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Mr Roger Awas
Executive Director
Small Business Victoria
GPO Box 4509
MELBOURNE VIC 3001
roger.arwas@dbi.vic.gov.au

LEADWEST SUBMISSION IN RESPONSE TO SMALL BUSINESS DISCUSSION PAPER

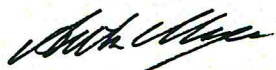
Please find attached a submission by LeadWest to Small Business Victoria in response to the questions set out in the Small Business Discussion Paper.

LeadWest is a regional organisation for Melbourne's west. It is governed by a ten-member Board of Directors comprising five local government representatives (one each from the cities of Brimbank, Maribyrnong, Melton, Moonee Valley and Wyndham), four elected by the corporate members and an independent chairperson.

LeadWest's objective is to foster and undertake actions that will support sustainable growth and development of the region. We aim to build on the region's social, economic and environmental capacity and to plan and create a sustainable future for the wellbeing of its communities. Consequently, LeadWest and the organisations it represents have a keen interest in the growth, success and prosperity of small businesses in Melbourne's west. This submission reflects the views of stakeholders from across the range of communities in the west of Melbourne.

Please feel free to contact me if you require further information on LeadWest and its submission.

Yours sincerely,



Anton Mayer
Chief Executive Officer
LeadWest Ltd

LEADWEST SUBMISSION IN RESPONSE TO THE SMALL BUSINESS DISCUSSION PAPER

LeadWest is a regional organisation formed in 2007 by the councils of Melbourne’s west. LeadWest was created to foster and undertake actions that will support sustainable growth and development of the region. In this respect it aims to provide leadership across the region, to ensure co-ordination of key regional activities, to be an advocate for the region, to promote and market the region, and to develop regional planning. LeadWest aims to adopt an active partnership approach between business, government and the community working together on behalf of the region.

LeadWest has been established as a company limited by guarantee and its Board of Directors comprises five Directors drawn from the following councils: Brimbank, Maribyrnong, Melton, Moonee Valley and Wyndham; plus four Directors elected from non-council members (presently a Director from each of City West Water, Moonee Valley Racing Club, Nufarm Ltd and Victoria University). The Board of Directors has an independent chairman, the Hon. Ralph Willis.

More information about LeadWest is available at www.leadwest.com.au

INTRODUCTORY COMMENTS

LeadWest applauds the Victorian Government for recognising the vital contribution that small businesses make to Victoria’s economy and for engaging the community in consultation on some of the challenges facing small businesses and seeking feedback on how the Victorian Government may be able to assist.

Melbourne’s west is at present home to many small businesses. As Australia’s currently fastest growing region, many new small businesses are being created in Melbourne’s west. As growth opens opportunity, in the future this region will likely become the home of many more small businesses.

A feasibility study on establishing a General Purpose Small Business Incubator in Melbourne’s west (prepared by Darebin Enterprise Centre Ltd for the Western Melbourne Regional Development Australia Committee) includes data that indicates that there is a strong small business “birth rate” in Melbourne’s west with approximately 20,000 new business registrations per annum in recent years. There was a growth rate of new business registrations in Melbourne’s west of 4.6% between 2008 and 2009.

Each of the local governments of Melbourne's west supports local small businesses and they are keen on the establishment of a General Purpose Small Business Incubator in Melbourne's west. The feasibility study establishes a strong business case for establishing such an Incubator within the region and the business case would be further strengthened if there was commitment from the Victorian Government to supply buildings and/or land for that purpose.

This submission provides LeadWest's feedback on the specific questions set-out in the Small Business Discussion Paper (September 2011). The questions are answered in two ways: (1) by LeadWest as a small business, and (2) by LeadWest as an advocacy organisation for Melbourne's west.

REGULATORY COMPLIANCE AND COSTS

1. What are the major taxation, regulatory or compliance burdens facing your business? What are the specific issues that impede your business productivity and growth? What effect will a carbon price have on your business?

