

Division 18: Small Business Development Corporation, \$12 171 000 —

Mr S.J. Price, Chair.

Mr P. Papalia, Minister for Small Business.

Mr D. Eaton, Small Business Commissioner.

Mr R. Buttsworth, Director, Corporate Resources.

Ms E. Roebuck, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point, which would be great! The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 1 June 2018. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for South Perth.

Mr J.E. McGRATH: I refer to the first dot point under "Significant Issues Impacting the Agency" on page 222 of budget paper No 2 of the *Budget Statements*. It has had a lot of publicity with subcontractors and issues about them not being paid, especially on some big state government projects, including the Perth Stadium, which I was involved in. Some subbies who were in my electorate of South Perth had problems on this issue. I seem to recall that while we were in government, we took some steps towards remedying the situation, but I think that applied only to state government projects. In the last 12 months, or since the McGowan government has been in power, have we made any progress on this issue of payment of subcontractors, and supporting this aspect of the business community?

Mr P. PAPALIA: Yes, member, it has excited a lot of interest within government and, obviously, concerns and advocacy led by the Small Business Commissioner. We have established an industry advisory group. It is an across-government response, working collaboratively with industry towards addressing the issue the member has identified. Clearly, the initiatives his government undertook have not really resolved the problem. I would argue that it has not necessarily been resolved in the public sector. I think there are still vulnerabilities in public sector subcontracting, despite the initiatives implemented. The industry advisory group is looking outside the public sector and across the entire economy and working on measures that will, hopefully, assist in reducing the liability to which subcontractors are being left so vulnerable.

I concede that we are anxiously awaiting another initiative within my portfolio that will very much focus on the public sector, responding directly to make it much less likely that subcontractors working on public sector projects will be vulnerable. Yes, the industry advisory group is the key initiative; it is under the Minister for Commerce and Industrial Relations, not me.

[11.20 am]

Mr J.E. McGRATH: Does the Small Business Development Corporation ever think that one day a subcontractor's payment would be guaranteed by the money being put aside by the head contractor? We are looking at commercial contracts between two commercial operators. Would a government be able to enforce that sort of regulation? It could be a bit like buying an apartment off the plan, whereby the money has to be put aside so that if the building does not go ahead, people get their money back. Could something like that be put in place?

Mr P. PAPALIA: There has been a lot of discussion in the community and among different agencies about project bank accounts and how they might be employed in the private sector. I am not sure whether the state government could compel such an initiative, but it is being led by the Minister for Commerce and Industrial Relations. He is the one leading those industry advisory group discussions. The Small Business Commissioner is engaged in that process and supportive of it from the perspective of small business. He is, essentially, acting in the role of advocate

for small businesses and subbies. We are exploring other measures within the public sector, which, once we get them locked down, could ensure that, mostly, subbies will be protected significantly more than they are currently. We are working on initiatives right now that do not involve the initiative the member for South Perth is talking about, but I am not excluding that. I know we are working on things. When we are able to, we will tell people about them and announce them. I am confident that they will be a significant step up with what we do to protect subcontractors in the public sector.

Mr V.A. CATANIA: The industry advisory group is headed by John Fiocco, who I think was the Shop, Distributive and Allied Employees Association lawyer in my time in the Labor Party —

Mr P. PAPALIA: I do not know, mate, you are more familiar with them than I am. I would not have a clue—factions I am talking about.

Mr V.A. CATANIA: Will the IAG group consider new legislation? I know the minister is not the lead minister on this, but since the SBDC has a role to play in the IAG, is the group scoped to consider any new legislation and look at other Australian jurisdictions for better legislation to protect subcontractors?

Mr P. PAPALIA: I will not go into it too much because it is not my portfolio. I obviously have an interest and the Small Business Commissioner is contributing to and participating in that ongoing process. At this stage, I do not think any ideas or initiatives are being excluded. The net is being cast wide in an effort to get the best return, outcome and protections for subcontractors that we can achieve. It will be challenging because in the commercial environment outside of government contracts there is a lot of activity in which the state does not have a great deal of oversight or power. It is being approached with goodwill towards subcontractors and we are trying to achieve the best outcome for them.

Mr V.A. CATANIA: I know that the minister is not the lead minister of this advisory group, but does the group have a time frame within which to resolve the issues of subcontractors in the future, whether that be through legislation or in other ways?

Mr P. PAPALIA: I am informed that the group is looking to deliver a report in the second half or closer to three-quarters of the way through the calendar year. But it is not my portfolio so I should not be promulgating responses.

Mr V.A. CATANIA: Does the Small Business Development Corporation hold records of the number of breaches of the act and code that have occurred in WA since 1 January 2017?

Mr P. PAPALIA: That is the Department of Commerce.

Mr V.A. CATANIA: Is that Commence as well?

Mr P. PAPALIA: Yes.

Mr V.A. CATANIA: I refer to page 221 and the table “Appropriations, Expenses and Cash Assets”. I think the funding for the Regional Small Business Awards has been cut for this financial year, which will hurt a lot of regional towns that want to celebrate the fact that their small businesses are doing well. Can the minister elaborate on the reason SBDC cut the funding for the regional business awards? Did he pressure the Regional Chambers of Commerce and Industry to not push for the funding?

Mr P. PAPALIA: To correct the record, there has been no cut to funding for regional tourism awards. A finite program ended after a four-year period of funding allocation. It was from the royalties for regions fund—not from SBDC. That aside, I can confirm that we are working right now on a possible solution for a statewide event.

