

SMALL BUSINESS — PRODUCTIVITY

Motion

HON MARK LEWIS (Mining and Pastoral) [11.30 am] — without notice: I move —

That the Liberal–National government continues to support the Western Australian economy by providing an environment for small businesses to expand and to enhance their productivity.

I bring this motion before the house so that we can, firstly, recognise the role that small business plays in defining WA as we know it today. There is no doubt that most of us would agree that this state now rides on the back of a mining truck, in recent times at least. I, as a member for Mining and Pastoral Region, certainly agree with this metaphor. However, I would also quickly like to point out that this is through and on the back of small business—mums and dads who risk their livelihood to employ the majority of the state’s employees. I will read some statistics. Over 210 000 businesses, or nearly 97 per cent of all businesses, were actively trading as small businesses in Western Australia as at June 2013. At that time, the industries with the greatest number of small businesses in WA were construction; professional, scientific and technical services; rental, hiring and real estate services; agriculture, forestry and fisheries—I will come back to that a bit later—and financial and insurance services. Therefore, it is important in this context that we acknowledge that in 2013 small business employed over 47 per cent of the nation’s workforce and, as I said, it is the single biggest employer in this state. Although this government has a strong record in supporting small and medium enterprises through organisations such as the Small Business Development Corporation, more generally by way of a raft of policies and more specifically by reducing payroll tax, creating more flexible trading hours and the like, it is still tough out there in “SME land”. As any global economic watcher will say, the key to growth over the coming cycle will mainly come from productivity, so it behoves this government to put in place a framework in which SMEs can operate that allows them to improve their productivity. The key to this, of course, is the regulatory environment that allows SMEs to get on with what they do best—that is, employing people. Obviously, government can assist and we have done so by establishing things such as the regulatory gatekeeping unit in the Department of the Premier and Cabinet, which I think the Premier chairs, and undertaking regulatory impact statements on all regulatory proposals that go before cabinet to determine their impacts on businesses, including government businesses, consumers and more generally the economy.

This government recently put to Parliament a host of repeals that saw a raft of redundant legislation removed. As members may know, I, along with other colleagues in this place, am on the Standing Committee on Uniform Legislation and Statutes Review and our terms of reference require us to look at reviewing the statute book and treaties that are redundant, obsolete and/or may have unnecessary consequences. But we can always do more and we should do more to reduce the burden on SMEs, and often the devil is in the detail. That was made very evident by the very good motion, moved in this place by Hon Rick Mazza in non-government business recently, about how certain environmental regimes affect farmers. That debate really highlighted the impact that overly prescriptive regulations can impose on what are effectively thousands of small businesses on the coastal strip between Gingin and Esperance. In a similar vein, I would like to explore other impediments I see that, if dealt with, will benefit a particular sector of businesses in the Mining and Pastoral Region and provide them with the capacity to improve their, and the state’s, productivity. I refer to 37 per cent of WA’s land mass and those small businesses that lease pastoral properties within that pastoral estate. I would like to give some context to what I am about to say. The pastoral estate is owned by the Crown and the Crown can decide for what and how that estate is to be used. As I have previously said in this place, this pastoral estate has been leased for essentially the same purpose for over 100 years. This purpose is limited to grazing and now, in 2014, stifles any innovation and alternative use of, as I said, 37 per cent of this state’s land mass. In recognition of that, this government made an election commitment for this term to review the tenure so that it will allow greater flexibility and use of the pastoral estate.

I take the opportunity to highlight some important reforms that we need to allow the small businesses that lease this land to increase their business options and ultimately their productivity. I will not go over the issues I have referred to previously when talking about how we broaden pastoral land use, particularly at that lease scale, as that is, I guess, now a matter of record. I would rather discuss some other options that we need to address. As I said, the Crown is the responsible entity, so it must provide strategic guidance for how 37 per cent of WA will be used in the future. In my view, we should be thinking for the next 100 years and put in place a land-use framework that will drive profitability and sustainability for businesses and industry over that time frame. To this end, it is my belief that we should be bold and strive to work towards a complete freeholding of the current pastoral estate. I will say it again: we should strive to work towards the complete freeholding of the current pastoral estate. I know this is a massive challenge, as native title will be a major, major issue to deal with, but we need to start now, and I suspect it will take at least a decade to achieve. This government has taken a bold step with the south west native title agreement, which will extinguish native title over most of the south west. There is

