

PAY-ROLL TAX ASSESSMENT AMENDMENT (EXEMPTION FOR TRAINEES) BILL 2018

Second Reading

Resumed from an earlier stage of the sitting.

MR A. KRSTICEVIC (Carine) [11.28 am]: It gives me a lot of heartache to have to get up to speak on the Pay-roll Tax Assessment Amendment (Exemption for Trainees) Bill 2018. As we heard yesterday in question time, the Treasurer implied that most employers out there are rorting the system, not doing the right thing and somehow taking money away from the government and illegally giving it to employees through training and skills programs. It is very disappointing that that rhetoric and message is coming from the government; that is, many businesses out there are rorting this system.

Talking about rorting, I would be interested to know what the Treasurer's perspective is on this old chestnut: the double dipping on the car allowance. Ministers were receiving a ministerial car and an allowance. The Treasurer did not come out then to say that was rorting, nor that the extra money going into their pockets was taking money away from the state. The fact that the Premier did not even ask them to refund the money is a big double standard. The difference is that that money goes into a minister's pocket as opposed to employees' skills and training.

Noting the urgency here, I quote the Minister for Finance's second reading speech —

Immediate changes were necessary to address the tax avoidance behaviour of many employers who have been using the exemption primarily for the purpose of minimising their payroll tax liability, rather than using the exemption to address real skill gaps in their business.

I would be interested to know how much research and consultation the minister has done with the business community and all the interest groups to determine exactly where all this training is happening, where all these rorts are supposedly taking place, and what the problems are with the current system. Of course I would be surprised if the minister has done any of that work. We know from the first 12 months of this government that there is no gold-standard transparency, there is no proper consultation, and there is no interest in what benefits, programs and initiatives are being delivered to the community. It only wants to further its own priorities and benefits to support its own stakeholders and supporters. I think that is very, very disappointing. People are starting to get the impression that they cannot trust this government. They cannot trust it to be open, honest and transparent. If the government has an issue with the fact that it is not collecting as much payroll tax as it would like, it should be up-front and honest and say, "We just want the money. We don't believe that the business community and all those organisations out there can spend it wisely. We don't believe that you know where that money needs to go. We don't think business is the future of this state. We don't think growing your workforce and skilling your employees is important. We have a better system. We can tell you where that money can be better spent and you'll thank us for it. You'll thank us for taking that money off you and redirecting it in ways that we can grow your business much better than you can." That is the most stupid way of thinking in the world.

The Premier said yesterday that the Treasurer is a lot smarter than him. The Treasurer is a lot smarter than the Premier, but unfortunately he is listening to him too much. The Treasurer needs to stop listening to the Premier. He needs to stop listening to those around him who do not have his best interests at heart and who do not want him to succeed. They want him to be held back. They want him to carry the mistakes of the people around him. They want to weigh him down rather than doing what he knows in his heart needs to be done and the way it needs to be done. I know the Treasurer knows better. I know he has better standards, but unfortunately he is being dragged down to the lowest common denominator of those around him. That is the disappointing part about that.

Several members interjected.

The ACTING SPEAKER: Members on the right, there is a little hive of activity over there that is becoming very distracting. If you could keep the conversations to a minimum.

Mr A. KRSTICEVIC: We know nobody likes payroll tax. Nobody in government should like payroll tax; definitely nobody in opposition likes payroll tax. The community does not like payroll tax. We have antiquated taxes. We all know what they are—payroll tax, stamp duty and land tax. They are the levers that we use, apart from fees and charges, obviously, to get revenue for this state. We need to review our system of collecting revenue. We need to look at bigger and better ways of doing this. Obviously the GST was initially touted as that system when it was first introduced, but unfortunately it has failed in so many ways. With the introduction of the GST, John Howard made concessions to the Democrats. That had some flow-on effects about not being able to get rid of some of these state taxes that we were originally meant to get rid of. I am sure payroll tax was high on the minds of people at that time.

Mr F.M. Logan: It was not.

Mr A. KRSTICEVIC: If it was not, it should have been. I cannot remember a hundred per cent, but I would be surprised if it were not on the top of the list, at least from the business community anyway. We know these are all bad taxes. We know they hold back the economy and the community. All we are doing now is increasing the amount of payroll tax for businesses through a back door. Not only are we increasing payroll tax, but we are also telling them that we are doing it because they are rorting the system! “You’re rorting the system so we’re increasing payroll tax, but, because we know better, we know how to reinvest it back into your business for you because you don’t know what you’re doing!” I think that is very patronising. We need to be thankful to the business community for the people they employ, for the jobs that they create, and for the taxes, both direct and indirect, that are generated as a result of those jobs and that employment.

Business confidence has been on the wane in Western Australia for a number of years now. It is starting to slowly improve, but I know that when I talk to people in business in my electorate, as I am sure all members do, it is still very tough out there. Very few people are feeling confident about the way things are at the moment. They are all very cautious and they are treading slowly. The last thing we need to do is put more burdens on them.

As we heard earlier, the economy is transitioning. There is automation and new industries. There is a bigger push towards tourism. There is lots of training and new ways of doing things that we need to think about. Businesses need to be supported in that process so that they can transition and upskill their workforce. At the federal level, they keep talking about raising the age of retirement, which, at the moment, is 67 years of age—they are talking about pushing it up to 70 in the future. A lot of people in those age brackets need training and support with the new technology and new systems that are in place. Young people are born into it. They learn it, they know it, but those of us who have a few years in us do not mind going to the odd training course to learn how these things work. It is important for businesses to be able to support that. That is a critical factor also to take into account.

We know that payroll tax kills jobs. I know employers who do not grow their businesses because they do not want to be caught by the payroll red tape. They do not want to be caught by the headaches of having to deal with the paperwork and paying that extra money. It is not worth it for them. They are happy to keep their business at a certain level because they really do not want to go into that system. They hear all the bad stories and the complaints. They hear all the issues. Instead of making the system easier and fairer, we seem to want to keep adding layers of complication. It is not like the government goes out there and asks, “What is the best way to move forward? Let’s talk. Let’s come up with a system that works. Let’s try to work together.” That does not seem to be happening. More and more I see that this government is not talking to people or listening to what their needs are. It is telling them what it thinks they want to hear or need rather than being genuine in that consultation.

