

REVENUE LAWS AMENDMENT (ASSESSMENT) BILL (NO. 2) 2001

Cognate Debate

On motion by Mr Ripper (Treasurer), resolved -

That leave be granted for the Revenue Laws Amendment (Assessment) Bill (No. 2) 2001 and the Revenue Laws Amendment (Taxation) Bill (No. 2) 2001 to be considered cognately, and that the Revenue Laws Amendment (Assessment) Bill (No. 2) 2001 be the principal Bill.

Point of Order

Mr BARNETT: I question whether these Bills should be treated cognately for the simple reason that, generally, when the House deals with taxation Bills, there will be a taxation Bill amendment, and an assessment Bill amendment. It has been the convention to deal with both the taxation measure and the assessment Bill as cognate items, and I would not have any objection to doing that. In other situations, where a number of minor changes are proposed to taxation legislation, relating to definitional matters, updating, rewording or shifting a punctuation point, omnibus provisions have been used, as was done by the previous Government. These provisions allowed for a change to be made to a number of different taxation Bills in one go. That is a sensible way of progressing. The present legislation proposes very significant changes to payroll tax and land tax. These should not be put in one Bill, and they should not therefore be debated cognately. This is not the way it should have been done. This is poor parliamentary practice and poor action by the Treasury to have done it this way. What should have happened in this case is that an assessment and a taxation Bill relating to payroll tax should have been debated cognately, and similar Bills relating to land tax should have been debated cognately.

Mr Kobelke: The Leader of the Opposition has made his point. Does he now intend to deny leave?

Mr BARNETT: I will make my point. It is very poor process by Treasury officials to combine significant changes to payroll and land taxes in a single Bill, and it is poor parliamentary practice by the Treasurer to be progressing in this way. I question whether these Bills might not be ruled out of order, if not in this House, then in the upper House, and if that happens, that will be on the head of this Treasurer. I will allow these Bills to be debated cognately, but if they are ruled out of order in the upper House, so be it. That is the first issue that must be faced, and the Treasurer will receive no sympathy at all from the Opposition. In future the Opposition will not accept a cognate debate, if major items from different taxation Bills are put into a single Bill. This clearly should have involved four pieces of legislation, and two cognate debates - one about the payroll tax changes and one about the land tax changes.

Mr Kobelke: The Government has been very lenient.

Mr BARNETT: How tolerant of the Government to be lenient! The Treasurer has bungled in the way these Bills have been presented. They may be knocked out in the upper House, and if they are, it is on the head of the Treasurer. I will allow this matter to proceed, but it is poor parliamentary practice. Treasury, Crown Law and the officers of this Parliament should not be entertaining legislation progressing in this form in the future.

The ACTING SPEAKER (Ms Hodson-Thomas): There is no point of order. Leave is granted.

Second Reading

Resumed from 25 October.

MR BARNETT (Cottesloe - Leader of the Opposition) [10.37 am]: These are very significant pieces of legislation, involving large changes to payroll tax and land tax in this State, and some related changes to stamp duty. In the budget, the increases in what is essentially business taxation were estimated at \$147 million net in a full year. I cannot recall, in my period either in Parliament or public life before that, such a large one-off increase in business taxation. It is an extraordinary increase in business taxation of \$147 million. I will go back into the history of taxation measures and see if this Treasurer can identify any occasion when a Government increased the application, the base and the rate of taxation in such a draconian way. The increase in payroll tax alone in a full year will be in the order of \$100 million, and the increase in land tax is estimated to be in the order of \$40 million.

That is an extraordinary burden to impose, and it comes at a time when, following the events of 11 September, there is a greater degree of international uncertainty, and people are hesitant to make business decisions and investments. However, that was not the sole source of uncertainty. The international economy, including Australia's major trading partners, Japan and the United States, had already seen a significant slowdown in growth. A series of corporate failures had occurred in Australia, including Ansett Australia, HIH Insurance and One.Tel, with retrenchments of labour. The employment statistics for the State already show a weakening labour market, which was evident at the time of the election and which accelerated during the first part of this year. I

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regret to say this weakening is likely to accelerate rapidly as we approach the end of the calendar year. In this environment, there is no doubt that these increases, particularly the increases in payroll tax, will cost hundreds of jobs in Western Australia. There is absolutely no doubt about that and anyone who argues otherwise would be assuming there is no relationship between the price of labour and the amount of labour employed. In an uncertain Western Australian, national and international business climate, a Labor Government introduces a whole raft of increases in business taxes which will have a very significant impact on the small business sector.

As I said before, the structure of this legislation is flawed. It was poorly put together by Treasury, crown law, and, if members like, Cabinet. This is not the way legislation should be passed through this Parliament. This Parliament has an elected responsibility to represent and debate issues. Members should be debating payroll tax changes and changes to that legislation. Similarly, we should be debating the significant land tax changes. Yet the way this legislation has been put together means that these changes are confused across two Bills. The Government had the audacity to say that we would deal with the Bills cognately, which we agreed to do. However, it was inappropriate for it to move that they be dealt with cognately. I agreed to the cognate debate only because it was absolutely impossible to deal with the Bills in any other way because of the way in which the legislation had been drafted. That is not a smart tactic. The Treasurer might think that it is clever, but that is not the way this Parliament should be treated. The legislation is poorly structured. I repeat that the Opposition will not support any form of cognate debate in the future unless the Bills are properly drafted. The Opposition will require, not for minor changes but for significant taxation changes, that there be one taxation and assessment Bill for payroll tax and a separate taxation and assessment Bill for land tax. They should be dealt with separately.

Mr Ripper: Didn't you have omnibus Bills in your Government?

Mr BARNETT: This is not an omnibus Bill. Does the Treasurer know what an omnibus Bill is?

Mr Ripper: I do. I certainly remember debating Bills drafted in this way when you were in government.

Mr BARNETT: This is not an omnibus Bill. An omnibus Bill deals with minor changes that can be put together and dealt with at the same time, such as definitional changes. These Bills involve significant changes to the rate and base of taxation. Payroll tax and land tax are covered by separate statutes. They should be respected and treated accordingly. This is not an omnibus situation; these are not minor, trivial changes involving date adjustments and the like. This is not the way legislation should be handled in this Parliament. I do not care whether previous Governments or previous Treasurers have done similar things. I will not accept it being done in this Parliament from this day on. It is not the way to deal with legislation. These are not minor matters. I am not being difficult about this because I have agreed to it somewhat reluctantly, but the irony is that dealing with the Bills cognately will make it more difficult to handle the legislation, because the debate will swap from payroll tax to land tax to stamp duty and then back again. We will bounce all over the place. Instead of having a sensible debate on payroll tax, land tax and stamp duty, we must dart and weave all over the place because of the way in which this legislation has been structured. It is structured in a way that is awkward to handle in Parliament. If it takes a long time, and it may not, it will be because of the way it is structured. It would be better and more efficient to have well-structured legislation that deals separately with the two major items. The smart alec who thought of this trick should reconsider it, because it is not the way this Parliament should be treated. The bureaucrats who think Parliament should be treated this way should be spoken to also. This is not acceptable parliamentary practice.

The major provisions of the legislation were included in the budget. They represent a huge extra impost on business and, more specifically, on employers, including small business employers within this State. The net full cost is estimated at \$147 million a year. That was the budget figure. A couple of things have changed since then. We are now seeing the increase in the taxation measures that were shown in the budget by way of legislation. As I have said before, that follows on from the great lie of the election campaign. One of the most cynical acts in politics I have seen in my 10 years as a member of Parliament was during the leaders debate on 31 January when the now Premier said in front of hundreds of thousands of Western Australians that taxes and charges would not rise under a Labor Government. The Premier did not tell the truth. He will never live that down. He stood before the public and said that there would be no increases in taxes and charges. However, immediately on gaining government, a whole raft of significant increases in tax imposts on small business were introduced. One part of the package was the ill-fated premium property tax. I have never seen such an incompetent piece of legislation. The Treasurer, and presumably the bureaucracy, understood neither the principles nor the elements of equity involved in the legislation. It was little wonder that the legislation was roundly criticised by not only people directly affected by the tax, but also the whole community. It was little wonder that the federal Labor Party complained about it during the federal election campaign, and little wonder that this Government did a backflip and dropped it. It was an absolutely hapless, incompetent performance by the Treasurer and the Government and it has not been forgotten by the people of this State. It represented a

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Government that not only broke its election commitment to not increase taxes and charges - the great lie of the campaign by the now Premier - but also reflected a Government whose philosophy was based on envy. That came through.

Withdrawal of Remark

Mr RIPPER: It is not parliamentary to accuse the Premier of lying.

Mr BARNETT: What I referred to was the great lie of the election campaign. I referred to a comment made by the then Leader of the Opposition outside the realm of this Parliament. That comment was not made in this Parliament and I did not accuse the Premier of telling a lie. I said it was the great lie of the campaign. I did not call the Premier a liar or accuse him of lying. The comment was made outside this Parliament in an election environment.

Mr RIPPER: The words I heard from the Leader of the Opposition were, "the great lie of the election campaign by the Premier". I regard that as an accusation of lying against a member of Parliament, which is unparliamentary. The Leader of the Opposition should withdraw his remark.

Mr DAY: As the Leader of the Opposition made clear and as the Treasurer corroborated, the Leader of the Opposition was not accusing the Premier of directly lying, but referred to conduct during the election campaign when he spoke about the great lie of the election campaign. That appears to be a subtle but significant difference.

Mr BARNETT: As a way to progress the debate, I will withdraw the reference to the Premier.

Debate Resumed

Mr Masters: But you will retain the reference to the great lie of the election campaign.

Mr BARNETT: It was certainly the great lie of the election campaign.

Mr Hyde: It was never introduced, so how can it be the great lie? It doesn't make sense.

The ACTING SPEAKER (Mrs Hodson-Thomas): Order, members!

Mr Hyde: There is no wealth tax; it is gone.

Mr BARNETT: I would love to debate that with the member for Perth. Is the member for Perth really that incompetent? Is this for real?

Mr Hyde: Are you trying to tell us that there is a wealth tax? You are wrong.

Mr BARNETT: I will debate that point with that bunny rabbit at another time.

