




Speech By  
**Michael Hart**

**MEMBER FOR BURLEIGH**

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Record of Proceedings, 15 July 2020

**BUILDING INDUSTRY FAIRNESS (SECURITY OF PAYMENT) AND OTHER  
LEGISLATION AMENDMENT BILL**

 **Mr HART** (Burleigh—LNP) (11.45 am), continuing: I want to quote part of the implementation panel's report to show just how tardy this minister has been in delivering Labor's election process. The executive summary on page 1 states—

The PBA reforms will require many head contractors to change their business practices. They will be prohibited from using retentions or project funds as part of their cash flow. Many will need to source additional capital by increasing debt or liquidating assets. This financial transition, whilst an intended consequence, will cause disruption. Some contractors may choose to restructure, others will be able to increase their asset base over time.

The Panel considers that the effective management of this financial transition is essential to the success of the reforms. Destabilisation of the sector through head contractor stress or failure will not be good for head contractors, subcontractors or the community as a whole.

This is the bit I want members to listen to. It continues—

Accordingly, we have made a recommendation there be three further phases to the introduction of the PBA reforms. This recommendation is based on analysis of data which estimates that around 63% of contracts that will be subject to a PBA are valued between \$1 million and \$3 million.

Sixty-three per cent of contracts are between \$1 million and \$3 million, so bank that away for a minute and we will talk further about that shortly. It continues—

By gradually reducing the contract value that is subject to a PBA, the financial impact can be managed to give all head contractors the best opportunity to transition their businesses towards improved viability.

I will come back to that in a moment, but while I have time I also wanted to talk about the contribution of Mr Richard Fields from Richard Field Constructions about young builders coming into the marketplace. He was asked by the member for Callide—

Throughout the duration of this inquiry we have heard the onerous and complicated conditions put on particularly small mum-and-dad business operators in regard to the reporting systems and requirements and so forth that even lawyers find difficult to understand.

Even lawyers find it difficult to understand. The member for Callide continued his question—

Would you care to give some comment on that and how this might affect small business operators?

Mr Field said—

Yes, certainly I can. I would first of all like to mention that I am a degreed construction manager.

He has a degree, unlike other people in this House. He continued—

I went to QUT for six years and I have a bachelor in construction management.

He has a bachelor in construction management. He further continued—

I have been a commercial builder for 25 years. I turn over \$12 million a year. I came out of a nationwide commercial building company where I did my cadetship for 10 years. Operating at this level with contract law and legislation has been very difficult for me, but I have managed it.

To give you an idea, before I speak to your point about small operators, I have managed it through working with a very specialist construction software accounting provider, which is called CSSP. I have invested, say, \$300,000 in over 15 years with this firm to manage my accounts ... I have a very advanced system. The people I have been working with with my software have not been able to, in two years, upgrade their system to make it PBA compliant and appropriately workable. It is very, very difficult for them. After two years they still have not done it and there is no reason to think they will be able to do it any time soon.

If I may now, with that context, answer your question, I think smaller builders that approach the PBA market with the \$1 million threshold will almost certainly see it as a barrier to entry and stay out of the market.

He is saying that builders may not even come into the market with this sort of liability over their heads.  
He continued—

That barrier to entry will reduce competition and will drive prices up. That is basic economic supply and demand. I do not think a builder rising through the market or a mum-and-dad operator will ever be able to comply with this properly. It will be very, very difficult for them.

The member for Greenslopes had something to add then. He said—

Mr Field, it sounds to me like you are highly educated and highly experienced. You seem to have fairly good business processes there. You have spotted a tool that you need for your business and you have invested quite heavily in that and probably quite wisely. You seem to me to be running a reasonably sophisticated business. While there may be less competition if this legislation goes through at that particular price point in the market, is that necessarily a bad thing? Do we want unsophisticated operators that cannot manage cash flow and that cannot manage complicated projects moving into that sphere of the market and potentially collapsing and doing the damage that this legislation is trying to avoid?

The member for Greenslopes thinks that builders who are operating in the \$1 million to \$3 million range are unsophisticated, do not know what they are talking about and maybe should not be in the marketplace to start with. That is what this government thinks about our mum-and-dad builders.

I will just go over the time line because, quite frankly, there are no actual time lines in any of the amendments that the minister mentioned last night. The only way you can find a time line is to go to the minister's speech. Basically, what is happening is that from 31 March next year these project bank accounts turn into project trust accounts, so nothing is really changing except the process for holding the money. These are government projects, and as we all know the government tends to pay its bill and hopefully that money flows down to subbies. The minister said in his speech—

From 1 July 2021, state government and hospital and health services' building contracts worth \$1 million or more will require a trust account.

Again, these are government jobs so the money should flow down. That is happening on 1 July 2021, so nothing really is happening until then. He then said—

From 1 January 2022, project trust accounts will be extended further to all private sector building and construction contracts worth \$10 million or more.

Finally, we are getting to the stage where this is branching out into the private sector but not until 1 January 2022. That is when it also pulls in statutory authorities, local government and government owned corporations.

We remember that the election commitment was in 2015, the bill came into the House in 2017, we are now in 2020 but this is not going to apply to those projects until 2022. In fact it is not going to trickle down to those \$1 million-plus projects in the private sector until 1 January 2023. We all know that the Labor government promise made in 2015 was that all subbies would be paid on time, every time, but it is taking them eight years to achieve that at the end of the day. We know that 63 per cent of contracts are in that price range, but it will take them eight years to achieve that.

Members might think that we could build a coalmine in less than eight years—well, this government cannot—or that we could build a dam in less than eight years. This government cannot do that either. In fact the Minister for Natural Resources told us today that the Rookwood Weir is a once-in-a-generation dam. The Labor Party thinks you can build a dam once in a generation; that is the reality of it. Apparently, it only takes 10 weeks to get a master's degree though so they are pretty efficient at that sort of thing.

**Mr DEPUTY SPEAKER** (Mr McArdle): Member for Burleigh, come back to the bill.

**Mr HART:** The LNP stands behind a royal commission type investigation into the building industry. That is what we really need to see here because at the end of the day there are issues even on a federal level that need to be dealt with. This government have done nothing about ongoing professional development for our builders to teach our builders how these programs could work. That is a very important issue that they should be tackling. They should be having the conversation—just as I have had the conversation—with our federal colleagues about ASIC issues and the phoenixing of companies. Our Deputy Premier has got an issue in that—

*(Time expired)*