

COMMITTEE REPORTS AND MINISTERIAL STATEMENTS - CONSIDERATION

Committee

The Chairman of Committees (Hon George Cash) in the Chair.

Perth Market City Redevelopment - Statement by Minister for Agriculture and Forestry, Motion

Resumed from 25 August on the following motion moved by Hon Bruce Donaldson -

That the statement be noted.

Hon BRUCE DONALDSON: When the debate was adjourned because of the time constraints, we were discussing the redevelopment of Perth Market City. I had discussed some of the points raised in the ministerial statement.

I return to how the \$13.5 million Market City project will be funded. It will be funded by Perth Market Authority cash reserves and a WA Treasury Corporation loan on a 40-60 equity to debt split. The PMA expects to recover the cost of the redevelopment through rental revenue within nine years. Does the Leader of the House know whether this cost will be met by increased rents or the revenue anticipated from the additional space and the markets possibly operating seven days a week? It is interesting that seven-day trading will require the markets to open to the public on Sundays. How do the retailers view this possible extension of trading time?

We welcome the fact that Market City has settled down over the past few years after the quite bumpy roller-coaster ride that it had. I suppose that was to be expected following the move from the old Wellington Street site to its new location.

Last week we also considered some of the regulations and rules that were not advantageous to the producers or the wholesalers. I know some of those have been changed. The Leader of the House also indicated that that redevelopment had commenced and the time frame was about three years. The leader may be able to inform the house whether this project will be on time, as expected by the Perth Market Authority, and also about the funding levels. I am sure the producers have been consulted, but I wonder whether there will be an increase in the rental revenues that will flow through to that source.

Hon KIM CHANCE: I thank Hon Bruce Donaldson for picking up those important issues arising from the ministerial statement. The answer to the principal question is that the largest part, if not all, of the revenue generation required to fund the new capital expenditure at Perth Market City will come from a greater trading volume. Similarly, additional services will be offered as a result of stage 2 of the process, which is the major part of the capital expenditure - the refrigerated truck receipt area. This is long overdue, particularly given the difficulties of handling certain temperature-sensitive commodities; for example, bananas. Temperatures that are either too hot or too cold will not work with bananas, particularly Carnarvon bananas that are sensitive to climate. The facility will enable refrigerated trucks to back into a refrigerated environment; in other words, the truck will back into the refrigerator, literally. The cab, trailers, and everything will fit inside the refrigerated environment, which will allow the cool-chain management stream to be uninterrupted. At the moment there is an interruption and, as the honourable member knows, with certain commodities any interruption at all in the cool supply chain can have deleterious effects on the shelf life of the commodity.

The seven-day trading issue is an objective. I am not sure that the factors exist to justify it; maybe they do. Clearly, the board believes that is possibly the case. Today we are in a new trading environment, and one of the expectations from that new environment is that the doors will be open for more hours each day and more days each year. That is one of the issues we must deal with. In a sense, that is a response to the liberation of trading hours, but it is also a response to a need by producers, and by the transport companies that service those producers, to keep their assets working, and to keep them working in a more consistent time frame. Obviously, that will always be an issue with horticulture, and it is always an issue with the transport industry. A combination of those two factors may make a business case for seven-day trading, but at this stage we cannot put a time frame on it. I would rather refer to it as an ambition or an idea.

Traders welcome changes. I have spoken to the Chamber of Fruit and Vegetable Industries in Western Australia specifically about the changes, and I think it has made a contribution to the genesis of the idea. The chamber does have ambitions for Market City. I am delighted that the chamber, which has always been a progressive organisation, has picked up the ball and run with some of the ideas that I have shared with it and that it has obviously discussed with its members. I have also shared those ideas with the chairman and the board of the Perth Market Authority. I have asked all the people involved in Market City to give me their picture of what they think this asset will be doing in 20 years, because I do not think they will be doing the same as they are now. There is a fundamental weakness in the horticulture industry in Western Australia, and that falls in the delineation we draw between exporters and local market producers. There are obvious exceptions, and with fruit more exceptions than probably the rule, but with vegetables it seems to work this way. Producers for export

