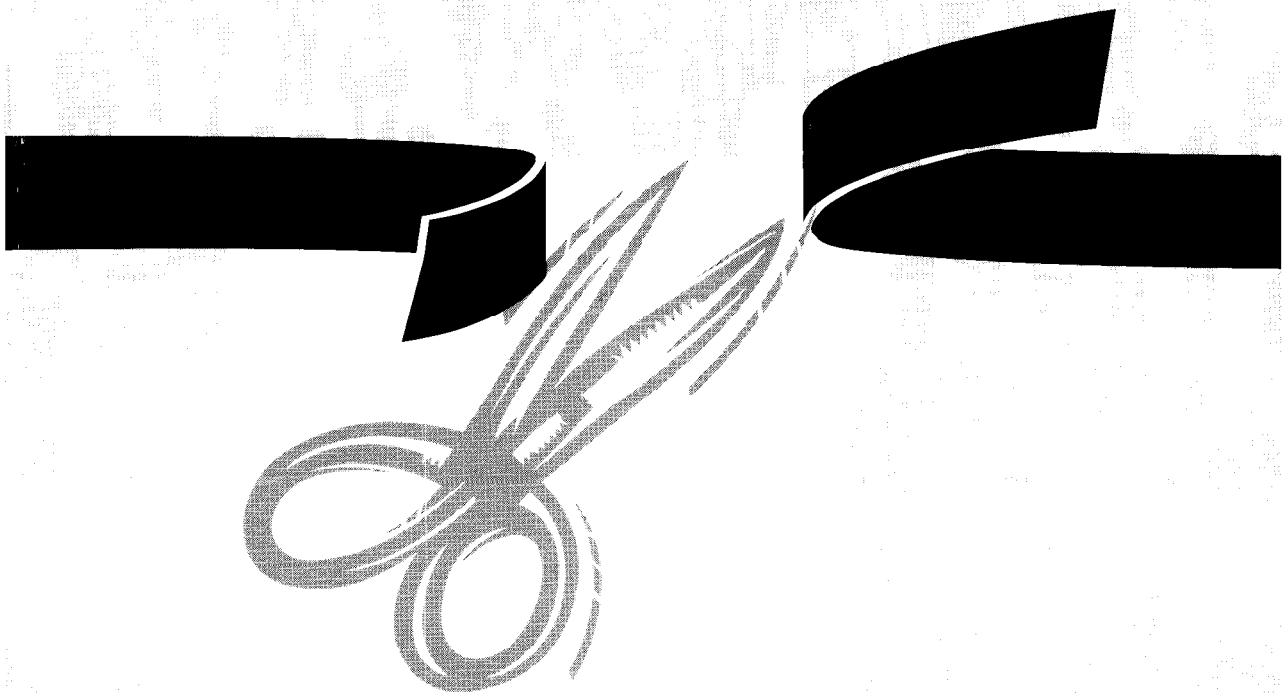




MORE TIME FOR BUSINESS



**Statement by the Prime Minister, the Hon John Howard MP
24 March 1997**

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Statement by

The Prime Minister,
The Honourable John Howard, MP

24 March 1997

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MORE TIME FOR BUSINESS

Foreword

The Coalition Government is taking action to reduce the burden of regulation and red tape carried by small business so that enterprising Australians have more productive time for business.

Small business is the engine room of the Australian economy, a vital source of enterprise, innovation and jobs. In the decade to 1994-95, small business accounted for 1.1 million of the 1.2 million net jobs created over that period. There are nearly 900 000 small businesses in Australia, employing almost 50 per cent of the workforce.

Increasingly, small business is a source of economic opportunity for women. Today 30 per cent of small businesses are owned by women and this proportion is expected to grow rapidly.

Small business is based on the self-reliance, initiative and vision of men and women with a commitment to hard work and the preparedness to take a risk to achieve their goals and ambitions. Small business is integral to the decentralised network of family, workplaces and community which is the most effective guarantor of freedom and choice.

Too often in the past, government has been a burden for small business. Government has appeared unable or unwilling to understand the special needs of small business and unaware of the impact of decisions on them. Since before coming to office, the Coalition has been determined to listen to small business. We understand that many small businesses are still doing it tough, that the new, low inflation environment is very competitive.

What we are hearing is that small business wants to get on with the job rather than be bogged down in paperwork and forced to deal with a multiplicity of overlapping regulatory bodies. Small business is saying that it cannot afford excessive overheads and on-costs: that the overriding priority is to maximise capital to plough back into the business, which will generate economic growth and jobs for all Australians.

We promised small business a new deal at the last election and we are delivering on that commitment. Our macroeconomic policies are delivering higher national savings and low inflation, which have taken pressure off interest rates and delivered lower debt servicing costs to small business.

We have introduced capital gains tax rollover relief which will save small business around \$200 million per annum and encourage their expansion. Capital gains tax exemption on retirement will provide a nest egg for small business owners who have been too busy ploughing all their capital back into the business to worry about superannuation. The provisional tax uplift factor has been reduced from eight per cent to six per cent at a cost to revenue of \$180 million.

We have swept away Labor's jobs-destroying unfair dismissal laws and replaced them with provisions which provide a fair go all round. Compulsory unionism has been abolished and a new, more flexible industrial relations framework established to encourage greater cooperation in workplaces.

We have already moved to reduce the paperwork and compliance burden on small business. The Bureau of Statistics is reducing the burden of statistical collections on small business by 20 per cent. New regulations affecting business are subject to a sunset clause and we are reviewing existing business rules and regulations to abolish outdated ones. These initiatives were a downpayment on the Government's response to the report of the Small Business Deregulation Task Force which was chaired by Mr Charlie Bell, the Managing Director of McDonald's.

I am proud to announce the Government's response to the Bell Report because we are determined to take action to ease the burden of red tape on small business. It is the fulfilment of yet another commitment which the Coalition made to the small businesses of Australia during the election campaign. Our commitment was to reduce the burden of paperwork and red tape on small business by 50 per cent in our first term.

The Government's response is entitled 'More Time for Business.' The Bell Report confirmed that small business has been drowning in a sea of paperwork and red tape. What cannot be quantified is the opportunity cost to small business in terms of forgone investment and employment opportunities.

According to surveys undertaken for the Bell Taskforce, half of all small business operators surveyed said that a significant reduction in compliance costs would allow more time to run the business and more than a quarter saw it as increasing profitability, with benefits for economic growth and jobs.

The Government has listened and has responded positively to the report's 62 recommendations. The principal responses are outlined below.

Taxation

Dealing with our complex tax system was the number one compliance issue identified by small business in submissions to the Bell Taskforce.

Few areas of taxation are more complicated than fringe benefits tax (FBT). There are around 55,000 small businesses that currently pay FBT, many of whom pay relatively small amounts but incur substantial paperwork and compliance costs. A significant proportion of those businesses will benefit from our decision to abolish the FBT record keeping requirement for small FBT payers who maintain a similar level of benefits from year to year.

A business with an FBT liability of \$5,000 or less will no longer be required to keep records for FBT purposes. The FBT payer will be required to advise the Tax Office if there is a material change in the annual value of benefits provided (that is, if the

benefit increases by more than 20 per cent above the base year or if by more than \$100 if this is greater).

The FBT treatment of car parking has been a source of complexity and excessive compliance costs for many small businesses. From 1 April 1997, car parking provided by small businesses on their premises will be exempt from FBT. From 1 July 1997, certain provisions denying deductibility for self-employed car parking will also be removed.

The FBT exemption for taxi travel will be extended to cover travel to and from the place of work at any time of the day.

The Government is committed to ensuring that capital gains taxation will not constrain the development of small business by limiting owners' access to their capital. Capital gains tax rollover relief on the sale of shares will be made available from 1 July 1997. This will bring the total value of the CGT rollover relief for small business to around \$300 million per year.

The capital gains tax exemption on the sale of a small business for retirement has also been significantly liberalised. It will now be extended to taxpayers who operate their small business through a private company or trust.

The use of asset registers for capital gains tax purposes will be allowed, eliminating the need for taxpayers to keep source documents after five years.

Businesses will be better able to manage their cash flow through changes which will enable them to make voluntary tax payments at any time from 1 July 1997. The amount of time in which small companies and small instalment taxpayers can lodge their returns and pay liabilities will also be extended.

Unfair dismissals

The Bell Report recommended a review of the new unfair dismissal laws after 12 months. We support that recommendation but have decided to go further.

Small businesses with 15 or fewer employees will be exempt from the Federal unfair dismissal provisions in respect of new employees until they have been continuously employed (whether full time or part time or on a regular casual basis) for 12 months. This will give small business every encouragement to hire new staff confidently, particularly younger, less experienced employees. Small businesses will still be required to provide the statutory minimum period of notice on termination and provisions of the law preventing dismissal of employees on discriminatory grounds, such as pregnancy, will still apply. I will be writing to State Premiers to encourage them to adopt similar provisions in their jurisdictions.

The Australian Industrial Relations Commission will be required to improve the system for parties in terms of when and where industrial matters, including unfair dismissals, are dealt with. This will be particularly relevant to small business.

Regulation and compliance initiatives

The Government recognises that small business cannot afford the time or expense of dealing with multiple regulatory authorities, including different tiers of government. Government must make regulation as efficient and streamlined as businesses demand of their own operations.

We will establish a single registration process for the Australian Taxation Office, Securities Commission, Bureau of Statistics and the Insurance and Superannuation Commission by July 1998.

We will work with State and Territory Governments to develop a single point of entry for all levels of government through which business can obtain information on all government requirements and programmes.

Over the next four years we will create a comprehensive national business information service, streamline business licensing and approvals processes and merge similar licenses into single, 'common' licences. These initiatives, which will cost around \$23 million over the next four years, will result in considerable savings in compliance costs for small business.

We must guard against the tendency for business regulation to increase over time as issues are considered in isolation or without systematic reference to their impact on business costs. We will improve the regulation of business by making the preparation of regulation impact statements mandatory for all Commonwealth legislation or regulation that has the potential to affect business. The costs and benefits of regulation will be weighed up carefully to ensure that the putative benefits are not outweighed by excessive economic and financial costs, including the compliance burden on business.

In cooperation with State and Territory Governments, the Commonwealth Government will be accelerating national reforms in the areas of food, agricultural and veterinary chemicals, building codes, occupational health and safety, workers' compensation and the environment. These reforms will reduce overlap and duplication, encourage greater national consistency and simplify processes. The result will be lower compliance costs for all businesses, large and small.

Access to Finance

The Government recognises that small business must have adequate access to finance if it is to grow and prosper.

The Government's reforms to capital gains tax and provisional tax will allow small business to plough more capital back into business.

The Government has also made it easier for banks to invest equity capital in small and medium sized businesses by changing prudential guidelines on equity investment and making the tax treatment of equity investments in these businesses more attractive.

We have now decided to go further to encourage our small technology-based firms. The high risks and long time horizons in the high technology sector justify targeted assistance.

We are setting up a Small Business Innovation Fund, under which up to six early-stage capital funds will be established to invest in more than 100 small technology firms over five years. The Commonwealth will provide \$130 million from the R&D Start programme and private sector fund managers will be responsible for finding matching private contributions on the basis of \$1 of private capital for every \$2 contributed by the Government. This will provide up to \$200 million for investment in this growing sector over the next few years. Investment decisions will be commercially-based by funds managers under guidelines set by the Government.

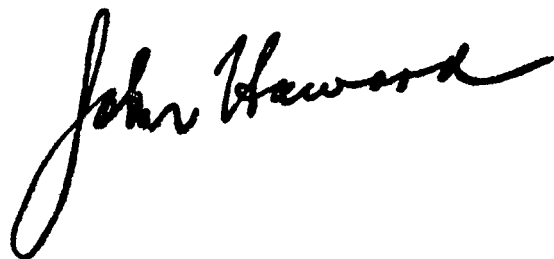
Further details on these and other measures are contained in the following sections of the statement. Section 2 sets out the Government's response to each of the 62 recommendations made by the Task Force. Section 3 details other initiatives of the government to assist small business. Section 1 provides an overview of the statement drawing on the key initiatives outlined in sections 2 and 3.

Conclusion

Our response to the Bell Report opens a new phase in the Government's relationship with small business. We have set ourselves ambitious benchmarks for reducing the paperwork and compliance burden on small business. I am confident that our response to the Bell Report, along with other initiatives that we have already taken, will make a substantial contribution to those objectives by the end of our first term.

As evidence of the Government's good faith, we are establishing objective performance indicators against which to measure our efforts. The new package will require the ongoing commitment of governments at all levels and regular feedback from, and constructive dialogue with, small business if it is to work.

While the Government moved quickly in its first year in office to address issues of concern to small business, we recognise the ongoing challenges which small business faces. Our small business policies must be subject to a process of continuous improvement. That is why the Government will keep listening to small business.

A handwritten signature in black ink, reading "John Howard". The signature is fluid and cursive, with a large, sweeping initial 'J'.

(John Howard)

MORE TIME FOR BUSINESS

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Section 1

The key Government initiatives to help small business

This section discusses the critical importance of small business to the economy and highlights initiatives in seven areas that the Government has taken to encourage the growth of small business. It summarises the key responses to the recommendations of the Small Business Deregulation Task Force (the Task Force), detailed in section 2 and other important initiatives to assist small business which are described in section 3.

1.1 THE ECONOMIC IMPORTANCE OF SMALL BUSINESS

Small business is critical to the Australian economy...

As Australia's largest employer and the main source of employment growth in recent years, the economic health of the small business sector is critical to the well being of the Australian economy.

...in terms of employment...

Small business is the key to employment growth:

- in the decade to 1994-95, the small business sector accounted for almost all the 1.2 million net increase in jobs, increasing its workforce by an estimated 1.1 million compared to 270 000 for large business and a decline in public sector employment of 150 000;
- in 1994-95 (the latest year for which data is available) the small business workforce increased by 6.4 per cent, compared with 3.9 per cent for total employment; and
- small businesses accounted for almost half of total employment in 1994-95.

...output...

In 1994-95, small business accounted for 32 per cent of the goods and services sold in Australia, with small business particularly significant in construction, manufacturing, retail trade and property and business service sectors.

...and, to an increasing extent, exports.

Small business is also becoming a major contributor to Australia's export performance. As at February 1995, 11 per cent of small businesses exported a proportion of their output, with another five per cent planning to export in the near future. In manufacturing 19 per cent of small businesses export and a further 11 per cent were planning to.

Defining small business

The Task Force defined small business as:

- independently owned and operated;
 - with most, if not all, capital contributed by owners and managers;
 - having turnover of less than \$10 million per annum; and
 - having less than 20 employees in the case of non-manufacturing businesses or less than 100 employees for manufacturing businesses.
-

1.2 A STABLE MACROECONOMIC OUTLOOK

A strong and growing economy is essential.

An economy which can sustain strong rates of growth over time is critical for small business profitability and prosperity.

Low national saving, high inflation and resulting high interest rates have constrained our capacity to sustain strong growth.

The Australian economy has been prone to inflationary and external pressures which have constrained growth:

- an inflexible wage setting and industrial relations system kept business costs relatively high and produced inflationary pressures during times of buoyant economic activity;
- large Commonwealth budget deficits reduced the level of national saving available to finance investment and increased Australia's reliance on foreign saving,
 - this was reflected in large current account deficits and high interest rates; and
- high interest rates and uncertainty about the economy's ability to maintain stable growth discouraged business investment.

The Government has the policies in place for the economy to maintain strong growth...

The Government has introduced:

- a fiscal consolidation programme to repair the structural weakness in the Commonwealth's fiscal position,
 - the reduction in the underlying budget deficit is contributing to improved national saving and helping take the pressure off interest rates;
- a legislated Charter of Budget Honesty to increase fiscal responsibility and accountability; and
- formal recognition by the Government of the Reserve Bank's independence and its underlying inflation target, which has enhanced monetary policy credibility and is lowering inflation expectations and nominal interest rates as a result.

*. ...and the benefits
are already evident.*

The Government's policies are already paying dividends:

- the Reserve Bank has reduced official interest rates by 1.5 percentage points since July 1996,
 - variable bank lending rates to business have also fallen by 1.5 percentage points, directly benefiting small business through lower debt servicing costs (saving businesses \$125 per month on a \$100 000 business loan); and
- inflation has fallen in recent quarters, with underlying inflation down to around 2 per cent and near the bottom of the Reserve Bank's 2-3 per cent target range,
 - the inflation outlook has improved and the Reserve Bank has stated in its February Quarterly Report on the Economy and Financial Markets that underlying inflation should remain within its target range in 1997 and 1998, supporting the prospect of continuing low interest rates.

*The economy is
gathering strength...*

There are increasing signs that the economy is getting stronger:

- domestic demand picked up significantly in the December quarter;
- recent surveys show that business confidence has improved;
- ongoing growth in employment and household incomes, combined with firm consumer confidence, will see a strengthening in household purchases of goods and services;
- business investment is strong and business expectations point to continued high levels of investment for both 1996-97 and 1997-98;
- dwelling investment has been on a positive trend for two consecutive quarters and the strengthening trend in residential building approvals and housing finance signals recovery in the housing sector; and
- data on job vacancies suggest solid employment growth in the coming months.

*. ...and the economic
outlook is positive.*

The *Mid-Year Economic and Fiscal Outlook* released in January confirmed that the economy is expected to grow solidly and inflation is forecast to remain low.

The February 1997 Yellow Pages *Small Business Index* survey found that around two-thirds of small businesses expected increases in sales and profits over the 12 months to February 1998.

1.3 REDUCING THE TAXATION BURDEN

<i>Tax compliance is complex and wrought with uncertainty.</i>	<p>Small business finds the taxation system complex and unwieldy. It is the burden imposed by taxation compliance rather than the overall amount of tax paid that most small businesses object to. The Task Force found that small business operators on average spend three hours per week on tax compliance matters alone.</p>
<i>The Government is responding with FBT initiatives including...</i>	<p>The Government will respond to concerns with the Fringe Benefits Tax (FBT) through a range of measures targeted at small business compliance costs including:</p>
<i>...record keeping..</i>	<ul style="list-style-type: none">• introducing an exemption from FBT record keeping, where an employer submits an FBT return in a base year with \$5000 or less in taxable benefits, and thereafter does not significantly alter the amount of benefits provided;
<i>...car parking...</i>	<ul style="list-style-type: none">• exempting from FBT, with effect from 1 April 1997, car parking provided by small businesses on their premises. In addition, the Government will remove from 1 July 1997 the provisions that deny deductibility for car parking for self-employed persons in circumstances where FBT would have applied to car parking for employees;
<i>...taxi travel...</i>	<ul style="list-style-type: none">• extending the exemption for employee taxi travel, from 1 April 1997, to cover a taxi trip arriving at or leaving from the place of work at any time of the day;
<i>...'arranger' provisions...</i>	<ul style="list-style-type: none">• the Australian Tax Office (ATO) will consult with business and report to the Government by the end of June 1997 on the best means of addressing concerns with the 'arranger' provisions that can apply where an employee receives a benefit from a third party; and
<i>...and an education programme.</i>	<ul style="list-style-type: none">• the ATO will undertake an extensive education programme over the next two years to assist taxpayers to better understand the FBT.
	<p>The Government will also:</p>
<i>Greater payment flexibility...</i>	<ul style="list-style-type: none">• enable taxpayers to make voluntary tax payments at any time from 1 July 1997 through a change to the ATO's payments-in-advance system. This will help businesses manage their cash flow;
<i>...more time to comply...</i>	<ul style="list-style-type: none">• introduce a legislative change to extend the amount of time in which small companies can lodge their returns and pay liabilities, commencing in the 1996-97 income year;
<i>...easier CGT record keeping...</i>	<ul style="list-style-type: none">• allow the use of asset registers to eliminate the need for taxpayers to keep source documents after five years for

	capital gains tax (CGT) purposes;
<i>...extend CGT rollover relief...</i>	<ul style="list-style-type: none"> allow, from 1 July 1997, eligibility for CGT rollover relief either where taxpayers sell their business assets (see below), or shares in the company operating the business, and the proceeds are reinvested in upgrading the existing business or in another small business. The direct saving to small business from the extension will be \$90 million, bringing the total saving from rollover relief to around \$300 million per annum.
<i>...better CGT arrangements on retirement...</i>	<ul style="list-style-type: none"> extend the capital gains tax exemption on the sale of a small business for retirement (see below) to cover not only individual taxpayers but also people who operate their small business through a private company or a trust;
<i>...flexible group certificate arrangements...</i>	<ul style="list-style-type: none"> introduce more flexibility into the group certificate arrangements;
<i>better information...</i>	<ul style="list-style-type: none"> require the ATO to consult with small business groups and small business service providers (such as accountants) in developing and disseminating information specifically relevant to small business. The ATO will also continue to consult with business in redefining the public rulings programme; and
<i>...and simpler reporting.</i>	<ul style="list-style-type: none"> examine ways of simplifying reporting arrangements, including a single reconciliation statement for some withholding obligations, and alignment of the different formats, forms and lodgement rules for these obligations.
<i>Other tax initiatives have already been implemented, including...</i>	<p>These initiatives are in addition to important measures previously announced which include:</p> <ul style="list-style-type: none"> CGT rollover relief, <ul style="list-style-type: none"> from 1 July 1997 small businesses will be exempt from CGT where their assets are sold and the proceeds reinvested in upgrading their existing business or in another small business;
<i>...CGT rollover relief...</i>	
<i>...CGT exemption for retirement...</i>	<ul style="list-style-type: none"> CGT exemption on the sale of a small business for retirement, <ul style="list-style-type: none"> from 1 July 1997 small business owners will be exempt from CGT on the first \$500 000 of proceeds from the sale of a small business if those proceeds are to be used to fund retirement; and
<i>...fairer provisional tax.</i>	<ul style="list-style-type: none"> reducing the provisional tax uplift factor from eight per cent to six per cent, <ul style="list-style-type: none"> reduces the projected growth in income over the next year used for the purpose of calculating provisional tax, reducing provisional tax paid in 1996-97 by \$180 million.

In future, the uplift factor will be linked to the growth in nominal Gross Domestic Product (GDP) to ensure it stays in line with economic realities. The GDP outcome also produces an uplift factor of six per cent for 1997-98.

1.4 MORE FLEXIBLE INDUSTRIAL RELATIONS AND BETTER TRAINING

Employment issues are a significant concern for small business.

Small businesses, indeed all businesses, have found the regulatory environment covering employment relationships overly complex, confusing and unsuited to their needs.

The previous government's industrial relations system was a burden on small business...

The previous government's industrial relations system was not attuned to the needs of small business. It lacked the flexibility and commonsense that small business requires, and did not allow small business employers to develop the sort of cooperative workplace arrangements with their employees which suit their particular circumstances.

...especially in relation to unfair dismissals.

The previous unfair dismissal provisions were particularly burdensome on small business. They were confusing, legalistic and unfairly weighted against the employer.

The Workplace Relations Act 1996 will ease these burdens and improve flexibility...

The Government introduced the *Workplace Relations Act 1996* to free up the industrial relations system and to refocus workplace relations at the enterprise level.

The Act sweeps away Labor's complex and job destroying unfair dismissals laws:

...with new unfair dismissal laws.

- the new system is less legalistic, less costly, emphasises conciliation and protects employers from frivolous and malicious claims; and
- initial indications since the commencement of these provisions on 31 December 1996 are that the number of Federal dismissal cases lodged has fallen substantially.

The Government will provide additional concessions for small business...

The Government will further reduce the compliance burden on small business by introducing new regulations under the Act to exclude from Federal unfair dismissal laws new employees of small businesses with fifteen or fewer employees until they have one year's continuous service. This extended exemption will be introduced in consultation with interested parties, particularly the small business community. These additional concessions will:

- allow small business to hire new employees with greater confidence; and hence
- expand job opportunities, while fully protecting the interests of existing employees and new employees once they have been employed for 12 months or more.

Employees will still be protected against unlawful discriminatory dismissals and will be subject to the statutory minimum notice requirements.

. ...and require that processes are not disruptive to small businesses.

Moreover, the Australian Industrial Relations Commission will be required to improve the system for parties in terms of when and where industrial matters, including unfair dismissals, are dealt with. This will be particularly relevant to small business.

The Act also introduces:

New enterprise bargaining mechanisms...

- more flexible enterprise bargaining mechanisms,
 - new Australian Workplace Agreements (AWAs) and revised Certified Agreements to enable employers to negotiate directly with their employees,
 - there is less scope for outside and unwanted union involvement in agreements;

.with simplified awards...

- the simplification of awards,
 - all federal awards will be simplified over the course of the next 18 months to include only 20 ‘allowable matters’. All other matters are now to be agreed at the enterprise or workplace level,
 - awards are also to become less prescriptive and their provisions are to be reviewed to make sure they don’t restrict workplace efficiency and productivity;

. ...an end to compulsory unionism...

- the abolition of compulsory unionism and union preference,
 - new ‘freedom of association’ provisions mean that employees are now free to choose to be or not to be a member of a union;

. ...and stronger protection against unlawful union industrial action.

- more effective sanctions against unprotected industrial action,
 - industrial action is prohibited during the specified life of an enterprise agreement. Businesses can now get orders from the Commission to stop or prevent action. There is greater protection against boycotts and greater leeway to pursue damages against unions for losses incurred through boycotts; and

Information and assistance will be provided.

- the provision of assistance to employers and employees,
 - an Employment Advocate will provide assistance and advice to employers and employees, especially small businesses, on AWAs and the provisions of the new Act.
- Information kits on the role and functions of the Employment Advocate and AWAs are available by telephoning 1300 363 471.**

Improved apprenticeships and training...

