

ABN 14 725 309 228  
Enterprise House  
136 Greenhill Road  
Unley South Australia 5061  
Telephone 08 8300 0000  
Facsimile 08 8300 0001  
Email customerservice@business-sa.com  
www.business-sa.com

15 March 2013

Small Business Study  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Dear Sir/Madam,



I write to you in relation to the Productivity Commission's Issues Paper *Regulator Engagement with Small Business*.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Business SA is pleased to have the opportunity to provide a submission to the Productivity Commission's study on how regulator engagement impacts upon the small business sector. The nature of small business means that many do not have access to the same level of resources as larger companies. Many small businesses are family owned and run and often operate with a small number of staff which means that they are both resource and time poor.

Business SA welcomes the Council of Australian Government's Business Regulation and Competition Working Group's request for the Productivity Commission to examine the different approaches that regulators take towards small business. Regulation is necessary for defining market parameters, rules and processes, as well as penalties if these obligations are breached.

The regulator, however, can have almost as much of an impact as the regulation itself.

Business SA recognises the important functions that regulators undertake, however, it is often the approach and behaviour of regulators that can have a direct impact on how onerous or not the regulation and reporting requirements are for small business.

In association with the Australian Chamber of Commerce and Industry (ACCI) Business SA undertook a survey of its members in October 2012 to understand the impact that regulation is having on their business. The nation-wide survey found that over the past two years almost three quarters (72.4 per cent) of businesses reported an increase in the overall time it takes to comply with regulation. Whilst some of this may be attributed to the increase in regulation, it is also possible that manner in which regulators interact with business, and in particular small business, has also increased the amount of time that has had to be allocated to compliance.

Business SA is supportive of regulators taking special consideration of small business and the greater burden that regulations impose on them. Typical comments from business also reflected in the survey are that resources allocated to compliance issues are often resources that would be otherwise used in delivering services or making improvements in the business. This is particularly exacerbated with small business as it is unlikely that they will have a dedicated compliance manager.

The survey also identified that businesses are often hesitant about receiving information direct from regulators. Business SA has previously identified problems when regulators also become the educators. The survey found that 39.9 per cent of businesses would prefer to receive information about regulatory changes via emails from their industry association or state or local chamber of commerce. Business SA is keen to work with state and federal regulators to help ensure that information about regulatory changes and updates is delivered to small business in the most appropriate manner.

With regards to which particular state agencies or regulators that business indicated placed a burden on their operations, a majority of businesses identified Local Government and the Safety Regulator (Safe Work SA in South Australia.) Whilst the local government issues have previously been dealt with in another Productivity Commission inquiry, the safety regulator issue is of concern.

In South Australia, Business SA actively lobbied for the State Government to delay the start of new Workplace Health and Safety laws as such complex regulation is difficult and time consuming for small business to comply with.

Business SA is currently conducting a program of training and education courses to assist business with meeting these new compliance requirements.

Legislation to establish a Small Business Commissioner in South Australia was passed in State Parliament in October 2011. The Office of the Small Business Commissioner was primarily established to enable potential disputes to be resolved with minimal stress to small business operators. The Commissioner provides information to improve the capacity of small businesses to manage their affairs and inform their decision making, with the objective of eliminating or minimising any disputation. In addition, the Commissioner is also responsible for the administration of the *Retail and Commercial Leases Act 1995*.

During the introduction of the new Work Health Safety legislation in South Australia which commenced on January 1 2013, it was proposed that the Small Business Commissioner SA review the new Codes of Practice to ascertain the likely impact of the codes on small business. Business SA welcomes this consideration of small business, however is concerned that that the Commissioner's office is not adequately staffed to meet this task.

Small businesses form a vital part of the South Australian economy across a variety of sectors including the services industry and retail sector. There are approximately 140,000 small businesses operating in South Australia, with South Australia the home to 7.1 per cent of the nation's small businesses<sup>1</sup>. Business SA is pleased that additional oversight about the interactions between regulators and small business is being given the attention it deserves.

Yours sincerely

Nigel McBride  
**Chief Executive Officer**

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<sup>1</sup>Department of Innovation, Industry, Science and Research, *Key Statistics Australian Small Business*, 2011