

## **Submission by BEC Australia to the Productivity Commission request on Business Set up and closure in Australia**

This submission is from BEC Australia Inc. an association supporting separately incorporated Business Enterprise Centres across Australia. Individual centres may decide to also lodge submissions.

The business enterprise centre network of nearly 100 centres provides low cost business advisory services to micro and small businesses in metropolitan and rural locations. Collectively the network touches about 500 000 businesses and business intenders and is often the sole trusted provider and relayer of information on matters affecting this sector.

Our anecdotal information over many years of operational experience is as follows.

### ***Nature and scale of barriers to entry and exit that currently exist for firms and their impact on economic performance.***

#### *Local government planning controls*

More often than not micro and small businesses have a greater involvement with local councils than state or federal agencies.

At a local government level the planning and development controls of local authorities are generally not well understood by business owners. The approval processes and approval times can be involved and lengthy and this can have debilitating consequences for businesses.

Times taken to approve development applications can impose significant costs on developers and businesses wishing to expand and improve their operations. Applications can cover a myriad of areas from building and land development in green field sites to more modest building extensions for staff accommodation or warehousing and retail sales areas. If the application is considered to have a major impact on the amenity then a public consultation process can further significantly slow down any potential approval.

Development applications can also extend to parking requirements, signage, public safety and environmental issues. We are not suggesting a carte blanche for all development applications, there needs to be a regulatory framework to ensure that proper process is followed. We do however submit that the process needs to be streamlined to either give businesses some certainty or at the very least to alert them to the delays that can be experienced without any certainty as to the final decision.

A more strategic implication is the length of time to effect changes to zoning in development plans. Zoning changes can lead to business investment and allow industries to start and develop. However the glacial rate of progress in effecting even the most minor of

changes means that potential business investors are dissuaded from involvement. A fast track objective assessment of the value of a rezoning or establishment of a new zone in terms of net jobs created and economic activity generated vs lifestyle and environmental issues is needed. This will then put into focus the merit of both sides and more importantly the opportunities that may be foregone if business/industry is not considered.

### ***Regulation of product and service markets***

Generally micro and small businesses operate quite effectively and efficiently within established rules. The main problem here is that the regulations should apply equally to businesses at all levels and wherever they may be domiciled.

Specifically small businesses pay their taxes, they may not always pay them on time and may incur general interest charges but they eventually do pay. The contrast to this is the big end of town where accountants and large teams of financial experts effectively reduce the amount of tax paid by large corporates to levels that beggar belief. Perhaps this is all legal but it is certainly not ethical and causes a great deal of angst amongst the majority of the business community that pay their fair share. We argue that the federal government should do whatever it can to ensure that large companies especially multi nationals operating in Australia are paying the required amount of tax. This then will reduce the tax burden on everyone.

Imported products to Australia especially those purchased over the internet may not be subject to the same design standards and checks and balances of locally made products. This of course makes the imported products cheaper and more competitive than the local product. In this digital age it is almost impossible to stop internet shopping and it is not suggested that this should be done. However it may be time for the federal government to consider how GST can be applied to internet purchases to try and get back to a more level playing field.

### ***Transfers and subsidies to businesses***

The BEC network has been in operation for more than 25 years. From day one our advisors were asked by businesses “are there any government grants available” and this still continues to the present day. There is definitely a mind set by some business intenders and business owners that the government should pay them to establish or continue in business. Their rationale perhaps is that in providing funds a business will offer employment to at least the working owners and also hopefully to other people.

Our network is of a view that in some instances with a proven business and marketing plan a grant may be appropriate especially if the business can demonstrate that it can be an exporter and employment generator. Innovation grants are still available to potential high growth businesses via AusIndustry provided that a business owner can show that they have

exhausted all avenues of commercial borrowing and have invested heavily and personally in the business.

There are opportunities available via commercial lenders such as the NAB microenterprise loan scheme and others for businesses and business intenders to secure funding. In most instances with commercial lending a lender will ask for security in the form of real estate or shares and it is at this juncture where a business owner is unable to provide security that a loan application may fail. We would suggest that if the research and projections look sound and the only reason for refusal is that there is insufficient owner equity that a pool of public or private funds be established to review and assist in these cases.

Generally though, we would agree that providing subsidies to a business or business sector is not necessarily the best use of public or private funds, especially if the business plan is fundamentally flawed.

### ***Regulations affecting the ease of starting, operationalising or closing a business***

We have mentioned previously about local government planning regulations. Other regulations that have a major impact on business are becoming less obvious. The nationalisation of the business names register, the ease with which an ABN and a TFN can be obtained is a pleasant surprise to many of the Asian business intenders we assist.

Business closures for sole traders and partnerships are relatively straight forward. Some work needs to be done to streamline the process for closing a company or association.

### ***Time spent on and cost of complying with government regulations***

A well managed business with up to date bookkeeping will be able to complete BAS and IAS statements easily and quickly. Slack bookkeeping procedures will result in these tasks taking a great deal of time. That said some of the ABS reporting requirements for larger enterprises can be time consuming.

### ***The personal/corporate insolvency regimes on business exit***

The introduction of personal insolvency agreements provides a circuit breaker for businesses that may previously had to declare bankruptcy (sole traders and individual members of a partnership). ASIC provides a comprehensive guide to insolvency options for corporations. It is felt that the legislation at present is effective and reasonably free of cumbersome administrative hurdles.