seem to be one part of the industry: they tend to be high-acreage volume producers, such as Nick Tanner. Producers for the local market tend to be smaller producers, highly specialised and focused around the local markets only. The industry cannot afford that separation to continue. Somehow we must find a way to give both the big producers some access, if they ever need it, to the local market and also the smaller producers some means of accessing the export market. Clearly, most of those producers are too small to participate as individuals in the export market, because they simply could not supply the kind of volumes that an export market demands. The role of Market City may facilitate private export companies that are not producers to aggregate the products from the smaller producers and function as exporters with reliable volumes. As I said, that is not something that I want Market City or the Perth Market Authority to do themselves, but I want them to be capable of facilitating those arrangements for the private sector operators within Market City. That is a tremendous asset and it is functioning pretty well. I thank the honourable member for recognising that. However, we still have a way to go. The McGregor report took many of those ideas forward, and many of these changes are a flow-on from that report. I again thank Professor McGregor and Curtin University for making his time available to us. Professor McGregor was working on this exclusively for some six months, which was a stroke of good fortune for us. As the Leader of the Opposition will recall, shortly after the move to Canning Vale a committee of this Parliament - the Legislative Council Standing Committee on Government Agencies - produced quite an extensive report. Virtually no real strategic overview of the markets has been done since that committee concluded its report, which was timely.

I perceive strong industry support for the direction in which we are heading, but at last we are looking 20 years ahead instead of to the immediate future. Construction has commenced. The industry also welcomes the changes, because it sees the certainty that those changes will provide a separation of function from the mainstream wholesale market and from a cash market. There has always been a sort of uncomfortable clash in the operation of both those functions on the same site. One of the outcomes from this construction will be to separate those functions, even to the extent that cash market buyers will park in a different place. Cash market buyers will park in one area and wholesale market buyers will park in another area, and that is highly desirable. Two of the outcomes are greater trading volumes and the separation of the trading types. Another outcome is the increased quality of supply chain management.

Hon BRUCE DONALDSON: I want to raise a couple of issues that were not referred to in the ministerial statement, but the minister may be able to inform us about them. First, do the major supermarket chains access Perth City Market, or is it done through direct contracts with growers? I am talking about Coles and Woolworths. Secondly, a very innovative person - I suppose it would be a company now - value added the produce. I am talking about the produce for salads. It started off as a small business. He started off value adding produce by cutting up lettuce and the other foodstuffs that are needed for salads. The produce can be cut by a machine, but some restaurants like it to be cut by hand for their salads. He delivers this produce to restaurants up to two or three times a week. He still supplies them at night when they are really busy, so that they always have fresh salad ingredients. It was a brilliant idea. He has created a tremendous opportunity for himself by value adding that produce. I thought it was an excellent, innovative arrangement. It was generated by the operational changes that took place after the move from Wellington Street to the Canning Vale markets. I wondered whether the minister was aware of this business. Some years ago I heard that the business had a turnover of more than \$1 million, and I will bet it is much higher now.

Hon KIM CHANCE: Do supermarkets access the Canning Vale markets? My word they do. I had the benefit only yesterday of seeing the Perth Market Authority annual report. If I had the kind of photographic memory which I am proud of having but which seems to have failed me now, I would remember some of the figures in it, but I do not. I looked for the particular issue the member has raised, and I was a little surprised at the extent of supermarket buying from the markets. That is a strong reflection of the quality of presentation of the produce at the markets, which has significantly improved over the years. Obviously, the supermarkets still buy a large proportion of their requirements directly from growers. Clearly, there are advantages to both supermarkets and growers from that kind of contractual relationship. However, it is not something that stands on its own. I am very grateful for the strong support that the supermarkets give to the Perth Market Authority and to Market City. However, I am sure that the likes of Coles, Woolworths and others would not operate in the market unless they got what they wanted, and so clearly they must be getting what they want. I have spoken to both Coles and Woolworths buyers at Perth Market City and they have expressed their satisfaction with the way operations are moving at the market.

I do recall one figure, although it does not answer the question the member asked. My recollection is that the ratio for the volume delivered directly to buyers and the volume delivered to Perth Market City is 22 to 78. Seventy-eight per cent of the fruit and vegetables that are grown in Western Australia go through Perth Market City, which is quite high. Given that that is a fairly static figure, it seems to indicate that the amount of direct supply has probably plateaued at this stage and, I suspect, is probably limited only to very large growers. I am not sure of that, but I will follow it up.

