

The Department of  
Accounting & the  
IPA-Deakin SME  
Research Centre's  
Submission on  
Modernisation of  
Business Registers



**DEAKIN**  
UNIVERSITY

Mr Matthew Sedgwick  
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Langton Crescent  
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18<sup>th</sup> December 2018

Dear Mr Sedgwick

**Re: Submission on Modernising Business Registers Program – Review of Registry Fees  
December 2018**

The Department of Accounting and the IPA-Deakin SME Research Centre, as significant generators and users of critical business and economic data within the Faculty of Business and Law at Deakin University, are pleased with the Government's initiatives to modernise the business registry system inter alia. In particular, we welcome the review of policy relating to the availability of registry information and access fees (search fees), which aligns with the government's recently established 'Open Data' policy<sup>1</sup>. In this respect, the scope of our submission centres on data availability for research purposes within an academic setting, including the quantum and nature of search fees. In principle we agree with, albeit with some reservations, the thrust of the consultation paper.

One particular reservation relates to the charging of fees for accessing information by any member of the public or any institution or organisation. The other reservation relates to what information should be freely available, and what are the risks and benefits of open access, as stated within the recommendations of the Productivity Commission's Report (May, 2017)<sup>2</sup> as well as the government's open data policy. In this submission, we provide argument on these two issues and thus respond primarily to Question 7 in the Consultation Paper.

The benefits of 'open data' programs have been well articulated in the literature worldwide, and also through initiatives undertaken by governments and institutions, including the Australian government. While the intention here is not to reiterate prior research already tabled within Treasury and the Productivity Commission findings and reports, it is important to revisit the benefits that could potentially be gained from a well-structured 'registry' data management system. While we strongly support an open data policy which allows free access to non-sensitive and non-private data, in this

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<sup>1</sup> Australian Government Public Data Policy (November 2015); [www.dpmpc.gov.au/pmpc/publication/australian-government-public-data-policy-statement](http://www.dpmpc.gov.au/pmpc/publication/australian-government-public-data-policy-statement)

<sup>2</sup> Productivity Commission 2017, Data Availability and Use, Report No 82, Canberra

submission we are putting the case for greater access to vital ASIC data that supports the work of the Department of Accounting and the IPA-Deakin SME Research Centre, as well as other work undertaken by researchers within the Faculty of Business and Law.

### **The Roles of the Department of Accounting and the IPA-Deakin SME Research Centre**

Both the Department of Accounting (the Department) and the IPA-Deakin SME Research Centre (the Centre) operate within the Faculty of Business and Law, Deakin University. The Department boasts strong industry engagement, excellent teaching quality and world class research. Internationally renowned for its innovative and high-quality teaching at both undergraduate and postgraduate levels, the Department comprises over 40 staff members who are dedicated to excellence in teaching and research. The Department produces world class research, coupled with creating innovative, high-quality research that has a positive impact on the profession and society. The Department has developed research specialisations focussed on the SME sector and on integrated reporting. Both the SME Research Centre and the Centre for Integrated Reporting (to be launched in 2019) are the Department's focal points for industry engagement.

In particular, the SME Research Centre which began in 2013, primarily engages with and studies the small- and medium-sized enterprise (SME) sector in Australia. There are currently two million SMEs made up of firms with fewer than 200 employees or less than \$50 million in annual turnover, accounting for around 99.7 per cent of all actively trading businesses in Australia. SMEs collectively employ 7 million Australians, accounting for approximately 60 per cent of all private sector employment and making up around 57% of Australia's GDP. Engaging with this sector is therefore critical for ensuring that the Centre serves the interests of a substantial share of the Australian economy.

The Centre's main objective is to bring together practitioner insights with world-class applied cutting edge academic research that provides informed comment for substantive policy development, based on robust evidence that supports sustainable growth and prosperity among SMEs in Australia. The scope of the activities of the Centre includes the provision of issues briefings, policy papers and academic research with a SME focus in areas such as, but not limited to, sustainability, governance, small business regulation, self-managed superannuation funds and financial services.

