

Division 18: Small Business Development Corporation, \$15 398 000 —

Ms S.E. Winton, Chair.

Mr P. Papalia, Minister for Small Business.

Mr D. Eaton, Small Business Commissioner.

Mr R. Buttsworth, Director, Corporate Resources.

Ms J.C. Collins, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available tomorrow. The Chair will ensure that as many questions as possible are asked and that both questions and answers are short and to the point. If an adviser needs to answer from the lectern, will they please state their name prior to their answer. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall only be examined in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee, and I ask the minister to clearly indicate what supplementary information will be provided. I will then allocate a reference number. Supplementary information should be provided to the principal clerk by Friday, 30 October 2020. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge that through the online questions system.

I believe our first question goes to the member for North West Central.

Mr V.A. CATANIA: I refer to budget paper No 2, volume 1, page 267. Under "Spending Changes" and "COVID-19 WA Recovery Plan", \$240 000 has been allocated to the PIVOT program for small business. Will additional funding be allocated to the Business Local program to allow services in regional areas to be able to provide additional advice and services that may now be required, given the fallout of COVID for many businesses and the need for businesses to pivot?

Mr P. PAPALIA: At the moment, no. We have adequate funding and resources to meet that demand. Over 500 participants and an additional 150 partial participants have been involved in that program.

Mr V.A. CATANIA: Whereabouts are the 500 participants based? Is the minister able to provide a breakdown of that number?

Mr P. PAPALIA: Sure. I can provide that as supplementary information. I undertake to provide to the member a breakdown of locations by regional development commission of participants in the PIVOT program.

[*Supplementary Information No B2.*]

Mr V.A. CATANIA: I have a further question on the PIVOT program for small business. Is the Small Business Development Corporation assisting small businesses by providing assistance with some of the mental health issues that they face? It is not all beer and skittles out there for regional businesses; in particular in the north west, there was a gap of three months with no income and there is a lot of uncertainty in a lot of areas moving into the non-peak season until March next year. The minister can understand the stresses and strains that small businesses are under. Is the SBDC providing any mental health support?

Mr P. PAPALIA: I will answer that in a moment. In the regions, with the exception of the East Kimberley, it looks very much as though there will not be the seasonality that we normally encounter. The projected demand in the coral coast tourism region and the north west tourism region, with the exception of the East Kimberley, suggests that there is not going to be the seasonality issues that we normally confront. That is also a consequence of what we have already done with regional aviation and what we have already announced. Some 10 000 of the 28 000 seats between Broome and Kununurra have already been sold. That gives the member some indication that it is going to be a different season from normal, with people booking to go to Broome at Christmas and things like that.

That aside, yes, the SBDC does mental health first aid training. Its advisers and mentors do that, and then they refer to health agencies as appropriate. It is really a Department of Health, Mental Health Commission and Minister for Health responsibility, but, yes, the SBDC has first-aid training and it is aware of the appropriate support services that are available and it refers to them.

[12.10 pm]

Mrs A.K. HAYDEN: I refer to page 267 and the “Appropriations, Expenses and Cash Assets” table. I note that there was a drop in the total appropriations in 2019–20 and it goes back up again, obviously, in 2020–21 and 2021–22, but then it drops again in 2022–23. Can the minister explain the drops in 2019–20 and 2022–23?

Mr P. PAPALIA: The SBDC is getting more money than it has ever had, and that goes on into the future. The drop that the member referred to in some year in the forward estimates is an accounting treatment. It is related to the treatment of office accommodation leases, which was subsequently determined to be out of scope. It was included in this year, but it should not have been, and it has now been subsequently removed.

Mr M. HUGHES: I refer to page 268 of budget paper No 2 and the first paragraph under significant issues impacting the agency. Can the minister please advise us of the achievements of the COVID-19 business assistance centre implemented under this government?

Mr P. PAPALIA: I might ask the commissioner to respond to that. In advance of his response, I will say that the SBDC has been extraordinary in the face of this once-in-a-100-year event. They —

Mr V.A. CATANIA: Hope.

Mr P. PAPALIA: Well, no. Undoubtedly, it has been extraordinary.

Several members interjected.