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no reason, in my view, that a similar bold step cannot be taken for the pastoral estate. Again, what I am talking about will take at least a decade to do, but we need to provide policy guidelines and aspirational targets so that government departments can get on with the job. Where we will land, I do not know, but we need to be visionary. Even if we end up halfway, it will be a considerable step forward. However, to date I have not been made aware of how we will meet this type of aspirational target or, indeed, the halfway-house approach, and time for implementing the election commitment in this term of government is running out. The reason this is important and directly related to the motion I have put is that freehold, or a higher or more flexible tenure in the long term, will allow small businesses to be innovative and more productive in using the Crown estate, and ultimately to be more profitable. This will create knock-on benefits, such as employment and maximising wider benefits for the state. In any person's language, that is a win-win. We can only assume that the pastoral reform process is happening, but it would be useful if, say, Hon Ken Baston and I were involved and engaged in the process. It should deal with the easy fixes that make it easier for pastoral businesses to be innovative and productive, such as beneficial policy changes that streamline the administrative and approvals processes; provide the department with ministerial directions in areas that the department does not think it has the authority to act in; bring to this place amendments to deal with the short and medium-term legislative changes that are required; and, importantly, start work on a contemporary freehold land use framework to set us up for the next 100 years and beyond. We all know that as a market-based democratic economy there is nothing more important than a tenure system to underpin it. That is why this reform is needed and why it needs to be bold.

In the time I have left I would also like to explore another potential opportunity that will affect pastoral businesses in my region. I refer to the use of environmental offsets in a way that meets environmental outcomes as well as the mining industry's approval processes, and provides opportunities for pastoral businesses to benefit by offering environmental offsets. Members may have read a recent article in *The West Australian* by Brad Thompson that highlighted the parlous state of the pastoral industry. He said that it has manifested itself because of the fact that so many pastoral lessees have not paid, or have been unable to pay, their rent and their vermin rates. He went on to say that there are 30, but there are also 31 Aboriginal corporations in this category, so there are 61 pastoral leases under significant duress.

Hon Ken Travers: Has the member ever seen the report the department did on the viability of some of those pastoral leases?

Hon MARK LEWIS: I probably wrote it!

Hon Ken Travers: I wonder why the minister will not release it these days.

Hon MARK LEWIS: I do not know which report the member is referring to. There have been many. It goes back to the Jennings report in the 1960s, through to the most recent ones in the pastoral reform process.

Hon Ken Travers: It would actually help the debate, though.

Hon MARK LEWIS: It would. I do not know why it has not been released.

Hon Ken Travers: The Minister for Commerce can tell us, as a result of the interjection.

Hon MARK LEWIS: He can tell us.

How does the issue of environmental offsets relate to the issue of the pastoral industry's viability? The mining industry literally spends billions of dollars on environmental outcomes. The current framework it works within is what we call "point source"—that is, it spends billions on rehabilitating what will be a hole and a mine waste dump. The requirement is to replace about 80 per cent of the biodiversity, which is where a big lick of money goes to. In my view, it provides us with very limited environmental outcomes.

If we had a change of policy away from that point-source approach to a broader landscape function, we could move to a more contemporary model that would not only meet the environmental outcomes and approvals processes, but also allow pastoral businesses to be engaged. There is a direct linkage between increasing and enhancing pastoral productivity on a lease and the amount of biodiversity and carbon sequestration. We could move from this very limited point-source approach to a broader landscape function and the only person who can really deliver these sorts of outcomes is the land manager. In that way, I would see literally billions of dollars going towards landscape function within the rangelands and benefiting not only the environment, but also the mining and pastoral industries.

With those two initiatives that I alluded to today, the small businesses that occupy 37 per cent of this state will be more viable. It will allow the innovation to drive this state's economy into the future. I commend the motion to the house.

HON PHIL EDMAN (South Metropolitan) [11.44 am]: Small business is something that I am very passionate about. I would like to reflect on how hard it is for a small business to get started. That is something that we need

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to respect. I would like to share a bit about myself and how I became a small business person before I became a member of Parliament. After I finished my cabinet-making apprenticeship, I wanted to quickly go out and buy my own business. I did not have the money to do so; nor did I have the selling skills needed. So I went off and sold Kirby vacuum cleaners. I do not know how it went that way, but I had a little Kirby songbook and I would sing songs about the Kirby vacuum cleaner! I will not sing one today, Attorney General. There is one song that springs to mind. I am very tempted, but I had better not.

