

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne — 16 May 2008

Members

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Witnesses

Mr J. Helper, Minister for Small Business,
Mr D. Hanna, Deputy Secretary, Strategy and Coordination
Mr D. Latina, Executive Director, Office of Small Business, and
Mr J. Hanney, Deputy Secretary.

The CHAIR — The committee welcomes the Minister for Small Business, Mr Helper; Justin Hanney, Deputy Secretary, David Hanna, Deputy Secretary, Strategy and Coordination and David Latina, Executive Director of Small Business, Department of Innovation, Industry and Regional Development. I ask you to give a brief presentation — we are running a little bit behind time — on the small business portfolio.

Overheads shown.

Mr HELPER — Thanks very much, Chair. I look forward to this session as the last one was so enjoyable also. We will detail the nature of Victorian small business, what the government is doing to support small business, major achievements and priorities for the ongoing 12 months. The next slide shows that agriculture is indeed diverse and growing.

Mr WELLS — Small business is diverse and growing!

Mr HELPER — Thanks — small business as it applies to agriculture as well! There are over 482 000 small businesses in Victoria, representing 96 per cent of all businesses and 43 per cent of private sector employment, according to the ABS figures of June 2007. Over the last five years small business has experienced steady growth at 2 per cent, which is great to see. On small business challenges, business surveys have indicated that small businesses are concerned mostly by the difficulty of finding skilled staff, increased business costs from high-inflation interest rates et cetera, falling sales and cash flow from a slowing economy and the costs of complying with regulations. These concerns have been echoed during my visits also and by the two advisory committees that I have been fortunate enough to have serve me.

The government response to these challenges falls under four pillars. The Time to Thrive statement that was brought out a little time ago has four key themes to it to help small business tackle these challenges — providing business owners with skills they need to start and grow a business; reducing the amount of time businesses need to spend on compliance; providing a fair and competitive marketplace for small business; and reducing taxes and costs.

If we go into those key themes in a little more detail, with skilling small business for growth, over 7000 small businesses per year participate in programs to strengthen their business skills delivered through the Office of Small Business. Energise Enterprise is a fantastic annual event coming up in August. I encourage all members to look out for the range of events that will be on in 2008. In 2007 we achieved 26 000 attendances at Energise Enterprise, and 370 events throughout the month.

Allowing more time for business and reducing the regulatory burden has cut business costs by \$30 million per annum, which is a great achievement; and also world-class services — and I can talk about them a little later — help small businesses deal with government in a more time-effective manner. A fair deal for small business means that for contracts under \$3 million, government departments and 107 agencies must pay bills within 30 days or face penalty interest. Since 2003 the Victorian small business commissioner has provided low-cost dispute resolution for 4000 business disputes.

In terms of key initiatives for small business for 2008-09, it is expected that again over 7000 Victorian businesses will benefit from the Victorian government services. The government is partnering with Toyota to deliver the C21 Challenge — a program to assist small business auto part suppliers, and 30 000 people are expected to attend the program. Energise Enterprise, as I mentioned before, is in August 2008. The World-Class Service initiative will be further expanded, as I have discussed before, and business interactions are expected to increase from 140 000 to 180 000 in 2008-09.

The Victorian government will seek agreements at the next small business ministerial council meeting to harmonise retail tenancy provisions across Australia, and achieve other regulatory improvements across the nation. In cutting the costs of doing business the government will ensure that small business services continue to meet emerging needs of small businesses, keeping Victoria the best place to start and grow a business, and I want to leave you with this particular slide that indicates the Victorian government's success at reducing the costs of doing business in this state.

Ms MUNT — I have some experience in small business. I have been a small business person myself and my husband is a partner in a small business that has grown to a medium-sized business. I have some background in this. I was also on an advisory council to the previous minister, and we travelled around Victoria, speaking to small business on what their requirements were, and what would really help them out.

I have to put in here for the record that the Dandenong branch of the Victorian Business Centre does a wonderful job and is very helpful to small business in my electorate. I was also very pleased to attend the launch of the Small Business festival at Treasury Place, and there was a great deal of excitement there from the peak bodies and businesses that attended this initiative.

I refer you to budget paper 3, page 10, where it states that the budget provides \$5.5 million over four years for the Energise Enterprise Small Business Festival. I think this is a great initiative for business to forge connections with each other, and I was wondering if you could tell me some more details about how it will actually operate.