Mr P. PAPALIA: Fair enough; it could happen again very soon, but let us hope that it does not. Its staff, like many people across the public sector in Western Australia, stepped up when it really counted. They were dealing with people who were under incredible stress, whose livelihoods were at great risk, and they were dealing with them personally. Our agency ensured that they had someone to talk to and it was a massive contribution. They have also stepped up in all manner of fields around commercial tenancies and providing advice in all fields of endeavour for different sectors that they have never really had much to do with in the past but have been asked to support. In addition to all that, they have provided specialist advice across government to lots of other agencies with respect to the impact on small business and the provision of support and assistance to small business. I will ask the commissioner to answer the member’s question.

Mr D. Eaton: I think that the minister has broadly covered it. Initially, there was somewhat of a fourfold increase in usual demand in the early parts of the pandemic. Of course, there was a lot of anxiety. People were phoning us for information. Then as governments, both commonwealth and state, responded with programs, there was an increase in calls seeking clarity about access to those programs and things like JobKeeper, as well as state programs. More recently, they have wanted to know how to transform their business and move into the recovery phase. We have had a 28 per cent increase in demand over the previous year. In the last quarter of the last financial year, we had a fourfold increase in disputes and in demand in some areas.

We have also accelerated use of the digital channel, so both workshops and advisory sessions are now available through various channels like Click Chat. That has been adopted rapidly by clients, too, which has extended our reach. We have been involved in many other advisory forums with other agencies now developing programs to support small business and providing input into the practical input of those responses. Our entire catalogue of enterprise skills workshops are available online and free for the rest of the financial year. Some of those workshops were pivoted into subjects that are going to help businesses with COVID crisis management, how to access JobKeeper and so forth.

Mr V.A. CATANIA: Based on the aid to businesses on JobKeeper and so forth, does the minister have an understanding of how many businesses in Western Australia are on JobKeeper? Does he have a breakdown of regional figures compared with metropolitan figures?

Mr P. PAPALIA: No. The member is talking about federal agencies. We do not have visibility of that.

Mrs A.K. HAYDEN: Following on from that, the commissioner advised that there has been an increase in calls and so forth. Is the minister able to tell us which of the programs that the SBDC is offering to support small businesses have actually had a larger uptake during COVID-19?

Mr P. PAPALIA: I will ask the commissioner to answer that. I will add, though, to his previous answer. One of the other initiatives in response to COVID was the more rapid passing of—thank goodness—the legislation to empower the commissioner to undertake investigations. We had already given a budget and resources to the commissioner to have an investigative unit and to investigate the treatment of particularly smaller players like subcontractors. That was one of the other initiatives. That unit is in play, it is empowered and the commissioner is empowered. That was an additional response to COVID in this environment where a lot of government money is flying around and there is an increased likelihood of smaller players like subcontractors being exposed to exploitation by the prime contractors. I will hand over.

Mr D. Eaton: Overall demand of all the functional streams was up. Interestingly enough, at the beginning of COVID, we ceased the “how to start a business” workshop, and obviously expanded the portfolio to more crisis management. Demand for the “starting a business” workshop remained, so we reopened that portfolio of workshops, which is

interesting. Certainly, advisory was up fourfold—how to adapt. As I said, there is a number of government programs, so wanting to know what was available to businesses and how they qualified. With regard to the level of disputation, our dispute resolution service is up fourfold in terms of volume. We are currently carrying 250 cases. This time last year, we would have been carrying 40 or 50 cases.

Mr V.A. CATANIA: Has the minister got a handle on how many businesses are insolvent or have closed since the pandemic? Is there any visibility that the SBDC has over businesses in the state? Given that dispute resolution has increased fourfold, I imagine that that could translate into a high number of insolvencies or businesses closing.

Mr P. PAPALIA: I am advised no, because of one of the initiatives the government took. We were the ones who drafted the commercial tenancy code of conduct and passed that law, which has naturally resulted in greater referrals to the commissioner for assistance with mediation around that process. That did not exist before and now they are all compelled to negotiate—tenants with the landlords. As a consequence, there has been a natural uplift in disputes.

With respect to insolvency, the federal government’s current response has meant that insolvency is not going to happen for a time until those laws that have been passed terminate. A person is not compelled to become insolvent in the time that they would have in the past. There is latitude now and I think there is be delay right across the nation with respect to insolvency. In fact, I hazard a guess that Western Australia will be far less impacted, but everywhere in the country there will be insolvencies when all this ends. When we go back to some sort of a more normal environment, some of those other states will be massively impacted. The commissioner has advised me that we are not seeing any great increase right now.

