

# CORRECTED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into 2004–05 budget estimates

Melbourne – 15 June 2004

#### Members

Mr W. R. Baxter	Ms D. L. Green
Ms C. M. Campbell	Mr J. Merlino
Mr R. W. Clark	Mr G. K. Rich-Phillips
Mr L. A. Donnellan	Ms G. D. Romanes
Mr B. Forwood	

Chair: Ms C. M. Campbell  
Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Ms M. Thomson, Minister for Small Business;

Mr P. Harmsworth, secretary; and

Dr L. Williams, deputy secretary, business support, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I thank Mr Peter Harmsworth, Secretary of the Department of Innovation, Industry and Regional Development; Dr Lynne Williams, deputy secretary, business support, Department of Innovation, Industry and Regional Development; departmental officers, members of the public and members of the media for their attendance. I call on the minister to give a brief presentation in relation to the small business portfolio. Minister, we have your overheads and they are extremely readable, so the shorter your overhead presentation, the happier we will be, although you are entitled to take 10 minutes, and then we have an hour and five minutes for questions.

#### **Overheads shown.**

**Ms THOMSON** — Thank you very much. The output groups you will have seen before in the presentation by Minister Brumby so I will not go through those, but they are the output groups for the Department of Innovation, Industry and Regional Development.

The small business budget for 2004-05 is up here with the explanation of the target to expected outcomes of a \$2.1 million increase; the Small Business Commissioner transferred from regulation reform, an output of \$1.9 million; the Victorian business centres within metropolitan Melbourne have been transferred at \$0.5 million, also from regulation reform and the redistribution of output costs. The slides are quite self-explanatory, so I will leave it at that. There are approximately 303 500 small businesses in Victoria. We have seen the highest growth of any state. On the indicators it would seem we are either the top or certainly the first in small businesses and small business operators in terms of the number of women. We are second in the overseas-born operators. We are second in the number of home-based businesses and home-based business operators, so we have seen a great increase in home-based business, which is very important.

In terms of the uptake of e-commerce, 83 per cent of businesses use a computer and 71 per cent have Internet access. This is a lot better than the figure of well and truly under 50 per cent — more like 30 per cent — when I first took on the job as the Minister for Small Business, so we have seen a rapid increase in the number of businesses using a computer and using the Internet, which is a good development.

The next slide is a graph of the growth in small business in Victoria against Australia. As you can see, it is a very significant growth for Victoria when you look at it pitched against what has been happening in the rest of country. They are very sound growth figures for Victoria.

In relation to the next slide, I reiterate the importance that government as a whole, places on small business. Although we have activity in our portfolio, it is not the only activity on behalf of small business, and *Victoria: Leading the Way*; was certainly an example of how that whole-of-government attitude is bringing about real outcomes for small business. These outcomes are evident in the Opening Doors to Export plan, which was announced by the Premier and Minister Holding, the Minister for Manufacturing and Export; in the establishment of the Victorian Competition and Efficiency Commission, particularly on what it will be doing in relation to regulation, which is crucially important to small business; in the business assessment impact for new legislative proposals; and also in the commitment to minimise the burden on small business. They are all very important.

In addition there has been the establishment of the Victorian Business Master Key, which we will talk about a little later on; better supply chain links; the ability to promote provincial Victoria and getting businesses out into the regional and country areas of Victoria, and actually getting skilled people out into those areas as well. These things are all very important. As I said, it demonstrates the commitment that this government has, across government, to providing a better opportunity for small business in this state. This comes on top of the obvious tax cuts which members of the upper house would have heard about from me on numerous occasions now — the \$1 billion worth of land tax cuts over five years means 24 000 Victorians, including many small businesses, particularly in electorates like Mr Baxter's, will no longer be required to pay land tax. We have also lowered the WorkCover average premiums by 10 per cent to below 2 per cent of remuneration. The one area that does impact on small bills more than others is WorkCover, and this is a great new story of benefit to small business.

Looking at some of the achievements for 2003-04, we have seen the Small Business Commissioner have his first-year anniversary. Over 440 disputes have been dealt with, and more than 65 per cent of the disputes have been successfully resolved — a very good figure. On the side of EASY government: the Victorian government's business web site has had nearly 440 000 hits in the year to date; and in terms of calls to the business line, there have been nearly 50 000 calls as well as the establishment of our business centres. All of this is about making it a

one-stop shop certainly for business start-ups, but also to give people easy access to government for information. This year we set a target of 60 per cent for our grants across the department. People may remember our election commitment was, over the life of this Parliament, to increase that figure from 50 per cent to 70 per cent, and the first of those milestones is the 60 per cent mark.

There have been more than 240 Grow Your Business grants. We will come back to the grants programs later. Key initiatives for small business for 2004-05 include the Business Master Key. This is our capacity, in the long term, to effectively case manage business's dealings with government, so it is seamless. It will start off as an opportunity for some key departments that have interaction with business to actually get their facilities online so that monitoring can be done effectively by the businesses themselves about commitments that have been made. This is being scoped now, and we look forward to 2005 when we will see the commencement of that project in its initial stages. The standard fair-payments-clause commitment, and business development programs, which also include the Koori Business Network for our indigenous Australians to ensure that we are giving them the opportunities to become commercially successful in running businesses, are very important and received a budget boost.