About a month ago at my last meeting with the board at Market City, I made an inquiry about the value-adding operation, because I had also seen that operation at its genesis. It was using, in the main, damaged fruit and vegetables. It was a very clever operation. It was value adding produce of no commercial value. A small bruise on one side of an apple does not damage the rest of the apple if it is to be used in a fruit salad. His volumes are too big now to use damaged goods; he must buy down the line. My information indicates that that business is doing extremely well, which supports the member's view. These opportunities for value adding are enhanced by the building program. I understand that warehouse 1, which is where the member would have seen this business operating, will be devoted to the cash-trading market. The value-adding marketers will be able to move into either new premises or much more modern premises, which relates better to the markets than old shed 1. That shed, because of its location on the west side of the complex, can be fenced off, and that will provide the spatial separation between the cash market and the wholesale market.

Hon Bruce Donaldson: A lot of people are buying packaged salads from supermarkets rather than buying their own produce and preparing it at home, because there is not as much waste. They are buying what they want.

Hon KIM CHANCE: It has grown from where it started, which was basically a restaurant end use, to a much wider end use. It can grow further still. One of the real potential growth markets for the Western Australian horticultural industry, which is having great difficulty competing with low-quality, high-volume imports from Thailand, Malaysia and China, is to get into airline food supply arrangements. I have met with Singapore Airline Terminal Services in Singapore, which has two major kitchens in Singapore: one kitchen supplies Singapore Airlines and the other supplies 48 other airlines. That is quite remarkable. The member will have seen the throughput of aircraft at Changi airport many times, so he will have a good idea of the scale of its operations. Even though we went through the simpler of the two operations - that is, the operation dedicated to Singapore Airlines - it is a massive complex that has some very complicated logistics. Flight crew cannot eat food from the same kitchen as the passengers. The pilot cannot eat food from the same kitchen as the copilot.

Hon Ed Dermer: Why is that?

Hon KIM CHANCE: It is for security; that is, if one kitchen is subject to sabotage, healthy people will be able to look after the people who are affected by the sabotaged food.

Hon Simon O'Brien: I would have thought all the food would come from the one central depot.

Hon KIM CHANCE: No. There are a number of completely separate kitchens within the complex, which is dedicated to just one airline. These kitchens do not talk to each other. Additionally, there are Chinese kitchens, Indian kitchens, halal kitchens and non-halal kitchens. The kitchens are huge. Individual kitchens are the size of this chamber. The flight crew has its food prepared in a different kitchen from those for the pilot and the copilot. The pilot and copilot have food from different kitchens. The passengers and the flight crew have food from different kitchens.

Hon Bruce Donaldson: They cannot eat the same meal either; it would be steak or chicken.

Hon KIM CHANCE: It might be the same menu, except pork. Menus would be different in the halal kitchen, and presumably there is a kosher kitchen as well. It is a very big industry in which price has some elasticity, more so than in a supermarket, for example.

There are some interesting opportunities, not so much in direct supply to that facility, but in supply to satellite companies that prepare the food off site for preparation in the main kitchen. We spoke to a Chinese businessman by the name of Frankie Tan, who operates a preparation area known as Country Fresh. Basically, its product is prepared salad vegetables for Singapore Airline Terminal Services Ltd. Frankie Tan sources much of his commodity from Western Australia, but he would buy more of it from Western Australia if he was able to achieve certain quality control objectives. He indicated to us that those objectives were more important to him than outright price. I thought there were opportunities there; indeed, I suggested, after my visit to Singapore a couple of years ago, that the chief executive officers of the development commissions for which I am responsible go to Singapore for a range of reasons but also to meet with Mr Frankie Tan to get some idea of what options are available.