I learnt the skills of doorknocking and canvassing. I thought, “Why am I going out doorknocking and ringing up people to see whether they want one of these fantastic vacuum cleaners? Instead, why don’t I see whether they want some cabinets built?” Behind my dad’s back, when I was living with him, I raked up about \$1 000 on the old Telstra account ringing up numbers from the White Pages to see whether people wanted some cabinets built. Out of 1 000 calls, three people actually said that they would like something built. I thought that was all right. I had about 70 bucks in my account. I was on the bones of my —

Hon Simon O’Brien: Proverbial.

Hon PHIL EDMAN: Yes.

I decided to go to Kmart to buy a little dummy invoice book. I measured up the cabinets that they wanted. I took half their money—I do not know whether it was legal, but that is what I did. I do not know whether members remember Link Communications, but it used to sell pagers back in the 1990s. Remember the old pagers that would go off? That cost \$50 a month, so I went and got one of them. I registered my business in March 1991 called WA Cabinets. I wondered how I was going to build these cabinets. I had gone off and registered a business, and got a Link pager—that was so somebody would answer, “Good morning, WA Cabinets.” I went doorknocking in Barrington Street, Spearwood, to see whether someone would give me some space so I could actually build these cabinets. I found a gentleman, Dean Burton, from Southern Kitchens WA. He gave me a little bit of floor space. There I was—I had started my business. I made about \$2 000. I thought, “Great, that’s it. I’ll go off to Bali and I’ll go down to the pub.” The guy I was in business with took me under his wing. He said, “No, Phil, you’re not doing that. I’m going to take some of that money off you.” I said, “What! That’s my money, I’ve just earned it. I’m going to Bali.” He said, “No. I think you should put some money into the plant and start building up a small business and putting some money towards tools and so forth.” So I did, and my business grew. I got up to employing 16 people. It ended up being, and still is, a very good kitchen renovation business in Western Australia. It is something that I started on \$70. I hope my dad does not ask for his thousand dollars back because he is not going to get it! That is the thing when you have kids—you have to give something back to them to help them out. That was my dad’s contribution, whether or not he liked it.

One of the reasons I became a member of the Liberal Party is that I was just so amazed about how the Liberal Party was involved in helping small business. The first person I met through the Liberal Party was a guy called Tony O’Leary, who was John Howard’s press secretary. I was pretty impressed with John Howard and the way he treated small business. I thought, “Maybe the Liberal Party is for me; I think I’ll go along with that”, and so I did. I am actually reasonably pleased about what this government has been doing, especially with retail trading hours. A lot of work needs to be done with small business—I do not deny that—but we need to give credit to some of the items that the government has completed in the time that I have been a member of Parliament.

There are some 209 000 businesses in our state, 97 per cent of which are small businesses. That is a pretty big employer for the state. There are 6 100 small businesses operating in Rockingham and Kwinana alone. I am very supportive of, and I think the government has done very well with, the significant reform of retail trading hours. I have not had anybody complain to me that it was a dumb idea that they can go to the shops between 11.00 am and 5.00 pm on Sundays. I have not had one complaint. Despite all the bantering and carrying on during the last term of government, no-one is complaining. I do not know anyone who has had complaints. I think it has gone very well, but I think we need to go further. I think we should allow shops to open at nine o’clock in the morning and completely deregulate trading hours. The people of Western Australia are very pleased with our government for making that significant reform.

We have done some work on payroll tax, and the increase in the payroll tax threshold has affected 16 000 small businesses across Western Australia. The threshold increased from \$750 000 to \$800 000 from the start of July, and there will be another increase to \$850 000 in July 2016. It will help small business, but I reckon there is definitely more room for improvement.

In the lead-up to the last state election, we made a commitment to reduce the burden of red tape, so that has slowly rolled out. The state government has implemented a range of measures over the past 12 months to reduce red tape. The Consumer Protection Legislation Amendment Bill amended the Retail Trading Hours Act 1987 to deliver benefits to small business, including the changes to allow small shops to have 25 employees instead of

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18, and operators to have four premises instead of three. I reckon that is good. I would rather see complete deregulation; businesspeople should be able to employ the employees they want and open whenever they want to open. I do not think it is for governments to do anything, but we are making some progress. We are trying to sort that out.

I am also really pleased about the fast-tracked changes to permits for supplying liquor without a meal. Restaurants can now apply for permits, and these permits are available within days instead of months, I believe, and the fee has come down from \$431 to about 50 bucks, and I am sure that is very much welcomed. There are also the small business development centres around the state, which I am very passionate about. My mother has a counselling business that she started through one of the small business centres in Rockingham. Her business is growing quite well, so good on you, mum. They provide quite an incentive and our government is providing money to keep them open.

