



# **Small Business In Victoria**

*Presentation to Monash University, Berwick*

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## Overview

- Some basic statistics
- Why small business is important
- Some myths re failure rates
- Key challenges
- Recent policy initiatives
- The way forward



## Some basic statistics

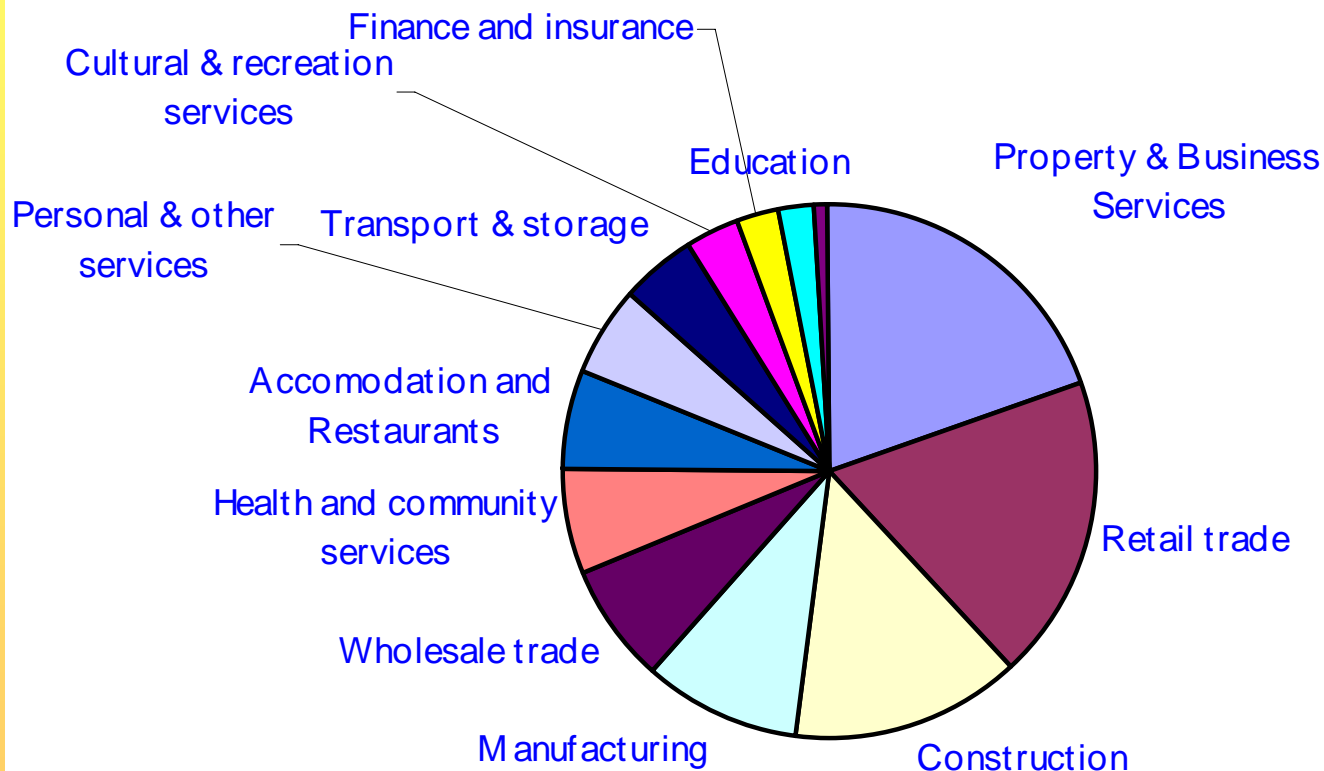
- There are over 300,000 small businesses (fewer than 20 employees) in Victoria
  - account for 96 % of all businesses
- That employ 811,000 people (43% of private sector employment)
- Jobs are spread across all industry sectors, but concentrated in:
  - property and business services
  - retail sales
  - construction



## Some basic statistics (cont)

- But in regional Victoria, jobs are concentrated in:
  - agriculture, forestry and fishing
  - construction
  - retail trade
- Growth in jobs is fastest in:
  - property and business services
  - health and community services
  - education

