

SMALL BUSINESS DEVELOPMENT CORPORATION

Motion

Resumed from 15 September on the following motion moved by Hon Ljiljanna Ravlich —

- (1) That this house calls on the Minister for Commerce and the Minister for Regional Development to make public their positions on the future of the Small Business Development Corporation in light of the uncertainty in the small business community and given the Chamber of Commerce and Industry's position as outlined in its 2009–10 pre-budget submission to government, which states that —

CCI believes that there are significant opportunities for the core functions of the Small Business Development Corporation (SBDC) to be absorbed by other agencies.
- (2) That this house calls on the Minister for Commerce and the Minister for Regional Development to —
 - (a) allay the concern of the small business sector and guarantee that the SBDC will not be privatised in full or part or carved up and its functions distributed to other agencies as part of the government's three per cent efficiency dividend; and
 - (b) confirm that the future of the small business centres around the state is assured and that they will not be privatised in full or part or carved up and their functions distributed to other agencies as part of the government's three per cent efficiency dividend.

HON MATT BENSON-LIDHOLM (Agricultural) [11.33 am]: I want to continue my remarks from last week on the motion moved by Hon Ljiljanna Ravlich. I will not read it because it is rather lengthy. No doubt members will have it in their safe keeping.

In the time I had last week I commented briefly on the Small Business Development Corporation's future and noted that it was somewhat complicated by the Chamber of Commerce and Industry's pre-2009–10 budget submission, which sees opportunities for some or all of the corporation's functions being absorbed by other agencies. Having been a member of a Chamber of Commerce and Industry on the south coast I can fully understand that. There are, in some respects, sound reasons for that advocacy by the Chamber of Commerce and Industry. On the other hand, as I will indicate a little later, given the functions of the Small Business Development Corporation and the successes it has achieved in recent times, to my way of thinking they are compelling reasons for it to maintain and grow in importance in our society.

I mentioned the need to retain its presence, particularly in parts of the agricultural region. The reason for saying so should be fairly obvious to members. The agricultural region and, indeed, most parts of Western Australia, apart from the mining sector, are experiencing significantly difficult economic times. One of the things that economists, parliamentarians and media commentators have been talking about for many years is the need for us to become a more diversified economy, and an economy that value-adds. For those reasons, particularly in the agricultural region, I see a significantly enhanced role for the Small Business Development Corporation and, indeed, the various Chambers of Commerce and Industry. I think they all provide considerable services to local businesses and to people living in our country towns. The value-adding and diversification point I made last week seemed to underpin significant focus, if we like, of the Small Business Development Corporation.

I also went on to mention that the agricultural region surely reflects the rest of the state inasmuch as something like 95 per cent of all businesses in Western Australia are classified as small businesses. Not to put too fine a point on it, they are hugely important and represent a significant component of the state's gross state product. I also went on to suggest that if the agricultural regions are to survive as we know them, the current global financial conditions, the cost-price squeeze and the rising value of the Australian dollar are particular issues that we all need to cope with. Again, I put it to the house that the collective advice, knowledge and skills of organisations such as the Small Business Development Corporation, Business Enterprise Centres and various Chambers of Commerce and Industry need to be recognised and harnessed to provide our regional communities with some certainty.

Last week the Leader of the House gave some sort of assurance, for what it was worth, that this would not change. I suppose that, in the fullness of time, we may well be the wiser for things that happen. However, as I will indicate in a few minutes, the Small Business Development Corporation sees significant issues through the eyes of its membership that need to be addressed. On account of the research they do I think they provide us with some fairly compelling information that basically focuses on the need for maintaining their resistance.

To continue from last week, something the Minister for Education; Tourism finds great difficulty with in relation to the trend towards greater privatisation as an issue, is the closure of a number of regional tourism offices in parts of our state. That is something of an indictment, if we like, of her commitment to people in businesses in rural and regional WA because, obviously, this is where significant parts of the state's wealth are generated. My contention is that we need people thinking outside the square. To think that something like a taxi ride through regional, rural and remote parts of Western Australia will suddenly see tourists flocking to Western Australia, I suggest, might have been pie in the sky. As Minister for Education, she is also starting to close access to years 11 and 12 at 21 district high schools. Those sorts of decisions do not show much of a commitment to the many families, communities and, indeed, small businesses, in those areas, and I particularly condemn the Minister for Education for them. I will not go into the whys and wherefores of how the removal of funding for year 11 and 12 students from 21 district high schools will affect local communities, but I put it to members that it will have a profound influence on those communities, particularly given that many people who run small businesses will leave those towns.

