

## PAYROLL TAX

### *Motion*

**HON ROBIN SCOTT (Mining and Pastoral)** [1.49 pm]: I move —

That as an incentive for Western Australians to expand and operate businesses in the productive remote areas of Western Australia, this house calls upon the government of Western Australia to —

- (a) halve payroll taxes from 5.5 per cent to 2.75 per cent for businesses with fewer than 100 employees operating in zone B as defined by the Australian Taxation Office in the Australian zone list for Western Australia; and
- (b) eliminate payroll tax for businesses with fewer than 100 employees operating in zone A as defined by the Australian Taxation Office in the Australian zone list for Western Australia.

In my 30 years as an electrical contractor, I learnt that payroll tax is not a tax; it is a fine to punish employers who get out of bed early to look for work and dig up contracts to help keep their employees employed. I learnt that a vast number of employers are forced to make commercial decisions about expanding their business based on whether it will put them over the threshold to pay payroll tax, rather than what is right for their customers and employees and the business. The original purpose of payroll tax was created by two acts of Parliament: the Pay-roll Tax Act and the Pay-roll Tax Assessment Act. These two acts levied a tax on wages paid by employers in Australia commencing on 1 July 1941 at the rate of 2.5 per cent on wages. The 2.5 per cent levy applied across the board to every business in Australia. The state purpose of the payroll tax was financing the commonwealth's obligation to pay child endowment. Back then, the commonwealth paid five shillings a week to every carer of more than one child under the age of 16. In 1971, the Parliament transferred this power to tax payrolls to the states and territories. Since 1941, the rate of payroll tax has more than doubled from 2.5 per cent. In Western Australia it is now at 5.5 per cent, subject to discounts and exemptions and a threshold of \$850 000 on the annual payroll. This amount in the regions can be reached very quickly. An employer need have only nine employees earning \$100 000 and this will put them up for payroll tax.

In Western Australia, as in the other states and territories, the payroll tax is seen by governments as no more or less than an opportunity to maximise government revenue. In Western Australia, the government has not only set out to increase the rate, but also begun the process of removing the increasingly essential training exemption. Once completed, this will be detrimental to Western Australian job holders as they become casually substituted with eastern states workers and those holding 457 visas and temporary skill shortage visas. I am unaware of any study conducted by the Australian government that sets out to resolve outstanding questions about payroll tax. Examples of some of these questions are: What is the effect on employment of imposing a tax on jobs? How many job opportunities are destroyed by each increase in payroll tax? What is the impact upon apprenticeships when their wages are included in the payroll tax? Indicative in the inconsistency in the administration of payroll tax in Western Australia is that an employer is not required to pay payroll tax when they come under the definition of a "charitable body" or a "non-profit organisation", as defined by the Western Australian Pay-roll Tax Assessment Act 2002. Accordingly, in 2012, the WA State Administrative Tribunal—commercial and civil—ruled on a dispute between the WA Commissioner of State Revenue and the Chamber of Commerce and Industry of Western Australia. The CCI sought to claim an exemption on the basis that it operated as a charitable body and a non-profit organisation, as prescribed by the WA Pay-roll Tax Assessment Act 2002. The Commissioner of State Revenue rejected the application. However, on 18 July 2012, the President of the State Administrative Tribunal, Judge Chaney, ruled that the CCI's primary purpose was charitable and that accordingly, it should be exempt from payment of the payroll tax. There is no reason why a charitable or non-profit organisation should be singled out for exemption from the payment of a fine. If the levy of a fine for employing people is wrong for employers who are not trying to make a profit, the levy of a penalty for employing people must be wrong for employers who are trying to make a profit.

My motion is based on the principle that payroll tax is a bad thing for Western Australians and that any concession or alleviation of a bad thing will bring a net benefit to everyone. On that ground alone, honourable members of all parties should feel comfortable about voting for this motion. There is another crucial reason why honourable members should feel comfortable about voting for this motion: the urgent need for decentralisation. Our vast regions are losing people, jobs and opportunities to the Perth metropolitan area. As a result, this urbanisation undermines Perth's efficiency because every small increase in population compounds the problems of water and electricity supply, road and rail construction, freight transportation, urban population and the cost of living generally. In short, Perth has enough people. There is no benefit from increasing the population of Perth by mass urbanisation. What is the situation outside the Perth metropolitan area? Honourable members know the answer to this very well. In Newman, around one house in every three is empty. It is a similar case in Karratha, Port Hedland and Broome. The number of Legislative Council voters in the Mining and Pastoral Region compared with the whole state in 1996 was

52 240 from a total of 979 162 people. In 2017, there were fewer voters with only 50 564 from a total of 1 348 675. In 21 years, the voting population of the state has increased by 37.7 per cent and the voting population of the Mining and Pastoral Region, the source of so much of the state's prosperity, has declined. Yes, there have been boundary changes, but there is no escaping the fact that we require more people in the Mining and Pastoral Region. We also need more people in the Agricultural Region and the South West Region. We do not need more people in Perth. The growth of the Perth population at the expense of the regions is very much a significant failure on the part of all governments. This is an opportunity for the government of the day to shake loose the shackles of its Perth-centric predecessors by supporting this motion as a genuine and valuable contribution to decentralisation.

Honourable members will likely be aware of what other jurisdictions do. The Victorian government charges a 4.85 per cent payroll tax, but only 3.65 per cent, significantly 1.2 per cent less, for regional employers. South Australia charges 2.5 per cent and 4.95 per cent respectively, depending on total wages. Queensland charges 4.75 per cent and the Northern Territory charges 5.5 per cent but with a \$1.5 million threshold. It would be great for Western Australia to hold the position of the Australian jurisdiction with the lowest payroll tax rate. Passing this motion would be a central step in that direction. Ninety-seven per cent of the businesses in Western Australia are classified as small businesses, 75 per cent of which are in the regions.

