

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2022-23 Budget Estimates

Melbourne—Tuesday, 17 May 2022

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Ms Jaala Pulford MLC, Minister for Small Business,

Mr Simon Phemister, Secretary, and

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

The CHAIR: I declare open these hearings of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

We welcome Minister Pulford again, this time for the portfolio of small business, and officers of the department. We invite you to make an opening statement, and this will be followed by questions from the committee.

Ms PULFORD: Lovely. Thanks, Lizzie, and it is great to be with you for this next part and joined by Deputy Secretary David Latina, who supports my work in this area. And Secretary Simon Phemister is with us still; he is here for the whole day.

So, small business, our amazing, amazing small business community: they have weathered incredibly difficult circumstances through the pandemic. In spite of this the total number of Victorian small businesses has continued to grow. In 2017 there were 550 000 small businesses in Victoria. Now there are around 640 000—20 000 more than when I started in the portfolio—which speaks volumes to the ingenuity and innovation that drive small business owners. That has been highlighted in recent years as business plans have been constantly changed and developed and evolved in the most challenging of circumstances.

One example I would just like to share with you is a small business called Parentmedic Victoria, who provide baby and child first-aid education. The business was launched as a franchise in August 2020, and they had to instantly change what they had planned to do. The original model involved in-home sessions with parents and carers, but with the risks associated with this, that was no longer an option. As demand soared—children were home; parents wanted to be better prepared for any first-aid incidents—the business quickly developed digital modules for parents at home. They also sought support from Small Business Victoria to manage the steep learning curve in running a business, support they have described as being really helpful for them.

Our government has also supported small businesses with labour shortages, one of the biggest challenges facing small businesses today and one we talked about a bit during the employment hearing earlier. Working across portfolio silos means that we have been able to help small businesses and jobseekers with Jobs Vic services.

I reflected earlier on the northern suburbs caravan manufacturing industry. Serge Valentino is a co-owner of Crusader Caravans. He began his career as a recreational vehicle plumber and caravan manufacturer, and in 2016 he started his company. He can regularly be found working alongside his staff on the factory floor, but with the massive demand for caravans in the last couple of years, Serge could not find the people that he needed to make their growth demands able to be met. With Jobs Victoria's support, Serge hired Michael, who moved

to Australia from Italy three years ago. When Michael first moved here he was initially employed. He lost his job in the downturn, and he has now made a happy start, with Serge's company, in the caravan manufacturing industry. I think it has been really pleasantly surprising to see the way that these two portfolios work together so seamlessly given how many of our small businesses are such significant employers, such a huge part of the economy.

I want to spend a minute highlighting the Partners in Wellbeing program. This is a really important program, one we put together very shortly after I started in the portfolio. It has something of its origins in a conversation I had with the Victorian chamber in my first meeting with them a few days after taking on the portfolio, and it really goes to the health and wellbeing of our small business owners and operators in unprecedented and incredibly challenging times.

I have got another pseudonym for you: Sumesh comes from an Indian background. He owns a hospitality business. He lost his income during the restrictions, very significantly. He experienced overwhelming feelings of financial and emotional stress due to outstanding debts and the constant communication from debt collectors. The Partners in Wellbeing team referred Sumesh to wellbeing coaching and financial counselling. The financial counsellor supported Sumesh to write a budget and apply for a business debt consolidation loan that helped him avoid bankruptcy. He also worked with his wellbeing coach to help prioritise his personal business and community responsibilities and develop strategies, including improving sleep, prayer and listening to music. The combination of these things has helped him to be more resilient and has helped him, for his business, to be more resilient. There are lots and lots of stories like this, and they are really special. It is not something that we would ever have done before, but we are obviously supporting small businesses in different ways in very, very strange and challenging times.

I would like to just briefly highlight the commercial tenancy relief scheme. I have had so many people say to me that this was the thing that kept them going above all other things—and you know, there have been a lot of other interventions; you would have heard a lot about that from Martin—but I also want to recognise that that has not been easy for landlords and they have made a really, really significant contribution to this as well. Am I out of time?

The CHAIR: You are out of time. Thank you, Minister. Mr Newbury.

Mr NEWBURY: Can I ask a very brief question on the commercial landlord fund?

Ms PULFORD: Yes.

Mr NEWBURY: The fund was for \$20 million; \$12.7 million has been expended; there were 4575 applicants, of which 2549, the budget papers state, were successful applicants. I just wanted to understand why there was such a big discrepancy between applicants and successful applicants and also about that funding difference in terms of the nearly \$8 million that has not been expended.