I took the time to download the Small Business Development Corporation's vision, mission, role, values and goals statement from its website to get some sort of a closer view, or personal idea, of the importance of the Small Business Development Corporation. Its statement is fairly compelling and re-emphasises the need for its continued existence. I will quote from the Small Business Development Corporation's vision, mission, role, values and goals statement. Its vision is —

To be the driving force in the realisation of small businesses as major contributors to the State's economy.

I think it does that well. Its mission is —

To create opportunity and wealth for small business in Western Australia.

As I earlier indicated, I see it as compelling that focus should be put on small businesses in the bush. The SBDC's stated role is —

To be a broker, facilitator, advocate and catalyst for change; to be innovative and practical in operations and excel in an environment of change.

The SBDC's stated values are to be —

- Independent
- Innovative
- Responsive
- Rewarding, stimulating and enjoyable workplace.

Its goals are that it seeks to —

- Remove barriers and impediments to business growth.
- Improve business skills and knowledge in the small business sector.

One of the big issues associated with the maintenance of a viable small business sector, given that so many go broke literally every day, is that very issue of improving skills and knowledge in the small business sector. If a presence can be maintained in the bush, whether in my region or any of the others, that is a positive, and it is something we need to continue and promote.

I will continue with the SBDC's stated goals, which are to —

- Foster an enterprise culture and emphasize the value and success of small business.
- Facilitate regional small business development.

If we take anything out of this morning's debate, it must be that a greater emphasis, or refocusing, of royalties for regions funding may very well help facilitate small business development. I do not believe that goal can possibly be addressed by the removal of organisations such as the Small Business Development Corporation.

Another important SBDC goal is to —

- Implement value added growth for existing businesses.

I think the community that I live in has some very good examples of how that can be done, one of which is the creation and development of Ravenhill Dairy in Narrikup. That is a fantastic success story of a family business that moved from North Walpole, some years ago after dairy deregulation, and that business now turns over literally millions of dollar a year and its product is all throughout Western Australia; all from a little family business that, no doubt, sought the contribution of organisations such as the Small Business Development Corporation.

Hon Ljiljanna Ravlich: What's the product?

Hon MATT BENSON-LIDHOLM: Hon Ljiljanna Ravlich, it has an enormous range of products, which is my whole point about diversification, but they are all based on dairy produce. They produce everything from the various types of milk, to cheese, to ice-cream, to yoghurt, and this all comes from a family who, after dairy deregulation occurred and the milk trucks decided not to go to North Walpole anymore, decided that it could either leave North Walpole or use its expertise and set up another dairy in Narrikup, about 15 kilometres south of Mt Barker, and, as they say, the rest is history. The business has flourished and it is going from strength to strength. That is the sort of diversification that we need in regional Western Australia and that is why we need organisations such as the Small Business Development Corporation to assist businesses such as Ravenhill Dairy.

The final stated goal of the SBDC is to —

- Generate and maintain a culture for the SBDC to be a leader in small business development.

That is the very reason that we need to protect the future of the Small Business Development Corporation.

The SBDC makes compelling statements and it can offer so much. It is not an alternative to the Chamber of Commerce and Industry of Western Australia, but I believe that it has a role to play alongside organisations such as the CCI and can act as a conduit for linking business to government and communities, certainly in rural, regional and even a few remote communities. It needs to be adequately funded and given some sort of surety. If, as Hon Norman Moore stated, its future is assured, maybe he can provide a few extra assurances to small business arising from what I have said. I notice Hon Norman Moore is not in the chamber at the moment, but I want him to give particular consideration—if his assurance is to be delivered on—to a few very significant facts that stem from recent online polling via the Small Business Development Corporation. Some of the results really are worthy of contemplation by the government. Among those are the results related to the ever-increasing operating expenses that small businesses, particularly in the bush, have to deal with; a number of small business issues and concerns; and a number of small business expectations that I would also like to refer to.

Recent polling conducted by the Small Business Development Corporation resulted in a number of very interesting facts, one of which was, as I have indicated, the pressures of increasing operating costs. I will quote from the overall summary related to increasing operating expenses as found from the Small Business Development Corporation survey, which states —

While many small businesses expect a large increase in operating expenses over the next 12 months, most are planning to implement positive strategies to deal with this issue.