Key initiatives in relation to the enhanced small business use of technology — Mr Baxter might be interested in this because he showed a genuine interest in this in his question about the e-commerce roadshows, so for his benefit and for that of the committee I thought I would explain that this includes the actual demonstration projects that we run on e-commerce, which is an encouragement to small business to see how technology is used and adapted for those industries that receive that money. The Small Business Commissioner's priority will be to develop the small business charters and the government's ongoing commitment will be to getting to the 70 per cent share of the business development expenditure.

The challenges and the priorities for us to promote a competitive and fair environment for small business go back again to the Small Business Commissioner as does the responsibility as a regulator to ensure that regulations are able to be complied with by small business, building opportunities for innovative small businesses — that is what Victoria's strength is, and that is what we need to grow — and ensuring that we are giving opportunities for businesses to compete in a global economy, improving access to government services so it is easy and people are not waiting a long time to get information from us and ensuring that we are seeing an increase in the uptake of e-commerce in business-to-business transactions.

**The CHAIR** — We now move to an hour and 5 minutes of questions. On page 341 of budget paper 3 I note that the Office of Regulation Reform is a discontinued output. Given the importance of the Office of Regulation Reform to small business, can you advise what you will do about the issue of improving government regulation for small business?

**Ms THOMSON** — This is an important development. The Office of Regulation Reform, a very important part of government, is moving across to be a very important part of the Victorian Competition and Efficiency Commission. This will see government more centrally concentrated on regulation. It will complement the Small Business Commissioner's role. We are looking forward to seeing, as one of the commitments from the VCEC's charter of activities, business impact assessments on major primary legislation with a particular emphasis on the economic impact and potential burden of compliance on small business. This is probably the most important thing that we can do for small business in the sense of understanding what compliance might mean to it. Big business can afford compliance costs; it can afford to pay lawyers and specialists; it might even have in-house parts of the corporation that are able to deal with compliance issues. That is not the case for small business. This gives an opportunity for the whole of government to take very seriously the responsibility to understand what regulation might mean to small business, what the impost might be, and to minimise it. I think that is very important.

As I said, it does complement the role of the Small Business Commissioner, who will now spend a fair bit of time working with departments to develop their small business charters and their commitment on how they will deal with small business to ensure that it is made as easy as possible for small business to deal with government. I need not tell you about the stories of people who sit on the end of phones listening to the services that government may provide or listening to muzak, depending on which department you are on, and being left for an awfully long time to find that you have not got the right response you wanted from the right area and they are farming you off yet again. It is very important that the small business charter cuts that out for small business and that it is about treating people in an appropriate and respectful way. As I said, complementary to the Small Business Commissioner and the role of monitoring the impact of regulation on small business, I would see the Small Business Commissioner

would be working very closely with the VCEC to ensure that the compliance burden for small business is minimised.

**Mr FORWOOD** — A supplementary question: was regulation reform yours?

**Ms THOMSON** — Yes.

**Mr FORWOOD** — I have two questions. Firstly, why is the expected outcome of the discontinued measure \$1.5 million when the budget was \$3.9 million? In other words, how come you did not do your job in the last year? Secondly, what is the relationship that you will have on behalf of small business with the new body which is located in Treasury?

**Ms THOMSON** — I might start with the last bit and move back because that is the easiest. The new body in Treasury will report through to the cabinet as a whole, and as part of the cabinet I will have a responsibility through that. I expect that the real relationship will be through the Small Business Commissioner and VCEC: I expect that to be a close working relationship, and it is important that that job be done properly so I would be monitoring through the Small Business Commissioner and also would expect that there would be reports to cabinet.

**Mr FORWOOD** — And the other \$1.9 million was taken — —

**The CHAIR** — Are you trying to refute the other claim?

**Mr FORWOOD** — No, I mean, she underspent by \$500 000 because \$1.9 million went with the Small Business Commissioner.

**Ms THOMSON** — Yes, \$1.9 million is for the Small Business Commissioner.

**Mr FORWOOD** — And the other half a million?

**Ms THOMSON** — The other half a million was the end of the reviews that were undertaken by regulation reform, so they were completed — money expended.

**Dr WILLIAMS** — This budget finished at the end of 2003-2004 anyway.

**Mr CLARK** — I refer to the issue of land tax which you raised in your presentation and its impact on small business. In the estimates hearing the Treasurer indicated that Treasury used an assumption of a 15 per cent increase in land values for land tax purposes for 2005 land tax, which on the scales that have been adopted means that a small business that had land valued at \$800 000 for land tax purposes this year would be facing a 55 per cent increase in their land tax bill in 2005. Do you as the Minister for Small Business consider that as acceptable, and if not what do you propose to do about it?

**Ms THOMSON** — As I indicated when I showed the slide in relation to the business statement *Leading the Way*, it is a whole-of-government commitment to small business. We have looked at the taxes and burdens that are imposed on business and in an economically responsible way attempted to address those areas that we could address, and the actual tax issues are for the Treasurer, as you rightfully said to the Treasurer when he made his presentation to the PAEC, but the government has attempted in many areas to look at the tax burden on small business, whether it is cuts in the payroll tax from when we got into office of from 5.75 down to 5.25 per cent. The most important one for all small businesses is the reduction in the average WorkCover premium by 10 per cent. That is very important for small business. The abolition of a number of taxes was announced in the previous statements. All these are important initiatives for business, and particularly for small business. I think it is about trying to bring benefits to small business in an economically responsible way.