Ms PULFORD: Yes, definitely. I would be pleased to outline the reasons for that and give you a bit of an update, because the PAEC questionnaire results were reported at the end of April, and even though that was not terribly long ago, I have an update and a bit of a sense of where we think we will land at the conclusion of the program as well. Again, I want to thank landlords for the part that they have played. Our small business owners and operators, many of them tenants, have been what I often think of and describe as the 'other front line'. You know, we talk a lot about people in our health services, schoolteachers and parents with kids at home. Our small business owners and operators have been the other front line, and thousands and thousands of lives have been saved because of the sacrifices that they have made. But their landlords helped them do that too; this has been a big, big community effort over two years.

On page 92 of the PAEC questionnaire it indicates the expenditure for approved payments under the Commercial Landlord Hardship Fund rounds 3 and 4 was \$12.7 million at that point. Additional payments have been made since then, so grants paid to date now total \$15 million. Rounds 3 and 4 are still in active processing. They are quite complex applications, where the level of information that is required for their assessment just takes some time. Rounds 3 and 4 saw a greater number of applications than the earlier two rounds, which when you think about the compounding impact of all of this on everyone is not terribly surprising—so 1654 in round 3 and 610 in round 4.

The program was also well promoted through the network of chartered accountants and bookkeepers and those organisations that have been important partners in making sure that such things are known where they need to be known. Each grant is individually assessed. The amount reflects the rent waived under a CTRS agreement, so it is not a one-size-fits-all program like some of the others have been, rather taking into account the loss relative to prepandemic earnings or benchmark period earnings of the tenant. And then that is input and assessed against the response. We are relatively confident that that will land at its conclusion at about the mark that it was budgeted for.

Mr NEWBURY: Thank you.

Ms PULFORD: No worries.

Mrs McARTHUR: Thank you, Minister. Me now. How much has been allocated towards running the mentoring services to support small business?

Ms PULFORD: In total? If you have got another question, we can just find it, because it has been funded at a few different points. When we initially did it, it was something of a pilot, and it has proven to be quite successful. It has had a couple of top-ups, so I might just ask my officials if they can get you a universal figure. If you want to go onto another matter, we can do those things simultaneously if you like.

Mrs McARTHUR: Okay, we will just keep pressing on. If you need to do the research while we are doing it—terrific.

Ms PULFORD: Yes. I just would not want to make you up a number off the top of my head.

Mrs McARTHUR: Maybe the Secretary might like this one too. What is the hourly cost for each mentor session, and how many mentor hours are provided in the budget?

Ms PULFORD: Again—

Mrs McARTHUR: Keep going?

Ms PULFORD: Yes, keep going. Information we have and that we can provide just might take a few minutes or even a couple of hours to bring to hand. But we do have all of that. Just for context, those that are participating have a choice from a small number of potential mentors, so they can go with the one that they like. They do four sessions. From memory it is a couple of hours each session.

Mrs McARTHUR: Perhaps I will just keep going. Do they have a requirement to have any real business experience?

Ms PULFORD: Hang on. Sorry?

Mrs McARTHUR: Do the mentors have a requirement to have real business experience, as was provided in the past?

Ms PULFORD: Yes.

Mrs McARTHUR: And how much did the previous supplier cost the government versus the current supplier?

Ms PULFORD: There are a number of suppliers.

Mrs McARTHUR: The previous supplier—how much did that cost the government?

Ms PULFORD: No, no. It does not work like that. There are a whole lot of suppliers. David?

Mr LATINA: I was just going to say that it is difficult to compare both because it is highly different—the scope of the contract, what they have been delivering. The current supplier is very different to the previous supplier.

Mrs McARTHUR: That is right, Secretary. So why did the government move away from contracting a mentoring service comprised of retired businesspeople with real experience basically doing it for nothing to paying consultants with no real business experience to provide the service?

Ms PULFORD: Do you want to take that?

Mr LATINA: In terms of the small business mentoring, obviously for many years it had been delivered by the Small Business Mentoring Service, which you are referring to. The contract that we had engaged with them had lapsed, had come to an end. We had gone out to market with really clear expectations as to what the outcomes were that we were seeking and the scope of services. We went through a really comprehensive process where there were multiple bidders on that, and on the basis of that we chose what was considered—

Mrs McARTHUR: So you prefer to pay people rather than have the volunteers do it?

Mr LATINA: Well, I think it is a balancing act between—

Mrs McARTHUR: People with real business experience as opposed to somebody that might have a business degree—

The CHAIR: Mrs McArthur, could you allow Mr Latina the opportunity to answer the question rather than interrupting the answer.