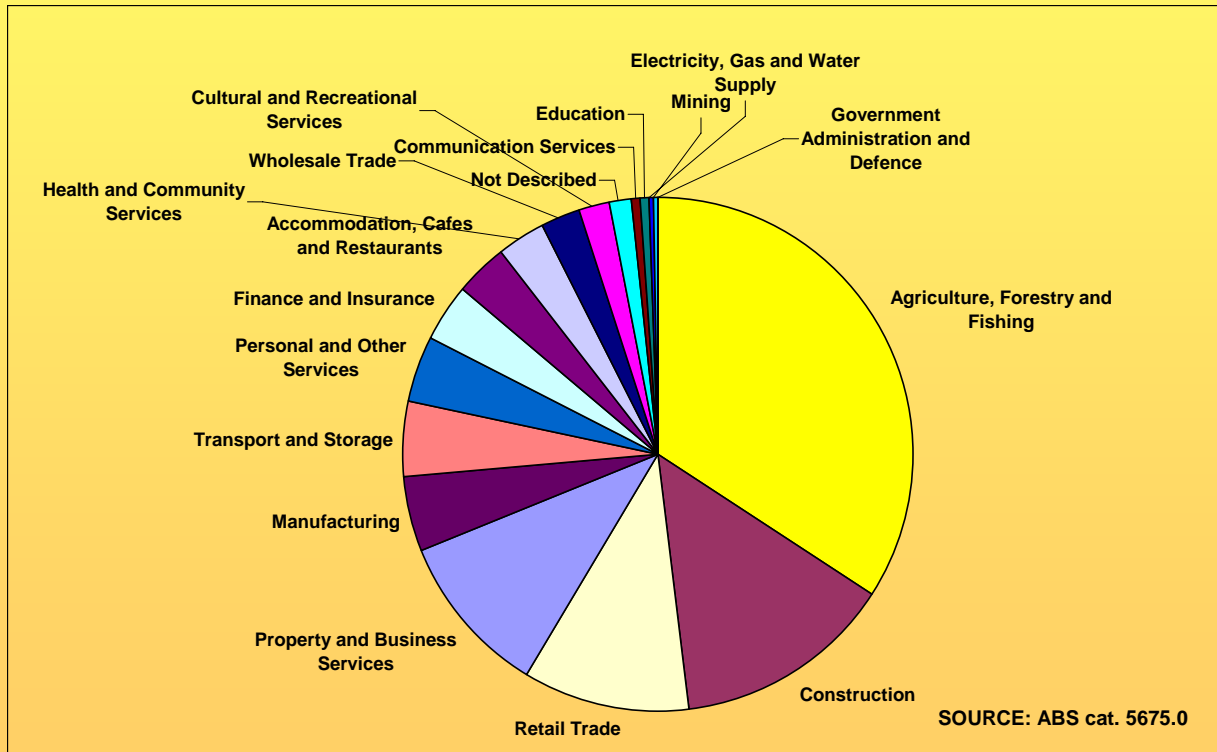
# Employment – Sectoral Concentration Victoria 2000-01





# Diversity of Small Business in Provincial Victoria

- A higher proportion of jobs still focussed on traditional and primary industries.





## Some basic statistics (cont)

- Proportion of home based businesses continues to increase
  - 198,700 or 66% of all Victorian small businesses are now operated at or from home
  - represents 3.7% per annum annual growth over 2003-04
- Almost one third of small businesses are operated by women
- Nearly 29% of operators are born overseas, a proportion that continues to rise
  - number of overseas born operators increased by nearly 4 percentage points per annum in 2003-04



## Why small business is important

- Small business is the “engine room” of the economy and contributes to a strong enterprise culture
- The “glue” for communities, including regional communities
- A major source through which to achieve the Government’s jobs and export targets and of economic and job growth generally
- Not all milk bars: the birthplace of subsequent large businesses – firms in innovative industries often start small
  - Coles Myer
  - Bakers’ Delight
  - Visy
- An important part of the supply chain



## The Government's economic goals and targets

- GSP per worker in the top seven of the OECD by 2010
- 150 000 new jobs over the four years to 2006, and the unemployment rate down to 5%
- Exports of \$30b and a doubling of the number of exporters (from 12 250) by 2010
- Lead the States in broadband uptake
- Population of 6m by 2025, with regional growth of 1.25% per annum by 2006