**Mr CLARK** — Do you intend to do anything to improve the situation for small businesses facing these land tax increases?

**The CHAIR** — The minister has finished.

**Ms THOMSON** — I have answered the question.

**Mr DONNELLAN** — I refer you to budget paper 3, page 144 which lists the Small Business Commissioner. It further goes on to the proportion of business disputes successfully mediated by the commissioner is 50 per cent; however, in your presentation 65 per cent were actually being mediated successfully. Why is success exceeding the expected outcome by so much?

**Ms THOMSON** — He is very good at his job!

**Mr RICH-PHILLIPS** — The budget paper is wrong.

**Ms THOMSON** — It is an important question. It is early days for the Office of the Small Business Commissioner and for the commissioner himself. It is a most welcome position. Over 440 disputes have been referred to the Small Business Commissioner in the first year. As you rightly said, somewhere around 65 to 75 disputes have been successfully resolved. This is interesting given that the VCAT retail tenancy list in 2002-03 financial year received 222 disputes. So we are seeing a larger understanding of what the role of the Small Business Commissioner is and the use of the Small Business Commissioner for mediating disputes.

Matters that have already been resolved have seen payments as low as \$76 right through to a sum of \$650 000 being paid in agreement. There certainly has been timely resolution, with mediation generally being held within seven weeks of being referred to the Small Business Commissioner. I have got to say that he has exceeded our expectations in relation to the number of disputes that would be mediated. The figure is the same for 2004-05, and this is because we have only had one year to see it in operation, so this will give us an opportunity to see if that was an increased capability that is going to be ongoing or whether or not it will ease back, so it has been set for 50 again. I hope that the Small Business Commissioner and the people within his office and the mediators, of which there are now around 80, would keep that figure there. There is a challenge for them. I think it is important because it is at a low cost to small business and an alternative to what might otherwise be a very expensive court procedure.

**The CHAIR** — By way of supplementary, I take from that that if we are looking at two financial years of around 60 to 65 per cent that you would be looking at putting that performance measure higher than it currently is?

**Ms THOMSON** — Yes.

**Mr FORWOOD** — I turn to one of the cases that the Small Business Commissioner has had to deal with. I know the minister is well acquainted with Bob Heller and the issues that he has had for a long time. Would you accept that the Small Business Commissioner's legislation is not sufficient to enable him to intervene in court cases, even though the government has indicated that it would like to intervene in such a case? Following on, are you prepared to make the legal advice available to the committee?

**Ms THOMSON** — Firstly I have to say that Mr Heller's case has been ongoing, as you would be aware, for a very long period of time. It is a very difficult case in the sense that it has been a dispute for a long time. The Small Business Commissioner has come towards the tail end of this dispute rather than at the beginning. I think it is a difficult case. I have not seen the legal opinion in relation to Mr Heller that the Small Business Commissioner may have undertaken to get, but — —

**Mr FORWOOD** — You could take that on notice.

**Ms THOMSON** — I will take that on notice and see what is there. It is a difficult case but the Small Business Commissioner and the act itself is about new legislation, not retrospective legislation. It is about moving forward and in a sense the law around Mr Heller is the old retail tenancy legislation, not the new one, so there are some complicating factors in Mr Heller's case.

**Mr FORWOOD** — Yes, but it would be useful if it could ultimately be resolved. One suspects that the legislation may need some looking at.

**Ms THOMSON** — I am happy to discuss Mr Heller as a constituent issue because it is fairly unique.

**Mr FORWOOD** — The question goes to the powers of the Small Business Commissioner, because what the legal advice says, as I understand it, is that the Small Business Commissioner does not have the capacity to intervene in a case.

**Ms THOMSON** — As I said, I have not seen the legal opinion.

**Ms ROMANES** — Budget paper 3 talks about the management and delivery of initiatives that will assist small business, but alongside the initiatives that the Victorian government takes the federal government also offers services that are similar to ours. Could you inform the committee what you are doing to make sure that these services between the two levels of government are coordinated rather than duplicated?

**Ms THOMSON** — This is quite a serious issue because we are seeing a number of the federal government's services that are already in place copying, replicating or duplicating what we might have in place in Victoria. They might be doing it on the basis that they are not in place in any other state, but they do it on a national level. There is an issue about how we can better coordinate our services. In the Parliament I have mentioned that in Traralgon we have a federal small business office opposite our very own business office — in the same street! You have got to say, 'This is ridiculous. In an area the size of Gippsland can we not spread them out, or dual-badge and demonstrate that we can work across government jurisdictions?'. It is not just the two tiers; it is three tiers. We see municipal councils set up economic development offices that do a lot of work with businesses in their local areas. Again, the question becomes, 'How do we make the most of having the resources without duplicating those resources and effectively making the most of our opportunities?'