LeadWest is a not-for-profit company that is limited by guarantee and as such falls under the provisions of the Corporations Act.

LeadWest does not face "onerous" taxation, regulatory or compliance "burdens". LeadWest has performed a self assessment according to ATO guidelines and concluded it is an income tax exempt entity. LeadWest is required to and does meet GST and FBT obligations.

LeadWest does ensure its financial reports comply with Australian Accounting Standards, applicable International Financial Reporting Standards and Corporations Regulations and there is a cost involved, but it is not unreasonable.

As LeadWest largely operates within the knowledge economy and exchanges information through electronic and psychical means (i.e. in meetings), LeadWest's productivity is somewhat impeded by the lack of a high speed broadband network across the whole of Melbourne's west as well as by traffic congestion causing transport inefficiency within the region.

There is no externally imposed barrier to LeadWest's growth; however as a reflection of our purpose and the nature of our business we do not seek high rates of growth over the short term as may be the case with other large and small businesses.

LeadWest anticipates that the effect of a carbon price in the Australian economy will be entirely manageable. LeadWest understands that the carbon pricing

mechanisms (as set out in the *Clean Energy Bill 2011*) will impose no red tape on small businesses. LeadWest will have no additional reporting or compliance obligations as a result of carbon pricing. LeadWest may experience some modest increases in some input costs, but LeadWest will continue to seek the best value for money from its suppliers.

LeadWest also responds to these questions not as a business, but as an organisation created to foster and undertake actions that will support sustainable growth and development of Melbourne's west.

LeadWest notes that efficient and effective regulation is desirable and that it is inaccurate and irresponsible to frame all regulation in a negative light as a "burden on business". Regulation is essential for the functioning of society and the economy. Regulation constitutes or constrains rights and allocates responsibilities. Regulation can, for example, play an important role in creating a level playing field and ensuring fair competition, maintaining safety and quality standards for goods and services, protecting consumers and preventing environmental degradation.

LeadWest takes the view that the key issue is regulatory quality and performance. As per the OECD Guiding Principles for Regulatory Quality and Performance, LeadWest sees good regulation as that which: (i) serves clearly identified policy goals, and is effective in achieving those goals; (ii) has a sound legal and empirical basis; (iii) produces benefits that justify costs, considering the distribution of effects across society and taking economic, environmental and social effects into account; (iv) minimises costs and market distortions; (v) promotes innovation through market incentives and goal-based approaches; (vi) be clear, simple, and practical for users; (vii) is consistent with other regulations and policies; and (viii) is compatible as far as possible with competition, trade and investment-facilitating principles at domestic and international levels.

LeadWest recognises that regulation is one of the Victorian Government's three key policy tools, along with taxation and expenditure. It is strategically important for Victoria that its regulatory management system is a competitive strength and supports productivity growth, competitiveness and improved liveability.

LeadWest understands that Victoria's regulatory management system has a long-standing positive reputation, being well-regarded by independent international experts and business, including the OECD and the Business Council of Australia.

LeadWest also appreciates that constant attention to review and good regulatory design are essential to achieving a first class regulatory framework.

LeadWest is aware of several specific issues that impede the productivity and growth of many businesses in Melbourne's west.

There is significant impediment presented by skills shortages. The skills base of the region's residents is low, leaving them ill equipped for the jobs emerging as part of the 'new economy' and less able to adjust to changes in the workplace.

This results in a shortage of certain types of skills within the region that consequently have to be 'imported'. Many firms in Melbourne's west, including small businesses, have to draw employees from outside the region, and this leads to economic leakage and adds to pressures on the transport system.

Traffic congestion within Melbourne's west is a problem and it impacts on small businesses within the region and well beyond it. As the region with a direct interface with the Port of Melbourne, key road, rail and airport connections linking Melbourne with other regions, capital cities and international destinations, Melbourne's west plays an important role in the freight logistics industry. Transport network inefficiencies drag on the productivity and performance of companies within the freight logistics industry and there are consequential impacts on the productivity and performance of businesses that supplied services by those companies. The Truck Action Plan, which was proposed, planned and partially implemented, would have helped to reduce some of the transport network inefficiencies in Melbourne's inner-west.