Some people might say that this is just a tax grab, another little bit of money so that the minister can fill the pockets of the \$5 billion worth of election commitments. Some people might say that it is another tax grab to fill up Local Jobs, Local Projects—\$39 million of handouts for winning extra votes—which, by the way, was touted as a grants program as well. Again, it definitely did not have the characteristics of a grants program but it has been portrayed as a grants program. Later I will talk about the grants side of this bill, but the interpretation of a grants program under the Labor government is that it is basically a slush fund to share around with whoever it thinks deserves that money. Interestingly enough, I had a meeting with a gentleman earlier today who is not one of my constituents, but I am encouraging him to see his Labor member of Parliament. I said, “There is plenty of money out there. If you’re one of the lucky ones who is sitting in that right seat where the Labor Party wants to give you money, there is plenty of money. If they don’t like you, they will tell you the budget is looking bad, funds are tight and that they have to be careful about where they spend them.” I have given him a clear run-down of how the system works. They assured me that they are sitting on the right side of the fence, and I said, “Then you shouldn’t have a problem. This is your chance to find out whether you do or don’t sit on the right side of the fence or whether you are just being used.” I hope that the individual is successful.

Mr P.J. Rundle: Local Projects, Local Jobs!

Mr A. KRSTICEVIC: That is right. They are not looking for that much money, either. Local Projects, Local Jobs is more money that they are looking for. I said to them that it should not be a problem. This tax grab has \$100 million-odd coming to the table. I said to him that I am sure some of that will come to him because he sits on the right side of the ledger, as far as the Labor Party is concerned—supposedly, he does. This is his way of confirming whether that is the case or not. I told him to not be deterred if the member tells him there is no money. He will then know that he does not sit on the right side of the ledger, he has the clear message straightaway and can adjust his thinking accordingly. We are keen to work with the Minister for Finance. We are keen to help him do his job, unlike those on the other side who are looking to drag him down and make him look worse than they do. We want to work with the minister. We want to come up with ways to make sure that people do not rort the system. I spent 20 years working for the Australian Taxation Office, as the minister pointed out yesterday. I saw lots of different rorts while I was there for 20 years. I even spent 12 months working as a prosecutor for the Australian Taxation Office. I know a bit about some of the things that go on. A big business can always restructure itself. The big boys can look after themselves. It does not really matter what sort of system the government comes

up with, they will find a legal, intelligent way of working around that system. They always do. It is not rorting, they are just working within the rules.

Mr W.R. Marmion: It is creative accounting.

Mr A. KRSTICEVIC: Yes, creative accounting. It is never tax avoidance, it is tax minimisation. If the rules allow it, people will do it. The Premier is saying that widespread rorting is going on, even though he indicated that in 2015 we introduced legislation that has reduced that trajectory in the amount of money that was being exempted under that payroll tax system. The consequences of that are still happening as we speak. There is a time lag issue here as well. If there is rorting going on, it is very easy to identify it, see how and why people are the exceptions to the rule, adjust and re-tweak the system. Of course, the government's way of adjusting and re-tweaking the system is to get rid of it. There might be one or two people who may be doing something a little different—maybe they are being a little creative; they probably should not be doing it. The government should re-tweak the system and fix it so that it does not drag the whole sector down. Or better still, it can get rid of the whole lot, put \$100 million in its pocket and create this other grant system. It can hand out the money to whomever it likes. The government can hand it out to whoever happens to be knocking at its door at the time or it is sitting in the room with. It can give money to whoever always has a chair at the table, because they will know better. They may not be in business, they may not be running the economy, but they will know better how this money needs to be spent.

When we asked for examples and for the credibility that goes behind all of this, what were we given? Nothing. The minister quoted one particular company. He talked about thousands of employees, but the system only says that we changed 100 every quarter. That can only be 400 in a year. I do not know where these thousands came from, but if that is prior to the changes that we made in 2015, then that is obviously why we looked at it and made the changes to make sure that the system is refined and is targeting the people it needs to target. Without genuine proof it is easy to make these things up and make it sound worse than it is. It is easy to pick one bad example to use, as we all do, but the government cannot say this is a systemic issue. It cannot say that it is an issue that is occurring across businesses as a general rule. That is not true. Yes, there might be examples of people who use it inappropriately and that should be changed. As the member for Bateman said yesterday, the amount of payroll tax paid by people in businesses in Western Australia is an average of \$2 408 per employee, compared with an average of \$1 839 across the rest of Australia. We want our businesses to be competitive. The minister came up with the Western Australian Jobs Act. We want our businesses to be competitive with the rest of Australia. According to the Western Australian Jobs Act, the minister wants them to be competitive with New Zealand as well, because they are local jobs, according to the act. How are they going to be competitive if they are already paying, just on payroll tax, more payroll tax on average than any other state across Australia? They are paying \$2 408 per employee as opposed to \$1 839, not to mention all the other imposts put on businesses to operate and the difficulties of operating across Australia. They already pay enough payroll tax. Why does the government want to put more money in its own pockets and take it away from businesses so that they cannot use it to reinvest in their businesses? They are struggling and it is hard to find money out there at the moment. Businesses are bracing, coming from bad times, and are hoping to rebuild and restructure not just their business but also their workforce to build their capacity.

[Member's time extended.]

Mr A. KRSTICEVIC: They are hoping to rebuild their capacity so that they can create more jobs, and those employees and businesses can pay more taxes. Is that not a win-win? Is that not what we want? We want them to grow their businesses and give them access to more funds. It is not as easy these days to get a loan from banks because businesses are struggling. It is a bit more difficult to finance some of these ideas that they have, especially when they are taking risks—big risks in a lot of cases. At the moment it is very difficult for these businesses to grow and succeed. They are finding it difficult and of course this is more money the government wants to take away from them, their workers and from them restructuring their workforce. What are they going to do? They are either going to have to dig further into their savings or further into their loans or, more than likely, they will have to let people go. An employer might say to an existing employee, "I have to let you go; I am going to get a new employee. I get this deduction from the new employee, but I don't get it from you anymore, so I cannot afford to keep you, or your skills aren't quite there. I have to spend money on you and I'm not getting that support anymore, whereas I'll find someone else who maybe has that skill set and I'll have to let you go and employ them."

