

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2010–11

Melbourne — 17 May 2010

#### Members

Mr R. Dalla-Riva

Ms J. Graley

Ms J. Huppert

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr J. Helper, Minister for Small Business,

Mr H. Ronaldson, Secretary,

Mr J. Hanney, Deputy Secretary,

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

Mr R. Arwas, Executive Director, Small Business Victoria.

**The CHAIR** — I now welcome Mr Howard Ronaldson, secretary, Department of Innovation, Industry and Regional Development; Mr Justin Hanney, the deputy secretary, Department of Innovation, Industry and Regional Development; Mr Jim Strilakos, chief financial officer, Department of Innovation, Industry and Regional Development; and Mr Roger Arwas, executive director, Small Business Victoria.

I now 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. Let us concentrate on the future rather than the present, Minister.

**Overheads shown.**

**Mr HELPER** — Chair, I point out to you, just to allay your fears, that half the presentation is actually appendices which I do not intend to go through, which are there for the information of members.

This presentation will examine the challenges facing Victorian small businesses as well as highlighting the government's major achievements and priorities for Small Business Victoria. Small business represents 96 per cent of all businesses. The statistics speak for themselves in terms of the economic contribution small business continues to make through employment, investment and exports. The role of Small Business Victoria is to help small businesses start, run and grow their businesses, which in turn will help maximise the benefits to the economy.

If we turn to the next slide, the past year has been challenging for small business, with the effects of the global financial crisis and the faster than expected, although uneven, economic recovery being felt across the sector. Small businesses are most concerned with their cash flow, lack of sales and the economic climate. However, small businesses are less concerned about these issues today than they were at the height of the global financial crisis in November 2008. This shift reflects in small business confidence levels, which have rebounded dramatically since their lowest level in November 2008. The focus of the government has also shifted in the past year. The government is no longer focused on helping small businesses cope with the GFC. Instead, in 2010–11 small businesses will require assistance to maximise the opportunities created by the economic upturn.

Small Business Victoria is well positioned to provide practical assistance to small businesses, regardless of the economic cycle, through the delivery of established and new programs and services. Small Business Victoria's core function is to provide information, programs and services to help small businesses start, run and grow their business. The government believes it is critical to provide information and programs to small businesses in tenders and operations. Small businesses that have participated in Small Business Victoria's programs are highly satisfied, as the slide shows. Participants from these three programs found the information was useful in making informed business decisions.

If we turn to the next slide, let us do a case study. New Touch Laser Cutting is a custom laser-cutting business, offering manufacturing solutions for all industries. That was established in 2001. Demand for New Touch Laser Cutting services was growing, and the business was experiencing some associated growing pains. In 2008 business owner, Brad, took part in the Grow Your Business program. Brad engaged in an intensive strategic planning process for the business, which included a thorough market research survey of existing customers. This process led directly to setting up a new partner business, New Touch Fabrications, in early 2009. The new touch business now offers a one-stop metal fabrication shop to existing and new customers. Good on you, Brad!

Achievements in 2009–10: the government has commenced delivery of its new \$52 million Skills for Growth, the workforce development program which helps SMEs develop the skills of their workforce. Delivery of Skills for Growth will continue to be a priority for Small Business Victoria in this financial year. The program aims to provide direct assistance to 5500 eligible SMEs and deliver 55 000 employee placements into accredited training over the next three financial years. So far over 2300 businesses are participating in the program. More than 8500 employees have either enrolled in or completed accredited training, with many more placements into training anticipated over the next few months.

Calder Property Services is an excellent example of the Skills for Growth program in action. Let us do another case study. Calder Property Services is a cleaning business that was established in 2001 and has 25 employees. Business owner, Michael, registered for the Skills for Growth program in September 2009 to get staff qualified and recognised for work they are currently skilled in. Michael received one-on-one assistance from a workforce planning specialist to develop a detailed plan to ensure all staff received training in planned stages when

convenient for the business. Staff received training in asset maintenance, construction, induction and first aid. Qualified staff has enabled the business to undertake contracts it previously was not able to bid for. Michael is now confident he can leave staff on site because they are fully trained, which means Michael can focus on growing the business. Congratulations, Michael.

