

Mr Troy Buswell; Mr John D'Orazio; Chairman; Ms Jaye Radisich; Mr Brendon Grylls; Mr Tony Simpson; Mr John Quigley

Division 63: Small Business Development Corporation, \$8 627 000 -

Mrs D.J. Guise, Chairman.

Mr J.B. D'Orazio, Minister for Small Business.

Mr G. Etrelezis, Managing Director.

Mr R. Buttsworth, Director, Corporate Services.

Mr J. Lamb, Policy Adviser, Office of the Minister for Small Business.

Mr T.R. BUSWELL: My questions relate to page 1052, significant issues and trends that refer to boosted confidence in the small business sector and positive economic conditions. I am interested to know what base figures were used to deduce that small business confidence in Western Australia is rising.

Mr J.B. D'ORAZIO: The member would be well aware that the profitability of small business in Western Australia is the highest in Australia. Also, the number of small business per capita in Western Australia is higher than in any other state. Added to that, and more importantly, the Gallop Labor government underpins the economy of Western Australia. The economy of Western Australia is strong and is the powerhouse of Australia. Obviously that gives confidence to small business. I understand that small business in this state realises that the Gallop government is providing the framework for it to succeed.

Mr T.R. BUSWELL: I draw the minister's attention to the Sensis small business index, a study that was highlighted to me on my visit to the Small Business Development Corporation. This index indicates that the confidence of small and medium enterprises in Western Australia had actually fallen. The latest survey indicates that in the May quarter that confidence was at its lowest level for at least a year, probably longer. The comment is made that it has been trending down. It also states that SMEs recorded negative growth in employment and capital expenditure had decreased. The minister might be interested to know that support for the Western Australian government declined sharply during that quarter to its lowest level since August 2003. Also, it was reported that the Western Australian government was the second least supported government by SMEs. My question is: if that is the factual information underpinning this, my information is that this is generally regarded as being the peak survey of business confidence in the SME sector. How can that statement be made, and what justification is there for the accuracy of the statement?

Mr J.B. D'ORAZIO: That is one survey, but there are a number of surveys. I will point out some of the facts. There are 130 000 to 140 000 small businesses, depending on whose figures are used. The previous survey indicated there were 139 000 and the figure is now down to 130 000. Someone is obviously not counting correctly, because we could not lose 9 000 businesses in such a period. However, the survey the member referred to covered 225 businesses out of that many in Western Australia. To make a definitive statement about small business from that survey, in my opinion, is irrelevant. That survey also indicates that Western Australian small business has the highest profitability of any small businesses in Australia, and we have the highest number of small businesses per capita in Australia. The bottom line is that business in WA is prospering, sales are increasing and profitability is the best in Australia. Small business is doing very well in this state. The Small Business Development Corporation does its part in supporting that, and I will ask Mr Etrelezis to add any further matters in support of the small business sector.

Mr G. Etrelezis: A very good indicator that small business always uses is the unemployment figure. It is fair to say that small business is certainly enjoying a period of exceptional growth. It is facing a very good indicator of often not having enough staff to complete the work demand, especially in the construction industry and trades areas throughout the state. That is always a good indicator. The record low unemployment rate is also a very good indicator of small business activity. Allied with that, of course, are the growth rate figures, and even those that are reasonably assumed by the Department of Treasury and Finance in its budget forecasts indicate that we are in for a reasonable period of growth during 2005-06 to complement that which we had in 2004-05.

Mr T.R. BUSWELL: I draw the minister's attention to the Australian Bureau of Statistics figures relating to the number of small businesses in Western Australia. The minister referred to there being 139 000 small businesses in Western Australia. That, of course, was as at June 2003. From June 2003 to June 2004, the number of small businesses in WA declined from 139 500 to 134 000, which is a drop of four per cent. During the same period the number of small businesses registered in Australia rose by 7.5 per cent. Again, does the minister see some inconsistency in the figures produced by reputable statistics-gathering agencies, such as ABS and Sensis, to refute his statement that small business in Western Australia has never had it better?

Mr J.B. D'ORAZIO: As I indicated, all sorts of people are estimating figures between 130 000 and 140 000. Both of those figures are in line with that estimate. I understand there is a disagreement with the figures. I know

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that the director has made a presentation about how those numbers are estimated and I will hand over to him for a further explanation.