Mr HELPER — Thank you very much for the opportunity to do that. When I became Minister for Small Business it happened to be in early August and I was blown away, as a new minister in the portfolio, at the energy and the enthusiasm that was around at the Energise Enterprise month in August, looking into it as a new minister. This was fantastic to see, and I quoted the figures before about the number of visitors and the number of events that we have. We have actually set a growth target for Energise Enterprise into the future. We expect that we will meet the target of 50 000 attendances at Energise Enterprise by 2011. We can refer to appendix B of the slides, which show the growth; so it is fantastic.

We need to explore the benefits at a number of levels. Firstly there is the benefit that happens through the upskilling of having small businesses exposed to opportunities to partake in sessions ranging through a whole range of business issues, be they marketing, be they specific industry issues — a whole raft of workshops and events. That is obviously the driver.

There is another driver. The number of organisations that actually put on these events is enormous as well. Through the Energise Enterprise month the relationship that is forged between the Office of Small Business and those many organisations is a great positive as well. The third benefit I would attribute to Energise Enterprise is the attention it draws to what an exciting space small business is. In the last session of the hearings we talked about the need for sectors to be recognised as being places that people want to work and want to become in et cetera. In that sense Energise Enterprise is a great celebration of small business in this state and builds on its standing within the community.

The funding of \$5.5 million that we have committed is funded internally from existing budget allocations, but it will be brought to budget to deliver Energise Enterprise over the next four years. As I said before, we have a target of attendance of 500 000 people. Of course its promotion will kick off very, very shortly. There will be an events guide in the *Herald Sun*, which of course will reach the whole readership of the *Herald Sun* of 500 000 people. We promote it well, and I think our attendance numbers show that we promote it well. I look forward to August being another exciting Energise Enterprise month. Thank you for your support of small business in your area.

The CHAIR — You might want to consider it being a specific output in the future. I notice it is not there.

Mr WELLS — There will be a photo of you in that guide, Minister?

Mr HELPER — I do not know yet.

Ms MUNT — It would be improved if there was.

Mr RICH-PHILLIPS — Shall we take a wager on it?

Mr WELLS — A Tattsлото ticket on it?

The CHAIR — All right. Can we have a question about the estimates please?

Mr WELLS — I refer you to the issue of red tape. In the Treasurer's speech he states:

The government continues our program of reducing red tape, and we are on track to meet our target of reducing the administrative burden of regulation by 15 per cent by July 2009.

Minister, can you provide a list of the regulations that have already been removed and regulations that will be removed by July next year? As minister, can you guarantee that the target will be met given the increased regulation that has been placed on businesses recently — for example, in the liquor industry? During the target period what sectors will actually see regulation increase in small business?

The CHAIR — As it relates to your portfolio, Minister.

Mr HELPER — Certainly. Thank you very much for the opportunity to talk about the government's efforts to reduce the regulatory burden. The government committed \$42 million in the 2006–07 budget to its target of reducing the regulatory burden initiative. Now the initiative is a commitment to cut the existing administrative burden by 15 per cent by July 2009 and 25 per cent by July 2011, ensuring that the administrative burden of new regulation is met by an offsetting simplification in the same related area, and undertaking a program of reviews to identify necessary actions to reduce compliance burdens.

The ongoing development in my portfolio area — for example, the ongoing development of the world-class services initiative — will create a network for all federal, state and local government regulatory matters and make it easier for small business to deal with government, something that I certainly would have welcomed very, very much during my time as a small business proprietor.

The business consultation database which was launched in May 2007 is a vehicle by which we will engage with the small business sector on regulatory changes where anybody — but my responsibility is for small business particularly — may indicate an area of regulatory interest, so that when regulatory changes do occur, as inevitably they do as regulations sunset and are redrawn, those businesses are notified and their views and their experiences are drawn on to value add to the regulatory review that is associated with any regulatory change.

The other thing that my portfolio has done in the area of regulation is the small business regulatory impact assessment manual which has been available since March 2007, which of course adds to the understanding of small business considerations when agencies of government and government redraw and propose regulatory change. We are very proud of having done that.