I am pleased that at the small business ministerial council in 2003 that all the states and the federal government agreed to have a look at how we might better coordinate our services and minimise duplication. We have a reason for this. We commissioned research last year that said more than one-third of non-users of our services cite confusion about which tier of government provided the service as a reason for not using the service, and 70 per cent of non-users responded that they would be encouraged to use government services if they had a better understanding of what services were available to use. We have been able to move forward from the ministerial council. A framework of cooperation has been developed for ministers to agree to at this small business ministerial council meeting in July, hoping it goes ahead.

**Mr FORWOOD** — Why would it not?

**Ms THOMSON** — I will not be determining whether or not it goes ahead, Bill. Someone else might. The framework will present a number of ways that we can minimise duplication and try to reach agreement between local, state and federal government agencies about collaboratively working together and maintaining shared opportunities or looking for shared opportunities to work together. In some areas this works well just because of the kind of people who are involved in the various programs or offices, but it would be good to get an understanding across government of the intent to move towards a far better managed system that provides better services and more services for the dollars that are being spent.

**Mr RICH-PHILLIPS** — I would like to ask you about the Small Business Commissioner, but before I do I would like to clarify what you and your department mean by small business. What are we actually talking about with those statistics?

**Ms THOMSON** — The Australian Bureau of Statistics now has a definition of under 20 — —

**Mr RICH-PHILLIPS** — Under 20 employees?

**Ms THOMSON** — Employees. It was under 20 except for manufacturing, where it was up to 100. Most of our calculations on our grant commitments were based on the old definition so we have tended to stick with the old definition for that purpose.

**Mr RICH-PHILLIPS** — As far as the Small Business Commissioner goes — Mr Brennan is not with us today?

**Ms THOMSON** — He does not seem to be.

**Mr RICH-PHILLIPS** — You should have brought him with you.

**Ms THOMSON** — We should have; I thought he was going to be here.

**Mr RICH-PHILLIPS** — You said in your presentation that 65 per cent to 70 per cent of cases had been successfully mediated, yet in the budget papers you report an expected outcome of only 50 per cent. Can you explain to the committee why the figure — —

**Ms GREEN** — Didn't you listen to the answer before?

**Mr RICH-PHILLIPS** — I am talking about expected outcomes, not targets. The minister told us in her presentation the expected outcome is 65 per cent to 70 per cent, but the expected outcome in the budget papers is only 50 per cent. Why the difference in those two figures when they refer to the same thing? I know what you have said about targets and I understand that, but I am talking expected outcomes.

**Ms THOMSON** — I thought I did answer that when I said the reason we set it at 50 per cent again this year was the office had only been in operation for one year and we do not know whether that is a one-year consequence. It has been set at 50 per cent on that basis.

**Mr RICH-PHILLIPS** — The figure in the budget paper is not your target; it is the expected outcome for the period you have just finished.

**Ms THOMSON** — Yes.

**Mr RICH-PHILLIPS** — You said in your presentation 65 per cent to 70 per cent, but you said in the budget papers the outcome was 50 per cent. I am wondering why the difference.

**Ms THOMSON** — I think there is an allowance for seeing whether the percentage decreases in the time between the figures being included in the budget process and the end of the financial year.

**Mr RICH-PHILLIPS** — It is only two months, or three months if you want to be generous. Mr Brennan would have to have been particularly spectacularly unsuccessful in his last three months for the figure to drop that low.

**Ms THOMSON** — As you would understand, the budget process starts very early and these figures have been in there since early this year. I think it is allowing for any variations in relation to that. As I said, next year we will have a better picture of what the real outcome is and we will be making adjustments accordingly.

**Mr RICH-PHILLIPS** — I guess what I am seeking here is an assurance that in preparing the expected outcomes your department is taking the process seriously and not merely duplicating the targets as the expected outcome.

**Ms THOMSON** — I hope that is the case, Mr Rich-Phillips, and I expect it is. I think it is the uncertainty and the uniqueness of the position only having been there for one year and that the mediation process is not within the control of the department to gauge given that these figures were put in around about February of this year.

**Mr MERLINO** — You raised the Victorian business master key in your presentation. Can you provide the committee with further detail about the master key and explain how it will help small business?

**Ms THOMSON** — I think this is an important example of how technology can help give that seamless government feel to business. No-one likes to shop around government. You might have three or four things on which you require answers and responses or transactions you need to undertake with government, but instead of being able to do it easily you have to go to three or four different ports and hope you have the right person on each occasion or you will be duplicating it. I talked before about how much time is spent on the telephone just hanging onto the end of the phone listening to something that is either useless information or quite ugly muzak. The business master key will provide an opportunity to break that cycle. Initially it will be providing start-up businesses with an opportunity to effectively have their dealings with government online, with the appropriate flags to alert them to when they have made a request of government to ensure that request is coming back.

They will be able to put whatever fees they may have to pay on a flag to show them that they are about due. They will be able to monitor the business they do with government in a more effective way. Hopefully in the longer term we will see the development of a business case management system so that from the government's point of view an officer will be able to go into that business and see that their commitments to that person are being met with the flags and alerts operating within government. There is a whole lot of technology which goes behind that and there is also a whole lot of change management about the way government operates which goes behind that. However, the intention is to have that seamless alert system so that people are alerted to the fact that a request is now two weeks old, it should be responded to within 21 days, what is the response. It will not be business forever contacting

government to find out what is happening, but rather government being able to effectively monitor and ensure it is meeting business demands.