There is room for improvement for sure. In relation to owning a small business, people cannot just say that the state government needs to do even more; it also requires a combined effort with the federal government. The federal government also helps, and needs to continue to help, small businesses. We must remember that small businesses are a very important part of our state. I hope I am correct when I say that they are Western Australia's largest employer. We should do everything we possibly can to support them, because they truly are an asset of Western Australia.

HON RICK MAZZA (Agricultural) [11.53 am]: Small business has often been described as the backbone of the economy. When people travel around Perth or into country areas, they will see small business operators, whether they be cafes, service stations or transport companies—the list goes on. There are thousands of small businesses in our state. No doubt many of those people work very hard and work very long hours. Many of those people have mortgaged their houses and assets to the bank to support their dreams and hopes of being in small business and bettering their lives.

Hon Mark Lewis has brought to the house a very good motion that the government support the Western Australian economy by providing an environment for small businesses to expand and enhance their productivity. It is up to government to provide that environment. Hon Phil Edman touched on this issue, but payroll tax has to be one of the worst taxes that small businesses face. I started a small business when I was 21 years old and it lasted for 23 years. At the height of that business career, I employed 52 people, so it was probably a large small business. One of the things that I did not like about small business was having to pay payroll tax. At the end of the day, I had a lot of risk invested, I worked many, many hours and I employed 50-odd people, but my reward at the end of each quarter was to write a cheque to the Office of State Revenue for payroll tax. I accept and understand that the government relies on revenue from payroll tax at this time to support its budget, but surely some steps must be taken towards sharing that revenue cost with a broader sector of the community to supplement that budget and reduce the payroll tax burden on small business. It does not take very long for a small business to get into a payroll tax situation.

The payroll tax threshold is now \$800 000, but of course payroll tax applies not just to wages; it also applies to superannuation and fringe benefits. It does not take very long before a small business owner with a few employees is rewarded for their entrepreneurship and wealth creation with a bill from the Office of State Revenue. I hope the government is serious about supporting small businesses and the small business environment over time; I do not expect anything to happen overnight. This applies to both sides of the house, because payroll tax has been around for a long time. I paid payroll tax under both Liberal and Labor governments. Some moves need to be made to get rid of this tax. Currently, it is 5.5 per cent for payrolls over \$800 000. A fairly modest-sized business with, say, 30 employees that pays around \$1.8 million in wages, plus superannuation and fringe benefits tax, will get slugged with a bill for about \$66 000. In my mind, that \$66 000 could pay for another employee. I know from firsthand experience that a small business owner is reticent to put on another employee because they know that there are all these on-costs on top of that. The staff member sees their wage packet—these days it is through the internet banking screen—and the money they get. However, they do not see the workers' compensation bill, the payroll tax bill, the superannuation bill and all the other add-ons that go with employing a staff member. Payroll tax is just another one of those disincentives. If we really want to encourage our wealth creators in the community—our entrepreneurs—and if we really want to increase employment by allowing these people to have the financial capacity to put on another staff member, payroll tax is certainly one thing that we need to seriously look at removing from the system.

Of course, we have also spoken about stamp duty on non-real assets. Again, it is a real burden for a small business operator to pay that tax. A million-dollar business is not a very big business. A newsagent or a service station could be a million-dollar business. A million dollars is not particularly a lot of money to buy a small business. The bill that that small business owner would get is \$45 415—thank you very much. That is the reward they get for buying a business, mortgaging their house and taking a risk.

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In closing, if we really are serious about providing a good environment for small business to encourage our wealth creators and entrepreneurs to expand their businesses, employ more people and better the economy of Western Australia, we have to look at getting rid of these taxes.

HON ALYSSA HAYDEN (East Metropolitan — Parliamentary Secretary) [11.59 am]: I, too, put on the record my congratulations to Hon Mark Lewis for bringing on this motion today for debate. Small business is extremely important and vital to Western Australia's economy and to our state. Small business makes up 97 per cent of our business sector, with 209 000 small businesses across Western Australia. I also put on the record my thanks to the many people who have taken the risk and invested in small business. I started my first business at 19 years of age, so I totally understand those risks. I also understand the highs and the lows that business operators continually experience in business, and whether they have been going for five years or 50 years, the highs and lows never stop. I thank and applaud people who invest in our business community, because they are vital to the Western Australian economy. They are a major employer in our state, and without them, Western Australia would not have the economy it has, nor the diversity of businesses on offer.