**The CHAIR** — We better get you to look at the priorities for next year, I think. Your 5 minutes is up.

**Mr HELPER** — The 5 minutes are up?

**The CHAIR** — Yes.

**Mr HELPER** — Let us go to priorities, then, if I can skip to that slide. Small Business Victoria will focus on four key parties in 2010–11. These priorities represent the further development of core programs and services as well as the establishment of new programs and services. Funding of \$11.9 million was provided in the 2010–11 budget for small business to continue to deliver its successful workshops and seminars program, small business mentoring program and the Energise Enterprise festival. This funding will also be used to deliver the new regional continuity program. This program aims to support small businesses cope with significant change in their regions.

Given the time pressure you are placing on me, I urge members of the committee to peruse the presentation in their own good time.

**The CHAIR** — Thank you for that, including appendices, which maybe you will be able to allude to when you are answering questions. Minister, can you tell the committee, because we are interested, what are the medium and long-term planning strategies that you have underpinning the budget in this particular portfolio, and have there been any changes since last year?

**Mr HELPER** — The programs that we run, firstly, go through an extensive evaluation process and, secondly, go through a very significant process of ensuring that there is user satisfaction with those programs. Certainly with user satisfaction, one of the slides in the presentation refers to that and suggests that there is a high level of user satisfaction. We finetune our programs as we actually deliver them. The second two important drivers of our priorities are two advisory councils that I am very fortunate to have working to me; there is the Small Business Advisory Council and the Victorian Multicultural Business Advisory Council. Both councils deliver some terrific ideas, some terrific feedback on the relevance of programs and some terrific small business intelligence from right around the state to help us develop our programs and help ensure that the priority setting and program design that we put forward within government meets the needs, as best as is possible, of the small business sector.

**Ms PENNICUIK** — Minister, I would like to ask a question about the Skills for Growth program. As far as I can ascertain there are around 190 000 small enterprises in Victoria with 1 to 19 staff and about another 19 000 medium-sized enterprises with 20 to 199 employees. You mentioned in budget paper 3, page 121, the target is 3500 businesses assisted under that program.

**Mr HELPER** — The total is 5500 businesses targeted.

**Ms PENNICUIK** — In this year the target is 3500. That represents about 1.67 per cent of all small businesses if you use the figures that I have just mentioned, so I just want to ask the question: how is it managed in terms of which businesses get assisted? Are there more businesses asking to be assisted than can be assisted? If that is the case, how do you work out who gets assisted and who does not get assisted, given that there are so few in terms of the total number of small businesses?

**Mr HELPER** — It is a good question. The way we manage demand is like any other program that is delivered by government that has a cap to it. When we reach 5500 businesses we will, firstly, evaluate the success of the program — and I am confident that we will be able to be very proud of the program we have delivered — and we will, secondly, say that this program, this commitment of \$52 million, has come to an end. The government at the time may choose to extend the program, as often is the case, but I cannot speak for the government at the time. Demand management, apart from businesses that apply having to meet eligibility criteria, is open ended until we reach the quota — the target — that we have set in the program.

**The CHAIR** — Do you get killed in the rush I think is the question.

**Ms PENNICUIK** — I did not quite get to it. I notice in the handout that you are spending I think \$295 000 on advertising. My question is: if you got, for example, 5400 small businesses wanting to be assisted this year and your target is 3500, do you go over the 3500 because you have got more, or do you stick with the 3500, and how do you work out which of those? That is what I am asking.

**Mr HELPER** — It is a management process where we make predictions of the number of businesses that are able to go through the program. Keep in mind that one of the steps of a business going through the program is to work through their skills development plan with a consultant. We have a number of accredited consultants — 25 service providers. In a way the likelihood of those 25 service providers being able to deliver those 5500 quite detailed plans in one year, as opposed to three years, is unlikely. Effectively when we have done 5500 it is full; in the meantime it is the capacity to deliver workforce plans, et cetera, and run businesses through the program of 25 engaged contractors.

