

SMALL BUSINESS COMMISSIONER — SUBCONTRACTOR PAYMENTS

60. MR S.J. PRICE to the Minister for Small Business:

I refer to the McGowan Labor government's commitment to supporting Western Australian subcontractors and ensuring these vulnerable small businesses are properly paid for their work on government projects. Can the minister advise the house how expanding the powers of the Small Business Commissioner will help support WA subcontractors and provide them with unprecedented protection?

Mr P. PAPALIA replied:

I thank the member for his question and for his advocacy on behalf of subcontractors in particular, but all small businesses in his electorate and around the state. Small businesses are vitally important to the state's economy and make up 97 per cent of all businesses in the state. Many thousands of them are subcontractors. We are all familiar with the vulnerability that those subcontractors have faced for some time now with respect to receiving payments—actually getting payments from primes and even from other subcontractors in the cascading levels of the distribution of funds.

I am particularly aware and mindful of this issue because of the experience I had in 2012 with a former constituent—he has since moved—who became the face of this issue in 2012, when the Leader of the Opposition was the responsible minister. Max Hannah, as a consequence of this issue when primes were not paying their subcontractors, ended up having to sell not only his own home, but also his investment property, which was his superannuation. He and his partner, Fran, went from owning two homes outright and having a successful, vibrant business employing dozens of people in my electorate to having to sell those homes in an effort to retain the business and keep paying their employees. They were wonderful contributors and their primary aim was to sustain the business and keep supporting the people they employed, which they did. Ultimately, they have gone on to retire from that business. The business was sold. That all came about on a government project. It was one of the Building the Education Revolution projects, by which the federal government had given money to the state to build new schools. One would have thought, as they did, that that would have been gold-plated, reliable income. Sadly, it was not and it had a massive impact on them. But many thousands lost everything—marriages broke up, homes were sold and sadly there were suicides. It was a horrible time and that is very clear in my mind to this day.

I was very pleased in December last year to go out with the former Minister for Commerce, now the Minister for Finance, to announce a range of initiatives providing new protections for subcontractors on government building construction projects. Amongst those is the creation of a subcontractors support unit, led by the WA Small Business Commissioner, who is a wonderful advocate for and defender of small businesses in this state.

What I am doing today is giving notice to particularly the other side of the house, and those in the upper house, that in the first half of this year I will introduce legislation to give new powers to the Small Business Commissioner under the Small Business Development Corporation Act. We will amend the act so that the commissioner will have the power to investigate and compel head contractors on government-led projects to provide evidentiary support of timely payments to their subcontractors. Importantly, there will be an anonymity provision that will enable people to report the failure of a prime to pay them, so those people will never know whether it was a random audit by the Small Business Commissioner or a reported incident. The commissioner will also be given powers to investigate at any time and make recommendations to government on sanctions to be imposed on head contractors that have not complied with the law.

I hope these changes will be a significant step up in the defence of subcontractors and will provide certainty for them. They will have a cop on the beat, someone who they can go to, someone who they can draw on for assistance who has the teeth and the power to ensure that there is an outcome. I actually anticipate that this will work. It has not been tried anywhere else in the country. It will enable the threat of being exposed to be held against prime contractors on government contracts to ensure that they look after the people who they contract with. I look forward to support from everyone in this place and in the other place to ensure that this legislation, when we introduce it, goes through as rapidly as possible. The unit is already stood up but we need the laws to enable the Small Business Commissioner to really go after ensuring that we have a better outcome for subcontractors.