Mr V.A. CATANIA: Will that event be funded by royalties for regions?

Mr P. PAPALIA: I will not give the member any details about where that funding will come from. I will say that we are working right now on trying to establish an event this calendar year.

Mr V.A. CATANIA: Why did the minister allow the royalties for regions funding to lapse and not support the regional business awards, which are pivotal in celebrating small business success in regional Western Australia? Has the minister let that funding lapse to be able to put his own stamp on it with this new funding that may or may not come about in the next whoever knows how long?

Mr P. PAPALIA: The SBDC continues to support local small business awards programs. That has been welcome and confirms that the primary —

Mr V.A. CATANIA: But the funding has been cut!

Mr P. PAPALIA: This is the Regional Small Business Awards. This is important—regional awards in the regions continue to be supported by the SBDC. They confirm that the primary benefit occurs at the local regional level. The case could be made that one expensive gala evening in Perth is not necessarily the greatest contribution to

small business in the regions. I have not necessarily conceded the case, but it is a reasonable observation to make that the benefit accrued to regional small businesses from having a gala event in Perth once a year for a relatively small number of people is pretty minimal compared with activity out in the regions over a vast geographical area. Many people will never get to that gala awards ceremony.

Mr V.A. CATANIA: Will the minister say the same for the tourism business awards or any others?

[11.30 am]

Mr P. PAPALIA: I concede that a lot of small businesses go to the Tourism Council Western Australia awards. It is arguable what degree, but there is a degree of value in enabling people to have an awards ceremony that recognises effort, gives them a moment to reflect and attributes some esteem to achievement. I concede that is a valuable thing.

With respect to funding, it is the same across every portfolio: there is significant pressure as a consequence of the forty thousand million dollars of debt that was racked up by the previous government that has to be considered in every deliberation in every field of endeavour. All I can say is that we are working on a small business awards event. I have always been kind of unsure about the idea of having a regional small business awards and not a state small business awards. Potentially, I can see value in a statewide small business awards, in the same way that there are statewide tourism awards, with regional tourism being a component of that awards system. Other sectors of the tourism industry are recognised during those awards also. Many other awards events have different categories.

Mr V.A. CATANIA: I accept what the minister is saying to a degree. As the minister said, the Western Australian Regional Small Business Awards are about getting people involved, promoting the work they have done, and everyone sharing and learning information. It is disappointing that, yes, there is still some funding, but obviously funding has been cut because the royalties for regions program has lapsed under this government's time and has not been reinstated to make it a viable prospect to have these regional achievement awards. Why is the minister not asking the regional development minister to put some royalties for regions money into something that has been very successful in driving small business in regional Western Australia? It has helped small business to put forward what they have been able to do—their ideas—to network and to really grow the businesses in their particular towns, whether it be Exmouth, Carnarvon or Onslow. Has the minister asked the Minister for Regional Development to put some royalties for regions money into this, which has been so successful, or is royalties for regions dead?

Mr P. PAPALIA: Clearly, royalties for regions lives thanks to the Labor Party. The Western Australian Labor Party is the only party in Western Australia that can deliver on royalties for regions in the future. The Liberal Party has declared that it will get rid of it; it will kill it. The Leader of the Opposition has publicly stated that it should go. The only way the Nationals WA can form government is with the Liberal Party.

Mr V.A. CATANIA: The minister shows his true colours when it comes to regional Western Australia. Why would we form government with his party?

Mr P. PAPALIA: Therefore, both the parties represented opposite are incapable of sustaining royalties for regions. Vote Labor in the regions, I say. On the question about the event, I conceded that there is some value. I am unsure of the extent of the value, but I can see some value in a gala event once a year that acknowledges the achievements of small business across the state. I do not necessarily believe that it should be isolated to the regions, because there are a far greater number of small businesses in the metropolitan and south west regions, for instance, that engage every day in all the challenges and demands of small business and contribute every bit as successfully and importantly to the state's economy as those in the wider regions. I do not like separating regional from the city. I do not like turning the city against the country. That is not what this government does; that is what the National Party does. To the extent that I value the idea of having an event, we are in discussions about how we might continue an event.

Mr A. KRSTICEVIC: This, hopefully, will be very quick. I refer to the significant issues impacting the agency on page 222 of budget paper No 2. The final dot point is to do with the business migration program and outlines \$250 million of capital inflow in 2017–18. Firstly, what do the out years for business migration inflows look like? Secondly, does the seven per cent foreign property tax have any impact on these people?

Mr P. PAPALIA: The business migration program has exceeded expectations in just about every year in recent times. I expect that this year will be an exceptional year. That has been the case for every one of the last four or five years that the program has been in place. Every year there is an expectation that the program might at least reflect the return from the previous year, and every year it has exceeded that. Understanding that the government came to office in March 2017 with a stated intent of increasing taxation on foreign investment in property, in the 2016–17 financial year there was, effectively, a total capital inflow of \$305.1 million, and the forecast capital inflow for this financial year is \$375 million. Has it had an impact? It has, only in a positive way. The benefit of having a free-market, solid, reliable democracy with sovereign integrity means that we are always an attractive

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Chair; Mr John McGrath; Mr Paul Papalia; Mr Vincent Catania; Mr Tony Krsticevic

site for investment. That is not impacted by matching other jurisdictions in Australia on that particular impost. Clearly, it had no impact.

The appropriation was recommended.