The other piece of legislation that we are yet to see, and which I understand is being drafted, relates to the subcontracting system. Again, this is a philosophically driven piece of legislation. Just as the premium property tax was driven by envy, this legislation is driven, I presume, by the union movement in an attempt to attack the subcontracting system. That system works well in the home building industry in this State and probably also in other areas such as the service industry, the emerging information technology sector and the like. The Labor Party and the unions have always hated the fact that there is a vibrant small business sector in the home construction industry, which means that Western Australian home owners can buy houses at a margin significantly below that of homes built elsewhere in Australia. This will be a direct attack on the small business sector in the building and construction industry in this State. That is a separate piece of legislation. That industry and the small business people in it will be attacked by an attempt that will no doubt come to this Parliament to widen the definition of payroll tax to capture so-called employee-like contractors. That is an insidious piece of legislation. It will receive the same sort of public response and rebuke that the premium property tax received. I will come back to some of the major provisions of that legislation in more detail.

The legislation we are dealing with today is difficult to handle because land and payroll tax provisions are mixed in the one Bill, which is an absolutely incompetent way to progress the legislation. The land tax provisions, as one gradually finds them, relate to removing the land tax exemption on a person's private place of residence when it is held by a company or trust. Once again, that is an attack on the family home and small business. That is again an example of the old Labor envy and anti-business stance. The land tax rate will be increased from two per cent to 2.3 per cent for land values between \$2 million and \$5 million, and from two per cent to 2.5 per cent for land valued above \$5 million. That is essentially an attack on the commercial sector. These land values involve a large amount of money, but we are not talking about private assets. The assets are owned by corporate companies or small businesses. One does not have to own much commercial property or have a large business to get into that bracket. The increase from two per cent to 2.5 per cent does not sound great, but it represents a 25

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per cent increase in the rate of land tax for those businesses. These are horrendous increases in tax rates. It does not sound like much. Dividing 2.5 by two will give an indication of the sort of increase that will apply. It is a 25 per cent increase. This is an assault on commercial business, particularly on small and medium-size businesses in this State.

The Stamp Act also has some positive amendments relating to unit trusts but I am disappointed about the way in which they will be made and their lack of breadth. The Treasurer should have attended to the legitimate concerns of that industry at this stage. My understanding is that he told the industry he would address those concerns later, which is as good as saying that he will not get around to it. It could have been dealt with now and put in place properly. I will come back to that matter.

I now refer to the payroll tax changes. As I said, payroll tax is assessed on wages and various fringe benefits. It is a tax that no-one likes; it is a direct tax on employment; and it is a tax that militates against jobs for the simple reason that, together with workers compensation and superannuation, it forms a significant labour on-cost. The total cost of employing someone today is the before-tax wage plus 30 to 40 per cent of that wage in on-costs. I do not have an argument with superannuation - workers compensation payments are another issue - but payroll tax is something that employers correctly see as providing no return. They recognise that superannuation, occupational health and safety and workers compensation are shared responsibilities, but they get absolutely zip for payroll tax. It is a true tax in the sense that they pay out and get nothing in return.

I do not like payroll tax. The coalition Government took measures to reduce the burden of both land and payroll tax. We would have loved to get rid of it. It is very difficult for a State Government to get rid of payroll tax, but one thing I would not be doing is increasing the burden of payroll tax on Western Australian-based employers, certainly not at this time.

The payroll tax structure operates with an exemption level for small business with payrolls of up to \$675 000. When an employer has a payroll of more than \$675 000 he starts to pay payroll tax at a rate of 3.65 per cent. As the payroll progressively increases so do the exemptions progressively decrease. The exemption phases out at a payroll level of \$2.7 million and from then on an employer pays payroll tax on the whole of the payroll. The point I make is that a business with a payroll of less than \$675 000 does not pay payroll tax. When it hits \$675 000 it starts to pay payroll tax at the rate of 3.65 per cent for every extra dollar of wages, but it progressively loses the exemption. The barrier to employing is not hit at 3.65 per cent; it is hit at a higher marginal rate. In fact payroll tax rates get up to marginal rates of 9.4 per cent, which is why they work against employment. If employers are looking at a marginal cost impact of around nine per cent on employing people, that affects their decisions as to whether to employ people. Payroll tax is an insidious and dreadful tax. Almost everything is wrong with it. If one wanted to design the most imperfect tax, one would come up with payroll tax.

Mr Ripper: What is your tax preference in tax policy terms?

Mr BARNETT: I will debate the general tax issue with the Treasurer some other time. I want to go through this rotten legislation first.

Payroll tax has a great impact. It increases the cost of labour in absolute terms. More significantly it increases the cost of labour relative to alternatives. What are the alternatives? The classic first year economics student's alternative would be that it increases the cost of labour relative to capital; in other words it makes employing people more expensive than having machines. In a simplistic way, it is an incentive to reduce labour, to mechanise, to automate and the like. That was the debate of the 1960s and 1970s. That influence still exists in a modern world. However, in reality, the relative costs rise for businesses employing labour in Western Australia today. One alternative might be to substitute machinery, equipment and automation, but a more likely alternative is to import the product or service. That substitution increases the amount imported and moves away from locally based manufacturing and service delivery and the like.

One of the great tragedies that we see in Western Australia and that these tax measures will exacerbate - not cause - is a hollowing-out of the business community. That trend has gone on for probably the past 20 years, but, without a doubt, measures like this will accelerate it. The Government will find that more and more employment and administrative roles will be centred in Sydney, Melbourne or even offshore. When the cost of employing people locally in Western Australia is increased in this way, and that is combined with land tax and the threat to individuals with taxes such as the premium property tax, we will simply lose the business talent of Western Australia. Young, talented graduates in the business area struggle to find jobs in Western Australia now. They go offshore, to the east coast and, more than likely, to the United States and Europe. We are losing some of our best and brightest graduates. This policy by itself will not reverse that trend, but there is no recognition of what is happening in the corporate, small business and professional areas of employment in this

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State. There is a complete lack of understanding of the future corporate, professional, industry and business structure of this State. The Government has taken a foolish approach to economic policy.

Mr Ripper: What do you think of the view of Saul Eslake that we should reduce income tax and compensate with increased taxes on wealth? That is a view that he put publicly.

Mr BARNETT: Who put that view publicly?

Mr Ripper: Saul Eslake, the ANZ economist, has argued for reduced income tax and a shift to property tax to combat the brain drain.

Mr BARNETT: Has he? The Government's premium property tax had exactly the opposite effect. It sheared people from the State. There is absolutely no doubt that, although the premium property tax was not implemented, even the prospect of it coming back has deflected talent out of this State.

Over the years various changes have been made to the structure and rates of payroll tax. I shall refer to a couple of those briefly. In December 1992 the exemption level was \$375 000 for a small business. The coalition Government progressively increased that level and every time it did that it exempted hundreds, if not thousands, of small businesses from payroll tax. The exemption got up to \$675 000 in 1997 and, regrettably, it remained there. We reduced the minimum rate of payroll tax marginally from 3.95 per cent to 3.65 per cent. When we came into office, we reduced the top rate of payroll tax from six per cent to 5.56 per cent. Half a per cent off payroll tax does not sound much, does it? However, at the same time a series of other concessional changes were made.

The point is, difficult as it was and constrained as the State's finances were, the objective of the coalition Government was to increase the threshold to exempt small business from payroll tax. Although the reduction might seem relatively modest, we nevertheless brought down the rates. We worked on bringing down rates, but this Government has gone entirely the opposite way. It has put a major \$100 million additional impost of payroll tax on businesses in this State. There is clearly a philosophical and taxation difference between the former coalition Government and this Government. The irony is that the business groups in this State were duped and somewhat naive. During the election campaign the Labor Party talked about its review of business taxation. I suspect the business groups believed that meant there would be some sort of business relief. Some technical changes might be made, but what have businesses got? There is no doubt that the Labor Party got some support from small business groups during the election campaign when it promised a review of business taxation. However, the Labor Party did not tell those groups that, in reality, there would be a \$150 million increase per year in business taxation in the first budget. I must say that I am critical of some of the major business groups in this State for not being attuned to this issue. They have been very quiet since, because I suspect they are fairly embarrassed. They focused on some obscure issues, for example, on electricity. They thought the Treasurer was a great bloke who would change the electricity market and focus on a review of business taxation. They will regret that they did not focus on the fact that their membership will now be paying \$150 million in additional payroll tax and land tax in particular. That would not have happened in my day. Many of those business groups lose the plot and forget that their prime role is to look after the commercial interests of their members. That is why businesses join business organisations.

Mr Hyde interjected.

Mr BARNETT: I thought the Government was building the convention centre.

Mr Hyde: We are fixing it up after you mucked it up. You should have been able to get the best possible deal. Where is the stadium? You lost that. Where is the best deal for the convention centre? You lost that.

Mr BARNETT: Does the member for Perth know what I would like to happen? If I had a wish I would have him on the front bench because then every day we would have an absolute idiot, a big-mouth, to chop up! One day the member might get there and when he does, we will love it! There is no person more ignorant, rude or disrespectful of the Parliament than the newly-elected member for Perth. He sits there and tries to physically intimidate members; he behaves extraordinarily badly in this House. I will not react to an oaf like the member for Perth.

Mr Hyde: Let us debate your record.

Mr BARNETT: We can suspend standing orders right now if the member wishes. If the member can convince the Leader of the House to suspend standing orders to debate my record he will have my absolute support. Does the member want to do it; shall we debate it now? Shall we suspend standing orders? No, the big mouth from Perth again has nothing of substance to say. I return to the Bill.

Several members interjected.

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The ACTING SPEAKER (Ms Hodson-Thomas): Order, members!

Mr Watson: The private school-educated member!

Mr BARNETT: I did not go to a private school; did the member for Albany? I went to Hollywood; it was a good school.

The first measure relating to payroll tax includes within the fringe benefits component a grossed up value of fringe benefits. As I understand it, payroll tax previously included most fringe benefits. The most common fringe benefit is company cars, which accounts for about 80 per cent. The fringe benefits were assessed on their after-tax value. If one takes a before-tax measure, which is a cost to an employer, and includes that in the payroll tax assessment net, it is obvious that the amount of money assessed for payroll tax is greater. Therefore it follows that the amount of payroll tax paid is greater. It does not sound much, does it? The definition of fringe benefits will be changed and instead of calculating it on an after-tax basis it will be calculated on a pre-income tax basis. In a full financial year that will cost \$16 million. A tax increase of \$16 million will be brought about by a change of definition.