Difficulty in accessing government training and apprenticeship schemes and inflexible and complex industrial relations arrangements reduce the capacity of small business to employ and train people.

...with an apprenticeship system that is industry driven

The Government is developing a new apprenticeship and traineeship system to:

- provide employers with easy access to information;
- allow them to **customise** training to their needs; and
- provide a wage top-up for apprentices and trainees employed under new **AWAs** or Certified Agreements whose wages fall below a specified level as a result of increased training time.

Other employment related initiatives will also help small business...

...including intergovernmental reforms...

The Government is also taking other steps to help small business better understand their rights and obligations and to manage their employment relationships including:

- working with the States and Territories to develop practical occupational health and safety assistance for small business and a consistent approach to occupational health and safety standards;
- working with the States and Territories to review workers compensation arrangements to consider: the potential for revised benefits arrangements; consistent premium structures and earning bases; a consistent definition of an employee; and opportunities for mutual recognition, including for self-insurance and self-management;

...monitoring and reviewing employment arrangements...

- a review of the Workplace Relations Regulations to ensure that unnecessary legalism and technicality is avoided;
- monitoring the operation of the new unfair dismissal laws to ensure they operate as the Government intended, with a review by 30 June 1998;

...making it easier to understand employment definitions..

- the preparation by June 1997 of a plain English guide to employment definitions and employment obligations for all Commonwealth, State and Territory tax and **employment**-related legislation;
- a review of the implications of moving to a single definition of 'employee' for all legislation; and

... and a competitive employment services market.

- expanding competition in the employment services market to facilitate more innovative and effective services for individual employers.

In addition, the Australian Industrial Relations Commission will consult with small business to clarify the nature of their concerns about the operation of the Commission, including difficulty with the log of claims process.

1.5 MAKING IT EASIER TO DEAL WITH GOVERNMENT

Dealing with government can be complex and costly...

Small business operators spend valuable time establishing their obligations and then more time providing the same basic information to numerous government agencies across three levels of government.

...with too many agencies...

With one Commonwealth, eight State and Territory and over 750 local governments, all with a number of regulatory agencies, it is not surprising small business feels burdened when dealing with government.

...and too many forms.

Licence and registration forms, renewals and annual reports all impose burdens on small business and most government agencies have their own unique forms and procedures.

It's time for simplification.

There is an urgent need to reduce the number of forms to be filled out and to improve access to information on government requirements and assistance programmes.

The gains from simplification can be very substantial

A joint pilot programme between the Commonwealth and South Australia for aquaculture approvals resulted in a reduction in the approval time from around four years to a maximum of three months, a reduction in the number of agencies business has to deal with from fifteen to one and approval applications requiring the completion of only one form.

The Government is taking action with...

The Government will implement a major programme to streamline government requirements and information services spending \$23million over the next four years. The programme will dramatically accelerate current reform efforts and will be implemented in cooperation with State and Territory governments. The initiatives will include:

fewer access points...

- moves towards the creation of a single point of entry into government,
 - a project team will develop the broader strategy for implementing a single entry point and unique business number by September 1997, and

...fewer forms...

- a single registration process will be developed encompassing the Tax Office, Securities Commission, Bureau of Statistics, and Insurance and Superannuation Commission by 1 July 1998;

...improved information services...

- establishment of a comprehensive national business information service by June 1998 by building on the existing Business Licence Information (BLIS) and BizLink services,

- taxation information will be a key priority with information on record keeping requirements and tax payment requirements being made available by August 1997,
 - local government information for most States will be incorporated by December 1997,
 - information on superannuation, occupational health and safety, workers' compensation and industrial relations requirements will be made available by March 1998, and
 - a business regulation free-call service will be up and running by December 1997;
- ...streamlined licensing and approvals...*
- a programme aimed at streamlining business licensing and approval processes in cooperation with State and Territory governments,
 - reform priorities will be developed in consultation with the States and Territories,
 - priorities will target key areas of small business activity, and
 - each State and Territory will complete projects for at least two business activities by June 1998; and
 - moving towards 'common licences' in all States and Territories,
 - a pilot study in Queensland is developing a single licence and registration requirement to replace six existing requirements including business name registration, workplace registration and group employment details (expected to be available by June 1997), and
 - the Commonwealth will assist other States and Territories to introduce common licences.
- ...and more efficient statistical collections.*
- The ABS has already taken action to reduce reporting loads by 20 per cent during 1996-97 and has increased small business representation on ABS consultative committees. Improvements in the design, timing and relevance of surveys to small business will also be made.

1.6 REGULATORY QUALITY

Overly descriptive regulations can hold small business back.

Small business has to deal with a myriad of often complex and overly-prescriptive regulations, placing on them an unnecessary burden.

The sheer volume of regulation can make it difficult for small business operators to understand their obligations.

The amount of legislation and regulation has been growing significantly. At the Commonwealth level alone:

- 664 Acts were passed between 1992-93 and 1995-96 (approximately-200 having an effect on business); and
- 2087 new pieces of subordinate legislation (eg regulations) were introduced in 1994-95.

The Industry Commission found that a proprietor of a small hotel in one jurisdiction had to be familiar with 12 separate statutes and six codes of practice to be sure of complying with State and Commonwealth occupational health and safety laws.

Finding a better way...

The challenge is to find less burdensome ways of meeting the legitimate regulatory goals of government such as:

- protecting health, safety and the environment; and
- maintaining fair and competitive markets;

as well as ensuring that inappropriate or unnecessary regulation is not introduced.

In the past, mandatory regulation has too frequently been seen as the only solution, with too little consideration given to less heavy-handed approaches to regulation such as voluntary codes of practice.

...by changing the culture of regulation making.

An unequivocal message from small business is that the culture of regulation-making has to change. A new approach which tests the need for regulation, assesses alternatives, carefully considers compliance costs and reviews and monitors outcomes is needed.

The Government is taking action.

Under new arrangements to be put in place by the Government:

Better quality regulation through mandatory impact analysis...

- the preparation of regulation impact statements (RISs) will be mandatory for all primary legislation that affects business or restricts competition;
- subordinate legislation (eg regulations under Acts, by-laws and statutory instruments) affecting business will be subject to similar impact assessment requirements and RISs will need to be certified by the Office of Regulation Review (ORR) within the Industry Commission;
- subordinate legislation will be subject to sunset arrangements to ensure its ongoing review and the automatic repeal of redundant regulation;

- the ORR will provide training on best practice regulation and prepare a *Guide to Regulation*; and
- all government departments and agencies dealing with the public will develop Service Charters to ensure the needs of relevant stakeholders are being met.

Regulation impact statements set out:

- the perceived problem and the objective of the proposed regulation;
 - alternative approaches to dealing with the problem;
 - an assessment of the expected benefits and costs to the community of the various alternatives, often including a breakdown of the impact on government, business, consumers and other groups;
 - the process and results of consultation; and
 - enforcement and review mechanisms.
-

...with checks and balances.

The Government will ensure these processes are adhered to by:

- giving the Assistant Treasurer responsibility for regulatory best practice, with support from the Prime Minister and the Treasurer;
- requiring the ORR to report to Cabinet on compliance with RIS requirements, with the Industry Commission reporting on compliance levels in its annual report;
- requiring RISs to be tabled in Parliament; and
- reviewing the effectiveness of the ORR to ensure that the needs of small business are given sufficient priority.

Other regulatory reform initiatives.

The Government is also undertaking various other regulatory initiatives including:

- reviews of existing legislation which restricts competition or affects business under the national competition policy reforms;
- the repeal of redundant regulation under the Government's regulation repair programme;
- new mutual recognition arrangements for the regulation of products and services traded with New Zealand and for conformity assessment requirements with the European Union;
- new regulatory arrangements for patent attorneys; and
- reform of customs arrangements.

1.7 INTERGOVERNMENTAL REFORMS

<i>Inconsistent regulatory arrangements between governments impose costs on business...</i>	<p>Inconsistent standards and regulatory processes across jurisdictions impose significant costs on business and erode Australia's competitiveness.</p> <hr/> <p>The building industry</p> <p>While State governments set planning frameworks, almost all 750 local governments have their own rules covering a wide range of requirements from building height to tree preservation. To cope with variation in local government rules, developers buy specialist expertise resulting in cost increases of up to \$2000 per dwelling.</p>
<i>...and the costs can be significant.</i>	<p>The Industry Commission has estimated that savings of \$350 million a year could be made from more efficient building regulations and a further \$750 million from improved planning and approvals processes.</p> <hr/>
<i>Action is needed in several areas.</i>	<p>Areas identified as being in need of reform include:</p> <ul style="list-style-type: none">• food regulation and enforcement systems;• agricultural and veterinary chemicals regulation;• building regulation;• occupational health and safety regulation;• environmental regulation; and• workers' compensation arrangements.
<i>The Government will accelerate Council of Australian Governments reforms in a number of areas.</i>	<p>The Council of Australian Governments has agreed to accelerate national reviews under the national competition policy reforms for a range of federal regulatory systems including:</p> <ul style="list-style-type: none">• food regulation,<ul style="list-style-type: none">– a major review will investigate all types of regulation, including food product standards, food hygiene processes, product labelling requirements and compliance, auditing and enforcement activities, with an interim report due 30 June 1997 and a final due at the end of 1997;• agricultural and veterinary chemicals,<ul style="list-style-type: none">– an independent national competition policy review will be undertaken by the Commonwealth and the States by 31 October 1998, and– the Commonwealth will also review overlap and duplication among Commonwealth agencies in this area by 30 September 1997.

The Commonwealth will pursue other intergovernmental reform initiatives in the areas of:

The Commonwealth will also cooperate with the States in a number of other areas.

- **building regulation,**

- inconsistent technical requirements will be significantly reduced with governments continuing to remove variations in technical requirements between the States and Territories. This programme reduced variations by 50 per cent over the last year,
- private certification of building approvals will be adopted nationally to cut approval waiting periods. In South Australia, which has already introduced private certification, a process which took 30 days can now be completed within three days,
- leadtimes for certifying building products and systems will be reduced from up to two years to around 6 months under the new national building products certification scheme which commenced on 1 January 1997;

- **environment,**

- a working group will review Commonwealth-State roles and responsibilities for the environment, reporting to the Council of Australian Governments by June 1997. The review will address issues such as the legal and policy triggers for Commonwealth involvement in environmental matters, cross jurisdictional accreditation of governmental environmental processes and integration of Commonwealth and State heritage systems;

- **occupational health and safety,**

- in conjunction with the States (through the Labour Ministers' Council), the Commonwealth Government will consider new occupational health and safety arrangements that will be simple and practical for small business; and

- **workers' compensation,**

- in conjunction with the States (through the Labour Ministers' Council), the Commonwealth has been considering new workers compensation arrangements. Issues being addressed include: the lack of consistency in the earnings base and premium structure; premiums which do not reflect businesses circumstances; a consistent definition of 'employee'; mutual recognition opportunities; and the general complexity of arrangements. A final report is due by June 1997.

1.8 EASIER ACCESS TO FINANCE

Access to finance is essential for small business growth.

Many small businesses are constrained in their development and growth by a lack of access to appropriate sources of finance. If small businesses are to innovate, take up new technology and export, they need an accessible financial market that offers a wide range of financial products.

But small businesses can find it difficult to locate equity capital.

A lack of information and high search and transaction costs make it difficult for small businesses to locate equity investment. The venture and development capital industry in Australia remains relatively small and there are few options for firms in the 'start-up' stage.

The Government will establish a new Small Business Innovation Fund.

The Government will also take further steps to encourage investment in innovation by introducing a new programme aimed at providing 'early-stage' and 'start-up' capital to small, technology-based firms. A Small Business Innovation Fund will be established comprising up to six separate funds each investing approximately \$30 to \$50 million with the Government providing \$2 for every \$1 of private capital. In total, the funds will provide investment in over 100 small, technology-based firms over five years. The investment decisions of each fund will be made by private sector fund managers within government guidelines.

The Government is also helping by...

The Government has already taken a number of steps to improve the small business sector's access to capital by:

...encouraging financial intermediaries to become equity partners...

- changing prudential requirements to enable banks to invest five per cent of their core capital in a business, including small and medium sized enterprises, without prior consultation with the Reserve Bank;
- changing the tax treatment of equity investment in small and medium sized enterprises by financial intermediaries so that such investments will be liable for capital gains rather than income tax;

...assisting informal investment networks...

- sponsoring several private finance matching services through its Business Equity Information Service which facilitates investment through informal networks of investors and small businesses;

...easing restrictions on raising capital...

- proposing changes to allow matching services to make offers and invitations to invest in companies seeking to raise capital, to be achieved through an exemption to the fundraising provisions of the Corporations Law; and

*...seeking to improve
tax concessional
schemes...*

- initiating a review of the Pooled Development Funds programme which currently provides concessional tax treatment of profits derived from investment in small and medium sized enterprises. The review will look at ways to encourage greater capital raising and attract greater participation from superannuation funds in providing equity.

*...and moving
towards new equity
markets.*

The Government is also assessing the viability and options for alternative equity markets which might operate in conjunction with the Stock Exchange. Such a market would allow investors to exit their investments or trade small and medium sized enterprise securities in a liquid market, removing one of the main barriers to equity investments in small and medium sized enterprises.

Section 2

The Government's response to the 62 recommendations of the Small Business Deregulation Task Force

This section outlines the Government's response to all 62 of the Task Force's recommendations. The great majority of the recommendations have been adopted, either in full or in part. An explanation of the Government's intentions, including an implementation strategy and timetable, is provided for each response the Government is taking action on.

TAXATION ISSUES

Recommendation 1: Fringe benefits tax initiatives

That the Commonwealth Government should introduce the following fringe benefits tax initiatives for the 1998-99 financial year:

- *introduce a simplified valuation formula for motor vehicles based on the purchase price;*
- *exempt meals from FBT and introduce a simplified formula for assessing deductibility of meal expenses for income tax purposes;*
- *exempt car parking and taxi travel from FBT;*
- *align the FBT year with the income tax year at 30 June; and*
- *change the arranger provisions so that the onus of paying FBT lies with the supplier of the benefit.*

Response

Agreed, in that the Government has decided to introduce a number of specifically targeted measures to reduce FBT compliance costs.

The Government will be responding to small business fringe benefits tax (FBT) concerns by a range of measures, including a record keeping exemption for small FBT payers who do not significantly alter the level of benefits provided each year, a small business exemption for car parking FBT, widening the FBT exemption for taxi travel, a review of the arranger provisions and an information campaign to help small business. The recommendations on motor vehicles and meals would have involved some businesses paying more tax.

Record keeping exemption

The Government will introduce an exemption from FBT record keeping, where an employer submits an FBT return in a base year with \$5000 or less in taxable benefits and, thereafter, does not significantly alter the amount of benefits provided in each year. In the subsequent years, the employer would pay the amount of FBT established in the base year. The record keeping exemption will be available to all employers other than government bodies and tax-exempt bodies, and will apply from the date the necessary legislation is enacted. The employer would still need to keep the usual income tax and other records for other purposes.

The employer would be required to recommence record keeping if there was a material change in benefits provided that could result in an increase of more than 20 per cent in benefits compared to the base year (or by more than \$100 if this is greater). In this regard, the onus of proof would continue to lie with the taxpayer (as it is now). If the taxable benefits exceed these limits, and the taxpayer does not recommence record keeping, the usual penalties would apply for non-disclosure. Thus, the record keeping exemption will provide a reduction in compliance costs for small FBT payers who do not make a material change in the amount and type of benefits provided each year.

The employer would also need to establish a new base year to vary down the annual amount of FBT.

By far the most common type of benefit provided is cars. Cars would be subject to the general 20 per cent variation rule. In addition, for those using the statutory formula method, the employer could continue to use the same statutory fraction as in the base year if it is reasonable to believe that distance travelled during the year has not varied by more than 20 per cent from the base year. With regard to the operating cost method, after the base year figure is established, the employer would not be required to re-estimate the business usage for each year unless it was reasonable to believe that there had been a variation of more than 20 per cent from the base year usage. Under both car methods the taxpayer would, in most cases, need to recalculate the value of the benefit where there is a change of car.

Car parking exemption

The Government has noted the concerns with the compliance costs associated with FBT for car parking on employers' business premises. Accordingly, from 1 April 1997, small businesses will no longer be subject to FBT on car parking on their business premises. For the purpose of the exemption, a small employer will be a taxpayer with gross income of less than \$10 million (other than government bodies as currently defined in the FBT legislation and listed public companies and their subsidiaries).

In addition, from 1 July 1997 the Government will remove the provisions that specifically deny deductibility for car parking for self-employed persons in circumstances where FBT would have applied to car parking for employees.

Other FBT initiatives

The Government agrees with simplifying the arrangements for employee taxi travel by extending the existing FBT exemption to cover a taxi trip arriving at or leaving from the place of work at any time of the day with effect from 1 April 1997. Currently the exemption applies only to after-hours taxi travel direct between home and work and travel by sick employees. The exemption for sick employees will continue to apply.

It is clear that there is a need to review the FBT 'arranger' provisions that can apply where an employee receives a benefit from a third party. There are a range of options and it would be appropriate to have some further consultation with business on this issue. The ATO will consult with representatives of the FBT Sub Committee of the Commissioner of Taxation's National Taxation Liaison Group in the light of the Task Force recommendation and report to Government by the end of June 1997 on the best means of addressing concerns in this area.

In addition, the Government has asked the Australian Taxation Office (ATO) to undertake an extensive education programme over the next two years to assist taxpayers to better understand FBT. This will help to address the small business concerns with non-compliance and complexity identified by the Task Force. This will be part of the ATO's overall commitment to improve tax information for small business as outlined in the response to recommendation 11.

The Government has decided not to proceed with the Task Force recommendations on cars and meal entertainment given the proposals would result in some employers paying increased tax and the revenue cost and broader tax policy implications of the meal proposals. However, both car and meal benefits provided by small business can fall under the FBT record keeping exemption if the necessary conditions are met.

The Government has decided not to proceed with the option of aligning the FBT and income tax years at this time. Alignment of the years raises a number of issues in terms of transitional arrangements, administration and revenue timing that would need to be accommodated for a change of this nature to proceed.

Recommendation 2: Optional Pay As You Go system

That the Commonwealth Government introduce an optional 'Pay As You Go' system to allow small business and other provisional taxpayers the option of paying their tax in instalments from current business receipts from the 1998-99 financial year.

Response

The Government notes that the proposal addresses concerns with the provisional tax system. However, the introduction of an additional payment arrangement, by itself, would add to the overall complexity of the tax system. The impact of the timing of revenue also requires consideration. Accordingly, the Government will consider this proposal as part of Budget considerations.

On a related issue, the Government recognises concerns raised by tax practitioners that small companies have found it difficult to prepare and lodge their income tax returns by 1 December. The law will therefore be amended to allow small companies to pay their estimated tax by 1.5 December and to lodge their returns and pay any balance by 15 March.

Implementation Strategy and Time table

The Government will consider the Pay As You Go issue in the context of the 1997 Budget. The change for small company lodgement is to apply for returns from the 1996-97 income tax year.

Recommendation 3: Voluntary tax payments

That use of the tax voucher system, or an electronic equivalent, be extended to enable taxpayers to make voluntary payments at any time which would be offset against provisional tax liabilities from the 1997-98 financial year.

Response

Agreed.

The AT0 currently has two systems to enable taxpayers to make advance payments. These are the tax voucher system and the payment in advance system. The tax voucher system, in its current form, is not the appropriate mechanism to enable taxpayers to make voluntary payments to offset provisional tax liabilities. Tax vouchers are similar in nature to group certificates and have not been designed to offset provisional tax liabilities falling due in the year that the tax vouchers are purchased.

To give effect to this recommendation, the AT0 will make changes to its payment in advance system. Payments made in advance of an assessment will be credited to the taxpayer's account and applied against any primary tax or provisional tax assessment that is raised or anticipated. Any excess will be refunded. Payments in advance will also be refundable on request by a taxpayer where they have not already been applied to a tax debt.

Interest is paid to taxpayers for certain limited periods of time in cases where they pay income tax debts more than 14 days before the debts are due. However, payments in

advance of an assessment do not qualify for interest until a debt is raised. Such payments in advance would then qualify for interest for the period from the day when the debt is raised until the due date for payment.

Implementation will assist cash flow management.

Implementation strategy and time table

The AT0 will make the necessary changes to the payment in advance system to enable taxpayers to make voluntary payments from 1 July 1997.

Recommendation 4: Capital gains tax asset register

That a capital gains tax asset register be introduced from the 1997–98 financial year to record asset details with an appropriate third party certification process to assure correctness.

Response

Agreed.

The law will be amended to allow taxpayers to use an asset register in lieu of source documents for capital gains tax (CGT) purposes.

The ability to use a CGT asset register has the potential to reduce the paperwork burden for some small businesses. Small businesses will no longer have to keep source documents for unreasonably long periods of time. Instead, they will only need to retain the source records for five years after details have been entered in an asset register and certified. This five year period is in line with general income tax record keeping requirements. The reduction in the number of documents required to be kept will lead to a reduction in storage and administration costs. All taxpayers, not just small businesses, will be able to use asset registers as an alternative to source documents.

The law will have to be amended to allow taxpayers to use asset registers. This, together with the necessary consultation process, will mean that the option to use asset registers could not apply from 1 July 1997. Instead the Government proposes to introduce legislation that will allow asset registers to be used as alternative records for CGT purposes from 1 January 1998. However, this will not have a substantial effect on the Task Force's recommended timetable because it is proposed that asset registers will be allowed to replace source documents for assets acquired before 1 January 1998, as well as assets acquired on or after that date. In practice this means that businesses will be able to use asset registers from the 1997-98 financial year.

Implementation strategy and timetable

The Government has asked the ATO to consult with small business groups, professional bodies and other affected parties concerning the implementation of the asset register proposal and the certification process and to report by 30 June 1997.

The Government will introduce the necessary legislative changes to allow for the use of asset registers from 1 January 1998.

Recommendation 5: Tax compliance statements

That:

- (a) a single compliance statement for income tax and all business taxes; and*
- (b) a unique business identification number for all Commonwealth taxation purposes; be introduced from the 1998–99 financial year.*

Response

- (a) Agreed in principle.

While the Government agrees that the number of forms required to be sent to the ATO needs to be reduced, the nature and timing of the different tax obligations of a business do not allow for a single statement to discharge all taxation obligations.

Businesses have two fundamentally different types of Commonwealth tax obligations:

- direct tax obligations as income tax payers and FBT payers; and
- withholding obligations as employers or payers of certain amounts (eg Pay As You Earn, Prescribed Payments System, Reportable Payments System).

For reasons explained in the response to recommendation 1, the Government has decided not to align the income tax and FBT years at present. This means that separate returns will continue to be lodged for income tax and FBT obligations.

Businesses that have withholding obligations are required to report to the ATO after the end of the financial year, providing details of certain payments made to people like employees, contractors, or other businesses and, where relevant, of tax deducted from these payments. At present there are a number of dates for providing withholding information to the ATO. In some instances an annual reconciliation statement is also required.

While the reporting period for withholding obligations will generally be the same as for income tax, businesses are able to lodge their income tax returns well after the close of the financial year through lodgement programmes that spread the work of tax agents and

accountants, which eases the burden of complying with reporting requirements. The delayed lodgement of income tax returns also **recognises** that businesses need to finalise their year end positions and complete annual accounts prior to being able to complete taxation returns. It also provides a significant benefit to businesses by making income tax reporting an extension of the business process, rather than setting unreasonable time constraints to determine a year end position for tax purposes.

In comparison, the information required from businesses with withholding obligations is required soon after the close of the financial year. This is the case for two reasons. First, the AT0 needs to establish whether businesses have complied with their obligations. Secondly, information about amounts of tax withheld and payments made to individuals is needed for matching against individuals' tax returns. Individual taxpayers generally lodge their returns well before business taxpayers.

To combine reporting requirements for both types of obligations in one statement would place at risk either the compliance checking processes undertaken by the AT0 or the flexibility that businesses currently enjoy in lodging income tax returns well after 30 June each year.

The Government has asked the AT0 to look at ways of rationalising the various withholding obligations with a view to simplifying reporting arrangements for payers. One of the aims will be to provide for one annual reconciliation statement for those obligations that require an annual statement. This statement will cover the various obligations for employers and other withholders to provide annual statements reconciling tax withheld and to report payee details. This will substantially achieve the outcome sought by recommendation 5 and business will benefit from the necessary alignment of the different formats, content, forms and lodgement rules currently required for these various obligations.

Businesses may also have State or Territory payroll tax liabilities. The Commonwealth will raise the payroll tax issue with the States and Territories.

(b) Agreed in principle.

A unique business number could be introduced solely for tax purposes. However, the Government considers it would be preferable to introduce a unique business number for all business purposes, as recommended in recommendation 43. For that reason, the Government proposes that this proposal be taken up in the work being done to respond to recommendation 43.

Implementation strategy and timetable

(a) The Government has asked the AT0 to establish a working group to develop this proposal, in consultation with accounting bodies and small business groups, so

that the new arrangements for withholding obligations are in place for the 1997-98 financial year.

(b) See comments on recommendation 43.

Recommendation 6: Issuing of group certificates

That the legislation pertaining to group certificates be amended to allow employers to issue group certificates by 14 July after the end of the relevant financial year or on request from the employee from the 1997-98 financial year.

Response

Agreed.

There is an obvious advantage for small businesses if they do not have to issue 'one off' certificates to terminating employees during the year.