Mr G. Ettelezis: The number of small businesses in Australia has been in dispute since the last official survey was completed in 2001. Since then the ABS discontinued the survey it used at that time, which was featured in *Small Business in Australia*, and the most recent survey it has used - the only one we can rely on - is a labour force survey in which it asked the occupants of households whether they owned a small business or not and deducted it from there. Hence, the figures that were used in the count referred to by the member are an estimate and they range from 124 000 to 144 000. All we can go on is a range. If we look at the figure in more detail, it ranges. We could have either a decrease or an increase based on the figure of 139 000. More importantly, what is good news is that, for the first time, the ABS - we have been strongly advocating this to the commonwealth government - will try to count the number of small businesses more accurately rather than the views of householders by going to ABN data. That will be completed on 24 June this year. We are looking forward with great anticipation to the outcome of the first attempt at counting the number of businesses in Australia, probably more accurately than for the whole of the time that we have ever bothered to count, and, more importantly, since the last recognised survey in 2001.

[9.20 pm]

Mr J.B. D'ORAZIO: To add to that, anecdotally we can see that small business is doing really well. On Sunday I was talking to some people in the building trade. They are telling me they cannot complete a house within 12 months because they cannot get the tradespeople and workers. They are basically setting a limit on the maximum number of dwellings they can build, because they cannot meet the demand. That is rippling through the whole economy. Western Australia is the place to be. Small business is benefiting from that, and it will continue to benefit over the years because of the huge amount of investment in this state. The member asked the question. I am giving the member the answer.

Mr J.R. QUIGLEY: I refer to page 1060, details of controlled grants and subsidies. I note the state government is continuing to provide strong support to the business enterprise centre network through operational grants, and that funding for the network has surged to \$2.748 million in 2005-06. Given that the BEC network is currently under review, can the minister explain this increase in funding? Importantly, can the minister also advise when he will make a announcement about the proposed future shape of the business enterprise centre network?

Mr J.B. D'ORAZIO: I thank the member for the question. I had expected the member for Vasse to ask me this question.

Mr T.R. BUSWELL: The minister gave it to the member for Mindarie to read out!

Mr J.B. D'ORAZIO: The member for Vasse actually asked me this question in the Parliament last week! The budget allocation of \$2.748 million includes the base grant for the BECs of \$2.28 million. That has not changed. That will continue. The government has also allocated an extra \$400 000 for the rejigging of the BEC program. That is to implement the outcomes of the review. Some other savings that the department has indicated have also been added to that sum to facilitate the BEC review. The BEC review has now been going for a couple of years. We are almost at the point at which we will be making a decision. The Small Business Development Corporation Board has considered the matter and referred it to me, and I have referred it back to the board for more consideration about what the final structure will look like. I want to make sure that the structure we put in place will support small business to prosper. The idea of the BECs being there only to provide support in a particular location or town is a thing of the past. We need to look at how the BECs can best supply the needs of small business. The BEC program was set up to prosper small business. Hopefully the new structure will enable the BECs to do that. I hope to be in a position either later this month or early next month to release the proposed outline for the BECs into the future. There will then be a period for comment from interested parties. I want to be in a position to make the final decision by August so that by 1 January next year the new BEC network will be in place, with all the necessary support structures to ensure that the BECs are in a good position to support small business. As I indicated to the Parliament last week, we have extended the current BEC program to the end of December. That will provide some certainty. The amount of time between August and 1 January will allow the BECs to get themselves in a position, with the right structure, to adopt the new arrangements, which will also be in place by 1 January next year. The proposed frame work will result in BECs that are stronger and better placed to meet the needs of small business and help small business to prosper through the allocation of this funding to the BEC program.

Mr T.R. BUSWELL: I merely pick up on a comment by the minister about the days when we can expect business enterprise centres to be present in every town to provide a community aspect. Am I to take it, therefore,

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by deduction that the number of BECs in the existing network will be cut back as a result of the review, based on the statement the minister just made?

Mr J.B. D'ORAZIO: At this stage I am not going to give a -

Mr T.R. BUSWELL: The minister just indicated that.

Mr J.B. D'ORAZIO: There will be a rationalisation and, where there is excess capacity, it will be relocated to a point where it can provide the best support to small business.

Mr T.R. BUSWELL: Do you mean yes?

Mr J.B. D'ORAZIO: I ask the member to wait until the structure comes out. The indication to me from the Small Business Development Corporation board was that we need some dramatic rationalisation. I do not quite share that view. We are finalising the proposal that we put out for comment and the member can make comments when he sees the outcome.