Since then, of course, there has been the public emergence of a company in Western Australia in my and Hon Bruce Donaldson's electorate at Gingin. It is the Loose Leaf Lettuce Company owned by the Dobra family. Maureen Dobra only a couple of months ago won the rural woman of the year award in Western Australia. Her company is really focused around exactly that. It is a matter of being innovative. I try to tell farmers and people involved in the food industry on a constant basis not to worry too much about their absolute cost of production of the commodity. People in the commodity business get the world price and basically that is it; they are either competitive or they are not. They must try to identify where the market is that they can be paid the kind of niche premium that they think they are entitled to. They should then work their way back from there. It is a bit sad in many ways that when Western Australia's agricultural outturn is examined, one sees how little of it we get a premium for. People across governments have worked for 25 years to get the understanding in people's minds

that Western Australian food is the cleanest and safest in the world. We have done that now and people understand it. People are now hyper-sensitised to food safety and quality issues as a result of animal disease outbreaks and other events. However, the state's output that is identifiably Western Australian amounts to only about 17 per cent in dollar terms. Most of it is in the form of wine, because it goes out branded with "made in Western Australia" on it. Some 58 per cent goes out as generic commodity and the rest of it comprises non-food items like wool. I think that is sad. I am talking in dollar terms, but if we talk in volume terms, it would be a much smaller percentage than 17 per cent. That is why I am excited when I hear about Kailis and France Foods Pty Ltd, which supplies 60 million meals a year to the Japanese restaurant market. Those meals are produced in Osborne Park. Ball Noodles has captured the spirit of "made by Japanese in Western Australia", which is a great marketing initiative. I get depressed sometimes when I see the huge concentration of effort that goes into producing commodities knowing that when a commodity is produced, we get no benefit from the clean and green image that we have worked so hard to achieve. Although one benefit might be some market access, there is no price premium. The commodity is sold in the market with the same products from Canada, Europe or the United States, which is sad. We are missing out on some great opportunities. Associations in the industry between people such as Frankie Tan and the Singapore Airport Terminal Services are a small step in the right direction. Incidentally, I also asked the chairman of the Perth Market Authority to travel with the chief executive officers of the development commissions, which he was able to do. There is an understanding now of the direction we are looking for. It is just a matter of achieving it.

Hon Bruce Donaldson: Members of the Agricultural Region would be quite happy to go and look at that.

Hon KIM CHANCE: We should do that. A number of members would be amazed to see what we saw in Singapore and the opportunities that exist in Kuala Lumpur.

Question put and passed.

Standing Committee on Public Administration and Finance - Ninth Report - A Petition on Increases in Motor Vehicle Stamp Duty

Resumed from 12 November 2004.

Motion

Hon BARRY HOUSE: I move -

That the report be noted.

The report originates from a petition that I presented to the Legislative Council three years ago in September 2002. The gestation of some of these reports exceeds the gestation period of an elephant! The petition was prepared by the Motor Trade Association of Western Australia and states in part -

... the Legislative Council to urge the Government to review the impact of its vehicle Stamp Duty proposals, in particular the potential for a negative impact on sales, loss of employment opportunities and the adverse impact of these factors on the West Australian economy.

Because it is a petition, it was sent immediately to the petitions committee, which was then the Standing Committee on Estimates and Financial Operations. That committee conducted a preliminary assessment of it and then transferred it to the Standing Committee on Public Administration and Finance because it involved aspects of public administration. The committee did not hold a major inquiry into this term of reference, but it set about researching the topic so that it could gather information, deduce some trends from that information and then report back to the Legislative Council. The committee gleaned some information by contacting the Department of Treasury and Finance. We sought from that department information on what forms of economic modelling it uses when these types of proposals are assessed and then presented to government. The committee sought to determine whether the department modelled the impact the stamp duty proposals would have had on various sectors of the economy and whether it assessed the impact that a change in the taxation structure would have had on any sector of the economy.

The committee did receive some information on that, and I recommend that members read the report. In my mind the information provided was inconclusive. I was not convinced that the Department of Treasury and Finance conducted detailed economic modelling to advise government on those matters with any real certainty. Government members and ministers might reflect on that or hold another view on it. However, I was not convinced that the research done by the department was sufficient to tell us all the answers to the questions the petitioner had raised, but other members might have a different point of view. The Under Treasurer advised the committee that he was constrained by the basis of many of the states' taxes when doing useful economic modelling.