It is beyond dispute that we need more Western Australians living and working in regional Western Australia. The way to achieve that is to increase the number of businesses in regional Western Australia and to assist in the expansion of the businesses already there. With payroll tax, the government has its hand on a vital lever, which, if carefully and thoughtfully adjusted, can overcome the severe problem of excessive centralisation and deliver massive benefits to the whole state.

If any honourable member representing a non-metropolitan region is contemplating voting on this motion without discussing it with the local chamber of commerce, local businesses and local jobseekers, I urge them to do so. I have addressed this motion with local chambers of commerce, local businesses and jobseekers, and the level of support is very high. With your permission, Madam President, I will read some of the comments. If Customer First Contracting, with 20 employees in Newman, is relieved of payroll tax, Danna Rice expects to make an additional capital investment of \$40 000 and hire one additional employee and an additional trainee. Danna Rice writes, according to my notes —

Payroll for any size business is a huge burden. I can't compete with labour-hire companies as my payroll will always be 5.5% higher than theirs. That money could be better spent providing additional employment opportunities, training days or capital equipment. All of this money going back into the local community and businesses. I can see no benefit to my business, and it's hard enough with all the other fees without this massive amount each month.

Lloyd Douglas runs the Newman Hotel Motel, 1 100 kilometres from Perth. Lloyd describes payroll tax as "an unpopular output". If the Newman Hotel Motel is free from the burden of payroll tax, Lloyd Douglas estimates an additional five per cent increase in capital investment and the employment of additional staff. Deanne Mason estimates that if Chicken Treat in Newman were exempt from payroll tax, she could employ additional workers. Topdrill in Kalgoorlie expects to see an increase in the number of trainees in addition to an increase in capital equipment expenditure. The point I am making is that every honourable member who votes for this motion will deserve to be rewarded by the voters. The electoral reward is more significant for non-metropolitan members.

Honourable members representing the Liberal Party have nothing to lose and everything to gain by supporting this motion. In December 2017, the Liberal Party stuck its head in the noose of a significant credibility problem by supporting the government's unwarranted payroll tax hike. Here is a chance for the Liberals to be seen to be doing the right thing by small business, by jobseekers and by regional Western Australia. I earnestly believe that the honourable members representing the government are concerned about the growth of the metropolitan population. I think that they worry about the empty houses, the empty shops and the unemployed workers in rural and regional Western Australia. I believe that they care about boosting job opportunities for Western Australians. I ask them to please prove me right by supporting this motion, along with other honourable members.

**HON RICK MAZZA (Agricultural)** [2.03 pm]: I rise to make a few remarks on the motion moved by Hon Robin Scott, which I think is a very good motion. There is no doubt about my opinion on payroll tax, as has been ventilated by me on a few occasions, but unfortunately the state needs the revenue, so it is one of those things that we are stuck with for the time being. Giving concessions to the regions certainly has merit. I note that Tasmania in its 2018 budget has given up to three years' holiday from payroll tax to businesses that move their business to the regions. It is trying to encourage businesses to move out of the metropolitan areas and into the regions. We often talk about SuperTowns throughout the state; I think there is some federal government commentary going on at the moment about new migrants to Australia having to spend up to five years in a country town. That is all well and good if there is employment, but if there is no employment for them they will not be able to find jobs and they will not be able to stay, and will inevitably end up back in the cities again.

Being able to provide some incentives for people with businesses to move to regional areas by lowering their overheads through reduced payroll tax is a very sound idea. Of course, the quick question is: how are we going to fund it? We have heard promises made by both major federal parties about giving us a floor of 75 cents in the dollar for our GST share. I think the state is in for improved finances over the next few years, and this may be one of the first things that the government could look at—providing genuine incentives to businesses to operate in country Western Australia so that they can provide employment and some economic benefit for those areas, and get people to stay in the regions.

I will not go on about this; I think my position is quite clear. I support the motion and I hope that Hon Robin Scott gets some support from the house for it.

**HON STEPHEN DAWSON (Mining and Pastoral — Minister for Environment)** [2.06 pm]: It is my pleasure to rise this afternoon and make some comments to this motion on behalf of the government. I appreciate Hon Robin Scott's membership of this place and his advocacy for regional Western Australia, most particularly the Mining and Pastoral Region—the electorate that I share with him. I know he works hard and is a true voice in this place for the regions, so I congratulate him for that. As much as I would like to support his motion this afternoon, I have to indicate that the government will not be supporting it, and I will outline a number of reasons for that.

Hon Rick Mazza hit the nail on the head in his short but sweet contribution a few minutes ago when he asked: how can we fund it? That is essentially it—how can we fund it? Given the debt we have in Western Australia at the moment and the work we are doing to put the state back on track, we are simply not in a position to reduce payroll taxes at the moment. Hon Rick Mazza mentioned GST and talked about the commitments that both major federal parties have made over the last few days, but the money has not yet started to flow, and it may not start to flow for another couple of years. We are simply not in a position at this stage to give extra support to those businesses in regional Western Australia. If we think about it, support is already being given to small to medium businesses around the state, wherever they are located, through things like the tax-free threshold and the progressive tax scale. I do not believe, and certainly the Treasurer does not believe, that giving only regional businesses further payroll tax concessions is the best use of the limited resource we have at the moment.

Hon Robin Scott mentioned in his contribution that some businesses in regional Western Australia have told him that they would employ more people if such a decrease were to be implemented. The member has only to look at places in our electorate—the goldfields region, for example—where we are told by the business community that there are about 1 000 jobs vacant at the moment. They cannot get workers to actually take jobs.