**The CHAIR** — Can I just have clarification? Is this a result of Victoria University being commissioned by the department to do a survey and lessons learnt from that?

**Ms THOMSON** — No, this is really from the listening to small business: I am my own quantitative and qualitative survey company.

**Mr BAXTER** — I want to follow up on Mr Clark's question about land tax. In her opening remarks the minister was kind enough to single out my electorate as possibly benefiting from the increase in the trigger point for land tax liability. Bearing in mind that municipal valuations are just coming in now, while farmland has generally gone up by a factor of about 20 per cent and is exempt anyway, looking at commercial property values in the Indigo and Moira shires — pretty rural-based shires — they are between 35 per cent and 50 per cent and presuming that when we get into the regional cities like Shepparton and Wodonga they might be higher, on what basis can you come to the conclusion that an 18 per cent increase in the threshold will actually exempt a greater number of small businesses from the liability to pay land tax?

**Ms THOMSON** — I think any change which alleviates pressure in any of the taxation regimes on business is a good thing. Are you suggesting it is not?

**Mr BAXTER** — I am suggesting the increase in values will rope more people into paying land tax than this will remove.

**Ms THOMSON** — That is the structure of land tax and as it has always been. What I am saying is there has been a readjustment of land tax in those middle brackets and there will be some beneficiaries in small business arising from that. I think there are beneficiaries in country Victoria from the raising of the threshold. I think there are beneficiaries and those who would otherwise have been caught in the land tax net will not be caught in the land tax net because of the decisions that have been made. I reiterate for people that when I put up that slide on *Victoria — Leading the Way* I was demonstrating that there is not just one minister who cares and is taking into account the needs of small business, but that it is the whole of the government. That is what I was demonstrating when I put up that slide.

**Mr BAXTER** — Is definitive work being done on that, or is this simply an assumption that small businesses will benefit from this small change?

**The CHAIR** — Has there been an assessment?

**Ms THOMSON** — If there has, it will be out of Treasury and Finance.

**Ms GREEN** — Minister, in budget paper 3 on page 144 the narrative refers to the delivery of initiatives to assist small business, and I know from my own electorate and other places across the state that StreetLife is one such initiative. Could you advise the committee on how the StreetLife program is performing?

**Ms THOMSON** — StreetLife, as most members will be aware, was actually a Mark Birrell-initiated program that started as an employment program when he had responsibility for that. It was basically concentrated on the retail sector and therefore was limited in its scope as to who it could assist and what small businesses it could assist. We saw that this was a great opportunity to broaden StreetLife, which was a very successful program under the previous Liberal government, and this gave us an opportunity to look at what else we could do with it.

We decided that it really should be available to all small businesses where there was a community of need and requirements, so we have broadened the scope of StreetLife. We have also, as a one-off, arising out of my listening to the small business program, set aside \$500 000 for a StreetLife small industry support program. A number of issues are arising on industrial estates that are now a little tired, a little old, and have huge issues to confront given their location which might be in inner Melbourne and they are now being surrounded by urban development, and issues about what kinds of industries should be on that kind of land and posing some real issues for the kinds of companies that might be based there. We opened nominations for that funding round and applications closed on 17 April. I am hoping to be able to make announcements soon in relation to the successful applicants in relation to



that funding. We have now seen the further budgetary funding for StreetLife of \$2 million over four years, so we will see a continuation of the program which I think is very important.

Some of the programs that StreetLife has been involved in include youth in business activities, women in business networks, web site development, mentoring programs, centre revitalisation, market plans, home-based business strategies, clustering business mix and attraction strategies, and formation of business networks and tailored business training. So what we are seeing is a real opportunity to see StreetLife benefiting a number of companies. One company I visited up in Campbellfield is Anadis, a bio-pharmaceutical firm which Danielle Green knows well. It was involved in the developing regional growth through clusters program that was held in those northern suburbs. It develops food and tablet product to enhance human health and fitness. The company, which employs up to 20 people, was established in 1994 and floated on the Australian Stock Exchange in 1999.

**The CHAIR** — Minister, I ask you to conclude your response.

**Ms THOMSON** — Sorry. It is a real example of how a company that was otherwise out there on its own is finding links and opportunities to do business with other complementary business arising from the cluster arrangement.

**The CHAIR** — On a specific issue in relation to StreetLife, have you got information — you can provide it to the committee later if you do not have it now — on your selection criteria for funding? It would be helpful to have that and also how you determine the success of the project. You do not have to give it to the committee now, but you could forward it later.

**Ms THOMSON** — We can certainly do that; we will provide that.

**Mr CLARK** — I want to refer to the business trends and prospects surveys that VECCI publishes on a quarterly basis, with which I presume you are familiar. As you may know, the survey has consistently reported for virtually the whole period since about 2001 that Victorian business's expectations for the Victorian economy are well below that for the national economy. I refer to some of the latest figures — for example, 34 per cent of survey responses expected a weaker economic outlook for the Victorian economy over the next 12 months compared with 20 per cent for the national economy. Are those surveys something that you or your department examine? If so, have you undertaken any analysis of why Victorian businesses seem to be consistently less optimistic about the state economy than the national economy, and if so, have you formulated any strategy to tackle the problems that Victorian businesses perceive?