[12.20 pm]

Mrs A.K. HAYDEN: I refer to the number of dispute cases going up; there are 250 cases on the books at the moment. Are those disputes, percentage-wise, mainly tenancy disputes? Can the minister provide some information on the breakdown of disputes and the topic? I am happy if the minister wants to provide it —

Mr P. PAPALIA: The commissioner does not have the numbers to date. However, his sense is that the vast majority are related to commercial tenancies in this current environment. It is essentially generating consultations with the commissioner because that is part of the process. On the way to the dispute either being resolved or ultimately ending up in the State Administrative Tribunal or the Supreme Court for appeal, it has got to go through the commissioner. In the event that the dispute is not resolved, at the moment, the SBDC provides support to the smaller player for making their application to the State Administrative Tribunal for appeal. All of that is generating more activity. But, ultimately, it is related to our response to COVID in the current environment.

Mr S.K. L’ESTRANGE: I refer to budget paper No 2, volume 1, and the line item “Net Cost of Service” in the table at the top of page 271. In 2019–20, there is \$11.085 million, and in 2020–21, the budget target is \$12.769 million, which is a 15 per cent increase. Underneath that line, the number of full-time equivalent employees is going from 42 to 49. Can the minister explain what those extra seven people will be doing and whether those extra seven people are the reason for the jump in budget?

Mr P. PAPALIA: It is a combination of things. Three of the FTEs support our small business–friendly local government initiative, which has been expanded as part of the recovery plan. A number of those FTE are also associated with the investigative unit that we have stepped up.

Mr S.K. L’ESTRANGE: There are four left, so what are the other four doing?

Mr P. PAPALIA: It is a contingency to meet demand associated with the post-COVID environment.

Mr S.K. L’ESTRANGE: Have those seven people been appointed yet?

Mr P. PAPALIA: The placements with the investigative unit are being advertised, so they will be filled. There are some casuals engaged for the purpose of meeting demand with regard to the advisory role around COVID at the moment.

Mr V.A. CATANIA: I refer to page 273. Under “Income from State Government” is the line item “Royalties for Regions Fund: Regional Community Services Fund” has \$180 000 for 2020–21. Can the minister explain what that \$180 000 is?

Mr P. PAPALIA: That is specifically related to the Collie revitalisation program. There is a small business adviser in town to assist transforming Collie or assist in moving the economy in Collie away from mining towards other opportunities.

Mrs A.K. HAYDEN: I refer to “Access to Justice for Small Business” on page 269. There is a drop in funding to that. Can the minister explain that drop in funding, comparing the last budget with this budget, and what the service is and why there has been a drop? I would have thought that during this time, businesses would need all the help they can get and justice may be one of the key areas of assistance.

Mr P. PAPALIA: I am advised that the funding allocation in the 2018–19 actual was for establishing the investigative unit and essentially supporting subcontractors. Subsequently, the budget has increased, but it was not required because the demand for that funding has not been met. So, it is just more accurately meeting the requirement, and over time it will grow as indicated in the budget.

Mrs A.K. HAYDEN: Thanks, minister; I appreciate that. This was for setting up the new unit after the legislation was passed, so it has not had to use all the money. The minister said that subcontractors are being used. Would that then refer to —

Mr P. PAPALIA: No; it is to support subcontractors. It is to support subbies out in the community.

Mrs A.K. HAYDEN: Yes, of course.

Mr P. PAPALIA: They are not subcontracting.

Mrs A.K. HAYDEN: So, it is not part of some subcontractor project that the SBDC has.

Mr P. PAPALIA: No. Some casuals have been brought in. We have the investigation unit, which is permanent, but the unit is being grown over time. Investigators and appropriately skilled individuals will be employed in the unit.

Mrs A.K. HAYDEN: I have a question about the cost of subcontractors, which is found on page 271 under “Efficiency Indicators”. It shows the cost of subcontractor support services by percentages. What do those subcontractor support services actually provide?

Mr P. PAPALIA: It is not actually paying subcontractors; it is supporting subcontractors in the community as an investigative unit. That is funding towards support of services to subcontractors in the community, which we undertook to do post the disastrous outcomes in 2014 when thousands of people on government contracts were left out of pocket and subbies all over the place suffered hardships, lost their homes, had marriage break-ups and, sadly, some even took their life. But it is for the subcontractors that we are helping; that is not for employing subcontractors.

[12.30 pm]

Mrs A.K. HAYDEN: Just to clarify, is that what we were just talking about with the new unit that has been set up?

Mr P. PAPALIA: Yes, that is what it is.

Mrs A.K. HAYDEN: That is why I was trying to get it under the one question.

The appropriation was recommended.