Specifically what we are doing into the future: the Child Employment Act 2003 and its associated regulations are under review to identify and reduce administrative burdens on businesses seeking to employ children. A number of changes to food regulations that committee members will be aware of will be made as part of the government's response to the Victorian Competition and Efficiency Commission's inquiry into food regulation. I am informed that 22 recommendations made by VCEC were fully supported by government; 9 were supported in principle and 4 were supported in part. Also the Bread Industry Act, which essentially is redundant legislation, will be repealed as part of this response. They are the initiatives specifically in my area of responsibility that I draw your attention to, but we need to recognise the enormous effort that is going in across government in terms of reducing the regulatory burden on our businesses and on our community.

Mr WELLS — Minister, can you provide a list of the regulations that have already been removed, and which will be removed by July next year? Can you just give an assurance that the targets that had been set out by the government will be met?

Mr HELPER — What I will give an assurance to is that as Minister for Small Business I will be doing my darnedest to contribute to the whole-of-government's target of reducing the regulatory burden because I know how important it is to my stakeholders, the small business sector. That assurance I will certainly give you. Now the — —

Mr WELLS — The list?

Mr HELPER — If I can draw your attention to the statement of legislative intent by the government, that certainly lists the effort that we will put, in a legislative sense, to reduce regulatory burden. We have already had the debate on the first — —

What is the title of the bill to knock off redundant legislation?

The CHAIR — We have had two of them.

Mr HELPER — Yes, two of those already. They are all part of the effort. In terms of a list, I do not know whether I am actually the best minister to provide that to you. It is a whole of government — —

Mr WELLS — Just as far as your portfolio.

The CHAIR — Insofar as it relates to your portfolio.

Mr WELLS — Can we get a list from you regarding small business? If we could have a list, that would be great.

Mr HELPER — Yes.

The CHAIR — There is also the annual VCEC report which lists the regulations in place of course and it is updated annually. And we did a chapter on regulation reduction, cutting red tape, in our most recent report; I guess you can also look at that. Hopefully the government will look at the recommendations we made in that particular report.

Mr HELPER — Two examples I can put forward to the committee right now: shop trading poll regulations were repealed and the Bread Industry Act is to be repealed. For a department that has a finite amount of regulation, that is not a bad effort.

The CHAIR — If you can give us a copy of your proposed work program.

Mr WELLS — And what has been achieved.

The CHAIR — We have got that already in this one here, and we will get it at the end of the year in our outcomes questionnaire for this particular financial year.

Mr SCOTT — Minister, in budget paper 3 at pages 47 and 50 there is reference made to increasing exports. Could I ask what action will be taken in 2008–09 to promote automotive exports and support skills among automotive parts suppliers through training, mentoring and support of the automotive industry?

Mr HELPER — I welcome the opportunity to talk about what I think is a fantastic initiative and a recent initiative by the Office of Small Business. I referred to it as the C21 challenge. It is a program which grew out of Toyota actually coming to me late last year and saying that for the automotive industry to be competitive requires its supply chain to also be world competitive, and that is not necessarily the case at present. Toyota was putting to me what can we do to actually improve the competitiveness and the effectiveness and efficiency of our supply chain. We have taken on that challenge, hence the term ‘C21 challenge’, and are partnering with Toyota to put in place a program to build business skills, to build the capacity and the effectiveness and the efficiency of the tier 2 and tier 3 suppliers, and not only to Toyota because, as you would appreciate, many suppliers supply to the other automotive manufacturers here as well and indeed it will have a spin-off into export trade as well.

The program consists of a number of components. We look at the manufacturing efficiency of a particular supplier, working out is it best practice, is it a lean manufacturing solution to their particular manufacturing processes, and how can we add value and how can we provide some dialogue with them to build that. Then there is also a workforce planning review which talks about that often-mentioned issue of skill shortages, labour shortages et cetera. That particular component of the project draws on the My Business My People program, which if I get a chance I would love to elaborate on also. It also draws on the mentoring service. The small business mentoring service is, I think, an absolutely fantastic service where small business owners have the opportunity to actually have a sounding board, an business-experienced sounding board, to talk about the sorts of strategic issues that may be inherent in a particular business’s direction forward.

We also understand that one of the issues that makes the supply chain to the automotive sector less than optimal is a lack of negotiating skills, of conflict resolution. If we can smooth the path to the productive relationship that needs to exist between suppliers and top-level manufacturers, then we can actually add some considerable efficiencies to that supply chain. The other thing is the automotive industry is a pretty complex one. Everybody thinks they understand it, but not necessarily everybody does. Another component of C21 is the automotive industry information forums, which are an important part of getting that higher-level understanding across the supply chain for the automotive industry.