The genesis of the Centre dates back to June 2013, when the Institute of Public Accountants (IPA) and the Deakin School of Accounting, Economics and Finance, commenced the IPA-Deakin SME Research Partnership, signing a highly successful three-year research and consultancy agreement. The IDSRC now builds upon this significant founding event by bringing together a much wider range of researchers focusing on SMEs and NFPs including not only the accounting, finance and economics schools, but also several other Deakin schools under the Centre's umbrella, such as the law, marketing, management, information systems schools and disciplines.

The Centre came to fruition because both the IPA and Deakin University strongly believed that there was a lack of formal collaboration between the accounting professional bodies and academia in respect to better understanding the SME sector, a significant sector of the Australian economy. Given the magnitude of the Australian SME sector and its enormous contribution to Australia's GDP, coupled with the realisation that Australia's SME sector is scientifically under-examined, the IPA-Deakin SME

Research Partnership was established to provide both academic rigour and empirical evidence to policy debates related to the SME sector.

The Centre also collaborates with a number of other SME centres and academics in the UK. For example, Professor Marc Cowling (ranked among the top 12% of economists in the world) from the Brighton Business School, UK, provided significant input into the Small Business White Paper publications in both 2015 and 2018. The Deakin Business School has a Memorandum of Understanding (MOU) signed with the Kingston University SME Research Centre in the UK and the director of the Centre, Professor Robert Blackburn, provides input into a number of practitioner and academic projects conducted by the Centre. The IDSRC also has a 'cotutelle' arrangement with Coventry University's International Centre for Transformational Entrepreneurship (ICTE) to share the co-supervision of PhD students working in the area of entrepreneurship.

In summary, The Centre's primary mission is to undertake rigorous enquiry by bringing together practitioner insights with cutting-edge academic research, which translates into robust evidence-based substantive policy development, in the areas SMEs and other private enterprises such as large proprietary companies and not-for-profit entities (NFPs) through engagement with stakeholders.

In the pursuit of this objective, the Centre not only enhances and broadens knowledge of the SME and NFP sectors, but also contributes to the formulation of new ideas, the creation of knowledge, policies, practices and strategies in supporting sustainable growth and prosperity among SMEs and NFPs both nationally and globally.

Our vision is to build upon a growing reputation, based on an existing and strong portfolio of research and consultancy, and to become the leading SME research group in the Australia-Pacific region. Accordingly, the Centre is on track to become the pre-eminent SME voice in Australia and the Asia-Pacific regions via its work with the IPA, government and industry on issues of relevance to SMEs and NFPs.

### **More detailed and reliable data are required to continue our work and to inform public debate and impact policy**

Both the Department and the Centre have established proven track records to undertake important and meaningful research on the SME sector, such as the production of two significant White Papers on Small Business and on the lodgement of financial reports by large proprietary companies in Australia. For example, the two White Papers articulate wide-ranging issues impacting the small business community and they make numerous recommendations on how to improve factors impacting on small business performance – some of these attracting the attention of governments as the basis for potential policy improvement or changes. A good recent example is the announcement by the Federal Treasurer, the Hon. Josh Frydenburg, of the creation of a \$2 billion Australian Business Securitisation Fund which will provide incentive and capacity to smaller banks and non-bank lenders to free capital up and lend to more small businesses<sup>3</sup>.

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<sup>3</sup> Professor Andrew Conway, CEO, IPA, November 2018,

The Department and the Centre also have been commissioned by the Australian Accounting Standards Board (AASB) several times to examine application of the reporting entity concept and adoption of special purpose financial reporting by large proprietary companies and not-for-profit organisations. The research reports related to the above-mentioned issue are primarily based on financial report lodgements to ASIC. The findings of the first research report in 2014<sup>4</sup> and subsequent reports raises some fundamental questions about the adequacy of Australian financial reporting by entities that do not have 'public accountability' (as defined in AASB 1053 Application of Tiers of Australian Accounting Standards). Among other aspects, it identifies the incidence of financial statements lodged on public records that do not purport to fully apply (or do not disclose the extent of application of) accounting standards and reveals widespread use of special purpose financial reporting by lodging entities of various types (including large proprietary companies).