Increasing operating expenses might also explain the decrease in the number of small businesses expecting positive net profit results during the next year. Around 60% of opinion poll respondents expect net profit to increase or stay the same over the coming 12 months. This compares to 80% of respondents who said they anticipate net profit to increase or stay the same during 2010, according to the SBDC's Annual Business Expectation opinion poll conducted in December 2009.

There are definitely messages in that for us. I am particularly concerned about the Small Business Development Corporation's issues, and I will quote from that website again —

This April 2010 Ready Response Network poll asked respondents about the key issues facing their businesses, and what the Government could do to help.

The poll indicated that the number one concern for small business operators (21 per cent of responses) was local and international market conditions. Respondents were concerned about general market conditions and unpredictable consumer spending making staff and business planning difficult.

Attracting and retaining skilled and unskilled staff was the second key issue, with 16 per cent of responses indicating this was a concern.

Eleven per cent of responses identified dealing with red tape as an issue. Other key issues and concerns raised in the poll included:

- Increasing operating costs (10 %);
- Strategic and operational business planning difficulties (9 %);
- Access to and the cost of finance (9 %); and
- Cash flow concerns (8 %).

The business concerns mentioned by respondents in the Small Business Development Corporation's poll indicate that the government can play a significant role through the maintenance of the corporation. As part of its polling, the Small Business Development Corporation asked respondents how the government can help. Again, I quote from the Small Business Development Corporation document. It reads -

The poll suggested a number of ways in which Government could help address some of these small business issues and concerns.

The most popular suggestion (17 per cent of responses) related to providing small business tax incentives.

Obviously that is very much a federal issue, but it has implications for a number of state taxes. The document continues —

Further suggestions included:

Reducing Red Tape (13%);

Changes to State and Federal Government policy, e.g. economic, education, health, migration (12%);

Providing financial assistance, e.g. loans and grants, funding operating expenses (10%);

Changes to employment legislation (7%);

Providing general business assistance and advice (6%);

Assisting small businesses with skills development and training (5%)

Within that context there is obviously a significant regional reliance on the education system. It will be fairly difficult if the government starts closing year 11 and 12 classes at district high schools. The document continues —

Investing in infrastructure and innovation to support small business growth (5%); and

Advocating on behalf of small businesses on interest rates and bank fees (4%).

It is fairly obvious that there is much the government can do through the Small Business Development Corporation to assist businesses, especially those in regional, rural and remote Western Australia. There is much more to the poll. A number of challenges were mentioned, including attracting new customers, cashflow management, increasing transport costs—that is an interesting one given the tier 3 rail line—and achieving and managing growth. The message should be fairly obvious to the government inasmuch as we need not only a re-emphasis on the future of the Small Business Development Corporation, but also a strengthening of its role, particularly given the sort of polling that has been done. The Minister for Commerce and the Minister for Regional Development must address the issues in Hon Ljiljanna Ravlich's motion. Only then will the opposition's fears be allayed.

HON LJILJANNA RAVLICH (East Metropolitan) [11.57 am] — in reply: I thank members for their contributions to the debate. It has been a good debate. The Leader of the House has some difficulty with the lapse of time between the motion being placed on the notice paper and the motion being debated.

Hon Norman Moore: That applies to all these motions, not just this one.

Hon LJILJANNA RAVLICH: If either of the ministers who has held this portfolio had at any time responded to what had been put on the notice paper and had clearly articulated that there was no cause for concern, the sector would not have approached me to express its concerns and I would not have continued to view them as valid. However, the fact that the ministers never took the opportunity to release a media statement to address the issues and allay the concerns of the small business sector has meant that this motion is as valid now as it was when it was put on the notice paper in March 2009.

Hon Norman Moore: If we could make ministerial statements about the next half a dozen that you've got on there, would you take them off the notice paper?

Hon LJILJANNA RAVLICH: No. The government would have to put something more on the table. I am happy to do a deal with the Leader of the House, but he would have to put more than that on the table. He would have to put his heart or head on the table! I cannot blame the Leader of the House for asking.

There is no doubt that the industry has concerns. At least the Leader of the House clearly stated the position of the government on the record during his response. The issue has involved whether the Small Business Development Corporation has a future, industry concerns about that question and the involvement and expectations of the Chamber of Commerce and Industry of Western Australia. There is no doubt that the former Minister for Commerce, Hon Troy Buswell, was contemplating a move that would have resulted in a significant change in the way that the Small Business Development Corporation operates. His removal from that position has allowed for a softening in the attitude of the government towards the Small Business Development Corporation.

Hon Norman Moore: I don't think you can draw that conclusion at all.