I thank Hon Jacqui Boyde for bringing this to my attention earlier today. The chief executive officer of the City of Karratha was today quoted in the *Pilbara News* as having said —

“Karratha today has three times more jobs than Bunbury, it has 10 times more jobs than Midland, and 20 times more jobs than Busselton advertised today,”

...

“We simply don't have enough people to fill the jobs we need.

We already have a substantial number of vacancies in regional Western Australia, such as in Kalgoorlie and Karratha and other places around the state. We simply cannot get people to take those jobs, so saying that we will decrease the payroll tax rate to allow more businesses to employ more people would not help at this stage. I would rather that we focus on getting people in regional Western Australia to fill the existing jobs that are going begging.

**Hon Rick Mazza:** That may be true in the Mining and Pastoral Region where there's a lot of resource activity, but I think you'll find it's a completely different story in the Agricultural Region. Being able to encourage businesses into those areas, I think, would be of great benefit.

**Hon STEPHEN DAWSON:** Undoubtedly getting more people to work in the Agricultural Region would be of benefit to that region, but we are about to see a bumper cropping season in that region. We are seeing good land prices and wool at significantly higher prices. I think we are seeing green shoots in the economy around the state. Some areas are more advanced than others are. We will start to see vacant jobs in the Agricultural Region. We look at places such as Moora, which has been raised in this place numerous times; I believe two garages in town are looking for mechanics. Indeed, other communities throughout the wheatbelt and the state have jobs vacant, but people will not move there. People have not taken the opportunities that exist. In the longer term, I have no issue with looking at things such as payroll tax exemptions or other opportunities, but, at this stage, we are simply not in a place financially to do that. I think that because those jobs out there are vacant now, we should focus on them. With those vacant jobs in certain parts of regional Western Australia, we should try to get more people to live in the regions.

To halve the payroll tax is not, in my view, going to get people to move to regional Western Australia. What makes people move to regional Western Australia are quality services. We, as a government, like other governments, spend significant amounts of money on services in regional Western Australia. We have to deal with quality-of-life

issues. I use Hedland and Karratha as examples, although I was pleased to see data from the Pilbara Development Commission earlier this week that shows more people are planning to stay in Karratha into the future than were planning to do so a couple of years ago, when many people saw their future elsewhere. We see people in my electorate—for example, in Hedland—decide at some stage in their life, because their kids are getting older or about to go to high school, that they will move their whole family out of regional Western Australia. We have to focus on whether the issue is about lifting the standard of services, such as education in regional communities, or educating people that our regional schools are top quality. I speak very highly of the schools in Hedland and I visit them quite regularly. The primary schools have great principals. The great staff at these schools can give as good an education to the kids there as that which is given to kids at schools in other regional communities and the metropolitan area. Bill Mann, the new principal at Hedland Senior High School, is getting that facility back on track. I am hopeful that he will give parents in the community the confidence to say that they do not need to move their family to Perth for their kids to go to Wesley College or Scotch College or any other school in Perth. People can be confident that they can stay in the community that they love to live in, have grown up in and have spent many years in, because the quality of service in the school is as high as the quality of the schools in the city. Services are vital.

As someone from Ireland who hates the cold, I love regional Western Australia and I can think of nothing better than 40-odd degrees in summer. I love it, but it is not for everybody. Not everybody wants to live above the twenty-sixth parallel. Not everybody appreciates the sunshine and the heat to the extent that I do. I think I must have been a goanna or something like that in a previous life. I love to lay on a rock and enjoy the sunshine, but not everyone does. The north west of Western Australia is not for everybody, because of the weather and costs, but the government can do things like funding key essential services such as health, education, transport and law and order.

I come back to the point that the Treasurer wanted me to draw to Hon Robin Scott's attention. The state relies on limited sources of revenue to help fund key services. If that important revenue base is narrowed, it will narrow the revenue available to fund essential services in regional towns, and at this time we simply cannot afford to do that. Any limited financial benefit that is provided to regional businesses through a payroll tax exemption or concession would ultimately be offset by costs to the recipients of essential services provided in a town. At this time there is simply a finite pool of money and if we were to give it to one group, another would lose out. If we were to give that money to businesses in the current economic climate, we would have to consider reducing services in those communities. As a regional member of Parliament I do not want to see services removed from regional Western Australia. We want services to continue to grow. We want the quality of life of people living in regional communities to get better.

From an equity perspective, providing a payroll tax reduction to regional businesses with fewer than 100 employees, as the motion suggests, would give those businesses an unfair competitive advantage over other businesses that employ people in regional Western Australia and that do pay payroll tax. I am not convinced that a payroll tax exemption will encourage many businesses to move from the metropolitan area to take advantage of this. It might, but I am not convinced that a payroll tax exemption in and of itself would convince them to relocate.

**Hon Colin Holt:** It therefore would not affect your payroll tax receipts, if no-one moved, and then you should support the motion.

**Hon STEPHEN DAWSON:** That may well be the contribution the honourable member makes in the debate this afternoon, but I am saying that there is no money at the moment to do that.

The greatest beneficiaries of a payroll tax concession will likely be employers already operating in those areas, so it effectively narrows the tax base for little benefit. Businesses in regional communities are already saying that they would employ more people if they received a tax concession, but I do not think a tax concession will do what the member is suggesting. The CEO the member mentioned did not say that there were thousands of jobs in Karratha, but he did say that there were three times more jobs in Karratha than in Bunbury and 10 times more than in Midland and that he cannot find people to fill those positions. Certainly, senior people in the goldfields with whom I have had conversations have said that there are about 1 000 vacant jobs in the goldfields, and that is without the tax concession that this motion is calling for. I think we should all work together to try to get people to move to the regions. I look at the Kwinana strip and think of the high numbers of young people in particular who are out of work in that region. At the same time I look at the 1 000 vacant jobs in the goldfields. There has to be a way to get some of those people from Kwinana to the goldfields. The member and I know that life in the goldfields is good. It is a great place. I am very fond of it. The beach may be four hours down the road, but there is golf, tennis, basketball, swimming pools and other facilities. Hon Kyle McGinn, who represents that region in this Parliament, would agree that the goldfields is a good place to live. I wish more people from the Kwinana strip and other places with high unemployment would come to regional Western Australia and see and experience it. I wonder whether we need a roadshow, or something like that, of senior people and businesspeople from the goldfields to go to Kwinana or Rockingham to put on an event, saying, "Hey, we've got all sorts of jobs." As the

member knows, the vacant jobs in the goldfields are not only trade related, but also service industry jobs. In fact, probably every kind of job is on offer.