The Labor Party's second measure is to increase the top rate of payroll tax from 5.56 per cent to six per cent. It does not sound much. Our policy in coalition was to progressively reduce the rates of payroll tax. We did that; we reduced it from six per cent to 5.56 per cent. The Labor Party will reverse that from 1 January. The State has a significant number of large employers, particularly in the resource industries and the financial sector. It is the nature of the structure of industry in this State. As of 1 January they will find that their payroll tax bills will increase by about eight per cent. What would an employer do if he were reviewing his employment levels and industry structure at the end of the calendar year knowing that on 1 January his payroll tax bill would increase by eight per cent? The employer would consider the number of people he employed, which he would probably do in any case, and take a different view of it because his payroll tax would increase. We will see a shedding of labour. There is always some shedding of labour at the end of the year but it will be accelerated by these measures. The eight per cent increase does not sound much; the top rate will be increased from 5.56 per cent to six per cent. It does not sound much to some people - certainly not to the lefties opposite; they would not care about that. However, what will it cost business? In a full financial year it will cost business a further \$63 million. An amount of \$63 million will be imposed on so-called large employers in this State. If members think that large employers do not have the capacity to reduce labour they are absolute fools. We are often most sensitive to the small business sector, but small business is constrained. If someone has a shop he has no alternative but to employ one or two shop assistants. A large employer employing 300 or 400 people - or even several thousand - has the capacity to adjust employment levels. Such employers will be faced with an extra labour cost of \$63 million collectively for a full financial year. Someone would have to be a clown and a fool to think that will not have an impact on employment in Western Australia. Payroll tax is an input cost and with the increase in payroll tax the Government will be increasing the cost of labour. It is being done at a time of economic uncertainty and it will cost hundreds of jobs in Western Australia. The loss of jobs may be difficult to identify; no employer will say that he has laid off 50 workers just because payroll tax went up. We should just watch the trend.

Mr Watson: They will lay off workers because of the GST.

Mr BARNETT: Employers do not pay the GST; it is a consumption tax. It is a fundamental difference. It is paid by the consumer. It is a flow-through tax for employers. Payroll tax is a direct tax on employers through their wages bills. It is not passed on in competitive markets. It is a \$63 million impost. Members opposite may sit and snigger, but what is the prediction for the unemployment rate this time next year? How many more hundreds, if not thousands, of Western Australians will not have a job? One of the contributing factors will be tax input increases. There is no doubt that compliance costs are a real cost; I do not dismiss that at all.

Mr Bowler interjected.

Mr BARNETT: The member for Eyre is probably the only person opposite who employs anyone. He possibly does not pay payroll tax. The member should know that an eight per cent increase in payroll tax for employers will affect employment across the board. It will not affect every employer, but it will affect many. Members need not take my word for it, they can take the word of the Australian Bureau of Statistics. As I said in March, the participation rate has fallen. It has hit the bottom and is bouncing along the bottom. Members will see over the summer and into next year what they do not want to see and what I do not want to see: unemployment will jump. At that stage, people will turn to members opposite and ask them why they increased payroll tax. Members do not believe me now; they do not accept it. Let us look at the numbers in six months time.

Mr Ripper: Does the member not think that members have a responsibility not to talk down the economy?

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Mr BARNETT: I have an absolute responsibility to stand up for the businesses and employers of this State in this Parliament. I have an absolute responsibility to stand up for the employment of Western Australians. I will always do that. If the Government brings in taxation measures that attack employment, employers and jobs in Western Australia, I will take up my responsibilities and debate them with the Government any day. The Treasurer says that I am talking down the economy, but I say that by opposing this legislation I am saving jobs in Western Australia. The Opposition opposes such Bills in an effort to save jobs. We are pro jobs and pro employment. The member for Eyre laughs - how many jobs will go in his electorate? Does he have any idea? He does not have a clue.

Let us look at land tax. This is the ridiculous part of the structure of these Bills. We have been talking about payroll tax and now we must talk about land tax. I then have to return to payroll tax because the Treasurer has not even structured the legislation properly. It is a simple thing to do. It would have saved time in these debates. Land tax is levied on the unimproved value of land. Traditionally, major exemptions have applied to land tax: the principal place of residence of a person, agricultural land and various charitable groups. Land tax has had recent changes. Over the period 1995-99, a number of changes were made to land tax in this State. I will not detail all of them. I quote briefly from the Treasury report "Overview of State Taxes Western Australia 2000/2001" -

In 1993/94, the land tax scale was restructured to accommodate the introduction of annual valuations.

In 1993/94, a land tax exemption for beneficiary-occupiers of residences owned by discretionary trusts was re-introduced.

That is interesting. Small businesses always had the opportunity to have the family home included in a company or trust structure. That very often allowed small businesses to borrow against the family home to help finance or start up a business. It formed part of the essential collateral of a small business. During the late 1980s the Labor Party removed the exemption. The coalition Government reinstated the exemption. Hon Max Evans was the driving force. We supported small business being able to use a family home to raise finance for business. Why? Because it may have been the only asset people had; it may have been the only way people could raise business finance. With that collateral, their interest cost would be lower than it would otherwise be. For many people, unless they can use their family home as collateral, they cannot raise the basic finance to start a small business, or sustain it; because, without it, the cost of the loan or the finance is greater. That is why we removed it in a commercial sense. The Liberal Government removed it also for the prime reason that we have a fundamental belief in home ownership in Australia and the family home should not be taxed. This Government should have learnt that with the outrage over the premium property tax.

Mr Ripper: What do you call the goods and services tax?

Mr BARNETT: It is a fundamental principle that family homes are not taxed. If the Treasurer understood anything about the GST, he would realise that rental payments and mortgage payments are not subject to the GST.

Mr Ripper: What about payments for the construction of a new house?

Mr BARNETT: The wholesale sales tax also applied to materials used in the construction of a house.

Mr Ripper: So if it is such a fundamental principle, why did you put the GST on the construction of new houses?

Mr BARNETT: Because the GST is a tax that applies to all goods and services. It does not apply on an annual basis to the family home. Once a home is built, the tax does not apply. This is another one of those dividing lines. This is a fundamental difference between the Liberal Party and the Labor Party. The Liberal Party does not tax the family home; the Liberal Party will not impose taxes on the family home. The Labor Party tried to impose the premium property tax and now it is taking away the tax exemption for small businesses. That will prevent new small businesses from starting up and many people will not be able to afford to pay this tax. Some people may remove their family home from the trust and they will then pay a high interest cost. When the Treasurer was queried about this, he said that for \$20 a home could be taken out of the trust or company structure - what naivety. It is like the premium property tax. When a family home is taken out of a trust, the owners may be exposed to capital gains tax on the transaction and stamp duty payments. When a family home is taken out of the trust to avoid paying land tax and to have the privilege that every other Western Australian has - that is, that the family home is not taxed - what will the bank do? It will want to renegotiate its finance because the collateral has been removed, the interest rate will probably go up and the conditions will become harsher. Yet, this Treasurer says that it will cost \$20. I would throw \$20 to him if that were the case, but it is not. It will have a major impact on small business costs regardless of whether they pay the land tax or restructure. It will

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expose them to other taxes, mainly commonwealth taxes, and impact on their ability to finance their businesses. I do not believe that is a simple measure. It is a far-reaching measure and will have a significant impact. It is an appalling measure. When people queried the Treasurer about removing a house from a trust, he said the transfer would cost only \$20. The Treasury estimates state that this one measure alone - a definitional change removing the exemption for the family home from land tax for businesses - will raise \$10.7 million in a full year. That is nothing like \$20 a throw. It will affect 1 400 owner-occupied small business operators in this State, and the Treasurer thinks that these measures will not cost the State jobs or business failures. I am sorry, but that is naive. Coupled with all the other changes taking place this change will have a profound effect. I want to emphasise this point: the tax on the family home when it is included in some sort of company or business structure, was introduced by the Labor Party in this State in 1989. It resulted from the Labor Party's envy and dislike of business and the party's desire to attack who it thinks are wealthy people. It has a desire to attack their family home, their assets and often, their superannuation, and what they save and build up for retirement security. In 1989, this Labor Party of envy imposed this tax. Under the leadership of Max Evans, the Liberal Party removed that tax in 1993-94. Now the Labor Party is in government again and is trying to reintroduce the tax in its first budget. It is an appalling measure and it strikes at the heart of small business in this State and the basic principle of encouraging home ownership and preserving a family home from tax. That is a fundamental, defining line -

Mr Whitely: Why were you not so vocal when the federal Government imposed the tax on park homes?

Mr BARNETT: I have always agreed on that issue. A lot of people reside in park homes on a permanent basis and I agree that the GST provision, as applied to rental accommodation, should apply equally to park homes. Those changes were made, which I am pleased about. There was another anomaly with regard to electricity charges -

Mr Whitely: Did you criticise the federal Government when it introduced the tax?

Mr BARNETT: I do not go around criticising the federal Government. I made it very clear that that is my position and I support it. I have always supported an exemption on family home tax and I recognise that increasing numbers of people, often elderly people, live in park homes. I am not at all suggesting everything related to the GST has been perfect. However, one of the basic principles of the GST from day one was an exemption for the family home. That exemption should have, and now applies to park homes. I wish it had from the start. It was an error in the way the GST -

Mr Whitely: Will you go on about it now?

The DEPUTY SPEAKER (Mr Edwards): Order, member for Roleystone!

Mr BARNETT: I would have given 50 talks on the GST if the member had wanted me to explain it to him. I will happily conduct a seminar on it at any time.

