

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2014–15

Melbourne — 21 May 2014

#### Members

Mr N. Angus

Ms J. Garrett

Mr D. Morris

Mr D. R. J. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr R. Northe, Minister for Small Business,

Mr H. Ronaldson, Secretary,

Mr G. Mailes, Deputy Secretary, Innovation, Services, Small Business and Technology,

Mr J. Strilakos, Chief Finance Officer, and

Mr R. Arwas, Executive Director, Small Business, Department of State Development, Business and Innovation.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I welcome back the Honourable Russell Northe and Mr Ronaldson for the hearing into the portfolio of small business, hearing no. 32 in the 2014 estimates process, and from the Department of State Development, Business and Innovation, the Deputy Secretary, Innovation, Services, Small Business and Technology, Mr Grantly Mailes; the Executive Director, Small Business, Mr Roger Arwas; and the Chief Finance Officer, Mr Jim Strilakos. The minister now has an opportunity for a brief presentation of no more than 5 minutes for the small business portfolio.

**Overheads shown.**

**Mr NORTHE** — The small business sector in Victoria is a very important one of course. On the latest statistics, we have approximately 530 000 active, trading small businesses in Victoria. They are an essential part of our economy, equating to 96 per cent of all businesses in Victoria and providing 47 per cent of all private sector jobs. Twenty-eight per cent of our small business sector is located in regional Victoria. It is interesting to have, albeit that it is a bit difficult to see on the screen, a breakdown by sector of our small businesses in Victoria. Construction equates to around 16 per cent; professional, scientific and technical services around 12 per cent; rental, hiring and real estate services around 10 per cent; agriculture, forestry and fishing around 8.3 per cent; and financial and insurance services around 8 per cent also.

I guess the key objective for our government with respect to small business is to make sure that we provide adequate support, information and services, because we know that small businesses due to their size do face additional challenges in comparison to their larger counterparts. They do not have comparable management skills or financial or human services in some cases. It may be difficult for them to access reliable and affordable information to be able to manage their business and grow, and regulation can impose disproportionately high compliance costs on small businesses.

Through Small Business Victoria, the government is facilitating access to low-cost information, programs and services to help small business improve productivity, be competitive and build resilience for the future. This is done to support growth and new jobs, encourage innovation and exports and promote a fair and competitive business environment, and therefore we are cutting costs and red tape for our small business sector. Small Business Victoria assists more small businesses than ever before. Changing business conditions resulting from the impacts of technological change, ongoing upheaval in global conditions and challenges brought on by natural disasters can be some of the challenges experienced.

In terms of achievements in 2013–14, after listening to small business feedback the government released *Supporting Small Business 2013* late last year. This statement, which is very comprehensive, sets out the range of legislative and regulatory reforms, information and assistance the government is implementing to encourage an operating environment that is conducive to growth.

Also, the functions and powers of the small business commissioner have been expanded. The commissioner was established in 2003 with bipartisan support. It was an Australian first at the time, and it has been adopted by many other jurisdictions, including federally. Business disputes can be extremely disruptive to business operations, particularly for small businesses. The commissioner has set a national standard for business dispute resolution, and the 10-year anniversary of the commissioner in 2013 provided a timely opportunity to review the powers and functions of the commissioner.

A number of amendments have been made to the act to clarify and extend the powers of the commissioner, and Geoff Browne is doing a great job. Overall, the amendments provide the commissioner with greater flexibility to investigate complaints and resolve disputes. There were a number of key amendments within that, including making sure that the commissioner has the ability to resolve disputes that include councils and state government bodies.

A number of new programs have been delivered. Support Small Business Day was an inaugural event last year with over 5000 participants. The Streetlife program has been reinvigorated after being dropped by Labor, and over the next two years the SuccessMap program will help 500 growth-focused small and medium businesses. There are also a greater number of programs that we have introduced, including things such as our website, which we have reinvigorated and which we anticipate will grow online subscriptions. That will help, as will growing the Small Business Festival and our workshops and seminars. I can see you are giving me the eye, Chair, so I will conclude my presentation.

**The CHAIR** — Thank you, Minister. We will move to questions. Would you outline to the committee budget initiatives in the portfolio which will strengthen Victorian communities both in the coming year and over the forward estimates period?