**Ms THOMSON** — We certainly are aware of a number of surveys, not just those of VECCI, and they are not necessarily all the same. Statistically there are reasons for that, as you would be aware. It was not long after the release of VECCI's latest survey that we announced the economic statement, *Victoria: Leading the Way*, and I think it was Neil Coulson himself who said this was a very timely announcement and would give business confidence a boost in the state. People in Victoria, being a high manufacturing state, are very conscious, even more conscious than other states, of what is happening both globally and in Australia in relation to economic variances that affect their businesses. That might account for some of the issues around confidence levels. We do, of course, like any government would, look at all surveys that are done and look to what might be long-term trends and what reflects their own business situation in the economy.

**The CHAIR** — Page 142 of budget paper 3 sets out an aim to increase the capacity of local industries to compete, grow and employ. Could you give, within your areas of responsibility, this committee advice on how the government meets that aim and how you intend to measure it?

**Ms THOMSON** — We have already spoken about StreetLife so I will concentrate on Grow Your Business, which was originally developed arising out of the enterprise improvement programs which have been around a long time. I think the enterprise improvement programs probably go back to the 1980s, so they certainly have been around for a long time. We did a review of the enterprise improvement programs and looked at what businesses really need and require and when they might require it in their life cycle. The old enterprise improvement programs were available to companies that were two years old or older. This often comes too late if you are trying to advance your business development and business plan, so for those innovative young companies we have lowered the requirement down to six months.

The program provides an opportunity for the development of business plans and an opportunity to really look to where you take your business in the future. They are by all accounts, out of the qualitative evaluation, quite successful and beneficial. Ninety-four per cent of the businesses surveyed reported that they were satisfied with the program and 96 per cent said that they would recommend it to others; 100 per cent of businesses reported that the program was relevant to their business; 89 per cent of business reported that the program provided recommendations that they could actually put into practice, so it was practical advice not just theoretical advice; and 79 per cent had already made changes to their business including improved business planning, increased marketing and promotions, and assessment of new marketing opportunities. It did report improvements in the efficiency of business practice. Fifty per cent increases were expected for those who are currently exporting, so that was another outcome that came out of the qualitative measures, but we will be putting in place a quantitative assessment of the program to measure jobs, exports and also growth of those companies.

**Mr FORWOOD** — I refer you to page 144 of budget paper 3, which is your small business support output group, which shows that the target for 2004–05 is \$14.6 million. I wonder if you would be able to advise the committee how much of that amount will go on salaries and overheads? How many people work in that particular area, and how much will be going on program expenditure and which programs they are? You might need to take that on notice.

**Ms THOMSON** — Yes.

**Mr FORWOOD** — What I am after is that you have \$14.6 million. How many people are there, what are the overheads and what programs make them up? You will note from the response to the committee's questionnaire that the total number of staff that Peter is taking control of is going up by 30 in this current year, and I wonder whether any of those are coming in to the small business sector or elsewhere?

**Ms THOMSON** — I might let the secretary talk about the detail, but as I understand it some of that arises out of the Koori Business Network and the increased staffing arrangements to deal with the additional programs that will be running out of that network.

**Mr FORWOOD** — The Koori Business Network is funded out of the small business support output group?

**Ms THOMSON** — Yes.

**Mr FORWOOD** — Thank you.

**Mr HARMSWORTH** — The footnote talks about the fact that the previous years have been full-time existing and what we are saying is that if you fill all the funded positions we could go to 718. Whether we report that we have achieved that next year, I suspect we will stop around — —

**Mr FORWOOD** — Are you saying — —

**The CHAIR** — I am sorry, I could not hear the answer.

**Mr HARMSWORTH** — If you look at pages 23 and 24 — —

**Ms THOMSON** — While he is doing that, can I give you the figures?

**Mr FORWOOD** — Yes.

**Ms THOMSON** — Currently there are 46.8 full-time equivalents compared to 49.7 at 30 June 2003.

**Mr FORWOOD** — They are the Kooris — —

**Ms THOMSON** — And that has come down. In April 2003 the office of the Small Business Commissioner was created and by 30 June of that year employed 5.6 people. Currently 14 effective full-time staff members are employed in the office to administer the Small Business Commissioner Act 2003 and the Retail Leases Act 2003.

**Mr FORWOOD** — So you will give us the program expenditure?

**Ms THOMSON** — Yes, we will take that on notice. For the purposes of Hansard, we undertake to give the number of employees within the Koori Business Network.

**Mr FORWOOD** — Thank you.

**Mr DONNELLAN** — Minister, I refer you to page 144 of budget paper 3 that indicates that the aim of the small business support output is the development and delivery of a number of services. What kind of services are they and how does small business find out about them? What is the general way that they would go about doing that?

