

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 14 May 2009

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Witnesses

Mr J. Helper, Minister for Small Business;

Mr H. Ronaldson, Secretary,

Mr D. Latina, Executive Director, Small Business Victoria, and

Mr J. Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

The CHAIR — I now welcome Mr Helper, MP, as the Minister for Small Business, Mr Howard Ronaldson, Mr Justin Hanney, Mr David Latina and Mr Jim Strilakos from the Department of Innovation, Industry and Regional Development. I will call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the small business portfolio.

Overheads shown.

Mr HELPER — The opening slide is not the prettiest of them all, so I will go with that. What I want to do with this presentation is examine the contribution and challenges facing Victorian small business, major achievements and priorities for Small Business Victoria.

The CHAIR — You have got 5 minutes, so you will have to be quick.

Mr HELPER — All right. The second slide shows that the last time the ABS took a count, in June 2007, there were over 482 000 small businesses in Victoria, representing 96 per cent of all businesses. Over the last five years, small business has experienced steady growth of around 3 per cent per year. Small business owners are a diverse economic group — 28 per cent are regionally based, 32 per cent are women, 29 per cent are born overseas and nearly 62 per cent of small businesses are home-based.

The past year has been a challenging time, I think it goes without saying, for small business. Two years ago small businesses were primarily concerned with finding skilled staff. Today they are more concerned with business survival. Businesses are increasingly concerned with keeping their customers and paying their bills. Business confidence has fallen significantly. These concerns have been echoed during my visits to small businesses and in individual business conversations I have had.

The government believes that providing information and programs to help intenders start a business or small business owners grow a small business is even more important in these tough economic times. In the 2008–09 fiscal year, over 2200 small business owners have benefited from a variety of intensive management programs and workshops — C21, Grow Your Business, My Business My People — on all aspects of running a business, from business planning to selling a business.

Since 2002 over 19 500 people across Victoria have benefited from the small business workshops and seminars program. More than 31 000 people attended Energise Enterprise, Victoria's small business festival, participating in more than 300 events across the state. Over 653 businesses have participated since July 2008 in the small business mentoring program, which facilitates low-cost mentoring for small business or small business intenders.

Forty-three automotive companies have participated in the C21 challenge. KPMG estimates that \$38 million will be earned in increased exports, turnover and efficiencies over the next five years as a result of the program. The business loan finder is a national product developed by the Victorian government to help small business search for loans, understand their financial options and maximise their chances of securing credit. Since its launch, over 7000 businesses have used the loan finder.

Priorities for 2009–10: economic circumstances require stronger support for small business. The government recognises at a macro level a competitive business environment is required. A massive investment in infrastructure will have a flow-on effect to small business, and efficiencies of doing business in Victoria need to remain at a very high level. At a portfolio level, most successful businesses in difficult times are the most flexible and those with [inaudible] of management of their business. Small Business Victoria focuses on providing services and information that adds that flexibility and management capacity to Victorian small businesses.

Skills for growth: \$52 million over three years, 5500 businesses will have the opportunity to engage with Skills for Growth and will provide training outcomes for 55 000 employees.

Leading national comprehensive legislative review on retail tenancy disclosure statements will save businesses up to \$46 million nationally over the next 10 years, and Victoria is leading that legislative review. World Class Service — another small business Victoria initiative — makes it easier to deal with government. There are over 4000 phone inquiries to World Class Service each month and 100 000 web users each month. Small business

workshops and similar programs will deliver 250 workshops and seminars in 2009, and 2500 attendances are expected.

The Koori business network continues to support the development of our indigenous businesses. It does so through the provision of training and support for those small businesses and through the promotion of those small businesses, so if I have made that in less than 5 minutes, then I can go on.

The CHAIR — You have done very well and you have added a couple of other slides for our information, which we may well use later on.

Mr SCOTT — On page 75 of budget paper 2 it states:

The government remains committed to providing a fair and efficient tax system that is competitive with other states.

Could you please provide a comparison on government charges on small business compared to other states?

Mr HELPER — The Victorian government has a strong commitment to regulation reform, including improving the quality of regulation and reducing red tape to promote a competitive regulatory environment. We have committed \$42 million to reducing the regulatory burden initiative which aims to reduce red tape by 25 per cent by 2011.