The government is contributing up to \$1 million to C21. That will support up to 50 car parts businesses over a six-month period to play a part in this program. I think this is a great initiative. I look forward to a successful conclusion to this particular phase of it. I would look forward to potentially applying it in other sectors with a view to those sectors also benefiting from greater supply chain efficiencies. If I can just draw the committee's — —

The CHAIR — Quickly.

Mr HELPER — You want to move on? Okay, go.

Mr RICH-PHILLIPS — I would like to ask the minister about the output funding. But just before that, just on your slides, Minister, you referred to payroll tax. Are you able to tell us how many small businesses actually pay payroll tax?

Mr HELPER — I would have to take that on notice.

The CHAIR — It is probably something we can ask the Minister for Finance.

Mr HELPER — I am just informed that it is about 10 per cent of small businesses.

Mr RICH-PHILLIPS — Is it 48 000?

Mr HELPER — Possibly less. That is a guess, so please do not — —

Mr WELLS — Possibly more?

The CHAIR — What is the definition of 'a small business', by the way?

Mr HELPER — Up to 20.

Mr RICH-PHILLIPS — With respect to your 'Small Business' output group on page 147, could you explain to the committee the \$3.7 million increase in the expected outcome cost for the current year versus the budget, and also the decline in the 08–09 budget allocation for that output group versus the 07–08 budget?

Mr HELPER — Yes. If I can summarise your question, it is about the \$4.5 million difference between the 07–08 expected outcomes and the 08–09 budget. Is that correct? When you cut it all down, that is what it comes to?

Mr RICH-PHILLIPS — It is between the 07–08 target and the 07–08 expected outcome — that is the first part — and then between the two targets.

Mr HELPER — I think a couple of factors come to bear on it. The first one is the caretaker arrangements during the 06 election, which resulted in a \$2.2 million underspend in the My Business My People project, and that occurred particularly during its establishment phase. The second component of what contributed to that was the peak year in 07–08 of funding of the world-class services program such as this generally spent more in the establishment phase. It is a double program, front-end loaded. This year, the funding will fall by approximately \$2.7 million to \$5 million.

Mr RICH-PHILLIPS — That carryover was not anticipated at the time of the 07–08 budget, given it came after the caretaker period?

Mr HELPER — I could not refer you to the 07–08 budget paper and whether it was flagged as a potential carryover. I'm sorry, I cannot.

The CHAIR — We will catch it up in the outcomes.

Mr RICH-PHILLIPS — The decline in the target for this year versus last year has gone from 24.9 down to 24.1, a decline of \$800 000.

Mr HELPER — Sorry, could you repeat that question?

Mr RICH-PHILLIPS — The decline in the target from 07–08 , which was 24.9 million, down to this budget year, which is 24.1 million. That is a decline of 800 000 in the budget allocation for that output group.

Mr HELPER — Sorry, you are reflecting on the decline in the targets?

Mr RICH-PHILLIPS — Yes. Have you got the budget paper? Do you see the 07–08 target was \$24.9 million, and the 08–09 target is \$24.1 million, which is a decline of 800 000 from the previous budget to the new budget.

Mr HELPER — I apologise that it has taken a little while for the cogs to click. The Koori Business Network was subjected to some machinery of government changes, and it is the exit and the re-entry of the Koori Business Network into my portfolio responsibilities.

Mr RICH-PHILLIPS — Exit and re-entry?

Mr HELPER — Re-entry, yes, in an accounting sense.

Mr RICH-PHILLIPS — But it is a decline?

Mr HELPER — The Koori Business Network is my responsibility, and at one stage the proposition was to actually have it the responsibility of the then Department for Victorian Communities, and after further consideration the decision was reached to re-enter the Koori Business Network into the Office of Small Business.

Mr RICH-PHILLIPS — Shouldn't it have gone up then rather than down if you put it back in?

Mr LATINA — If I can clarify, Minister: the unit is sitting in there, the budget allocation is not against small business. So the Koori Business Network moved out and it is now sitting back in the department. The budget just has not followed.

Mr RICH-PHILLIPS — Right.

Mr LATINA — So the budget is still accessible and used by Koori Business Network; it is just not showing at present.

Mr RICH-PHILLIPS — And that will be a Department of Planning and Community Development appropriation, currently?

Mr WELLS — How much is that?

Mr HELPER — It is about 800 000.