On the other hand, there will be occasions when employees still require a group certificate when leaving an employer. In particular, employees who roll over an eligible termination payment need a group certificate to obtain a refund of any tax deducted from the payment. These employees also need information affecting their reasonable benefit limits. In other cases, employees may not know in advance where they will be living at the end of the income year and may prefer to get a group certificate when leaving a job. For these reasons, employers will be required to provide group certificates to employees in all cases where an eligible termination payment is made and, in other cases, where an employee requests a group certificate when leaving employment.

Implementation strategy and timetable

The Government proposes to introduce legislation implementing this recommendation with effect from the 1997-98 income year.

Recommendation 7: Review of sales tax administration

That the Commonwealth Government undertake a major simplification review of sales tax, with the objective of reducing the number of classification schedules and variations in rates, extending exemptions for business inputs, and streamlining administration with a view to introducing changes in the 1998-99 financial year.

Response

Not agreed.

The Government has decided not to proceed with this recommendation. While the Government has noted the concerns raised by the Task Force, the proposed changes could

not be implemented in a revenue neutral way without increased tax for a range of goods and taxpayers.

Recommendation 8: Review of Income Tax Assessment and Fringe Benefits Tax Acts

- (a) *That the Commonwealth Government establish as a priority a review of the Income Tax Assessment Act and Fringe Benefits Tax Act to address anomalies in the law which result in excessive paperwork or compliance costs to report by early 1998.*
- (b) *That the Australian Taxation Office continue and enhance its efforts to assess and reduce compliance costs for business through administrative simplification and the use of Regulation Impact Statements.*

Response

- (a) Agreed in part.

The Government agrees that more work needs to be done to reduce anomalies in the law which result in excessive costs for taxpayers in complying with the income tax and FBT laws.

The Government believes that work to address anomalies should be done through existing mechanisms for tax law improvement, rather than by setting up new processes. The existing Tax Law Improvement Project has made considerable progress in simplifying the income tax law. Making the law easier to understand obviously plays a significant role in keeping compliance costs down. The Government will continue to support the work being done by the project team whose consultative committee is made up of representatives from a wide range of business and industry groups.

There are also a number of other forums where business representatives can raise cost of compliance issues. The Commissioner of Taxation's Small Business Consultative Forum was set up to deal with cost of compliance issues for small business. This forum has been operating for about two years. The members of this forum represent organisations like Chambers of Commerce and other organisations that deal with small business operators working in particular industries, for example, farmers, retailers, manufacturers and builders. The forum therefore has contact with a large number of small business groups from all over Australia. While this is the main forum for small businesses, suggestions about anomalies in the tax law can also be raised through groups like the Commissioner's National Tax Liaison Group and the ATO/Tax Practitioners' Group.

- (b) Agreed.

The issues raised in this recommendation are addressed in the response to recommendation 5 1.

Implementation strategy and timetable

- (a) The Tax Law Improvement Project will continue its work of rewriting income tax law over the next two years.
- (b) This recommendation is linked to recommendation 5.1 and will be addressed in the context of the implementation strategy detailed for that recommendation.

Recommendation 9: Payroll tax harmonisation

- (a) *That the States and Territories accelerate and intensify cooperative efforts to develop uniform definitions of the payroll tax base, including a common definition of employee, and harmonise legislation and administrative arrangements with the objective of achieving national consistency in the 1998-99 financial year.*
- (b) *That the Commonwealth support and facilitate this process.*

Response

The development of uniform payroll tax bases and the harmonisation of administrative arrangements is a matter for States and Territories to address. The general issue of greater consistency between State and Territory payroll tax bases was discussed at the Heads of Treasuries meeting held in December 1996. While there was not agreement between State and Territory officials on the matter, it was noted that State and Territory revenue officers would examine these issues further.

Recommendation 10: Extension of time for lodgement of business tax returns

- (a) *That provided payment has been made on time, up to an additional week be allowed for lodgment of business tax returns without penalty.*
- (b) *Where penalty taxes are imposed, the Australian Taxation Office include information on the reasons for the penalty, its calculation, and any relevant taxpayer rights from 1 July 1997.*

Response

- (a) Not agreed.

Australia's tax system is based on self assessment and voluntary compliance. The various taxing statutes administered by the Commissioner of Taxation require taxpayers to lodge returns and/or pay tax at specific times. Under self assessment arrangements, lodgement of a return establishes a taxpayer's tax liability. It would be inappropriate to have some form of general rule allowing for late lodgement when that is what establishes the primary tax liability.

As well as that, the tax laws already provide the Commissioner with the powers to vary lodgement and payment requirements. The discretionary powers allow the Commissioner to deal with individual circumstances or situations involving a number of taxpayers where it is appropriate to provide extra time to lodge a return or pay an amount of tax. Since the Commissioner generally has the powers to deal with the issues raised in this recommendation, the Government does not think any changes to the law are warranted. However, the Government has asked the AT0 to provide explanatory material for taxpayers explaining the importance of lodging tax returns by the due dates for lodgement and the consequences of late lodgement.

(b) Agreed.

The various taxation laws provide for the automatic imposition of additional charges for late lodgement of returns and late payment of taxes. Invariably, the laws either provide taxpayers with an avenue to challenge any additional charges that may have been imposed and/or provide the Commissioner with discretion to remit some or all of the additional charges.

The Government considers that the complexity of the existing penalty arrangements, which vary significantly between different taxes and classes of taxpayers, is the major factor contributing to confusion and misunderstanding among taxpayers. In the Government's view, the best way to resolve this misunderstanding would be to rationalise and simplify the various penalty arrangements in the existing laws. This view is supported by the recently tabled report of the Australian National Audit Office entitled *Tax Debt Collection* which deals with tax collection issues.

Implementation strategy and timetable

- (a) The AT0 will review its publications dealing with the lodgement of tax returns by 30 June 1997 to ensure they contain appropriate advice about the importance of lodging returns on time.
- (b) The AT0 will review all tax penalty arrangements in consultation with taxpayers and report to the Government with options for simplification by the end of June 1997.

Recommendation 11: Review of Australian Taxation Office public rulings programme

- (a) *That the Australian Taxation Office give greater priority to developing and disseminating relevant information products targeted specifically at small business.*
- (b) *That the Australian Taxation Office review its public rulings programme with the objective of having fewer, simpler and more equitable rulings and to ensure the process is efficient and effective from 1 September 1997.*

Response

(a) Agreed.

The Government supports proposals to make it easier for small business to understand and access relevant tax information. AT0 information products need to be:

- developed to meet the specific needs of target groups, such as people commencing in business;
- easy to follow and not too detailed; and
- readily accessible.

The AT0 has developed a number of very successful publications in consultation with small business groups such as *A Tax Guide for New Small Businesses* and *A Guide to Keeping Your Business Records*. Work is underway to develop further products of this nature and a range of other information products are being reviewed with small business to make them more user friendly.

The AT0 is also developing better ways for disseminating tax information to small business. Recently, the AT0 has made information available via the Internet and is expanding its fax information service, which allows very low cost 7 day/24 hour access to certain tax information.

(b) Agreed.

The Government has asked the AT0 to continue to refine its public rulings programme in consultation with business.

The AT0 conducted a comprehensive review of its public rulings programme in 1995. Prior to that review, the public rulings programme was extremely large, consisting of many hundreds of proposed topics. The size of the programme posed significant difficulties for its management-particularly in the handling of priorities.

Over the last eighteen months, the AT0 has completely rebuilt its public rulings system to produce a single, business-driven and achievable programme where resources go to the most important topics first. The programme now more fundamentally follows the AT0's business priorities, but also recognises its limited resources. A much tighter, business-driven programme is the result with fewer, but more relevant, rulings issued.

Implementation strategy and timetable

(a) All areas of the AT0 dealing with small business will participate in working groups that have already been established to develop an integrated approach to implementing this recommendation.

The working groups will review existing information products for small business by November 1997 to:

- ensure products are user friendly;
- improve access to information;
- improve marketing arrangements for tax information products; and
- identify major gaps in the current range of information products.

These working groups will consult with small business groups and other small business service providers such as government agencies, industry groups, professional bodies and educational institutions.

The working groups will consider a wide range of mechanisms for delivering information including seminars and publications as well as extending the use of technology such as the Internet, electronic mail, electronic data interchange and similar services.

(b) The AT0 will continue to rationalise its public rulings programme in consultation with business.

EMPLOYMENT ISSUES

Recommendation 12: Review industrial relations rules and regulations

That in considering the changes necessary to give effect to the Workplace Relations Legislation, the President of the Industrial Relations Commission review the rules of the Commission and the Department of Industrial Relations review the regulations to the Workplace Relations Bill to ensure:

- *a less legalistic and process oriented industrial relations system; and*
- *assistance is available to small business operators who are required to respond to logs of claims.*

Response

Agreed.

The Government's industrial relations reforms, which were given effect through the *Workplace Relations Act 1996*, have a strong emphasis on the particular needs of the small business workplace.

It addresses the need identified by the Task Force for a less legalistic and process oriented system by allowing employees and employers to increasingly take direct responsibility for their own industrial relations and agreement making. They will have the choice to enter into formalised agreements in the Federal system, be covered by a State or Territory

employment agreement (providing certain conditions are met) or make over-award or informal arrangements.

These arrangements provide the scope for less legalistic and process-oriented industrial relations outcomes suited to the needs of individual enterprises and workplaces.

Implementation strategy and time table

The Employment Advocate has been specifically tasked with providing advice to employees and employers, especially small businesses, on the new Act and Australian Workplace Agreements.

The Department of Industrial Relations is developing information materials specifically for small business explaining how the provisions of the *Workplace Relations Act 1996* can assist the sector. It is also working with employer organisations to ensure that their members drawn from small business have reliable information on how the new workplace relations arrangements are to work. In addition, with the transfer of industrial relations powers from Victoria to the Commonwealth taking effect from 1 January 1997, it is easier and more efficient for small businesses in Victoria to use a single industrial relations system.

The President of the Australian Industrial Relations Commission has indicated that the Commission will consult small business to clarify the nature of their concerns including in relation to the logs of claim process.

The Workplace Relations Regulations will be reviewed to ensure that as far as possible legalism and technicality is avoided.

Recommendation 13: Review of new unfair dismissal arrangements

That the revised arrangements for unfair dismissal be reviewed after 12 months of operation to ensure that it is delivering a more balanced and flexible approach for small business.

Response

Agreed, and the Government will go further by excluding from Federal unfair dismissal laws new employees of small businesses with 15 or fewer employees until they have one year's continuous service.

Responding to unfair dismissal claims involves a disproportionate burden on small business in terms of personnel administration procedures, representation at hearings and lost opportunities while defending claims. Businesses with 15 or fewer employees typically do not have a separate management structure, in effect replacing the formal processes of larger businesses with extensive day to day interaction between the proprietor and his or her employees. Lack of time and resources for elaborate staff management processes means

any proceedings are likely to be disproportionately complex because of the employer's need to rely on oral evidence instead of documents. The new arrangements will substantially reduce these disproportionate compliance burdens on small businesses.

The new arrangements will continue to protect existing and long-serving employees while giving small businesses the confidence and encouragement to hire new staff. New employees will still be protected against unlawful discriminatory dismissals and by the statutory minimum notice requirements.

Moreover, the Australian Industrial Relations Commission will be required to improve the system for parties in terms of when and where industrial matters, including unfair dismissals, are dealt with. This will be particularly relevant to small business.

The revised arrangements for unfair dismissal are intended to provide small business employees, after an initial year of service, with access to a fair and simple process of **appeal** against dismissal. They are also designed to be fair to both employee and employer, to ensure compliance costs are minimised, especially for small business, to discourage frivolous and malicious claims and to be in accord with Australia's international obligations.

The Department of Industrial Relations will monitor the operation of the new arrangements and will seek information and input from interested parties to enable assessment of whether the new arrangements have operated as intended.

Implementation strategy and time table

The Government will undertake consultations with affected parties to introduce as soon as possible regulations under the *Workplace Relations Act 1996* to give effect to the new arrangements for businesses with fifteen or fewer employees.

The Department of Industrial Relations will analyse statistical data provided by the Australian Industrial Registry in relation to the new unfair dismissal arrangements. It will also analyse key decisions of the Australian Industrial Relations Commission in this area and decisions of courts, where relevant, on an ongoing basis.

The Department will undertake a review of the operation of the new unfair dismissal arrangements when they have been in operation for 12 months (ie commencing in January 1998). For the purpose of the review, the Department will seek the views of industry groups and small business representatives in the effectiveness of the new arrangements.

The Department will report its findings to the Minister for Industrial Relations with a view to a public report on the impact of the revised unfair dismissal arrangements by 30 June 1998.

Recommendation 14: Matrix of employer obligations; single definition of employee

- (a) *That Commonwealth, State and Territory governments develop:*
- *a matrix of employer obligations under existing relevant Commonwealth, State and Territory regulation to be made available to small business operators by 1 July 1997; and*
 - *a single objective definition of employee and definition of those groups who will be treated as employees for the purposes of all regulation.*
- (b) *That these definitions be included in relevant legislation during the 1997–98 financial year, and an updated matrix published of employer obligations made available to reflect the new definitions.*
- (c) *That a certificate of compliance be developed for subcontractors' superannuation and workers' compensation insurance policies and legislation amended to allow the certificate to be evidence that the principal has no further obligations.*

Response

Agreed in part.

The Department of Industry, Science and Tourism has engaged a consultant to prepare a plain English and comprehensible matrix of employment definitions and obligations for distribution to small business operators.

The matrix will provide small business operators with a plain English explanation of:

- the details of all Commonwealth, State and Territory tax and employment legislation that uses the definition of employee or deems groups to be employees; and
- all employer obligations in respect of individuals or groups identified as employees for the purposes of the legislation.

The matrix will be made available in paper and electronic form with an emphasis on ease of reference and accessibility for small business operators. All jurisdictions have agreed to provide assistance to the consultant to ensure that the information collected is accurate and useful for small business operators. Practical assistance with complex legislative arrangements will ensure that small business operators are able to better meet the compliance requirements imposed on them by governments.

Heads of Government also note that the Commonwealth will examine the implications of a single objective definition of employee and compliance statement in relation to relevant Commonwealth legislation and that the Commonwealth will raise this matter again with Heads of Government when the study is completed.

implementation strategy and timetable

The matrix is intended to be available for distribution to small business by May 1997.

Recommendation 15: Nationally consistent occupational health and safety arrangements

- (a) That the Labour Ministers Council be accountable for delivery of nationally consistent Occupational Health and Safety (OH&S) policy and programmes, agree implementation of declared minimum standards and codes of practice within specified time frames and determine priorities for the development of new standards and codes of practice. OH&S codes of practice, where possible, should include deemed-to-comply provisions.*
- (b) That the Labour Ministers Council address the Industry Commission Report with respect to the accountability and transparency of existing OH&S institutional arrangements, which should include consideration to stronger industry representation.*
- (c) That OH&S standards comply with the Council of Australian Governments' Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standards Setting Bodies, be less prescriptive and expressed in terms of outcomes. All jurisdictions and Worksafe Australia should provide simple and practical guidance for small business on implementing OH&S standards and codes of practice.*
- (d) The new OH&S arrangements be in place by 1 October 1997.*

Response

Agreed in principle.

The Labour Ministers' Council (LMC) has been asked to develop a programme and timetable for the consideration and implementation of this recommendation. The Council will report on progress to the Council of Australian Governments by June 1997.

In this context, the LMC at its meeting on 18 December 1996 agreed to continue to be involved in determining the general approach and future directions of National Occupational Health and Safety Commission (NOHSC) activity which is to embrace the development of practical materials for small business and to continue work in national standards consistency.

The LMC agreed that the Chair of NOHSC should undertake consultations with the responsible Minister in each jurisdiction on the future role of NOHSC in national occupational health and safety matters.

The Chair of NOHSC is to report to a special meeting of the Departments of Labour Standing Committee prior to LMC's consideration of future directions at its next meeting scheduled in May 1997.

Implementation strategy and timetable

The LMC will report on progress to the Council of Australian Governments by June 1997.

Recommendation 16: Nationally consistent workers' compensation arrangements

- (a) That the Labour Ministers' Council agree nationally consistent workers' compensation framework principles to be mirrored in all jurisdictions.*
- (b) That workers' compensation provide for mutual recognition of workers' compensation insurance cover obtained in other jurisdictions for employees operating temporarily in other than the State or Territory in which their employer is based.*
- (c) That premiums be better focused on the circumstances of individual sectors and employer sizes, with risk related premiums where appropriate. Where risk related premiums are inappropriate, base premiums with penalties and bonuses based on performance and implementation of OH&S management strategies should be available.*
- (d) That arrangements be available for small business to form groups to negotiate better premiums and appropriate strategies for rehabilitation, accident prevention and return to work arrangements.*
- (e) That the proposed workers' compensation arrangements be in place by 1 July 1998.*

Response

Agreed.

Heads of Government have agreed to consider this recommendation in the context of the report of the Heads of Workers' Compensation Authorities (HWCA) on developing nationally consistent workers' compensation systems. The LMC has been asked to handle issues flowing from the HWCA's final report. The LMC will report on progress to the Council of Australian Governments by June 1997.

In this context, the LMC, at its meeting on 18 December 1996, considered an Interim Report by the HWCA and requested that the HWCA finalise its report and in doing so report in particular on:

- a consistent definition of employee;
- two long-term benefit options, one with and one without common law;

- consistency in the earnings base and premium structure; and
- mutual recognition opportunities including self insurance and self management options.

Implementation strategy and time table

The LMC will report on progress to the Council of Australian Governments by June 1997.

Recommendation 17: Superannuation Guarantee for short-term employees

- (a) That the Superannuation Guarantee legislation be amended to allow casual employees, who work for an employer for less than three months in one financial year, to have the option of choosing between Superannuation Guarantee contributions or the equivalent in wages and salary from 1 July 1997.*
- (b) That full-time secondary school students be excluded from the requirements of the Superannuation Guarantee legislation.*

Response

- (a) Not agreed.

The Government does not intend to set a minimum employment period before the Superannuation Guarantee (SG) commences to apply. Such an arrangement would seriously undermine the effectiveness of the SG in extending the coverage of superannuation in the workforce.

Part time and casual employees have been particular beneficiaries of the SG arrangements. This group, which includes a significant proportion of women, generally missed out on access to concessional taxation treatment for superannuation savings before the introduction of the SG.

Over the medium-to-longer term, superannuation savings are likely to contribute to a significant improvement in the retirement incomes of these workers, assist future governments in their ability to sustain and improve the age pension, add significantly to national savings and enhance Australia's capacity for sustainable economic growth and job creation.

This recommendation would allow opting out by many employees who are employed full time over the course of a year but with a series of employers. Even though such employees may earn a substantial full time income they would not benefit from the SG and may not accrue any retirement savings.

The proposal also has the potential to introduce some labour market distortions by introducing an incentive for employees to change employment after three months with

any single employer. This could impose an additional barrier to some employees obtaining permanent (as opposed to casual) employment.

The proposal also raises difficult compliance issues as employers may not know in advance whether an employee will be employed on a casual basis for less than three months.

The Government has already announced its intention to allow low income employees to elect to receive salary in lieu of superannuation under the SG arrangements. Those arrangements are based on employees' monthly income allowing opting-out for people whose income ranges between \$450 and \$900 per month. These arrangements are aimed at people who are most in need of immediate income rather than income in retirement.

(b) Agreed in principle.

The Government will not create an exemption from the Superannuation Guarantee for employers of full-time secondary school students but will instead introduce an arrangement to recognise the difficulties involved in superannuation payments for full-time students employed during school holidays.

In the 1996-97 Budget, the Government decided to allow people earning between \$450 and \$900 per month to opt out of superannuation and take an equivalent payment in lieu. The proposed \$900 per month threshold will be administered as a threshold of \$1800 over a period of two months for persons under the age of 18. This approach will assist in alleviating the difficulties involved in employing students on a full-time basis for a short term (usually during school holidays) without generating the problems that would be associated with identifying people who are full-time secondary school students.

The Government recognises the particular circumstances of casuals, part-timers, those on low incomes and those with intermittent work patterns. It also acknowledges the difficulties for employers, especially small businesses, in meeting the paperwork and compliance requirements for this group. The proposed arrangements provide flexibility and choice in the superannuation arrangements for this group.

Extending the arrangements beyond the Budget initiatives has, however, the potential to undermine the effectiveness of the SG in extending the coverage of superannuation in the workplace, to erode the final retirement income available to casual, part-time, low income and intermittent workers and to distort labour market behaviour.

The AT0 has an array of public information on SG for employers which is regularly updated and will explore ways to make additional improvements in light of the Task Force Report.

Recommendation 18: Reporting requirements under the Equal Employment Opportunity Act

- (a) *That commencing 1 July 1997 employers that have met the requirements of the Affirmative Action (Equal Employment Opportunity for Women) Act 1986 for three consecutive years, be required to report to the Affirmative Action Agency only once every three years thereafter.*
- (b) *The agency's annual report form should clearly identify what information is mandatory, and what is voluntary, under the Act as part of an employer's annual report. It should also identify on its pro forma annual report form that information can be provided in alternative formats if the employer chooses.*

Response

- (a) Implemented.

The Affirmative Action Agency has established a new focus in accordance with the Government's policy for it to move from an emphasis on reporting to a more positive role which focuses on education and training.

The Agency has implemented a policy of waiving affirmative action reporting requirements for organisations which meet the requirements of the *Affirmative Action (Equal Employment Opportunity for Women) Act 1986*. This has been done pursuant to s13A of the Act.

The Agency has written to the 111 organisations which have met s13A to waive their reporting requirements for the next three years. Of the organisations whose reporting requirements have been waived, six per cent are community organisations, six per cent are non-government schools, 14 per cent are higher education institutions, two per cent are group training schemes, one per cent are trade unions and the majority, 73 per cent, are private companies.

- (b) Agreed.

The Agency has revised the annual report form. A discussion paper including the proposals for modifying the report form was distributed to interested parties for comment by 13 December 1996. Feedback received was taken into account in the revision of the report form.

The report form was modified to include clear information on the legal requirements of the Act. Each section of the report form includes a reference to the relevant sections of the Act and employers are advised that the form is recommended only and they can report in alternative formats if they wish to.

It is expected that these changes will benefit small businesses by streamlining reporting requirements and reducing paperwork for organisations with high quality affirmative action programmes.

Implementation strategy and time table

The waiving policy is taking effect ahead of the Task Force's recommended implementation date of 1 July 1997.

The annual report form has been modified as outlined above and was distributed to relevant employers in January 1997.

STATISTICS

Recommendation 19: Australian Bureau of Statistics' reporting burden

- (a) That the Australian Bureau of Statistics seek its proposed 20 per cent reduction in the reporting burden during 1996-97 as far as is possible through process efficiencies. Any reductions in data content should be subject to consultation with affected small businesses, where relevant.*
- (b) That the Australian Bureau of Statistics further reduce the reporting burden where this can be done without jeopardising the integrity of collections, and publish annually measures of the burden it places on small business.*
- (c) That all public and business organisations collecting statistics review and reduce their collections where possible; and private sector collectors develop a code of conduct to minimise the burden on small business.*

Response

Agreed.

(a) A 20 per cent reduction in the Australian Bureau of Statistics (ABS) reporting load on small business will be implemented during 1996-97. It is not possible to achieve all of the reduction through process efficiencies. The frequency or content of some collections will be reduced. Small business representatives have been consulted on the reductions and their views have been taken into account.

(b) The ABS will pursue, in consultation with small business representatives, further reductions in reporting load concentrating on process efficiencies and deletion of survey content no longer justified. To assist in this work, the ABS has established a database to provide information on the reporting load imposed on business with the load on small business separately identified.

The ABS will continue to publish in its Annual Report information on the reporting load that it imposes and steps taken to reduce this load.

(c) The ABS will develop in conjunction with other agencies, by July 1997, a Code of Conduct for business collections. It will make this Code available to other organisations conducting collections of business information and to the general public, possibly by way of a published Information Paper.

Recommendation 20: Small business representation on Australian Bureau of Statistics' consultative committees

That small business representation be increased on all relevant statistical consultative committees of the Australian Bureau of Statistics by 1 July 1997 and that provider loads be progressively assessed.

Response

Agreed.

The Treasurer is expected to appoint a representative of small business to the Australian Statistics Advisory Council in the near future.

Small business is now represented on all other relevant ABS consultative committees and new committees have been established in fields where small business has a particular interest (eg tourism). At least once a year, as a specific agenda item, each committee will consider the issue of reporting load imposed on business.

Recommendation 21: Extension of Australian Bureau of Statistics' user-pays principle

That the Australian Bureau of Statistics extend the application of the user-pays principle to cover non-core activities of the ABS commencing in 1997-98.

Response

Agreed in principle.

The ABS has been extending the application of 'user-pays' for several years and revenue has increased from \$1.1 million in 1990-91 to \$9.4 million in 1995-96. It will continue to seek opportunities for extending this in future. For example, in 1997 it will be seeking funding for the monthly manufacturing production collections and the freight movement survey. It will continue to note in its Annual Report the extent to which survey activity is user funded.

Implementation Strategy and Timetable

'User pays' for surveys will be progressively extended where and when appropriate. The ABS will continue to note in its Annual Report the extent to which survey activity is user funded.

Recommendation 22: Central clearance for statistical collections

That statistical collections affecting 50 or more businesses and run by, or on behalf of, all Commonwealth Government departments and agencies be subject to a central clearance process from 1 July 1997. A progress report on incorporating State and Territory statistical collections be included on the agenda for the next National Small Business Summit.

