

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020–21 (Pulford)

Melbourne—Thursday, 3 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallenge

WITNESSES

Ms Jaala Pulford, MLC, Minister for Small Business,

Mr Simon Phemister, Secretary, and

Mr David Latina, Deputy Secretary, Jobs, Innovation and Business Engagement, Department of Jobs, Precincts and Regions.

The CHAIR: The committee will now resume with its consideration of the small business portfolio. Minister, we welcome you and your officials again and invite you to make a 5-minute presentation that will be followed by questions from the committee.

Ms PULFORD: Great. Thanks, Lizzie.

Visual presentation.

Ms PULFORD: It has been an extraordinary and challenging period for all Victorians, and particularly so for our small business community. In the few months that I have had the honour of being the Minister for Small Business I have worked hard to ensure that I am available to business community leaders and to our small businesses' representatives, and I have done a lot of listening to hear their perspectives, their challenges and their needs. We have had countless meetings with stakeholders about health restrictions and support mechanisms and recovery plans, and it is certainly a sector I enjoy working with very much. One thing is for sure: nobody wants a third wave.

I have also been inspired—as I am sure committee members have—by the small businesses that have been able to adapt and change what they are doing in quite remarkable ways and been able to survive and in some circumstances to thrive. It is a great credit to them, to their tenacity and to their creativity. Some are pivoting to entirely new business models or finding new ways to connect with their customers, and I will take a moment to thank our small business community for their willingness to work with me and with the government in such incredibly trying times. We will stay the course with them through this period of recovery.

The year started, as you will all recall well, with fires, and then almost as soon as that crisis was passing for those communities—they were starting to move into a recovery stage—we had COVID-19 with us. It has been and continues to be for some businesses really challenging, and the thing that is perhaps most important is the ability to trade and to retain cash flow. Cash flow is critical for businesses at the best of times, and the pandemic certainly made that an enormous imperative for so many. The payroll tax refund for businesses with annual taxable wages up to \$3 million and a commitment to pay all Victorian government supplier invoices within 10 business days is an important initiative and is ensuring funds reach businesses and the economy faster.

We have also had the commercial tenancy relief scheme, including an extension, which requires rent relief to be proportionate to tenants' decline in turnover. We extended the CTRS to the end of this calendar year a number of months ago—members would remember the legislation through the house—and that was about providing businesses with certainty at this time. There is also a landlord hardship fund to provide support to landlords, and I would take the opportunity also to recognise the contributions made by landlords to many of their small business tenants which have enabled them to get through the lockdown.

Since the announcement of the business survival package on 21 March there has been \$2.36 billion provided to more than 129 000 businesses. As you will have heard earlier today, Minister Pakula has primary responsibility for that. But obviously as the small business minister we work closely on this, and I have a high level of interest in our businesses being able to access this.

I was very pleased to be able to deliver for sole traders a support fund to assist non-employing businesses in the sectors that have been most impacted. A recent initiative is the business chambers and traders groups grant for small local traders organisations in regional chambers who provide such an important conduit to their members on information but also shared marketing campaigns and the support and networking of a really, really strong community. We established the small business digital adaptation program, and that is now open for applicants. We have got six industry partners providing really exciting opportunities for very small and indeed sometimes

microbusinesses to try new things. And Upskill My Business is providing business owners free access to premium short courses and training events so that they can emerge even stronger.

We have heard a lot about mental health this year, and we have a dedicated effort and program to support business owners and operators—in addition to all of the rest of the challenges that our community has faced this year—managing the challenges of running a business through a pandemic, as well as a business recovery and resilience mentoring program, which have been taken up by a lot of people. And I have got one more slide, but I have not got any more time, I do not think.

The CHAIR: Thank you, Minister. I will pass the call to Ms Nina Taylor, MLC.

Ms TAYLOR: Yes. I was wanting to start with the commercial tenancies relief scheme. I would like to refer you to budget paper 3, page 88. Can you explain how this scheme has helped support small businesses through the coronavirus pandemic?

Ms PULFORD: Yes. Thanks, Nina. The CTRS is a really important initiative. It came from discussions at national cabinet. National cabinet established in the really early days of the pandemic some principles that have been applied by jurisdictions. The scheme was established to create a framework for small business tenants and their landlords to come to arrangements, ideally to their mutual satisfaction, that would enable them to trade through—for the business to manage expenses while income is in a state of decline—but also for the landlord to be able to have their tenants still strong and viable and enjoying success again as the economy has reopened. Commercial tenants are entitled to rent relief under the CTRS if they occupy premises under an eligible lease—so, for all intents and purposes, a proper and normal lease as you would imagine—are a small to medium enterprise with annual turnover of less than \$50 million and are participating in the JobKeeper scheme. So as with a number of our programs, as you will have heard, JobKeeper eligibility is something of a gateway as a proxy for significant income loss. So the scheme runs until the end of this calendar year. There was an initial period to 29 September. The extension, as I indicated, is to the end of this year. There are a couple of changes in the extension, including the requirement for proportionality to be taken into account and a new power for the small business commissioner to make an order really in circumstances where there was not a good faith negotiation.

