

Reducing the Regulatory Burden on Business

Taskforce Inquiry

City of Stirling Submission

In cooperation with the Stirling Business Association

JOHN McILHONE
Economic Development Business Analyst

November 2005

Administration Centre
25 Cedric Street
Stirling WA 6021

www.stirling.wa.gov.au

Tel. 08 9345 8599
Mob. 0419 195 715
Email. mcilhone.john@stirling.wa.gov.au

BACKGROUND

The City of Stirling is the largest Local Authority Council in Western Australia by population. It covers an area of approximately 100 km² in metropolitan Perth and lies about 8 Kilometres North of the Perth CBD.

Stirling has key industrial areas at Balcatta, Herdsman and Osborne Park with 11,500 small businesses located within the City, representing 11% of the State's small business, a significant concentration of employment and employers. All these areas are well serviced by major arterial roads with links to the Mitchell Freeway providing easy access to the Perth CBD, Perth Airport and Fremantle as well as the main highways leading north, south and east of the State.

The northern suburban rail service from Perth, which runs up the centre of the freeway, passes through the City with stations at Glendalough — servicing Osborne Park and Scarborough Beach; Stirling — servicing the strategic regional centre and complemented by links to an extensive suburban bus network. Warwick station is another well patronised rail inter-change on the northern boarder of the City's boundary.

The City is well serviced by regional shopping centres at Karrinyup and Mirrabooka. These centres serve both the local and wider community in the Perth northern corridor. The City also boasts a wide choice of residential areas, from the coastal suburbs of Waterman's Bay, North Beach, Trigg and Scarborough through to the heritage areas of Mt. Lawley and Inglewood.

When it comes to recreation you can choose to swim, surf or snorkel at two of the world's best beaches at Scarborough and Trigg, which extend along the City's six kilometres of coastline. The coastal drive makes these popular destinations for both residents and tourists.

The City of Stirling places high importance on encouraging economic development in our region, which is reflected by the inclusion of 'Our Economic Opportunity' as a Key Result Area in the City's Strategic Plan 2004 – 2008. Our overall aim is to enhance choice, opportunity and prosperity for our community by encouraging the sustainable economic development of the City.

Council has adopted a leadership role in fostering growth in sustainable business development and growth as well as tourism based upon the City's unique mix of opportunities and choices. The lifestyle; mix of cultures; proximity to the Perth CBD; transport links and options; beaches, bushland and wetlands; community facilities and services; recreation and leisure opportunities; high quality retail and commercial centres; restaurants, cinemas, tourist accommodation; and available industrial land all combine to make Stirling the *City of Choice*.

TASKFORCE INFORMATION NEEDS

Areas of Australian Government regulation (or individual regulations) that impose unnecessary compliance burdens on business;

The way in which the regulation is *unnecessarily* burdensome or complex, redundant or duplicated by other regulation;

Possible solutions that allow legitimate policy objectives underlying the regulation to be achieved at less cost to business; and

Areas of regulation where greater consistency and uniformity across jurisdictions may alleviate burdens on business.

This submission has been prepared by the City of Stirling in partnership with the Stirling Business Association.

INTRODUCTION

This submission is a summary of the City's views with input from the Stirling Business Association Executive and its membership in relation to the Taskforce terms of reference. It offers a brief insight into the regulatory challenge facing small businesses within this locale.

The capacity of small business to expand and therefore, employ additional people is considered with examples sourced from personal experiences and discussions with small business owners and operators as well as small business development support agencies.

SMALL BUSINESS

The most obvious point made to me during my consultations has been the size (number of employees, total revenues, profit etc.) issues of organisations, which is seen by small business as irrelevant to compliance obligations and is disregarded by Government and its regulatory authorities. Those same small businesses have the same reporting and regulatory requirements as larger well-resourced companies. For example the cost of meeting the reporting requirements of the Australian Securities & Investment Commission highlights this problem with the cost of breach of any regulation or requirement the same regardless of business size or structure.

The burden is therefore is proportionately higher for small business in terms of time and resource. Indeed, the Government's 1996 Small Business Deregulation Taskforce reported that 16 hours per week were consumed by compliance obligations. Since then GST has been introduced which for small business again created an additional, disproportionate compliance burden, albeit one that has been reduced somewhat with the introduction of an annual returns option.

Small business is often referred to as the engine room of the economy but this label overestimates their capacity to manage and deal with many regulatory and statutory

requirements. The following comment on some of the features of small business offers an insight into what policy makers and legislators should consider when contemplating regulations:

Their size is often a weakness, cash-flow is critical and their sophistication is overestimated by many stakeholders including policy makers

Compliance requirements and the cost of that compliance creates a disproportionate burden compared to larger businesses

Research of small business is plentiful but unrepresentative and misleading

Many well-intentioned Government agencies have no or very little understanding of small business

Policy makers can unwittingly stifle growth in what is a large but naïve business sector

VULNERABILITY TO ECONOMIC SHOCKS - MORE ACUTE

Most small businesses do not plan their growth and development, which tends to be ad hoc and responsive to changes they have little or no control over. This is partly due to the total management role and responsibility of small business owners running every facet of their operation and leaving little time to plan for the medium to longer term.