Small business is a tough gig. In my role as a member of Parliament, I get to meet many people. Someone made the comment to me last week, "I actually run an organisation and employ a couple of hundred people. I understand small business. I don't know why people think that people in government agencies and departments do not understand small business." I looked at this individual and said that the day he goes to bed at night and tries to sleep knowing he has a payroll to meet tomorrow and the people who owe him money have not paid their bills, he can say to me that he understands small business. It is one thing to organise and employ 100 or 200 people; it is another thing to manage the entire scope of operations in a small business. I said that when he had done that, he could come back and talk to me about understanding small business. I do not think I will hear from that gentleman any time soon.

Before I continue, I want to respond to Hon Rick Mazza's comment on payroll tax, which I totally agree with. A small business person often wonders why they are taxed for employing somebody. It is great that the government has increased the payroll tax threshold, and I agree with the member that it would be fantastic to see it go completely. I will do all I can while I am on this side of the house to lobby for that. However, it goes back to the goods and services tax. Western Australia needs a greater share of the GST. If WA gets more GST, it may be able to do things such as abolishing payroll tax.

In the time I have I want to focus on construction. The Small Business Development Corporation's website provides a table on the type of small businesses that operate in WA as at June 2013. The greatest number of small businesses operate in the construction industry, with over 37 000 businesses actively involved in the construction sector. The reason I am focusing on construction is that this government has invested a lot of money in new infrastructure, such as road developments, and other constructions, such as housing. The Minister for Planning, Hon John Day, recently released the second phase of the state government's planning system reforms, which will also help the construction industry, making housing cheaper, quicker and more affordable to get up and running. It will help not only people wanting new homes, but also building companies, which in turn employ contractors who are business operators.

I will refer to construction projects in Midland in my electorate. A few years back, federal and state funding of \$101 million was invested in the construction of the interchange at Roe Highway and Great Eastern Highway. Macmahon Contractors Pty Ltd had the contract to build that and had a whole pile of workers on site for quite some time. Those workers not only worked on the site, but also, during their lunch break, visited local cafes, lunch bars, restaurants and takeaway places. A couple of weeks ago I walked down Great Eastern Highway and visited a number of businesses. I went into a lunch bar and the proprietor said, "I'm so glad the contractors are back. They're doing the Lloyd Street underpass for the new hospital development in Midland and they've come back to my business for their breakfast, lunch and afternoon tea." She said that because the government was investing in infrastructure such as that, it had brought people into town, and these customers supported local businesses. She said that business had been quiet and her business experienced a lull after the construction phase of the Roe and Great Eastern Highways was completed. Unfortunately, retail sales were down and as she is surrounded by car dealerships, when they are not selling cars, they are not buying lunch across the road. Now, with the construction of the Lloyd Street interchange, the contractors are back. They are walking across the road to the lunch bar for breakfast, lunch and afternoon tea, enabling her to employ more staff. They are not only going to the cafe, but also popping into the fish and tackle shop and other small businesses along Great Eastern Highway and in Midland after work on their way home. By investing in infrastructure, the government not only assists the community at large, but also helps small businesses to bring workers into the area to patronise businesses. I refer again to the planning system reforms that Hon John Day has announced, which is a way of investing in the construction industry, a major sector in small business in Western Australia.

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I want to close by saying that this government is a huge supporter of small business. It appreciates and totally understands the difficulties that small business goes through. Apart from putting a lump sum of money into a business operator's bank account, the best thing government can do is, first, get out of small business's way and, second, provide a strong positive environment around it. I believe that expenditure on infrastructure is one way of enabling small business to grow and prosper.

HON JACQUI BOYDE (Mining and Pastoral) [12.06 pm]: I, too, put on record my congratulations to the people in Western Australia and across the nation who operate small businesses. We have heard this morning that small business is challenging and requires a good deal of diversity, ingenuity and entrepreneurship and I am sure that all members in this house join me in congratulating small business. I join with Hon Alyssa Hayden in thanking those people who operate small businesses.