**Hon Kyle McGinn:** They are looking into that sort of stuff.

**Hon STEPHEN DAWSON:** I appreciate that interjection, honourable member. It would be good if they did, because I think there is an opportunity in both those communities to capitalise not on those who are less fortunate, but certainly on those who do not have a job at the moment, by getting in front of them and saying, “This is what we’re like; this is what’s going for you. Come and try it out.” I think it would be beneficial.

Getting back to the motion at hand, significant legislative, administrative and system changes would be required to implement the proposed payroll tax concession. This mainly arises from issues associated with defining and identifying regional employees and businesses. I know that the member has gone some way to make it easier to identify who would benefit from it, because in his amended motion he says that it would be for businesses with fewer than 100 employees operating in zone B as defined by the Australian Taxation Office in the Australian zone list for Western Australia. I sought advice from the Treasurer’s office about the financial impact of this and the number of businesses it would help and I was told that that information is very difficult to ascertain from Treasury at the moment. I cannot put it on the table and say that it would cost us a billion dollars or whatever because the information is not readily available. I wanted to be helpful to the member, but I am unable to because the information just does not exist.

Although the state government does not support the member’s motion, it does not mean that we are not committed to supporting regional development. We have committed to significant investment in regional Western Australia to develop regional economies and also provide more employment opportunities in the regions. As the member would know, without vibrant regional economies, there would be no incentive to start or, indeed, keep a business going in regional areas. In the 2017–18 and 2018–19 budgets we have continued to invest in things like job-creating infrastructure and economy-diversifying initiatives, which I think matter and really make a difference to the regions. We have seen investment. Over the past few days and weeks in this place we have had questions about regional roads and the amount that is being spent on regional roads. Hon Colin Tincknell, who is away from the chamber on urgent parliamentary business, asked a question yesterday about what the record amount was. Over \$1 billion extra is being spent on regional roads. Money is being spent on the Karratha–Tom Price road and Marble Bar Road, bearing in mind that we would love to have a few other roads funded. Given that I share the same electorate with Hon Robin Scott, we would love other roads in our electorate to be funded, and hopefully they will get funded as we progress. Certainly, significant money is being spent on roads and regional infrastructure.

We have funded the regional economic development grant scheme. That new scheme will drive economic development in the regions. It is being funded through royalties for regions. Our local content people are now coming onboard in the regional development commissions to ensure that regional businesses get a benefit, and not businesses that have head offices elsewhere but have opened a satellite office in the town and get the work over a local business. I know that Hon Ken Baston is also passionate about this issue and he continues to ask questions about it. We are focusing on those issues.

The other area that we are focusing on is Aboriginal businesses and making sure through our Aboriginal procurement policy that Aboriginal businesses in regional communities are beneficiaries too. We are seeing some great work happening. I use the road to Cape Leveque as an example. I applaud Main Roads WA for what it is doing with regional communities along the Cape Leveque road to ensure that Aboriginal people in those communities benefit from the jobs. That is very good. People in those communities had not been able to access jobs partly because the road was not good enough for them to drive to Broome, but also because the jobs were not there. This work will happen over three years and people will be trained up and given ongoing jobs in those communities.

An area closer to my heart is the Aboriginal ranger program. Again, we are spending a significant amount of money—\$20 million over five years—to create these new jobs in regional Western Australia to give Aboriginal people ongoing jobs so that they are connected to country, custom and culture. The first round of funding that we announced in January was about \$8 million; 85 new jobs were funded through that round right across regional Western Australia. There were 12 in the South West Aboriginal Land and Sea Council, and some in Esperance, the goldfields, the Murchison, the Pilbara and the Kimberley. Another round will come out very soon. Of the 85 new jobs, over half were filled by females. I am particularly proud about that because the female rangers had not fared well in the previous rounds. Role models are being created in regional communities, and there will be multiple benefits from that. As a minister, I am focused on creating jobs in the regions, as are my colleagues, but, unfortunately, we do not believe that at this stage we can afford what Hon Robin Scott has asked us to do.

With those comments, I again commend the member for his passion and for bringing issues like this to the fore in here. It is always a good debate to be had, but at this stage I cannot support the motion.

**HON DR STEVE THOMAS (South West)** [2.25 pm]: I thank Hon Robin Scott for moving the motion before the house today. It is with, I guess, a little sadness that I cannot bring myself to support the motion before the house—I will provide some detail on that later. The opposition will not be supporting the motion as presented, and there are a number of reasons for that. I have always been concerned about any potential act of government that picks winners and losers in any particular way. I will talk in a little more detail about payroll tax and how the Labor Party in particular uses it to milk businesses over time. I will make a detailed contribution about the pluses and minuses of attacks on employment and jobs.

The critical issue here is applying a tax in some areas and not others, giving benefit to some areas and not others. That is a little problematic for, I would think, all members. I absolutely understand that the member is looking to stimulate economic growth and development in the mining region. He is to be commended for that; it is a very good intention, and every member should be doing exactly the same thing, including all other members of the house who represent different areas. Unfortunately, all those other members of the house might find themselves negatively impacting on businesses in their areas that then have to compete with businesses in the member's area that have a specific economic advantage. That is very difficult to do. Governments traditionally do very poorly when they pick winners and losers, particularly when it is based on regional areas. There is a long, long history of governments doing exactly that, to the detriment of the taxpayer and ultimately good governance. I will give a little more detail on that in a minute.