A progress update on reducing the regulatory burden initiative released in November 2008 projected a net red tape reduction of \$162 million in July 2009, going very much to the competitive advantage that the Victorian business sector experiences. In 2007 Victoria was identified as the only state in Australia to consistently achieve good ratings in the Business Council of Australia score card of state red tape reform, which measured the performance of jurisdictions in implementing reform of its regulation-making regime.

If we look at payroll tax, while the government recognises that revenue raised from payroll taxation helps to provide services that benefit the entire economy, it is committed to ensuring that Victorian businesses pay no more than necessary. The Victorian government has reduced payroll tax rates to make it the second-lowest tax rate among the states and territories in Australia.

Mr WELLS — But you are receiving a record amount of payroll tax.

The CHAIR — Without assistance!

Mr WELLS — Is \$4 billion a record amount?

The CHAIR — Without assistance!

Mr HELPER — Since 2000, the government has cut the rate and the economy has grown also.

Mr WELLS — What about the aggregate amount?

The CHAIR — Without assistance!

Mr HELPER — Since 2000 the government has cut the rate of payroll tax from 5.75 to the current rate of 4.95, which is the lowest level since 1974–05. I think a couple of your governments are amongst those in that time.

Mr WELLS — What about the threshold? Is that the lowest of all?

The CHAIR — Without assistance!

Mr HELPER — As a percentage of state tax revenue, and I am going to the question of the competitiveness of our payroll tax regime, Victoria collects less tax than New South Wales, Western Australia, Tasmania and the Northern Territory. Approximately 9000 small businesses in Victoria are liable for payroll tax; 95 per cent of the 183 000 employed in small businesses in Victoria are therefore exempt from paying payroll tax.

If you look at land tax, again going to the question of competitiveness of the Victorian economy for the small business sector, since 1999 the government has reduced land tax by more than \$3 billion. Virtually all Victorian

businesses with holdings valued between \$400 000 and \$5.7 million pay lower land tax than in New South Wales and Queensland. On a \$1 million commercial property a Victorian small business pays less than \$3000 in land tax.

Mr WELLS — I think you are being very selective with your figures.

Mr HELPER — This is \$6700 below the national average for a property of this value. So with that, I am describing an economy that is vibrant, that is competitive with other economies in Australia and indeed other economies internationally; on that basis, it is an environment where business confidence can be better than in those other jurisdictions.

Ms PENNICUIK — The Skills for Growth program that you mentioned on one of your slides — I am wondering about the costs and the targets of that program. The targets are 1500 businesses assisted at a cost of about \$8800 each, which seems quite high per business, and the number of businesses is a bit low, and the latest measure — I think it is 10 places per business, which, if we are talking about small business also seems high — could you comment on that, and how you arrived at those figures and costs?

There is another part of the question, Minister: I understand that some of that advice would be provided by private providers rather than TAFE, for example, and I am just wondering whether the department has thought about risks in terms of private providers that may be linked to private training institutions?

Mr HELPER — Let me take that last point first. In terms of the training providers that are contracted to the program, we developed, with all appropriate probity safeguards, a framework of tendering that was neutral to the structure of the training provider, except they obviously have to meet our requirements or the program's requirements, so I cannot give you a full listing, and it would be inappropriate to give you a full listing, of all those that sought to be considered.

All I can say is they went through an extensive selection process which was overseen by extensive probity arrangements to ensure that we get the maximum value, the maximum outcome and the minimum risk for the providers that are selected. The cost per business of the scheme needs to be put in the context of what we actually do. If I may, I will just run through what we do with each individual business.

Firstly, we develop a workforce action plan, which identifies the business improvement opportunities, including workforce planning, people management initiatives and the future skills needs of the business. It is quite an exhaustive and extensive process that each individual goes through. Out of that we develop a workforce training plan, which is a tailored training and development plan that identifies businesses and individual skills needs, and recommends the relevant training opportunities to meet that skills need.

We then go to the third stage of the project, which is placement into training and facilitation and placement of staff into the training identified in the workforce training plan. Finally, as you would expect us to, we do an evaluation of the overall business outcomes, including progress and of implementing the workforce training plan and workforce action plan.

A component of that is the provision of the training and the training places that are purchased. Another two components are some quite detailed planning work that gets undertaken on an individual basis with that business. When you have a look at the outcomes of My Business, My People program, which is in a way a precursor to this program, a pilot for this program, you see the quality of difference it has made to businesses is tremendous. It really does position businesses to be competitive, to be commercially successful and to get value for money out of going through this particular program.