Response

Agreed in principle.

It is proposed that a clearing process for Commonwealth Government collections will be conducted along the lines suggested by the Task Force in its report.

Implementation Strategy and Timetable

The ABS will develop a specific proposal in conjunction with other agencies on how the survey clearance proposal should work which will be presented to the Government for consideration by the end of April 1997. It is proposed that the clearing process will be progressively implemented (starting with the largest collections) from 1 July 1997.

The Australian Statistician and relevant State and Territory officials will provide a report on the options for State and Territory participation in the clearance process for consideration at the next National Small Business Summit scheduled for mid-1997.

Recommendation 23: Design and timing of statistical collections

That the Australian Bureau of Statistics and other collecting agencies improve the explanations for, design and the timing of statistical collections from 1997-98 onwards.

Response

Agreed.

The ABS will continue to improve the explanatory information provided to participants in statistical collections.

Implementation Strategy and Timetable

Improvements will be made progressively from 1997-98 onwards.

The ABS has recently increased the size of its form design unit which will have a key role in improving explanatory information. An important input into this process will be the findings of a recent ABS study into business attitudes to interactions with ABS staff.

Recommendation 24: Marketing of statistical products

That the Australian Bureau of Statistics and other statistical collection agencies immediately increase the marketing of statistical products and the promotion of the wider benefits of statistical collections.

Response

Agreed.

The ABS will research which products are of particular interest to small businesses and develop, market and promote the identified products.

Implementation Strategy and Timetable

This recommendation will be implemented immediately.

Recommendation 25: Provision of statistics to small businesses

That small businesses included in statistical surveys be provided free of charge with relevant and timely statistics based on the data they contribute from 1 July 1997.

Response

Agreed in principle.

The ABS will hold focus groups with small businesses to determine how it can provide better feedback to businesses involved in its statistical collections.

Implementation Strategy and Timetable

The focus groups will be held in the first part of 1997. Improved arrangements will be in place from 1 July 1997.

STREAMLINING GOVERNMENT PROCESSES AND REGULATION

Recommendation 26: Memorandum of Understanding with local government

That the Memorandum of Understanding currently being finalised between the Commonwealth and local government should be pursued as a vehicle to commit local government to change processes to reduce duplication of regulations and consequent costs.

Response

The Government agrees with the intent of this recommendation.

The Government, through the National Office of Local Government, will pursue regulatory reform based on the strong professional relationship it has built with local government through the Australian Local Government Association and various State Local Government Associations, the Local Government Ministers' Conference and Planning Ministers' Conference.

The proposed Memorandum of Understanding between the Commonwealth and local government is still the subject of discussion between the parties. In the interim, the relevant recommendations of the report will continue to be pursued with local government. Regulatory reforms will result in the streamlining of regulatory approval processes, greater uniformity and consistency in regulatory approval processes, a reduction in delays in approving land and building developments and increased certainty for small business.

Implementation strategy and timeframe

Refer to recommendation 29.

Recommendation 27: Private certification of building approvals

That private certification of building approvals, including inspections during constructions and issuing of certificates of occupancy, be introduced in all States and Territories by 1 January 1998.

Response

Agreed in principle.

The legislative responsibility for building regulation, including the ability to introduce private certification, resides with the States and Territories.

The Australian Building Codes Board (ABCB), which comprises the government officials responsible for State and Territory building regulation, has made some progress in this area. The ABCB Directorate employs officers who have been responsible for developing and introducing private certification in two jurisdictions. The ABCB has the research capabilities to assess existing private certification models and advise as to how the various models can be improved.

The benefits for small business are the shorter timeframes for the issue of certificates, which experience indicates are up to one-fifth of traditional approaches. New South Wales is actively pursuing private certification as part of its reforms to the planning system. Draft exposure legislation and a white paper are expected in the near future.

The process set up under this response will not hinder New South Wales' initiatives in this area.

Implementation strategy and timetable

The ABCB should facilitate the adoption of the major provisions of the *Model Building Act* or a similar Act that will allow the introduction of private certification and achieve other efficiencies in the building regulation system.

Australian Ministers responsible for building regulation, in consultation with the Planning, Housing and Local Government Ministers, have been asked to agree to a programme and timetable to implement this recommendation as soon as practicable. These Ministers will report on progress to the Council of Australian Governments by June 1997.

Recommendation 28: Changes to technical requirements for building

- (a) *That no State or Territory should agree to any variations to the technical requirements for building requested by local government unless these have been agreed by the Australian Building Codes Board.*
- (b) *Furthermore, Standards Australia should only become involved in building standards called up by the Australian Building Code at the request of the Australian Building Codes Board and this should be formalised in an agreement between the two bodies.*

Response

Agreed and is currently being implemented.

The ABCB has progressed these issues.

- (a) The ABCB's responsibilities, specified in the Intergovernmental Agreement under which it was established, include ensuring that building regulation is as uniform

as possible between the States and Territories and that any additions or variations of technical provisions of the Building Code of Australia (BCA) by the States and Territories be as limited as possible.

- (b) The ABCB is developing a Memorandum of Understanding with Standards Australia which includes agreement on principles for the development or revision of Australian Standards which are, or are intended to be, referenced in the BCA.

Implementation strategy and timetable

Ministers responsible for building regulations will report on progress towards full implementation to the Council of Australian Governments by June 1997.

Recommendation 29: Referral and concurrence procedures in the building and development industry

That the three spheres of government develop a reform strategy for referral and concurrence procedures in the building and development industry by 1 July 1997. The strategy should include a system for resolving problems between government agencies and ensuring the delegation of decision making to the lowest level practicable taking into account the scale of development.

Response

Agreed.

The three spheres of government are already working towards reforms in this area. A Concurrence Working Group comprising representatives from the Commonwealth, States and Territories and the Australian Local Government Association has been examining concurrence issues under the auspices of Planning Ministers.

The Group has produced a paper that considers options for making progress to overcome problems in relation to concurrence. It is anticipated that a framework for Commonwealth and State cooperation in planning and development assessment for Commonwealth development proposals will be ratified at the next Planning Ministers' Conference to be held in the first half of 1997.

The proposed concurrence framework is not the full solution to addressing the impediments confronting the urban development industry. To achieve systemic and long-term reform the concurrence agenda needs to be augmented to include urban and regulatory reform of development and building approval processes. The recommendations made in the independent evaluation of the Local Approvals Review Programme (LARP) will be taken into consideration when establishing a new agenda with the objective of implementing regulatory reform across Australia.

The implementation of the accepted recommendation should lead to a range of benefits. These include savings to industry resulting from reduced delays in approving land and building developments, increased certainty in decision-making and improved consultation and consensus between councils and industry in the approval process, thereby reducing the likelihood of appeals to land and environment courts.

New South Wales has already begun a comprehensive review of referrals and concurrences in environmental planning instruments with a view to repealing those that are unnecessary by March 1998. The processes set up under this response will not hinder New South Wales' initiatives in this area.

Implementation strategy and time table

Governments have established a broad based advisory working group to respond to the LARP review completed in June 1996 by the Albany Consulting Group and to strengthen the new agenda for national regulatory reform with the work of the existing Concurrence Working Group.

A number of States and Territories are already making progress on a number of these matters. In April 1997, the National Office of Local Government will sponsor a national regulatory reform workshop with the view to reaching consensus with State, Territory and Local Governments for a new national regulatory framework. The national framework will not impede current processes in train. It is proposed that the Planning, Housing and Local Government Ministers will oversee this process. It is expected that an implementation strategy will be finalised in June 1997.

A report on progress with a national regulatory framework will be provided to the Council of Australian Governments in June 1997.

Recommendation 30: National building products certification scheme

That an improved national building products and systems certification scheme for all products which meet the performance requirements of the Building Code of Australia be implemented by 1 January 1997.

Response

Implemented.

The Australian Building Codes Board (ABCB) has commenced implementation of the Australian Building Products and Systems Certification Scheme which implements the recommendation. All States and Territories have indicated that any necessary legislative changes will be made to ensure mandatory acceptance of Certificates of Conformity by regulatory authorities.

The scheme formally came into operation on 1 January 1997. It replaces two previous schemes:

- the ABCB Accreditation Scheme for New and Innovative Building Products and Systems, which was administered by the CSIRO Division of Building, Construction and Engineering on behalf of ABCB; and
- the CSIRO National Building Products Registration Scheme for existing products and systems.

The new scheme has been designed to provide a speedy and efficient process to certify building products and systems as being suitable for use under the terms of the BCA. The new scheme is designed to provide a processing time from receipt of application to the issue of a Certificate of Conformity as short as four months, compared to the previous Accreditation scheme where a two to three year timeframe was not uncommon.

The shorter timeframes and the flexibility of selecting technical assessors will provide benefits to small business through faster times to market, providing businesses with a market advantage and reduced costs.

Recommendation 31: Consumer protection in the building and development sector

That a national framework of consumer protection for the building and development sector be developed covering licensing/registration, statutory warranty/indemnity insurance, coverage, criteria and competency, dispute resolution and contracts by 1 January 1998.

Response

Agreed.

The regulatory environment in which the housing industry operates lacks consistency. Regulation covers building approvals, planning and development approvals, builders' licensing/registration, home warranty/insurance, contracts and consumer protection, titling, land tax, occupational health and safety and environmental regulations. These regulations are made by a number of different bodies at all three levels of government. For a number of these areas there are reforms underway in some jurisdictions and under the *Competition Principles Agreement*.

Governments have been working for some time with a view to achieving cross-jurisdictional reforms and intergovernmental action to develop a national framework in relation to builders' licensing/registration, statutory warranties/insurance, competency criteria, dispute resolution processes and contracts.

Builders Licensing Australia (BLA), formerly the National Council of Licensing and Home Warranty Authorities, was formed with a major objective to achieve national

consistency of regulation in the building industry. All jurisdictions are represented on the BLA.

Implementation Strategy and Time table

The Commonwealth Minister with responsibility for building regulation, the Minister for Industry, Science and Tourism, has written to all jurisdictions suggesting that, as a starting point, it would be appropriate for all jurisdictions to support the role of the BLA in developing a national approach to regulatory reform for the home building industry.

Ministers with responsibilities for building regulation, in consultation with Ministers for Planning, Housing and Local Government, and the Ministers for Consumer Affairs, will report on progress to the Council of Australian Governments by June 1997.

Recommendation 32: Intergovernmental Agreement on the Environment

That the mutual recognition and accreditation procedures and processes established by the Intergovernmental Agreement on the Environment be further developed and accelerated through on-going and new intergovernmental processes which will report to The Council of Australian Governments at its meeting in mid-1997.

Response

Agreed.

The Intergovernmental Committee on Ecologically Sustainable Development will report to the Council of Australian Governments by June 1997 on a review of roles and responsibilities for the environment including accelerating implementation of the Intergovernmental Agreement on the Environment.

Recommendation 33: Review of food industry regulation

That a comprehensive programme for reviewing the regulatory burden imposed on the food industry and of the surveillance and enforcement roles and responsibilities of the various spheres of government be undertaken. The terms of reference to include regulation reform, enforcement and compliance, packaging and labelling, inspection of food premises and standards setting.

Response

Agreed.

Food standards and related regulations cover a wide range of associated rules and ordinances including national food standards, hygiene, packaging, food processing and handling, food premises, country of origin labelling, imported food inspection

arrangements and standards and a broad range of export inspection standards which vary according to target country requirements.

Over the past few years there has been substantial progress in rationalising food safety regulations and management arrangements.

- The formation of the National Food Authority in 1991 (now the Australia New Zealand Food Authority) to develop national food standards.
- Mutual recognition between the States and Territories which allows goods that meet the required standards in one State or Territory to be sold throughout Australia.
- Australian Quarantine Inspection Service moves to full cost recovery and upgraded quality assurance programmes:
 - these reforms have led to increased costs in inspection fees and new plant and equipment to meet upgraded standards; but
 - concurrent reforms are paving the way for non-government inspection with the Australian Quarantine Inspection Service retaining final responsibility to ‘audit the auditors’.

Governments accept that, notwithstanding this progress, the food industry has significant concerns about the burden imposed on business by inconsistent and unnecessary regulation, poor coordination of government agencies and inconsistent compliance and monitoring arrangements. Significant issues include the costs of standards compliance, costs of labelling compliance and the importance of continued adoption of uniform food standards.

Implementation Strategy and Timetable

The Commonwealth Government proposes that an intergovernmental working group be established to undertake a comprehensive review of the food regulation burden from the perspective of business. The review will encompass all types of Commonwealth, State, Territory and local government regulation, compliance and enforcement activities in relation to food exports and imports and food produced for domestic consumption. The objective will be to identify the key concerns of the food industry and the current status of reforms in food regulation and to propose options to address the concerns and accelerate the reform process.

The review is to have regard to review principles incorporated in the *Competition Principles Agreement*.

The implementation strategy proposed by the Task Force will be modified to involve the agriculture and fisheries ministerial councils more closely to ensure coverage of the whole of the food industry. The reporting dates will be extended to the end of 1997 (with a progress report to the Council of Australian Governments mid-year) to allow for extensive consultation with the food industry, particularly small business.

Benefits to small business will include reduced regulatory burden and compliance costs, greater clarity and certainty on regulatory and enforcement arrangements and reduced anti-competitive regulations that impede the food industry.

Recommendation 34: Review of agricultural and veterinary chemicals regulation

That the Commonwealth Government send a reference to the Industry Commission to inquire into and report by 31 December 1997 on the most efficient and effective institutional and regulatory arrangements for industrial, agricultural and veterinary chemicals.

Response

Agreed in part.

Governments support the need to ensure that the current institutional and regulatory arrangements for industrial, agricultural and veterinary chemicals are the most efficient and effective and are fulfilling their objectives in meeting community and industry expectations.

To this end, Governments note that work has already been undertaken in this area and that a number of reviews are currently underway or planned into the regulation of industrial, agricultural and veterinary chemicals. Accordingly, it will not be necessary to refer this matter to the Industry Commission.

For example, at the Commonwealth level the following work has been completed or will shortly be undertaken:

- the Industry Commission's report on Work, Health and Safety;
- the Australian National Audit Office's performance audit of the National Registration Authority which is expected to report in August 1997; and
- an internal Department of Primary Industries and Energy review of the National Registration Scheme for agricultural and veterinary chemicals.

In addition, the Commonwealth Ministers for Primary Industries and Energy and Industrial Relations, in consultation with the Ministers for Health and for the Environment, will be required to report to Cabinet on the extent of duplication in the existing arrangements for the assessment, registration and labelling of industrial, agricultural and veterinary chemicals. The Ministerial reviews will address the Industry Commission report's recommendation 46 that "...the Commonwealth Government consider creating a single agency to provide scientific advice on hazardous materials". The work is to be completed by 30 September 1997.

Governments have also scheduled a review under the *Competition Principles Agreement* of the Commonwealth's *Agricultural and Veterinary Chemicals Act 1994* and related

State and Territory legislation. The Competition Principles Review, which had been scheduled for 1998-99, will be brought forward to 1997-98 so as to ensure that the proposed national review is completed by 31 October 1998. The Competition Principles Review will take into account a range of reviews recently completed or already underway in relation to the regulation of industrial, agricultural and veterinary chemicals.

An independent review body will be appointed to oversee the Competition Principles Review in consultation with the States and Territories. The terms of reference will be developed in consultation with the States and Territories and will take into account the findings and recommendations of recently completed reviews. Particular consideration will be given to the specific issues raised in the Small Business Deregulation Task Force report and competition policy issues.

Expected benefits to small business could include streamlined government processes for the assessment, regulation and labelling of chemicals. The Competition Principles Review of relevant legislation will ensure that legislation does not restrict competition unless it can be demonstrated that the benefits to the community as a whole outweigh the costs.

Implementation strategy and time table

Commonwealth, State and Territory Ministers responsible for primary industry, in consultation with central agencies, will give priority to setting the terms of reference for the Competition Principles Review and will commence work as soon as possible. The review group will be expected to present its final report to the Council of Australian Governments by 31 October 1998. Interim progress reports will be provided to the Council of Australian Governments in December 1997 and June 1998.

Recommendation 35: On-line electronic systems for the Pharmaceutical Benefits Scheme

That the Commonwealth Government introduce on-line electronic prescription information, claim lodgement and payment processing for the Pharmaceutical Benefits Scheme during 1997-98.

Response

Agreed in part.

This recommendation consists of two elements:

- the claims lodgement, processing and payment function; and
- on-line electronic prescription information system with a patient entitlement validation system.

The Government recognises that, while Pharmaceutical Benefits Scheme (PBS) processing is now substantially based on the supply of the script information in electronic format, pharmacies are still required to also collate, serialise and submit their claim in documented form. The Government also acknowledges that PBS processing might now be moved to a primary reliance on the electronic record with benefits for both pharmacies and programme administration. This step, however, will require a number of significant changes to the claims process system and to the manner in which prescriptions are handled within pharmacies.

The question of the possible involvement of pharmacies in an on-line prescription information system, while related, is regarded as a separate and major new health care initiative. This is now being reviewed at both the Commonwealth and intergovernmental levels but this inquiry should not impede the delivery of improved PBS electronic claims procedures.

The Government proposes that the Health Insurance Commission (HIC) provides an electronic claims lodgement and processing option as follows:

- (a) provision of an electronic data interchange link capability to pharmacies followed by the provision of two-way communication capability. Establishing this communication platform will enable the ultimate modification of the claims processing function, providing for an information feedback loop to pharmacies on data exceptions and claims processing queries;
- (b) implementation of a step to address PBS Safety Net processing. As part of PBS processing is the assessment of patient entitlement, any changes in entitlement status resulting from Safety Net card issues have to be made known to the processing system before a chemist's claim is run. If this does not take place, a significant number of processing errors will be produced; and
- (c) implementation of a revised background assessment process including electronic data interchange communications with pharmacists on prescriptions and/or data requests to meet claims processing needs.

The HIC regards the provision of patient identification by a unique number with all claimed general benefit prescriptions as a necessary prerequisite to paperless claiming. Consequently, it is proposed that a patient's Medicare number be lodged with the PBS claim.

As a result of this initiative, pharmacy systems will be able to support a PBS paperless claim alternative. Pharmacies will also be able to capitalise on efficiencies now built into pharmacy software systems providing pharmacies with greater awareness and ownership of their claim quality. The initiative will also lead to improvements in PBS data quality and the utility of the PBS database.

Implementation strategy and timetable

The Department of Health and Family Services expects that the information technology linkage stage could be in place by June 1997. Further critical developments relating to claims processing could be achieved by the end of 1997-98. This will, however, require extensive process redevelopment. \$3.125 million has been allocated for the development of on-line systems for the PBS.

Given these necessary development resources, it is estimated that the claims processing model could be fully available to all pharmacies with appropriate facilities by June 1998. It is estimated that up to 50 per cent of all pharmacies would by then potentially be in a position to take up the paperless claims processing offer.

However, while the information technology linkage stage for direct claims pharmacy-to-HIC could be in place by the end of 1997-98 from a technological perspective, the issue of linking the Medicare number with the PBS claim raises complex privacy issues and will require further consideration by the Minister of Health and Family Services. This may delay implementation of the recommendation.

Recommendation 36: Child care regulation

That the Commonwealth withdraw from the regulation or quasi-regulation of child care leaving it a State/Territory responsibility and that the link between participation in the Quality Improvement and Accreditation Scheme and Childcare Assistance payments be removed. The Quality Improvement Accreditation Scheme, if maintained, should be purely voluntary as a guide to parents.

Response

Not agreed.

Heads of Government note that the Commonwealth Minister for Family Services is currently conducting a review of the Quality Improvement and Accreditation System procedures and processes. Consultations on the review will be held with private and community-based service providers and with State and Territory governments. The reduction in the compliance and paperwork burden imposed on small business will be taken into account in the review. All jurisdictions are committed to extending quality assurance throughout the childrens' services sector.

Implementation strategy and timetable

The Commonwealth will bring this recommendation to the attention of State and Territory officials through Council of Australian Governments processes.

It is proposed that the consultations for the review of procedures and processes be undertaken in mid- 1997. The review is likely to be completed by late-1 997.

CHANGING THE REGULATORY CULTURE

Recommendation 37: Senior executive contracts

That senior executive performance contracts include specific requirements to promote cultural change and a greater client focus in the development of policy and the administration of legislation.

Response

Broadly agreed.

The Government is considering the structure and composition of the Australian Public Service and the employment framework which will both support and facilitate an efficient and effective public service. The drivers for reform in the APS arise from government initiatives and reform in budgetary, industrial and managerial areas.

One of the principal themes of the Discussion Paper, *Towards A Best Practice Australian Public Service*, recently released by the Minister for Industrial Relations and Minister Assisting the Prime Minister for the Public Service, is the need to develop a performance culture, enhance leadership performance and establish a clear connection between the work of each employee/team and the performance expectations that flow from government priorities.

The Government has recently announced the introduction of agency-level agreement making into the APS. This is a significant departure from the service-wide approach pursued to date and means the remuneration system in the APS is now directly linked to each agency's commitment to continual improvement and overall efficiency. Agencies will now have significantly higher regard to conducting their own workplace relations and being responsible for the outcomes.

The Government has also announced that individual agreements in the form of Australian Workplace Agreements (AWAs) are also available across the APS, and are expected to be made available to executive-level employees in particular. As such, AWAs will provide a vehicle for agency heads and Secretaries to establish more direct relationships with their employees and introduce performance appraisal and bonus systems which are linked to improved agency outputs.

Implementation strategy and timetable

The discussion paper links performance with the development and implementation of a new Public Service Act. It is envisaged that the new Act will be introduced into parliament by mid-1997 and will be operational by early 1998, subject to passage of the legislation through parliament.

The use of agency-level and individual agreements to pursue change, however, is not dependent on new legislation and such a timeframe should not limit their use in achieving improvements in management.

Recommendation 38: Service charters for Commonwealth departments and agencies

- (a) That service charters be established for all Commonwealth departments and agencies and an implementation timetable be published by the Minister for Small Business and Consumer Affairs by 30 June 1997.*
- (b) That each Commonwealth department and agency develop its service charter in consultation with its clients and involve them in monitoring performance.*

Response

Agreed.

The Government will require service charters to be progressively developed during 1997-98 by Commonwealth departments, agencies and enterprises dealing with the public. This initiative meets an election policy commitment to introduce service charters.

A taskforce comprising broad representation from government departments, agencies, business and consumers has consulted extensively on a set of principles to guide the preparation of charters.

These principles provide that a service charter:

- clearly identify the agency, the agency's purpose, its customer base and its services;
- detail information which facilitates communication between the agency and its customers;
- set out the agency's customer service standards and customer rights and responsibilities;
- articulate an agency's policy on obtaining feedback and handling customer enquiries and complaints;
- be developed in consultation with customers, staff and key stakeholders;
- be designed and promoted in a format and style suitable for an agency's customers;
- be supported by complaints handling mechanisms for resolving customer complaints;
- commit the agency to monitoring and reviewing arrangements; and
- require the agency to account publicly for its operations by publishing its customer service charter and information on its compliance with the charter and the agency's service performance.

There has been strong support for these principles within the public sector and within the community.

Service charters are central to the Government's aim to create a more open and responsive service culture in the public sector. This initiative complements other initiatives in the Government's public sector reform agenda, in particular, the revision of the Public Service Employment framework, the reduction of the regulatory burden on small business and the Quality Client Service project.

Small business and consumers generally will benefit from a more service-driven public sector.

Ministers will be responsible for managing the development of service charters with relevant areas of their portfolios. Application of charters across departments will be flexible, recognising the different relationships between government and consumers and existing consultative and governance arrangements. Charters will be introduced in consultation with customers and stakeholders and will involve them in monitoring performance.

While the implementation and dissemination of service charters may present resource implications for departments, charters will be developed within existing resources. The approach taken will depend on the agency's existing functions, size and customer base.

Implementation strategy and timetable

The Minister for Small Business and Consumer Affairs will, in June 1997, publish a timetable for implementation of service charters after consultation with Ministers and the Prime Minister. The timetable will need to take into account any concurrent reviews, commercialisation arrangements and other external developments which may influence timing.

Recommendation 39: Annual reports on service charters

- (a) That all Commonwealth departments and agencies be required to report annually on performance against service charters.*
- (b) That the Industry Commission or the Minister for Small Business and Consumer Affairs publish a whole-of-government analysis commencing for the 1997–98 financial year.*

Response

Agreed in principle.

Departments and agencies will be required to report annually on performance against service charters.

Subject to the approval of the Joint Committee on Public Accounts, departments and agencies will provide summary information in annual reports or equivalent public documents to ensure that reporting requirements are not duplicated.

Reporting arrangements for charters will be streamlined to the greatest extent possible to complement existing arrangements.

The Minister for Small Business and Consumer Affairs will report to Parliament on whole-of-government compliance with charters. This will facilitate the sharing of good practice and the future benchmarking of government performance with respect to service charters.

Implementation strategy and time table

The Minister for Small Business and Consumer Affairs will publish principles agreed by Government for the preparation of and reporting of compliance with charters. In addition, supporting documents and training will be made available.

Recommendation 40: Business regulation complaints -free call service

That the Commonwealth Government establish a business regulation complaints free-call service for the purpose of providing small business with guidance on resolving difficulties.

Response

Agreed.

At the Small Business Ministers meeting on 16 December 1996 all jurisdictions agreed to work collaboratively on ways in which readily accessible referral mechanisms for dealing with regulatory requirements might be accomplished.

