

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2018–19

Melbourne — 1 June 2018

Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Mr Steve Dimopoulos

Mr Tim Smith

Mr Danny O'Brien

Ms Vicki Ward

Ms Fiona Patten

Witnesses

Mr Philip Dalidakis, Minister for Small Business,

Mr Richard Bolt, Secretary,

Mr Justin Hanney, Head, Employment, Investment and Trade, and

Ms Lill Healy, Deputy Secretary, Programs, Small Business and Employment, Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2018–19 budget estimates.

All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Small Business, the Honourable Philip Dalidakis, MLC; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; Mr Justin Hanney, Head, Employment, Investment and Trade; and Ms Lill Healy, Deputy Secretary, Programs, Small Business and Employment.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege.

The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat.

Members of the public gallery cannot participate in the committee's proceedings in any way. Members of the media must remain focused only on the person speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Mr DALIDAKIS — I have always wanted to say this: roll the tape.

Video shown.

Mr DALIDAKIS — Again, can I just say in the closing seconds that I have, Chair, I think we have managed to strike the right balance with that macro-economic policy in relation to small business, and having been a previous small business owner who struggled with late payments when I ran it, I think we have done nothing more positive than to partner with the BCA — we launched it; BCA wanted to run it nationally and we said yes — to be able to ensure that companies have joined up to receiving payment within 30 days of the good or service being provided. I think that is a tremendous initiative of the Victorian government, and all members of Parliament can be well proud.

Ms SHING — Thank you very much, Minister. Thanks for your presentation. To pick up on a number of things that have emerged in the context of that presentation I would like to talk about the Latrobe Valley supply chain transition program. It is referenced as having supported 55 businesses to retain jobs and expertise in the valley. One of the things that I would like to get some further detail from you on by reference to budget paper 3, page 10, is the support for these small businesses in a time of accelerated and rather extraordinary transition and development, because, like many businesses throughout regional Victoria, we have seen a significant change in the way that technology has altered the method of production and distribution and the markets that are available but we have also seen an accelerated change within the valley post-Hazelwood and the impact on supply chain businesses and related businesses in the economy. So an overall understanding of how that work has been tailored to the valley and how that has actually intended to support the transition and growth that was set out in last year's budget and carried through again through other initiatives in this year's budget.

Mr DALIDAKIS — Thank you, Ms Shing. It has been a challenging time for some businesses and for people, and we must never forget that we can talk about businesses but what we are actually talking about are real people who run and operate, that have invested their lives in their business. Of course the decision by Engie

to close Hazelwood and move out of coal-fired production around the world obviously meant that there were issues that we needed to deal with in a very quick way.

I am very proud of the response that the government has provided. Regional Development Victoria, along with DEDJTR, have undertaken a range and a course of actions to provide support to assist businesses to look at other opportunities. One such example, very specifically in response to the issues that you raise, was a trade mission of 10 businesses that we took to China — professional services firms, some of which are focused on engineering and other areas. I had the privilege to speak to them when they were in China, and one of the things that I said to them is that they may actually come away from that mission thinking that China was not a market for them, because sometimes the realisation about what they can do and where they can do it is as important as the realisation about what they cannot do, and for some businesses they did not have the resources or the time to invest in a market as big as China's. So by being able to support them and take them to that market — by the way, there were some companies that did well out of that trade mission and were able to seek some contracts and some work out of it — the benefit was the support that we provided to be able to take them to somewhere that they would not have gone or something that they would not have done otherwise. That is a tangible way that government can actually assist, can support and actually does intervene in the market where that assistance is necessary.

Ms SHING — What about the role of chambers within the local economies? We saw in the video presentation a number of pieces of footage of regional discussions, forums, roadshows and events that have included very specifically chambers within their structure and their format. So how is that work to consolidate what is happening on the ground within local business environments and what has been delivered through the budget actually contributing to a greater output of assistance for small business?