**Mr NORTHE** — As I mentioned briefly in my presentation, the document *Supporting Small Business 2013* provides a comprehensive overview of initiatives the government has introduced over a period of time, but we are also making sure that we build on that into the future. There have been a range of initiatives, and there are five economic themes through which we seek to drive those. They are improving small business productivity, supporting small business growth and new jobs, encouraging small business innovation and exports, promoting a fair and competitive small business environment, and cutting costs and reducing red tape. The statement also sets out some of the government's commitments and agenda going forward in response to some of those challenges.

I mentioned the Streetlife program, which has been a very successful program re-initiated by the coalition government. Money is invested over the forward estimates to ensure that that program continues. It has been a great success with local councils, trader groups and chambers of commerce, making sure they reinvigorate their local shopping strips.

We have updated the Business Victoria website, and I encourage everybody to jump on there and have a look because it is a much more user-friendly website now than ever before. Information is available at your fingertips. The department has done a great job in consultation with other businesses in providing something that is a great vehicle for our small business sector in Victoria to understand the support services, events and information they require going forward.

We also talk about the new grants portal, which is a one-stop shop where small businesses can go to understand what grants are available to them. Also, building on the Small Business Festival is Support Small Business Day and making sure that the small business bus, which provides mentoring services to our small business sector, goes far and wide across the breadth of Victoria. This is fantastic, and over 2000 mentoring sessions have been held through that.

In the budget itself we have initiated new money — \$18 million over the four-year period. Of that money, \$14 million is for new workshops and seminars to continue to provide mentoring services to the small business sector, and there is also a new \$4 million fund called the local area capital improvement program. That again is working with councils in making sure that we provide capital to help them re-establish and improve their shopping strips within local council jurisdictions. Those programs build on some of the previous initiatives that I announced.

As I said, there is \$18 million over four years to continue to make sure we hit the mark in terms of delivering workshops, events and programs that the small business community needs. That is very important to us, so we are pleased through the budget to be able to announce that funding going forward.

**Mr PAKULA** — Minister, I want to talk to you about the Hazelwood mine fire and the Morwell Business Relief Fund, which is on budget paper 3, page 4. I note that the administration of those grants has been undertaken by VECCI, which I understand has been doing an exceptional job receiving and processing applications, but the VECCI Q&A sheet in response to the question 'Am I taxed on the grant?' says, 'You will need to seek your own advice in relation to the tax implications of your grant'. In other words, it might not be clear to businesses whether these grants are in fact tax free or whether alternatively the federal government might take a healthy slice of the grants back from Morwell businesses in the form of tax.

I do not expect VECCI to necessarily have all of the answers, but can you tell the committee from your perspective what conversations you have had with your commonwealth colleagues about whether any tax might be waived and, if so, whether you can provide more fulsome information to small businesses than is provided on the VECCI Q&A sheet?

**Mr NORTHE** — Thank you, Mr Pakula, for raising what is a very important initiative. The Morwell mine fire obviously had a significant and profound impact on the small business sector in Morwell, and a number of different workshops and events were initiated for the small business sector. Pleasingly I was able to attend, and we had a number of different participants who attended those particular workshops and events. In particular, Sandra Slatter — who had a lot of experience, I guess unfortunately, post the Black Saturday bushfires and is

the co-author of a book, *Are U Ready?* — willingly provided her services to come down and talk to some of the Morwell businesses about those issues going forward and how you might deal with them over the next period of time.

Unfortunately we did have the situation where many businesses either closed or many businesses had a loss of income, potentially around 70, 75 per cent. So you can imagine if you put yourself in their shoes, a very difficult situation. With the establishment of the workshops, having the Small Business Bus present in Morwell providing mentoring services for those businesses who needed assistance and advice was critically important. On top of that, as Mr Pakula has outlined, we established the \$2 million fund administered by VECCI, which was called the Morwell Business Relief Fund. There were grants available between \$1000 and \$10 000 depending on the nature of a business being able to demonstrate a loss of income to them. Pleasingly for me personally and for the local business community, around 170 successful applicants came through that program, which is terrific to see. I know those businesses that I have spoken to were very, very grateful for that opportunity. Some simply would not have survived without the government support through that program.