**Ms PENNICUIK** — But you would not be aiming to do them all in the one year anyway?

**Mr HELPER** — No, we would not.

**Ms PENNICUIK** — Because you have got targets for each year.

**Mr HELPER** — Yes, that is right.

**Ms PENNICUIK** — The target last year was 2000; this year it is 3500.

**Mr HELPER** — Without giving ourselves excessively much of a pat on the back, so far the way we are meeting the targets suggest that with our progressive targets we had a pretty good handle on the demand that the program would solicit. As I say, it is certainly a fallback limiter to all the 5500 businesses coming along in the first week, so to speak, that there are only 25 contracted delivery consultancies for the business evaluation.

**Mr SCOTT** — Minister, budget paper 3, page 11, mentions the Energise Enterprise program as part of the start and run a successful small business initiative in the small business support package. Can you tell us how effective Energise Enterprise is and what the plans are for the 2010 festival?

**Mr HELPER** — Energise Enterprise goes from strength to strength every year, exceeds our expectations and is, I think, a hallmark of the way we deliver services to small business in this state. Last year, in August 2009, we had 38 000 individuals representing Victorian small businesses come to Energise Enterprise events. This is in excess of our target of 35 000 attendances. Also we also had participating events up by 24 per cent at 414 events last year. It is worthwhile pointing out that those events were well spaced around the state, with very strong regional representation as well as metropolitan representation of course as well. Of the 38 000 attendees, 31 per cent were from regional Victoria — again, a good representation — and 28 per cent of the events were held in regional Victoria.

The other thing is that we do not just want people through the door; we want people to come through the door and think about their experience and take away some benefit from their experience, and 94 per cent of attendees reported that the event they attended was relevant to their needs, and 93 per cent of attendees said they gained additional skills and knowledge from the events they attended, which I should point out, is a 9 per cent increase on that satisfaction indicator from 2008.

You asked me about Energise Enterprise in August this year. It will be more important than ever. As we see the change in focus of our small business sector, as I said in my presentation, from survival to taking advantage of the recovery as we come out of the global economic crisis, that is, of course, an important, different focus. We certainly expect the number of events to increase significantly again on those 414 we had this year, and we anticipate an increase in attendances again as well.

**The CHAIR** — I went to a couple of them last year. It is good to see them spread out among the suburban areas rather than just in town.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3, page 121. It relates to small business quality and performance measures and outputs. From listening to you I understand there is a range of programs that you

have announced — and you mentioned the history and the past. In March you also announced another booklet, *Big Help for Small Business*. I am trying to reconcile the performance measure here at 90 per cent with the success, given all these glossy publications and the endless numbers of programs and workshops, when the March Sensis Business Index on small and medium enterprises actually records Victoria as having the lowest small business confidence levels in the country, and 63 per cent of those surveyed said the state government policies have had no impact on their business. How do you reconcile your unit measure of 90 per cent in the forward estimates when a countrywide assessment actually places your government as the least performing?

**Mr HELPER** — I am sorry, Chair, I may be pushing your indulgence a little, but as background can I just describe my own circumstances before entering Parliament, when I was in business? I used to have three in-trays, I guess. One was for the sort of general stuff as it came in and of the other two, from one I would open only the envelopes that were glowing red and my power was about to be cut off. The third tray was really for correspondence that suggested — it sounded like a good idea and I thought that I would get around to it one day, that type of thing. You can imagine that last tray was probably about 3 feet deep, and I never did get around to it.

The reason for me telling that tale and relating it to my own experience is that the small business sector is a very difficult sector to engage with. It is extraordinarily diverse in what it does. It is in many cases a very insular sector. In other cases it is extrovert as well, but it is a relatively insular sector. Our engagement with the 500 000 small business operators in Victoria is necessarily somewhat limited by our ability to engage with those 500 000 people. Suffice to say, however, that we certainly make a great deal of effort and so do my two advisory councils to find ever-new and innovative ways of engaging with my small business constituency.