Land tax rates have increased from two per cent to 2.3 per cent for land valued between \$2 million and \$5 million. One does not have to have a very large business to be affected by that. The increase does not sound like much but it is a 15 per cent increase in the tax rate and a significant tax rise. The tax rate increase from two per cent to 2.5 per cent is a 25 per cent increase in the tax rate. The Labor Party has done one good thing; it has increased the exemption for holders of small, or low-valued land, from \$10 000 to \$50 000. That is a worthy reform and I acknowledge that. Collecting small amounts of revenue on small amounts of land is not an effective measure and that will be appreciated in country areas. The threshold increase is a good measure. However, the point is - I will focus on the tax increase - that 1 200 taxpayers will be affected by the rise in land tax rates. Members might think that 1 200 taxpayers is not many. However, 1 200 businesses will essentially be affected by this increase. Two to 2.3 per cent and two to 2.5 per cent, does not sound like much - there are only 1 200 businesses - but in a full year it will raise \$28.6 million. How many more tax increases will this Government impose? The payroll tax rate has gone up, the value of fringe benefits on payroll tax has been increased, exemptions on the family home of small business owners have been removed and the rates of land tax have been increased, and this Government is about to bring into the net employee-like contractors. How many more double whammies does this Government want to impose on the business community while not expecting to see failure of businesses?

Mr D'Orazio: What about the \$300 million a year fuel tax that you introduced? Not \$20 000 but \$300 million a year, and you thought it was great.

Mr BARNETT: No, we hated doing that. Does the member want to know the reason it was done? Out of all the decisions that we made over the eight years that I was in Cabinet, that was the decision we disliked the most. We made it because we had advice from the State Government Insurance Commission that the fund was about to collapse. It was not just in trouble, but it was going to collapse. What would have been the implications for that

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insurance fund and the areas of public insurance it covered had it collapsed? Who was the minister responsible for it at the time? It was none other than the now Premier. We had advice from the chairman that the fund would collapse unless we immediately found another source of funding. I am glad the member raised that matter because the minister responsible for that is the now Premier. That levy was imposed because of the SGIC fund.

Mr D'Orazio: It was about road funding.

Mr BARNETT: Yes, we also put money into roads. It was a 4c levy though; just a little detail. However, the member raised the SGIC matter and we hated that decision. The coalition Government made the decision to put a 4c a litre tax on petrol, and we ploughed the money into roads, particularly in rural Western Australia. The public knew they were paying an extra 4c a litre and it was going into roads. Every last zack went into roads around this State.

Several government members interjected.

Mr BARNETT: We will debate this for hours, if members opposite like. I am talking about the absolute necessity, the no-choice option that we had, given the impending collapse of the SGIC, which was the advice of the chairman and the auditors. The Government has the opportunity to go back and look at the correspondence. The Australian Labor Party was in government at the time; this followed on from WA Inc. The Premier was the minister responsible at that time. He failed; he knew the state of the SGIC in the lead-up to the 1993 election. Did he come out publicly and disclose to the community the parlous state of that fund and its impending collapse? No, he did not. He sat in this Parliament and he did not reveal to the public of Western Australia that that fund was going to collapse. When the coalition came into Government, that was the immediate issue we had to deal with. That was a decision we hated to make, but we had no choice, otherwise the people of this State would have been uninsured across a range of areas. It was an absolutely intolerable situation. That is what we did. We will happily debate that. We see a range of increases in taxation.

I will conclude on the price elasticity of demand.

Mr Dean: Year 12 economics?

Mr BARNETT: Yes, it is. I will tell members opposite what the price elasticity of demand is about. It is about the responsiveness of demand to a change in price. There have been various attempts to measure the price elasticity of demand for labour, which is an indirect and difficult thing to measure. Most estimates will tell us two things. The first is that it will be a negative number. There will be a minus in front of it, which means it is an inverse relationship. All studies that try to measure the elasticity of demand for labour come out with a negative figure.

Mr Whitely: If it is a positive it still has an inverse relationship.

Mr BARNETT: The member for Roleystone used to teach; I hope it was not economics.

It is negative because it is an inverse relationship. In other words, if wages go up, the demand for labour goes down. The first thing is that it will have a negative sign in front of it; it is an inverse relationship. The second point is the speculation about how responsive the demand for labour is to the price of labour. The measures are generally somewhere in the range of 0.2 to 0.5 per cent. It depends on the industry, but all sorts of factors come into play. I will take a measure: if one assumes that the price elasticity demand for labour is 0.3 to 0.5 per cent, which is what most academic studies indicate, there will be a significant effect, although not immediately, in the employment of labour in this State. It will vary from sector to sector and over time, but these measures will mean a loss of jobs in this State. I am fundamentally opposed to not only increasing taxes on business, particularly on small business, but also introducing these measures at a time of economic uncertainty. That is not something that happened on 11 September. The economic problems that confront Australia and business in this country were apparent well before that. It is a poor piece of taxation change to increase taxes by such large amounts, to do it in one go and to have all of those different tax measures compounding upon each other. It is expensive and it will cost jobs. It is an extremely poor piece of economic management - if that is what one could call it. I would not call it that; it is economic mismanagement. The Liberal Party will oppose these Bills.

MR MASTERS (Vasse) [11.24 am]: I encourage the Treasurer to respond to the issues that I will raise by way of interjection. The Treasurer made a comment about Saul Eslake, the chief economist at the ANZ Bank, who called for a reduction in income tax and an increase in wealth tax and property tax. Is that correct?

Mr Ripper: He said that such a shift would be in the country's interest because we were losing talented people to places where the salaries were higher and the tax rates lower. For example, if people could work somewhere where they are paid in US dollars and taxed under US rates they would be at a significant advantage compared with people in Australia. We still need the revenue at all governmental levels. He suggested reducing income tax and substituting it with wealth tax.

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Mr MASTERS: Can the Treasurer respond to my belief that one of the major beneficiaries of the tax arrangement, as suggested by Saul Eslake, would be the ANZ Bank? I cannot imagine that the chief economist of the ANZ Bank would come out with a new tax regime that did not materially and significantly benefit his employer. A lot of aggravation and angst exists in the wider community about the behaviour and profitability of the banking sector in Australia at the moment. I urge a word of caution to the Treasurer's offering a great deal of support for something that comes from that source.

Mr Ripper: I noted it as an interesting observation. The ANZ, like many commercial organisations in Australia, is facing competition for talent.

Mr MASTERS: That is fair comment. Nonetheless, the sort of taxation regime that Saul Eslake commented on would also very much favour the ANZ. In the same breath, maybe at a later stage - perhaps over a red wine - the Treasurer and I can discuss what has been called a tax on speculation. I note that the ANZ Bank for example, like all the other banks, makes significant profits from day-to-day dealings in the money market. It is my understanding that speculation in the money market accounts for trillions of dollars of transactions a year. Most of those transactions have a life of fewer than 48 hours. One can only assume that the sole purpose of those transactions is not to bolster business or to borrow funds for expansion but is for speculation. If the Treasurer thinks back to 1997, when George Soros decided he would attack the Thai currency, which set off a domino effect with attacks on currencies in South East Asia, Malaysia stood up and said that it would now allow its currency to be subject to speculation. We may have some problems with the Malaysian Prime Minister but that country stood up and said no to speculation. Malaysia was soundly criticised by the financial industry around the world. However, a year later when that restriction was removed, there was no negative impact from the control that was placed on speculation by the Government at that time. The Treasurer quoted Saul Eslake, but I suggest that probably even more fundamental restructuring needs to be done to the taxation system in this country and speculation tax. The Treasurer is smiling; I am not sure whether he is looking forward to the red wine that I am offering or whether he thinks I am a bit naive.

Mr Ripper: The range of taxes available to State Governments is pretty limited, and most of them are horrible. The opportunity for a State Government to engage in that sort of taxation measure does not exist. Perhaps I should apologise to Saul Eslake for bringing him into the debate, particularly since he has been subject to attack.

Mr MASTERS: I note those comments, and I agree with the Treasurer that State Governments have limited opportunities to raise taxation funds. It is for that reason that I mention briefly that I recollect that when John Howard went to the people of Australia in the 1998 election saying that if re-elected he would introduce a GST, one of the state taxes to be abolished either immediately or very quickly was a payroll tax. I am not sure whether the Treasurer listened to that comment and can therefore respond to it. I am putting my boot into the Australian Democrats in this instance because they held the federal Government to ransom by exempting food, primarily, thereby reducing the amount of money raised by the goods and services tax by some \$5 or \$6 billion based on 1999 figures.

Mr Whitely: John Hewson promised to get rid of payroll tax when he talked about a 15 per cent GST. The Australian Democrats did not shoot down payroll tax.

Mr MASTERS: I understand that a number of state taxes could not be removed once the Australia Democrats had done a deal with the federal Government.

Mr Whitely: Payroll tax was not one of them.

Mr MASTERS: I thought payroll tax was. I note that the Treasurer is leaving the Chamber again - I am not making important comments; they are just for *Hansard*. It may pay the Labor Party and the Labor Governments around Australia to put pressure on the Australian Democrats to review the issue of the GST on food in exactly the same way that the ALP's John Della Bosca proposed a year or so ago.

I will raise two issues that concern this Bill. The first relates primarily to my electorate but may extend more widely outside the Busselton-Dunsborough area. The second issue relates to Perth and also to my role as the Opposition spokesperson on the environment. The first issue concerns the increases in land tax that this legislation proposes. Previously, I have said in this House that the properties of a number of tourism accommodation providers in the Busselton area have been revalued. Some valuations increased the value of the properties of those accommodation providers by up to 577 per cent. In turn, the land tax to be paid by those providers will also potentially increase by 577 per cent. I listened with great interest to the Leader of the Opposition who rightly pointed out that the increase in the marginal tax rate from two per cent to 2.5 per cent for properties exceeding \$5 million sounds like a small increase. However, as the Leader of the Opposition said, that is a 25 per cent increase in the marginal rate of tax for properties that exceed \$5 million.

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I remind members that the marginal rate of tax will increase from two per cent to 2.3 per cent for land with an unimproved capital value that varies between \$2 million and \$5 million. That is “only” a 15 per cent increase. Nonetheless, many tourism accommodation providers on the “chardonnay coast”, which extends from Busselton to Dunsborough - I am sorry to have to use that term, but it was used by the Minister for Peel and the South West - who cater primarily for middle-income and low-income earners, are located in that area. Those tourism providers do not primarily provide for high-income earners. Places like the Mandalay Holiday Resort caravan park, which has won Australian tourism awards and numerous state awards, face increases in their land tax payments for two reasons. One is that their land values have increased. I regret that the letter provided to me recently by Barry Brown from the Cape Naturaliste Tourism Association is not available to me. However, it lists a number of tourism accommodation providers whose land tax increases have been caused by land revaluations which have increased values between 50 and 577 per cent. This is a wide-ranging problem that affects many properties.