Mr LATINA: Value for money is obviously a key consideration, but it has also got to be balanced around the scope of services and what is required to be delivered—obviously things like digital engagement with small businesses is something that businesses have got a strong preference for these days—and other elements of it. So it was about the broader scope, the package, which included of course value for money but also capacity to deliver other services. It was through a competitive tender process that the decision was made.

The CHAIR: Ms Taylor.

Ms TAYLOR: Yes. Can I please refer you to budget paper 3, page 79, which outlines the government's investment in the ongoing growth and prosperity of Victoria's small businesses via the small business digital adaptation program. Can you please outline to the committee how that program actually works?

Ms PULFORD: Sorry? We were just—

Ms TAYLOR: That is all right.

Ms PULFORD: Oh, the small business digital adaptation program?

Ms TAYLOR: Yes.

Ms PULFORD: Yes, sure. The small business digital adaptation program—again a program that was a bit of a pilot when it started and has been extended a couple of times—is about helping businesses to try new things as much as it is about anything. We have a number of providers: there is one in the automotive industry; you know those Square payment things that you tap everywhere you go—those; MYOB, which is a well-known software business; there is a trades onsite invoicing tool that is very popular with plumbers and carpenters, those self-employed and smaller trades businesses, where they are, rather than going home at the end of a very long day then spending 4 hours doing the invoicing, able to just sort of do it from the front door at the end of the day when leaving the premises having the renovations. There are a number of others—around 15 or 16 different programs—that people can connect to.

Most of these operate on a subscription basis, so they are all around sort of \$100 a month. The small business digital adaptation program is about trying something new. There is an initial session to help the business get set up, and then there is sort of a midpoint check-in to make sure that it is being used and to see if there is any assistance required, and then there is something of an exit interview, which will also inform assessment of the program around the how useful the thing has been, at which point the business then takes up the ongoing subscription cost should they have found it is valuable for them.

But I did have a meeting with the Victorian Automotive Chamber of Commerce, and they were telling me about the amazing time and cost saving that one of the tools available to be subscribed to has been for their members. It is basically a plug-in diagnostic for a newer model vehicle, and instead of spending 8 hours working out what might be wrong with the vehicle, it takes like half an hour. If you think about that in terms of saving time and money for businesses, they tell me that this has been a very, very significant benefit. And the take-up of that particular product I think is at the top of the league table for the program.

Ms TAYLOR: Very good.

Ms PULFORD: If I could, just before you go on, the toolkits and mentoring funding is \$5.8 million over three years.

Mrs McARTHUR: Oh, thank you.

Ms TAYLOR: There we go. Done. Could you tell the committee more about the 14 suppliers that the government has partnered with to deliver the program?

Ms PULFORD: Yes. Well, I have told you about some of them, and let me see if I can tell you about some more of them—so Square, the plumbing supply one with the quick invoicing. There are others around web design, and again they are designed to be responsive to the needs of a whole lot of different businesses. Mr Newbury asked about women microbusinesses—that group, that community. There are a number that—we had a sort of expression of interest process, but as I first saw the list of the programs that people could subscribe to, there are a few that is really sort of spring to mind as being useful for that kind of business set-up but then others for much larger small businesses.

So it has really been very much about encouraging people to try something new. And we have a whole lot of other programs around digital adaptation and trying new technology, trying new things—a whole lot of different programs at different scales, different types of businesses—but I think of this as a bit of a dipping-the-toe-in-the-water type of program. There is no real risk. It is not like you to buy something when you do not know what it is or how it works. You do not need to subscribe to anything for the long term, and you get a bit of advice that runs alongside while you try something new. And, like, it is around \$1200 per applicant per year, so it is quite high impact for quite low cost.

Ms TAYLOR: That is good. I think you mentioned the Square, but it would be good to know sort of what the most popular products of those on offer are with Victorian businesses and actually how many businesses have actually accessed this innovative program.

Ms PULFORD: Yes, okay. So there are 14 suppliers, and we have sort of rattled off a few of them. So there is Shopify, Ecwid and Square, end-to-end retail services. Xero, Intuit QuickBooks and MYOB provide business management accounting software. For tradies, Trade Trak and ServiceM8 help manage job pipelines. For hospitality venues, Mr Yum is also a Melbourne startup that has been going gangbusters. Those of you who have been out and about supporting your local hospitality businesses might have seen a QR code to click and order from your table.

Ms TAYLOR: Yes, I love that.