I thank Hon Mark Lewis for his motion, which gives the house the opportunity to discuss the importance of economic diversity through small business. Given that our nation's future economic prosperity is largely dependent on the vibrancy of the small business sector, it is a very important discussion and one I welcome in the house today. This discussion is also critically relevant to regional communities, as the small business sector is the lifeblood of vibrant and sustainable regional communities. The government needs to find a way to support small business to allow the development of those regional communities. I will tailor my contribution today specifically to small business in regional areas. The development of small businesses in our small towns is something that people often talk to me about. I, too, along with other members who have spoken today, have been a small business operator or have been touched by small business operators in the family. My family operated small business over a long time and I have been a small business owner, so I understand the challenges. The challenges are mainly around the start-up period of small business and then maintaining long-term viability. Each of those phases of business is as challenging as the other. If we are to continue to hold on to the vision of sustainable regional communities, we need to address these barriers with innovative approaches that allow small business development and growth in those towns.

I will talk specifically about the challenges for small business in the Pilbara, because it is a unique environment. I have no doubt that the royalties for regions Pilbara Cities program is reinvigorating the liveability of towns within the Pilbara. However, we still need to address the barriers to entry and business viability in the Pilbara. We believe great opportunity exists to create a thriving and diverse small business sector supported by a residentially based community. Increasing our residentially based communities is essential to small business. Government has a very clear role in this space. I will give members a snapshot of what is happening in the Pilbara right now in relation to small business. The Pilbara has half the number of businesses on a per capita basis compared with the Western Australian average. The vast majority of businesses are either resource based or servicing the resource sector, leading to a significant lack of economic diversity and a sole reliance on that sector for small business, which is not a healthy environment for small business. The high cost of doing business and living in the Pilbara prevents start up and inhibits long-term viability. Over the years, we have seen a considerable contraction of the small business sector directly because of those costs. Based on recent advice from the Small Business Centre West Pilbara, which is based in Karratha, an average full cost rental in Karratha for quality office space is around \$750 per square metre, while in Perth the average cost is \$670 per square metre—a significant difference. A structural problem is also present—a factor that I realise is not isolated to the Pilbara. One in two small businesses fail in the first five years; that is an absolutely significant figure to small business and actually a barrier for people entering into small business itself. Finance providers deem that small business is risky and most small business owners are required to finance their own start-up, which is another barrier. With the high cost of doing business in the Pilbara, it is not always possible for a small business owner to have that immediate injection of cash without being able to get finance. There is also considerable economic leakage from the region where residents are known to be buying goods and services online—outside the Pilbara—because of the lack of availability of some goods and services in the Pilbara due to business operating costs. This process goes full circle and it is difficult for small business to break that cycle. The combination of factors in the Pilbara produces significant barriers to entry for potential new business and those wishing to expand their existing business.

Today I want to introduce members to the business incubator concept. I do not know whether members have visited Spacecubed and looked at the incubator concept, but it is a way for this government to assist small businesses in regional areas with that start-up cost. I would really like to see the government promote the business incubator concept. The Small Business Centre West Pilbara, which is based in Karratha, has a really good model on which to base this concept for small business providers in the Pilbara. At present, the Small Business Centre West Pilbara is trying to get this concept off the ground in Karratha. I hope it becomes a pilot project for expansion into other towns within the Pilbara. The business incubator provides a physical location in which a new business can start. These physical locations can accommodate anywhere between 15 to 50 small businesses, depending on the office space size, and they can be industrial or commercial spaces. After

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two or three years in the incubator program and residing in the building itself, the aim is for those small businesses to be strong enough to go out on their own and have their own commercial or industrial space. The really big gain for small business entering into the incubator environment is that it is cost effective. The businesses share their utility cost, and rental fees are discounted by up to 41 per cent in the first year, moving towards a full commercial rate within three years, so the benefits from participating in the business incubator process are significant. The incubator also has the additional benefit of providing professional business support, advice and guidance to the small business operator, which is so important and just like having a business mentor. This often operates like a bit of a recalibration of where a small business is heading; if it is not working, the owner is provided with that support. It is so important for people to be able to seek that guidance. The incubator process provides not only financial cost benefits, but also business support and advice. The small businesses have access to advisory boards and mentors, and linkages to professional business support and finance programs. Entrepreneurs have great ideas but sometimes lack business acumen, which is not uncommon in people entering into a small business; they come up with a great concept but do not have the framework. The incubator gives them the opportunity to have the framework, which then allows them to develop their idea.

In essence, the incubators are described as providing a structured and supportive learning environment. Just like in any other environment, small business people need to learn how to operate their business better, but the incubator has a practical business focus, and its philosophy appears effective with about 80 per cent of businesses developed through the incubator still operating five years later—an astounding statistic that small business would welcome. The incubator concept has had global success with 3 000 business incubators across Asia. At the moment, Australia has only 50 incubators, so it is definitely an area in which the government could seek to invest.