Mr DALIDAKIS — We have provided a range of events specifically with local government. So if I take you back to one of the contributions I made within trade and investment, I talked about Alibaba doing some workshop sessions in the Latrobe Valley. That was facilitated by the former mayor of Latrobe Valley council. It was Kellie —

Ms SHING — Kellie O'Callaghan.

Mr DALIDAKIS — O'Callaghan — I worked quite well with Kellie during her term in ensuring that we were able to work with the council to be able to have those times of opportunities. We have undertaken a range of other workshops — I think 23 workshops — at businesses in the area, specifically up until the 30 June 2017 period, and of course we have done a significant number of events since then as well. We have provided nine free small business breakfast events — approximately 345 attendees — and five pop-up information displays of local, state and commonwealth government support. We have provided funding of up to \$6000 to provide assistance to seven small business networks in the Latrobe Valley, which is exactly what you were asking about, to —

Ms SHING — Business councils, so within that matrix, Advance Morwell, the Committee for Moe — these are the sorts of groups which obviously know what is happening on the ground and know exactly the sorts of challenges unique to a specific region that businesses are facing. How are the linkages being used and maximised between what those business councils are doing in an everyday sense, what the small business commissioner is doing, what the work of the government is doing, and how does that tie in overall to an understanding of what the benefits are of, for example, reduced payroll tax or, for example, smaller time frames within which accounts must be paid?

Mr DALIDAKIS — Absolutely. My answer will be almost exactly the question that you have proposed — that the ability for us to respond on the ground is formed by those relationships that we maintain with people that are intrinsic to that local community network: the local chambers of commerce, the local economic development managers within the shires or the local councils and the opportunities for our RDV and our DEDJTR staff that are placed in a range of different offices right across the rural and regional area of Victoria. These are the types of things that we need to do, and they include Mr O'Brien, who has just returned to the table and who would have his own network of people outside of some of those areas. If an MP comes to me with opportunities or information that we should be able to work with and assess, then I have an open-door policy so that we can ensure that the people that need the work, the people that need our support, are the people that get it.

Ms SHING — Are people becoming more prepared to engage with government? It is often perceived from an external perspective as being a behemoth of red tape or of difficult language or of impenetrable systems, and that is simply because people are unfamiliar with it. What is the level of engagement like as a consequence of these sorts of forums, roadshows, pop-ups and business assistance sessions?

Mr DALIDAKIS — That program that I spoke of moments ago, that funding of up to \$6000 to provide assistance to seven small business networks in the valley, is again another fantastic example of how my portfolios cross over, because what that does, and this comes back to Ms Patten's earlier question about e-commerce opportunities and connectivity within the regions, and of course what that does is helps those networks to speak to their own members, their own businesses, about how to undertake website enhancement and how to, obviously, then take advantage of that from an e-commerce perspective and reach a far greater audience and customer base than they previously may have had. There is, again, nothing that we can do more than to provide tools and assistance to businesses that they can then utilise and use themselves.

Ms SHING — Just with the remaining time that we have, the voluntary fair payment code is another thing which has been part of the call for better cash flow for small businesses, particularly in and around the Latrobe Valley. What has the process been like to assess success, to assess the rate of sign-on and also to assess the prospects of this continuing to provide freed-up cash flow for small businesses throughout Victoria?

Mr DALIDAKIS — I remain incredibly proud of this initiative, Ms Shing. This voluntary supplier code that we introduced on 1 July last year has seen 78 of our largest commercial enterprises join, including Telstra, the big four banks and of course Mars Australia, which has a massive footprint in regional Victoria.

Just to give you an indication about the importance of what we have done separately to the BCA, of that 78, 30 are non-members of the BCA. We have been able to spread the net far and wide, and the benefit of that of course is that that money that the businesses are rightfully owed within 30 days for that good or service provided is going into their bank accounts. There is no line of credit for 90 or 120 days or a large business stringing them along so that they can keep the cash flow in their own business. That can only be a great thing for our small business community not just across Victoria, because — remember that because of what we did, the leadership that the Victorian government showed on this — this is now national.