**Ms THOMSON** — I think I would like to know the answer to that too! We have asked them, but they do not all get knowledge from the same point. As you would be aware, small businesses are very diverse and use different avenues, which is why we try different avenues to get to small business. There is no one easy solution for how you ensure that small business is aware of what you offer and the breadth of what you offer. Just to give you an example, you can get information through the Victorian Business Line which is a telephone service and is one of the best services that any government could provide for information that is accurate and which provides sound and timely advice. They also refers businesses on to other people if they do not have the answers. The business licensing information system provides information online about all the licensing requirements at any level of government. There is information into programs and grants funding, whether it be Grow Your Business, the StreetLife industry program, Under New Management, Showcasing Women in Small Business, all the e-commerce and exhibition programs that are available. We have spent a lot of time working out the best way of communicating to small businesses information and how people get access to it.

I think it was Louise Asher who, as a former small business minister, once said to me that there are some great programs that small businesses run, but how do you make sure that small business knows about what you are doing? So we have done a number of things in relation to that. We have instituted the Big hand for small business campaign, which is about advertising a one-line contact service or a web site. So we are not trying to sell all we do; we just want to get people in to where our information is. You do not need to know that you want to apply for particular funding, or that you need to know about that sort of licence; you can go to the business line or the web site and you can very quickly get the information you want by using a more generic way of asking for it.

We put a full-page advertisement in the *Herald Sun* on 12 May congratulating Victorian small businesses on the 6 per cent growth between 2001 and 2003, the highest of any state or territory. But we need to continue to alert them to the fact that there is a web site and a business line, and we are there to help them. We will continue to run out that campaign into regional Victoria because they are certainly the businesses that have least access and knowledge of that information. So on 20 June we will commence a campaign targeting those businesses to make them aware of the services we provide. Also through the Victorian business centres we will ensure that our client managers are not just sitting behind a desk but are out there constantly promoting and assisting small businesses and informing them of the government services that we utilise. I talked before about confusion about what governments do, and the fact that we do not advertise enough showing what we do and can provide. To complement that campaign we are also working closely with business associations informing them of what we do and what is on offer in the hope they are promoting that amongst their membership so that it disseminates through to small business.

**Mr BAXTER** — Slide 4 notes that 64 per cent of small businesses are operated from home. How is the quantum of small businesses calculated?

**Ms THOMSON** — It is usually ABS statistics. They do a biannual report on the status of small business and they are the figures that I have been quoting in relation to the growth of small business.

**Ms ROMANES** — Just a follow-on question to that. Can you tell us more about the kind of assistance given to home-based businesses?

**Ms THOMSON** — Thank you for the question. I think home-based businesses are certainly growing for a whole lot of reasons as we balance out life-work commitments and family commitments. A number of people are saying, 'I can do this from home'. The technology now permits it to be done at home almost anywhere. There was a 3.7 growth rate from June 2001 to June 2003. That is a significant rate of growth. Home-based business operators increased by an average annual rate of 9 per cent, and again these are ABS statistics.

We have put in place a number of projects through StreetLife to support home-based businesses, whether it is the home-based business network in the Shire of Campaspe, enabling Maroonah City Council to highlight its home-based businesses through business-to-business expos and training programs for home-based businesses, encouraging home-based businesses to participate in the council's business excellence awards through to the Home Base Inc. web site that the City of Stonnington has established, or creating a mentoring program for home-based businesses with the City of Whitehorse.

In the complementary therapy sector, which is a large home-based business sector, we have funded a network for the Bass Coast shire and a women's network in the Glenelg, Latrobe and Wellington councils to support women in home-based business. So they are very much an area that governments across the board — federal, state and local — see as being important to the growth of the economy as we see more and more of them starting up, being in the main very innovative and service-driven industries with special needs and requirements. We have also provided an online guide to home-based businesses which indicates the other services that home-based businesses can take advantage of. As I said, this is an agenda item for the small business ministerial council meeting, where we will be taking an active interest in how we can support our home-based businesses right across the country.

**Mr CLARK** — You referred to the respective roles of the Small Business Commissioner and the new competition body being established within Treasury, the competition and efficiency commission. Do you believe either of those bodies has or will have the capacity to deal with complaints by small business about alleged unfair competition from services that are subsidised by the Victorian government — for example, the complaint that was recently in the media about alleged unfair competition coming from the film and television studio?

**Ms THOMSON** — I do not know that the film and television studio is a small business.

**Mr CLARK** — No, but the complainants were small businesses. They were finding it to difficult to compete.

**Ms THOMSON** — What the Small Business Commissioner has the ability to do — and any small business has the ability to lodge a complaint and it will be assessed — and has it within his charter to do is to investigate unfair market practice. So it is written in the act. Having said that, there is an acceptance that in most areas the dealings will be through the ACCC, and the Small Business Commissioner may assist in developing that. In short, the capability is there. The Small Business Commissioner will make an assessment on each individual case that might come before him.

**Mr MERLINO** — Minister, in your presentation you referred to the number of women operators in small business increasing by 13 per cent. Can you advise what services and programs the state government has that may assist women?

**Ms THOMSON** — There are figures now that suggest there are about 83 000 women running their businesses from home in Victoria. There are a significant number of women out there doing that. You are right to say that we have seen a 13 per cent increase in the number of women in small business, and that is a huge figure. That is a really large figure. There are a number of reasons why we think that is occurring, and I have to say that if it were not for the Victorian figure for women in business, the figure would have been going backwards nationally.