Generally speaking small business:

- Do not have strategic plans or long-term goals
- Often have no desire or wish to get bigger – if it occurs it just happens
- Feel they are penalised for employing more people i.e., pay roll tax, additional workplace requirements, increase costs etc that arise with growth
- Is unable or unwilling to respond to legislative requirements as quickly as policy makers think they should
- Employ accountants as their core advisers leaving them susceptible to unforeseen issues or challenges accountants don't consider or can't contemplate
- Find it difficult to pay for broader professional advice
- Suffer as a result of Governments overestimating their sophistication when it comes to their systems, processes, procedures and their ability to absorb and respond to changes that are developed and deemed good for them eg. GST
- Have yet to fully understand or embrace technology as a business management or development tool
- Feel their success is exaggerated because they are plentiful

- Feel their ability to ‘mop-up’ big business retrenchments is overstated
- Is expected to absorb fully the cost of legislative obligations
- Has to cope in isolation with many policy changes imposed upon them
- Feel they are not consulted extensively enough
- They do not benefit from coordinated advocacy or lobbying
- They are not organised and hence politically naïve and ineffective

MORE EQUITABLE REGULATORY BURDEN

The Taskforce should make a “frequency allowance” for small business to offset the impact of measures that create complex compliance obligations

By its nature small business is diverse and fragmented and needs considerable support to enable it to pursue and develop the networks and relationships needed to act as drivers of regional economic growth. If there could be an allowance or “compliance differentiation” introduced between large, small, public and private companies based upon size and disadvantage regulatory requirements generate, then additional time and resource could be devoted by small business to core business activities.

One option is the frequency of reporting, which if extended would be of benefit the same way annual returns were when introduced after the introduction of GST. To ensure this does not transfer any burden to the agency, the Government could consider increasing the penalty for small business for breach to ensure the reporting obligations are not compromised but simply extended. Other less punitive measures could be also contemplated so this is not seen as a Government shift to the “big stick” approach.

Greater cooperation and coordination between regulatory agencies should be considered further and regularly to determine whether information required from small business can be sourced, shared and exchanged via a single information depository. Dealing with multiple regulatory authorities duplicates effort and of course there is also the complexities of dealing with regulations and authorities that often differ from State to State. If possible this would of course result in enormous savings to those Commonwealth agencies that currently spend in excess of \$4 billion administering regulatory requirements.

LOCAL GOVERNMENT RESPONSE

Home Offices’ and Home Based Business operations make application to Councils to approve the use of their primary residence or home as a place of to conduct business. Thus, Local Government too has a “rung” of the regulatory ladder and of course is also aware of the need for regulations. The City of Stirling is also aware that small business operators working from home don’t need or want another regulatory process to contend with. In response the City is looking to develop and then a provide self-assessment tool to assist small business operators with due diligence and compliance issues. Further details can be provided to the Taskforce if sought.

SIGNAGE COMPLIANCE PROPOSAL

The City of Stirling is undertaking preliminary assessment of the regulatory requirements associated with signage for businesses, which currently requires a licence, reviewed and renewed annually. It is being proposed that the renewal of the signage licence be revoked with the Local By-Laws amended accordingly. In addition, Council is also examining whether small business be exempt from the licence subject to some guidelines. Initial analysis conducted suggests the loss of revenue to the Council will be neutral when the cost of administering the signage licensing is considered.

This is a good example of how a very small saving can be made in reducing the compliance burden with no cost to the authority administering the requirement. The necessity of the regulation associated with signage has been considered, as has its cost benefit. This same approach could be extended to other regulations where the cost benefit is deemed marginal at best.

LIQUOR LICENSING CERTIFICATES

Another example of current practice within Local Government is the certification of compliance with zoning and health standards for businesses that sell alcohol. The current practice of requesting the certification is a manual process, which is both costly and time consuming.

The Council is now seeking to facilitate this practice on-line and while some internal information systems integration will be required the result will be an electronic approvals process that saves business time and money. Surely, there must be opportunities within all those government organisations that enforce compliance obligations to move processes to an electronic platform to reduce time and cost of regulation to business! Piloting demonstration projects based upon the feedback the Inquiry received will I would hope provide a starting point for an initiative to demonstrate savings in administration and compliance without having to trade-off the intent and need for the regulation.

CONCLUSION

While this submission has been brief its focus has been upon small business, their relevance to the local economy and what it is Local Government is doing to alleviate some of the burden associated with regulation at a local level.

This inquiry is both welcomed and valued by the City of Stirling and Stirling Business Association. Its findings, conclusions and recommendations will be particularly relevant to local small business and those agencies supporting small business development, growth and investment. The City of Stirling will follow the inquiries progress with interest and extends its best wishes to the Taskforce as it commences this undertaking.

John McILHONE