The committee sought information from various other bodies. It determined to compare Western Australia's stamp duty rates with those of the other states. The committee's report includes a concise table that summarises

that comparison. A table on page 6 clearly indicates the stamp duty paid for different market values of vehicles in the various states. For instance, Western Australians pay \$137.50 on a \$5 000 vehicle. The highest rate in Australia is in Canberra, where it is \$177. Western Australia's rate is competitive. At \$100, Queensland has the lowest rate. For a \$15 000 motor vehicle, Western Australians pay \$412.50 in stamp duty. With a rate of \$540, South Australia has the highest rate. By way of comparison, Queensland has the lowest rate at \$300. Moving to a \$25 000 motor vehicle - this is where it becomes interesting for Western Australians - Western Australians pay \$1 062.50, which is the highest rate in Australia. The lowest rate is in Queensland at \$500. For a \$35 000 motor vehicle, Western Australians pay \$2012.50, which, again, is the highest rate in Australia. The lowest rate is in Queensland at \$700. For a \$50 000 motor vehicle, Western Australians pay \$3 250, which is the highest rate in all the states. Again, Queensland has the lowest rate at \$1 000. The \$2 250 difference between the highest and lowest rate is quite marked.

The states levy stamp duty in different ways. Western Australia has a progressive taxation system; some of the other states have a less progressive system. Queensland and the Northern Territory have a flat rate of stamp duty regardless of price. That is an interesting comparison. From the raw statistics, we know that Western Australia's stamp duty rates on motor vehicles priced above \$25 000 are the highest in Australia and that we are more competitive when it comes to vehicles under \$25 000.

The committee also approached the Department for Planning and Infrastructure and the Australian Bureau of Statistics for further information, because no real statistics told us categorically, one way or the other, how many people were buying vehicles outside of Western Australia. Anecdotally, we have all heard of fleet operators, for instance, buying their vehicles in Adelaide. A lot of people, particularly those looking to buy luxury vehicles or four-wheel drives, fly to Brisbane to buy their vehicles and then drive them back because that saves them significant thousands of dollars. The money they save on stamp duty might be spent on petrol by the time they get back!

Hon Kim Chance: If they were planning to do a trip anyway, it would be worth their while.

Hon BARRY HOUSE: That is right. Incidentally, I am led to believe that the same sorts of comparisons apply to caravans. A significant number of people are buying caravans in Victoria because the stamp duty payable on caravans appears to be far less in Victoria than in Western Australia. I have heard that only anecdotally. I cannot back it up with comprehensive statistics and nor could the committee. That was one of the problems we had. Overall, our conclusion was inconclusive. If we concluded anything, it was that motor vehicle sales in Western Australia had increased. There was a continuing increase in new motor vehicle sales over that period at the rate of 0.7 per cent a month. That rate is higher than the national average, which is 0.1 per cent a month. Looking at that alone, it could be said that it refutes the petitioner's allegation. However, there are many more factors that have to be taken into consideration. Western Australia is in a boom period and we would expect new vehicle sales to be going through the roof. The other major factor was that some of the statistics recorded in the report do not include some vehicles with higher values.

At page 17 of the report, section 9.9 states -

When looking specifically at new passenger vehicle sales (which do not include vans, all-terrain vehicles and four wheel drives as well as heavy vehicles, trucks and buses) . . .

It is a significant exception for which we would expect to find the specific examples that the petitioner has referred to and caused him to raise this issue in the Parliament.

I will now compare rates of sales. Western Australia has had a modest increase in rates. However, the Queensland rate is 11 per cent. The Queensland rates were consistently the lowest in Australia. The rates attract a large number of new passenger vehicle sales at all levels.

The basic conclusion was somewhat inconclusive. However, the report noted the trends and showed some research into comparative rates of stamp duty across the nation. It took quite a while. As I recall, one of the reasons was that we had time delays in obtaining information from the Department for Planning and Infrastructure because of the introduction of the transport executive and licensing information system and the difficulties experienced with it. Some might call it chaos. The department was very slow in not only responding to our inquiries, but also getting the system sorted out and reporting properly to Western Australians in general.