There are a number of reasons why we want to see more women participating in small business. It is an opportunity, particularly at a home-based business level, to get the balance right between family and work, and it is an opportunity to take into account those family requirements. But there are some downsides to being a woman in business, and one we found very early in the piece was access to finance for women. Although it is very difficult for anyone in small business to properly assess and get access to finance, we found it is even more difficult for women for a number of reasons: they did not quite know how to approach financial institutions, they were not assertive enough or they did not know what to take with them by way of provision of information for those assessments. Some of the difficulty was due to prejudice, and some of it was due to women needing to be really quite assertive about what they are entitled to expect from their financial institutions.

But they also need to know what kind of financial assistance is out there for women, and what we did was to establish 'Show me the money', which is a guide 'through the financial maze', as it says. This is a fantastic publication. I do not know if anyone has seen it, but about 6500 copies of these have now been distributed to women throughout Victoria. It really does go through the very basics of the kinds of finances you may want which suit your business needs and requirements, where you go to get them and the kinds of things you need to be

prepared to take with you. It has case studies of women in business. It was written by a woman for women and about women, and it was specifically targeted to them. It has been a huge hit. We have also run 37 seminars or training sessions — 14 in and around Melbourne and 23 in rural and regional areas — with 738 women attending, and with 54 per cent of those women coming from rural and regional Victoria. The guide really is getting to those women who most need access to this kind of information, and if any members of Parliament would like some to distribute to women in business in their electorates, please let us know.

**Mr FORWOOD** — Minister, I refer you to your slide on page 3 of your presentation. The first part of my question is: is this slide accurate, given the conversation we had in the last —

**Ms THOMSON** — Yes, it is accurate — and a lot simpler.

**Mr FORWOOD** — Okay. I take it that the estimated carry forward of \$200 000 is not included in the expected outcome of \$8.3 million, and I wonder if you could explain to the committee what the redistribution of output costs of \$1.3 million, the estimated carry forwards of \$200 000 and the administrative and EBA arrangements of \$400 000 all are. The \$200 000 is carried forward from this year.

**Ms THOMSON** — Into 2004–05.

**Mr FORWOOD** — So that is not included in the \$8.3 million — no?

**Ms THOMSON** — No. What we are getting at in the \$8.3 million is that given that the \$200 000 has been accounted for in the target for 2004–05, it has not been calculated in the expected outcome for 2003–04.

**Mr HARMSWORTH** — My understanding is it would be in the \$8.3 million.

**Mr FORWOOD** — It would be in the \$8.3 million?

**Mr HARMSWORTH** — It is underspent and carried forward to the next year.

**Mr FORWOOD** — So it is there twice?

**Mr HARMSWORTH** — It is in the base.

**Mr FORWOOD** — It is in the \$6.3 million.

**Ms THOMSON** — It is in the \$8.3 million.

**Mr FORWOOD** — If you look at the arrow that takes you from \$8.3 million to \$14.6 million, the difference is \$6.3 million, and if you add up the column beneath the \$6.3 million it says there are \$200 000 of estimated carry forwards. So you have included it as part of the \$6.3 million which takes you from \$8.3 million to \$14.6 million.

**Ms THOMSON** — The \$8.3 million doesn't include what is carried forward into 2004–05.

**Mr FORWOOD** — That is not what Peter says.

**Mr HARMSWORTH** — Yes, it is.

**Mr FORWOOD** — What is being carried forward, what is the redistribution of the output costs and what are the administrative and EBA arrangements?

**Ms THOMSON** — I will let the secretary deal with the technical budget questions.

**Mr HARMSWORTH** — With the redistribution output costs we calibrate our overheads each year, and they are put against output groups. So each year we look at the overheads, our corporate services planning and what have you, and that gets ascribed against output groups.

**Mr FORWOOD** — So you could give the committee a chart that shows the total overheads of the department allocated against each of the output groups for last year and this year?

**Mr HARMSWORTH** — Yes.

**Mr FORWOOD** — Thank you.

**Mr HARMSWORTH** — And then with the administrative and EBA arrangements, as you know there was recently a decision by government about VPS staff, and that is now the funding going into the base of the output group.

**Mr FORWOOD** — From now?

**Mr HARMSWORTH** — Forwards. It starts retrospectively once the vote is in, and then we will go forward to 2004–05.

**Dr WILLIAMS** — The administrative arrangements are the new departmental funding model that we have moved towards, as you have probably heard from Minister Brumby.

**Mr FORWOOD** — And you can tell us what the carry forwards are. Thank you.

**The CHAIR** — Thank you very much. That concludes the consideration of the budget estimates for the small business portfolio and also for the information and communication technology portfolio. I thank the minister, witnesses, departmental officers, and particularly Hansard for trying to get all those acronyms.

**Ms THOMSON** — Well done, Hansard.

**The CHAIR** — It has been extremely useful, and we appreciate the fact that you have taken a number of items on notice. We will be circulating correspondence outlining those to you, and there could well be some follow-up questions as well.

**Witnesses withdrew.**