There are mechanisms already in existence in some States and Territories that provide part of such a service. All jurisdictions agree that such a service has merit, but that an overarching national facility may not be the most appropriate mechanism.

A suggested solution is that a national single number be established that connects directly with the Business Licence Information Service Centres in each jurisdiction where the most complete information on regulatory requirements exists.

This approach will result in the need to develop a more comprehensive database of what regulatory resolving mechanisms exist in each jurisdiction to support the information service.

The expected outcome is that small business will be able to call the number and be directed to the best place to resolve their regulatory problems, addressing a prime cause of current concern, delay and frustration.

Implementation strategy and timetable

A group of officials will report to Small Business Ministers by June 1997 with a proposal to achieve the intent of the recommendation. The Commonwealth Government has committed an additional \$580 000 over four years to implement this initiative.

The service is expected to be in operation by December 1997.

MAKING IT EASIER TO DEAL WITH REGULATORY GOVERNMENT

Recommendation 41: National business information service

- (a) *That a comprehensive national business information service be developed by 30 June 1998 that builds on the existing Business Licence Information Service and BizLink services.*
- (b) *That the information covered be expanded during 1997-98 to include:*
 - *all local government requirements;*
 - *business obligations in relation to employment, including occupational health and safety and workers compensation requirements, superannuation and taxation;*
 - *record keeping and reporting requirements, particularly taxation; and*
 - *statutory and non-statutory codes of practice.*

Response

Agreed.

The Small Business Ministers meeting held on 16 December 1996 endorsed the development of a comprehensive national business information service (BIS) in line with recommendation 41. The BIS will be achieved by building on the existing Business Licence Information Service (BLIS) and BizLink services. It is intended that the BIS incorporate common licences and streamlining of approval processes in line with recommendation 42. The three spheres of government are already involved in initiatives to reduce the administrative burden of red tape and improve the information available to small businesses.

The development of BIS will involve the amalgamation and integration of information that currently is available from separate and uncoordinated sources. Priority will be given to tax information and employer obligations such as superannuation, industrial

relations, workers' compensation and occupational health and safety, although information covering codes of practice and other quasi-regulatory requirements will also be included. A single national phone hotline for information on how to resolve regulatory difficulties and problems will also be established.

The expected outcome of these recommendations is the more timely and efficient provision of information and lower levels of compliance costs. Enterprise development, a critical part of job creation, industry development and growth will be encouraged through the reduction of 'red tape'.

Implementation strategy and timetable

The implementation strategy will result in the three BIS components — BLIS, BizLink and the hotline — coming together as an integrated comprehensive service.

Information available through the BIS components will be expanded by developing new BLIS licence data and BizLink information modules and industry specific approval packages. Access to BIS will also be improved by enhanced marketing and increases in the number of access points.

The BLIS and BizLink software for BIS will be improved and national client service, systems and operations will be established. This will involve the enhancement of operating and delivery platforms, the establishment and implementation of best practice standards for the quality, accuracy and currency of data, advice and response times and the establishment and implementation of standards for the training of delivery agents.

Finally, the BLIS components will be integrated through enhanced telecommunications links.

It is intended that a comprehensive BIS will be established by June 1998. A Commonwealth-State working group has been convened to facilitate the establishment and development of BIS under the guidance of Senior Officials. Progress will be reviewed at the next Small Business Ministers Summit in mid-1997. Ministers will report to the Council of Australian Governments by 30 June 1997.

Total new outlays (programme and running costs) to implement recommendations 41 and 42 from 1997-98 to 2000-01 is \$20.738 million.

Recommendation 42: Common licence methodology

- (a) *That Commonwealth, State and Territory governments agree to pursue a common licence methodology along the lines of that being developed by the Queensland and Commonwealth governments.*

- (b) *That Commonwealth, State and Territory governments agree to conduct a programme of business activity based projects as part of an overall strategy to reduce the number of forms small business must use and streamline licensing, registration and reporting requirements in 1997-98.*

Response

Agreed.

All jurisdictions agree that further development of common licences and simplification of business processes, as part of a broader programme of streamlining government regulation requirements, offer benefits to both business and governments. All jurisdictions will examine options and priorities for further work in this area.

Recommendation 43: Single entry point for information collection

- (a) *That a mechanism for collecting the most commonly sought information from small business and distributing it within government through a single entry point be established by 1 July 1998.*
- (b) *That a unique business number be developed to facilitate the development of the entry point and streamlined registration processes.*

Response

Agreed.

Governments recognise the difficulties small businesses face in dealing with multiple government agencies and the three tiers of government. The Commonwealth Government proposes to take a staged approach to working towards the Task Force objective of a single entry point to government. As a first step the Government will introduce by 1 July 1998 a single process for the initial registration requirements of the Australian Taxation Office (ATO), the Australian Securities Commission (ASC), the Australian Bureau of Statistics (ABS) and the Insurance and Superannuation Commission (ISC). Depending on negotiations with the States and Territories the project could link with some State agencies such as business name and payroll tax authorities. The Commonwealth project will as far as practicable be integrated with State-based single entry point projects. The establishment of a unique business number will be considered as part of the implementation of the project.

The involvement of State, Territory and local government information collection processes will be needed if the full potential benefits to small business are to be realised. A meeting of Small Business Ministers and the Australian Local Government Association on 16 December 1996 agreed that a single entry point involving all jurisdictions offered significant benefits to small business and administrative efficiencies and participants agreed to work within their jurisdictions to explore options for further consideration.

Collaborative work will continue under the guidance of the Council of Australian Governments Senior Officials group. The ATO is participating on a pilot basis in the Victorian Electronic Service Delivery Project, and the Commonwealth will explore the possibilities for the ASC, ABS and ISC to also participate.

The Department of Industry, Science and Tourism will coordinate a project team including officers from the ATO, ASC, ABS, ISC, Australian Customs Service, Department of Administrative Services, Treasury and relevant State and Territory representatives to develop an overall implementation strategy for the single entry point project, including the establishment of a unique business number, with a view to firm decisions being made by September 1997 on extending the project to encompass other agencies and more complex information collection such as regular annual returns. The project team will be responsible for continuing consultations and negotiations with State and Territory bodies with a view to establishing common collection processes that could involve all tiers of government. It will also have the task of preparing a detailed business case for the larger project and developing strategies for handling policy, legal, technical and administrative issues. System development for the first stage of the project will be put out to tender to the public and private sectors by July 1997.

The project team will be jointly oversighted by the Minister for Small Business and Consumer Affairs and the Assistant Treasurer. A report on progress will be provided to the next National Small Business Ministers Summit.

Recommendation 44: Streamlining information exchange

That the Prime Minister propose that the first meeting of the, Council of Australian Governments in 1997 agree initiatives to:

- *create a comprehensive business information service;*
- *reduce the number of forms small businesses must deal with by streamlining registration, licensing, renewals and reporting requirements; and*
- *create a mechanism for receiving information from small business and distributing it to government agencies.*

Response

Agreed.

Heads of Government have agreed to work collaboratively to advance the implementation or development of options for further consideration in all these areas. A Working Group of Commonwealth, State and Territory officials, with representation from the Australian Local Government Association, will develop proposals under the guidance of the Council of Australian Governments' Senior Officials group for consideration by Small Business Ministers. Details of the proposals, implementation strategy and timetable have been identified in the responses to recommendations 40, 41, 42 and 43. Heads of Government

will be kept informed of progress through periodic reporting to the Council of Australian Governments.

MAKING BUSINESS EASIER

Recommendation 45: Quality assurance certification

That from 1 January 1997, the Commonwealth Government require quality assurance certification for small business only where demanded by risk management considerations and not for industry development objectives. The Government should also provide better information on purchasing requirements to small business and better training to purchasing officers to ensure purchasing policy is applied consistently.

Response

Agreed in principle.

The Commonwealth is conscious of the need to structure its purchasing processes and practices so as not to inadvertently discriminate against small and medium sized enterprises and is aware of its responsibility to develop purchasing mechanisms that result in less complex administrative procedures.

Quality certification is not a universal prerequisite for supplying to the Government. The Commonwealth emphasises the use of quality assurance as one option for managing risk in certain procurements, rather than as an industry development mechanism, but recognises that quality assurance can make a contribution to achieving value for money outcomes when appropriately applied. The Commonwealth requires assurance of quality from its suppliers that is appropriate to the intended use of the purchased goods or services. For example, the purchasing policy suggests that seeking certification to ISO9000 standard may be one of a range of appropriate risk management strategies for high risk, high value purchases but is generally inappropriate at lower levels of the value/risk equation.

New risk assessment guidelines for purchasing officers have been developed which aim to promote a more consistent approach to quality assurance in Commonwealth purchasing. The Commonwealth, through the National Supply Group (NSG), promotes a national approach to quality assurance and has a commitment to a risk-based approach to identifying the appropriate means of assuring quality. The NSG has also established a working party on quality assurance.

The Government has recently implemented measures to advise purchasing officers and suppliers that formal quality certification, such as the ISO9000 series, is not a blanket requirement for supplying to the Commonwealth. Additional information and advice will also be provided to existing and potential suppliers about purchasing matters, including quality assurance.

The Commonwealth is also ensuring continuous improvement in the professional development of purchasing officers by leading a review of national competency standards. The review is being conducted under the auspices of the NSG and will examine the suitability of competency standards and their application to all levels of government. Additionally, new competency-based purchasing training courses have been developed by Purchasing Australia in the Department of Administrative Services. These courses include training on quality assurance.

The Government has also widened the charter of the National Procurement Board (NPB) to provide a vehicle by which industry, especially small business, can contribute to the development of policies and practices. In particular to:

- ensure that the costs to both agencies and industry of tendering for government work are reduced as quickly as possible; and
- facilitate the receipt and examination of industry concerns with government procurement processes.

The NPB has been given the task of providing advice on how to reduce the cost of tendering. The NPB is in the process of conducting a number of small business forums which are generating ideas for savings for both small businesses and government.

The Government has also extended funding for the National Industrial Supplies Office Programme, which provides a mechanism for government agencies to identify Australian suppliers of goods and services through the State-based Industrial Supplies Office network.

The Government's preference for contracting out service delivery responsibility to the private sector will lead to significant new business opportunities for Australian industry, especially in service related industries. Small businesses are well placed to deliver a range of specialist services that are currently carried out within the Public Service or to provide goods and services to companies that win large tenders.

The Government is currently examining measures to ensure that competitive and capable Australian firms, particularly small businesses, have access to the government market. The Minister for Administrative Services will shortly announce the details of an improved supplier information programme aimed at assisting small business to understand and access government business. The programme will deliver information to potential suppliers on how governments do business. This will be achieved through cooperative activities with State and Territory governments and industry associations.

The Commonwealth's Electronic Commerce Service, known as Transigo, will provide a single platform for procurement between the three levels of government and suppliers. Transigo will use the latest technology to provide a simple interface which will improve suppliers' access to the government marketplace and reduce costs of supplying to government.

Other activities will include development of training packages to enhance skills in preparing tenders and other aspects of doing business with government.

As a result of these initiatives, small business will:

- have a better understanding of how to participate in the government marketplace;
- face fewer barriers when entering the government marketplace; and
- have more opportunities to supply goods and services to the Commonwealth, both directly and indirectly.

In addition, the Commonwealth is working with State and Territory governments to establish a more coordinated national approach to government purchasing policy and practices. This will ensure that purchasing policy is applied more consistently across jurisdictions and the risk based approach to quality assurance will be better implemented by government buyers.

Implementation strategy and timetable

New competency-based purchasing training courses (including a quality assurance module) were released by Purchasing Australia in February 1997.

The NSG review of competency standards is underway. The progressive release of Transigo will commence in March 1997.

Recommendation 46: Review of business assistance

That the proposed review of business assistance programmes develop guidelines for the administration of Government programmes that minimise the compliance burden on small business while maintaining appropriate accountability procedures.

Response

Agreed.

The review of business assistance programmes will develop guidelines as recommended and report to the Government in June 1997.

Recommendation 47: Terms of reference for review of business assistance

That the proposed review of business assistance programmes:

- assess whether the particular information and skills development needs of small business are being adequately addressed by current business assistance programmes; and

- *develop best-practice principles for the delivery of assistance programmes to small business.*

Response

Agreed.

The review of business assistance programmes will report to Government in June 1997 on whether small business information and skills development needs are being adequately addressed by current business assistance programmes. The review will also, at that time, provide best-practice principles to the Government for consideration.

Recommendation 48: Use of information technology to reduce compliance costs

That the Office of Government Information Technology and AusIndustry examine the scope for using information technology to reduce small business compliance costs and report to Government on this topic by 30 June 1997.

Response

Agreed.

The Government recognises the opportunities to reduce information gathering, transactions and compliance costs for small business through enhanced use of information technology products and systems.

The Government's responses to the Task Force recommendations on electronic processing for the Pharmaceutical Benefits Scheme, the development of a comprehensive business information service and a single entry point to government are indicative of practical steps that can be taken.

AusIndustry and the Office of Government Information Technology, working with a small steering committee of relevant agencies and organisations, will prepare a report to the Government on further initiatives that might be taken to use information technology to reduce small business compliance costs. It is expected that completion of this study, including possible specialist assistance, will cost \$100 000.

Implementation strategy and time table

AusIndustry and the Office of Government Information Technology will report to the Government by 30 June 1997.

IMPROVING THE REGULATORY SYSTEM

Recommendation 49: Committee on Regulatory Reform

That the Council of Australian Governments establish a reinvigorated work programme for the Committee on Regulation Reform and relevant Ministerial Councils to progress and report on reforms in the major areas of concern to small business identified elsewhere in this report.

Response

Heads of Government have directed the Council of Australian Governments' Committee on Regulatory Reform to finalise its work on the monitoring and compliance of the Council of Australian Governments' *Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standards Setting Bodies* as soon as possible. The Committee will provide a report to the Council of Australian Governments by June 1997.

A number of Ministerial Councils have been given specific responsibilities in relation to employment, building and other issues as outlined elsewhere in the Government's response.

Recommendation 50: Office of Regulation Review

That one or two officers of the Office of Regulation Review be seconded to the Department of the Prime Minister and Cabinet from 1 July 1997 and that the Office be provided with a public charter outlining its role and functions.

Response

Agreed in part.

In order to minimise the burden of regulation on business, the Government is firmly committed to reforming regulation making. Improving the regulatory environment starts at the policy development level. The Office of Regulation Review (ORR), an office within the Industry Commission, will perform a pivotal role by providing advice direct to departments and agencies on the development of effective and efficient regulation. To assist the ORR in performing this role, it will have a charter outlining its role and functions. Furthermore, reflecting the importance which the Government places on improving business regulation, the Prime Minister has given the Assistant Treasurer responsibility for ensuring regulatory best practice is achieved and maintained. Accordingly, there would be little point in placing officers from the ORR within the Department of the Prime Minister and Cabinet which generally only becomes involved towards the end of the policy development process.

Implementation strategy and timetable

The ORR's charter will be prepared jointly, by 30 June 1997, by the ORR and the Treasury, in consultation with the Departments of Prime Minister and Cabinet, Industry, Science and Tourism and Attorney-General's. To ensure that small business perspectives and priorities are fully addressed, the Assistant Treasurer will consult the Minister for Small Business and Consumer Affairs in relation to the operations of ORR. The new Cabinet handbook will spell out the enhanced role of the ORR.

Recommendation 51: Regulation impact statements

- (a) That Ministers sponsoring primary legislation imposing compliance obligations be required from 1 January 1997 to have tabled a statement from the ORR certifying that minimum acceptable levels of analysis have been undertaken before the proposal can be considered by Cabinet; and that regulatory impact statements or a statement explaining the regulatory impact be tabled in Parliament at the same time as the legislation is introduced.*
- (b) That taxation legislation be subject to regulation impact statements, including an analysis of the compliance burden on small business.*

Response

Agreed in principle.

Minimising the regulatory burden on small business requires a change in the regulation making culture. Regulation should not only be effective, but also the most efficient way of achieving the objectives at hand. To foster this culture change, the Government will introduce reforms to the way regulation is made by requiring a cost-benefit analysis for regulation that is likely to affect business or restrict competition. The ORR is set to play a major role in promoting and assisting with these reforms which will sift out unnecessary business regulation and regulation which is unnecessarily costly to business.

Building on the regulation making framework set out in the Legislative Instruments Bill 1996, the Government will require a regulation impact statement for regulation (ie primary legislation and legislative instruments) and treaties involving regulation which directly affects business or which has a significant indirect effect on business or which restricts competition. The statement will set out the relevant policy objective along with all the viable alternatives for achieving that objective. The purpose of the statement is to ensure that departments and agencies fully consider the costs and benefits of all viable alternatives, with a view to choosing the alternative with the maximum positive impact. The statement will include a specific assessment of the impact on small business and on ways to minimise the paperwork burden associated with regulation. Where particular regulatory alternatives restrict competition the Statement must address competition policy issues.

Consultation is an integral part of improving regulation making. The Government believes that those affected by proposed regulation should be consulted at an early stage in the development of regulation with comments received in response to consultation to be taken into account in determining the most appropriate regulatory option. Accordingly, in preparing a regulation impact statement, the Government will require that there be consultation unless it is considered inappropriate.

The exceptions to these requirements will be strictly limited to regulation which is of a minor nature, is necessary for national security, is primary legislation or a legislative instrument which merely meets a specific obligation of the Commonwealth under an international agreement or is a legislative instrument of the type specified in subparagraph 28(1)(a)(iv), (vi), (vii) or (viii) of the Legislative Instruments Bill 1996. In addition, there will be some specific situations where the Government may be of the view that a regulation impact statement is unnecessary (eg where the legislation was an election commitment) or not possible due to the urgency of the matter (eg the national gun control legislation). For example, in emergency public health or safety situations, a regulation impact statement would be required after the regulatory action has been taken. These situations are, however, likely to be rare.

Subjecting taxation measures to the full regulation impact statement and consultation processes would, on occasions, provide an opportunity for the avoidance of tax. The Task Force noted that it is not the need to pay tax to which small business objects, but rather the burden imposed by taxation compliance. Recognising these concerns, the regulation impact statement required for tax proposals will examine the administrative options for ensuring compliance with tax proposals and the costs of each alternative to ensure that compliance cost considerations are fully taken into account.

The ORR will be responsible for examining and advising on compliance with the regulation impact statement requirements and whether the level of analysis is adequate. Departments and agencies will be required to consult with the ORR at an early stage in the policy development process. The Assistant Treasurer will be responsible for promoting compliance with the regulation making requirements. Compliance will also be reported in the Industry Commission's annual report.

The regulation impact statement will be tabled in Parliament along with or as part of a document explaining the content of the regulation. This explanatory document is known as the Explanatory Memorandum (for primary legislation), the Explanatory Statement (for legislative instruments) and the National Interest Analysis (for treaties) and is routinely prepared for the information of Members of Parliament and the public. Also accompanying or included in the explanatory document will be a Consultation Statement explaining the consultation processes undertaken and the views of the main interested parties. This initiative will be an important step in increasing the transparency of government decision-making allowing Parliament and the community to be better informed.

Implementation strategy and timetable

The requirements for delegated legislation are set out in the Legislative Instruments Bill 1996, which has passed the House of Representatives. The requirements for primary legislation and treaties will be written into the Cabinet handbook and other handbooks which are currently being written and are due to be finalised in early 1997.

Recommendation 52: Expiring legislation

That regulation due to expire should be reviewed only when a review is sought by the Government, industry or community groups; and details of all regulations approaching sunset be published a year in advance.

Response

Agreed in part.

The Government believes that the most effective way to regularly clean up legislative instruments is by means of mandatory automatic sunset. This ensures that those responsible for an instrument regularly review the need for its continuation. For instruments affecting business, it is unlikely that the department or agency will have sufficient information to determine whether to remake the instrument. To this end, the Legislative Instruments Bill 1996 adopts flexible arrangements, ensuring that sensible processes are followed. The Bill provides that, where the relevant department or agency is proposing to reinstate an instrument, it will approach persons most likely to be affected by the new instrument and then prepare a regulation impact statement (to be called a 'Legislative Impact Proposal') as part of its consideration of the issues. This places the onus firmly where it belongs, on those responsible for the instrument, not business. On the other hand, the Bill does not get 'bogged down' in process for reinstating instruments of a minor nature that do not substantially alter existing arrangements.

While there is no obligation to consult where the instrument will not be remade, the Office of Legislative Drafting will publish annually a list of instruments which are due to sunset over the following calendar year. This will allow business and other interested groups or individuals to consult the responsible department or agency if it is concerned that necessary regulation will lapse. Also, twelve months prior to the sunset of each instrument, the Office of Legislative Drafting will write to the department or agency responsible for the instrument advising of the impending sunset.

Implementation strategy and timetable

At the end of the year 2000, the Office of Legislative Drafting will commence publication of a rolling list of instruments due to be sunsetted during 2002. The Legislative Instruments Bill 1996 will be reviewed during the fourth and eighth years after its commencement.

Recommendation 53: Training in regulation impact analysis

That the ORR develop and promote new or improved training courses in regulation impact analysis and review and increase its training effort in 1997-98.

Response

Agreed.

The ORR will produce a new publication, *A Guide to Regulation*, explaining the types of circumstances in which particular types of regulation are appropriate. The *Guide* will also explain how departments and agencies should use the regulation impact statement as part of the policy development process. Departments and agencies will be required to consult the ORR at an early stage of the process and assistance can be provided on the preparation of regulation impact statements.

Recognising that officials may require training in how to undertake appropriate regulation impact analysis and review, the Government will ask the ORR to continue its training of officials, but on a more extensive and systematic basis. In particular, the training will address the regulatory responsibilities of each department and agency providing specific guidance on alternative approaches to issues that may require regulation.

Implementation strategy and time table

The ORR will issue *A Guide to Regulation* by 30 June 1997 and offer a programme of courses during 1997-98.

Recommendation 54: Compliance with regulation impact statement guidelines

That the ORR provide annual reports which assess compliance with the Commonwealth Government's Regulation Impact Statement guidelines commencing for the 1997-98 financial year; and that the Industry Commission continue to report on the Government's overall performance in regulation setting and review.

Response

Agreed.

Regular reporting is essential in assessing the effectiveness of these new arrangements. As part of its annual report, the Industry Commission (which incorporates the ORR) will report on compliance with the regulation impact statement requirements. In particular, the report will stipulate the number of Bills introduced into Parliament and the number of treaties and legislative instruments made during the relevant financial year for which a regulation impact statement was required. The report will also note how many Bills were

accompanied by a regulation impact statement. In addition, the Industry Commission will continue to comment in its annual report on the Government's overall performance in regulation setting and review.

Implementation strategy and timetable

The Industry Commission will commence reporting on compliance with regulation impact statement requirements in its 1997-98 annual report. Departments and agencies will assist the Industry Commission in this process by providing the ORR with relevant information.

Recommendation 55: Repeal of redundant regulations

That all Commonwealth agencies identify and repeal redundant regulations by 1 September 1997.

Response

Agreed in principle.

While it is unlikely that redundant regulation imposes significant costs on business, this is not an excuse for sloppy housekeeping. The Legislative Instruments Bill 1996 establishes a process whereby redundant legislative instruments will be identified and repealed. Under the Bill, all existing and new instruments will be placed on an electronic register (the Federal Register of Legislative Instruments). If existing instruments are not registered before certain dates, subject to a few exceptions, they will cease to be enforceable and will be taken to have been repealed. As part of this 'backcapturing' process, most redundant instruments will not be registered leading to their repeal.

In the case of primary legislation, the Commonwealth Attorney-General has written to all Commonwealth Ministers requesting that departments advise the Office of Parliamentary Counsel of redundant Acts. The Attorney-General has also requested Ministers to set priorities for repair of existing legislation with the aim of making it more accessible and comprehensible to the average citizen.

Implementation strategy and time table

All redundant existing legislative instruments will be completely removed from the statute books at the end of the initial five year sunset period after the 'backcapturing' process is completed. However, most redundant instruments will be removed during the 'backcapturing' process. The Attorney-General has written to Ministers suggesting that their departments notify the Office of Parliamentary Counsel of redundant legislation by 30 June 1997. That Office will then consider the most appropriate means to effect repeals. The Office of Small Business will monitor the impact on small business of deleting regulation.

Recommendation 56: Transparency of regulation making processes

That all jurisdictions improve the transparency of regulation-making process by requiring independent certification of Regulation Impact Statements and their tabling in Parliament from 1 July 1997.

Response

Agreed in principle.

The Commonwealth is committed to improving the transparency of its regulation-making process by requiring the preparation and publication of regulation impact statements for regulatory proposals which affect business or restrict competition. The ORR will have a role in examining and advising on regulation impact statements. The statements will accompany or form part of the explanatory documentation for regulations.

At the intergovernmental level, governments have agreed that national standards developed by Ministerial Councils or intergovernmental standard setting bodies should be subject to a similar regulation impact statement process. These requirements are set out in the Council of Australian Governments' *Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standards Setting Bodies*. The question of monitoring compliance with these recommendations is addressed in the response to recommendation 49.