Mr T.R. BUSWELL: Thank you. Do I have one more follow-up question?

The CHAIRMAN: No, I do not think so. I will come back to the member for Vasse. Hold that thought.

Mr T.R. BUSWELL: You are pushing the envelope.

Ms J.A. RADISICH: I refer to the second dot point of major initiatives for 2005-06 on page 1055. I note with interest that the government is proposing to introduce a graduate opportunity program. I wonder whether, for the benefit of the committee, the minister could expand on what mutual benefits that program would bring to new graduates as well as to small business owners.

Mr J.B. D'ORAZIO: I thank the member for the question. I know that she is very interested in this area. The graduate opportunity program will provide a six-month placement with small business for tertiary graduates or students in their final year of study. This matching program will encourage graduates to look more seriously at small business for employment opportunities and give small business a greater appreciation of what graduates can offer their businesses. The SBDC, with support from the Institute for Small Business Research, will develop a database to match small businesses with final year university students and graduates. I think that will help. I remember the days when we were at uni. I am sorry, my memory is much longer.

Ms J.A. RADISICH: I can remember when I was at uni; I do not know whether the minister can remember when he was there!

Mr J.B. D'ORAZIO: I am not that old! It is good to have a database for matching students to business. I think that will help both parties and will also obviously help small businesses to offset some of their staff shortages and find quality and appropriate staff. I think it is more important at this period because of the skill shortage. Getting those two databases to match will be of benefit. Small business operators will have the opportunity to select suitable student graduates from a database to undertake paid work or work experience on the basis of short-term, part-time or full-time placements within their business depending on their needs and agreement. However, the overall program is about putting graduates who have the skills and the education together with small businesses who need those skills, and I think that database will be of benefit.

Ms J.A. RADISICH: I am a bit confused.

The CHAIRMAN: Does the member have a further question?

Ms J.A. RADISICH: I think the newspaper said that it was a six-month placement program.

Mr J.B. D'ORAZIO: Yes.

Ms J.A. RADISICH: Then the minister said that it would be part-time or casual.

Mr J.B. D'ORAZIO: No, the graduate opportunity program will provide a six-month placement for small business. That is one, but the SBDC is also matching up small business with graduates as well.

Ms J.A. RADISICH: Separately?

Mr J.B. D'ORAZIO: That is separately, so they can do that and join them up.

Ms J.A. RADISICH: Will the six-month placement program be accredited to a tertiary degree?

Mr J.B. D'ORAZIO: It is in the final year of study. I think it will be.

Ms J.A. RADISICH: As an internship or as a course or for extra credit?

Mr J.B. D'ORAZIO: I will ask the director to answer that question.

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Mr G. Ettelezis: It is intended as a work placement and it fits with the curriculum that students are completing at university. It will contribute to their final year, but as such it will be work placement and it will be paid employment by the small business.

Ms J.A. RADISICH: Which universities have signed up?

Mr G. Ettelezis: The universities have not signed up yet. This is a proposed program.

Ms J.A. RADISICH: So it may not happen if the universities do not sign up?

Mr G. Ettelezis: That is correct, although we believe we will be able to enlist the support of graduates looking for opportunities in small business.

Mr J.B. D'ORAZIO: The databases will happen anyway. Whether the graduate six-month course happens depends on the universities, but I think it will happen.

Ms J.A. RADISICH: The minister has some work to do on that one, I think.

Mr J.B. D'ORAZIO: George is working on it very diligently.

Ms J.A. RADISICH: Very good.

Mr B.J. GRYLLS: I refer to major initiatives on page 1055, which refers to developing a state purchasing participation service focusing on increasing the capacity of small businesses to participate in supplying to major purchasers. Will the minister expand on that aspect a little? I am concerned that the Treasurer regularly speaks about major savings he can make through his changes to procurement policy. Every time I hear such comments, I think about small businesses being disadvantaged, especially those in the regions, because they cannot match the bigger players with whole-of-department quotes. It is important that the Minister for Small Business keeps a close eye on that aspect. I give an example. The Water Corporation in Merredin was buying cars from Perth, even though the quotes received from the dealers in Perth and Merredin were the same. There was no difference in the value of the car because an overriding price applied for a standard six-cylinder car. However, as a result of the procurement argument, the Water Corporation ordered the cars and had them shipped to Merredin. That happens when the Treasurer determines what will happen in government departments, and the Minister for Small Business has no say in the matter. It reaches the stage at which individual letters must be written to each department to make them take notice of the matter. I wrote one letter to the Water Corporation, and the next cars it bought were from the Merredin dealer; it was that simple.