Businesses in Melbourne's west are also hampered by the lack of a high speed broadband network across the whole of the region. High-speed broadband is a vital dimension of contemporary social and economic infrastructure comparable to roads, water and electricity. Small businesses will be less competitive without good access at reasonable price to high-speed broadband. New businesses are proliferating in the growing global "information economy" and traditional businesses are reinventing themselves to take advantage of the opportunities that electronic communications presents.

LeadWest notes that introduction of a carbon price in the Australian economy can stimulate creation of new job opportunities across a range of industries. For example, over time, renewable energy will grow from 10 to 40 per cent of the generation mix by 2050. This kind of growth will create spin-off opportunities for a whole range of small entrepreneurs and business owners.

2. Has your business or industry sector been impacted by policy areas that were traditionally regulated by State Governments now being regulated nationally?

LeadWest has not been significantly affected by any shift in regulatory responsibility to a national level.

LeadWest perceives regulatory harmonisation as generally beneficial and most valuable where it eliminates overlapping and inconsistent regulatory requirements. For example, significantly streamlining energy regulation in Australia helps to deliver the significant benefits of a national integrated industry.

LeadWest understands that small businesses in Melbourne's west, like other Victorian small businesses, would be affected most by the Victorian Government's referral in 1996 of most industrial relations powers to the Commonwealth Parliament.

LeadWest notes that Victorian businesses, including small business, may have subsequently been placed at an advantage following the passage of the *Fair Work Act 2009* when businesses across the nation needed to come to grips with the federal industrial relations regime before 1 January 2010. Victorian businesses had by then experienced more than a decade of operation under national IR frameworks.

IMPROVING ACCESS TO INFORMATION AND ADVICE

3. As a small business owner, what type(s) of information or advice is hardest to find?

Due to the nature of its activities, LeadWest is often looking for reliable and timely data on the number and nature of small businesses operating within Melbourne's west. Such data is difficult to obtain. There is a role for government in collecting and disseminating such data. LeadWest recognises that Business Victoria provides Small Business Statistics via its website, however the current "up-to-date snapshot analysis" provides data that is already out of date by two years. That data is also only provided at a State aggregated level, whereas LeadWest (and other organisations) would find regional and local government area data more useful.

4. How easy or difficult is it for you to access information about Government grants and other assistance programs?

LeadWest usually finds it easy to access information about Government grants and other assistance programs. This may be due to the knowledge and experience of members of the LeadWest management team, who are familiar with how the public sector is organised in Victoria and Australia and can readily identify sources of funding and other assistance. LeadWest is familiar with www.business.gov.au/grantfinder and finds it an easy system to use.

5. How can the Government improve access to information and advice for small businesses?

LeadWest suggests that the Victorian Government could improve access to information and advice for small businesses by continuing to support a decentralised model in which Victorian Business Centres (VBCs) and Small Business Information Centres/Shopfronts are located within metropolitan and non-metropolitan regions throughout the Victoria. Whilst the locations of VBCs can be readily identified via Business Victoria's website, it is not readily apparent where the Small Business Information Centres/Shopfronts are located.

6. Have you used the services of business.vic.gov.au, the Victorian Business Centres or the Small Business Information Centre/Shopfront? Are these services useful for your business?

LeadWest has used the services of business.vic.gov.au and the Victorian Business Centre at Sunshine. There is a very good and useful working relationship between LeadWest and officers of the Department of Business and Innovation appointed to roles within the Victorian Business Centre at Sunshine.

LeadWest has not used the services of a Small Business Information Centre/Shopfront.

SMALL BUSINESS VICTORIA'S PROGRAMS AND SERVICES

7. Have you used any of Small Business Victoria's programs and services? How could these programs and services be improved? What types of small business support services would you find most useful?