There are lots of ways businesses will look at this and lots of ways they will adjust their work practices to try to make sure things are being done properly. It makes us wonder: what is the Department of Training and Workforce Development actually doing? It is involved in administering this program and is part of the process. It is the department that signs off on it, gives it the tick and says, "Yes, your program's great and the training's appropriate." If it is not, the department should audit it and look into it. If it does not have that capacity, it should be able to say, "Present that program to us. We'll have a good look at it. We'll make sure it meets the objectives and we'll sign off on it." That would be a very simple change to the legislation or the regulations: give the department the authority to say yes or no. Let the business approach the department and say, "This is what we're doing, We're

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Mr Tony Krsticevic; Ms Libby Mettam; Mr Terry Redman; Ms Jessica Shaw

not getting a thousand people to do engineering; we're not an engineering firm," or whatever the example was that the Minister said yesterday; it was something along those lines, and then, five minutes before midnight, the business cancels them and gets them off to do something else. Those sorts of examples should not be happening. I am sure it is very easy to close the door on that. We talk about changes made that affect the many as a result of the actions of the few, although we know, in this case, that that is not the reason this is happening. This is happening because the government wants the money in its pocket. It wants businesses not to have the money, even though they need it to re-skill their staff and even though, through that, the government would grow the economy, tax take and employment. It does not matter. The government is looking at the short-term sugar hit instead of the long-term benefits with regard to where the money is coming from.

As I said before, we know that big businesses will always find a way. They will restructure, they will adjust and they will make changes; they always do. They can carry the administrative costs and burdens of doing that, unlike small or medium businesses that struggle to have the same ability to adapt to the environment in which we are working. Again, we need to be conscious of any changes we make and the ability of people to work around those changes. Are they the people we are targeting or are we just trying to target everybody? Is it just a scattergun approach without any work being done? Is this a lazy way of doing it? That is the question. Otherwise, if the government did not do it the lazy way, it might have to do some work. It might have to think about it and talk to people and discuss it with industry. It might have to, heaven forbid, come up with a good idea. It is easier just to take the money and not worry about thinking up a good idea or doing any of the work. It is just one of those things we see every day in this Parliament. Ministers are not very keen to come up with good ideas; they are just looking for the easy way around this.

All too often we hear about consultation taking place, but when we talk to the people who were actually consulted, we find that it was not really consultation; it was a five-minute conversation with one of the advisers or someone lower down the food chain. All of a sudden the minister says, "Yep, we've consulted; that's done and dusted. What did they say? That doesn't really matter; I'm not interested in what they have to say, because I've already made up my mind what I'm doing anyway. The main thing is that I've ticked that consultation box now and we can move forward. I can issue a media release saying that I've consulted and that the industry has had its say. We're working with the industry in trying to come up with a solution." In fact, we know that that is not happening at all.

Why does government think it knows best in business? We know that that is not the case. We know that government does not know best. We know there are 100 degrees of separation between ministers and the reality of the world in a lot of cases. The Premier generally has no concept. The ministers are surrounded by yes-people and advisers who tell them what they want to hear and tell them how they are going to achieve what they are going to achieve. They do not really talk to people. Over the last 12 months I have heard all too often cases in which people have tried to approach ministers and just cannot get a meeting. They cannot get in there to talk and raise their industry concerns and their issues. I tell people, "Go see your local member, especially if you're in a Labor electorate. It is easy to organise a meeting with a minister. When we were in government, we had no problems doing that at all. If you came to see me and you wanted to have a meeting with a minister, you could always get to a minister, because you know what? When they're in Parliament, they're available here as well. They can find 10 minutes to have a chat with you easily, if they want to. If they don't want to chat with you, they won't, but if they want to, they'll always find the time." We know that is true. We know that a minister should be able to find time to talk to their constituents and key stakeholders. A good local member will be able to make that happen because they will raise the issue with the minister and tell them the importance, and the minister will say, "Well, obviously if you've gone to the effort to talk to me and raise this concern, it's genuine. You've done the ground work and that door will open." Again, I tell people that all the time. I say, "You should be able to access the Labor ministers without too much problem, especially if you're a supporter of your local Labor member or you're involved in some way, shape or form. I'm sure if they're genuinely there to help you as a member of the community with your concerns, they'll do that."

The CCI has made a number of comments on this. Surprisingly, none of the unions has said anything about this payroll tax reduction. They are not saying, "Yes, the grants are a great idea. We think it's good for our business and good for workers." Normally, they would be out there saying something as well, if there was money potentially coming their way through a grants program. They always get excited about those sorts of things, but as far as I am aware they have not come out and said, "It's necessary to change this program." Maybe they have quietly, behind closed doors, because I know the Minister for Finance has a lot of conversations with union leadership. Generally, I think they are yelling at him as opposed to him talking to them. However, he still has those conversations and is able to get a bit of a perspective on how he needs to be thinking and what he needs to be doing. I think if the minister were truly his own man and running his own race, he would be running a different race from the one he is running. I have no doubt about that. I can only imagine how difficult it is, but he should not be scared to talk to the CCI.

There are a lot of people out there barracking for the minister to take over the leadership. I know he tried once, but he should not give up, because he has his supporters, both on that side of the chamber and out there in the broader

community. I know the current guy is not as smart as he is; he said that himself yesterday. We need the brightest and best leading this state, not those who are put there by others. We know how it works on that side of the fence; it is very, very interesting.