Ms SHING — So what would be the message, then, for any company that is hesitant to sign on to this voluntary payment code?

Mr DALIDAKIS — One of the great examples of that is Lion, which initially had rejected the code, saying that it would take too long and was too hard to bring people in. They have been able to actually establish payments within six months, and part of the payment processing time gives a business 18 months to transition. Yet Lion, which thought it was too difficult, managed to do it within six months.

Mr D. O'BRIEN — Minister, I refer you to budget paper 3, pages 10 and 18, where there is \$8 million listed for supporting Victorian small businesses. Can you tell me how much of this funding is for farm mediation services, given there was just \$2.1 million allocated in the 2017–18 budget?

Mr DALIDAKIS — My understanding is that the farm debt mediation service is part of the full funding that we provided of that \$13 million that we spoke of.

Mr D. O'BRIEN — No, the question was how much of it is.

Mr DALIDAKIS — Again, part of that will be an amount that we need — I will come to the exact answer. The exact answer, for your benefit, is \$1.2 million, but what I —

Mr D. O'BRIEN — Sorry, just to clarify that, is that just for 18–19, or is that —

Mr DALIDAKIS — It is over two years, Mr O'Brien. But again one of the things that I have spoken with the Treasurer about is that if there is apparently a need for a greater level of support, then we will provide it. As you would appreciate, for example, there was a lot of farm debt mediation required in the dairy industry when circumstances were beyond what we would regard as business as usual.

Mr D. O'BRIEN — Can you tell us how much of the \$2.1 million that was allocated last year was actually spent on farm mediation?

Mr DALIDAKIS — I will have to take that on notice.

Mr D. O'BRIEN — In the same area the asset initiative on page 27 lists supporting Victoria's small business with \$500 000. Can you explain what that is for?

Mr DALIDAKIS — The \$500 000 asset initiative, as I understand it, includes a range of areas to do with the website, supporting the ability to access resources that we have and of course to be able to ensure that those resources are not just accessible on the website but also can be referred to local government authorities and support the actions that we are undertaking.

Mr D. O'BRIEN — Does it include any refurbishment or changes to the small business commission's office?

Mr DALIDAKIS — As I am advised, there will be a small allocation of it to the small business commissioner's office.

Mr D. O'BRIEN — Can I get an understanding of how much? Perhaps Mr Hanney would like to answer.

Mr DALIDAKIS — I am happy to pass over to Mr Hanney.

Mr HANNEY — Minister, we will need to take it on notice, but it is not just the small business commissioner; it is the office and all of the staff. It is a modernisation of the office. I do not have those figures, but we can take that on notice.

Mr D. O'BRIEN — Thank you. If we could get a full breakdown, Mr Hanney, of that 500 000, including what the minister said about websites and access, that would be great.

Mr DALIDAKIS — Certainly.

Mr D. O'BRIEN — Minister, you indicated that Small Business Victoria will be engaging with hundreds of cleaning small businesses that have lost their contracts through the education department's changes to its contracting arrangements and offering them assistance in the form of mediation. What extra funding resources will Small Business Victoria get to deliver these services?

Mr DALIDAKIS — I am only able to answer in a capacity in relation to Small Business Victoria or the commissioner, and I am advised that that has been a contract that has been undertaken — or a relationship that has been undertaken — specifically between the Department of Education and Training and themselves to assist those businesses that have been caught up in the changes by the Minister for Education.

Mr D. O'BRIEN — Has Small Business Victoria provided any assistance at all?

Mr DALIDAKIS — My understanding is that that has again been at the request of DET. It is a question that you will need to ask of the Minister for Education.

Mr D. O'BRIEN — Sorry, I am not quite following. So DET has engaged Small Business Victoria?

Mr DALIDAKIS — Just for clarity, the Department of Education and Training has engaged with the small business commissioner and her team, as distinct from Small Business Victoria, which provide the policy oversight for small business in Victoria.