Of course, we all recognise that the federal government applies some tax advantages to those living above the twenty-sixth parallel to match or account for the increased cost of living that occurs particularly in those remote areas. I think everybody agrees with that. We accept that the increased cost of living in regional areas can be significant, and that strategy is supported. But that already exists, so there is an advantage to some degree in the tax system for living in those regional areas—not necessarily one that matches the entire additional cost, and I absolutely accept that. But government has to be particularly careful that it does not apply advantage to one area over another.

The most obvious example of that is written into the Australian Constitution. I am sorry, Hon Matthew Swinbourn; you have taken a bit of a beating on the Australian Constitution today, so I will not go into too much detail. When the Australian Constitution was put together by the founding—I almost said “fathers”, but that is probably a bit paternalistic and I will not use that term —

**Hon Stephen Dawson:** Founders!

**Hon Dr STEVE THOMAS:** The founders—I thank the minister!

When the founders put that document together, it was very important to them that states should not be given an economic advantage over each other. The states eventually found ways to get around that, but let us go back to the original idea in the Constitution, which was that trade between the states could not be impeded and that, from a commonwealth perspective, financial advantage could not be given to one state over another. It did that quite specifically, although, interestingly, and members might remember this from previous speeches on economics I have made, there was an exception granted at the point of Federation. Western Australia was allowed to retain an additional duty because of its lack of capacity to fund the activities in what was a very young and, I guess, very green economy. For years, Western Australia had a little advantage, which was eventually removed. The thrust of the Constitution of Australia states that it is important that one geographical location is not given a financial advantage over another. I think that is a very important principle. I know states rail against that and, in the end, they have found ways around it.

Payroll tax is one of those things in which we did see a differential. If members remember their history, they would know that payroll tax was originally a federal tax. Payroll tax was introduced, I think, in 1941, and until 1971, for a 30-year period, it was a federal tax and applied uniformly over all the states. In 1971, the year before Gough Whitlam became Prime Minister, the payroll tax revenue was transferred to the states, so states then became taxers of payroll. At that point it was still a uniform tax and remained so for three years after that. I think it was uniform at about 2.5 per cent of payroll. Obviously, once there is that freedom in the economic system, there is variation, and of course the first thing that happened after that three years of uniformity is that states tended to apply a differential. Because states are sovereign entities, they can apply taxes as they see fit, and it was not unconstitutional, because it was then a state tax. That occurred in the same way that local governments can apply different rates in different local government areas, and in some cases different rates within local government jurisdictions, because they have authority over that. Payroll tax went from being a very uniform tax to being one with a differential, with an obvious advantage to those low-payroll taxing states. We would think that it would have been to the benefit of all states to keep payroll tax to a minimum to attract business.

We do not see it so much in Australia, but we see it in the international community, where taxes like payroll tax vary, not so much through a legislated value for tax or the amount of the tax, but by granting exemptions for certain companies to come in. We see that everywhere. We see that in the international financial community, with

companies being granted millions of dollars of tax relief on the basis that they might move to a low-taxing economy that might be struggling a little. Of course, certain areas and jurisdictions have made a business out of that—the classic tax-free havens, where certain countries in the world make sure that no tax is paid—and we all know what that does to the bottom line of Australian jurisdictions, both state and federal, with companies basing themselves in the Cayman Islands, for example, or other places where taxation is very, very low. That kind of international competition and the difficulty and damage it does can be reflected at a state and local level.

For that reason, we need to be particularly cautious about choosing a differential taxation regime to give a particular area a financial advantage over every other area in the state, particularly in business. I say that, putting aside the situation in the area above the twenty-sixth parallel, which is slightly different, because it is an income tax offset to account for a cost of living differential. In his motion, the member identified tax relief for companies operating in the zones set by the Australian government as managed by the Australian Taxation Office. I will list them just so members are aware. The zone A differential as defined by the ATO is set for income tax relief. In Western Australia, zone A places include Bidadanga, Broome, Carnarvon, Dampier, Derby, Goldsworthy, Karratha, Marble Bar, Newman, Pannawonica, Paraburdoo, Port Hedland, Roebourne, Shay Gap, Tom Price and Wittenoom. Zone B comprises Boulder, Kalgoorlie, Esperance, Coolgardie, Kambalda, Leonora, Mullewa, Norseman, Northampton, Ravensthorpe and Southern Cross. In addition, there are a few areas in Western Australia known as special areas. For the sake of completeness, I will run through that list. They are Balladonia, Deakin, Denham, Eucla, Exmouth, Fitzroy Crossing, Halls Creek, Kununurra, Laverton, Leinster, Madura, Meekatharra, Mt Magnet, Onslow, Rawlinna, Turkey Creek, Wiluna and Wyndham. Those areas are obviously by definition remote, or at least highly regional. Kalgoorlie is one of the cities in Western Australia, but it is still considered a fairly remote location.

The question before the chamber today is: should a business in a regional location such as Esperance or Kalgoorlie receive from the state an economic advantage over businesses in other jurisdictions in Western Australia? I think that would be a fairly difficult argument to run, not just from an opposition perspective but, unfortunately for the member who moved the motion, for every member of the chamber outside the Mining and Pastoral Region. I am pleased that the Minister for Environment, who is a member for the Mining and Pastoral Region, is taking a statewide and, I think, sensible approach to this issue. It is obviously easy for members to point to their own electorate and say that it needs to be given a financial advantage to ensure that the businesses in their electorates do well. Therefore, the intent of the motion moved by Hon Robin Scott is absolutely fine. It reflects what Hon Robin Scott is elected to do—that is, look after the interests of the people in his electorate. I do not think anyone in the chamber would condemn the member or have a problem with that. It becomes a problem only when we want to apply the same standards across the board to every other area of the state.