In terms of the question directly around the tax arrangements, that would have to be a question I would take on notice. It is not something that I would obviously be able to provide, financial advice business by business, but what I am willing to do is maybe take that question on notice and talk to the federal government and the ATO about the question that Mr Pakula has raised.

**Mr PAKULA** — A follow-up. I must say I am surprised that that dialogue has not occurred already. You say, Minister, that a number of businesses had to close. I know the *Latrobe Valley Express* reported that 50 per cent of businesses had a 50 per cent drop in cash flow and some businesses lost up to 80 per cent of their custom. There have been a number of businesses, including one cafe, which have complained that they will only receive half of the maximum available through the grant and a number of complaints about the eligibility criteria, which some businesses felt were a bit unhelpful in their time of need given the tightness of them. Can you just explain, Minister, why businesses were asked, in order to claim from the fund, to provide an estimate of their losses as at 31 March when the fires were still burning?

**Mr NORTHE** — Again, going back over the relief grants that were available for businesses, as I say, about 170 businesses in totality have been approved for that. I think any program that you realistically put out there for application might not please everybody. I can talk on history, but I will not, going back to 2006 when under the previous Labor government grants were available for local communities and businesses as a consequence of bushfires and not everybody was thrilled.

**Mr PAKULA** — I am sure you said plenty at the time.

**Mr NORTHE** — Unfortunately you do have criteria that exist and exist for a reason. Where do you stop? Where do you start? I think the appropriate criteria measures were put in place. As I say, the amount of businesses that have certainly said to me, approached me personally, that have been enormously grateful for the support and assistance that they have had through the fund and might I say through mentoring, through the workshops and events, has been profound. I take your point that everybody might not be entirely happy, but I would say that an initiative that was put in place very quickly to make sure that the Morwell businesses were supported was fantastic.

You can always say, ‘Well, the scope and criteria should be a little bit more, a little bit less’. But having said that, also through VECCI — and we thank VECCI for administering the program — we asked them to consider businesses circumstances and be flexible in their interpretation of that. I stand by the program itself. I think it has been a very, very good program overall, notwithstanding I think in any situation like this you will get people who say, ‘It should have been more’, ‘It should have been less’ in terms of the criteria and the amount of money that was provided.

**Mr ANGUS** — Minister, I refer you to budget paper 3, page 52, the ‘Supporting small business’ section there and as also touched on in your presentation, and I ask: can you please inform the committee as to what types of support services are available to the 529 000 small businesses in Victoria?

**Mr NORTHE** — Thank you, Mr Angus; I appreciate the question. As I just remarked on in a previous answer, I am pleased to announce that there is \$18 million of funding over the four years to provide not only

mentoring services but workshops and events and the new \$4 million fund, the local area capital improvement program, that will support councils with infrastructure in shopping strips.

The mentoring services and workshops and seminars are just critically important to the small business sector. What we have tried to do through our department and through our government is make sure that those workshops and events are relevant. We understand that not one size fits all. In a particular region and particular municipality there may be different issues at a particular time, so you try to direct your workshops and programs and events to a particular area that tailor meets their needs and their issues at a particular time.

So through the \$14 million we have got, through the workshops and seminars, that is what we are trying to do — and through a range of different provisions. These seminars and workshops cover best-practice principles in financial management — something dear to your heart, Mr Angus — marketing and human resource management. They are also an effective channel, I think, to enable relationships between other businesses, and I think that is key to making sure we do that.

In terms of the mentoring, and I include the Small Business Bus, as we have tagged it now. Small Business Bus makes more sense I think than 'mobile business centre'. That is part of the \$14 million funding package, and again this provides low-cost mentoring support and services to existing and prospective small business operators. They can be home-based, they can be industry groups or multicultural groups — the bus has been out far and wide in metropolitan areas of Melbourne and also into regional areas. David Gregory and his team I think do a great job with the mentoring service. They have been in existence for 26 years, and I think it is just a terrific initiative. We have over 1000 clients that are mentored each year, and about 20 per cent of those are in regional Victoria. The bus provides direct access to on-board mentors and helps connect regional and metropolitan small businesses to public and private sector support, information and resources that they might not be aware of. It is fantastic if you go out and see the bus — the mentors are booked up all day — you talk to people who have been through those mentoring sessions and how valuable those sessions have been. The satisfaction rate, if you like, is extremely high, and I think it is a great initiative. It is something we are looking to build on as a government.