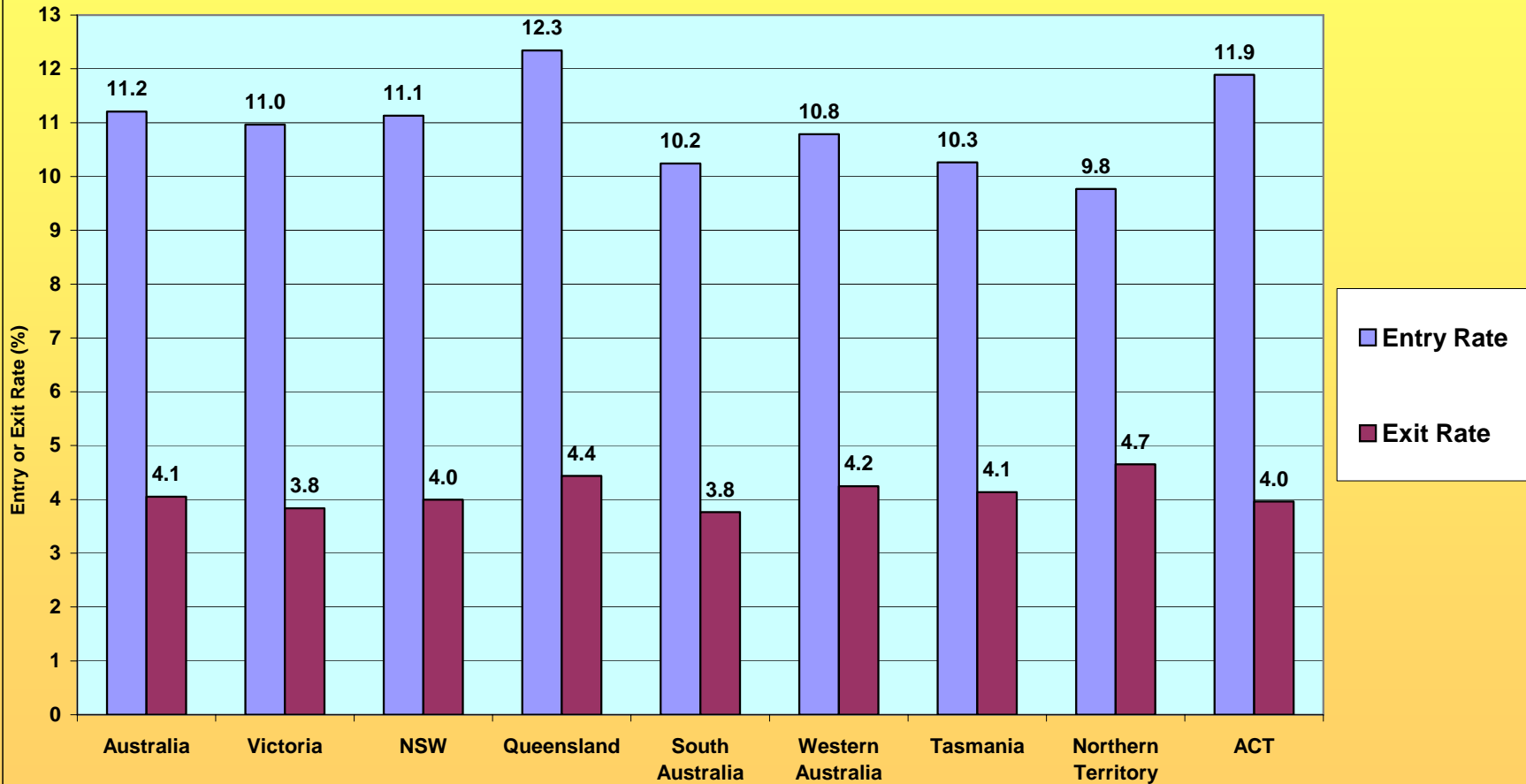


## Myth – “High Failure Rates”

- It is a popular conception that failure rates among small businesses are high
- In 2003-04, 3.8% of Victorian small businesses exited, whereas the business entry rate was 11%
- Victoria’s exit rate is below the national average and the equal lowest of the states, with South Australia
- Victorian survival rate of 2001-02 business entries after one year was 92.5% and after two years was 88%, both slightly above the national average
- Two thirds of businesses are still operating after five years and one half after ten years
- The Productivity Commission has reported that most exits are not firm failures – less than 0.5% exit each year due to bankruptcies and liquidations, ie catastrophic failure