In my view, many of the areas that are included on the list for zone rebates did very well financially during the boom period in Western Australia. I define the boom period as the economic period between about 2003 and 2014. That is not to say that all those areas are still doing well economically. To take iron ore, for example, the current price for iron ore is about \$US68 a tonne. At that price, for most iron ore companies, that is well above the cost of production. Some of the larger iron ore companies have a production cost of well under \$US20 a tonne. Therefore, a significant income is still being generated in those areas. I will come in a moment to the fly in, fly out component and to where wages might disappear. The current gold price is reasonably strong. The liquefied natural gas industry is starting to move forward. In 2008—10 years ago—I made some mistakes as the then shadow Treasurer in predicting where the economics of the state of Western Australia would end up. In my view, there was always going to be a correction in the iron ore price, and the price of other minerals would come and go a bit. My prediction was that the LNG industry would continue to expand and the price would be at a level that would ensure that the industry remained stimulated, which would be very good for the north west of Western Australia. I acknowledge that I was a little surprised by the size of the shale gas industry that developed in the United States. The increased availability of gas in the United States put a major dampener on the worldwide price of gas, and although the price received by gas producers did not drop significantly, it has certainly remained stagnant, but it is starting to correct itself at the moment. The level of investment in gas production in this state has tapered off a bit. It was based on the major projects that were in train up north, such as the Gorgons of the world, which was a massive \$45 billion worth of investment into those industries. New growth in that area was a little limited over that period of boom. Maybe because the iron ore industry was doing so well, the gas industry could not or did not need to compete, so it was a little stagnant for a while. I see, although I hate the expression, green economic shoots. I see significant investment coming in those industries and I think it will be a fairly major economic stimulus for many of those areas that zones A and B apply to.

It is absolutely true, and I am the first to acknowledge it, that not everybody benefits from major economic investments and some people certainly get left behind. In my view, those people are not necessarily going to be picked up by a reduction in payroll tax and supported in a significant way. I think there are a lot of other ways we might support people in those regions, particularly those who struggled a little during the boom period. It is

absolutely true that outside some of the major industries, plenty of parts of Western Australia struggled to adapt to the new economic circumstances that we find ourselves in. I guess when I say “new economic circumstances” that is not true; it is a bit like groundhog day. We have gone back to fairly standard, long-term average growth in most areas—the exception is wages, which I will come to in a minute. For industrial growth and economic growth, we are really back to what our long-term average looks like. Across the state, we are back to a two per cent growth rate. We got used to 10 per cent growth. We got used to economic growth of seven, eight, nine or 10 per cent over time and everybody started to assume that was the new normal. That drove a whole pile of problematic issues. If we look at some of the economic results of that period, particularly in Hon Robin Scott’s electorate, people were paying \$1 500 a week in rent because everybody was trying to get in on that massive economic bandwagon. Lots of people went north during that period. Fly in, fly out workers in particular, who were not paying those significantly higher rents, came back and bought their first house for cash. Lots of people did remarkably well in that period. There are other things we need to do to support those people who were left behind, in many cases in particularly isolated communities. There are other ways we can stimulate economic growth.

The correction back to two per cent growth did not occur just in the north west. The north west in particular was the driving force of Western Australia’s economic growth. Looking at payroll tax in particular, it went from being in the order of \$700 million at the beginning of the boom to \$3.5 billion a year. There was a fivefold, or 500 per cent, increase in payroll tax collections. Not an enormous amount of that was collected in the driving hub, which is the area the member talked about. A lot of payroll tax was collected by companies that basically centred themselves in Perth and provided services and expertise to areas in the north. The iron ore industry in the north drove that massive expansion. The gold and gas industries continued to tick over. Agriculture probably went backwards, but it is starting to move a little bit now. Tourism probably struggled and went backwards and we hope that can be turned around. It was driven by the iron ore industry and driven by the north west. Support for tourism and the companies that provided support were much more widely distributed. In the south west at this point, pretty much the only significant use of Busselton–Margaret River Regional Airport is for flights to Rio Tinto projects. The airport has had a very good relationship with Rio Tinto to get fly in, fly out workers to major projects. That relationship still exists. The companies that provide services headquartered in the south west and in Perth still contribute to payroll tax. Even though the growth and activity was happening in the north west of Western Australia, payroll tax was being paid and generated across the entire state, particularly in the south west land division of the metropolitan region and the south west. I think we need to be very cautious about saying to some of the smaller of those companies that for economic reasons, they need to be relocated. I think that is the problem with the motion before the house today. As I say, it is very difficult for any member to pick winners and losers in that process. I guess the question we must ask ourselves is: what will happen to a company of under 100 employees in Perth, in any of the metropolitan electorates or in the electorates of those members of the south west who may potentially have to compete with a company that is paying half as much payroll tax if it decides to site itself in the north west, the west or the eastern part of Western Australia?

I was glad to hear the Minister for Environment talk about other things that might drive economic development in those regions and I absolutely agree with him. There are many things we can do. There is a reason people choose a fly in, fly out lifestyle over moving to the regions. We would think it would be obvious that if someone were to be employed long term in a regional or remote area, generally on a very good wage, there would be good reasons to take the family and live locally. That we have such a massive fly in, fly out industry means that, effectively, people are making a deliberate choice rather than having foisted on them that they will live and operate in a certain area. I have apparently just been appointed to a committee to look at government telling people what to do without necessarily their need to be told. I will be interested to see the focus of that committee because I think in some areas we probably do, unfortunately, have to try to legislate for commonsense. But there are probably other areas where government is far too intrusive and does not need to be. This might be one of those examples of who is government to suggest someone needs to have their business in a certain area to perhaps increase economic activity in a town in the north, when they would prefer to be somewhere else? I fully understand that it is important to try to look after regional areas, and I fully understand and support that we can do things to support them without necessarily giving a tax advantage to certain companies.