LeadWest is a Host Organisation for the Small Business Workshops and Seminars provided by Business Victoria. Some Council Members of LeadWest (i.e. Melton Shire Council and Maribyrnong City Council) provide the facilities and catering for such workshops and seminars. LeadWest is also the Host Organisation for

workshops and seminars delivered through Hobsons Bay City Council (which is not currently a Council Member of LeadWest). The officers of the Department of Business and Innovation with responsibilities related to this program have been very helpful.

Other Council Members of LeadWest, such as Wyndham City Council, decided to utilise local consultancy business to deliver workshops and seminars that are similar to those provided by Small Business Victoria, with the key point of differentiation being the greater flexibility to localise workshop/seminar content.

Small Business Victoria could improve its programs and services by ensuring presenters of its workshops/seminars have deeper local knowledge, enabling more customised/less generic content to be delivered.

BARRIERS TO ACCESSING FINANCE

8. What are the major barriers to accessing business finance and have you found it harder to manage cash flow since the Global Financial Crisis? Are you aware of the Business Loan Finder and is it a useful tool?

LeadWest has not required business finance loans and has not encountered any issues with management of cash flow since the Global Financial Crisis. LeadWest is aware of the Business Loan Finder, but has not needed to use this tool and so cannot comment on its usefulness.

Since LeadWest's formation in 2007 we have detected growing frustration by western region business groups in their ability to attract finance to underpin development plans.

WORKFORCE AND BUSINESS MANAGEMENT

9. What workforce skills are hardest to find or retain? What are the main barriers to finding and keeping the right staff?

Given the information obtained in the course of its activities, LeadWest understands that the workforce skills that are hardest to find and retain within businesses in Melbourne's west continues to be as documented in the Employment Plan produced by Keep Australia Working, North Western Melbourne.

As workforces within the region generally have below-average levels of education, workers in Melbourne's west could face significant difficulties

adapting to industry restructuring or job losses. A major challenge is to identify emerging skills needs and ensure that training and education institutions can provide training to meet these needs. Workers in the 'traditional' manufacturing sector need to develop new skill sets to adapt to advanced technology. The region needs assistance by the Victorian Government to facilitate training of a higher percentage of its growing population with the skills necessary to meet its changing industry skill needs, including cleaner and greener and more advanced technologies.

A large number of employers within the region feel many unemployed job seekers lack the skills they need in the workplace. Employers in the small to medium business sector identified the need for training that focuses on employability skills such as punctuality and presentation, in addition to technical skills.

10. What are the significant workplace relations/OHS issues confronting your business? Have these issues risen or fallen in importance in recent years?

As a small business, LeadWest "confronts" no significant workplace relations or occupational health and safety issues.

LeadWest is aware of significant health issues across Melbourne's west, and these issues would affect small businesses within the region. Compared to other regions, the West's health and community services are significantly under-funded, our people have poorer health and wellbeing, and there is a shortage of doctors, higher unemployment; and large concentrations of disadvantaged people and newly arrived migrants. Strengthening our communities is paramount as businesses within the region, including small businesses, predominantly seek to source their workforces from these communities. Healthier communities make for healthier and more productive workforces.

In 2009, LeadWest and the HealthWest Partnership network formed a strategic relationship to progress some of the key health sector imperatives facing the residents of Melbourne's western suburbs. LeadWest would welcome discussion on the connections between community health and workplace health and safety with the Hon. Louise Asher MLA, Minister for Innovation, Services and Small Business, as well as discussions on this issue with Business Victoria.

11. Are you finding that your workforce is getting older? What opportunities or challenges does this present?

LeadWest's workforce comprises three personnel, each of a different generation. Workforce ageing is not a significant challenge for LeadWest and can be viewed mainly through the lens of opportunity. The primary opportunity for LeadWest in having access to viewpoints from three generations relates to the broadening of LeadWest's understanding of the region and its people.