This legislation will increase land tax by 15 per cent for a small number of tourism accommodation providers in the Busselton area. I am not concerned if resorts like the Radisson Resort at Quindalup are caught by that increase. They would easily fall into the \$2 million to \$5 million category; they might be valued at even more than that. I am not concerned if high-quality accommodation providers must pay an extra 25 per cent in land tax because they cater for the highest echelon of income earners. Their overall tariff will not be increased significantly by the land tax. However, the Geographe Bayview Resort, which started as nothing more than a motel and, therefore, was very basic, over recent years has expanded by adding chalets and additional accommodation units. It has not done so to the extent that it is now an accommodation provider for people with high incomes; it is still an accommodation provider for people on low to medium incomes. Its property value has been reassessed and, if my memory serves me correctly, it has increased by just over 200 per cent. That 200 per cent then becomes 215 per cent because of the increase in the marginal tax rate contained in this legislation from two per cent to 2.3 per cent.

The Premier has said that this Government will govern for all Western Australians, with an emphasis on families. This Government will go down in history as doing more damage to tourism in the south west corner of Western Australia than any other Government I am aware of in the past 15 or 20 years. The damage has been caused by the increase in the marginal rate of land tax, combined with the increase in land tax attributable to property valuation increases. Places like the Geographe Bayview Resort will have to find an extra 1 000 customer nights per year just to pay for the increase in land tax that occurred merely because its land valuation went up by 200 or 300 per cent. If the unimproved capital land value is greater than \$5 million, the extra 15 per cent or 25 per cent increase enshrined in this legislation will mean that those accommodation providers will have to sell more customer nights to the public.

Busselton’s tourism industry is doing it tough. Last year, the GST caused people to stop spending money or to be careful about what they spent it on. More importantly, the 11 September terrorist attacks in the United States of America and the collapse of Ansett Australia have reduced the number of international and interstate tourists who visit the area. Some tourism operators have advised me that their turnover in the past 12 months has been down 20 or 30 per cent. Only time will tell whether that figure will get worse, because of more recent events related to terrorism and Ansett. I predict confidently that the valuation increases combined with the increases in the marginal rate of land tax contained in this legislation will have a significant impact on tourism accommodation providers in the Busselton-Augusta area, because they will have to increase their tariffs to cover the increases.

I repeat the comment made by the Minister for Peel and the South West who described that area as the “chardonnay coast”. To be fair to the minister, he said that other people had referred to it as the chardonnay coast, but he did not resile from accepting that the term was valid in his own mind. Although the vineyard country and individual places such as Cape Lodge, Voyager Estate, Driftwood Estate and Radisson Beach Resort Dunsborough may welcome the chardonnay coast tag, the reality is that the Geographe Bay coastline is typified by caravan parks and low to medium-cost tourism accommodation providers. All those people will be severely disadvantaged by what has been built into this legislation.

The Treasurer said in his second reading speech that three changes to the existing land tax scale are proposed, the third of which is -

the exemption threshold will be lifted from the current \$10 000 in unimproved value to \$50 000.

I wonder if the Treasurer will respond to my accusation that the cost of applying a land tax charge to these low-value properties rendered it uneconomical for the land tax department to go through the exercise of determining a land value and issuing an invoice and the other paperwork associated with it. Some years ago, I was told that

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invoices sent out by businesses cost between \$10 and \$20 an item. That is why many businesses do not allow their customers to put on the books items valued at less than \$20.

[Quorum formed.]

Mr MASTERS: As the Treasurer is now in the House, I will repeat my last comments. The third change proposed to the existing land tax scale is to lift the exemption threshold from \$10 000 to \$50 000. I would be grateful if the Treasurer would at an appropriate time advise the actual cost of issuing a land tax advice notice. I wonder whether the \$75 that is referred to later in his second reading speech as the saving that businesses will enjoy is so close to the cost of producing the notice that the exercise will be revenue neutral, and not the great bonus he is trying to sell to people.

The Treasurer also claimed in his second reading speech that a large number of people would benefit from the increased threshold -

These taxpayers will save up to \$75 a year in land tax and up to \$75 a year in metropolitan region improvement tax - a total of up to \$150 a year.

The Treasurer claimed that 52 000 people would be impacted by this in-theory beneficial change to the land tax regulation. If each saves \$75 a year in metropolitan region improvement tax, the input credited to the metropolitan region improvement fund will be reduced by \$3.9 million. As the opposition spokesperson on the environment, that concerns me. Both the previous Labor Government and our Government went through the agony of trying to come to grips with the issue of conserving areas of natural vegetation within the Perth metropolitan area. The metropolitan region improvement tax was originally intended to allow public open space to be purchased. It has evolved to a tax to protect the environment. I am concerned that if the metropolitan region tax accounts were reduced by \$3.9 million a year, the Government would be even less capable of fully implementing the Bush Forever program, which has a large financial commitment attached to it, than would be the case if this legislation does not proceed. I encourage the Treasurer to respond to that concern.

DR WOOLLARD (Alfred Cove) [11.45 am]: I thank the Treasurer for the departmental briefing. I will talk about the effect of this Bill on aged care providers. I will move an amendment to the Revenue Laws Amendment (Assessment) Bill. The Constitution sets the systems and methods that apply to taxation Bills. My amendment would define an aged care provider as -

... a person who is an approved provider of a certified residential care service in accordance with the *Aged Care Act 1997* (Commonwealth).

The crux of the amendment is -

The pay-roll tax payable by an aged care provider will not exceed the amount which would have been payable at the rate which applied immediately prior to the commencement of section 9 of the *Revenue Laws Amendment (Taxation) Act (No. 2) 2001*.

My concern is based on the increases to the payroll tax from the current 5.56 per cent to six per cent as of 1 January 2002. My amendment would exempt from that increase those aged care providers who are not already exempted from payroll tax because they are religious or not-for-profit organisations under section 10 of the Payroll Tax Assessment Act 1971. I appreciate this would mean that some companies might be subject to two different rates of payroll tax - one for general health or other services, and another for aged care services. However, I believe that the number of organisations thus affected would be minimal. With information technology as advanced as it is, this amendment could be successful if the Government were sincere about it.

I have been informed that the increase to the top-level payroll tax will apply to 3 000 employers. I am sure that people providing aged care services would identify themselves to the Government to facilitate these changes. An example of a provider in this area is Craigcare, which provides aged care services in the Premier's electorate of Victoria Park and the Minister for the Environment and Heritage's electorate of Maylands, and in the electorates of Albany, South Perth and Alfred Cove. I do not know whether the Minister for Health is involved in the payroll tax discussions; however, he would admit that aged care services throughout the State are underfunded, and that decreased funding has led to substandard care for our elderly. In the past year, I have liaised closely with aged care service providers, and in particular with aged care nurses. While the Commonwealth has recently implemented some level of reimbursement to aged care providers, Craigcare has had to pay an extra \$100 000 in the past 18 months, which could have gone into service provision. This new payroll tax will cost Craigcare an extra \$60 000.

Mr Pandal: Was the first figure related to payroll tax as well?

Dr WOOLLARD: Yes, it was.

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If the Premier and the Minister for Health are sincere in their comments about aged care, they will realise that the outcome of the increase in this area will be that aged care service providers will have to either wear the costs in lower profits, reduce wages, increase prices or decrease the number of staff. These service providers already have problems in each of these areas. In an ageing population, extra beds are needed in the community, and improvement must be made in the standard of patient care. The current providers need to be encouraged to expand, and new providers need to be encouraged to enter the field. I ask the Government to consider its commitment to improving aged care services in this State, and to consider not applying these increases in payroll tax to aged care service providers.

MR SWEETMAN (Ningaloo) [11.52 am]: This issue can be approached from a philosophical standpoint, but some very practical issues also need to be discussed in the area of raising taxes. The Leader of the Opposition made some very interesting points about the effects taxation has on industry, the work force and the State's economy in general. Most of the substantial taxing rights belong to the federal Government, although some of those are being returned to the States via the goods and services tax. Tax can be one of the greatest stimulants for attracting and expanding businesses in both the city and rural areas. Most of the contributions I have made to the regional forums organised by Senator Ian Macdonald as part of the summits across northern Australia were about taxation. I was anxious that the federal Government may just take the simple option and adjust zone rebates, which would have been significant for people living above the twenty-sixth parallel, but in itself would not be the answer to many of the problems in regional Western Australia. The cutback in the accelerated depreciation allowance for new investment is an impediment to new projects getting off the ground. I am sure the Treasurer is already aware of that.

The first reference point in establishing a new tax or increasing an existing tax is to work out in advance what the likely effects of that tax will be on individuals or companies. It is interesting that the state budget increased payroll tax, and that will have an impact on employment figures. My understanding is that, at the same time, stamp duty on share transactions has been abolished. That was announced prior to the budget, and was included in it. Will the Treasurer confirm that?

Mr Ripper: That was done pursuant to the inter-governmental agreement involving the introduction of the goods and services tax.

Mr SWEETMAN: I trade a few shares, and I already had an advantage, because the company tax rate has been reduced from 48 per cent to about 24 per cent under the federal Government's capital gains initiatives. In addition to that, the stamp duty is being abolished. To some extent, share trading is speculation, and is not genuine wealth creation. It does not build anything on the ground, or create very many jobs. I cannot see the rationale in forgoing income in one area, while applying an additional payroll tax, which is a tax on employment that ultimately affects the number of employees companies will engage. If costs are increasing, but the bottom line is not, companies will make adjustments and restructure their work forces to keep their costs down. At the same time, as a result of this, revenue flowing into the State's coffers will not be increased. An example of that, and a variation to it, is the five per cent applying at the time a new motor vehicle is licensed. I have mentioned previously the problems that dealerships have had in this State since stamp duty was increased a couple of years ago. Treasury is no better off for that increase. A truck, for which \$30 000 in stamp duty is payable in this State, can be bought in Queensland, where the amount of stamp duty is \$8 000, and driven back to Western Australia for a net saving of \$15 000 to \$16 000. A lot of freight has to be carted to compensate for the extra stamp duty payable in this State. This applies not only to new prime movers, but also to trailers that are licensed at the same time. This has resulted in less motor body building being done in this State. The Government must be sensitive to all the ramifications of its tax measures. It is easy to be wise in hindsight, but these things need to be considered up front. Twelve months to two years down the track, if the tax is found to be regressive, adjustment will need to be made quickly.