Ms PULFORD: Yes, that is them. There are others in the market, but they are our local homegrown success story there. The Australian Good Food Guide, with potential menus, online ordering and the like. So really there is a product for almost anyone you can think of. So we have got over 10 000 businesses that have taken advantage of the small biz digital adaptation program. It is Xero that is the most popular, but Lawpath is also very popular—a legal documentation service management and the like. MotorTech, the app that brings together that diagnostic information that the Victorian Automotive Chamber of Commerce have developed and provided amongst their membership, has been taken up by close to 900 automotive businesses. So, yes, it is kind of all things to all sorts of different types of businesses.

Ms TAYLOR: Very diverse.

Ms PULFORD: It is quite broad, for a relatively modest investment—one of those big impact little programs.

Ms TAYLOR: Very good. Could you give us an example of a specific business that has benefited from one of the \$1200 rebates on offer?

Ms PULFORD: Yes, there are many. I have been in businesses in Scoresby, I have been in businesses in Halls Gap and a mechanic's in Ballarat. Yes, it is a really broad range, and there are lots of great individual stories that are helping businesses to try something new and make a fist of it. I was at a morning tea with a group of small business owners and operators with Kat Theophanous about a month ago in her area, in her electorate, and one of the retailers was talking about how they had been meaning to get around to an online presence for a while and then suddenly had to do it. I mean, it is businesses like that that we had in mind as we were designing that.

Ms TAYLOR: Yes, very good.

The CHAIR: Thank you, Ms Taylor. Mr Barton.

Mr BARTON: Thank you, Chair. Minister, if I can refer you to budget paper 3 and page 123, which refers to the Business Acceleration Fund, I am aware that this fund technically falls under the Assistant Treasurer, but I understand you work closely with the Assistant Treasurer as small business minister on this program. This budget has provided \$10 million for the Business Acceleration Fund, previously named the Regulatory Reform Incentive Fund. I am curious: was it only the name that changed, or have the functions of the fund been changed also?

Ms PULFORD: The name has changed; the functions have not changed much. The name better matches the functions. So, yes, it is a program that does fall into Minister Pearson's area of responsibility, but we are big stakeholders in this one. As we all know, regulation is important and serves lots of purposes, but it can also drive people quite mad. So we are in the business of getting rid of as much of it as we possibly can while still making sure that our regulatory environments are fit for purpose in terms of environmental standards, community safety, food handling and all sorts of things that are heavily regulated. So we work really closely with Minister Pearson and his team—my department and his. They come to us and say, 'Look, let's look at the whole of industry, focus together and let's test which are the bits that are driving people most mad at the moment and let's have a go at them'. So there are a number of projects that were funded by the previously named variation of this, and we will work with them to develop the next lot.

A good example from the last round was around local council regulation. There was a program. There were half a dozen or so different forms of regulation that local councils had that were really troublesome for small businesses, and so we worked with 79 out of 79 local councils—I think one is just still bringing up the last of their arrangements, but they had very significant extenuating circumstances with fires—and pretty much all councils signed up. It is things like notifying businesses when you are going to be doing works out the front and turning off their parking or ripping up their footpath to do plumbing—you know, the really, really practical things. So all the councils have become signatories to that, or just about, and that is a good example. But yes, we have more regulation in our sights.

Mr BARTON: That is very good, Minister, because I can now ask question two: this fund is meant to reduce duplicate requests for information among the state regulators and remove unnecessary regulatory burdens. I can tell you in the commercial passenger vehicle sector red tape has never been worse than what we are seeing now. Currently small businesses in the taxi industry have been unfairly overburdened by unnecessary data requests by the regulator. There are also significant issues of duplication of requests between CPVV, the Essential Services Commission, the State Revenue Office and VicRoads when it comes to licensing, registration and enforcement. So does the department have plans as part of the Business Acceleration Fund to review the regulatory burdens imposed on the commercial passenger vehicle sector?

Ms PULFORD: I am going to give you one of those 'yes and no' type answers. The specific projects that will be identified are still to be identified. There will be four, I think, at least, that will be able to be supported by this funding—so four different areas of inquiry and reform. So the 'yes' part of the answer to your question is that I am really happy for my department and my office to work with you and with Minister Pearson's team and his department to make sure that that is in the mix in terms of regulatory burden that we could have a look at and potentially consider doing some work on.

Mr BARTON: Thank you, Minister. That would be very good.

Ms PULFORD: No worries.

The CHAIR: Thank you, Mr Barton, and thank you, Minister. That concludes the time that we have set aside for the consideration of the small business portfolio today. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

The committee will now take a 15-minute break before resuming consideration with you of the resources portfolio at 3.15.

Witnesses withdrew.