Mr D. O'BRIEN — Okay, but again can you advise what assistance the small business commissioner is providing to those businesses — those small contractors — that have lost their business because of the department's changes?

Mr DALIDAKIS — Again — I am not trying to be obtuse, Mr O'Brien — that funding was provided specifically out of DET to the small business commission to make that support available so it did not impact upon programs that the small business commission runs Victoria wide, understanding that the department of education and the minister have undertaken a policy position that has seen changes to what you and I would regard as the status quo. As a result of that, DET has provided a greater level of funding to support the commission to undertake additional resources than otherwise would be required.

Mr D. O'BRIEN — But these estimates are about money provided to departments. This is money provided to one of your agencies.

Mr DALIDAKIS — Not by my department.

Mr D. O'BRIEN — No, I understand that, but it is provided to one of your agencies. Can we get an understanding of how much was provided and what assistance was provided?

Mr DIMOPOULOS — On a point of order, Chair, my understanding of what the minister has said is that he has made it very, very clear that the output that Mr O'Brien is talking about actually is not within the minister's portfolio but is in the Minister for Education's portfolio.

Mr D. O'BRIEN — On the point of order, Chair, the entire budget is about money provided from the consolidated fund to departments for work to undertake. It is not about money that the departments have and what they use it for; it is about money provided to them and what they use it for. So the question is still relevant. This is taxpayer funding that has been provided to one of the minister's portfolio agencies, and I am just trying to get a sense of what it is.

The CHAIR — I am happy for the question to stand as asked. The only qualification is that I think, as the minister has indicated in his previous answer, there might be limitations as to what information he can provide you because of the origin of the funds.

Mr DALIDAKIS — Mr O'Brien, I will happily take your question on notice and refer it to the Minister for Education. Again I am not trying to —

Mr D. O'BRIEN — Surely you could find out from the small business commissioner?

Mr DALIDAKIS — As you would appreciate, relationships or contracts that one party enters into with another are between those two parties, and so —

Mr D. O'BRIEN — But the small business commissioner is under your portfolio, is it not?

Mr DALIDAKIS — It is, but the matters do not pertain to the ordinary course of work for the small business commissioner within the portfolio that I oversee. As I have indicated they are doing additional work over and above their work — business as usual, as I would regard it — and so that funding has come specifically from the department of education. I think that it is a fair question, and it is a question that I was seek advice from my ministerial colleague to be able to provide that information.

Mr D. O'BRIEN — Does Mr Hanney have any more detailed information?

Mr DALIDAKIS — Again I am happy for Mr Hanney to respond, but again I will be seeking advice from my ministerial colleague.

Mr D. O'BRIEN — Minister, given the department has tendered out these contracts to eight large businesses now to clean schools, putting a lot of small businesses out of work and a lot of people in a difficult position, does the government have any intention to review the Victorian industry procurement policy?

Mr DALIDAKIS — I would have to again take that on notice and refer that to Minister Carroll, given that Mr Carroll has policy oversight of the Victorian industry participation policy.

Mr D. O'BRIEN — Have you received any advice from your department, though, with respect to concerns about small businesses being able to compete for government procurement?

Mr DALIDAKIS — I would not necessarily receive that advice unless I had sought it. Can I also say that in relation to contracts that other departments run, they must meet the requirements of the VIPP, as we have indicated, as well as other requirements. That would be a question that would have to be raised across all departments and all ministerial responsibilities as to what they were meeting or not meeting. Again, I am not looking to avoid a specific answer to your question, but I only have remit or policy oversight for my portfolio areas, and I am not in a position to answer on behalf of other people.

Mr HANNEY — Minister, can I just put on the record that the money from DET was for the Small Business Mentoring Service, and those eight businesses attended the small business —

Mr D. O'BRIEN — Sorry, Mr Hanney, can you speak up a little?

Mr HANNEY — Yes, sure. Those eight businesses attended, so the money was provided to the Small Business Mentoring Service, providing workshops —

Mr D. O'BRIEN — Can I just get that on notice, Mr Hanney — the information you were providing?