The findings from this report have: (1) brought about legislative changes in November 2015 to how consolidated general purpose reports are prepared by companies in Australia as a way of reducing the number of special-purpose reports that are prepared; (2) been used extensively by the Australian Senate Economics References Committee on 18 November 2015, in their inquiry into tax avoidance and aggressive minimisation by corporations registered in Australia and multinational companies operating in Australia. One of the terms of reference for the inquiry is to enhance greater transparency among companies to deter tax avoidance and provide assurance that all companies are complying fully with Australia's tax laws. The Committee noted from the report that the vast majority (80%) of large proprietary companies in Australia do not regard themselves as reporting entities, thus they prepare special-purpose financial reports which provides less credible information<sup>5</sup>.

### **How Open Access Data will benefit the Department and the Centre**

To extend the Department's and the Centre's capabilities and improve the performance of small business owners and proprietary companies (which make up the majority of businesses in this country), both the Department and the Centre need open access to more detailed and reliable data, particularly at the 'unit' (or firm) level. With advances in algorithm technology, data relating to specific persons, businesses, organisations or subjects, can evidently be readily de-identified making it less prone to misuse or exploitation. The ability to 'identify' has been a long held concern by government agencies and rightly so, but in the light of recent technology advances, particularly in the context of data protection measures, it may be time for agencies to rethink and review data release policies in line with the governments open data policy. Also, as indicated above, we are in full support of the current debate on open access to data, and we believe that these data should be available free of charge as taxpayers have funded their collection and storage. To cite Allen (2013), "Public Sector Information (PSI), is a national resource ... collected and generated by the government using public

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<sup>4</sup> Carey, P., Potter, B., Tanewski, G., "Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements", A commissioned project for the Australian Accounting Standards Board (AASB), 2014, <http://www.aasb.gov.au/News/AASB-issues-new-Research-Report>

<sup>5</sup> Official Committee Hansard, Senate Economics References Committee, Commonwealth of Australia, 18 November 2015.

money, it belongs to all citizens. As such, where possible and practicable, it should be freely available to benefit all citizens<sup>6</sup>.

To further support the above-mentioned quotation, system theory provides a number of good reasons for why governments should follow an open data access policy. According to system theory, provision of open access to data by government to the public creates an open (societal) system that encourages feedback and problem-solving capacity in which the government can learn from the public. Open access to data stimulates public use which can, in turn, create a flow of information through collaborative networking. In such an open system the public can become part of the data processing system via the public's enrichment of the data by either encouraging the public to collect data or by providing essential data into the data system.

Furthermore, democratic societies are premised on the free flow of information and hence an important underlying condition of a properly functioning democracy is access to information (Ruijter, Grimmelikhuijsen & Meijer, 2017<sup>7</sup>; Harrison & Sayogo, 2014<sup>8</sup>). In a democracy, this flow of information enables citizens to be better informed, thereby contributing to improved democratic processes and citizen participation by providing a conduit through which citizen feedback can be used to improve government service delivery as well as assisting citizens to better understand and accept the basis of decisions that affects them and that shapes their futures (Meijer, Curtin, & Hillebrandt, 2012<sup>9</sup>). Hence, following the argumentation in system's theory, access to data held by various government agencies in a democracy provides opportunities for citizens to actively participate in government processes and in decision-making, and under the right circumstances, groups can generate better alternatives and make better decisions than even the smartest people can do on their own. In addition, open data access is often indispensable for public policy development and service delivery, and it can assist in solving some of Australia's future economic productivity, research outcomes and social wellbeing problems.

The Department's and the Centre's main interest are in utilising accounting, economic and financial data from government agencies (i.e., the ABS, ASIC, and the ATO), as such data fundamentally supports our research work among proprietary companies and within the SME environment. Accordingly, both the Department and the Centre strongly advocate that free and open access to data from government agencies will in itself create and generate more value than the selling of data sets to the public. For example, Gruen, Houghton & Tooth (2014)<sup>10</sup> estimate that ready access to government data in Australia has the potential of generating \$25 billion per annum in revenue or add value towards Australia's gross domestic product (GDP) of up to 1.5 per cent. This is precisely because

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<sup>6</sup> Allen, B. (2013). *Access to and Use of Public Sector Information: The Academic Re-user Perspective*, cited in 'Open public sector information, from principles to practice' Office of the Australian Information Commissioner, Report on agency implementation of the Principles on open public sector information; February 2013.