I think if you look at that performance measure, it relates to actual satisfaction with particular programs. I used the figures before for the Energise Enterprise success. The quality perceptions that people take away from it, the satisfaction, I guess, with those events is very high, and so is the satisfaction with a lot of our programs. It is a constant challenge, one that I am always prepared to modify to reach an ever greater number of small businesses.

For example, my small business advisory council, which I referred to before, suggested — and I look forward to its unveiling relatively shortly — that we really needed to be mobile in our interaction with urban, metropolitan, regional and country businesses. We needed a mobile facility to take our service offering to small business. As I said, I look forward to it being unveiled soon. It will be a small business bus that we will take to strip shopping centres in all parts of the state and to particular incidents — for example, it would have been a useful thing to bring to the bushfire-affected areas immediately after the bushfires to provide that immediate support to the small business community so sadly affected. We do look to improve our reach. We use technology in that; we use different approaches — as I said, I get advice from my two advisory councils — and we do use advertising in the most appropriate means we can possibly get. I look forward to that.

Insofar as the business confidence rating in Victoria is concerned, I think you are actually underestimating the resilience of the business community in this state. Of course the business confidence took a battering from the global financial circumstances. It was not just restricted to small businesses; it also affected large businesses in their confidence levels. Virtually the definition of a ‘recession’ is that there is a lack of confidence. I think our recovery effort in business confidence in this state is one that we should be very, very proud of.

**Mr DALLA-RIVA** — I want to clarify the target given you mentioned the global financial crisis. For 2009–10 the expected outcome is 90 per cent. I am trying to get how you do the client satisfaction — —

**Mr HELPER** — It is of people who are participating in our programs. They are the people who have come through the door. It is a rating of their satisfaction. It is not a rating across the 500 000 Victorian businesses.

**The CHAIR** — So you use the other things that Mr Dalla-Riva has referred to.

**Ms GRALEY** — Minister, I might refer to a couple of slides in your presentation. Firstly, I refer to the one about reducing the regulatory burden, because I know that PAEC members are interested in those sorts of issues and that is going to be a priority for 2010–11; and also the one in appendix D about World Class Service. I would like you, if you could, to tell the committee how Business Victoria is contributing to reducing the regulatory burden through World Class Service.

**Mr HELPER** — Before I commence answering the question I need to point out that in past years there has been a misunderstanding and misperception that my department, the Department of Innovation and Industry Regional Development, actually is a big regulatory department; it is not. Therefore the reduction in regulatory burden that we try to effect is not about cutting our own regulation — albeit wherever we can we certainly do that also — but it is more about allowing businesses to better interact and interact more efficiently with their regulatory obligation as they conduct their business.

The Reducing the Regulatory Burden initiative has made significant progress in generating savings for businesses based on initiatives that have been completed or are in the process. At the last update of September 2009 an estimated reduction of \$246 million per annum has been achieved. I do not lay claim to that \$246 million in regulatory burden reduction; that is across the whole of government. The target has actually been increased to \$500 million by July 2012.

You asked specifically about the World Class Service, and the Reducing the Regulatory Burden initiative has made significant progress in generating savings for business based on initiatives that have been completed, et cetera. I am reading from the previous briefing, am I not! The World Class Service initiative has currently around 100 000 people per month visiting the business user-friendly site. They are getting all the regulatory information they need in one place. That is what the burden reduction is about. It is asking how can we efficiently have businesses interact with their regulatory responsibilities; how can we make that straightforward for them; how can we improve their productivity in the process? All of that has been achieved by this. Business Victoria online is delivering an annual benefit to Victorian businesses of \$33 million in regulatory burden reduction and \$21.7 million in compliance savings for federal and local legislation. This is a good segue to indicate that we have taken the step of establishing World Class Service and via that have been able to embrace local government as well as federal government agencies into the one web page interaction for regulatory exchange with the business owner.