Ms TAYLOR: Excellent. And can you perhaps tell me a little bit more about the extension to the scheme—a little bit more detail on that?

Ms PULFORD: So the regulations changed with the extension of the scheme. I should point out: throughout, a key feature of the scheme has been free mediation to enable support. There are a great many rental agreements that are struck without using the scheme, but I think the scheme has provided really important guidance and a set of principles to assist people to work those arrangements out privately. But the extension has provided for that rent relief in proportion with the fall in turnover and the power for the VSBC to issue binding rent reduction orders in situations where landlords refused to respond to tenants or engage in negotiations in good faith. There is also a \$60 million Commercial Landlord Hardship Fund, which is targeted to small private landlords. I think it is important to recognise the significant contribution that they have made and some of the financial distress that they have experienced as well.

Ms TAYLOR: Indeed. How has the Victorian Small Business Commission supported tenants and landlords with the commercial tenancy relief scheme?

Ms PULFORD: They have been very busy. It is very nice that in all the numbers in BP3 there is a very nice little number in there about their customer satisfaction rating, which is a real credit to them. Given the nature of the work that they do, people have overwhelmingly found their experience with the VSBC to be a positive one, and I thank the team there for the work that they do. The VSBC received over 12 500 inquiries, so assistance and initial advice provided, many of which then have gone on to be able to be privately resolved between parties. There were 2715 eligible disputes that were lodged for mediation as part of the scheme, and of those, 1527 disputes have been finalised—a great many of those, 662, prior to mediation. Of those going to mediation, the VSBC has an almost 90 per cent success rate, which is again a credit to parties turning up and wanting to get an outcome and a credit to the skills of the mediators in assisting people to find something that everybody can live with.

Ms TAYLOR: Thank you. You did touch on the Commercial Landlord Hardship Fund. Can you tell me more about what supports were made available to landlords?

Ms PULFORD: Yes. Thanks, Nina. The free mediation is also available to landlords. The \$60 million Commercial Landlord Hardship Fund is for small private landlords. They are grants of up to \$3000 per tenancy for eligible small commercial landlords that have, through the CTRS, provided rent relief. The Treasurer's portfolio is also providing significant land tax relief to landlords. Landlords that provide their tenants with rental relief are eligible for an increased land tax discount, which is now up to 50 per cent—it was initially 25 per cent—so there is that assistance as well. In addition, the scheme has been promoted through all the government websites and e-news, targeted search campaigns, we have worked hard to reach culturally and linguistically diverse communities as well, councils, professional organisations and all the kinds of organisations who speak to large numbers of people to get the word out so that both tenants and landlords can be aware that this service exists to support them.

I think it has been really valuable and really important. While the number of people ringing for some initial advice about how to have the discussion and what to do is much higher than the number that are at even an initial level of dispute and seeking mediation, that tells us that many people are going and working this out. The very existence of this scheme, conceived by the national cabinet, I think has given people a very important guide to how we can work together to everybody's shared benefit.

Ms TAYLOR: Thank you. I would now like to zone in on business chambers and local trader groups. I will refer you to budget paper 3, page 88. Could you please outline how the government is supporting small businesses by working with business chambers and local trader groups?

Ms PULFORD: Yes. Thanks, Nina. As you would all know from your work in electorates, there are a great many small traders groups and local business chambers that provide a really important service to their members—typically membership-based organisations. I know not only as former Minister for Regional Development but also through my work in the Western Victoria Region I have been running into and working with these organisations for many, many years. I was conscious of the role that they play, particularly in challenging times. Meetings with local traders groups and some of our rural communities during times of drought have been some of my interactions, and I was really keen for us to be able to support them in the work they are doing with their members. So we initiated the business chambers and traders grants program—grants of \$10 000, \$20 000 and \$50 000, in reflection of their size—and we were absolutely delighted that we had 182 applications. The initial funding for the program was well surpassed by the interest and demand, and we were successful in securing some further funding. There are a small number of those applications that just did not fit the criteria, but overwhelmingly they have all now been notified of their grant—some online masterclasses, webinars, local business awards, mentoring programs, digital storytelling, shared distribution and logistics. We have designed this in a way that this can be what it is that they need to do for themselves and for their community, and so we have tried to stay out of their way as much as we can in the design of the program. They have of course also played a really important role in talking to their members about the mountains of information about restrictions and various grants and programs that people have had to try and contend with, and we thank them for that.