<sup>7</sup> Ruijter, E., Grimmelikhuijsen, S., & Meijer, A. (2017). Open data for democracy: Developing a theoretical framework for open data use. *Government Information Quarterly*, 34, 45-52.

<sup>8</sup> Harrison, T., & Sayogo, D. (2014). Transparency, participation and accountability practices in open government: A comparative study. *Government Information Quarterly*, 31, 513-525.

<sup>9</sup> Meijer, A.J., Curtin, D., & Hillebrandt, M. (2012). Open government: Connecting vision and voice. *International Review of Administrative Sciences*, 78(1), 10-29.

<sup>10</sup> Gruen, N., Houghton, J., & Tooth, R. (2014). Open for Business: How Open Data Can Help Achieve the G20 Growth Target, Lateral Economics for Omidyar Network, Australia. Retrieved from [https://www.omidyar.com/sites/default/files/file\\_archive/insights//ON%20Report\\_061114\\_FNL.pdf](https://www.omidyar.com/sites/default/files/file_archive/insights//ON%20Report_061114_FNL.pdf)

open data access creates significant benefits such as stimulating innovation and promoting economic growth, especially in a knowledge economy environment.

Policy-makers also should be prepared to share their data as it is the basis for the creation of a body of scientific knowledge. The more data is made openly available in a useful manner, the greater the level of transparency and reproducibility and hence the more efficient the scientific process becomes, to the overall benefit of Australian society. By opening access to data held by various government agencies, users can validate and verify whether the conclusions drawn by government policy-makers from the data are correct and justified, and they can analyse the previously collected data to sharpen the focus of policy-making. Hence sharing data openly and freely is not only altruistic, but it advances transparency and knowledge as well as it supports the notion of replication, an important hallmark of scientific research. Scientific replication occurs when sufficient information is available for a third party to independently reproduce the results of a scientific study without having to rely on any additional information provided by the original authors of the study.

The Department and the Centre also believe that the infrastructure required to collect, store and maintain data in a 'data sharing' environment, should be funded by the government via the relevant 'custodian' agencies. This view is consistent with the Australian Government's and some state governments' open data policies that extol the many benefits of sharing public data (for example the Federal Government' Public Data Policy Statement<sup>11</sup> and the NSW Government Open Data Policy<sup>12</sup>). Notwithstanding the above, the Department and the Centre understand that there are a number of technical barriers to overcome for open data access to be fully realised. For example, the unavailability of supporting infrastructures in some government agencies, the lack of standards, fragmentation, and legacy systems need to be overcome before open data is widely accepted and realised by all stakeholders.

We would welcome an opportunity to discuss this submission at your convenience. Please address all further enquires to Professor Peter Carey at [p.carey@deakin.edu.au](mailto:p.carey@deakin.edu.au) (Tel: +61 3 924 46267), Professor George Tanewski at [g.tanewski@deakin.edu.au](mailto:g.tanewski@deakin.edu.au) (Tel: +61 3 925 17230) or Dr Nick Mroczkowski at [n.mroczkowski@deakin.edu.au](mailto:n.mroczkowski@deakin.edu.au) (Tel: +61 3 924 68658).

Yours sincerely



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Head of Department

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<sup>11</sup> Australian Government Public Data Policy (November 2015); [www.dpmc.gov.au/pmc/publication/australian-government-public-data-policy-statement](http://www.dpmc.gov.au/pmc/publication/australian-government-public-data-policy-statement).

<sup>12</sup> NSW Government, 'digital.nsw', (Government Information (Public Access) Act 2009 (NSW) (GIPA Act), <https://www.digital.nsw.gov.au/policy/data-information/making-data-open/nsw-open-data-policy>).



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