If the minister is genuine about wanting to improve this system and making sure that the money is being spent in the right areas, we are happy to help. If the minister has concrete evidence and examples across the sector that many people are rorting this system, and if he has a better system that will achieve better outcomes, we are happy to listen. Work with us; we are the minister's friends and supporters. We are the ones who will help the minister convince those around him to make sure that good decisions are made. Even though they are not smart enough to know it themselves, it is actually in their interest for good decisions to be made. It is in their interest for the right outcomes to take place. We, along with the CCI and many others, are keen to make sure that the minister is given access to the right information, that he is able to make the right decisions and that he is supported in that. I am very genuine in that statement, as I always am with my statements. We really need to work together to help the community.

MS L. METTAM (Vasse) [11.58 am]: I would also like to contribute to the debate on the Pay-roll Tax Assessment Amendment (Exemption for Trainees) Bill 2018. As has already been heard in this debate, the opposition, in particular the Liberal opposition, does not support the bill. We recognise the value of training and the importance of investing in skills for small to medium businesses in Western Australia. It is very clear that the government is simply spinning this as closing a loophole to avoid alleged rorting of the tax system. This is simply a tax grab by the Minister for Finance and the Premier to fund their election commitments. The government already has policy levers to minimise any rorting of the exemption—an exemption that has been well supported by industry and is an incentive for small to medium businesses to upskill their staff. The exemption will become only more and more important as we face a skills shortage, and, in particular, it is very important for older employees who are the most vulnerable to changes in technology.

There is already a cap on the number of existing worker traineeships per business quarter. In 2015, the Apprenticeship Office capped the number of existing worker traineeship businesses that can undertake an exemption to 100 per quarter. This change has already had an impact with a decline, year on year, in the cost of exemption. We learnt that during a briefing with Treasury. The Apprenticeship Office now requires all employers who lodge a training contract to nominate the trainee's role in the business to ensure that the traineeship being entered into is aligned with the employee's role in the business. This measure has been very effective. As we have already heard, there has been a lesser take-up of the exemptions and the loophole that existed has been closed. For example, the Apprenticeship Office will not approve a training contract for a factory hand to undertake a human resources traineeship because that does not align with their current or prospective role in the business. The Apprenticeship Office will also assess whether the person undertaking the traineeship will be given adequate supervision that is aligned with the goals and traineeship that is being undertaken. The office places greater scrutiny on enterprise-wide traineeship programs and the certain high-risk training packages. The Apprenticeship Office automatically requires extra or additional information, such as organisation charts, from businesses seeking to place employees on leadership and management, warehousing or competitive systems and practices traineeships.

A lot has already been done to address what was anecdotally recognised as rorting of the system. But it is important that we do not throw the baby out with the bath water. The feedback that I have had from the small business sector, which is first and foremost concerned about the lack of consultation on what has been proposed in this bill, is what the second tranche of reforms represents. We have heard from the shadow Treasurer that businesses in WA are already paying more payroll tax on average compared with that paid in other Australian states with an average of \$2 408 per employee in Western Australia compared with \$1 839 paid across Australia. It is one of the worst taxes on small business and it is obviously a great disincentive to employing more people. This is another nail in the coffin of encouraging businesses to take on new staff or retain staff, particularly older staff as I mentioned earlier.

We know that two-thirds of trainees are in small to medium businesses. These businesses have to be agile and adjust to a dramatically changing environment, which has to respond to changes in technology. One of the big losers out of this will be older employees, who, understandably, require additional training to keep pace with the ever new and changing working environment.

The ACTING SPEAKER (Ms J.M. Freeman): Members! Member for Carine, one of your own members is on her feet. I can hear you very loudly. Would you like to take your discussion outside?

Ms L. METTAM: I talked about the policy levers that were introduced in 2015. Since 2015, there has been a significant decline in the number of traineeship enrolments. We are in a vulnerable environment—an environment that is vulnerable to an upcoming skills shortage. We are already seeing key signs of a skills shortage. With the number of people in training falling, businesses are already bringing in skilled workers from over east, and this has been exacerbated by the changes that were introduced straight after the last state election with cuts to the state skills list and the removal of Perth from the regional sponsored migration scheme. As I said, conditions

are ripe for a skills shortage. This has been felt in particular in regional WA. There is already a massive skills shortage in Kalgoorlie. I understand there is already a local push to put drillers back on the skills list because they are facing critical workplace issues. From a regional training perspective, there is certainly great concern about what these measures mean. As I alluded to earlier, of great concern to industry is not only what this bill represents, but also what the second tranche of reforms represent. It is concerning for many in the small business industry that this represents the thin edge of the wedge. The Motor Trade Association of Western Australia employs 200 apprentices. Any change to the incentive environment, or removing the incentive for those businesses to take on apprentices —

Mr B.S. Wyatt: Member, it doesn't affect apprentices. There is no change—just to satisfy you on that.

Ms L. METTAM: The concern I have heard about, and the fear of the small business sector, is that when the exemptions are removed in the second tranche, that will have an impact on traineeships and apprenticeships.

Mr B.S. Wyatt: That would have to be in legislation, too, so you get that opportunity, but we are not touching apprentices.

Ms L. METTAM: That is comforting to hear.

Although there will be an impact on the businesses that upskill employees who earn more than \$100 000, there is great concern about what the second tranche represents. I was chatting to a number of people only this morning, and there is great confusion about what will happen and what the transition to this undescribed grants scheme will actually mean. There has been little consultation with industry about not only the immediate impact on the skills sector, but moreover the impact of the uncertainty that this government has created with the second tranche of reforms. From a regional perspective—I alluded to this earlier—there are concerns that this is just another disincentive to taking on trainees. It will be another reason why businesses say that it is just all too hard to retain a workforce that, without standing, needs to be upskilled.

Businesses take on all of the responsibility and burden for their staff and in being able to deliver and respond to a changing environment in terms of technology and various disrupters. The ability for a small business, whether it is in metropolitan Perth or regional Western Australia, to upskill its staff is critical. The retrospective nature of these reforms and the impact they will have on small business is also a significant issue going forward. This will be a major blow to group training organisations. It will be felt in Perth, but in particular in regional Western Australia where that critical number of uptake in businesses is required to be able to respond. As I mentioned earlier, if we are going to be able to respond to a skills shortage and to the demands of a changing economy, and if we are going to be able to diversify our economy further, it is essential that we have the tools in place to do that.