Reflecting their commitment to improving business regulation, the States and Territories have individually made significant progress on improving regulation-making in recent years with most establishing regulatory review units and requiring proposals affecting business to be accompanied by a regulation impact statement. The States and Territories have also established processes for scrutiny of regulation impact statements:

- New South Wales already has in place a process for scrutiny of regulation impact statements by the Parliamentary Regulatory Review Committee. For this reason, it does not see the need for independent certification.
- In Victoria, both independent certification of regulation impact statements and their tabling in Parliament were introduced under the *Subordinate Legislation Act 1994*.
- The Queensland Red Tape Reduction Task Force is undertaking a review of ways in which the requirements of the *Queensland Statutory Instruments Act 1992* for regulation impact statements and certification for new and amended instruments, may be made more effective.
- Western Australia is already committed under the *Competition Principles Agreement* to undertake reviews of primary legislation and legislative instruments which are anti-competitive. Western Australia's review process for regulations will ensure transparency of the regulation making process with review reports being vetted by the Cabinet Government Management Standing Committee for meeting the required review standard.

- In South Australia, relevant Treasurer's Instructions place an obligation on Agency Chief Executives to ensure that regulatory proposals are evaluated in accordance with a framework which provides for appropriate considerations of costs and benefits. The *Subordinate Legislation Act 1978* requires that every regulation laid before Parliament be referred to the Legislation Review Committee for consideration and report. The South Australian Government is at present considering whether there is a need for additional transparency in relation to the impact of any proposed regulation.
- Tasmania has in place arrangements under which regulation impact statements in respect of primary legislation and legislative instruments are independently certified by the Regulation Review Unit. Regulation impact statements are required to be made in respect of legislative instruments that will impose a significant cost or burden on any sector of the public (in accordance with the *Subordinate Legislation Act 1992*) and, in respect of primary legislation, measures that impose any restriction on competition or significant impacts on business (in accordance with the Legislation Review Program which encompasses the legislation review principles of the *Competition Principles Agreement*). Regulation impact statements are released for public comment and, with respect to those prepared under the *Subordinate Legislation Act*, must be provided to Parliament's Subordinate Legislation Committee.
- The Northern Territory's Department of Asian Relations, Trade and Industry plays a coordinating and monitoring role in the regulatory review process and acts as the contact point for the public, ensuring that the sponsoring agency has undertaken appropriate industry consultation.
- The Australian Capital Territory has put into place a system of Regulatory Needs Analysis and Business Impact Assessments that has improved the transparency of the regulation-making process and identifies the effects on business of proposed regulation. This process is overseen by the Business Regulation Review Unit of the Department of Business, the Arts, Sport and Tourism.

Implementation strategy and timetable

The intergovernmental standards regulation processes are set out in the publication, *Principles and Guidelines for National Standard Setting and Regulatory Action by Ministerial Councils and Standards Setting Bodies*, which has been endorsed by the Council of Australian Governments.

Recommendation 57: Cost-benefit analysis of quasi-regulation

That from 1 July 1997 proposals to introduce quasi-regulation be subject to cost-benefit analysis, for instance in the form of a Regulation Impact Statement, and there be independent review processes built into quasi-regulations to ensure they remain effective and efficient.

Response

Agreed in part.

All jurisdictions agree that quasi-regulations which have a significant effect on small business should be subject to an appropriate process of scrutiny and review. Further work is required in order to fully respond to the issues. To this end, a Working Group of Commonwealth, State and Territory officials will prepare a report on what further action might be appropriate, for consideration at the next National Small Business Summit. At the Commonwealth level, this intergovernmental process will be supported by a Commonwealth interdepartmental committee consisting of representatives from the Department of Industry, Science and Tourism, the Treasury, Attorney-General's, the ORR and the Australian Competition and Consumer Commission. The committee will be chaired by the ORR and inquire into:

- the extent of quasi-regulation;
- the circumstances in which quasi-regulation is a viable alternative to government regulation;
- minimum standards for quasi-regulation; and
- processes for monitoring and reviewing quasi-regulation to ensure that it is current, effective and efficient.

This committee will draw on information exchanged between jurisdictions to clarify the extent and applicability of quasi-regulations. Its work will complement existing initiatives in this area including the strategic framework for voluntary codes of practice being developed by the Minister for Small Business and Consumer Affairs. Following completion of the committee's work, the ORR's new publication, *A Guide to Regulation*, will be updated to explain the circumstances in which quasi-regulation may be appropriate.

Implementation strategy and timetable

The Treasurer will write to the Minister for Industry, Science and Tourism and the Attorney-General, setting out terms of reference for the Commonwealth committee's work. The committee will consult with peak business organisations and report to the Government by 31 December 1997. In the meantime, a report on appropriate further action will be considered at the next Small Business Summit scheduled for mid- 1997 and the ORR will outline where quasi-regulation may be appropriate in its new publication, *A Guide to Regulation*. The *Guide* will be updated following the Government's response to the committee's report.

Recommendation 58: Competition policy reviews

That all future reviews under the Competition Principles Agreement, and as a result of the five year sunset clause in the Legislative Instruments Bill, specifically addresses regulatory standards.

Response

Agreed.

While standards are a useful regulatory tool it is important to ensure that they do not impose an unnecessary burden on business. The terms of reference for all reviews of Commonwealth regulation under the *Competition Principles Agreement* will use the regulation impact statement framework. In the case of legislative instruments, a regulation impact statement must be prepared before instruments which affect business can be made or reinstated following sunset. These statements should examine the costs and benefits associated with particular regulatory proposals and whether regulation is the most effective way of achieving the relevant policy objective. The ORR's publication, *A Guide to Regulation*, will address the use of regulatory standards, setting out the circumstances in which their use may be appropriate.

Most State and Territory governments also have in place processes which address this recommendation, for example:

- New South Wales and South Australia have in place a process for considering the competition impacts of regulatory proposals under the *Competition Principles Agreement*.
- The Victorian Government has developed comprehensive guidelines for the review of regulatory restrictions on competition which includes a section on the regulation of product and service standards. As regulation is reviewed according to the review timetable, the terms of reference for each review will include an examination of regulatory standards where appropriate.
- Queensland has in place a process for considering the impacts on competition of regulatory proposals under the *Competition Principles Agreement*. The Queensland Government has developed guidelines to assist departments in identifying measures that restrict competition in the Acts and legislative instruments which they administer.
- Western Australia's legislation review process under the *Competition Principles Agreement* will ensure that all reviews address regulatory standards because of the requirements that regulation restricting competition must be both necessary to achieve the objective of the regulation and in the public interest.
- Under the Tasmanian Legislation Review Program (LRP), all reviews of existing regulation and assessments of proposed regulation undertaken in accordance with the legislation review principles of the *Competition Principles Agreement* must consider both the primary legislation and any instruments subordinate to it. This will include any regulatory standards called up by the primary legislation or its subordinate

instruments. All LRP reviews or assessments must also consider alternative means of achieving the same result, including non-legislative approaches. Similar requirements apply under the *Subordinate Legislation Act 1992* for any proposed new instruments. These requirements should ensure that regulatory standards are addressed in all reviews or assessments of Tasmanian regulation.

- The Northern Territory guidelines for the review of all current and new regulation under the *Competition Principles Agreement* specifically include regulation imposing standards.

Implementation strategy and timetable

Reviews of Commonwealth legislation pursuant to the *Competition Principles Agreement* will be progressively undertaken up until the year 2000 in accordance with the agenda set out in the *Commonwealth Legislation Review Schedule*. *A Guide to Regulation* will be published by the ORR by 30 June 1997 and subsequently revised to implement the Government's response to the interdepartmental committee report on quasi-regulation.

State and Territory governments have also prepared legislation review schedules which will see all Acts and regulations which affect competition reviewed by the year 2000. The role of regulatory standards will be examined in such reviews.

Recommendation 59: Use of voluntary standards in regulation

That governments of all levels agree to not use voluntary standards for regulatory purposes from 1 July 1997 unless it can be demonstrated that the standard represents a minimum effective solution to the problem being addressed.

Response

Agreed in principle.

The ORR's publication, *A Guide to Regulation*, will set out the circumstances in which voluntary standards developed, for example, by Standards Australia, may be appropriate for regulatory purposes. The *Guide* will advise policy makers to be careful when incorporating voluntary standards by reference to ensure there are sufficient 'checks' and 'balances' in respect of the appropriateness and content of those standards. As noted in response to recommendation 58, the cost-benefit approach to regulation underpinning the regulation impact statement process will specifically examine the costs associated with particular regulatory proposals to ensure that voluntary standards are only used where they are the most effective means for achieving the relevant policy objective. In particular, policy makers will need to consider the costs of using voluntary standards which were not specifically designed for the problem at hand.

Some State and Territory processes for assessing regulation extend to the assessment of voluntary standards and other third-party material incorporated by reference into legislation, for example:

- In Victoria, all voluntary standards and other third-party documents that are incorporated by reference into regulation are required to have their costs and benefits assessed in the regulation impact statement.
- Under both the Queensland Government's *Policy Statement on Legislation Review* and the *Regulatory Impact Statement Guidelines* 1995, consideration must be given to any alternative means, such as non-legislative approaches, to meeting and achieving policy objectives. Further, the regulatory impact statement guidelines require a cost-benefit analysis to be carried out of such alternatives.
- In Western Australia, proposals for new regulation will be required to undertake a public interest test to ensure that voluntary standards are retained only if the benefits are greater than the costs and the voluntary standard is the most cost-effective option.
- Prior to its introduction, all primary legislation in Tasmania must be justified on public benefit grounds as required by the Legislation Review Program. Further, under the *Subordinate Legislation Act* 1992, all legislative instruments that impose a significant burden, cost or disadvantage on any sector of the public must also be subject to a cost-benefit analysis.
- In the Northern Territory, all standards, whether third-party or otherwise and however incorporated into regulation, are subject to regulatory assessment processes.

Implementation strategy and timetable

The first edition of *A Guide to Regulation*, to be published by 30 June 1997, will outline where voluntary standards may be appropriate. Following the Government's response to the interdepartmental committee report on quasi-regulation, this guide will be updated.

Recommendation 60: Drafting principles for voluntary and regulatory standards

That in negotiating a new Memorandum of Understanding with Standards Australia, the Commonwealth Government seek the development of good drafting principles for both voluntary standards and regulatory standards by 1 July 1997; and that the accreditation process being developed by Standards Australia include a requirement that standards writing agencies meet the drafting guidelines.

Response

Agreed.

The Commonwealth Government, through the Department of Industry, Science and Tourism, is currently involved in discussions with Standards Australia on a revised Memorandum of Understanding.

With regard to the recommended development of good drafting principles for standards, it should be noted that Standards Australia already issues a series of Standardisation Guides which describe the principles and processes to be followed in the development of Australian Standards.

As regards regulatory standards, the Department will be seeking acknowledgment in the revised Memorandum of Understanding of the importance of regulatory standards being developed specifically for regulatory purposes.

Implementation strategy and timetable

The Department of Industry, Science and Tourism will be working with Standards Australia to ensure that the revised Memorandum of Understanding addresses the issues raised in the recommendation.

The Department of Industry, Science and Tourism also expects the new Memorandum of Understanding with Standards Australia to be in place by 1 July 1997. However, in respect of the development of good drafting principles by 1 July 1997, it should be noted that, in revising its Standardisation Guides, Standards Australia is subject to a protracted consultation process. Therefore, while the Department of Industry, Science and Tourism will be seeking to ensure that this timeframe is met, this will be subject to negotiation with Standards Australia.

Recommendation 61: Industry self-regulation

Governments should consider industry self-regulation as one of the first regulatory options and develop guidelines on the circumstances when self-regulation would not be appropriate by 1 July 1997.

Response

Agreed.

The Government is keen for industry to take ownership and responsibility for developing effective and efficient self-regulatory mechanisms where this is appropriate. To this end, the Commonwealth interdepartmental committee on quasi-regulation will consider the circumstances in which self-regulation may be appropriate. This work will complement the strategic framework for voluntary codes of practice being developed by the Minister

for Small Business and Consumer Affairs. Furthermore, the ORR's publication, *A Guide to Regulation*, will identify self-regulation as an alternative regulatory mechanism and set out the circumstances in which self-regulation may be appropriate. The regulation impact statement process will ensure that departments and agencies consider all feasible alternatives for addressing the policy issue at hand, including self-regulation.

The States and Territories have also addressed alternatives to regulation in their reforms:

- The review and design principles set out in the New South Wales Government publication *From Red Tape to Results: A Guide to Regulatory Best Practice*, requires agencies to consider regulatory options including self-regulation when developing regulatory proposals.
- The Victorian Government's Office of Regulation Reform has produced two sets of guidelines, *Principles of Good Regulation* and *Alternatives to Regulation*, that canvass the appropriateness of industry self-regulation. Both documents will be referenced in the guidelines for making regulations made under section 26 of the *Subordinate Legislation Act 1994*. In addition, the Victorian Government issued Guidelines in 1996 for new regulatory proposals under the *Competition Principles Agreement*. Under these guidelines non-regulatory options must be explored before considering regulation that restricts competition.
- Under both the Queensland Government's *Policy Statement on Legislation Review* and the *Regulatory Impact Statement (RIS) Guidelines* 1995, consideration must be given to any alternative means, such as industry self-regulation, to achieve policy objectives.
- Western Australia's regulation review process under the *Competition Principles Agreement* enables the option of self-regulation to be examined under the guiding principles of review. Self-regulation would be preferred to alternatives where it is shown to be less restrictive of competition and to maximise public interest.
- Tasmania considers that the justification processes for new primary legislation and legislative instruments, under the State Government's Legislation Review Program and *Subordinate Legislation Act* 1992 respectively, adequately achieve the objectives of this recommendation.
- A discussion paper, *Regulatory Reform and the Systematic Review of Business Regulation in the Northern Territory*, to be circulated for public comment by April 1997, examines both principles for good regulation and non-regulatory alternatives.
- As part of the Regulatory Needs Analysis process all Australian Capital Territory Government agencies are required to consider preferred alternatives to regulation, including self-regulation.

Implementation strategy and timetable

The first edition of *A Guide to Regulation*, to be published by 30 June 1997, will outline where self-regulation may be appropriate. Following the Government's response to the interdepartmental committee report on quasi-regulation, this guide will be updated.

THE WAY FORWARD

Recommendation 62: Government response to this report

- (a) That the Government response to this report include an action plan and associated workprogramme to evaluate and implement the recommendations of this report.*
- (b) That the Commonwealth work closely with the States and Territories to implement those reforms that are cross jurisdictional in nature, and a strategy for intergovernmental action be considered for adoption by the Council of Australian Governments at its first meeting in 1997.*
- (c) That a report on progress towards a national set of performance indicators and a benchmarking strategy be made to the June 1997 National Small Business Summit.*
- (d) That the Minister for Small Business and Consumer Affairs formally report to Cabinet annually on the progress in implementing the Task Force recommendations. A report should be published as part of each Annual Review of Small Business in Australia.*
- (e) That the Minister for Industry, Science and Tourism, in consultation with business groups, make an annual assessment of existing reform initiatives from a business perspective and report to the Government on further priorities for change.*
- (f) That a further benchmarking survey be undertaken in 1998-99 to measure movements in the nature and size of the paperwork and compliance burden.*

Response

Agreed.

- (a) The Government has included an implementation strategy and timetable for the Task Force recommendations to which it has agreed. In addition, the Minister for Small Business and Consumer Affairs will have responsibility for ongoing monitoring and reporting on the Government's progress in implementing the recommendations. The Government has also been working closely with the States, Territories and the Australian Local Government Association to agree on processes and timetables for those recommendations which have cross-jurisdictional implications.
- (b) Heads of Government have agreed to cooperative processes for addressing Task Force recommendations with cross-jurisdictional implications (9, 14–16, 22, 27–34, 36, 40–44, 49, 56–59, 61 and parts of 62). Detailed responses have been provided against the specific recommendations.

(c) The meeting of Small Business Ministers and the Australian Local Government Association held in Canberra on 16 December 1996 agreed that the adoption of appropriate performance indicators and benchmarking arrangements is a crucial element of enhancing the transparency and accountability of regulators. Ministers agreed that the performance indicators suggested by the Task Force provided a solid base to build on existing experience. As a first step, Small Business Ministers will exchange information on performance indicators and develop proposals within their own jurisdictions. A working group of officials will develop policy options for implementing comparable performance indicators for consideration at the next National Small Business Summit. Ministers will report to Heads of Government on progress through Senior Officials.

At the Commonwealth level, the Government has reinforced the need for all departments and agencies to have meaningful and measurable performance indicators. Performance indicators will need to demonstrate the following:

- essential regulatory objectives have been met without unduly restricting business in the way in which these objectives are achieved;
- regulatory decision making processes are transparent and lead to fair outcomes;
- ongoing consultations with industry and the public that are accessible and responsive have been implemented;
- information and details on regulation and how to comply are widely available and understood by small business;
- new or revised regulation confers a net benefit on the community; and
- a predictable regulatory environment is created so business can make decisions with some certainty.

Performance indicators for these areas of government activity will assist in identifying measures which reduce the compliance and paperwork burden on small business. The development of performance indicators is the first step towards enabling benchmarking of government performance in regulation reform.

Commonwealth departments and agencies will continue to develop performance indicators in light of the Government's requirements for continuous improvement and quality assurance.

Commonwealth Ministers will be required to advise the Minister for Small Business and Consumer Affairs by 30 April 1997 on progress towards implementation of suitable performance indicators. This is to assist the Minister in his work with the States and Territories in the development of comparable national performance indicators as agreed by Small Business Ministers on 16 December 1996.

(d) The Minister for Small Business and Consumer Affairs, in consultation with the Assistant Treasurer, will have responsibility for monitoring progress by Commonwealth departments and agencies in their implementation of the Task Force recommendations. The Minister will play a central role in reporting to Cabinet on progress and coordinating

a number of processes in consultation with State and Territory Ministers for Small Business and the Australian Local Government Association. In addition, the Minister will have responsibility for monitoring and facilitating regulation reform initiatives affecting small business more generally. A deregulation section is being established in the Office of Small Business to support this work.

(e) The Minister for Industry, Science and Tourism in consultation with the Minister for Small Business and Consumer Affairs and business groups will provide the Government with a public report from business on priorities for change. The first report is to be provided by March 1998.

(f) The Minister for Small Business and Consumer Affairs will arrange for a further benchmarking survey to be undertaken by June 1999 to measure the nature and size of the paperwork and compliance burden on small business, and changes over the first term of the Howard Government.

Section 3

Other measures and initiatives to assist small business

The Government's commitment to small business and regulatory reform extends well beyond its response to the Small Business Deregulation Task Force and the reform initiatives outlined in Section 2. Since coming into office, the Government has made improving the environment for small business a high priority and has already taken a number of major steps in this direction. They are described in this section.

3.1 TAXATION

3.1.1 Capital gains tax rollover relief

Aim: To encourage small business to grow and trade-up by addressing the capital constraint often associated with capital gains tax (CGT).

A lack of capital often constrains the growth and development of small business, and thus reduces the level of investment and jobs growth in Australia. Small businesses can be deterred from expanding through the use of capital raised by selling existing business assets if those assets are subject to CGT. Of course, it also reduces the quantum of capital available. CGT also discourages small businessmen and women from moving between businesses and applying their skills to the greatest effect.

The small business CGT rollover relief package will apply from 1 July 1997, will benefit trading businesses in which the total net business assets (including assets of entities connected with the business) do not exceed \$5 million. Legislation is already before Parliament to provide small businesses with relief from CGT where a taxpayer realises a capital gain on the disposal of active assets and re-invests the proceeds in active assets in the same or another small business. In addition, amending legislation will be introduced as soon as practical (to be effective from 1 July 1997) to enable taxpayers realising a capital gain on the sale of shares in a small business operated through a company to also qualify for rollover relief. An underlying active assets test will prevent rollover relief from applying to gains primarily derived from passive investments such as real estate, and an active shareholder test will ensure that rollover relief is only available to *bona fide* small business people who are actively engaged in the management and operation of the company.

The legislation to provide rollover relief for the sale of shares in small businesses will be developed after consultation with the CGT Subcommittee of the Taxation Commissioner's National Tax Liaison Group and representatives from the Taxation Commissioner's Small Business Consultative Group.

The direct saving to small business of providing rollover relief on the sale of shares will be \$90 million per year, and the whole package has been estimated to cost around \$300 million per year. This represents additional capital that can be used for

investment in the small business sector. More importantly, the flexibility of small business to upgrade and change assets will be improved.

3.1.2 Capital gains tax exemption on the sale of a small business for retirement

Aim: To expand the choice of superannuation arrangements available to small business people approaching retirement.

A common problem for small business people is that having invested their available capital in business assets they find they have not made adequate provision for retirement through superannuation. The new CGT exemption will create greater opportunities for small business people to provide for a secure retirement without having to sacrifice continued investment and development of their businesses during their working lives. Small business owners will be able to claim the CGT exemption for assets sold on or after 1 July 1997 where the proceeds are used for retirement. As for CGT rollover relief, the CGT exemption will apply to trading businesses in which the total net business assets (including assets of entities connected with the business) do not exceed \$5 million.

The Government has decided to extend the exemption to cover not only individual taxpayers but also people who operate their small business through a private company or trust structure. This will relieve the potential for the measure to discriminate against those small business people who operate their businesses under these structures. The extension will increase the worth of the exemption from \$15 million to \$50 million per year.

3.1.3 Provisional tax uplift factor

Aim: To provide taxation relief to business by applying a tax uplift factor more in line with growth in income.

Provisional tax has the objective of collecting tax in the year the income is received, and the 'provisional tax uplift factor' is intended to reflect the expected growth in income compared to the previous year. If the uplift factor is set too high it can impose an unjustified burden on small business. Reducing the uplift factor to a more reasonable level will maximise opportunities for growth, employment and investment, and reduce the cash flow burden on many small businesses.

The uplift factor for 1996-97 has been reduced from 8 to 6 per cent. This measure is expected to result in a reduction in provisional tax in 1996/97 of \$180 million. In future years, the uplift factor will be linked to nominal growth in Gross Domestic Product (GDP) to ensure it stays in line with economic realities. This will result in a provisional tax uplift factor of 6 per cent for 1997-98.

3.2 INDUSTRIAL RELATIONS

3.2.1 ***Workplace Relations Act 1996***

Aim: To assist business become more productive, flexible and competitive by creating an industrial relations system which provides greater choice, is simpler to understand and easier to access and use.

The Government's industrial relations reforms will provide an important impetus to job creation in the small business sector. The most immediate benefit has been to reduce the burden of the previous unfair dismissal arrangements. The new system is more balanced and fair to both employers and employees. It is less legalistic and costly, with an emphasis on conciliation. Employers are protected from frivolous and malicious claims by the requirement for a filing fee and access to costs where a claim is vexatious. In considering unfair dismissal claims, the Australian Industrial Relations Commission (AIRC) will have to consider a range of factors, including the possible effect of any order on the viability of the employer's business.

In addition, new regulations to be introduced under the *Workplace Relations Act 1996* will further reduce the burden on small business by excluding from Federal unfair dismissal laws those employees of small businesses with fifteen or fewer employees who have less than one year's continuous service. The AIRC will be required to minimise disruption to small businesses in respect of unfair dismissal matters by, for example, conducting hearings at convenient times and locations. These concessions, specifically targeted to ease the compliance burden on small business, should give small businesses greater flexibility to hire new employees. This will give a fair go to employees by expanding job opportunities and at the same time protecting the interests of those who have been employed for 12 months or more. Employees will continue to be protected from unlawful discriminatory unfair dismissals and by the statutory minimum notice requirements.

The new industrial relations system will also provide small business with greater opportunities to develop industrial relations arrangements best suited to their individual circumstances. In particular, small business employers will have new opportunities to make direct agreements with their employees. They will have the choice of making simple, user-friendly Australian Workplace Agreements (AWAs) with individual employees or making collective Certified Agreements either with unions or directly with employees. The opportunities for direct agreements with employees are particularly relevant for small business given that many are either non-unionised or lightly unionised.

Small businesses that wish to remain in the award system will benefit from a simplified and more flexible system. Federal awards will be simplified to operate as a safety net of minimum wages and conditions covering 20 'allowable matters', with all other matters to be agreed at the enterprise or workplace level. Facilitative provisions will also be introduced into awards so that the application of allowable matters at the workplace can be determined by agreement between employers and employees. Awards will become less detailed and more conducive to workplace efficiency and

productivity. These measures will facilitate the introduction of work practices that suit the needs of individual small businesses.

The award simplification process will also provide small business with greater flexibility in their use of part-time and casual employees. Awards will no longer limit the number or proportion of part-time or casual employees or set maximum or minimum hours of work for part-time employees (although the AIRC may make provisions setting a minimum number of consecutive hours that a part-time employee can be required to work).

Where an employer seeks to make a Certified Agreement directly with employees, unions are only able to participate if invited to do so by an employee who is a union member. Freedom of association provisions prevent employers, employees or independent contractors from being forced into industrial organisations against their wishes. Unions are only entitled to enter business premises to investigate suspected award or other breaches and for the purposes of discussions with employees, and only if the union officer or employee concerned holds a permit from an Industrial Registrar and gives 24 hours notice. The statutory right of entry for investigation of breaches only applies if the union has a member at the workplace. Furthermore, the statutory right of entry for discussions with employees is only available for discussions during meal-times or other work breaks, and only with employees who wish to participate in the discussions.

Small businesses now have greater certainty with respect to industrial action within their business. Industrial action may not be taken during the specified life of an agreement and the AIRC has been given greater powers to direct that industrial action cease or not commence. This is enforceable by injunctions and substantial monetary penalties.

The newly-created Employment Advocate will provide assistance and advice to employers and employees on AWAs and the provisions of the new legislation and has been given a specific charter to assist small business. Among other things, the Employment Advocate will publish guidelines for employers on how to make AWAs, an information statement for employees and a simple filing form for AWAs. These services will enhance access to agreements for the many small businesses who have avoided formal bargaining in the past due to the complexity of the system. The Employment Advocate will also be available to assist with breaches of the new freedom of association provisions of the Act.

