMALL BUSINESS TIME, STRESS AND MONEY.

Regards in anger and disbelief at your lack of understanding and efficiency.

This reply highlights the issues for small business owners. In purchasing the business this man had a lot of paperwork to complete to develop credit facilities with over 50 suppliers, to negotiate a business loan from his bank, to recruit employees, sign a lease, check inventory, learn new software, become a company, learn the selling and administration processes and various other activities. He also had a life. The key point of his reply was the “go crazy” comment highlighting the important fact that he is an individual not a large business. (Businesses go broke, individuals go crazy.) Red tape from government is an issue, red tape ‘buck passing’ from large organisations is also an issue that should be addressed if small business is to be more efficient.

REST is a good example of a large business that has unreasonable expectations of small business. REST provides the same type of paperwork for a large company as it does for a small business. REST expects a small business to treat superannuation as the highest priority in his business, as do all other agencies. In discussions by this businessman with REST it was pointed out to him that REST was truly concerned for his employees and wished to receive their funds as soon as possible so that they could earn interest. This appears to be thoughtful and very good of them but any gain would be lost by the extremely inefficient way they manage the process. An excess of paperwork sent to the employer – that goes straight into the rubbish bin - and then the waste of resources in trying to recoup money that has already been paid, the use of a credit agency to pursue the money that had already been paid and the use of an inefficient computer program to

manage the process. This behaviour points to a problem with REST not with the employer. The implication that the employer did not care for his employees is also of concern and misleading.

REST should not be able to harass employers as they do. They should be forced to cover the costs for this employer in managing this problem and the time lost in fixing a problem he did not create. He is now concerned that he may have a bad credit rating of some sort due to the incompetence of REST. Should he spend many hours trying to discover if his credit rating is affected? Or should he get on with running his business?

Due to government regulation he does not have the choice of not using REST.

The employer investigated complaining through the relevant process, but the complaints process faced by this employer is so time consuming that he didn't bother.

COSBOA believes that superannuation should be paid through a central body, a clearing house, and that the ATO is the logical choice. All employers already send money to the ATO either monthly or quarterly. Adding an extra component for superannuation would increase some paperwork in the current process but would decrease the amount of paperwork associated with superannuation. This would be a net gain for the employer in time saved and, importantly, would be likely to limit the number of times that employers do not pay superannuation on time. The ATO is experienced and efficient in this process, any cost to the ATO could be covered by the super funds themselves through savings made to fund collection.

The process will then be easier, and unreasonable organisations could be dealt with by the ATO rather than by many, many small business operators.

Cost of compliance

An important point raised in other submissions is the costs of compliance for small business. This is disproportionate for small business operators. The cost difference, as highlighted in a study completed in the USA in 2004, shows that small business spend USD2,365 more per employee in meeting compliance needs than large businesses. This is unfair and unnecessary. The study did not take into account the cost of compliance imposed by big business (such as the example above).

We need a study into the cost of compliance on businesses in Australia, with a focus on small business. This study should also provide information on costs to the various different sectors and industry groups. For example the cost of compliance for a retailer will be different than that for a home based IT business. The cost of compliance for an owner/driver must be more than that for a consultant with a home office. We need better information if we are to improve the way regulations are developed and managed.

Summary

Small business operators must be treated differently from large businesses when the development and implementation of regulations is considered. The process must be easier and small business operators should be left alone, as much as possible, to make a living and spend more time with their families. All legislation should be developed with the main issue being that small business is actually an individual who will act like an individual and, like all individuals, will make mistakes if too much is asked of them.