In closing today, we need to support the small business community to create a more resilient, adaptable and diversified economy in those towns, specifically in the Pilbara, as we try to develop to a sustainable environment that is reliant on not just the resource sector. I thank Hon Mark Lewis for bringing this very important motion to the house for regional communities, and I look forward to the continued discussion.

HON KATE DOUST (South Metropolitan — Deputy Leader of the Opposition) [12.16 pm]: I rise to comment on this motion moved by Hon Mark Lewis. First, I acknowledge that WA Labor supports and acknowledges the hard work done by small businesses across our state; they are a vital and growing part of our economy.

I want to pick up on the comments made by Hon Rick Mazza. We agree that payroll tax is indeed a burden upon small business, and I thank the member very much for articulating all those other costs that a business has to provide for if they want to get up and running that do not always get a public hearing. Those costs are not often discussed but they are a significant burden upon a small business that is trying to get started. The member is right in that when the government made its commitment at the election that it would reduce the payroll tax thresholds over the two periods—it certainly has delivered on that first part of the commitment—it did not say that it would increase land taxes, electricity costs and water rates, and nor did it talk about the flow-on costs with council rates and where, if a person rented a business, their landlords would be increasing their rent. Although government has provided on the one hand, it has certainly taken away from small business on the other hand. I agree with Hon Mark Lewis that the government needs to do more to support small business. I do not think small business is seeing that level of support it expected at this point in time because although it has been given change, it has certainly had to pay for the government's poor fiscal management of the state's finances by stumping up additional land tax and rates and utility costs. If the state government wants to treat small business in the appropriate manner, it needs to come up with a fairer package that will be attractive to small business and enable them to continue to operate.

With regard to the issue raised by Hon Phil Edman about retail trading hours, it is indeed hard for small business in that sector. We know that consumer confidence and spending is down, particularly at this time of year; it is almost a cyclical event. Issues around rent in retail centres and all the costs that go with running a business are certainly providing additional burdens to those businesses.

I certainly support the proposal mooted by Hon Jacqui Boyde. I have long been a supporter of small business incubators, particularly in the areas of innovation and science. That is a significant growth area in our state, albeit ignored by this government to a large degree. There was only one page devoted to innovation and technology in our state in the Department of Commerce's annual report, which was tabled yesterday. I think a lot of work could be done by the Department of Commerce to promote that area. Very good work is being done by the incubator at Bentley, but I agree with the member that it could be and should be expanded to regional areas to provide support to small business. Labor will certainly look at that proposal in the future. I encourage the member and look with interest to see how she tracks with her government colleagues to get that idea rolled out in regional communities. I think it is an excellent idea. I encourage members to look at the South Australian small

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business incubator model operating in Adelaide. It is an excellent model that has worked very well for a number of years, and is fully supported by the South Australian government. South Australia has seen the benefit of the growth of businesses in the incubator, and the rollover of the businesses that operate in the incubator and then move out into the broader tech park in the vicinity. I think that is a very good proposal and one that we have talked about on this side of the chamber for a number of years as a way to advance and support small business. It is really hard to get a great business idea from A to B. The member is right; organisations such as Spacecubed do a great job, but they are in the private sector. I know that Bankwest and a range of other organisations are doing the same thing. But there is an opportunity for the state government to step in and provide some level of assistance and support to help those organisations move on.