The CHAIR: Thank you, and I will pass the call to Mr Richard Riordan, MP, Deputy Chair.

Mr RIORDAN: Thanks, Chair. My question is to the Secretary, if I can, please. Secretary, budget paper 3, page 150, is about the new jobs tax credit, and I just want to run through a couple of scenarios with you, please. If a small business, for example, in Wodonga that has paid \$1.2 million in wages in 2019–20 pays \$1.2 million wages in 2021—if I was that business, would I receive a tax credit this year if I paid the same wage again this year?

Ms PULFORD: Sorry, can I just jump in? We will assist you to the best of our ability, but this is not a program that is administered by our portfolio. We have a strong interest in it, but the payroll tax arrangements are within the remit of the Treasurer.

Mr RIORDAN: Okay. I guess what I am getting to is the support for small business—small business for your portfolio. One of the things being claimed is the tax credit. So what I am getting at is: if I am a small

business and I am paying the same wage this year as I paid last year, do I get a tax credit? Is there a benefit in it for me?

Ms PULFORD: Yes, I think perhaps that is a question best directed to the Treasurer. Look, in very general terms, I would indicate that particularly in regional Victoria we have worked hard over successive budgets to have a much lower payroll tax rate—that a distinction has been made between metropolitan Melbourne and regional communities—and that was an important incentive in budgets past. But in terms of any consequences in border communities, or questions from border communities about the tax credit, I think perhaps you might be best directing that to the Treasurer.

Mr RIORDAN: All right. So just in the context of small business, just to clarify, if you are a business that is paying the same wage, or in the case of this year where there has been a downturn for many, many businesses—where you are paying less wage—there would be no job tax credit for any of those businesses.

The CHAIR: Mr Riordan, I think the minister has indicated that the specifics of your question are a question for the Treasurer, not for her portfolio.

Mr RIORDAN: Are there any other tax credit supports for small business?

Ms PULFORD: This is the significant initiative from the Treasury portfolio for our small business community, and as you would appreciate, as Minister for Small Business, I have a very strong interest in a whole lot of initiatives being supported by other portfolios. But in terms of direct ministerial responsibility, the administration of this does not sit with us. We can try, because of course we have—

Mr RIORDAN: Just reading from what I could read, if you are paying the same wage or less, which will be the circumstance for many, many small businesses in the regions, there is no benefit for you in this program.

The CHAIR: Mr Riordan, I think the minister has made it clear it is not appropriate for her to be answering questions on behalf of the Treasurer.

Mr RIORDAN: But she has also made it clear she has a strong interest in support for small business, so this is obviously something that—

Ms PULFORD: So again, I would encourage you to take this up with the relevant minister, but as has been described in the public statements by the Treasurer, the credit is particularly focused on businesses that are increasing employment. But in terms of your specific example, I think you would perhaps need to take that up with the relevant minister.

Mr RIORDAN: Well, just to finish up on that topic then, as the Minister for Small Business, you would concede that unless you are a growing small business, at the moment that does not benefit you?

Ms PULFORD: Look, on the tax initiatives in the budget I would refer you to the Treasurer, but there are a great many initiatives that are there for the support of our business community, many in my portfolios and many in other ministers' portfolios.

Mr RIORDAN: Okay. So, Minister, moving on: the Sole Trader Support Fund—is that something you can talk about?

Ms PULFORD: Yes. I would love to talk about that.

Mr RIORDAN: Okay. So that was announced in September, but according to the department's questionnaire it did not commence until 24 October. Why did it take 40 days to get that up and running? Perhaps while you are getting advice on that, I will just pose another part to the Sole Trader Support Fund. There are only 30 000, or around 10 per cent, of Victorian sole traders who are eligible for these \$3000 grants. Why did the government choose to have a criteria that saw 90 per cent of sole traders excluded from support from this fund?

Ms PULFORD: Just on your first question, the program was opened on 24 September.

Mr RIORDAN: Yes—sorry, 14 September.

Ms PULFORD: Yes, so I think you said October. I did wonder about that date. So it opened on 24 September. There is a period, as is appropriate, I think, of engagement with the business community and with stakeholders on any new initiative, as was the case here, but we certainly had that program opened as quickly as we could—

Mr RIORDAN: But when you opened it, 90 per cent of businesses were excluded. What was the rationale for that?

Ms PULFORD: Sorry, let me just finish the answer to the first question first. I would also indicate to the committee that the closing date for that fund has now been extended to 30 December.

Mr RIORDAN: So to the next part: 90 per cent of sole traders were excluded from the fund. Why? What was the rationale for that? And one of the criteria—

Ms PULFORD: On what do you base the 90 per cent?