[9.30 pm]

Mr J.B. D'ORAZIO: The Small Business Development Corporation will implement the state purchasing participation service, which will try to bring players together and to provide support to make the most of opportunities. Small business people tend to panic when they see the paperwork required to be filled out with government tenders. The process needs to be streamlined. Also, we must promote local content in the government purchasing and private sector procurement perspectives. In other words, we must look for opportunities for small business. The Small Business Development Corporation will do that work. It will cover major users in the state over time. It will particularly base its work on regional centres first. Work needs to be done, especially with major infrastructure such as agriculture and resource development project are under way or projected. An active role will be taken to try to make that happen. Any help from any local member who sees opportunities will be welcomed. I am sure the SBDC will thank members for their support. The corporation will do the work anyway. I have talked to small business people. We need to be smarter. When tendering for government work, four or five small businesses may need to join together to access the tender process. I talk to small business people regularly. I went to a breakfast recently, and the first thing stated to me was that it is difficult to conform with the requirements of the tender process. We hope that the SBDC will break down those difficulties. This program is a great initiative. We need to see how it goes.

Mr B.J. GRYLLS: It is a great initiative, but it requires hands-on experience. I am sure the minister in his electorate office buys his stationery from the local stationery supplier to support local people.

Mr J.B. D'ORAZIO: Yes.

Mr B.J. GRYLLS: It should be no different for all departments. Homeswest in Merredin should buy paper from the Merredin paper supplier, and not use a centrally procured order that provides paper at 5c less a ream. Without the involvement of the SBDC, that will not happen. The minister needs to sit down with people across government to make it happen on the ground.

The CHAIRMAN (Mrs D.J. Guise): That was a good statement, but I did not hear a question. I will move on to the member for Serpentine-Jarrahdale.

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Mr J.B. D'ORAZIO: The SBDC has done work in that regard. Can I expand on the answer?

The CHAIRMAN: I will allow it, but members must ask questions.

Mr G. Etrelezis: I agree with the minister and the member for Merredin that a watching brief is required in terms of small business in regional areas. The program is designed to educate both ends of the process. Small business will be educated from the perspective of the how-to process. We intend to have people who assess tenders at Treasury give presentations, as it is useful for small business people to know what assessors look for. The member may appreciate that agencies based in the regions have a discretion to spend locally to a certain threshold. Many agencies are not aware of this discretion. Our role is to ensure that they are aware of it, and that it is applied to support small business. It is a two-pronged approach to accept that both parties will contribute to the process of giving business to small businesses in regional areas.

Mr A.J. SIMPSON: I refer to the first dot point on page 1 052 under significant issues and trends. It outlines that positive economic conditions over the past year have boosted confidence in the small business sector. Would the minister agree that the "no" result of the referendum on shopping hours has been a boost for small businesses?

Mr J.B. D'ORAZIO: Before the referendum this government gave a clear indication that it would accept the verdict of the people, which is what has happened. We will abide by that and implement that decision. The indications from the small businesses that were involved in those campaigns are that they are very happy with the outcome. Their positions are more secure. The government made it clear that it would accept the verdict of the people, and that verdict has been delivered. We will make sure that the decision is implemented.

Mr A.J. SIMPSON: Currently, laws regulate the number of people who can be on a shopfloor during weekend trading. I think it is 10 people. Will the government change that in the future?

Mr J.B. D'ORAZIO: That is a matter for the Minister for Consumer and Employment Protection rather than the Minister for Small Business. I have not seen any information or briefing notes to the contrary.

Mr T.R. BUSWELL: I refer the minister to the reference to business enterprise centres on page 1060 of the *Budget Statements* and the sum of \$400 000 to help fund the results of part 2 of the review. When the minister was asked a question in Parliament last week, he indicated that the budget papers showed that \$400 000 was set aside by the government for the redevelopment of the BEC program. I am interested to know where that \$400 000 is referred to in the budget papers, because I have not seen it. Was that \$400 000 included in the 2004-05 budget for the Small Business Development Corporation's operational grants?

Mr J.B. D'ORAZIO: The \$400 000 is a one-off grant that was identified in the 2004-05 budget year as a one-off grant to rejig the BECs.

