

**ECONOMICS AND INDUSTRY STANDING COMMITTEE**

*First Report — “Annual Report 2016–17” — Tabling*

**MS J.J. SHAW (Swan Hills)** [10.00 am]: It is a considerable honour to have been appointed chair of the Legislative Assembly’s Economics and Industry Standing Committee for the fortieth Parliament and a pleasure to present its first report titled “Annual Report 2016–17”.

[See paper 522.]

**Ms J.J. SHAW:** The 2016–17 financial year was unusual for the Parliament in so far as it was punctuated by a state general election. This report therefore covers the activities of the Economics and Industry Standing Committee of both the thirty-ninth and the fortieth Parliaments. I would like to recognise and acknowledge the work of the members of the EISC of the thirty-ninth Parliament: chair, Mr Ian Blayney; deputy chair, Fran Logan; and members Jan Norberger, Peter Tinley and Terry Waldron. Particular acknowledgement must also go to that committee secretariat of Dr Loraine Abernethie and Mr Michael Burton. Among the achievements listed in this report, the committee of the thirty-ninth Parliament presented its ninth report, “Growing WA through Innovation: The Western Australian Government’s role in fostering innovation to expand and diversify the economy”, which identified a range of opportunities to broaden the state’s economic base. This report is a substantial contribution to public debate on how governments can support and encourage entrepreneurialism and growth throughout the state. The fortieth Parliament’s EISC was established on 17 May 2017 and has a remarkably broad range of portfolios within its remit, including state development, jobs, trade, mines and petroleum, regional development, transport, small business, agriculture and food, and subjects particularly close to my heart—energy, innovation and ICT. There are some absolutely fascinating topics that the EISC can explore as a group. In our early deliberations EISC members have all expressed a desire to meaningfully contribute to the Parliament’s work in support of the industries and jobs of the future. I would like to thank deputy chair, Sean L’Estrange, and members Yaz Mubarakai, Stephen Price and Terry Redman for their constructive engagement on the development of the committee’s agenda. We have talked about the sorts of topics we would like to cover and there really is some fascinating work that we have set for ourselves. Whether we get through it all is another matter, but there really are some fascinating topics, and I think we could hopefully make some really good contributions to the ongoing debate about how we best contribute to the growth of the state’s economy. We most certainly have an interesting year ahead and I look forward to the ongoing support of principal research officer, Dr David Worth, and research officer, Lachlan Gregory.

The committee began its work this year by considering the effectiveness of protections afforded to subcontractors he working on government projects, and received a briefing from the Department of Finance. This is an issue that I know is of interest to all my colleagues on the committee. In my electorate of Swan Hills there are a lot of small businesses. I come from a family of tradies and the impact of non-payment of subcontractors can really be quite devastating for families, small businesses and communities with a high proportion of tradesmen within their ranks. We looked at the way in which government can act as a model contractor and at the establishment of project trust accounts into which payments are made at the commencement of contracts to guarantee that subcontractors have access to payments on an ongoing basis and are not left out to dry if a principal contractor either refuses to pay or subsequently becomes insolvent. We also looked at the complaints system and the ease with which it can be accessed, how the awareness of the complaints system can be raised amongst subcontractors and the ease with which it can be navigated. I think there were some issues that the committee became aware of through the course of those briefings on the general ability of tradesmen who are just focusing on their business to access those complaints mechanisms and some potential reluctance they may have. If they are seen to be too vocal in lodging complaints, it can very often dry up a future pipeline of work, and those are clearly issues the government needs to be cognisant of. We also looked at the effectiveness of the compliance systems, spot checks on whether payments are being made and the degree to which principal contractors comply with their contractual obligations to their subcontractors. This was an issue that was raised on this side of the chamber with a number of my colleagues by their constituents and I am quite sure members across the chamber have heard similarly. We will keep an eye on the implementation of the legislative mechanisms going forward.

The second major initiative that the EISC has initiated recognises the importance of aviation to state development. We have initiated our first inquiry examining the impact that high airfares have on regional Western Australia. Again, this issue came up over and over again in the regions, and also for people here in the Perth metropolitan area who have family in regional locations and want to be able to visit them. As part of our inquiry we will consider the effects on regional communities, businesses and our tourism industry. We will examine the factors contributing to high airfares and we will make a series of recommendations on the actions that the state government and industry might take to place downward pressure on prices. We have received a high number of submissions and have had considerable interest in the committee’s hearing schedules. I have been told that a record number of submissions have been provided. We have had well over 100 submissions into this issue,

a considerable amount of correspondence with the committee and a lot of media interest. It is obviously a very widely and deeply felt issue impacting right across the state. Again, it is an issue that we hope we can make a significant contribution towards. Next week my colleagues and I will be visiting a number of regional townships. We will be in Kununurra, Broome, Karratha, Albany, Esperance and Kalgoorlie to hear the community's concerns. We will also hear from industry experts from the airlines themselves, from local governments, from industry associations and, probably most importantly, from the communities themselves. We will host town hall meetings in four of those locations where there has been an incredible amount of response. I am very much looking forward, as I know my colleagues are, to hearing about the impacts that high regional airfares have on these communities.