Something the member for Ballajura said by way of interjection was initially misinterpreted. He was talking about the 4c a litre increase in the price of fuel, and ended up talking about the SGIC levy. That levy was imposed for about three years, until the \$300 million was recouped, and the levy was abolished twelve months before the 1996 election. In that election, the Liberal Party enjoyed a swing to it, which may be one of the reasons I am in this place today. Even though, on the face of it, it was an unpopular tax, people understood it. People in the broader community are often not given enough credit for understanding the difference between a good tax and a bad tax. On behalf of the then Minister for Transport, Hon Eric Charlton, I championed the cause of an additional 4c a litre levy on fuel, so that the road program could be expanded. This program ultimately became known as Transform WA. The 4c levy that had been introduced before that was simply called the additional funding program. In addition to the existing grants and allocations to road programs, the extra 4c a litre meant that a 10-year program could be brought forward and completed in three or four years. The community understands that. When a tax is just a blatant grab for money, the community is aware of it. When it

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can be seen that 100 per cent of a given tax is being allocated to a certain area, people seem to accept it more. Governments do not pay enough heed to the intelligence of people to work that out for themselves. It was a tragedy that the High Court decided to disallow the additional 4c levy on fuel, which then meant that the Government had to be a bit creative and find the money another way.

Even at that time, I was very concerned about the way vehicle registrations were increased. Most people could afford to pay, but some consideration needs to be given to the single income family, or a young couple with perhaps three or four children who own a big old Ford or Holden station wagon. If the car is a real petrol guzzler, the owners would be paying a penalty at the bowser of perhaps 2c a litre because the car would still use the old super grade fuel. This family was to be hit with additional registration fees, and the big heavy old car would be in just about the top category, because the registration was applied on the tare of the vehicle. There were some disadvantages - one hoped that people would not be unduly hurt by the introduction of the tax - but those had to be weighed up against the public benefit that attached to the tax. The 4c a litre tax on fuel introduced in February 1995 was on top of an existing levy of about 4.6c. It is my understanding that that tax was applied during the time of the Burke Government. It was not levied for anything specific. Again, the money raised was to go into general revenue to pay for public transport and other transport-related matters. The tax was not levied for a specific program or scope of works. It was to go into consolidated revenue to help offset some of the costs associated with the operation of the metropolitan transport service. There was not much hue and cry over that tax. That is one reason Hon Eric Charlton and the Cabinet back in 1994 decided to implement or raise another 4c a litre by way of a tax at the bowser on super, unleaded and diesel fuel. That meant that this State had probably the equal highest tax on fuel at the bowser of anywhere in Australia. However, a lot of work was done with that additional money. Local governments benefited from it as well. It had a positive spin-off down the line. Under the agreement, local governments were supposed to get 1c from every 4c collected for their roadworks programs. Over four years, local governments received something like 33 or 34 per cent of that money; so it was good for local government.

The goods and services tax is a state tax. Over the next couple of years, the GST will be a significant factor in the annual budgeting and appropriations of this State Government. It is true to say that although members on this side of the House are aware of some of the bad things about the GST, we talk only about the good things. The Labor Party does not choose to talk about the good things about the GST, but talks only about the bad things.

Mr Carpenter: That is an honest assessment.

Mr SWEETMAN: Yes. The GST will ultimately replace the general purpose grant that flows to this State. That is the reason it will take five or six years for this State to become revenue positive. One thing that should be taken into account with the GST is the potholing effect. The Government has highlighted that as being an impediment to development in this State. For example, tourist products such as accommodation, meals and travel have all been hit with the GST, which means that tourism destinations that were expensive to access before the GST have become more expensive, so there is less reason for people to travel to them. That has dictated where people spend their holidays. I know that it would take a lot of work, but the GST could be fiddled to deliver equity to people caught up in that situation. The GST would not necessarily disadvantage a place further up the coast any more than another area. For example, because the infrastructure is in place, under an advertised package people can spend four nights in Broome for about \$480. A person must pay about \$785 for a return airfare to Exmouth, which is about half the distance from Perth. People will be less inclined to travel to places such as Exmouth that lack infrastructure because it is far cheaper to go to Broome. The same argument was used when people were holidaying in Bali or Singapore instead of Australia.

It will take a lot of time before those towns can overcome those hurdles. The Government will do all sorts of things to enhance opportunities and to facilitate greater regional business in places like Exmouth by building such things as marinas and new roads. However, there are some natural impediments to that. If the cost of getting to those places is high, people will be less inclined to go to them. Instead of pouring money into those areas, perhaps the Government could offer an inducement for people to visit those places by fiddling with the GST component of certain packages that are relevant to certain industries. That would be the way to prescribe it. That could prove advantageous to Broome, but what is the problem with that? If more people holidayed in Western Australia, this State would be better off.

On behalf of the community, I can confidently say that people are not so paranoid about paying tax that they cannot be sold a good proposition. Classic examples are the Transform WA program, the 4c a litre levy on fuel, and even the \$50 levy on car registrations to cover the State Government Insurance Commission losses. People are sufficiently savvy to understand when a tax is necessary. They also have the ability to work out when it is a blatant grab for money. It takes a lot of work and wisdom to differentiate between the two to come up with an

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equitable and fair tax system that does not penalise people but draws them along, helps them understand a little about the State's economy and makes them feel a part of it.

MR RIPPER (Belmont - Treasurer) [12.06 pm]: It is important to go back to the position that the State Government inherited when it came to office. That is the reason this package of taxation measures is before the House today. When the election campaign began, Treasury produced a set of pre-election financial projections. That set of projections showed a difficult financial outlook for the State. It showed that the State expected only a modest surplus in this financial year of about \$25 million.

Mr Barnett: So why then did you commit \$1.5 billion in promises?

Mr RIPPER: It also showed that the State expected deficits of \$68 million and \$41 million in two of the financial years to follow. The financial projections for this State were not good. The Leader of the Opposition asked why the Labor Party made the promises it did in those circumstances. The Labor Party was responsible in the costing of its election commitments. It designed election commitments that were first based on the information provided in the last Court budget. That information showed surpluses approaching \$220 million in the out years. We based our planning on the information provided by the Court Government. The mid-year review came out and we had to recast our planning because the \$220 million surplus in the out years had shrunk to about \$5.5 million. A little more than two weeks later, the pre-election financial projections statement was released and the surpluses had disappeared entirely. We had to recast our election planning yet again. The reason the Labor Party had to recast its election planning on those two occasions was because the Court Government added a billion dollars to the forward estimates in the financial decisions it made between the time the budget was brought down and the beginning of the election campaign. The Court Government tried to spend all the money and claim credit for doing so before the election campaign began. It tried to reduce or eliminate any capacity that the then Opposition might have had to run down surpluses in order to meet community needs. Any capacity that an incoming Government might have had to take financial initiatives was gone. We had prepared for that eventuality by basing the funding of our election commitments on savings. We have funded our election commitments with \$852 million worth of savings over four years. Those savings will be delivered. Every minister in this Government accepts a responsibility to deliver those savings that were negotiated through the expenditure review committee process in the preparation of this budget. We have therefore funded our election commitments through the reprioritisation of existing expenditure. On the recurrent side, we have \$852 million worth of savings. That is well in advance of the recurrent cost of our commitments, which amounts to about \$768 million.

We have reprioritised the capital side of the expenditure. We have taken the capital works envelope that the previous Government had and have decided on our priorities, and we will implement the commitments that we promised to the electorate as priorities. Other initiatives proposed in the capital works program will have to go back in the queue to accommodate the election commitments we made. Therefore, the entire election program was funded through reprioritisation - on the recurrent side through the \$852 million worth of savings and on the capital side through a reprioritisation of the capital works program. That is the way in which we dealt with the consequences of the \$1 billion spending spree engaged in by the previous Government from the time of the last Court budget until the announcement of the election campaign.

The Leader of the Opposition made great play about what he called the great lie of the election campaign. It is true that we said in the election campaign that our planning did not involve any proposals for new taxes or for tax increases. I said in a press conference, the records of which have apparently disappeared -

Several members interjected.

Mr RIPPER: The journalists did not keep them.

I said that there would be no tax increases, which was the basis on which we planned the election campaign.

Mr Pandal: We are concerned that you might be replaced next week. We have a lot of time for you but it is your replacement we are bothered about.

Mr RIPPER: If the member for South Perth were the Leader of the Opposition I would say that his replacement would be more likely and would occur more quickly than mine would. However, he is not the Leader of the Opposition and I do not know who will replace the member for South Perth.

Mr Pandal: It will not be the person you are touting, I can tell you that.

Mr RIPPER: My advice to him is that he should be very careful about the member for Kalgoorlie.

Mr Pandal: We have handballed more than two of those out of South Perth.

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Mr RIPPER: The member for South Perth has an excellent track record in despatching Liberal pretenders and I would support him against the member for Kalgoorlie, but he should be very wary of him.

Mr Pandal: I am more concerned about you and your future.

Mr RIPPER: I am grateful for the member's consideration but it is completely unnecessary.

Mr Pandal: We want to know whether the assurances you are giving today will be backed up by your successor next week.

Mr RIPPER: The question is essentially irrelevant because next week the member will get the same assurances and their implementation from me.

I come back to what was the great lie of the election campaign. It was the pre-election financial projection statement issued by the Court Government. That statement did not reveal the full truth about the Government's finances.

Mr Barnett: You are accusing Treasury of putting out a false document!

Mr RIPPER: I knew the Leader of the Opposition would say that; he is becoming too predictable. Of course I am not accusing Treasury of having lied to the public.

Mr Barnett: You just said it was a lie.

Mr RIPPER: I am saying that the great lie of the election campaign was the pre-election financial projection statement because it was not a true reflection of the finances with which the incoming Government had to deal.

Mr Barnett: What then did Treasury do wrong?

Mr RIPPER: Treasury did nothing wrong. The previous Government failed to officially and formally recognise the spending pressures that it knew existed. Treasury cannot make political judgments about the pressures that will or will not be recognised. Treasury must operate on the basis of the formal decisions that have been made.