As noted in a publication by the WPC Group, a LeadWest member, the future of industry is shaped not just by the economic and technological changes, but also by population and generational changes. The key to ongoing success therefore, is dependent not just on technical excellence but managerial excellence.

Victoria, like the rest of Australia is experiencing a rapid ageing of the population. The result is that there are fewer young people relative to the population and this is particularly evident in those aged 15-19, the traditional apprentice age group. This ageing population will continue because longevity rates are rising and the trend to have fewer children later in life is continuing. Yet the population and the economy are still growing. The result is that the demand for labour is clearly greater than the supply. This is the central challenge. The skills shortage is not just an economic reality but also a demographic reality. It will be with us for a generation or more regardless of economic cycles.

LeadWest understands that workforce ageing is a significant issue for some small businesses operating within Melbourne's west. Some of these small businesses need to deal with "generational-gap" issues, where the circumstances are such that the business owners/managers retain skilled employees that are older and nearing retirement, have not recruited employees in the next generation, and are now only able to rebuild a workforce by employing workers from a generation younger again. This is the situation where a business ends up with long-served managers and workers who are aged 55+, and then most new employees, often trainees or apprentices, being much younger twenty-somethings or teenagers, and the generational-gap is thus much larger.

This issue is reflected in WPC Group's "Bridging the Gap" - a guide for employers:

"Some employers, after bad Gen Y experiences are tempted to focus purely on employing more mature workers from whom they get better loyalty and commitment. However, only the Gen Y's can bring youthful idealism and energy, a fresh view to the industry, new qualifications and a 21st Century perspective to

life and technology. Generational diversity is the key to a balanced workforce reflective of the varying ages of customers and society.”

12. As a business owner, are you considering sale or succession of your business? If so, what information or advice do you need?

LeadWest will not be sold, however succession to key roles within LeadWest’s organisational structure is an issue that LeadWest must manage.

LeadWest has noticed situations in which small business owners nearing retirement, particularly in family-owned small manufacturing businesses, are faced with sub-optimal choices when frustrated in their desire to pass on “the reigns” to the next generation of the family. In some cases, when succession plans cannot be executed, the owners of such businesses are presented with only the options to sell or close the business. There is an opportunity for the Business Victoria to become involved in “match-making” activities, whereby suitable business buyers of small businesses are identified and introduced to potential sellers of small businesses. LeadWest suggests that a suitability criterion is the commitment of a buyer to continue to run the acquired business as a going concern, not run down its assets through lack of re-investment.

DISASTER MANAGEMENT

13. What information or advice would be most valuable for small businesses to help them prepare for and manage risks associated with a natural disaster? What can Government do to assist?

LeadWest suggests that the most valuable disaster preparation, survival and recovery information that can be provided to small businesses in Victoria is:

- information on disasters
- information and resources on building business resilience
- disaster cost calculators
- information and resources on business recovery following disaster

LeadWest notes that the Queensland Government provides such information via its “Business Development” website. In contrast, Business Victoria has published via its website specific information pertaining to the 2010-11 floods and the information on the Business Relief Fund appears to relate only to flood disaster

despite it actually being applicable to businesses affected by natural disaster, “such as the Victorian bushfires in 2009 and the Victorian floods in 2010-11”.

GOVERNMENT PURCHASING POLICY

14. What are the major barriers for small businesses engaging with large purchasers – including with Government?

Purchasing reform initiatives by governments across the nation have placed greater emphasis on the issues of value for money, market testing, competitive tendering and contracting out.

LeadWest suggests that the major barrier for small businesses engaging with the Victorian Government is a reduction in the direct purchasing of goods *by government*, which has resulted from outsourcing of large scale services. Whereas small to medium sized enterprises used to sell to government, now they often need to sell to the large businesses that have secured government contracts.