Mr RICH-PHILLIPS — So when was that decision taken to reintegrate it into DIIRD? I am just curious why it is in the planning and community development appropriation.

Mr LATINA — It was over two financial years but it was an internal decision that in the end did not fully go ahead in terms of the actual physical shifting of the Koori Business Network. So there was a bit of an inconsistency between the budget reporting of that and the actual physical location of the Koori Business Network.

Mr RICH-PHILLIPS — So you effectively have been drawing on an appropriation from planning and community development?

Mr LATINA — Now I think Koori Business Network is definitely within the small business portfolio, and we have been drawing upon the DPCD appropriation, that is right.

Mr NOONAN — Minister, I wanted to go to the performance measures in small business which are covered on pages 146 and 147 of budget paper 3, and specifically look at the measure at the top of page 147 on 'Client satisfaction of small business information, referral or mentoring service'. I would like to ask you about the methodology. How is that 90 per cent client satisfaction figure set and ultimately measured?

Mr HELPER — Thanks for the opportunity to talk about that. The success of the small business mentoring program, as you indicate, is assessed through surveys, and as you identify, one of the outcomes of that

survey was that 87 per cent of respondents had taken action on the recommendations contained in the action plan that they developed with their small business mentor. That is a pretty feisty sort of success rate for the small business mentoring service. I cannot talk highly enough of the efforts that about 60 or 70 small business mentors put into giving back to the business community by giving up their time. There are nominal charges attached to the mentoring sessions, and their efforts very widely respected.

The methodology of how we go about that changes over time and changes between programs, but it is largely done through intensive survey work with clients that have engaged with a particular service, in this case the small business mentoring service. We attach a high degree of accuracy to that. Also we outsource that, so that adds to the rigour of it yet again. It provides across the board of the programs that are delivered by the office of small business some pretty spectacular success, acceptance and outcomes for the different programs that we run.

The CHAIR — Thank you very much, Minister. A final question?

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 146, which relates to businesses participating in the ‘My Business My People Program’. I am just trying to get clarification in terms of the forward estimates of the number ‘300’ in the 08–09 target and I reference a press release that you sent out —

Mr HELPER — Do you keep them?

Ms MUNT — You did send one out, Minister.

Mr HELPER — Please inform the Leader of The Nationals on this!

The CHAIR — This is the last question. We need to keep our focus.

Mr DALLA-RIVA — I pick yours up for all the spelling mistakes. I just enjoy fixing the grammar and spelling but that aside, there was a press release on Friday, 28 March this year ‘Skills support for Victorian builders’ and there was another one on 5 March. In those press releases you talk about the My Business My People program, particularly on 28 March this year, when you say:

A further 65 companies will be able to access the program on top of the 300 who accessed it in its first year.

If I go to the target and the expected outcomes in its first year, there are 200. I am just trying to get clarification as to how you have measured the target in the forward estimates given that you anticipate another 65 on top of the 300 but you have only reported 200 in the expected outcomes. I am trying to get clarification as to what you are suggesting on 28 March and what the budget papers are saying, and how you measure the businesses participating in that program moving forward.

Mr HELPER — If we go to the 06–07 actual — —

Mr DALLA-RIVA — That is 65.

Mr HELPER — We are talking about the pilot period.

Mr DALLA-RIVA — Yes.

Mr HELPER — The 07–08 target included the — —

David, do you want to add?

Mr LATINA — The figures in terms of the media release were for the pilot period. The pilot period covers both 06–07 with the delayed commencement due to caretaker arrangements and 07–08 to that point. In terms of the growth of the program over that pilot period, it has been 365 to bring us to the end of 07–08.

Mr DALLA-RIVA — So it is 365 total but it is done over two financial years?

Mr HELPER — Correct.

Mr LATINA — From memory the original target for 06–07 was, I think, 100. Therefore the comparison was the target over the pilot period being 300, the outcome was 365 and that is where that figure came from in the media release.

The CHAIR — It exceeded their targets.

Mr DALLA-RIVA — You are anticipating a further growth in that period as well?

Mr LATINA — Yes.

Mr DALLA-RIVA — Thank you very much.

The CHAIR — That concludes — —

Mr HELPER — It is the transparency of your questions.

The CHAIR — No. It was a good question. It just needed some explanation. I thank the minister and departmental officers for their attendance today. We would ask that responses to the number of issues to be followed up be provided within 30 days. Thank you very much.

Witnesses withdrew.