We can do lots of things to make this better. One of the first things we could do is streamline the approvals process. I have a little trouble when I say that because I have been around long enough now to understand that every government says it will reduce red tape and streamline the approvals process to make it easier for business to be active. I have seen it on both sides of politics for as long as I can remember. I have seen red tape committees. I can remember not too long ago the federal government having a red tape reduction program in place and legislation that was not required was repealed. That was great, except the legislation that is repealed is always the legislation that is no longer doing anything anyway. That is the legislation that is not impinging on business and making sure business cannot prosper; the legislation that is repealed is the bit that nobody uses. That is probably good because it gets taken off the books, but it is not costing business nor is it costing government. It is legislation that is just sitting there. Most of the time, someone has to look for those bits of legislation. That is why red tape committees



provide employment because someone in the public service has to find all the legislation that is no longer used. If we do not use it, we do not know it is there. There is all this legislation floating around the place that we never use because we do not even know it exists, and we repeal it and say what jolly good people we are. The reality is that we do not save the community anything, nor do we save business anything by doing that. If we want to, we can make a genuine attempt to reduce red tape and streamline business approvals so that industry can flourish, which is more important, with a lack of government impediment rather than by government subsidy. We have to be very careful about how we manage that. I am always cautious about suggesting that a government subsidy is a solution to anything. I have seen far too many slush funds being maintained for far too long to know that most of the time, although we get some temporary investment, the investment by business over the long term drives an economy. It is not the investment by the government for the most part—there are some exceptions—that drives long-term economic benefit to the people. Members might call me right wing with that particular approach, and I think that is absolutely accurate and that is why I sit out here on the far right wing of the Liberal Party, appropriately placed. I am not a Keynesian economist. I know that the Minister for Regional Development and I have conflicted over that over time.

**Hon Stephen Dawson:** You're still one of our favourites though.

**Hon Dr STEVE THOMAS:** I have absolute respect for the minister. She is probably the second best minister on that side of the house.

**Hon Robin Scott:** Who's the first?

**Hon Dr STEVE THOMAS:** The Minister for Environment is obviously the standout performer in the government. He gets the most legislation through with the least fuss.

**Hon Nick Goiran:** He's the only one who answers any questions.

**Hon Dr STEVE THOMAS:** He provides answers to questions. Even when he does not necessarily like the answer, he is happy to provide information on the basis that an open and accountable government is a good thing. He will never get preselected now that we have said that about him. He is an excellent fellow and obviously the first minister in the chamber, if not the leader.

In my view, the prospect of subsidising business either with a reduction in taxes or direct subsidies has almost never been effective in the long term. It is a quick sugar hit. I will give members a few examples of that. Let us look at the Australian car industry, for example, which took in billions of dollars of subsidies over a number of years. Where is it today? It does not exist. The only way it would still exist is if it continued to be subsidised. That is a great example of the sugar hit of direct subsidy that in the end does not get anywhere. Imagine if we took those billions of dollars of subsidies and directed them into genuine economic growth. We have to be a little cautious about this. Some parts of government are, by accident, economic investments when they are really social infrastructure. We cannot be absolute with this, particularly in the regions. When the overall economy is so small, a hospital, a school or a police station is a significant investment by government in a fairly small community, even a community the size of Kalgoorlie with a bit over 30 000 people.

**Hon Robin Scott:** Just under 30 000.

**Hon Dr STEVE THOMAS:** Is it still a city then? I suppose it is. Even for a city of that size, a high school is a significant proportion of its economic activity. There is a role for government to invest in economic activity that includes providing those vital services, particularly social services. That absolutely exists. Naturally over time—we have seen this throughout the wheatbelt and in the agricultural and mining and pastoral regions—those services tend to get centralised into larger communities just because we need those additional support services for the people who work in those services. An agriculture department worker, a police officer, a nurse or a teacher is more likely to be centralised into those larger areas. We have seen that throughout those areas. The larger towns have tended to hold onto their population and, in some cases, grow whereas the smaller ones have really struggled. Where do we see the biggest impact? It is in those tiny towns for which a business providing 10 jobs is a significant employer. There are things we need to do to support those towns. Payroll tax relief is not the mechanism by which any of those tiny towns will be supported. They need support in other directions. They need to be able to provide the smaller levels of service that can be picked up. There are things that government should be doing better, and that includes removing some of the impediments to business growth that occur under every government.

The Minister for Environment obviously plays a fairly important role in this, because environmental approvals for proposed mines throughout those regional areas come under his jurisdiction. I note with interest a couple of high-pressure ones amongst the banded iron ore areas of Western Australia in which the government has taken, let us say, a very conservative approach; Hon Robin Scott will be well aware of the ones I am talking about. A significant number of jobs would have been developed had those two proposals gone ahead. The government is trying to compensate one of them a bit with some tax relief. I think subsidising through taxes rather than allowing

development is joining the wrong agenda. I think the government is taking a significant backward step with that one. I look forward to Hon Robin Scott perhaps making some comments on that process in the not-too-distant future.

There is an opportunity for this government to encourage development in remote areas. Unfortunately, there are somewhat limited development opportunities in remote areas. What will drive the economy in those areas? Where are we going to go with this? The easy one is obviously additional mining. There is a role for government in making that as easy as possible. Some of that will involve the approvals processes and some of it will involve providing the critical infrastructure that is required for minor players. I will not go into detail on rail access agreements and how they might be used to stimulate some of the smaller producers, but it would be pretty useful to have a more comprehensive plan for how all that could go together so that the minor players can get their product through to a port and out to the open marketplace in a more strategic manner. There are other ways of stimulating that economy.