Mr Barnett: Treasury had all of those decisions.

Mr RIPPER: Treasury did record the formal decisions that were made. However, what constitutes the great lie of the campaign is the consequence of the previous Government's ostrich-like behaviour with regard to the finances. It knew that the health budget was blowing out, but it did not formally decide to do anything about it, and, therefore, it was not in the pre-election financial projection statement.

Mr Barnett: Do you know what is wrong with this story, apart from the delivery?

Mr RIPPER: The previous Government knew that the computer system in the Curriculum Council of WA was in danger of collapse but it made no decision to do anything about it and, therefore, it was not in the pre-election financial projection statement. What is the problem with the Leader of the Opposition?

Mr Barnett: There is no problem. The Government received the benefit of \$4 000 million of state debt paid off and a budget \$221 million in surplus. If you cannot handle it from there, that is absolutely on your head. You have been handed a very comfortable financial position. You have been in the job for nine months and you are still harking back to how you cannot do the job. We realise you cannot do the job, but the public is starting to realise it. You have been in it for nine months and you still cannot handle it.

Mr RIPPER: I was prepared to tolerate an interjection from the Leader of the Opposition, but when it became a speech I thought it was time to get on with my remarks.

The situation is this: the previous Government reduced state debt but it did so through a program of privatisation for which it had no mandate. It did not reduce state debt by as much as the proceeds of privatisation. It basically spent some of the proceeds of privatisation rather than use them to reduce debt.

Mr Barnett: Of course we did. What is wrong with that?

Mr RIPPER: I know that the Leader of the Opposition does not believe in forward estimates, but if a Government makes a decision today to employ more police officers and continue their employment, of course there will be impacts on the budget in the out years. If a Government makes a decision to employ additional teachers or to reduce class sizes, there will be impacts not only in this budget year but also in the out years. The forward estimates are, therefore, a very important management tool. The previous Government may have left us with a surplus in the past financial year based on the privatisation of AlintaGas and Westrail freight. However, it left us with an official set of forecasts for the out years in which the consequences of those decisions were

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revealed. Those forecasts indicated that we were heading into dangerous financial territory, given the legacy left to us by the previous Government.

There are two problems. There is the official legacy as revealed in the pre-election financial projection statement, which was bad enough and would have been difficult for any incoming Government. However, the real problem is that all the material that emerged during the budget process that should have been in the financial projections statement indicated that the previous Government had its head in the sand. It should have made a few decisions and recognised a few funding pressures instead of deciding that it was all too difficult. It decided to push those funding pressures under the carpet and deal with them in the next budget process because otherwise they would be revealed in the formal figures and it would have to acknowledge to the public that it had a financial difficulty.

I have been through this matter on a number of occasions and I want people to understand that this is a real problem. If, for example, the previous Government was told by the Curriculum Council - for which the Leader of the Opposition was responsible - that the computer system that delivers the TEE results for year 12 students was in danger of collapse, it did nothing about it and did not recognise it in the figures. However, the Government should have responsibly made a decision to do something about it. There are dozens and dozens of matters like that, of which the incoming Government had to take account. In fact, the cost of the matters that had to be taken into account by the incoming Government amounted to much more than \$400 million on a four-year basis. That is the reason that this Government has a package of taxation measures. It is not a package needed to fund our election commitments; they are funded by reprioritisation. It is not a package that we expected to have to introduce during the election campaign. It is a package that has been made necessary by all those matters that emerged in the budget process that the previous Government left to us, and which it did not formally acknowledge so that they did not appear in the figures produced by Treasury at the beginning of the election campaign.

When I talked about the Barnett blow-out it was a real problem; it is still a real problem with which the Government has had to grapple all year. This package of taxation measures is required to enable the Government to fund important community needs that were not recognised by the previous Government in a formal sense, although informally it must have known about them. The Government has to turn around the financial situation so the State will have reasonable finances to withstand events in the future over which the Government has no control. The Government must produce a set of finances that are sustainable for the future.

The Leader of the Opposition acts as if a package of taxation measures by the State Government is unprecedented, unusual and much in advance of what the previous Government might have done. If I were the Leader of the Opposition, I would be a bit careful about making those comparisons. I can access information on what the previous Government did. I will run through the history of revenue measures under the previous Government. Let us look back to 1993-94. Before I do that I ask the Leader of the Opposition what figure he put on the annual revenue to be raised from the new measures. I think he said it was \$147 million. During 1993-94, the then coalition Government reduced payroll tax and land tax. That Government doubled tobacco franchise fees. The total net increase in revenue for that year was \$119.7 million. That was its first year in office. That is not too dissimilar in impact from the measures the Government proposes. During 1994-95, \$66.7 million worth of revenue measures were introduced. As the economy recovered, the coalition Government effected reductions in taxation. During 1995-96, a net reduction of \$44.7 million was achieved. In 1996-97 a further net reduction of \$33.5 million was gained. On balance, it is not a bad record for the first term of government. It is fair to say that the Court Government managed the State's finances reasonably well in its first term in office. It lost the plot during its second term. That is when spending went out of control and when the four deficits were in evidence; that is when the big tax increases came. The first year after the 1996 election, 1997-98, saw the doubling of debits tax rates. Motor vehicle licensing fees were increased by 20 per cent. A small reduction in land tax was effected. The year saw a net increase in annual revenue from taxes of \$62.2 million. There was more to come. The coalition Government was not satisfied with that in the first year after the 1996 election. The big one was the 1998-99 budget. In that budget, the coalition Government increased stamp duty rates on conveyances by 12.5 per cent - a bit of a business tax, Leader of the Opposition! That raised \$51 million. Stamp duty rates on insurance policies were increased. Motor vehicle licensing fees were increased by 64 per cent for family vehicles and by 43 per cent for business vehicles! Concessions for diesel vehicles and intrastate heavy vehicles were removed. Another measure was something that the Premier remembers very well. Contrary to public promises made to the electorate of Kalgoorlie during the 1996 election, a gold royalty was introduced. The Leader of the Opposition was the prime architect of the gold royalty. How much does the Leader of the Opposition think his Government raised on an annual basis through the 1998-99 tax measures? Can he tell me?

Mr Barnett: I support the gold royalty.

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Mr RIPPER: The total additional revenue from the measures in the Court Government's 1998-99 budget was \$218.3 million. The Opposition comes into this House and says that the Government's tax measures are unprecedented. It forgets that in the first two years after it was re-elected in 1996 it raised \$62.2 million in revenue from new taxation measures and taxation increases. It came back for a second helping of \$218.3 million. It came back the year after for an additional \$20.1 million because it increased stamp duty on motor vehicles in the 1999-2000 budget. One budget in that four-year term had no tax increases. Guess which budget that was - it was the pre-election budget. No tax increases in the 2000-01 budget, but in the three preceding budgets the former Government raised \$62.2 million plus \$218.3 million plus \$20.1 million on an annual basis through additional taxation measures. That is close to \$300 million. That is double the amount the Opposition is complaining about today.

No-one likes tax increases. No tax increase or tax measure will gain enthusiastic popular support. The difficulty with the State's range of taxes is that it is, by and large, a pretty horrible range of taxes. The State does not have access to income tax -

Mr Barnett: It does.

Mr RIPPER: Not in any practical sense. It does not have access to company tax. The range of taxes available to the State is limited. Most taxes available have negatives. Most are not the most efficient or the least economically distortionary of taxes. When a State Government has to raise additional revenue - we have to raise additional revenue to accommodate the Barnett budget blow-out and to turn around the State's finances -

Several members interjected.

The SPEAKER: Order, members!

Mr RIPPER: When the State Government has to raise additional taxes, the measures available to it are not any Government's preferred range of measures.

Mr Barnett interjected.

Mr RIPPER: The Leader of the Opposition must let me develop my argument. He can raise any issue he likes during consideration in detail as long as it is relevant to the legislation. Let me return to the point I am trying to make: revenue measures were needed and the revenue measures available to the State are not especially attractive or popular; nevertheless, revenue has to be gained. The Government has tried to target people who have the capacity to pay and to have the most rational and efficient set of taxation measures that it can have from what is a limited and generally fairly poor range of measures available to any State Government. It is not the case that what the Government is doing is unprecedented; it is not the case, when compared to the Court Government's record, that the Government is doing something unusual.

Mr Barnett: There was no increase in business taxes under us compared to these measures.

Mr RIPPER: Does the Leader of the Opposition call stamp duty a business tax? It went up by 12.5 per cent during 1998-99 and it raised \$51 million. The Government needs the revenue for the reasons I have outlined. The Government is conscious of the need to promote economic development in the State. Some of the revenue from this exercise is, for example, being used to support the economic development of the State. Some of the revenue raised by the State Government will provide for infrastructure for important resource development projects. The Leader of the Opposition has been a Minister for Resources Development and knows that when major proponents come to this State, they expect to find infrastructure into which they can plug. He knows that they will ask the State for infrastructure support and he has participated in providing that sort of infrastructure support for resource projects in the past. Therefore, some of the revenue raised by the State Government will provide for infrastructure for employment-creating resource development projects.

Mr Barnett: When I provide the infrastructure, I always do it on my terms and the state's terms. Under the minister it is happening on company terms.

Mr RIPPER: That is interesting. I look forward to the debates on the state agreement Acts in which the Leader of the Opposition will argue that we have given too much infrastructure support to a particular project. I will be interested to hear him put those arguments and justify them when the agreement Acts come before Parliament. We will see if he has the courage of his convictions when he is faced with a particular case.

Mr Pandal: Will you be giving an indication of your attitude to the amendment prepared by the member for Alfred Cove?

Mr RIPPER: I was going to do that in the consideration in detail stage.

Mr Pandal: It has been raised in the second reading stage.

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Mr RIPPER: The aged care industry is worthy of support. The charitable organisations - the not-for-profit organisations - providing aged care are already able to avail themselves of exemptions. Nevertheless, this is not the best way to provide support to the for-profit aged care sector, because it would introduce yet another complication into the payroll tax scheme. Substantial additional costs would be incurred by the Office of State Revenue in adjusting its computer systems to deal with these matters. However, aged care is a significant problem in this State and nationally. It is a problem that involves federal as well as state government responsibility. We need a willingness on the part of the federal Government to work with the State Governments to address the difficulties in aged care in this country. Those difficulties are flowing on to the public hospital system, which must deal with the failure of the aged care system in this country, and that system is primarily a federal Government responsibility. I point out to the member for Alfred Cove that I am not averse to providing assistance to the aged care sector, but it is best handled through the budget process on the expenditure side and not through a tax concession. The people whose portfolios bear the brunt of the aged care problem in this State will address that matter in the budget process. I am not saying that the State Government will necessarily have the financial capacity to provide support for aged care, but we recognise that it is a significant problem in our community that is causing difficulties for the hospitals.