Mr T.R. BUSWELL: Is it not shown in this year's budget?

Mr J.B. D'ORAZIO: It is included in the \$2.7 million that is allocated for -

Mr T.R. BUSWELL: Was that -

Mr J.B. D'ORAZIO: It was carried over.

Mr T.R. BUSWELL: The budget papers do not show that. It is shown as a line item but the \$400 000 is not specifically referred to for that purpose.

Mr J.B. D'ORAZIO: The base grant for BECs is \$2.28 million but the actual allocation is \$2.7 million. The \$400 000 is included in the \$2.68 million, and some other minor savings that have been carried over have been put into that amount also.

Mr T.R. BUSWELL: Does the \$2.68 million of last year include the budgeted figure of \$400 000?

Mr J.B. D'ORAZIO: Yes.

Mr T.R. BUSWELL: Therefore, can I take it that it was not spent?

Mr J.B. D'ORAZIO: It was carried over.

Mr T.R. BUSWELL: Therefore, is it correct that last year's outcome of \$2.48 million is a budget overrun of \$200 000, give or take?

Mr J.B. D'ORAZIO: I will ask the director general to answer that question.

Mr G. Etrelezis: The member is correct: the budget of \$2.680 million included the \$400 000. The estimated actual of \$2.480 million was an estimate of spending some of the \$400 000 this financial year. As the minister indicated, because of the extension of the interim funding to 31 December, that amount will not be spent and the

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full \$400 000 will be carried forward. It will become part of the budget estimate for 2005-06. The figure of \$2.480 million was an estimated actual but it will not come near to that figure; it will be reduced.

Mr T.R. BUSWELL: Is the budget figure for 2005-06 of \$2.748 million an underestimate?

Mr G. Etrelezis: That comprises \$2.280 million for operational grant funding. The \$400 000 is a one-off allocation brought forward from 2004-05 and \$68 000 provided for the first time as general cost escalation.

Mr J.B. D'ORAZIO: If the member wants to know the truth, that \$2.78 million is an over-budget amount because the BEC reform program will start at Christmas. Therefore, the \$400 000 will probably not be spent by 30 June next year, in which case some \$200 000 will be carried over next year. As I indicated to the member for Vasse recently when he asked me a question about whether the funding would be continued at that level, \$200 000 will be available in the first six months of the next financial year. I need to worry about trying to get more money to make sure the BEC program is adequately funded for the next financial year.

Mr T.R. BUSWELL: Will the minister outline the purposes of the \$400 000? I refer also to capital expenditure on page 1056. Last year \$185 000 was spent on computing and office equipment replacement for BECs. Will the minister give me an indication of what it is expected the \$400 000, which has flowed through the budget for a number of years, will be spent on? Secondly, was any of the \$185 000 spent on upgrades to the business enterprise centres, which the minister plans to make redundant?

[9.40 pm]

Mr J.B. D'ORAZIO: The \$400 000 was a one-off contribution by the government to support the facilitation of the BEC program, even if that meant a restructure or the allocation of more funds. Whatever the final outcome, the government decided to allocate an extra \$400 000 to facilitate that process. I will ask the managing director to talk about what the money was spent on because the computing was done within the department, and I am not sure of the processes or what the money was spent on.

Mr G. Etrelezis: The \$185 000 was for the first time allocated for the BEC network as triennial funding from Treasury. It was allocated in 2004-05 but because of the delay in the new structure as a result of the review process not being announced before 30 June, the \$185 000 will be carried forward into 2005-06 and will be distributed to the BECs.

Mr T.R. BUSWELL: I am intrigued because that is the second lot of estimates figures from last year that are incorrect and that have not been followed up with a correction. I am interested to learn why the figures in the budget are redundant and why that information was not known. Surely it would have been known when the budget was set. Surely it would have been known that the \$185 000 was not going to be spent when this documentation was finalised and, similarly, that the \$2.48 million to which I referred earlier was an underspend. Why are the figures redundant on the day they are presented?

Mr G. Etrelezis: That is a fair question, member for Vasse. We are obliged to provide estimates to Treasury as early as March each year. The original forecast for the completion of the review and the submissions for stage 2 of the review were to be completed by 31 March. We had anticipated having the result of the review, including a restructure, by the end of May which would have allowed us 30 days in which to get the funds to the BECs under the new structure. However, there was an election, and the new minister quite rightly had to become familiar with the whole review set-up. Between the board and the minister, the result of the review has yet to be decided and publicly announced. As a result, we have to advise Treasury that we will be carrying forward those funds. We have to justify to Treasury why we are carrying forward the \$185 000, and the \$400 000 in this case. The adequate reason was that the finalisation review would not be ready by 30 June.