Mr DALIDAKIS — Certainly. I am happy to take that, Mr O'Brien.

Mr D. O'BRIEN — Thank you.

Ms PATTEN — Minister, I notice with interest the small business festival. I have yet to go down there, but in the budget we measure the output in terms of attendance to it, and I suppose what would be more interesting to know is the return on investment for that festival. How much do we spend on the festival, and do you have any indication of the economic benefit from it?

Mr DALIDAKIS — There are a couple of things that I would like to indicate to you, Ms Patten. The first one is that of course in the metric on page 141 you will see 'Participation in Small Business Victoria targeted and inclusive events and business programs'. You will see a brand-new target of 2018–19 in the figure of 30 000. That number, as you can see, in comparison to 2017–18 and 2016–17 is a new metric. We have decided for the first time that we should provide a level of analysis around the festival.

In relation to the economic benefit, that would be a far harder or more difficult thing to quantify because all the small businesses that will go there will take something out of or something different from it. The first thing they will see is that there are opportunities to network, and that is intangible. The second thing they will be able to do is be able to see what other services can be provided to them that they had not considered.

The third thing is that they can learn new information. So, for example, there are cybersecurity events; there are big marketing events; there are events right across Victoria that will give them information on issues that they may have not contemplated previously. If that helps their business continue in a positive way, if that helps to secure their investment and their ongoing success, then of course that is a great metric, but it is much harder to quantify.

Ms PATTEN — Yes, I appreciate that. Can you give me a dollar figure on how much we invest in the festival itself?

Mr DALIDAKIS — The specific figure I will take on notice, but it is inclusive of the global budget that we were provided with.

Ms PATTEN — Of course. Just with what little time I have got, from the 50 000 small businesses helped by Small Business Victoria in 2016–17 do you have any breakdown, again, on gender? We know that women and small business is a very good match, and I am wondering if you have got any breakdown of the number of female-run businesses you were able to assist.

Mr DALIDAKIS — I am happy to pass to Deputy Secretary Healy to ascertain that, but again I suspect that we have data on a range of businesses in different industries. As to whether we can delve down into the level of women-led, again the issue you raise is a good one, and I am certainly happy to take that on notice and also provide a response to you about what would be the obstacles to trying to ascertain that information into the future.

Ms HEALY — Thanks, Minister. Thanks, Ms Patten. Just in regard to the participation of women, obviously women are very strong small business leaders, and whilst I cannot give it to you today, and I will take on notice what I can give you back on the data for gender in small business participation, I can give you a couple of great examples of where the work that Small Business Victoria does really tries to ensure that it meets the needs of women business owners. In fact probably a great one, which covers across a couple of the minister's portfolios, would be the recent female-only and female-led trade mission, which would have been mentioned earlier in the hearing.

Ms PATTEN — Yes.

Ms HEALY — Small Business Victoria is a direct feed into that, so we worked together to ensure we had that.

Ms PATTEN — Just out of interest, how many businesses did travel on that female-only mission?

Mr DALIDAKIS — Fifteen.

Ms HEALY — Fifteen is my understanding. And also, if you look at the recent small business festival, the participation rate of women was well above that of others. So our work is very, very clear that we try to make sure that we are targeting people who are looking to set up businesses, and so I think it was over 60 per cent that were women-led businesses at the festival. I will come back to you with some further data on what we can do, but certainly we are very cognisant of that in the way we design. And that is why we are, again, going much more digital now. So being available at the times that business owners need — and particularly for women who may have a range of caring responsibilities, without just stereotyping that — and the strengthening of our digital presence through the investment, through the state budget, has also been a very clear policy direction that we are taking.

The CHAIR — Order! I would like to thank the witnesses for their attendance: the Minister for Small Business, Mr Bolt, Mr Hanney and Ms Healy.

The committee will follow up on any questions taken on notice in writing. A written response should be provided within 10 business days of that request.

Committee adjourned.