Dr Woollard: This amendment would enable the State Government to address the issue of aged care.

Mr RIPPER: This amendment would assist some aged care providers, but it would complicate the payroll tax legislation and introduce further administration costs to the Office of State Revenue. The best way to support aged care is to look at expenditure initiatives. That is something we will do in the budget process and we will make an assessment as to whether the State Government has the financial capacity to provide support in this area. However, primary responsibility for aged care rests with the Commonwealth Government. We need a willingness on the part of that Government to work with the States to deal with this major national crisis in aged care.

I imagine that we will go into the consideration in detail stage on this legislation.

Mr Barnett: You have not even addressed the content of the Bill.

Mr RIPPER: I intended to address the content of the Bill and individual matters in the consideration in detail stage. However, if the Leader of the Opposition wants it addressed in the second reading debate, I will cover some of the points he has made.

We have dealt with his argument that these increases were without precedent. I have run through the history of the Court Government's record. The Leader of the Opposition's most important point related to jobs. Obviously, the Government must take careful account of the Western Australian economy. On one side of the argument economic uncertainty exists at state, national and international levels, but we must not talk the State's economy down. On the other side of the argument, various issues must be taken into account. In this State we are experiencing the first upswing in business investment for three years. Business investment has declined for three years and this financial year we are experiencing an upswing in the resources sector. Two examples of that are train 4 of the North West Shelf liquefied natural gas project, which is under construction and is worth \$2.4 billion; and the West Angelas iron ore project. Although economic uncertainty exists, on-ground investment is occurring right now in the Western Australian economy. This is the first upswing in business investment for three years and it is supporting Western Australian economic growth.

Mr Barnett: When were those decisions made?

Mr RIPPER: It does not matter when they were made. Right now the Leader of the Opposition is talking down the economy. I am telling him that on-ground events are occurring right now that are supporting growth in the Western Australian economy. We must put these matters in context. Any increase in business input costs impacts on the willingness of business to invest and employ people. If that argument were taken to its logical conclusion, to support investment and jobs, we would not have any tax measures or tax regime. However, we need revenue to provide the services that the community expects. Some of the services provided by the State Government actually support economic development. When we build roads, ports and railway lines and when we provide infrastructure for water or power supplies, we are supporting economic development. A balanced approach must be taken to these arguments. We cannot just take a straight micro-economic rationalist view and say that any tax increase is bad and will have an impact on employment. In the case of a large employer who employs 100 people on average weekly earnings, the increase in the top marginal rate of payroll tax will equate to a \$4 a week wage increase. That is the nature of the impact. It is equivalent to the employer paying a worker on average weekly earnings a \$4 a week wage increase. Would a \$4 a week wage increase for a person on average weekly earnings cause the loss of hundreds or thousands of jobs as the Leader of the Opposition has alleged? We must take a balanced approach to this issue and when it is considered in that way, it is clear the arguments about employment and payroll tax are exaggerated by the Leader of the Opposition. The increase

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proposed by the Government equates to the same impact on an employer as a \$4 a week wage increase. Payroll tax from an employer's point of view has essentially the same sort of impact as the necessity for the employer to remit PAYE deductions to the Australian Taxation Office and pay the employee only the after-tax income.

Essentially, payroll tax has the same sort of economic impact on employers as income tax requirements. Some of the arguments about payroll tax and employment, while worthy of consideration, are exaggerated for political purposes. They have certainly been exaggerated by the Leader of the Opposition.

The next point that the Leader of the Opposition made was to attack the drafting of the legislation. I received advice on the drafting of the legislation. This advice is that the revenue law legislation mechanism was introduced by the previous Government. It was promoted by the then Minister for Finance, Hon Max Evans, and was supported by the Australian Labor Party in opposition. The reason for having revenue legislation that deals with a range of taxation measures is that it is a more efficient use of the Parliament's time. In the past we dealt with 10 to 15 tax-related Bills a year. That was a waste of the Parliament's time. We can still have proper parliamentary scrutiny and debate about taxation measures if we proceed with the revenue laws legislation and -

Mr Barnett: I will give the Treasurer one simple hypothetical example. What would happen if the Opposition were to support your land tax changes but opposed your payroll tax changes? How would we handle the legislation?

Mr RIPPER: By amendment.

Mr Barnett: And that is simple? When Hon Max Evans used omnibus legislation for tax measures, it generally related to minor changes across a range of Bills. These are significant changes to payroll tax and land tax, and in any sense they should be treated separately.

Mr RIPPER: Clearly the Leader of the Opposition has a different view now that he is in opposition from the view he supported in government.

Mr Barnett: I have always had that view. This Parliament is being abused by the Labor Party in government; you are abusing the process of this Parliament.

Mr RIPPER: If the Leader of the Opposition had that view, why did he allow the previous Treasurer to come forward with revenue law legislation structured exactly like this legislation?

Mr Barnett: Because we did not deal with measures and changes of this scale. They are quite inappropriate.

Mr RIPPER: I have shown the Leader of the Opposition that the former Government dealt with revenue measures amounting to \$218.3 million in 1998-1999. By his own statements, the Leader of the Opposition has indicated that he values the revenue impact of our measures at \$147 million. It is hypocritical of the Leader of the Opposition to put forward this argument. We have adopted the practice that was initiated by the previous Government for a good reason; that is, the Parliament previously dealt with 10 to 15 taxation Bills a year, which was an inefficient use of the Parliament's time. This is a much better way in which to proceed.

Mr Barnett: No; it is not. I do not care what the previous Treasurer or finance minister did, I will not tolerate large changes in taxation measures being meshed into a single Bill. It is an inappropriate parliamentary process. It is quite wrong. I do not have any objection to dealing with minor changes in this way or dealing with assessment and taxation Bills in a cognate way. However, this is the wrong way to progress legislation through this Parliament. If it gets ruled out in the upper House it will be on your head.

Mr RIPPER: I would find it amazing if a mechanism that proceeded successfully through both Houses of Parliament under the previous Government ran foul of Presiding Officers under this Government. Of course, Presiding Officers make their decisions independently, and we will see who has the better judgment about what sort of decision is likely to be made in the upper House. If the Leader of the Opposition is going to object so emotionally to this mechanism he will have a tough time, because this is the mechanism which the previous Government adopted. It seems to be a reasonable way in which to proceed. I do not back off from presenting revenue legislation in this way.

I now turn to some of the other points that the Leader of the Opposition made. We are not dealing with the contractors legislation now, because we are going through a process of consultation.

Mr Barnett: Secret consultation; you are preventing people from speaking out.

Mr RIPPER: The same process of consultation is being undertaken as occurred under the previous Government with regard to taxation legislation. We have adopted exactly the same consultation mechanisms. I want to disabuse the Opposition of any notion that this is somehow driven by the Labor Party or by the unions.

Mr Barnett: You said it was driven by the unions.

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Mr RIPPER: I said I want to disabuse the Leader of the Opposition of any notion that it is driven by the unions or Labor Party political philosophy. The proposal for the legislation on employee-like contractors came to me from Treasury. I did not put it to Treasury; Treasury put it to me.

Mr Barnett: So who is running the State - the Treasury? Where did the premium property tax come from?

Mr RIPPER: I want to disabuse the Leader of the Opposition that we have some party political agenda on this matter.

I have looked through my notes for any relevant comments from the Leader of the Opposition. I noticed that the Leader of the Opposition was complaining about the measure that removes the family home land tax exemption from trusts and corporations. Our view is that the family home land tax exemption should be available to families and not to trusts and corporations. The Leader of the Opposition alleges that this will have an effect on business. One does not need to have one's home in a family trust or a corporate structure to borrow against it. All of us - except some privileged people - have to borrow against the family home to purchase it. I see no requirement for the family home to be in a trust or a corporate structure. I predict that despite the relative ease for people to get out of these structures, most people in these circumstances will keep their home in the family trust or corporate structure. They will do so because there are other commercial and taxation advantages in so housing their assets. Those other commercial and taxation advantages will outweigh the imposition of land tax on those homes. It will not be that hard to shift to direct ownership if they want. However, I bet that most of the 1 400 cases will not. The Government's view is that they should not be able to have their cake and eat it too. They should not be able to have those other taxation and commercial advantages while at the same time enjoying a land tax exemption.

The Leader of the Opposition raised some other comments, but it would be convenient for the timing of business in the House if I were to conclude my remarks and deal with those issues in the consideration in detail stage. I commend this Bill to the House. It is necessary because of the financial legacy left to us by the previous Government. The measures are reasonable both on their merits and in comparison with what the Court Government did when it was in office. Question put and a division taken with the following result -

Ayes (28)

Mr Andrews	Dr Gallop	Mr McGowan	Ms Radisich
Mr Bowler	Ms Guise	Ms McHale	Mr Ripper
Mr Brown	Mr Hyde	Mr McRae	Mrs Roberts
Mr Carpenter	Mr Kobelke	Mrs Martin	Mr Templeman
Mr Dean	Mr Kucera	Mr Murray	Mr Watson
Mr D'Orazio	Ms MacTiernan	Mr O'Gorman	Mr Whitely
Dr Edwards	Mr McGinty	Mr Quigley	Ms Quirk (<i>Teller</i>)

Noes (19)

Mr Barnett	Mr Day	Mr McNee	Mr Waldron
Mr Barron-Sullivan	Mr Edwards	Mr Marshall	Ms Sue Walker
Mr Birney	Mrs Hodson-Thomas	Mr Masters	Dr Woollard
Mr Board	Mr House	Mr Pandal	Mr Bradshaw (<i>Teller</i>)
Dr Constable	Mr Johnson	Mr Sweetman	

Pairs

Mr Logan	Mr Trenorden
Mr Hill	Mr Ainsworth

Question thus passed.

Bill read a second time.