I would like to raise again a question that I have asked a couple of times in this place. Outside the mining industry, the pastoral industry in the member's electorate needs the capacity to more easily diversify what it does. I understand and recognise that many people have this emotional attachment to running cows and sheep over large areas of land, but the reality is that for many pastoralists—not all of them, but a lot of them—that is their least economic prospect. The capacity for them to more fully engage in tourism by providing accommodation, or to put in irrigated agriculture, would offer far more exciting opportunities for future development than running cattle or sheep, or both. The approvals process for that is still far too onerous. I acknowledge that the government has taken a few steps to make it a little easier; the Minister for Agriculture and Food has gone some way towards improving that. However, in my view the Department of Planning, Lands and Heritage has not improved its processes, and it is still a major player in approving the diversification that does not yet exist in regional areas. We need to hold the government to account and make sure that it is not restricting those industries. That would be a good job for the committee that I find myself on. There are difficulties involved in people setting up something fairly simple, like farmstays, on a pastoral station. Their greatest asset might actually be their environmental credentials, the great sunsets and the redness of the area. All of that may well be a far bigger asset for exploitation than simply the capacity to run cattle and sheep on marginal country.

I see that most of Queensland is now running introduced buffel grass. If the Western Australian industry wants to expand to that level, it is probably going to have to go down a similar path. At this time, buffel grass is still considered a weed in Western Australia. For most weeds in Western Australia, no activity is required and no control measures need to be put in place. Despite the fact that it was the Minister for Environment's birthday about a month ago, I have refrained thus far from bringing him a bunch of arum lilies, although the south west is in full arum lily bloom at the moment! I am very tempted to bring him a nice bouquet to say that they are still there, just in case anybody has forgotten. Of course, they were removed from the list of weeds for which some action is required, so I expect the arum lilies in the south west to be blooming for many years to come.

**Hon Dr Sally Talbot:** A lot of people still call them death lilies, of course.

**Hon Dr STEVE THOMAS:** Death lilies—yes, absolutely.

**Hon Stephen Dawson:** Don't read too much into it. That's not what he's wishing.

**Hon Dr STEVE THOMAS:** No, no; that is why I did not bring them for this minister. He is a very good minister. However, I sent a bouquet of the same lilies to the Premier once, but he would not eat them!

We have digressed a little, but I think it is a good motion to debate and it brings out some of the issues raised by Hon Robin Scott concerning the economics of the north west in his electorate. I understand that he is looking for something to kickstart that economic growth a little faster and to pick up those communities that have been left behind. I am absolutely certain and I am pleased that the minister raised a number of times in his address the Indigenous communities and how in a lot of cases they have not necessarily been rewarded with the economic growth that has occurred in the north west. They have not necessarily had the capacity to take advantage of that.

The government has put in place some reasonable programs. I am intrigued to see how the Indigenous rangers program championed by the minister proceeds. I think it has the potential to deliver some very good outcomes. Aboriginal people are looking after areas of land to which they have a strong connection, so they have an internal incentive, if you will, to make sure that they look after that land. I wish the minister all the best with that program. I hope that it works. I have no doubt that on occasions it will fail and in some areas it will not work, but I can usually apply that to every government program that has ever existed. That program has enormous capacity to deliver some good. We should bear in mind that it is still government investment and one day we will have to get the private sector a bit more engaged in that process.

**Hon Stephen Dawson:** Member, just on that, I am. I've had multiple conversations with not only a range of big resource companies, but also the CME, to make sure it's sustainable and make sure those companies are using established ranger groups to do work, whether it's on the periphery of mines, whether it's mine rehabilitation or

a range of things. It needs to be sustainable in the long term. We are already seeing some of the new rangers get pilfered by mining companies.

**Hon Dr STEVE THOMAS:** Excellent work. They are probably getting twice the money they were.

**Hon Stephen Dawson:** Possibly, and I do not blame them.

**Hon Colin Holt:** It's part of the transition.

**Hon Stephen Dawson:** It is part of the transition.

**Hon Dr STEVE THOMAS:** It absolutely is. The more of that that happens, the better. The joy of government is that we get to start again and start training people afresh. I think that is a great program. When the inevitable failures come up, we as a chamber need to say that not every part of every program works. There is always a part of every program that fails and we should not be frightened of that. The ones that do not work are not the basis on which we want to judge the success of this program. I would be keen to see us progress that. All sides of politics can embrace, and engage in, this program as long as the dynamics of it are set up correctly and the accountability is right. We can all be a part of that. Hopefully, in the not-too-distant future when the minister moves to this side of the chamber, we can see those programs continue to be supported.

**Hon Stephen Dawson:** I hope it's a long time until I have to sit over there again, member.

**Hon Dr STEVE THOMAS:** The minister is very optimistic. He is an excellent fellow and he will look quite good over here.

**Hon Colin Holt** interjected.

**Hon Dr STEVE THOMAS:** It is the season for coups, so we never know. Anything could happen.

**Hon Stephen Dawson:** Not in our party.

**Hon Dr STEVE THOMAS:** We remember the Rudd–Gillard–Rudd days.

There is some excellent intent behind the motion before the house today, and I fully understand that. Unfortunately, it is too difficult for me personally as a member of the south west to suggest that one region of the state should obtain a significant economic advantage in business costs over others. That is not to say that I am purely fixated on the South West Region. The same issue applies to the metropolitan region and other areas of the state that are not on that list. A fair bit of the wheatbelt in the Agricultural Region is not on that list.

Debate adjourned, pursuant to standing orders.