The commencement of a single industrial relations system in Victoria on 1 January 1997 has replaced the legalism and complication that arise from separate Commonwealth and State systems running side by side.

An information kit has been prepared to provide members of the public with information on the role and functions of the Employment Advocate and AWAs.

Information kits are available by telephoning 1300 363 471.

3.3 REGULATORY REFORM

3.3.1 National competition policy legislation review

Aim: To remove unjustified restrictions on competition and ensure that any remaining restrictions are the most efficient means of achieving regulatory objectives consistent with avoiding unnecessary burdens on business.

All governments in Australia are pursuing a comprehensive programme of legislation review as part of the national competition policy reforms. Governments have scheduled more than 1500 pieces of legislation which restrict competition for review by the year 2000. The Commonwealth Government has scheduled 85 legislation reviews (including legislation affecting business) by the year 2000. This does not include reviews already underway.

The Commonwealth's legislative review schedule published in June 1996 is available on the Internet at <http://www.treasury.gov.au>.

The national competition policy reforms require the identification and, where appropriate, reform of all legislation which restricts competition. The guiding principle is that legislation should not restrict competition unless it can be demonstrated that the restriction is necessary to achieve the objectives of the legislation and is in the public interest.

The removal of unjustified restrictions on competition will reduce the regulatory costs and complications associated with running a business. Benefits will flow from less restrictive licensing arrangements, fewer prescriptive regulations, more efficient product standards, less restrictions on the scope of business activity, and improved and simplified regulatory structures.

As part of the response to the Small Business Deregulation Task Force report, Governments have agreed to cooperate on national competition reviews into food standards and the regulation of agricultural and veterinary chemicals. These reviews will be brought forward as part of the response to recommendations 33 and 34 of the Task Force report. Consideration is being given to developing further national reviews in a range of other areas.

3.3.2 Legislative Instruments Bill 1996

Aim: To improve the making, accessibility and accountability of legislative instruments.

Legislative instruments are rules and regulations that, while not contained in Acts of Parliament, still have the force of law and hence have a direct or indirect impact on the rights and obligations of individuals, businesses and others. Many Acts of Parliament contain powers that allow the relevant Minister to develop and impose legislative instruments without the need for them to be specifically considered by Parliament. Businesses, both small and large, have expressed concern at the lack of scrutiny applied to such rules and regulations. Under the Legislative Instruments

Bill 1996, all such instruments will be subject to parliamentary scrutiny. The Bill was passed in the House of Representatives on 11 September 1996 and introduced into the Senate on 8 October where it is currently awaiting debate. The Bill allows for only a few exemptions from the consultation, scrutiny and disallowance requirements of the scheme and, as a result, is a significant improvement on the Legislative Instruments Bill introduced by the previous Government.

Another area of concern is the lack of consultation with interested parties when regulations and other legislative instruments are being developed. Regulations often impose significant costs on business and the Government recognises the need for effective consultation procedures. Hence, the Bill also mandates a structured consultation process for most legislative instruments affecting business. This process will generally require public notification of a regulatory proposal and the development of a Legislative Instrument Proposal (commonly referred to as a Regulation Impact Statement) setting out the arguments for, and costs and benefits of, new regulatory proposals.

The Bill also provides for the establishment of a register of all legislative instruments. All new instruments will be placed on the register, and all existing ones will be incorporated into the register over time. When fully in place, the register will provide a single source providing business with details on all regulations and other legislative instruments in force.

In addition, all new legislative instruments will be subject to a five year sunset clause,¹ while existing instruments will have an effective sunset provision five years from the date on which they are placed on the register. Sunsetting will result in ongoing, regular reviews of all legislative instruments to ensure they are still necessary and the automatic abolition of those that are out-dated or redundant.

Examples of legislation under which regulations impacting on business can be made and which are subject to the Bill's requirements for consultation include:

- *Agricultural and Veterinary Chemicals Act 1988*;
- *Copyright Act 1968*;
- *Customs Act 1901*; and
- *Fringe Benefits Tax Assessment Act 1986*.

3.3.3 Repeal of redundant Acts

Aim: To reduce regulatory burden by removing unnecessary and out-dated laws.

All Commonwealth departments are to identify and provide a list of redundant Acts to the First Parliamentary Counsel by 30 June 1997. This measure implements part of the Government's Law and Justice Policy announced during the last election, and accords with recommendation 55 of the Small Business Deregulation Task Force

¹ Sunsetting is a mechanism by which regulations automatically cease to have effect after a defined period.

report to repeal redundant regulation. It also complements other review initiatives such as the Commonwealth's review of legislation affecting business or restricting competition under national competition policy reforms, and the reform of regulation under the Legislative Instruments Bill.

3.3.4 Review of the burden of corporations and securities regulation

Aim: To improve access to Australian Securities Commission information and to reduce processing times and compliance costs on business.

The Australian Securities Commission (ASC) has been undertaking a range of measures to ease the burden on small business of complying with the Corporations Law, as well as ensuring the goals of the law are met so that business is conducted fairly. These measures include:

- improved access to ASC information;
- reduced processing time for business;
- relief from certain audit and accounting provisions under the Corporations Law;
- relief from certain requirements of the Corporations Law for specific industries;
- measures to increase the protection of creditors; and
- improved coordination between the ASC and the Insurance and Superannuation Commission.

Improved access to ASC information

Aim: To make it easier for business to understand the Corporations Law.

The ASC is improving the quality and dissemination of information for small business organisations and individual businesses. It is developing national education packages on the Corporations Law and improving the ways it can assist small business.

During 1996 the ASC introduced:

- a **home page on the Internet (<http://www.asc.gov.au>)** which provides information about key matters dealing with compliance with the Corporations Law;
- enhancements to the **telephone information line (1300 300 630)** providing responses to enquiries about the operation of companies and compliance with the Corporations Law; and
- client education meetings with industry groups and professional bodies, particularly in regional areas, to provide information about the Corporations Law.

From 13 March 1997 the information that is available to the public free of charge detailing company names, identifying numbers, the type and status of companies, the locality of registered offices and a list of documents received from individual companies by the ASC is also accessible through the ASC's home page on the Internet.

Improved processing time for business

Aim: To reduce the amount of time business spends processing the requirements of the Corporations Law.

Measures include:

- introducing further facilities for the electronic lodgement of forms with the ASC; and
- permitting electronic prospectuses and the electronic distribution of prospectuses.

In February 1997, the ASC convened the Electronic Commerce Conference to consider the implications of electronic commerce and to examine how to facilitate the use of new technology.

Relief from certain audit and accounting provisions of the Corporations Law for certain companies

Aim: To remove unnecessary accounting and audit requirements imposed on business.

Changes the ASC has made include:

- executing a Class Order in November 1996 granting relief to certain large proprietary companies from the requirements to audit their financial statements;
- extending to five months the deadline for proprietary companies with years ending June or July 1996 to lodge their financial statements -this recognises the timing problems for companies in the initial year of operation of the *First Corporate Law Simplification Act 1995*; and
- relief given in November 1996 from the requirement for all non-reporting entities that are proprietary companies to disclose directors' remuneration in their accounts (where all members of the relevant company consent).

Relief from certain requirements of the Corporations Law for specific industries

Aim: To remove unnecessary regulatory burdens associated with the Corporations Law by providing certain industries with specific exemptions.

The ASC is empowered under the Corporations Law to provide exemptions from certain provisions that deal with fundraising activities.

The following exemptions have been made by the ASC:

- relief to assist the operators of two business matching services and to those using these services. This relief will assist business seeking to raise funds and is discussed in detail at section 3.6.5 of this statement;

- relief to sellers of less than 30 per cent of shares in real estate companies from the obligation to prepare and lodge documentation relating to the shares being sold;
- an exemption from the requirement to have a prospectus for Ostrich Investment Schemes involving not more than 20 interests and no more than 400 ostriches marketed personally by farmers; and
- relief to the operators of Reciprocal Trade Exchanges (which involve a form of bartering where business operators agree on a system to exchange goods or services amongst members of the exchange through the establishment of 'trading accounts' amongst themselves) from several provisions of the Corporations Law that deal with fundraising and which impose an unnecessary regulatory burden.

Protection to creditors

Aim: To provide greater protection to creditors from insolvent trading and related practices.

Initiatives over the last 12 months include:

- a prosecution programme for offenders;
- an information campaign to encourage business to report incidents of insolvent trading; and
- targeting industry groups where there are significant problems with, insolvent trading (eg the building industry).

Each of these initiatives is aimed at ensuring that small businesses know there are measures that can be taken against companies that engage in insolvent trading.

Reform of the Corporations Law

Aim: To give the Corporations Law a greater economic focus.

On 14 March 1997, the Treasurer launched the Corporate Law Economic Reform Programme. This is a comprehensive initiative to improve Australia's corporate law as part of the Government's drive to promote business and economic development.

The aim of the programme is to ensure that Australia's corporate law is consistent with promoting a strong and vibrant economy. This will involve delivering a corporate regulatory regime which:

- takes full account of the Government's economic objectives;
- encourages companies to invest and create employment and wealth; and
- protects investors and maintains their confidence in the business environment.

In advancing this programme, particular regard will be paid to the importance of small business in the economy.

Over the coming months, the Government will release position papers on key issues of corporate law policy which affect business and market activity. One matter on which public comment will be sought which is of particular interest to small business is the regulation of fundraising. Preparing a prospectus is a time consuming and costly exercise for small businesses which are typically seeking only a few investors or a relatively small amount of equity. The Government will be reviewing the fundraising provisions to:

- ensure that they provide an appropriate framework for capital raising by enterprises of all sizes; and
- determine whether they meet the policy objective of providing investors with relevant, comprehensible and cost effective information for informed investment decisions.

A position paper will also be released on directors duties which will deal with matters such as whether the current rules inhibit the making of sound business judgements.

3.3.5 Retirement Savings Accounts

Aim: To increase choice and competition in the superannuation industry.

The introduction of Retirement Savings Accounts (RSAs) was announced in the August 1996 Budget. RSAs are simple, low cost, low risk superannuation products that can be offered by banks, building societies, credit unions and life insurance companies. They will be capital guaranteed and their balances fully portable, and they will be owned and controlled by the superannuation members holding the accounts, subject to preservation rules applying to all superannuation arrangements.

RSAs will benefit employees by increasing choice and competition in the superannuation system, and will benefit small business employers looking for a convenient superannuation vehicle for small contributions, especially under the Superannuation Guarantee arrangements. Small businesses may also benefit from the convenience and customer relationship provided through the RSA provider's branch network.

Legislation to introduce RSAs was passed by the House of Representatives on 4 March 1997 and is currently awaiting debate in the Senate. It is expected to be passed in time for a commencement date of 1 July 1997.

3.3.6 Review of product recall requirements

Aim: To consider options to reduce unnecessary paperwork and other requirements for product recalls while maintaining protection for consumers.

A review of product recall requirements was foreshadowed by the Minister for Small Business and Consumer Affairs at the National Small Business Summit in June 1996. The review reflected the Government's awareness of the difficulties faced by business in dealing with a multiplicity of regulatory authorities. **A discussion paper, Regulation of Product Recalls, was released on 18 February 1997 for public**

consultation and comment, and can be accessed via the Internet at <http://www.dist.gov.au>. The review will address both the obligations of business when conducting a voluntary recall and the requirements imposed by government agencies.

Whilst small businesses rarely have the need to recall a product, changes to the current procedures will ensure that any recall can be conducted simply and efficiently. The need for a review is illustrated by the Federal Chamber of Automotive Manufacturers which has indicated that its members have to contact up to 17 regulatory bodies in order to conduct a product recall!

3.3.7 Reform of the regulatory regime for patent attorneys

Aim: To increase the level of competition in the provision of patent services by making entry into the profession easier and by removing registration requirements for those making trade mark and design applications.

Charges by the patent attorney profession constitute a major cost to business when seeking and maintaining protection for patents, trade marks and designs. Accordingly, the Government was keen to consider ways that might increase competition in the profession while still maintaining an appropriate standard of professional advice. The review afforded the opportunity to consider ways to improve access to the profession so as to increase competition. The Small Business Deregulation Task Force recommended that the Government respond positively to this review as soon as possible in order to assist business by lowering costs.

The Government's response to the review removes unnecessary restrictions by freeing up entry to the profession, progressively devolving education and accreditation from the profession to the tertiary education system and deregulating practice in trade marks and designs. This should allow a broader range of people to seek qualifications and ultimately afford clients more choice. Small and medium sized enterprises, as significant users of the intellectual property system, will benefit from the lower costs expected to result from increased competition.

3.3.8 Introduction of a new innovation patent system

Aim: To allow inventors to obtain property rights for 'incremental inventions' which have a lower inventive threshold than that applying to standard patents.

The Government is creating the innovation patent system in response to issues raised by small business and identified in the review of the petty patent system carried out by the Advisory Council on Industrial Property.

Under this new system, inventors will be able to apply to register exclusive rights for lower level inventions. Such rights will last for up to eight years and will provide their owners with a defined property right which they can sell or licence to others if they choose not to develop and market their invention themselves. Because it will be relatively simple to use, the innovation patent system should reduce the compliance

burden for business compared to that arising from the existing patent and petty patent systems.

In exchange for the granted right, the Australian Industrial Property Organisation will publish a description of the invention, enabling others to use this information to develop their own inventions or as a basis for further research. Publication also defines the boundaries in which others can operate without fear of infringing existing rights. The new system should stimulate innovation by Australian businesses as it will enable inventors to better capture some of the benefits from their lower level inventions, as well as increasing awareness of new inventions.

3.3.9 Review of the Copyright Act

Aim: To review and amend the Copyright Act with a view to making it easier for business and the wider community to understand.

The *Copyright Act 1968* is perceived as being unnecessarily complex and difficult to understand. The establishment of an up-to-date and workable copyright regime and a prompt response to the Copyright Law Review Committee's recommendations are set out in the Government's election statements, *For Art's Sake A Fair Go!* and *Online Australia*.

The Government has reviewed and refocussed the terms of reference of the Copyright Law Review Committee with a view to making the Act more accessible and easier to understand.

The Copyright Law Review Committee will be releasing a series of short issues papers addressing particular areas of its terms of reference and will also seek views from the public and affected businesses at a public forum in early 1997. The final report will be completed by 30 June 1998.

3.3.10 Review of copyright licence fees for the use of music

Aim: To review the impact on small business of copyright licence fees for the use of music.

The copyright collecting societies that represent copyright owners in music (the Australasian Performing Right Association (APRA)) and sound recordings (the Phonographic Performance Company of Australia (PPCA)) have been seeking licence fees from small business for the public performance of music. The present licensing campaigns by APRA and PPCA have been met by objections from many small businesses. In particular, many businesses object to paying a copyright licence fee for the use of a radio on their premises.

The Government acknowledges that copyright license fees can have an impact on business. Accordingly, the provisions of the *Copyright Act 1968* relating to the public performance of music on business premises will be further examined with a view to considering whether the law should be amended. The views of interested parties, including small business, will be taken into account as part of the review.

3.3.11 Customs initiatives — Cargo Management Strategy

Aim: To better facilitate the movement of cargo at ports and airports, streamline the flow of information and minimise the impact of customs requirements on international trade.

The Government is keen to ensure that regulatory requirements relating to the movement of cargo are able to be met with minimum impact on international traders. Reforms to the management of international cargo will make it easier for small business to deal with the Australian Customs Service and reduce paperwork and record-keeping requirements. The aims of the Cargo Management Strategy, launched by the Hon. Geoff Prosser, MP in August 1996, will be achieved through:

- a partnership approach with industry;
- a move towards periodic customs entries;
- periodic payment of import duty; and
- a single point of contact with government for importers and exporters.

The partnership approach will enable authorised businesses to account to Customs for their import and export activity and related duty liability at the end of each accounting period, rather than the present transaction-based approach. Such partnership arrangements will recognise the need for appropriate border controls. They will be developed in consultation with, and recognising the needs of, other relevant agencies and will be based on a risk management approach.

3.3.12 Trans-Tasman mutual recognition

Aim: To remove impediments to trans-Tasman trade in goods and the movement of labour caused by regulatory differences between Australia and New Zealand.

The Trans-Tasman Mutual Recognition Bill 1996 was introduced into the Commonwealth Parliament on 4 December 1996. The Bill implements the Trans-Tasman Mutual Recognition Arrangement which was signed by the Prime Minister, Premiers, Chief Ministers and the Prime Minister of New Zealand in mid 1996.

The basic principles of the scheme provide that:

- a good that can be legally sold in Australia can be sold in New Zealand and vice versa, as long as it meets the regulatory requirements for sale in the jurisdiction in which it was manufactured or first imported; and
- a person registered to practise an occupation in Australia can seek registration to practise an equivalent occupation in New Zealand and vice versa, without the need for further examination.

Certain exemptions and qualifications exist under the Arrangement in areas like quarantine, customs controls and intellectual property. In addition, ‘cooperation programmes’ will be pursued in the areas of motor vehicles; therapeutic goods; hazardous substances, industrial chemicals and dangerous goods; electromagnetic compatibility standards and radiocommunications equipment; and gas appliances. These programmes will be conducted by Australian and New Zealand regulatory authorities with a view to developing consistent standards in both countries, thereby reducing barriers to trade.

In addition to providing greater choice for consumers, the scheme will:

- reduce compliance costs for manufacturers as they will only need to meet the regulatory requirements for the sale of goods in the jurisdiction in which they are manufactured or first imported;
- facilitate economies of scale in production, which is particularly important for small businesses, leading to lower production costs;
- permit service providers, many of whom operate small businesses, to practise in jurisdictions in which they are not resident; and
- impose greater discipline on governments contemplating the introduction of new standards and regulations.

3.3.13 Mutual recognition of conformity assessment with the European Union

Aim: To reduce the cost and uncertainty for business in obtaining conformity assessment certificates for products destined for sale in the European Union.

Conformity assessment refers to the mechanisms and processes used to ensure that products conform with mandatory standards in respect of, for example, product safety requirements. Under the Australia-European Union Mutual Recognition Agreement (EU-MRA), each of the parties will recognise the other’s conformity assessment bodies (eg testing laboratories) as being competent to test and certify an agreed range of regulated products to the other party’s standards.

Mutual recognition of conformity assessment removes the need for multiple evaluations and assessments and reduces the cost and inconvenience of obtaining certification in overseas countries. Under conformity assessment MRAs, products can be assessed and certified in the country of production in accordance with the standards and legal requirements of the importing country, without the need for further testing, inspection or certification at the point of sale.

Eight product sectors are covered by the EU-MRA, with scope for it to be extended to other sectors. The Agreement covers:

- low voltage electrical equipment;
- machinery;
- pressure equipment;

- telecommunications terminal equipment;
- electromagnetic compatibility standards;
- medical devices;
- automotive products; and
- Medicinal Products Good Manufacturing Practice inspection and batch certification.

The Agreement should significantly reduce costs for exporters and importers. When it comes into force, it will be possible for products covered by the Agreement to be tested in Australia prior to shipment to the EU. As a result, producers will have a greater choice of certification bodies and may be able to avoid the high fees often charged by bodies overseas. Businesses will also be able to have their products or processes assessed for both domestic and export markets at the same time.

The EU-MRA is expected to come into force in late 1997. The Department of Industry, Science and Tourism and the European Community Delegation to Australia will run an information and awareness campaign on the new arrangements to inform exporters and potential exporters of EU certification requirements and the conformity assessment arrangements that apply to the products covered by the Agreement.

3.3.14 Health initiatives

The Government is reviewing a range of regulatory arrangements in the health, family services and related areas to ensure they are not unnecessarily restrictive and that they are the most efficient means of achieving the desired regulatory outcomes, while taking proper account of health and safety issues. Some of these initiatives will yield direct benefits to small business.

Review of the regulation of medicinal products

Aim: To consider options for improving the speed, effectiveness and cost efficiency of the current regulatory regime for medicinal products, while also recognising the high priority the Government places on protecting public health and safety.

Small business proprietors in the medicinal products industry have expressed concerns with the burden of regulatory compliance including the day-to-day administrative costs, the effect of regulations on their international competitiveness, the absence of adequate transparency in government decision making, and the ineffectual nature of some regulatory processes for dealing with particular medicinal products.

In August 1996, the Parliamentary Secretary to the Minister for Health and Family Services commissioned a review by KPMG of the current regulatory arrangements for medicinal products. The Government received the final report of this review on 16 January 1997.

The recommendations arising from this review, and a range of other processes, such as the Industry Commission inquiry into the pharmaceutical industry, recent regulatory audits by the Australian National Audit Office, the review of the evaluation processes for registrable non-prescription medicinal products and the Alternative Medicines Summit are currently being considered by the Government. Proposals arising from these reviews such as examining the data requirements for the approval of **listable** products, reviewing the claims which can be made in respect of products 'Generally Regarded as Safe', and improving the decision making and appeals processes for products at the food/medicinal interface are currently under consideration. A Government statement responding to the KPMG review and defining the agenda for the future regulation of medicinal products in Australia will be released in the near future.

Proposed reform of Drugs and Poisons Scheduling

Aim: To avoid delays in adopting changes to the Drugs and Poisons Schedule and improve consistency in the way the Schedule is applied in the States and Territories.

Currently, drugs and poisons are categorised into schedules according to their toxicity by the National Drugs and Poisons Schedule Committee. The various schedules determine the availability, packaging and labelling of drugs and poisons. State and Territory governments are responsible for implementing the nationally agreed regulatory arrangements in their own jurisdiction.

To speed up the process for achieving national uniformity in the scheduling of drugs and poisons, the Commonwealth Government proposes to amend the *Therapeutic Goods Act* 1989 to cover all classes of chemicals currently covered by the scheduling process. This will assist industry, including small business, by reducing the cost and complexity of the existing arrangements. The Minister for Health and Family Services will be writing to State and Territory Health Ministers shortly to seek their agreement to this.

3.3.15 Immigration initiatives

Reforms to the Temporary Entry regime

Aim: To assist small business by streamlining the administrative arrangements for entry into Australia by overseas business executives and specialists.

Reforms implemented in August 1996 included the introduction of a new business visa, fast-track processing for individuals sponsored by Australian businesses, the waiver of **labour** market and skills testing for staff involved in key activities and simpler and faster health assessment procedures.

Businesses now also have the option of applying for 'pre-qualified business sponsorship' which entitles them to ongoing sponsorship status (initially for two years) and removing the need to apply for individual sponsorship each time they want

to employ an overseas business executive or specialist. This will benefit companies who regularly employ overseas staff.

3.4 BUSINESS ASSISTANCE

3.4.1 AusIndustry

Aim: To provide a coordinated information service on government assistance programmes for small and medium sized firms, and to provide assistance for a range of business development needs.

Through a hotline service, businesses can enquire about all available government programmes and be directly referred to the contact person for those programmes for which they are eligible. All Commonwealth, State and Territory government support measures for business can be accessed through AusIndustry access points. **The AusIndustry hotline number is 132 846.**

AusIndustry also delivers assistance programmes for research and development, commercialisation of technology, business development and business networking. These programmes are characterised by a client focus, emphasis on the overall growth needs of the firm and a business approach to the delivery of information and financial assistance.

3.4.2 R&D Start programme

Aim: To assist small and medium sized enterprises which have limited capacity to fund research and development (R&D) and to achieve an increase in the number of R&D projects with high commercial potential. To encourage the commercialisation of such projects and private sector investment in R&D.

R&D provides significant spillover benefits to firms in the same industry as well as to the broader economy. Research has shown that technologically innovative firms outperform other businesses in terms of sales, exports and employment. It is particularly difficult for small business to finance R&D because of the substantial cost, high risk and long timeframes involved. As a result, access to private sector funding is severely limited.

To address this situation, the Government has introduced R&D Start, a competitive grants and loans programme to support projects that:

- demonstrate a clear commercial focus with high potential rates of return;
- link leading industrial research with management and financial capability;
- would not otherwise be undertaken by firms without government support;
- provide net national economic benefits; and
- are performed in Australia.

AusIndustry R&D Start grant awardees

World Geoscience Corporation was awarded a grant of \$9 million to develop CERBERUS, the next generation of airborne geophysics technology. CERBERUS will offer powerful and cost-effective tools for mineral exploration by combining four advanced technologies, including airborne mineral mapping and airborne electromagnetics, to tailor airborne geophysical solutions to specific mineral exploration problems. The project has the potential to provide the Australian mining and petroleum industry with leading-edge exploration technology. CERBERUS also has the potential to cost-effectively collect a host of information for marine and land environment management purposes.

Intec Copper Pty Ltd was awarded \$6.38 million to construct and operate a large-scale pilot plant utilising the Intec Copper Process which aims to produce LME 'A' grade copper and valuable by-products in an environmentally friendly manner and at costs dramatically lower than conventional smelting technologies. The process, which has successfully completed the first stage of a two stage project, would produce residues within environmentally acceptable levels that could be disposed of at the mine site. The project should enable higher metal recoveries from ore into concentrate, holding out the prospect of turning copper mining projects whose economics are presently marginal into profitable operations. The process is expected to generate substantial royalty income from operations worldwide.

Cutting Edge Technology Pty Ltd was awarded \$5 million to develop a steep dip highwall auger mining system able to recover coal reserves in open cut mines at attractive extraction rates in steeply dipping coal seams and variable ground conditions. This system will provide access to coal reserves beyond the economic reach of conventional surface mining techniques and the technical capabilities of current highwall mining technology. The project will serve to improve the efficiency, productivity and international competitiveness of the Australian coal mining industry. The project has the capacity to introduce new mining equipment design technology and manufacturing capability into Australia.