Hon Alyssa Hayden talked about construction, and that is an issue that I want to talk about today because it is a significant area of small business. I asked a couple of questions about small business this week. Members will recall that back in 2012 we had an inquiry into the Building the Education Revolution subcontractor projects. It was a fiasco in which a significant number of small businesses either hit the wall or were not paid. The government agreed to conduct an inquiry and a substantial amount of money, not all of the \$500 million, was paid to a significant number of subcontractors that had not been paid for their work on government jobs. An issue such as that has come up again. We were told by the government that it would never ever happen again and that it would put mechanisms in place to ensure that small businesses would be paid for their work. I asked a question in this place two weeks ago about whether workers at the Perth Children's Hospital site had been paid to do the jobs that they were employed to do. At the time, the government was not aware of the issue and could not provide an answer to my question. The government said that everything was fine as far as it knew. In the Assembly that question was asked again of the Treasurer, who I understand is now responsible for that project under strategic projects. Yesterday he responded that he would have to check with the department and that he did not believe what the opposition was saying. Over a period of two weeks one would have thought that when the first question was asked, a red flag would have gone up and the Treasurer would have gone off to see whether there was any validity to the issue. Obviously, he has not done that. We asked the question again, and the Treasurer denies any knowledge of it. I can tell members right here and now that three companies have been impacted by this. One company has more than 40 workers who have not been paid for a government job on a government worksite. These are small business people. I do not understand how this has happened. Under the arrangements that should be in place, the government was to ensure that small businesses working in construction in this state were not to be ripped off again. We know of at least two other companies with similar difficulties, such as the small businesses working on the Elizabeth Quay project. I think the company run by Peter Matera recently had to withdraw from contracted work on that project because of the pressures of the contract and not being able to meet the terms of the contract. If the government is talking about supporting small business, there has to be a fair and equitable playing field. Those are a few examples of government projects in which the terms and framework of the contracts in place are too tight and difficult, and small businesses desperate for work bid for them and then find out that they cannot manage the work or the money is not flowing through and they have to pull away from the project to sustain their future. We have found government projects for which contracts have been allocated and another 40 workers have not been paid. I think that is disgraceful. The Treasurer's answer yesterday that the Perth Children's Hospital is not a BMW project and that therefore makes it okay, and that the transfer of the project to the Treasurer makes it acceptable for this group of workers not to be paid by their employer subcontracted to the government, is not acceptable. This government has a responsibility. If it has small businesses on its sites fulfilling contracts, it should have mechanisms in place to ensure that Western Australian workers are paid for their work and that the government fulfils its end of the bargain.

That comes back to my question yesterday about the Construction Contracts Act. One of the recommendations of the review process in 2012 was that that piece of legislation be amended to improve the timeliness of payments to contractors on jobs. This directly impacts small businesses and ensures that they get paid in a timely fashion and disputes are managed in a more timely and affordable way. Here we are two years later and the government has still not made a lot of progress in that area; it is still looking at proposed changes. If the government wants to look after small business in this state, it needs to be more creative about how it does so and provide a fairer and more equitable space for small business. It should not be looking to give with one hand and take away a greater amount with the other. The government should find a mechanism to make it easier for small business to operate and flourish. I know Hon Mark Lewis focused on one specific aspect of small business, but I think that these issues go right across the spectrum, whether metro or regional, and I think more needs to be done.

HON MICHAEL MISCHIN (North Metropolitan — Minister for Commerce) [12.26 pm]: I have listened with interest to some of the comments that have been made, and I applaud Hon Mark Lewis for raising the subject and giving members of this place the opportunity to inform the house of their experiences in small business and the struggles involved in trying to establish small businesses. They certainly have some stories that

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they can tell us, because they did it the hard way. The government does quite a number of things to support small businesses, including the small business centre program and the review of that program. There are currently 25 small business centres providing business advisory services to small businesses throughout the state on behalf of the Small Business Development Corporation. There are issues regarding payroll tax, which Hon Kate Doust tries to turn around to somehow suggest that what is being given with one hand is taken away with the other. But the fact remains that someone has to pay for electricity, and she does not want poor people, workers or small businesses to pay for electricity. I am not sure who it is who pays for electricity, because apparently no-one should be paying for electricity on a cost basis. Having been neglected over the years, someone needs to pay for electricity, but apparently it is not anyone that the opposition is trying to curry favour with from time to time.

Retail trading hours provide flexibility for small business in a way that has not been done before. That was resisted by the Labor Party as well, but now it seems to accept that it is a good idea. There are further reforms planned in that area, including those in the Consumer Protection Legislation Amendment Bill that removes a number of small but irritating and expensive impediments for businesses trying to do their job, but are bogged down by bureaucratic red tape. There are other red-tape reduction measures in that and other legislation. Hon Phil Edman mentioned the work on the liquor-without-a-meal permit and amendments to the Commercial Tenancy (Retail Shops) Agreement Act to improve rights. The member did not mention the local participation and resources industry programs, which is the local industry participation framework established by this government and on a contributory basis by firms such as Chevron in the Pilbara. Hon Terry Redman will preside over a seminar in Manjimup tomorrow to inform local businesses how they can get into the resources industry and tender for contracts and also how to tender for government contracts to assist them to find business opportunities. There is a raft of other measures.

There is more that can be said, Madam Deputy President, but time has expired. I thank the honourable member for raising this subject and airing this important issue.

Motion lapsed, pursuant to standing orders.