Returning to the comments I made earlier about the policy levers that had already been introduced in 2015 and about the government's assertion that this bill will remove rorting, it is fair to say that as soon as artificial limits or tax exemptions are put on individuals and businesses, the small business environment or the individual business operator will make efforts to work around it. We have not seen a great deal of evidence apart from some anecdotal examples that have been given about how widespread this supposed rorting is, particularly since those levers were put in place in 2015. Cutting training incentives for an undescribed scheme has understandably rung alarm bells in the business community, among small businesses and, in particular, in regional Western Australia. It is of great concern going forward. Again, this is another revenue-raising measure. I have great concern about the impact that these measures will have on the small to medium business sector going forward as we face a changing employment environment and more disruption in our economy, on the back of changes to the ability of small businesses to employ staff, changes that we have already seen and that have already had an impact on small businesses with cuts to the state skills list and the removal of Perth from the regional skilled migration scheme, which has been of significant concern for the small business sector.

For all those reasons, the Liberal opposition rejects the proposed bill. It is important that we have a small business environment that is able to upskill its staff, adjust to a changing environment and compete on a global scale, given the global working environment that our small to medium businesses are now operating in.

MR D.T. REDMAN (Warren–Blackwood) [12.15 pm]: I have quite a few bits and pieces to work through here. There have been a lot of speakers on the Pay-roll Tax Assessment Amendment (Exemption for Trainees) Bill. I acknowledge the contribution of the Liberal Party and its particular position. There are not too many occasions on which the National Party does not support the Liberal Party position, but this is one of those. We will support the government's bill, and I will outline a range of reasons why. I will say from the outset that just because we are supporting this, as described in the briefings, it does not necessarily mean that stage 2 will get our support. As private conversations with the Minister for Finance have suggested, there is a fair bit of work to happen in order to understand what that looks like, what it means, the implications and so on. The National Party will certainly be

a party to that. I do not want anyone to assume that because we support this part of the changes that the government proposes, it will automatically move to the other.

When the issue of rorting first came to light, I was the Minister for Training and Workforce Development. I remember going to a number of briefings to fully understand and ascertain the issue. Dr Ruth Shean was the director general of the department. I might add that she was a very effective director general. She is a great loss to the system. I am aware of a range of business behaviours that were occurring when businesses that had a payroll tax liability recognised the benefits they could gain from reducing their liability. If the benefits were greater than the cost of training, it was worthwhile having a trainee on board to reduce their payroll tax liability. As businesses do, they move themselves out to accommodate all of the parameters that are imposed upon them and they will find a pathway that gives them the best outcome. Of course, that is what happened. Dr Shean was able to put in place a number of changes at the time using her regulatory powers, albeit very limited—I will talk to that point shortly—that picked up some changes in order to reduce the impact that the rorting was having effectively on government revenue, which is challenging, as much for us when in government as it is for the current government. It is important to recognise that what we are talking about here is an exemption from a tax liability, not what has been paid out of consolidated funds. As the Minister for Finance pointed out to the member for Vasse in her address, it applies only for traineeships; it does not apply to apprenticeships, so there is certainly a targeted response to an issue.

I want to use an interesting example. Although I am standing here on behalf of our party supporting a change, which some would argue will put pressure on training and is therefore not a good thing, training is really important. Training is critical to industry, to business, big and small, and to government to ensure that there is a pathway for people to build up their skills in their workforce to better do their job and to do it more effectively and efficiently. When my wife and I had a small business in Denmark, a liquor store, we were part of the Liquor Stores Association. I remember going to a forum in the eastern states and the guest speaker was a fellow by the name of Tom O'Toole. Members may have heard of him. He is on a speaking circuit about training and a range of business issues. He used to own, and probably still does, the Beechworth Bakery. The Beechworth Bakery is iconic. It is inland and in a relatively isolated area. It is not as though it is on a big commercial path and can pick up the trade going past every day. It is out of the way, but it is so iconic that people travel for hundreds of kilometres to buy a pie or whatever else they have at the Beechworth Bakery. They are so darned good at doing their job that they have been able to build up a huge reputation. Mr O'Toole talked about his history and getting to the point at which he was very close to committing suicide because of breakdowns in a whole range of his personal and business issues. He went from being in that mentally critical state to having this iconic facility. He now goes on a speaking circuit to talk openly about his experience, as well as the value of training. I remember going to a forum where he was up on stage for about half an hour. If there is a guy who is full of energy, he is it; he is absolutely pumped up and motivated, charging around the stage talking about the value and importance of training. At the end of the session, he took questions. Someone stood up and asked, "What happens if you train them up and they leave?" His response was, "What if you don't train them and they stay?" I thought that was a really relevant comment that highlights the value of training. Unless people invest in their staff and their workforce, they will not get the best outcomes and will not be the most efficient or effective in what they do. For me, that one comment highlighted the value of training. I have used that example in a few speeches elsewhere, so some members would have heard it before, but it is a really salient point.

Effectively at state level, training is pretty heavily subsidised. I remember when I was minister that on average, I think, government-funded training was subsidised to the tune of about 92 per cent. We had a regime of fee increases over time. When government members sat over on this side, they railed hard against it, saying it knocked training, would hit businesses hard and whatever else. It shifted the dial only from 92 per cent down to 80 per cent or something like that, so training was still very heavily subsidised by the state government and the taxpayer. There are effectively three sources of subsidy for training: the consolidated fund that pays into training subsidies and training procurement; secondly, this exemption we are debating today—the payroll tax bill is another source of funds if we want to talk about not only subsidy payments, but also offsetting potential government revenue; and also federal funding in partnership arrangements, so training is heavily subsidised.