Mr J.B. D'ORAZIO: Obviously that will flow into next year as well because it will now be 1 January. I understand that that is the position, and I do not think we would want it any other way.

Mr J.R. QUIGLEY: I refer the minister to page 1052 of the *Budget Statements* and the third dot point under significant issues and trends, which states that business migration contributes positively to Western Australia's economic wellbeing. What is the state government doing to ensure that we remain a preferred destination for business migrants?

Mr J.B. D'ORAZIO: This is something very special to Western Australia. We are proud of this outcome. The business migrant incentive program is one of the state's key investment attraction initiatives. The program influences business migrants to undertake business or investments in Western Australia. From 1 July 2003 to 30 June 2004, 306 state sponsorship applications were approved. This represents a potential capital investment in the state in excess of \$390 million and the generation of some 1 100 jobs over the next three years. Based on the state sponsorship results achieved in 2003-04, it is anticipated that around 1 000 applications, with a potential capital investment of more than \$1 200 million, will be approved over the next three financial years from July

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2004 to June 2007. However, Western Australia is in strong competition with the states and territories for business migrants. They are of course a prime source of new capital, business establishment, export income and employment generation. As a result of WA's ongoing marketing program and the initiative of the Small Business Development Corporation, Western Australia's market share of business migrants coming to Australia has risen from 17 per cent to 27 per cent, so that Western Australia has become the top-ranked destination in Australia. In 2005-06, the SBDC will implement strategies to protect Western Australia's share of the market against competition from other states and territories. These strategies include boosting the marketing of the business migration program, updating and supplying new literature, providing new programs and updating the business migration web site. As the Minister for Small Business, I intend to try to expand that, because I believe there are enormous opportunities in other locations around the world to try to attract business migration. Business migration brings a huge benefit to this state by bringing in people with know-how and money and providing employment opportunities for Western Australians. We should all support it. I have already indicated that I will make sure that one of my priorities is to try to expand it to keep Western Australia at the forefront of business migration in Australia.

Mr A.J. SIMPSON: How many businesses are there?

The CHAIRMAN: Does the member for Serpentine-Jarrahdale have a question?

Mr A.J. SIMPSON: Yes.

The CHAIRMAN: If it is on the same subject, I will allow it.

Mr A.J. SIMPSON: Yes, it is.

Mr J.B. D'ORAZIO: I did mention that. From July 2003 to 30 June 2004, 306 state-sponsored applications were approved. Those businesses brought capital investment of \$390 million into the state, and some 1 100 jobs will be generated over the next three years.

Mr T.R. BUSWELL: Can I follow up on the same subject?

The CHAIRMAN: No. Because of the time, I will go to the members for Kingsley, Merredin, Serpentine-Jarrahdale and Vasse. With a bit of luck, the member for Vasse will be able to ask his question before 10.00 pm if everybody is short and succinct.

Mr J.B. D'ORAZIO: I will try to be as quick as possible.

The CHAIRMAN: The member for Kingsley is next.

Mrs J. HUGHES: I refer to the fifth dot point of significant issues and trends on page 1052. There has been a significant shift in demographics as the Australian population ages. Given the statement that there has been a growth in small business operators who are aged over 50, has the state government introduced any initiatives to assist existing and prospective new business operators aged over 50?

Mr J.B. D'ORAZIO: This is an area that all of us need to take great heed of. Approximately 35 per cent of small businesses in Western Australia are operated by people over 50. In the future that figure will become even greater. In Western Australia, 300 000 men and women are in the 50 to 64 age group. Many of them will leave full-time work in the near future. Obviously, that needs to be looked at. An estimated 10 to 20 per cent of this group will become involved in a small business, as either an owner-operator or partner, for reasons such as income support or lifestyle change. The SBDC has produced an excellent publication called *Wise moves: a practical kit for mature aged small business entrants*, which provides information about starting, buying, running and growing a small business. It also provides information on succession planning and exit strategies. It is important that we provide those people who are coming into the market of small business owners with information so that they know what to do. Not only that, that publication assists people to optimise their opportunities by carefully planning their business entry, establishing goals and preparing a plan for their business. We need to do more in that area, and we need to make sure that those people get the support that they need to be prosperous. This is a growing segment of our market, and it will make a helluva difference to our economy.