According to the Business Council of Australia’s 2010 publication “Working in Parallel”, which argues that large and small business “succeed side-by-side”, there was only 38 per cent of large businesses stating that their main supplier of goods and services is small business. In a 2007 poll by SmartCompany/Roy Morgan of 824 owners of small and medium sized businesses there were 49% reporting being “bullied by big business”. If this poll result is indicative of relations between large and small businesses, then it is likely that many small businesses are somewhat reluctant to engage with large private-sector purchasers. Perhaps the Victorian Government could play a role in either dispelling myths about big business that may exist within the small business sector or in encouraging big businesses to reform their procurement process in a manner that reflects the reforms undertaken by government.

RESOLVING BUSINESS DISPUTES

15. Is alternative dispute resolution of the type provided by the Victorian Small Business Commissioner the most effective way for small businesses to resolve their business to business disputes and minimise business disruption?

LeadWest suggests that alternative dispute resolution of the type provided by the Victorian Small Business Commission is an effective way for small business to resolve their business to business disputes.

ONLINE BUSINESS MANAGEMENT

16. Does your business use the internet extensively? If so, what for? If not, what are the major barriers (e.g. cost, skills, access to reliable services etc.)?

LeadWest does use the internet extensively. It is used to convey information about Melbourne's west and the activities of LeadWest to a broad audience. It is also used as a tool to gather data and research issues, complete banking and other financial transactions, and as a communications tool (e.g. email). More extensive use of the internet by LeadWest, and we would suggest many other small businesses in Melbourne's west, could be enabled by roll-out of a national high speed broadband network.

SUPPORTING EXPORTERS

17. What support or information could the Victorian Government provide for your business to help improve its export readiness and competitiveness?

LeadWest is not a business that will become an exporter; however, as a organisation created to foster and undertake actions that will support the sustainable growth and development of Melbourne's west, LeadWest recognises the importance the development of export markets play as a means of supporting business growth and resilience and would encourage the Victorian Government to continue to work in partnership with bodies such as Austrade to provide exporter services to businesses in Melbourne's west via the Department of Business and Innovation's regional office network.

SUPPORTING FRANCHISEES

18. What are the major challenges faced by small business franchisors and franchisees? How can Government assist?

LeadWest is not familiar with the challenges faced by small business franchisors and franchisees.

BEST PRACTICE SERVICES FOR SMALL BUSINESS

19. Do you know of any Government services for small business offered elsewhere that could be considered for Victoria?

LeadWest is aware of a number of other state governments offering services to small business. It is LeadWest's considered view that Small Business Victoria is adopting very much best practice in this area of business support and in most cases is ahead of like programs delivered in other states.

20. What Government support would be most valuable to help Victorian small businesses address current challenges and what should be the principal role of a State small business department?

LeadWest suggests that the most valuable government support for Victorian small business would take the form of business mentoring, as well as ensuring the regulatory environment for businesses is one characterised by high quality and performance. In addition, LeadWest believes that a concerted effort by made to rollout a network of small business incubators in high growth metropolitan centres.

LeadWest also believes that Business Victoria has a key role to play in promoting the benefits of e-business and e-commerce tools to small business. Considering the significant investment being made by both the Australian Government and State governments in enhanced telecommunications infrastructure, this opportunity should be championed by Business Victoria to its stakeholders.

LeadWest suggests that the principal role of Victoria's small business department should be to assist in the cutting the regulatory burden that potentially hinders growth, support small business growth via a more flexible government procurement arrangement and support the ICN as well as establish a network of business incubators in key growth centres in Metropolitan Melbourne.

CONCLUDING COMMENTS

LeadWest recognises the critical role that small businesses play in creating job opportunities for our growing population. Increasingly it will be necessary for governments to create the environment to support the growth of jobs closer to where people live and develop much higher job densities in outer-metropolitan locations. This challenge is mainly going to be met through support for small businesses. Melbourne's west is now one of Australia's fastest growing regions and predictions indicate that the region will be expected to accommodate more than 40 per cent of Melbourne's urban growth over the next four decades to 2050. Supporting the population growth in this region in a sustainable way will require a huge increase in the numbers of small businesses serving the region.