Although the point has not yet been made, some of the public rhetoric around this issue is that businesses will no longer be able to get subsidised training. That is not the case. Training will still be heavily subsidised. For anyone interested in this, it is worth making themselves aware of the list of certified courses and so on that are eligible for subsidised training. There are eligibility arrangements for anyone who wants to access it. Whether it is big business, small business, private or public business, they can access training, provided it meets certain needs. Subsidised training still remains and there are about four or five different categories. I remember there is a general industry foundation skills scope, which I think is almost 100 per cent subsidised. There are also equity courses for people with an Aboriginal background and other disadvantaged groups to access training programs, which are subsidised very, very heavily to the tune of 99 per cent. There is a priority skills list of occupations, which is identified by industry feedback. There is also a list of training courses that meet priority needs that are identified

in the economy to support the economy in Western Australia. I met with people from the Chamber of Commerce and Industry of Western Australia; obviously, they were lobbying for us not to support this bill. One of the questions I asked was whether they acknowledge the priority skills list as an appropriate recognition of what skills are needed out there. Their answer was yes. They had faith in that priority occupation list as being very relevant. I did not get any sense that they thought government processes were wrong in identifying what skills were needed. Therefore, by extension, the direction of public funds, through government, to identify priority skills areas that are endorsed by industry is an appropriate way to determine where to invest in subsidised training. I think it is worth recognising that there are processes to identify that. It is quite appropriate that the government, as we did in government, is trying to target and direct limited public funds into areas that will make a difference to our economy. That is no more important than when times are tough. I remember hearing a number of speeches at forums in which everyone talked about the value of training at the bottom of the economic cycle. That is the hardest time possible to fund training, and the government needs to explore, as we did, all possible avenues. It might not be the Liberal Party's position but I would certainly argue that what the government is putting in now may well have been put on the table for us when we were in government. In my case, it probably would have got my support.

The amount of training demand out there is sometimes a bit of a moveable feast. Some of the demand for subsidised training has recently dropped off and fees are on a rising plane, which has had some impact on that. It is really hard to pull out the necessary information to know exactly what is going on there, so we are relying on fairly rubbery figures. I guess the government has identified, as we heard through briefings, what it sees as the training demand going forward. The government needs to respond to that in order to fill the gaps to ensure we understand, as taxpayers, that we are putting effort into things that will make a difference in industry and in Western Australia's economy. Training demand is very hard to measure. It is affected by fees, business margins, business confidence and industry structure. I agree with the points quite rightly made by Liberal Party members that a lot of restructuring is happening, which people need to re-skill themselves for, not only in the private sector, but also in government. That requires training support and appropriate investment by government.

I want to go through what I see as the issues in this debate. The first issue is whether the rorts are valid, and I believe they are. I think everyone has acknowledged that, although I might admit it has been to different degrees. The driver is the notion that a greater saving can be made on exemption from payroll tax than the cost of training. I think some of that idea still exists. In the past, some efforts have been made to stop that. Secondly, there are very significant subsidies for training, so I think it needs to be recognised that just because this change will occur does not mean that those same organisations cannot access subsidised training; they will be able to access heavily subsidised training in many cases. Those opportunities already exist. The third point is that the provisions do not apply to apprenticeships. I think those skill sets have some uniqueness about them and I assume that is the reason the government kept apprenticeships out of the mix, rather than union reasons, which I suspect might be one of the drivers. Nevertheless, the provisions are just for traineeships and not apprenticeships. They will not impact on new employees and will use the threshold \$100 000 base pay. That is an appropriate target for new employees coming into an organisation and having traineeships to build up their skills and it is an appropriate time to inject that. We have sought from the government, and got, a commitment that that will not include any regional loadings. I will prompt the minister that it is a little bit unclear in the bill whether that is a legislated position or something that the government will apply as a policy setting. Getting clarity on that in the bill will be an important part of our debate in the consideration in detail stage. I think the issue of regional loading is a very valid point. As an opposition, we are not in a position to resource the modelling and assessment to understand whether \$100 000 is the right figure or whether it should be another figure. It is hard to do that, but it looks to be pitched about right if we take it on face value.

Another issue is one I have mentioned already—that the government cannot assume support for stage 2. I think a lot of work is to be done to get to that point. The minister has given the assurance that he would have to come back to the house in order to achieve the proposed changes to stage 2. That will give us the chance to have a vote on the floor, as distinct from a government regulatory position. I have also sought advice and briefings to determine that this bill does not enable those stage 2 changes in any way. Nothing in this bill relates to the stage 2 agenda that the government has, which will be taken forward. I think that is an important point. We sought clarification of a number of issues and there were three important issues for me. Obviously, as I have already outlined, one was the validity of the use that is out there. As the minister at the time and having seen it first-hand, I am certainly aware of the validity of the issue. Regional funding loading was another issue, which I have talked about. We have sought an assurance about the special conditions for people in more isolated parts of the state. Another issue is the relationship between the state budget, the federal budget and demand, and whether demand softens or increases as a product of fee changes and/or changes in the economy. The relationship between those three is a pretty important issue that, in our view, needs to have some sort of response.

I want to read this, because I think it is really important to put on the table exactly how this change impacts. I think the government has been a bit cute in terms of media releases. One thing the government has invested in is a pretty

strong media team, so it can get the most out of a line and comment. The opening line of the announcement of 30 November states —

9600 training places to be delivered in 2018 through tightening payroll tax ...

That is, delivering those positions. In fact, stopping the loss of those positions is probably a better argument for where things are actually at. My question in the briefing was about the fact that it is not clear how the withdrawal of commonwealth national partnership funding, declining demand for training places, in some cases, and the additional training places funded from stage 1 payroll tax are linked—the relationship between all those things. I want to read the response, which contains a number of points. The first part of the answer states —

... The State Government funded around 130,000 training places in the 2017 academic year.

I understand there was a cash-based loading to support some of these in the second half of that calendar year in the department. The answer continues —

This included State Government funding as well as Commonwealth Government funding under the National Partnership Agreement of Skills Reform ...

The second point stated —

... The loss of \$53.8 million in funding from the Commonwealth will require a reduction of approximately 23,000 training places. Applying a baseline of 130,000 training places, this reduces overall funded training places to around 107,000 places per year.