Mrs J. HUGHES: Can I ask a further question?

The CHAIRMAN: The member can ask a further question on the same subject quickly.

Mrs J. HUGHES: Does the minister think that perhaps the burgeoning number of people aged 50 and over who are going into small business is because of some of the problems that the over-50s face in finding other employment? Therefore, they need to be strongly supported in this area.

Mr J.B. D'ORAZIO: At the moment, with the shortages in all the trades areas, I think that problem is probably less than it would normally be. People are making lifestyle choices. They are retiring from their employment.

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They usually get a payout or have some sort of lump sum or benefit. They want to go into something that will support their lifestyle. They may make a conscious decision that they want to be self-employed. There are a number of different issues. All I know is that this area seems to be growing and will continue to grow. We need to make sure that the framework is in place to support those people, because they make a helluva difference to our economy.

Mr G. Etrelezis: I will add to that. The member has made a very good point. For the over-50s who are having difficulty, another initiative that we have introduced is our home-based business network. This assists the over-50s to overcome the obstacles in finding the right connections and the right networking. Part of the network, which is online, is an interactive forum, in which they can exchange their views and ideas with others and get some assistance in following up how to get into small business.

[9.50 pm]

Mr B.J. GRYLLS: I refer to page 1060. The allocation to business enterprise centres is up from \$2.48 million to \$2.74 million. I will make an observation and ask for the minister's comments. The economy is growing at five per cent. There is a major skills shortage, and migration is being expanded to try to keep up with employment. The mining and construction industry is booming. Can the minister give me some idea why, in a \$14 billion budget, we are arguing about \$60 000 BECs and where they are located? It does not seem to me that a micro-issue like that should be gaining the impetus the minister is giving it, when the macro-issue of skills shortages would seem to be a far better issue on which to focus. It does not make sense to me that this review, and changing a Mukinbudin BEC to a Merredin BEC, is a good utilisation of the department's resources.

Mr J.B. D'ORAZIO: The issue is not about the cost of government support, because we already spend a fortune in training and supporting a developing boom economy in this state. The BEC is a specific group of issues. It is a review of support to small business. As the new minister, I want to make sure that these BECs are in places where they support the most small businesses and get the best results. This is not an argument about one town versus another; this is an argument about putting them in the best place to support the largest number of businesses and deliver the best outcome to the regions as well as to the state economy, so that the government can say it has supported small business. We want to put them in places and give them the resources to achieve the outcome we all want.

Mr B.J. GRYLLS: The budget has not changed.

Mr J.B. D'ORAZIO: The budget amount is being increased, in the first instance, by \$400 000. I have already indicated that I will commit to making sure that the funding to the BECs is adequate. When the member sees the proposal he will understand what I am talking about. In spite of that, we will add more real dollars to the BEC networks, because it needs to happen, to make sure that small business can grow to its full potential, in the regions as well as in the metropolitan area. Small businesses, regardless of where they are located, need the support. I do not want a situation in which a BEC is stuck in a particular place with the aim of supporting small business, but is not doing so. I do not want to be saying that it is only a small sum of money. If we are to spend money to support small business, let us do it right.

Mr A.J. SIMPSON: I refer the minister to the income statement on page 1057, and the line item for income grants and subsidies. The 2004-05 budget estimate is \$60 000, increasing to \$157 000 in 2005-06, but then falling to \$60 000 in 2006-07. Why is that?

Mr J.B. D'ORAZIO: I ask the managing director to answer that question.

Mr G. Etrelezis: Those grants and subsidies are mostly from commonwealth grant programs, in this case the TradeStart program. We have had a good run with TradeStart, but now the commonwealth is altering the conditions under which we can receive funding, depending on how many new exporters we can get over the line. We can only forecast for the minimum amount we will receive. If we do better than that, we will obviously get more grants in the out years.

Mr T.R. BUSWELL: When framing my question about the business migrant incentive program, mentioned on page 1060, I was perusing the flawed statistics contained in "Characteristics of Small Business", Australian Bureau of Statistics series 8127.0. Notwithstanding the fact that there may be some errors in the statistical collection, it serves for comparison purposes, because standard errors tend to move in similar ways across years. The minister may be interested to note that the number of people aged over 50 years engaged in business in Western Australia declined between June 2003 and June 2004 by 18.8 per cent. However, that is not my question. My question is about the business migrant incentive program.

