



## The Lemonade Problem

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*How can the Turnbull government's innovation plans be a success when it's too hard to even set up a lemonade stand? asks John Roskam*

The story of what happened to Chelsea-lee Downes reveals everything that's wrong with Australia's attitude to innovation and risk-taking.

Malcolm Turnbull and Chris Pyne's Innovation Statement released this year is a good start. Less important than the statement's billion dollars of handouts is its recognition that our attitude to innovation must change. And of course, the biggest source of opposition to innovation is always government.

Something is wrong if a kid isn't even allowed to run a lemonade stand.

Chelsea-lee Downes is an 11-year-old girl in Bunbury in Western Australia. This time last year—to make some money for Christmas—she wanted to set up a stand selling homemade lemonade,



cupcakes, and lemon meringue pies.

Encouraging children to sell lemonade is all the rage at the moment. In July *Time* magazine ran a long feature 'What running a lemonade stand can teach budding entrepreneurs about business'. More lemonade stands was the winning idea at a government innovation 'hackathon' in October. And Lucy Turnbull is the patron of a not-for-profit organisation, DICE Kids, (Digital, Innovative, Creative and Entrepreneurial) that will promote a National Lemonade Day to 'embed business skills in schoolkids'.

Chelsea-lee was innovative, using social media to advertise. On the day her stand was to open she was up at 4am to cook. She organised furniture, and a fridge and ice were on hand. Chelsea-lee's only problem was that officers from the Bunbury city council had been alerted to what she was up to by a helpful member of the public.

Chelsea-lee didn't get the chance to sell anything. The council officers shut her down before she could open. To be fair, the council's environmental health manager, Sarah Upton, was just doing her job. What she said is revealing. Ms Upton said, 'The city applauds her efforts in trying to be entrepreneurial, but it is important to seek professional advice in relation to legal requirements.' If lemonade stands do take off around the country, advising 11-year-olds on their legal requirements could be a growth market for Australia's 60,000 practising solicitors.

## GOVERNMENT SHOULD BE MAKING IT EASIER— NOT HARDER—TO RUN A BUSINESS AND TO INNOVATE

Chelsea-lee wanted to sell products containing custard and cream, which according to the council's Ms Upton were 'very high-risk products'. Ms Upton promised that if Chelsea-lee could somehow make her cupcakes and lemon meringue pie in a commercial kitchen there was the 'possibility' the council might then allow her to sell them. Getting a commercial kitchen to make the cakes for a lemonade stand seems, though, to defeat the purpose of the entire exercise.

Chelsea-lee's stepmum, Marissa, spoke a lot of common sense. 'We understand the principle, but I just think customers go there knowing it's an 11-year-old girl's stall. If you don't want to buy, then don't.'

The tale of Chelsea-lee's lemonade stand is repeated every single day across the country. For more and more business owners it's just getting too hard to do what they love. Government should be making it easier—not harder—to run a business and to innovate. It is no surprise that research from the Institute of Public Affairs identified in October that there are now fewer new businesses starting in Australia than a decade ago. In 2003-04, 326,000 new businesses started; In the year for which we have the most recent figures, 2013-14, that figure was 284,000. That's despite the fact that during that time our population has increased by nearly 20 per cent.

When it comes to the innovation of lemonade stands, Uber, Airbnb, bitcoin or anything else,



government always has trouble letting go of the control it wants to exercise. Innovation also threatens entrenched interests. Uber was just recently declared illegal in Victoria.

Importing second-hand cars isn't particularly innovative, but it does challenge the entrenched privilege of the sellers of new cars in Australia. It is ironic the Turnbull government is telling business to embrace the creative destruction of innovation, when the same government continues to enforce what is basically a decades-long embargo on the importation of second-hand cars into this country.

Encouraging children to run lemonade stands is a great idea – at a young age they'll discover how to fight bureaucracy. And trying to operate a lemonade stand will teach children that before they do anything they should get a good lawyer.