Hon LJILJANNA RAVLICH: Yes, I can. It is no secret that Troy Buswell was meeting with the CCI on an almost daily basis, so close was their relationship. One need look only at how much money has been given to the CCI, and by whom, to know that the relationship was very strong. I make the point—I do not resile from it—that the current Minister for Commerce is somewhat more sympathetic to the wants and desires of the small business sector. He is much more conciliatory in the way he deals with the sector. It is good that there is finally a greater degree of certainty about the future of the SBDC.

The Leader of the House in his reply went on and on and on about my anxiety. I am certainly not an anxious person. During my trip home from Parliament that night, I had to do a lot of soul-searching about my level of anxiety. The Leader of the House nearly put me into an institution! I want to allay his fears about my level of anxiety.

He said that the future of small business centres around the state is assured and that they will not be privatised. That is good to know. That is the first time that someone has explicitly stated that.

Hon Norman Moore: Did anybody say they were going to be?

Hon LJILJANNA RAVLICH: It was certainly all over town—there is no doubt about that. Lots of people said that they were going to be privatised. In fact, the minister stated that —

We are looking at the way in which that might work in the context of the Western Australian situation. We are considering whether that role could be incorporated into the Small Business Development Corporation, and whether the powers and duties of the SBDC could be expanded to deal more broadly with the commercial tenancies legislation and the consequences for small business of any expansion of trading hours in Western Australia.

That certainly will be well received by the Small Business Development Corporation and by small businesses in Western Australia, and we at least finally know the government's intent. Having said that, the Minister for Tourism made a speech not long ago at an industry breakfast, and made it quite clear that as a part of the restructure of Tourism WA some of the industry development functions previously performed by the slashed regional offices that no longer exist will be undertaken by the small business centres, thereby strengthening those small business centres.

It is pleasing that we are finally moving some way to allaying the concerns of the small business sector. It is disappointing that it has taken so long. It is disappointing that the Leader of the House holds the view that perhaps this has not been a worthwhile debate. Regardless of when notice of this motion was put on the notice paper and regardless of the length of time it has taken to get to debate this motion, it has been a very positive debate. No doubt, people will be very pleased to hear what the government has proposed.

The issue of the future of the SBDC had died down and re-emerged when the new chair of the Small Business Development Corporation was appointed for a period of only one year. That is something that the government should have responded to in its press release announcing the appointment of Mr Mountney. At the time of his appointment, rather than simply stating that Mr Mountney had been appointed for a period of one year and consequently sending shockwaves through the small business sector, it would have made much better sense for the press statement to state the reason for his one-year appointment; for example, he was to be given a test run! Certainly, it could have been phrased a little more diplomatically than I have just phrased it. However, such an announcement would have meant that the sector clearly understood why Mr Mountney had been appointed for only one year.

Mr Deputy President, this has been a very worthwhile debate and I think that finally the fears of the SBDC employees, people in the small business sector who rely on the services of the SBDC and people in regional and rural areas who rely on the small enterprise centres have been allayed. I have to say that this would not have happened had this motion not been put on the notice paper back in, I think, March 2009. I thank everybody for their contribution to the debate.

Question put and a division taken, the Chairman casting his vote with the noes, with the following result —

Extract from *Hansard*
[COUNCIL - Thursday, 23 September 2010]
p7178a-7182a
Hon Matt Benson-Lidholm; Hon Ljiljanna Ravlich

Ayes (13)

Hon Matt Benson-Lidholm
Hon Helen Bullock
Hon Robin Chapple
Hon Kate Doust

Hon Sue Ellery
Hon Jon Ford
Hon Lynn MacLaren
Hon Ljiljanna Ravlich

Hon Linda Savage
Hon Sally Talbot
Hon Giz Watson
Hon Alison Xamon

Hon Ed Dermer (*Teller*)

Noes (18)

Hon Liz Behjat
Hon Jim Chown
Hon Peter Collier
Hon Mia Davies
Hon Wendy Duncan

Hon Phil Edman
Hon Brian Ellis
Hon Donna Faragher
Hon Philip Gardiner
Hon Nick Goiran

Hon Nigel Hallett
Hon Col Holt
Hon Robyn McSweeney
Hon Michael Mischin
Hon Norman Moore

Hon Helen Morton
Hon Max Trenorden
Hon Ken Baston (*Teller*)

Pairs

Hon Adele Farina
Hon Ken Travers

Hon Simon O'Brien
Hon Alyssa Hayden

Question thus negatived.