Mr J.B. D'ORAZIO: I thank the member for the statement.

Mr T.R. BUSWELL: It is my great pleasure. The funding for 2004-05 is \$30 000. The funding for 2005-06 is \$30 000. If business migrants are so important, why does this program effectively receive a rolling real cut in

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allocated funding? What were some of the core underlying economic indicators that were considered from a small business point of view, such as inflation, gross domestic product growth at a state level and, of importance to small business growth, changes in fuel prices?

The CHAIRMAN: The minister will deal with one question at a time.

Mr J.B. D'ORAZIO: The member wants to know why the \$30 000 for the business migrant incentive program -

Mr T.R. BUSWELL: Why is it decreasing in real terms?

Mr J.B. D'ORAZIO: It has not; it is just a \$30 000 flat -

Mr T.R. BUSWELL: No, minister, by default it has to decrease in real terms.

Mr J.B. D'ORAZIO: The managing director will answer that question.

Mr G. Etrelezis: The business migrant incentive program is a small part of the migration program, whereby we give an allocation of up to \$1 500 for business proposals for regional areas only. Quite rightly, most of the business migration occurs where the greater population is, which is the Perth metropolitan area. However, I am pleased to report that 20 per cent of our sponsorship approvals for 2004-05 to date are going to regional areas. Not many migrants are taking up the incentive for \$1 500 for a consultant to assist them with their business proposal. We estimate that the reason for this is that the agents are incorporating that service into their fee structure, and therefore they are not bothering to apply to the state for further assistance. We simply based that \$30 000 in the out years on our history of the past two years of sponsorships.

Mr T.R. BUSWELL: The follow-up question related to the significant issues and trends listed on page 1052 and the key underlying economic indicators that were used to analyse small business outlooks for the year ahead. I am particularly interested in inflation rates, interest rates and, of course, from a small business perspective, fuel prices.

Mr J.B. D'ORAZIO: The managing director will answer that question.

Mr G. Etrelezis: In framing the significant issues and trends, we look very carefully at all the indicators. The member has picked up on a very important one that will always be an issue for small business; that is, rising fuel prices, be they oil or gas. That affects every bottom line of every small business; there is no doubt about that. I think the unprecedented rise in oil prices in particular will hurt small businesses. It has in fact already damaged their bottom line.

Mr T.R. BUSWELL: Does the managing director see that as a trend that will continue?

Mr G. Etrelezis: I see that trend continuing at least until the end of the next financial year. Those are predictions for both oil and gas, unfortunately, despite our position in gas supply to the rest of the world. Interest rates show the opposite trend. We were a bit concerned with the rate rise earlier this year, but, fortunately, the heat has gone out of the housing market in the eastern states more so than it has on the western seaboard. Even today it looks as though the Reserve Bank may not increase interest rates, and we will know that first thing tomorrow morning. Hopefully, it will keep the same sort of trend. That is the other factor that impacts on small business. We have alluded to that in the trends statement by saying that, whether it be fuel prices or interest rates, cash flow management and debt control will be very important to small business.

Mr T.R. BUSWELL: I am very interested to hear what I consider to be the very accurate comments of the managing director, especially about oil prices, which he expects to stay the same or rise during the next financial year. How does the minister compare that statement with the Treasurer's assumption that the price of oil at the end of the year will be \$US30 a barrel when it is currently more than \$US40?

Mr J.B. D'ORAZIO: The member heard the answer of the Treasurer. The Treasurer was very clear. The assumptions in the budget were made on the best advice of Treasury. They are conservative in nature. The Treasurer accepts those assumptions as the basis of the budget. I have no problem accepting the basis of that advice. I think it is prudent financial management to accept the advice of Treasury. It is the best placed to make those judgments. I support the position taken by the Treasurer.

Mr T.R. BUSWELL: By way of clarification, I take it that the minister shares the Treasurer's view that the price of oil at the end of the financial year will approximate \$US30 a barrel.

Mr J.B. D'ORAZIO: I share the view of the Treasurer that government needs to be based on clear supported Treasury advice for the framing of budgets. That is what he has done. I support that position. As has been seen over the past four and a bit years of the Labor government, it has made sure that this state is in the best financial

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position to take the best advantage of the enormous opportunities that this state has. In particular, small businesses in this state have never had it as good as they have since the Labor government has been in power.

The appropriation was recommended.

Committee adjourned at 10.00 pm