The other thing that we delivered through that very same site are a number of guides, references and worksheets that businesses can work through. We are using a number of different tools and taking credit for contributing a further \$127.3 million per annum in productivity improvements that those business derive from those guides and management tools that are available via the same website. We think we are making a significant difference to reducing the regulatory burden. We are not doing it by tearing up individual pieces of regulation, albeit we will always look to efficient regulation, as every department across this government does. We are achieving it by creating a better and more efficient interface between businesses and their regulatory obligations.

**The CHAIR** — Thank you, Minister.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the small business commissioner. The budget papers have a performance measure relating to its success in mediation activities, but I would also like to refer you to the annual report of the small business commissioner from last year and the commissioner's commentary on an investigation the office undertook into a complaint from a small business about a tendering process with the Department of Treasury and Finance for the Whole of Government eServices Panel. The commissioner commented:

In the VSBC view, the shortcomings of the process had resulted in a small business being excluded, in effect, from access to government work.

That was a reference on page 7. There is a further reference on page 29 of the annual report, where the commissioner stated:

As in previous years, the VSBC received a number of complaints against government departments, agencies and local councils. These complaints ranged from tendering practices, commercial and related relationship issues between parties, and alternative dispute resolution mechanisms to resolve complaints between small businesses and government.

My question is: given you established the small business commissioner in, I think, 2003 to assist small business, why is it having to devote its resources to disputes between small business and government, and what policies have you put in place to make it easier for small business to do business with the state government?

**Mr HELPER** — I am a little bit surprised at the final turn of the question. One of the roles of the small business commissioner is indeed to ensure that small business has an ability to resolve disputes with the government, as well as the other roles of the small business commissioner. I do not see anything unreasonable

about the small business commissioner taking a particular case and indeed a part of government to task. I think that is a positive thing for the small business commissioner to do.

The particular case that you refer to was a dispute between an unsuccessful applicant to join a tender list and the Department of Treasury and Finance. The small business commissioner made a number of recommendations that the Department of Treasury and Finance frankly disagreed with, as happens from time to time — there is disagreement. The interesting step, though, is that the Victorian small business commissioner made some recommendations for future change, and subsequently reported that he was encouraged by the Department of Treasury and Finance agreeing to implement those future changes to further increase the transparency of the ability for small businesses to get onto a tender list.

Other policies, you ask about. They are the fair payments policy, for example, whereby we require departments, for contracts of less than \$3 million, to pay those accounts within 30 days.

**Mr RICH-PHILLIPS** — What sort of monitoring does the commissioner do of the fair payments policy, because I note there have not been a lot of claims against that policy by small businesses, because we did a series of questions on notice about that. Does the commissioner have an oversight role?

**Mr HELPER** — The commissioner certainly has the ability to investigate any particular concerns. The oversight of the fair payments policy is, I guess, provided by this: an independent review of implementation and compliance was undertaken at the end of 2009 and the review and its recommendations were noted by the economic and sustainable development committee of cabinet on 28 January this year, so it is not that the fair payments policy is without its evaluation. Suffice it to say that at this stage that evaluation report or review is before a cabinet committee.

**Mr RICH-PHILLIPS** — On the issue of tendering more generally, though, surely seven years after the commissioner was set up the office still should not have to be sorting out tender specs which exclude small business?

**Mr HELPER** — Without going into the details of this particular case, I think — —

**The CHAIR** — We are looking at the future, Minister.

**Mr RICH-PHILLIPS** — Surely those issues should have been resolved by now? The office has been in place for seven years.

**Mr HELPER** — I think you will always have cases come up that are unique, in any activity, be it the small business commissioner's activity or be it in a court of law. We change our laws every now and again as well, and we will continue to do that for ever and a day. So the role and the unique circumstances that may arise require the ongoing ability for the small business commissioner to intervene, to make recommendations and, as has occurred in this case, to have the Department of Treasury and Finance accept those recommendations for process changes that reduce the likelihood of disputes between potential small business contractors and government in the future.

I think all these things point to a system that is working well. Where there are issues, the small business commissioner has achieved a positive outcome.

**The CHAIR** — We might leave it there. That concludes consideration of budget estimates for the portfolios of agriculture and 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 those matters be provided within 30 days.

**Committee adjourned.**