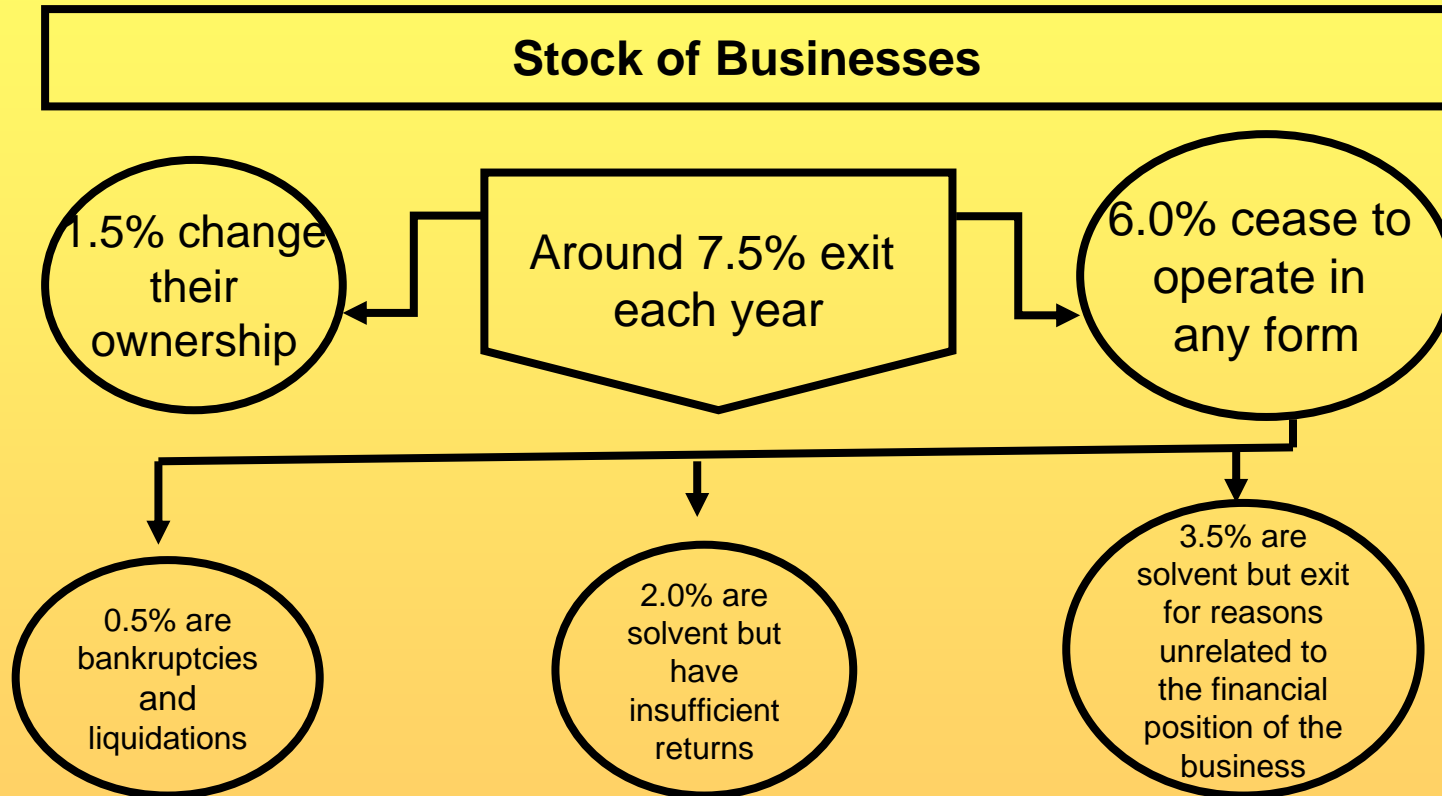
## Entries and Exits of Business Entities - 2003-04



Source: ABS Cat. 8160.0.55.001



## Business exits in Australia



Source: Productivity Commission: Business Failures and Changes 2000



## Key challenges faced by small businesses

- Regulatory burden is greater than that faced by large business
  - small business is time poor, and does not have the resources for specialist positions
  - compliance costs are relatively higher for small business, so reductions in red tape benefit them more
  - information needs to be in a form that is accessible to small business and small business intenders
  - procurement opportunities are often limited by significant red tape requirements
- Training needs
  - small business is generally deficient in management and business planning skills
- Facilitating improved access to Broadband
  - small business take up of broadband and use of the internet is lower than that of large business
- Facilitating access to finance, especially for women in business