Coming to the point of the question where you asked about the targets, they are targets that we are confident we will meet in terms of the number of businesses that go through. We have averaged it out at 10 employees per business. It is a program that is targeted at small and medium businesses. We define 'small business' as a business with less than 20 employees; and 'medium business' as less than 200. It is a broad range. I think it is a strong strategy and one that I have every confidence will make a real difference to the individual businesses and to the individual employees who gain an accredited skill set.

Ms PENNICUIK — Is the skills growth meant to go on after this particular forecast period?

Mr HELPER — We have budgeted for it for the next three years. How we will progress beyond that will be a decision that government will consider.

Ms PENNICUIK — It is obviously going to be evaluated?

Mr HELPER — Yes.

Ms MUNT — I am interested in budget paper 3, page 126, under ‘Small business’ it has that ‘Agencies participating in World Class Service initiative’ are expected to grow to 200 in 2009–10 — that is, agencies. In your opening presentation you listed, under World Class Service — strong growth in Business Victoria registrations — for March 2009, Businesses Victoria registrations at 35 000. I am interested in knowing what work the World Class Service initiative is and how it will impact the forward estimates?

Mr HELPER — Thanks for your question. World Class Service initiative is a key component of our plan to reduce red tape. World Class Service is about reducing the regulatory burden. It is not one-dimensional, saying, ‘We will reduce regulation’. It is actually saying, ‘How can we make it as efficient as we possibly can for businesses to engage with the regulatory framework that we do have? The highly efficient regulatory framework that we have — how can they engage with it most efficiently?’.

As an explanation for committee members, the service provides you with the ability to search all government websites in one go, access step-by-step online learning guides. They are terrific; I have gone through half a dozen of them. We need excise those stats from small business registrations, but I think I did it in one go, so there will not be that many. You can ask questions and find a business adviser — whether that be in the area of accountancy, whether that be in the area of legal assistance — so you can actually quickly, geographically and in an area of expertise, match up with expert providers.

You can find books and connect up with the workshops program that we run through Small Business Victoria. You can subscribe to updates and use an integrated online visit. To me this is the key and exciting part of World Class Service — you can use an integrated online account to manage your business licences and permits and registrations.

So you can do your business name renewal et cetera online. All of those transactions that require you, or in the past required you, to shuffle paper, you can do online; you do not have to fill in 500 000 times what your ABN number is and because you have an individual account, your identity and your details are automatically linked to any interaction that you may have with government regulation. There is a strong uptake of — —

The CHAIR — How does it work through the — —

Ms MUNT — Is there a portal or gateway?

The CHAIR — It is a portal, is it?

Mr HELPER — Yes. You select your area of interest. It is a little bit like internet banking, I guess. You log in to your personal account in terms of your regulatory functions — —

The CHAIR — How do you log into your account from the front page?

Mr HELPER — David, how do you log in from your front page?

Mr LATINA — There is a box that says ‘log on here’ and register with Business Victoria.

Mr HELPER — I thought that would be the answer, Chair. I forgive you though, Chair. It is better when you see it on a full-size screen rather than in a presentation.

There has been strong uptake of World Class Service for small business. In March 2009 there were approximately 30 000 business interactions, including over 4700 calls. It is not just the web presence; the business line that we have also links to a similar set of information. Additionally over 100 000 businesses each month visit the Business Victoria website. That equates to one in five Victorian SMEs, and we are pretty proud of that.

We obviously evaluate all our programs, and over 80 per cent of World Class Service users state it makes them more efficient and confident in dealing with regulatory matters. We think it is crash hot and commend it to any jurisdiction that would pay us the royalties.

The CHAIR — Is anyone copying it?

Mr HELPER — I have my tongue in cheek on that, Chair.

Mr DALLA-RIVA — Minister, in the Treasurer's speech he states:

The government's commitment to reduce red tape by 25 per cent over five years has already led to major reductions in business costs ...

I refer you to budget paper 2, page 74, where it says:

Through the *Reducing the Regulatory Burden* initiative, the government has committed to cutting red tape by 15 per cent over three years and 25 per cent over five years.