Mr RIORDAN: Well, one of the criteria is that you cannot work from home. You do not need a business degree to realise many, many sole traders operate from their home premises. That is one key exclusion. Why was that, for example, a key excluder for the support?

Ms PULFORD: I am curious where you have—

Mr RIORDAN: Those people still have to pay wages, pay rent and look after their families.

Ms PULFORD: Well, if they are in a heavily restricted or closed sector and they are paying rent, then they are eligible. I am not sure where you got the 90 per cent from. You did not make it up, did you?

Mr RIORDAN: Well, it says only 30 000, or around 10 per cent, of Victorian sole traders were eligible.

Ms PULFORD: So there is a \$100 million fund that is available to be accessed by eligible sole traders. I think it is important to remind the committee that income support for businesses significantly impacted by restrictions is the responsibility of the federal government, and people in the situation that you are talking about are JobKeeper eligible.

Mr RIORDAN: But, Minister, this is your support fund for sole traders.

The CHAIR: Mr Riordan, your time has expired.

Ms PULFORD: Mr Riordan, you were asking about looking after their families and paying the rent, so I would say to you income—

The CHAIR: Mr Riordan, your time has expired. The call is with Mr Limbrick, MLC.

Mr LIMBRICK: Thank you, Chair. Thank you, Minister and your team, again. Minister, in your presentation you spoke about payroll tax relief, which is great, and the accelerated payment of Victorian government invoices to help the cash flow of small businesses. Do you know how many small businesses—actually you might have to take it on notice; I am putting you on the spot with that one—actually received government invoice payments, and how do you actually classify them as a small business when the government is dealing with them?

Ms PULFORD: Yes. We would definitely have that information. Let me see if we have it here for you right now or if we will have to take that on notice. The policy that has existed for invoices for small businesses applies to invoices of less than \$3 million. That has not changed. The policy framework has existed for some time. As part of the government's initial response to the pandemic there was an announcement by the Premier and the Treasurer about rapid payment of all outstanding invoices, which was wonderful and provided I think in the order of \$2 billion of immediate cash into businesses. We have just recently announced a change to the policy. Having now demonstrated through the course of the pandemic that our departments and agencies can pay their invoices faster, we are making it a permanent arrangement, which we were really pleased to announce. That announcement from March—I can give you this for now, David, and then we might come back to you with total numbers of businesses—since that commitment was announced our departments have paid

more than 1.2 million invoices totalling more than \$25 billion. Having that cash money moving through the economy is of critical importance for businesses. On the total number of businesses, we will see if we can track that down for you. I will take that on notice.

Mr LIMBRICK: I was just interested in the scale of that and how many there are. But that is fine.

Ms PULFORD: It will give you a sense of scale with the volume. But certainly through our procurement policies and arrangements it is very much our policy intent to provide opportunities for smaller businesses to participate in government purchasing activity.

Mr LIMBRICK: Thank you, Minister. Another thing that you spoke about, which I think was one of the good points of the government's response to the pandemic, was this idea that businesses were pivoting and in some cases—and we spoke about this yesterday with Minister Pearson—the government was relaxing regulations in certain areas. We spoke about restaurants and how you can buy a sixpack and a bottle of wine and take it home from the restaurant now or you can get it delivered to your house, and these are things that were prohibited by regulations. The world has not ended and people like it. We also spoke about using unused parts of car parks for diners to sit out in. What sort of areas of deregulation are you either looking at or hearing from the business community about that might allow more creativity or more adaptation for businesses in the future?

Ms PULFORD: Thanks, David. In the budget, and you may have seen this, there was an announcement about a major review of the planning regulations. There is also nearly \$75 million to support a very significant regulatory reform package, some of which will come under our administration in the small business portfolio to run a second round, a second generation, of better approvals, and we will be taking our advice about where effort can be best focused and targeted from our discussions with the business community.

Mr LIMBRICK: So you are engaging with them about this to try to target—

Ms PULFORD: Absolutely. We have not started that yet on this next round. We are just bringing the last lot of regulatory review and the implementation of those things to a bit of a conclusion now, so now there will be a whole new period of engagement with the business community. But I could not agree with you more that this pandemic does present an opportunity to look at some things with fresh eyes, and where we can use that experience as an opportunity to simplify things for our business community we will really embrace that.

Mr LIMBRICK: And how do these businesses—

The CHAIR: Sorry, Mr Limbrick, your time has expired and the time for the consideration of this portfolio has expired.

We thank you very much for appearing before the committee in relation to this portfolio today. The committee will take a short break before joining with you for consideration of your next portfolio, which is innovation, medical research and the digital economy. Thank you.

Witnesses withdrew.