## What support does the Victorian Government offer?

- Information
  - Call centre – 13 22 15
  - Website – [www.business.vic.gov.au](http://www.business.vic.gov.au)
  - Offices – 12 Victorian Business Centres across the State
- Business development programs
  - High growth business programs:
    - VicStart
    - Opening Doors to Export
    - Grow Your Business
  - Skills development programs:
    - Under New Management
    - StreetLife
    - Counselling and Mentoring
    - Women in Business
- Policy development and national advocacy



## Recent policy initiatives

- More competitive business environment and costs:
  - \$823m over five years since 1999 in cuts to land tax
  - lifting the tax free threshold by \$25,000 to \$200,000 in 2005-06 will see another 21,000 tax payers including many small businesses removed from the land tax base
  - another 10% reduction in average WorkCover premiums will save Victorian businesses \$170m a year
  - at an average premium rate of 1.81%, Victorian businesses will have rates 30% lower than in NSW and 40% lower than in South Australia
  - abolition of bank account debits tax and rental business duty



## Recent policy initiatives (cont)

- Fairer business environment:
  - Small Business Commissioner's Retail Tenancy and Business Dispute Resolution functions
  - national leadership on advocating Trade Practices Act reform
  - better protection for owner/drivers in the transport and forestry industries
  - fair payment terms by Government to business
- Supportive regulatory environment:
  - strengthened scrutiny of regulations through establishing the Victorian Competition and Efficiency Commission, eg Business Impact Assessments including Small Business Statements
- Government serving business better:
  - better coordination across tiers of Government
  - cooperative agreements with industry associations
  - improved delivery of Government information and services online (eg BLIS, VBMK)



## The way forward: Small Business Statement

- Victorian Government Small Business Statement in late 2005 to set out a blueprint for small business growth into the future
- Priority areas will be:
  - making Victoria the best place in Australia to start and grow a business
  - promoting a fairer business environment
  - encouraging high business growth, jobs and exports
  - skilling small business for the future
  - improving Government services for small business
- Development includes extensive consultation with small business and other key stakeholders



## Small Business Statement: initial thoughts

- Making Victoria the best place to start and grow a business
  - getting the fundamentals right to create a competitive business environment
  - providing targeted information and support, including for businesses employing staff
  - minimising barriers and impediments to operating and growing a business, including improving access to finance (especially for women) and broadband
- Promoting a fairer business environment
  - advocating for appropriate changes to the Trade Practices Act and fair trading legislation
  - minimising regulatory requirements and the business impact assessment process
  - strengthening the role of the Small Business Commissioner



## Small Business Statement: initial thoughts (cont)

- Encouraging high business growth, jobs and exports
  - supporting innovation and entrepreneurship
  - implementing initiatives to promote and encourage exports (Opening Doors to Export plan)
  - enhancing further export capability and business growth
- Skilling small business for the future
  - strengthening management and business planning skills of small business operators
  - maximising the benefits of technology, including through facilitating access to broadband
  - addressing the needs of regional businesses
  - providing information and guidance on all aspects of succession planning



## Small Business Statement: initial thoughts (cont)

- Improving government services for small business
  - making it easier for small business operators and intenders to get the information they need (Victorian Business Line, Victorian Business Centres, Business Victoria website, Victorian Business Master Key (VBMK))
  - continuing to build partnerships with other information providers and third parties
  - working with the Federal and local governments to improve overall efficiency of government services and reduce confusion among small business operators
  - delivering phase 1 of the VBMK



## Better coordinated services

- Coordinated small business service delivery across three tiers of government
- Strengthened support for home based business:
  - assist Victorian local councils in applying for the Commonwealth Government \$50m Regulation Reduction Incentive Fund
  - survey of home based business and local government to identify best practice and demonstration projects for Victoria



## Victorian Business Master Key

- Victorian Business Master Key (VBMK) project will maximise the benefits of new technology:
  - a new electronic information and case management system to help small businesses cut through red tape
  - help businesses find and manage government information and conduct their licensing and registration transactions with a minimum of hassle
  - bring together various government systems and service delivery strategies into a 'customer-centric', whole-of-government service
  - first phase launch in early 2006



## Government Information & Services for Small Business

- Victorian Business Line: 13 22 15
- Business Victoria Website: [www.business.vic.gov.au](http://www.business.vic.gov.au)
- Metropolitan offices at: Vermont, Glenroy and Dandenong
- Regional offices at: Mildura, Traralgon, Bendigo, Shepparton, Wangaratta, Wodonga, Ballarat and Geelong