Since then another budget has been delivered. The Treasurer has categorically refuted that the government is prepared to look at a reduction in the rates of stamp duty across the board. We heard earlier today the Leader of the House explain the rationale across government for that. A month or so ago I was somewhat disturbed when the Treasurer mentioned a seeming solution to the problem was that he would introduce a penalty regime for people who crossed the border and dared to buy vehicles in other states! Somehow that would be policed and people who had the temerity to live in Western Australia and bring back a car with a South Australian, Victorian or Queensland numberplate would be penalised. I am not sure how that would be policed, but if it could be

done, the cost would far outweigh the benefits. A much more rational way of addressing that issue would be to compare the taxation rates and acknowledge that, inevitably, our vehicle registration costs will cause a drift of money away from Western Australian businesses towards those in the eastern states. It would apply not so much to second-hand cars or family sedans, but to cars worth \$25 000 and above, particularly in the range of vehicles such as four-wheel drives, all-terrain vehicles, buses and trucks, on which we could not gather statistics to support any side of the argument. Many of those are being purchased outside Western Australia. The Standing Committee on Public Administration and Finance undertook that exercise. The members of the committee reached consensus on the report because the research was largely inconclusive. However, we differed on one point. A statement was made in the conclusion of the report that increases in motor vehicle stamp duty rates, particularly for vehicles in the higher price brackets, has not prevented a continued increase in new motor vehicle sales. That observation was made on the facts we had; however, members will note in the report that Hon Murray Criddle, Hon John Fisher and I - we did not dissent - added that we were of the view that the higher motor vehicle stamp duty rates are an impediment to vehicle sales in the higher price brackets.

It was an interesting exercise for the Standing Committee on Public Administration and Finance. It was one of the smaller inquiries that took a while to report on. The report is not earth shattering but it is useful for analysing an issue and for providing the Parliament with some more information.

Hon ED DERMER: It took a long time for this report to be completed. Quite a bit of research was done to find as best we could the appropriate information to address the issue raised in the petition. I note the hard work done by Stefanie Dobro, the advisory officer, and Jan Paniperis, the committee clerk.

Hon Barry House: I am pleased you did that; I forgot to mention them.

Hon ED DERMER: They persisted in finding the best information that was available. I think Hon Barry House has managed to report on most of the key statistics in the report. I will not waste the time of the house by repeating that material. The facts clearly indicate that there is no evidence of a decrease in the number of vehicles sold of the type suggested in the petition. Finding the statistics of the exact category of vehicle to answer the petitioner's question precisely was not possible. However, at first glance, there appears to be an increase in those vehicle sales. The evidence does not support the anticipated concern expressed in the petition. I accept that it does not necessarily refute it but, at first glance, the increase in sales suggests that the industry is not suffering an obvious impediment as a result of the changes.

I refer members to the tabulation on page 6, in which we made comparisons across the states of Australia, and the Australian Capital Territory and the Northern Territory, between vehicles of different values. Whereas for vehicles valued at more than \$25 000 the duty in Western Australia was the highest in Australia, what is particularly important is that for the lower priced vehicles the duty was not the highest. In fact, for vehicles worth \$5 000 or less, the Western Australian rate of duty was less than that of New South Wales, South Australia, Tasmania and the Australian Capital Territory. It is important that we remember the financial stricture that is placed on the budget of low-income Western Australians. For people at that end of the income scale, who would be looking at the type of vehicle that was the least expensive in the market, the stamp duty in Western Australia compared favourably with that in many other jurisdictions in Australia.

Question put and passed.

One Industry - No Limits Careers Promotion Program - Statement by Minister for Education and Training

Resumed from 29 April.

Motion

Hon BARRY HOUSE: I move

That the statement be noted.

It is interesting, given the effluxion of time, to re-read the statement made by the Minister for Education and Training on 29 April. Members will recall that, on that morning, the minister came into the chamber wearing a yellow hard hat. She then carried on as though she were performing for Actors Equity, as she is prone to do, and trumpeted very proudly that the previous morning she had had the pleasure of launching the Building and Construction Industry Training Fund's One Industry - No Limits Careers Promotion Program. The minister went on to say -

The centrepiece of yesterday's launch was the Big Mouth Ambassadors for Schools project. This new project offers WA schools a team of trained and ready industry practitioners to visit student, teacher and parent groups with a unique and interactive presentation designed to challenge young people's knowledge and perceptions of careers in building and construction. More than 60 ambassadors have already volunteered to support the program.

She then said - this is a great line -

I am proud to say that at yesterday's launch I was made the number one Big Mouth Ambassador for the building and construction industry.

Well, that was very prophetic, because we have seen plenty of examples of that from the minister since that time.

Debate interrupted, pursuant to sessional orders.