In terms of the local area capital improvements program — the \$4 million over four years — that is really to assist councils with grants to reinvigorate shopping strips by doing capital improvements. It is a really important initiative. I think if you go to a particular town or community where you have a new shopping strip compared to an older shopping strip, it makes a difference where people's shopping habits are. If we can support councils by way of local business groups, trader associations by providing this particular initiative, I think it will be extremely well supported by all and sundry and will have some terrific outcomes.

There is a small business festival which just grows and grows and grows. It runs through the month of August; we are looking to build on that. We anticipate this year that there will probably be 340 events statewide, and amazingly you have in excess of 30 000 attendees. It is just a fantastic thing.

I have already mentioned the relaunch of the business.victoria website, which is really important. Support Small Business Day is another initiative that we are keen to pursue over the next period of time as well, within the confines of our budget.

**Ms GARRETT** — Following on from questioning regarding the devastating impact of the Hazelwood fire on the Morwell community, clearly for the state government authorities involved in the controlling, the extinguishing and the clean-up surrounding the fires, and the owner of the Hazelwood plant — GDF Suez — there was considerable money spent. Given that you are aware of the catastrophic impacts on small business, as you have referred to today and in other forums, did you as minister require that GDF Suez and state government authorities sourced services and equipment from Morwell businesses to help offset their loss of customers?

**Mr NORTHE** — Thank you, Ms Garrett. With respect to the Hazelwood mine fire, I think everyone understands the history of it. In terms of government response and recovery, it has been profound. Whilst I appreciate criticism from some quarters — and it does not matter whether you are dealing with a flood, fire, storm, there will always be criticism from some quarters I believe. But in terms of the whole-of-government response to this, we obviously as a government set up respite centres. We established a community health assessment centre in Morwell, at which in excess of 2000 people attended. There were in excess of 4000 respite payments made to the people of Morwell. There was in excess of 1300 relocation payments for people in

Morwell. Totalling those together, there were 5500 relocation and respite payments that were made to people in Morwell. On top of that, one of the initiatives that we put in play for people to take a break was to provide free travel on V/Line services from Morwell: 13 500 people undertook — —

**Ms GARRETT** — Point of order, through you, Chair, the question was very specific. It was: why were Morwell small businesses not given priority in terms of sourcing services and equipment, and I would like you to draw the minister back to answering that question.

**The CHAIR** — Ruling on the point of order, the minister is 2 minutes into his response, he is entitled to bring in whatever material he thinks is appropriate.

**Mr NORTHE** — I am just trying to provide a holistic response before I get to the heart of Ms Garrett's question. The point I am making is that the government was providing support to the people of Morwell and Morwell businesses. In terms of V/Line services, 13 500 free V/Line rides were provided to Morwell residents, access to Melbourne Museum and Zoos Victoria. In terms of the recovery program, the government has provided \$2 million through council to provide a holistic clean-up program to try and support local residents. Within that, whilst there are the assisted self-clean-up kits, there are also laundry vouchers — in excess of 650 laundry vouchers — from which the local laundromats derive a benefit. In excess of 1000 car wash vouchers have been provided to Morwell residents, hence redeemed at the local carwash enterprises in Morwell.

Obviously we have been through the business relief fund, so there was a direct financial contribution to those businesses that have been impacted. Further to the question you asked, very clearly we can say that I know council, who is administering the clean-up program, was very clear in making sure at every best endeavour that they would use local businesses where possible to provide that assistance in terms of professional clean-up. I will premise this by saying, 'Not in my domain'. That is not an easy cop-out; that is the fact. But in terms of conversations with council, with the fire services commissioner et cetera, we wanted to make sure that where possible Morwell businesses were utilised in any clean-up or recovery programs.

**The CHAIR** — We are out of time. That concludes the hearing on the small business portfolio. I believe there was one matter to be taken on notice. Minister, we will write to you, and we seek a response within 21 days. I thank the minister, the secretary and departmental officers for their attendance this morning. That concludes the hearing.

**Witnesses withdrew.**