Cortecs Australia Pty Ltd was awarded \$2.21 million to develop a multivalent oral vaccine to prevent middle ear and respiratory tract infections which will involve the identification and isolation of bacteria antigens, the development of innovative molecular biology technology and the combination of these into a novel formulation for prevention of otitis media and respiratory tract infections. The project has considerable commercial potential and is capable of reducing long-term health care costs, improving quality of life and enabling the cost effective treatment of this major childhood illness.

Quantum Technology Pty Ltd was awarded \$858,000 to develop a non-mechanical brail printing technique and the integration of support hardware and software packages to service the 35 million blind people in the world. This project represents a quantum leap in brail production technology and is expected to create a unique product able to enhance educational, employment and recreational opportunities for blind and other disabled people. The project is expected to generate considerable market opportunities.

Funding for up to 3 years is provided for expenditure of up to 50 per cent of the cost of a project. The programme is sufficiently flexible to address the realities of the small business sector, including the fact that many small, technology-based firms may have only a small management team. It also assists those small firms which may find the cost of applying for the 125 per cent tax concession too high compared with its financial benefit.

By improving their effort in R&D and developing their capabilities, R&D Start grants assist firms to become more skilled in commercialising the results of their own research and that of our science base, as well as helping them take up leading-edge technologies. R&D Start offers small businesses a means of achieving some of the competitive advantages enjoyed by larger firms. The programme allows individual enterprises to achieve the critical mass which is important for high risk activity such as R&D. It can also reduce the time required to bring new products to the market.

In the second phase of decisions relating to round one of the *R&D Start* programme, announced on 19 March 1997, sixteen projects were offered a total of \$44 million in grant funding for the research and development of a broad range of technologies. The projects involve a high level of innovation and small firms were among the successful applicants. The selected projects included new insecticides, three dimensional surround sound audio, sleep disorders and coal mining.

The Industry Research and Development Board is currently considering 45 applications and will announce the successful projects in June. Applications for the third round close on 6 August 1997.

3.4.3 Small Business Innovation Fund

Aim: To support the provision of early-stage capital to small, technology-based firms.

Small, technology-based firms find it extremely difficult to attract early-stage capital due to weaknesses in the Australian capital market. Evidence suggests that this problem is particularly severe in the investment range of \$500 000 to \$2 million.

However, it is precisely these firms which we should be encouraging because small, high-technology businesses are a vital factor in future economic growth, they build Australian skills and they capture new market niches for our economy both at home and overseas. These small, technology-based businesses are very fast growing and rapidly generate new jobs. By encouraging these world class small businesses and the systems to finance them, the Government can help to launch a succession of highly competitive small businesses into the international marketplace.

The Government will allocate \$130 million from the R&D Start programme to the establishment of a Small Business Innovation Fund (SBIF) to support the provision of early-stage capital to new, technology-based firms. The SBIF will be administered by the Office of AusIndustry and the Industry Research and Development Board. The design of the SBIF is modelled on existing, highly successful programmes in the US and Israel.

All SBIF investment decisions will be taken by private sector fund managers within guidelines set by the Board under Ministerial direction. Fund managers will be responsible for finding matching private sector capital on the basis of \$1 of private capital for every \$2 contributed to the fund by the Government. Under this arrangement, up to \$200 million in public and private capital should become available over four to five years.

Up to six early-stage capital funds will be established. These will invest in more than 100 small, technology firms over five years. Individual funds will be in the \$30–\$50 million size range to give sufficient risk spread and ensure fund viability. Funds will normally have a 10 year life span and will be required to invest at least 50 per cent of their capital in early-stage activities (for example, seed, start-up and first-round funding). Investments will be restricted to companies with an annual revenue of \$4 million or less averaged over the previous two years.

The SBIF will be structured to provide a return on the public investment. For profitable funds, the Government will seek repayment of capital, an interest rate at the long-term bond rate and 10 per cent of profits. While government and private investors will share any losses in proportion to their investment (that is, on a 2: 1 basis), overseas experience suggests that appropriate risk management strategies can limit fund failure and that there is a strong likelihood of positive returns on public funds.

3.4.4 Technology Support Centres

Aim: To enhance the international competitiveness of firms by improving their access to technology and technical expertise, and by improving their ability to absorb new technologies and processes.

Currently, small and medium sized enterprises in Australia appear to be lagging three to eight years behind competitor nations in the uptake of new manufacturing technologies (*Technology and the Economy-the Key Relationships, OECD, 1992*). If Australian firms are to become world competitive, mechanisms for the diffusion or transfer of new technologies must be enhanced.

Responding to this pressing need, the Government made a substantial new commitment to technology diffusion in its 1996-97 Budget. The programme now has total available funds of \$47.6 million over four years and is designed to facilitate the establishment of a national network of Technology Support Centres to assist access to expert advice and high quality technology. The network will be readily accessible by firms of all sizes with the emphasis on small and medium sized enterprises in the manufacturing sector.

Existing technology centres, universities, cooperative research centres, TAFEs, the CSIRO and others will be encouraged to cooperate across State and Territory boundaries to respond to the technology needs of industry.

3.4.5 Australian Technology Group

Aim: To provide seed capital and management expertise to commercialise new technology.

Australia has long suffered from an inability to take sufficient commercial advantage of our technological innovations. Australia's venture capital firms and technology transfer bodies such as the commercial arms of universities, generally do not have the resources, expertise nor charter to adequately source, supply or negotiate early-stage commercialisation of technology.

The Australian Technology Group (ATG) was set up by the Commonwealth Government to operate as a private enterprise company to provide seed and start-up capital (patient capital) for technology commercialisation. It also provides management expertise with its staff working with small businesses to develop a viable business plan and to bring new technology to market.

Among the major beneficiaries of the ATG's activities are small, technology-oriented companies that experience difficulty in attracting the long-term, patient capital needed to bring innovative new products to market. The ATG is Australia's largest investor in early-stage venture capital and is assisting the development and commercialisation of new treatments for cancer, asthma, and hepatitis B, for propagating plants, electronic encryption, automated speech recognition, radio frequency identification devices and a new form of refrigeration.

To improve the ATG's capacity to increase the flow of capital into technology commercialisation, the Government has recently agreed to allow the ATG to raise additional capital from the private sector. To facilitate the proposed capital raising, the ATG is restructuring its investment activities by establishing two industry-specific investment funds — one concentrating on bioscience investments and one on information technology and telecommunications. These funds will take over the process of providing venture capital for approved projects. Each fund will raise up to \$35 million from the private sector with the ATG serving as lead investor.

3.4.6 Strategic relationships with global companies

Aim: To encourage multinational information technology and telecommunication companies to undertake industry development in Australia, and to assist small and medium sized enterprises to become internationally competitive and break into export markets.

In order to facilitate greater access by Australian small and medium sized enterprises to markets, both locally and globally, the Partnerships for Development (PfD) and Fixed Term Arrangements (FTA) programmes, together with the telecommunications carriers' Industry Development Plans, encourage strategic alliances between large multi-national firms and small and medium sized Australian enterprises. Over 300 such enterprises have developed strategic alliances with multinational companies under the umbrella of the PfD and FTA programmes. The impact of these programmes and what steps can be taken to further strengthen the development of

small and medium sized enterprises is **currently being reviewed by the Information Industries Task Force which will provide a discussion draft in late March or early April (which will be accessible via the Internet at <http://www.dist.gov.au>)** and a final report in July 1997.

Examples of alliances between Australian and global companies under the PfD Programme

Ericsson — has a major manufacturing and R&D facility in Melbourne. The company has undertaken a programme to identify components that could be manufactured in Australia rather than being imported. This was a joint Industrial Supplies Office/Ericsson initiative that delivered \$7 million worth of import replacement. To assist small and medium sized enterprises, Ericsson trained suppliers free of charge in order to raise quality assurance and provided a rolling 12 month contract in order for these companies to make expansion plans based on forward orders. This process is ongoing.

Intellect is a small but rapidly growing Western Australian company specialising in EFTPOS-related technologies, which has a close relationship with the multinational NCR under the Partnerships for Development programme. NCR has shown a strong commitment to Australia through strategic alliances with small and medium sized Australian firms such as Intellect. Intellect has benefited through NCR's expertise in the financial, retail and telecommunications markets and its international marketing network.

Keycorp -has developed 'Point of Sale' technologies that are being globally marketed by Unisys, helping the company experience growth rates of over 50 per cent per annum in the last three years.

Syrinx Speech Systems -has developed one of the world's most advanced speech recognition technologies. Hitachi Data Systems helped fund Syrinx product development through its venture capital company. IBM has also recently established a relationship with Syrinx for further development of the technology.

Netcomm — is a major manufacturer of modems in Australia and has worked closely with two partner companies, Apple and Toshiba, in developing export markets. Their success with Apple includes the manufacture of a modem for sale in the United States. The company has become the only Australian manufacturer that has qualified to supply British Telecom and has pre-qualified to supply Nippon Telephone and Telegraph in Japan.

3.4.7 Customs advisory services

Aim: To develop more effective ways of helping businesses comply with customs requirements and take advantage of relevant government programmes.

Small businesses can obtain assistance in meeting their obligations under customs law from Customs Information Centres, which are located in all capital cities and provide

information and advice on customs matters. **Customs Information Centres are accessible on 1300 363263.**

Information on the Internet and e-mail facilities for direct inquiries is also available. **The e-mail address is information@customs.gov.au. The Internet home page is <http://www.customs.gov.au>.**

In addition, to ensure that the specific needs of business are recognised, a new National Business Centre has been established in Brisbane which will focus on assisting small and medium sized enterprises comply with customs laws. The Centre will develop a better understanding of the reasons for non-compliance and more effective ways of helping small businesses comply with the law and take advantage of relevant government programmes. As part of its functions, it will establish consultative mechanisms to discuss strategies to improve compliance levels, as well as develop education programmes and identify further areas for reform.

3.4.8 Ethnic Networking Forum

Aim: To provide small business people with the opportunity to exchange ideas and experiences, and to tap into the language and cultural knowledge and networks which overseas-born Australian business people possess.

A National Networking Forum sponsored by the Ethnic Chamber of Commerce and Bilateral Business Associations will be held in Canberra on 25-26 March 1997. The Forum will bring together for the first time people from Australia's ethnic and bilateral business associations to discuss a range of issues important to Australia's place in the international world of business and trade.

3.5 GOVERNMENT BUSINESS OPPORTUNITIES

3.5.1 Competitive neutrality policy

Aim: To allow private businesses, including small and medium sized enterprises, to compete with Commonwealth Government businesses on a more equal basis, thus providing increased business opportunities.

The Government released its Competitive Neutrality Policy Statement in June 1996. The policy provides that significant government business activities should not enjoy a net competitive advantage over their private sector competitors simply by virtue of their public sector ownership.

The Commonwealth will apply competitive neutrality principles to all its government business enterprises (GBEs), non-GBE share-limited companies, business units and other business activities with commercial receipts greater than \$10 million. This will directly address:

- exemptions from various taxes;

- access to finance at concessional interest rates;
- exemptions from complying with regulatory requirements imposed on private sector competitors; and
- other benefits associated with not having to achieve a commercial rate of return on assets.

Where these arrangements are not already in place they will be implemented progressively from July 1997.

In addition, a competitive neutrality complaints mechanism will be established from July 1997 to allow competitors and others to apply to have any Commonwealth business activity investigated by the Industry Commission where they consider that competitive neutrality arrangements are not being applied. Where Government departments have contracting arrangements involving in-house service providers, the tendering process for such contracts will also have to be consistent with the principles of competitive neutrality.

All States and Territories are also implementing competitive neutrality arrangements within their own jurisdictions as a requirement of the national competition policy reforms.

The Commonwealth Government's statement on competitive neutrality policy is available on the Internet at <http://www.treasury.gov.au>.

3.5.2 Competitive tendering and contracting out

Aim: To enable government services to be better delivered with improvements in accountability, quality and cost-effectiveness.

The Government's agenda for public sector reform will see considerable change to the way services are delivered, including greater contracting-out of functions. This is consistent with the June 1996 Industry Commission report, *Competitive Tendering and Contracting by Public Sector Agencies*, which noted that competitive tendering and contracting out is under-used and has the potential to significantly improve accountability, quality and cost-effectiveness.

The Government recognises that it is important for the private sector to be able to compete on an equal footing with 'in-house' bids from within governments agencies. To achieve equality, the processes governing 'in-house' tendering for contracts will be consistent with the principles of the Government's competitive neutrality policy.

The Government has decided that the introduction of competitive tendering will not be mandatory, but public service managers will be required to review their responsibilities systematically and assess their cost-effectiveness. As part of this process, public sector agencies will need to consider the appropriateness of contracting out. Draft competitive tendering guidelines covering a wide range of issues including competitive neutrality, accountability arrangements and contract management will be released for comment from interested parties in the next month or

so. The Government will undertake a review in 1998-99 to determine how well the new approaches to the delivery of government services have been adopted and implemented. The review will be an important opportunity to identify impediments to adopting new approaches and whether there are any structural impediments on private sector competitors.

Areas where the Commonwealth has already contracted out include:

- veteran health services;
- case management services for the unemployed;
- printing and publishing of government reports;
- property management services;
- catering and grounds and aircraft maintenance for the Department of Defence;
- information technology services; and
- cleaning services.

Areas which are currently being reviewed to assess the potential for further competitive tendering include legal and security services.

3.5.3 Government purchasing policy

Aim: To improve access for small business to the government purchasing market.

The Government is committed to providing improved access for small business to the government market. New guidelines for government procurement are currently being developed which will ensure that competitive and capable Australian firms, including small business, are given ample opportunity to compete for government business.

Under the new guidelines, Commonwealth Government departments and agencies will be expected to ensure that their procurement processes take into account the needs of small business when preparing government tenders. Over time, agencies will also be expected to make an assessment of the extent to which they purchase from small business.

3.6 SMALL BUSINESS FINANCE

3.6.1 Equity investments by banks in small and medium sized enterprises

Aim: To address financing problems facing many small businesses by encouraging banks and other lending institutions to become equity partners.

The Government has made two recent changes to encourage financial institutions to invest equity in small and medium sized enterprises.

Changes to Reserve Bank prudential requirements will enable banks to make equity investments in businesses up to an aggregate amount equal to 5 per cent of a bank's core capital without prior consultation with the Reserve Bank.

Equity investments in small and medium sized enterprises by lending institutions made after 1 July 1996 will be taxed under capital gains tax provisions rather than income tax provisions. By allowing lending institutions to benefit from capital gains tax treatment when investing in small and medium sized enterprises, the Government has provided a greater incentive for long-term investments in the small business sector. This capital gains tax treatment is targeted at small and medium sized enterprises by limiting its availability to investments where:

- the business has total assets of \$50 million or less; and
- the lender holds at least 10 per cent of the enterprise's paid-up capital once the investment is made.

One major bank has established a subsidiary specifically for equity investments in small and medium sized enterprises and has already made a number of such investments with the intention of actively seeking out new investment opportunities.

3.6.2 Business Equity Information Service

Aim: To help small businesses access finance by bringing together informal equity investors and small and medium sized enterprises.

Overseas evidence suggests that investment in small and medium sized enterprises from informal equity investors is generally about two to three times more significant than the formal venture capital market. These informal equity investors, or 'Business Angels', are private individuals or non-commercial investors who make direct equity investments in small businesses.

Through the Business Equity Information Service, the Government has provided funding to investor matching or broking services which aim to improve the efficiency of the informal equity market by matching potential investors and small and medium sized enterprises through database matching services, bulletins and investor forums. Government support through the Business Equity Information Service will help put these services on a firmer footing and help them build the critical mass necessary to be self-funding. Small business will benefit through improved access to sources of equity capital and information about capital market techniques and good management practice.

Examples of Business Equity Information Service recipients

David Millhouse and Associates (DMA), trading under the banner of Corporation Builders, conducts a range of events and workshops in Sydney and Brisbane where businesses can access finance and equity capital and learn capital market techniques to maximise their existing investment. DMA obtained funding of \$160 000 to expand Corporation Builders to other States and regions.

The **Australian Business Chamber** has received \$100 000 to pursue a joint proposal with Amgun Holdings which is a financial adviser to the Chamber in relation to the Australian Business Angels Programme. The proposal involves increasing the activities under the Chamber's existing Business Angels programme which has been operating in Sydney since 1995 by expanding the programme to regional NS W and other States via the Chamber's sister organisations. The Chamber's activities mainly take the form of a series of 'business angel' meetings which showcase five selected small or medium sized enterprises to a group of business angels. The Chamber's programme has also issued a number of bi-monthly newsletters and hosted a mini expo for start-up ventures.

The **Victorian Employers' Chamber of Commerce and Industry** has received \$100 000 to develop and expand nationally its Business Finance Support Programme. The programme, piloted in Victoria, involves the development of a computer-based business matching service. The database contains comprehensive information on individual business opportunities while protecting sensitive business information. Both investors and businesses have the opportunity to browse through the database to identify potential partners.

Business Angels Pty Ltd is a small 'personality-based' business matching service which maintains a register of investors and investees and arranges introductions on the basis of industry sector, size of investment and 'personality' criteria. Business Angels Pty Ltd has received \$40 000 to expand its operations by purchasing video conferencing equipment, developing a training course for facilitators and completing work on a Business Angels manual.

3.6.3 Studies into alternative equity markets for small and medium sized enterprises

Aim: To improve access to equity finance for small and medium sized enterprises.

The Government has commissioned a study of alternative equity markets which is due to report in June 1997. An alternative equity market would encourage investment in small and medium sized enterprises by allowing investors to exit their investments or trade small and medium sized enterprise securities in a more liquid market. The study will look at:

- the viability of an alternative equity market;
- market liquidity;
- the quality and number of listings;

- current private sector proposals for an alternative equity market;
- legislative and regulatory restrictions;
- the appropriate role for government;
- the potential for a pan-Asian alternative equity market; and
- broader issues such as the factors which would assist small and medium sized enterprises listing on an alternative equity market.

3.6.4 Review of Pooled Development Funds

Aim: To examine the effectiveness and efficiency of the Pooled Development Funds (PDF) Programme.

The Government is committed to providing leadership in encouraging the provision of patient equity capital for small and innovative Australian firms. In this context, a review has been set up to look at the effectiveness and efficiency of the PDF Programme.

There has been considerable debate about the adequacy of Australian capital markets in providing investment capital, particularly for the development of small and medium sized enterprises. From the perspective of such enterprises, the costs of raising new or additional equity capital are often prohibitive. From an investor's viewpoint, the attraction of such an investment is diminished by the risks associated with equity investment, the difficulties in making individual small investments and possible lags in realising a return on an investment.

The PDF Programme was introduced to increase capitalisation opportunities by providing a mechanism for channelling long-term equity capital to small and medium sized enterprises through investment companies known as PDFs. To encourage investment in PDFs, investors are given concessional tax treatment. PDFs are taxed at 15 percent on profits derived from investment in small or medium sized enterprises and 25 percent on profits derived elsewhere. Shareholders receive a tax exemption on unfranked PDF dividends. Franked dividends attract an exemption unless shareholders elect to have their dividends taxed through the imputation system. Income derived by investors from selling shares in PDFs is also exempt from tax.

PDFs must invest in:

- small or medium sized enterprises that have total assets of not more than \$50 million;
- companies that will establish a new business, substantially expand production or supply capacity or expand and develop markets;
- newly issued ordinary shares; and
- activities other than retail operations or property development.

Interest in the PDF Programme continued to grow during 1996. A total of 48 PDFs are currently registered with the PDF Board with over \$150 million in capital raised.

The review of the Programme is being undertaken by a taskforce of officials from the Department of Industry, Science and Tourism and the Australian Taxation Office. A report is to be provided to the Minister for Industry, Science and Tourism by 30 June 1997.

3.6.5 Relief for Business Matching Services

Aim: To reduce the cost of capital raising for small and medium sized enterprises.

The Australian Securities Commission (ASC) recognises that there is both a need for small and medium sized enterprises to be able to advertise for capital, as well as provide adequate investor protection. In view of the role played by matching services, which provide a bulletin board or other means of circulation of information about enterprises seeking to raise capital or investors, the ASC is prepared to vary the provisions of the Corporations Law to allow matching services to make offers and invitations to invest in companies seeking to raise capital.

The ASC has granted relief to the operators of two matching services and is considering extending this relief to other operators of matching services by issuing a Class Order. The ASC has released a draft Class Order detailing the areas of relief that it is considering granting to the operators of matching services. The proposal involves an exemption from fundraising provisions provided the matching services warn prospective investors of the need to obtain further information before they invest in the advertised securities.

Depending on the outcome of public consultation it is envisaged that, in April or May 1997, the ASC will issue a Class Order which will exempt most business matching services from the fundraising provisions of the Corporations Law.

3.7 EMPLOYMENT, EDUCATION AND TRAINING INITIATIVES

3.7.1 Employment services

Aim: To improve the efficiency and effectiveness of employment placement services.

Reforms to employment services which will commence in December 1997 will give employers recruiting staff a choice of public, private or community-based providers of employment placement services. Organisations from these sectors will compete to provide such services to employers. Small businesses will be able to choose a provider who consistently supplies them with the job applicants who best meet their requirements.

The reforms will also expand opportunities for small business to participate in the delivery of training and employment services through competitive tendering arrangements. Already, some 85 private companies (most of them small businesses)

have successfully become involved in providing case management services to the long-term unemployed.

Under the new arrangements, the range of employment services that will be contracted out through competitive tender will include labour exchange services, job search assistance and employment assistance, entry-level training support services and self employment assistance for jobseekers. The Government expects that small businesses will continue to play a major role in the employment services market.

3.7.2 New apprenticeship system

Aim: To make training, especially entry level training, an attractive business proposition.

The Commonwealth is working with the States and Territories to simplify, deregulate and devolve arrangements for employers accessing the vocational education and training system. To support the new arrangements, 19 one-stop services across the country will be established to provide employers and employees with a single point of contact for information on Commonwealth, State and Territory assistance for apprenticeships and traineeships.

Under the new arrangements:

- employers can select the registered training provider of their choice, customise a training package to meet their skill requirements and negotiate where and how the training will be provided;
- new traineeships and apprenticeships will be able to be developed under Australian Workplace Agreements and Certified Agreements as provided for in the Government's new Workplace Relations Act. Employers will only pay wages for the time spent in productive work averaged over the term of the training agreement. A wage top-up will be provided by the Commonwealth for full-time apprentices and trainees under the new agreements whose wages fall below a guaranteed minimum level as a result of increased training time;
- small businesses will no longer be precluded from training apprentices and trainees because of perceptions of excessive paperwork associated with State and Territory vocational regulations, peaks and troughs of the business or its narrow range of work. The Government has announced funding to expand the number of apprentices and trainees engaged under group training arrangements. The apprentices and trainees will be employed by a range of industry, region, or network-specific Group Training Companies which hire them out to small business at hourly rates for short or long periods depending upon business needs; and
- the small business traineeship, which currently accounts for over 25 per cent of the national traineeship uptake, has great potential to expand due to the flexibility provided by the Government's new industrial relations arrangements.

3.7.3 Schools

Aim: To modernise vocational education in schools and increase industry involvement in education.

The Commonwealth is providing a package of measures to expand vocational education in schools (particularly apprenticeships and traineeships), to increase industry involvement in education and to promote an effective transition from school to work. The package provides funding through the Australian National Training Authority, the Australian Student Traineeship Foundation, the Jobs Pathway Programme and the School to Work Programme. Within the School to Work Programme, the 'enterprise education in schools' initiative will encourage employers to work with schools to develop an enterprise culture so that more students are equipped with the skills to create and manage business and work opportunities.

BUDGETARY IMPACT OF STATEMENT

The table below sets out the estimated budgetary impact of the initiatives contained in the Government's response to the Small Business Deregulation Task Force. The way in which these measures will be funded will be settled in the context of the 1997-98 Budget.

	1997– 1998 \$m	1998– 1999 \$m	1999– 2000 \$m	2000– 2001 \$m	4 year total \$m ¹
REVENUE	Estimated cost to revenue				
FBT car parking exemption	25	50	35	35	145.0
FBT record-keeping exemption	5	25	20	20	70.0
Enhancement to CGT exemption on the sale of a business for retirement	0	35	35	35	105.0
New CGT rollover relief measure	0	90	90	90	270.0
TOTAL COST TO REVENUE	30	200	180	180	590.0
OUTLAYS²	Estimated increase in outlays				
Rationalisation of tax compliance statements	0.1	0.0	0.0	0.0	0.1
Review of penalty arrangements	0.2	0.0	0.0	0.0	0.2
ABS clearing house for statistical collections	0.6	0.6	0.3	0.3	1.7
Review of food regulation	0.7	0.0	0.0	0.0	0.7
PBS on-line prescription services	2.2	0.9	0.0	0.0	3.1
Business Information Service	4.0	8.1	4.9	4.3	21.3
Single entry point to government	1.6	0.0	0.0	0.0	1.6
TOTAL OUTLAYS'	9.4	9.6	5.2	4.6	28.8
NET COST TO BUDGET'	39.4	209.6	185.2	184.6	618.8

1 Totals may not add due to rounding.

2 Funding of \$130 million over four years will also be allocated for the establishment of the **Small Business Innovation Fund**. These funds will be drawn from the R&D Start programme, funding for which is already contained in the forward estimates.



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