There can be no doubt that Western Australia faces a range of significant economic challenges, and it is vital that we turn our minds to the opportunities of the future and work to address impediments to growth. Parliamentary committees in particular perform important work in Westminster systems. They can encourage in-depth, considered inquiries into matters of public importance and promote constructive bipartisan approaches to complex policy issues. It is in this spirit that I thank my colleagues for their collaborative engagement thus far and look forward to the coming year.

**MR S.K. L'ESTRANGE (Churchlands)** [10.09 am]: I wish to take a few moments of the time of the house to speak on the annual report of the Economics and Industry Standing Committee. As the chair, the member for Swan Hills, rightly pointed out, this is a very new committee of a new Parliament that has come together, which you, Mr Acting Speaker (Mr S.J. Price), are part of. My committee background includes membership of the Joint Standing Committee on the Corruption and Crime Commission and the Public Accounts Committee. It was a real pleasure to become a member of the Economics and Industry Standing Committee in this fortieth Parliament.

I want to touch on some of the context within which the Economics and Industry Standing Committee will try to take on the challenge of the next four years. We will try to produce some really insightful recommendations to government on how it can better set up the success of the Western Australian economy for the people of the state moving forward over the next four to eight years. We all have a great understanding of the fact that we came off a significant mining construction boom. I call it a mining construction boom because enormous projects took place over the decade from 2002 to 2012 predominantly. Other projects have continued and we have been fortunate to hear of recent state agreements signed such as the \$6 billion Balla Balla state agreement for another iron ore mine in the Pilbara. Projects are still continuing today but that decade of growth in that sector was enormous for Western Australia. It meant that some people in Western Australia were on very good fly in, fly out-type salaries. People moving to the Pilbara and the goldfields were on very good salaries while these mine projects were being constructed and at the time the commodity prices were very high. People were doing very well off that. The economic effect of that mining construction and high price commodity boom meant that some people in metropolitan Perth were on high incomes, which were being distributed and spent in the local economy. People in some of our regional centres such as Bunbury, Kalgoorlie, Albany and Geraldton were also spending their excess income in those centres, which supported jobs at a local level. That certainly supported jobs here in metropolitan Perth. At the same time, we had a property price boom. Things were good. People were encouraged by the economy. They were encouraged by the economic environment within which they operated and people were pretty enthusiastic and optimistic about the future.

Then construction slowed. The construction of those mine sites was completed and they moved into a production phase. During a production phase, fewer people are needed to work on those sites. At the same time as that mining construction moved to production, we had a double hit with commodity prices also dropping significantly, particularly iron ore. Prices that were around the \$150 a tonne mark moved to \$30 or \$40 a tonne. That was a significant change, which meant that a number of projects had to stop. That had an impact on that sector. Although everybody in Western Australia did not work in the mining and petroleum sector, when that sector really slowed, it had a flow-on multiplier effect into the economy of metropolitan Perth and the regional centres. People were not spending as much of their disposable income to go out and buy more goods in the shops, spend more in cafes and restaurants and use more taxis. The impact that had on the economy of Western Australia was very heartily felt by the people.

With that in mind, other members of the committee and I took the approach of looking at the economy of Western Australia—an approach that certainly from my side of politics focused on that diversification of the economy of Western Australia so that it can sustain more jobs regardless of those commodity price cycle movements and big projects in the mining sector. The chair picked up on the fact that we had a brief look at the subcontracting sector. I think we had one hearing on that matter. That issue was at the forefront of the Liberal-National government, certainly in its last year. Significant changes were made to the Construction Contracts Act 2004. Other changes were also made. We saw the drafting and creation of a code of conduct linked with that and an expansion of the powers or the capacity of the Small Business Commissioner to get in there and adjudicate to support subcontractors who might

not be treated as well as they should be by primary contractors on construction sites. That was certainly a focus of the last government. The committee touched on that. We had one hearing and then it was really a watching brief.

The first thing of significance that the committee has embarked on is looking at regional airfares. Although I cannot divulge what the committee is talking about in that space, from a personal perspective, it is interesting that when people think of regional airfares in Western Australia, a lot of them might think of comparing regional airfares in Western Australia with regional airfares on the east coast. I think the word “region” can be misunderstood here because regional centres on the east coast are not that far from each other. They might be a fair way from a major capital city but they are not that far from each other. In Western Australia, it is quite different. Some of our centres should not be called regional centres; they should be called remote centres. They are so far from Perth that they really are on their own. We do not have to worry about committee deliberations on this issue; we only need to look at the price of airfares in the newspaper to see that it is probably cheaper to fly to London than to fly from Perth to Kununurra and back. We have some real issues there. We have this notion of thinking of it as regional whereas maybe the focus should be on how we deal with these remote centres and then how we as a society try to expand the economic impact throughout Western Australia when we are dealing with these remote communities, which have a lot to offer. How can we get those economies up and running more effectively so they can support the people who live there and they can be better connected to the people who live in metropolitan Perth?

I think the committee got off to a great start. I, too, thank the committee secretariat and my fellow committee members for the enthusiasm that we have already brought to the group to try to do something in the best interests of the people of Western Australia—to try to look for ways of diversifying the economy. This first project of looking at regional airfares that we have taken on is certainly a way of trying to open up more dialogue and more understanding of how we can support the economy throughout Western Australia.