That follows on from the government's earlier Dorothy Dixer. The issue is, though, that at the PAEC hearing on 16 March last year Mr Wells asked for a list of the regulations that had been removed or planned to be removed or reduced for small business. I have been through the report on the 2008–09 budget estimates part 3, dated October 2008, and in particular page 388 under the subheading 'Details on regulations that have been already removed and those which will be removed by July 2009 under the small business portfolio'.

You go on to list in your response that you have responsibility for 'the following acts', and you mention six acts. You mention sunseting one act and then go on to speak about something else entirely off the issue, about the regulations that would provide some of the initiatives in terms of cutting red tape.

I ask again: can you please provide to the hearing a list of the regulations that have already been removed and regulations that will be removed that meet the requirements on so-called reducing the regulatory burden for small business — and over the forward estimates as well?

Mr HELPER — What you need to be aware of, and maybe I could have made that clearer at last year's estimates hearing, is that Small Business Victoria is not actually a regulatory agency. We are not an agency that regulates an enormous amount of activity.

Mr DALLA-RIVA — So there is no regulation or red tape on small business?

Mr HELPER — No, I am not saying that. We are not a large regulator within the functions of the Victorian government. You need to be able to make a mental leap between regulation and regulatory burden. What small business owners — and I was one — get concerned about is the regulatory burden, not the amount of regulation.

Dr SYKES — Not the amount of red tape?

Mr HELPER — You need to have efficient regulations, and I think it is fair to say that Victoria, certainly in all areas that I am aware of, leads the country in terms of a focus and an emphasis on efficient, useful and practical regulation. The business council's statistics giving Victoria regular ticks on the effective and efficient regulatory regime we have in this state pay testimony to that.

So you come to the consideration of the regulatory burden, and that is where my department through, for example, World Class Service, is making a significant difference in reducing the regulatory burden that an individual business actually experiences. It makes it easier for business to interact with government.

That there are regulations is a given. We live in a society; therefore there will be regulations. What jurisdictions — and we are one — that concern themselves with regulatory efficiency focus on is to ensure that the interactions that the business community and the general community have with that regulatory regime are as practical and efficient as they possibly can be. In the other column, that of regulatory efficiency, we indeed lead the country. But if you are going to explore a great swag of regulatory reform to have occurred in Small Business Victoria, I am sorry to disappoint you because we do not have that great swag of regulatory reform.

Mr DALLA-RIVA — We asked it last year, Chair, and we are asking it again.

Mr WELLS — We asked last year. How can we ask for the same question and not get anybody to answer?

Mr DALLA-RIVA — There is nothing in your statement, Minister, that related to a reduction of 15 per cent over three years and 25 per cent. All we got was spin about how great it is, but nothing else. Unless you can provide us with some — —

Mr HELPER — That is a whole of government — —

The CHAIR — Let me comment on that as the Chair. Minister, we once again ask you to provide us with some information in that regard. I do note that page 74 of budget paper 2 does say that the Treasurer brings down a report, usually in November — I think it is a VCEC report, from memory — and he is going to produce another one later this year. I guess we will have a look at what the minister provides to us as well as what the Treasurer will provide to us, too. We need to finish this off.

Mr HELPER — With respect, Chair, the targets that are referred to are whole-of-government targets.

The CHAIR — I understand that.

Mr HELPER — I genuinely appreciate the members' interest in ensuring that we have regulatory efficiency. What my department — what Small Business Victoria — contributes in the regulatory efficiency area is the ease of interacting with regulation. We do much more in that space, because — —

Mr WELLS — So there might be a 25 per cent reduction in small business. Is that what you are saying? In red tape and small business?

Mr DALLA-RIVA — You have not committed that.

Mr HELPER — No. Small business interacts in a regulatory sense — —

Mr WELLS — I know, but it is getting lost in the spin.

Mr HELPER — I do not know. Have you been in small business by any chance?

Mr WELLS — Yes. My family had a farm machinery business.

The CHAIR — We need to finish off, Minister.

Mr HELPER — How much of that regulation that your family business interacted with came from Small Business Victoria? Not a great deal.

Mr DALLA-RIVA — You claim it.

The CHAIR — I think we have finished. You have said that we will get some further information and we will do some further analysis. That concludes consideration of budget estimates for the portfolios of small business. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to matters be provided within 30 days. Thank you, Minister.