So, the national partnership is a swinging point on this. We got some information back from the federal minister's office. It was pretty hard to read; it was like reading another language. What I saw reinforces the Treasurer's point that although it may be there, we do not know what hoops and stuff we have to jump through and whether it can be directed as the state government would like to. The third part of the answer states —

... Latest data available shows demand for training in 2017 was just over 124,000 places.

I can only take that on face value —

It is anticipated that with signs of the economy improving and demand for training starting to recover, that demand should remain at or around the current level over the forward estimates.

There is an idea of demand of what training what might be needed out there in the forward estimates. The fourth point states —

... In the absence of an alternative funding source, funding is only available for 107,000 places after the withdrawal of Commonwealth funding. As such, there will be a shortfall of around 17,000 places to meet the current level of demand, which will require additional funding of approximately \$37.4 million per year in funding.

The fifth point states —

... Changes to the payroll tax exemption for existing worker traineeships ... would provide funding to reduce the gap between current demand levels and revised levels of funded training places a result of the expiration of the NPASR.

The sixth point states —

... Changes to payroll tax exemption for existing worker traineeships includes transition arrangements which will result in a gradual increase in revenue over the forward estimates, as grandfathered training contracts are completed ...

A table attached to the answer shows the revenue from those changes. In 2018, there is \$21 million; in 2019, there is \$25.5 million; in 2020, there is \$32.5 million; and in 2021, there is \$35.5 million. One of the tables refers to the additional training places funded as a product of this bill and it brings us up to a total for the state of 116 600 in 2018, 118 700 in 2019, 120 900 in 2020 and 123 300 in 2021. Again, I take the seventh point of the answer given by the government at face value. It states —

... Where possible, cash reserves (including savings from lower training demand in 2017) —

Which has been a trend over the last couple of years —

will be used to supplement the shortfalls in 2018 and 2019 academic years to fund training levels at around the 2017 level of demand (i.e. 124,000).

That highlights that relationship between demand, the federal funding arrangements and the impact of these changes the government is putting in place. I do not reflect any private conversations, but I think Treasury may want to include a comment here about any book savings that occur at the end of the financial year as a product of demand changing. If fee drivers or a softening of the economy mean that the demand has not been soaked up at the end of the financial year, what happens? I am sitting here trying to support a government bill in order to make a change, and I would not like to see that shovelled off somewhere.

Mr B.S. Wyatt: That is exactly what has happened at point 7, which I think you just read out. There has been a build-up because of that that has effectively enabled us to re-cashflow that out to help funds in the forward estimates. Anything around this space will stay in training. That is why I dispute the categorisation of tax grab or a cash grab, whatever it is called.

Mr D.T. REDMAN: A point to make now is that when the budget comes, the first thing I will read is the last year's budget forward estimates for training procurement and the next set of forward estimates for training procurement. Presumably, the only gap will be the stuff that comes from this bill.

[Member's time extended.]

Mr B.S. Wyatt: Ultimately, the forward estimates will have that. The comment from the member for Vasse is that all the consultation is happening for a reason and we do not exactly know what that second part will be. I am open to any consideration of this. I have said the grant program being put out there is a suggestion. Whatever it is, I am keen to hear about it.

Mr D.T. REDMAN: That is another debate, but the point the Liberal Party raises is quite right. If this turns out to be a cash grab by a change in the payroll tax, it is absolutely not appropriate. We are taking on what the government is saying about this on face value.

Mr B.S. Wyatt: Which is why we are aiming to use some of that money to extend it to those small businesses that do not pay payroll tax.

Mr D.T. REDMAN: One of the other questions I asked was about the changes that will be made to the current regulations to take away the rorting issue to the satisfaction of the agency and the government. The point that the Chamber of Commerce and Industry of Western Australia made to us was whether Training will now sign off on the contracts. An employer and employee have a training relationship and the contract is signed off on and gets funded and down the train, whether tier 4 or 5, the organisation would do that. My point to the CCI was that it would need to be discriminated, because we do not want someone there picking winners. I think that would be a challenge for anyone in the bureaucracy, so we are trying to lay out a different discriminator to work out how they would effectively be funded. By extension, the question I asked was —

Can the Minister outline exactly why current mechanisms and safeguards cannot stop the outlined rorting of the payroll tax exemption? Why does this require a change to the legislation?

The response is valid in my view. It states —

The current payroll tax exemption is unconditional insofar as it applies purely on the basis that a registered training contract is in place between the employer and employee. It is not conditioned in any other way.

The Department of Training and Workforce Development does not approve the registration of training contracts based on the objective of facilitating payroll tax exemptions. The decision to approve a training contract is based on achieving the objectives of the Vocational Education and Training (General) Regulations 2009.

The Department of Training and Workforce Development does not approve the registration of training contracts based on the objective of facilitating payroll tax exemptions. The decision to approve a training contract is based on achieving the objectives of the Vocational Education and Training (General) Regulations 2009.

The Vocational Education and Training (General) Regulations 2009 (regulation 42(2)(cb)) may provide the basis to refuse to register or cancel a contract where it is determined that the training is inconsistent with the objects of the VET Act 1996. However, it would be onerous administratively to prove that a training contract was entered into strictly to avoid payroll tax and difficult to apply consistently.

And I appreciate that —

This approach would also increase the complexity of the VET system for stakeholders, is likely to also contradict other objectives of the VET.

I think there is a range of reasons that it is challenging to use these things, albeit on the surface it could be argued that there is a mechanism that exists. Putting it in practice is a very different beast.

Mr B.S. Wyatt interjected.

Mr D.T. REDMAN: Without bringing it in here; I understand that.

As a bit of background to this, there is this interesting comment. I quote —

Under the *Vocational Education and Training (General) Regulations 2009*, the chief executive may refuse to register a training contract where the qualification is not appropriate for the intended occupation during the contract or registering the contract would result in an outcome contrary to the objects of the Act.

...

Extract from Hansard

[ASSEMBLY — Thursday, 12 April 2018]

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To restrict the application of the VET to counter the exploitation of the payroll tax exemption would be inconsistent with the objectives of that Act. For example, leadership courses are relevant to most management positions. It would be inconsistent with the VET Act for DTWD to refuse those training contracts purely on the basis that a manager, director etc. may already have other relevant qualifications or experience.

A range of reasons have been argued, certainly to my satisfaction, that these changes are necessary in order to be able to make clear discriminators of how what is and what is not a funded contract is managed.

In summary, who are the winners and losers? Businesses with payroll tax liabilities would arguably be losers if the benefits they would get from a payroll tax exemption outweigh the costs of providing funding towards a funded traineeship. I understand that—but bear in mind that this is after the transition. Transitional arrangements for existing employees will be in place. Who are the winners in this? If we put aside the federal funding issue, 9 600 training places are now funded. Right across business, whether big business, small business, public or private, there is access to just over nine and a half thousand funded training places as a pool. It could be argued—the government argues this; I am less attached—that small business, in part, will be a beneficiary, because if those training places had not been available, small businesses would not have been able to access them.

The Nationals are taking three things on face value. One is that the government will invest back into training; assurances of that will be paramount. Demand estimates will be an interesting factor when we get to the end of the term; therefore, assurance that those funds are returned to training will be important as it relates to training demand estimates. Another one is that the budget forward estimates reflect the initiatives the minister has talked about and the language behind this change.

The National Party supports this bill. We have sought feedback on a range of areas. I believe it is something I would have considered putting forward in government if I were training minister. The unknown is where the federal government is. We have seen a bit of feedback to suggest that it is not saying it is not there; it is just the nature of what it is and how much it impacts upon training in Western Australia. Indeed, training is fundamentally important. If businesses or government are not putting effort into training, they are selling themselves short in being efficient contributors to the economy and efficient businesses.

MS J.J. SHAW (Swan Hills) [12.41 pm]: I know how important the Pay-roll Tax Assessment Amendment (Exemption for Trainees) Bill 2018 is to the minister and how keen he is to see it progress through the chamber, so I appreciate the opportunity to speak on this.

I did not intend to speak on this bill at all, but yesterday I sat through the lead speaker for the opposition's contribution and the Leader of the Opposition's contribution and I went home. Over the last 12 months I have been through quite an emotional journey. As I have sat in this chamber, I have experienced emotions ranging from abject boredom to depression—and I have rather enjoyed myself at times. For the first time, I went home last night and I was angry. I was so angered that I could not sleep. I turned over in my head over and over again what I had said and listened to from members on the opposition benches. I am sickened at the positions they have taken because, yet again, they have demonstrated that they have an abject lack of understanding of the sort of considerations that matter to people in seats like mine. Families are doing it really tough, and the pathway out of hardship is through education and training. The opposition is actively adopting a position that runs directly against and blocks training opportunities for kids in my electorate. The original intent of this trainee exemption was to encourage businesses to hire and train new staff. Instead, we have seen rorts, the subsidisation of training of existing workers, spurious enrolments, and withdrawals and re-enrolments. We have seen entire workforces re-enrolled and executives on significant six-figure salaries deemed to be trainees so their employers can minimise their payroll tax liabilities. Rather than this program being used to address skill gaps, it has been a rort. It does not matter what way the Liberals try to dress this up; it is absolutely a rort and it needs to stop. At a time when we all need to pull together and pay our fair share and turn our minds to the future to up-skill our workforce, the Liberals are blocking this. We are trying to stop those types of behaviours. This is coupled with an intent to develop a targeted grant scheme, to identify the training needs within our economy and what sort of workforce we need, and to start funding those requirements. We will also make assistance available to small businesses, of which there are over 3 000 in my electorate that cannot currently access these schemes. Most importantly, the money that is raised will be directly reinvested into training—43 500 positions to cover for the \$54 million that the federal Liberals have ripped out of WA's TAFE system. Those 43 500 positions will not exist if this legislation is not passed.

It is not enough that the Liberals left us with record debt and record deficit. At a state level that point has been made repeatedly. In Swan Hills, it is not enough that they broke the Ellenbrook rail promise, that at a time of burgeoning state coffers Lord Street became one of the most congested roads in the whole of the Perth metropolitan area or that Toodyay Road was identified as one of the top 10 most dangerous roads in the state of Western Australia and they did nothing. It is not enough that we had the most overcrowded schools in the Perth metropolitan area and that the fastest growing region of the metropolitan area, the north-east metropolitan area,

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was the only part of Perth not to have a child and parent centre. We were denied an education support centre for primary school-age students. It was the only region of the metropolitan area not to have one! It is not enough that the federal Liberals denied people in the north metropolitan area Medicare access to MRI services.

[Quorum formed.]

Ms J.J. SHAW: It is not enough that the federal Liberals failed my community by not allowing access under Medicare to MRI scans. It is not enough that the federal Liberal member for Pearce supported cuts to paid parental leave, Newstart, Youth Allowance, and was responsible for the robo-debt fiasco, which disproportionately affected people in my electorate. How much is enough? The Liberal Party has a record of sustained neglect of my community—and I say enough is enough. Not only did members opposite wreck things in government, in opposition they are attacking training for young people. Again, it is disproportionately affecting my electorate. I could not sleep last night when I was thinking about it. This is affecting our future. Members opposite may sit there and laugh at this, but our future is amongst us now. How we treat, nurture and educate our young people will deliver us our future. That the Liberal Party so consistently attacks it is absolutely shameful. I say enough is enough!

In my electorate, 32 per cent of people are under the age of 18 years. We have very high youth unemployment. We have well documented mental health and youth suicide issues. We have very poor access to public transport. There are very limited pathways out of those sorts of conditions. The opposition is actively blocking additional measures. This is the reason it incenses me so much: at Ellenbrook Secondary College, 82 per cent of year 12 students choose a vocational education and training secondary pathway. That is 82 per cent. Another four per cent take VET–Australian tertiary admission rank subjects. A disproportionately large number of kids in my electorate need training positions. The position the opposition has taken denies that. In addition, it was bad enough that the former government increased TAFE fees by over 500 per cent in its eight and a half years in government. That was an absolute disgrace. It is now pulling out \$54 million.

Debate interrupted, pursuant to standing orders.

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