

REVENUE LAWS AMENDMENT BILL 2014

Second Reading

Resumed from 14 May.

The ACTING SPEAKER (Mr I.C. Blayney): Before the member for West Swan gets moving on her speech, if members want to have conversations, can they take them outside the chamber, please, so that we can hear the member.

MS R. SAFFIOTI (West Swan) [4.47 pm]: The Revenue Laws Amendment Bill 2014 is a bill to increase taxes once again. Once again, the Liberal Party of Western Australia is demonstrating its tax-and-spend philosophy. Can I just touch on something —

Several members interjected.

The ACTING SPEAKER: Members!

MS R. SAFFIOTI: I just want to announce to the WA Parliament that Hayden Ballantyne has got off his charge, which is a very, very important thing. As I said, if he had been suspended for that one, we should secede!

I want to go through basically the elements of the bill, but I want to start, first of all, on the whole issue of why we are dealing with tax bills yet again in this Parliament. With every appropriation bill it seems that we get a tax bill. The very interesting part of this is that we are dealing with a tax bill before the Supply Bill. If anyone has noticed, we are not dealing with or debating the third reading or having the consideration in detail discussion before the tax bill; we are doing the tax bill first. This government's priority is the taxation; we are not actually paying the teachers and the nurses. This government is more willing to allow supply to lapse than to actually collect the extra revenue. How bizarre! Is this the first time it has happened? I will go as far as to say that it is probably the first time in this state's history that a government has come into Parliament and made the priority of the day a tax bill instead of an appropriation bill. I raised this matter with the Leader of the House. I asked him why we are not dealing with supply. I will not comment on exactly what he said.

Mr J.H.D. Day: I am sure it was a facetious comment!

MS R. SAFFIOTI: Ha, ha! Needless to say, I think this government is very desperate for revenue.

Mr D.A. Templeman: I had to make a contribution on the way in!

MS R. SAFFIOTI: Ha, ha! This government is very desperate for revenue. Here it is, increasing land tax again. Here it is, making first home buyers, who would not be liable for stamp duty, pay stamp duty. This is what the tax-and-spend Liberals are doing. I have to ask: why does the government need it? It made a big taxation effort last year. Remember, the fully funded, fully costed campaign? Why does the government need these taxation bills when it had a detailed, fully funded, fully costed range of commitments? Why would the government need a taxation bill if the commitments were fully funded and fully costed?

Mr D.J. Kelly: Maybe the Minister for Transport knows?

MS R. SAFFIOTI: Maybe the Minister for Transport knows. I note that the Minister for Finance is also the Minister for Transport. And of course there was the poor old Metro Area Express light rail. Mr Acting Speaker (Mr I.M. Britza), I know that you put out brochures throughout your electorate saying that the Morley commuters would be catching the MAX light rail by 2018. The brochures stated that by 2018 all those Morley commuters would be jumping on that MAX light rail. That is not happening because, obviously, the fully funded, fully costed commitment is not happening. Then of course there is the airport rail, which is my favourite.

Mr D.J. Kelly: Will it go to Ellenbrook?

MS R. SAFFIOTI: No, it will not go to Ellenbrook.

There is an interesting aspect about the airport rail debate. When members opposite talk about the Ellenbrook rail, they ask, "What are the economics? Where is the business case?" When they talk about the airport rail, they say, "We're committed to it but we're still working on the route." There are four different options, and I am sure the costs are different amounts.

Mr D.J. Kelly: No, they're all the same.

MS R. SAFFIOTI: They are all the same! If the airport rail was fully funded and fully costed at the election, which route did the Minister for Transport take to the election and why are there four different routes now? I do

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not quite understand that. Members opposite put advertisements on the radio making fun of our route and promoting their route, but they still do not know which way it is going.

Mr D.C. Nalder: Actually one of those routes is one of yours that we are looking at to cost.

Ms R. SAFFIOTI: I knew this, and I am glad the Minister for Transport interjected. Just to make it very clear, one of the four routes being costed by the Department of Transport is the route that we took to the election.

Mr D.C. Nalder: No.

Ms R. SAFFIOTI: Remember, this is also the route that members opposite criticised in election ads. This is the route that they said would not take anyone near the airport, but now it is having the route costed because of course it would take people to the airport. I know exactly what members opposite are doing. Members may know that tunnelling in Perth is quite expensive. The government went out at the election and said that it would tunnel 8.5 kilometres under some runways. That was always going to be a difficult; it was never going to be easy. I know that tunnelling through 8.5 kilometres of sand—Perth is not like Sydney—will be pretty expensive, as we had issues with the Perth–Mandurah rail line. I am no engineer but I imagine that tunnelling underneath a couple of runways while they are being used will provide some engineering difficulties. However, I am glad that one of the four routes being assessed is the route that goes around the airport and has a bath structure. We know all about bath structures, do we not, member for Victoria Park?

Mr B.S. Wyatt: I know.

Ms R. SAFFIOTI: We know more about bath structures than we would like to know.

Mr D.C. Nalder: I wouldn't spend too long on it, I can tell you.

Ms R. SAFFIOTI: Why is the Minister for Transport costing it?

Mr D.C. Nalder: We are a prudent government and want to make sure we are locked in.

Ms R. SAFFIOTI: A prudent government! When the government took the commitment to the airport rail to the election, why did it not have the route costed if it was actually defined and if the government was prudent? Remember, the reason the government did not go ahead with rail for Ellenbrook is that it thought we had done all the planning. Yet, here is the government doing all the planning for the airport rail after the election. It is making it up as it goes along.

I saw the Twitter account for WA Liberal members. They have their own stamp happening—"DELIVERED". I think there are four tweets on some small commitments! It will be interesting to see what they do for the MAX rail, the airport rail and Ballajura police station.

Mr W.J. Johnston: We should compare their tweets with their TV ads.

Ms R. SAFFIOTI: Exactly!

One of the reasons we need this tax bill is that the statement on fully funded, fully costed commitments was the biggest deceit of the election campaign, and everyone out there in the community knows it. It has now become in a sense a source of mockery. No-one can believe any promise the Liberals make and no-one believes this government has any credibility. As I said, people can come into this chamber and personally sledge and impugn us all they like, but the reality is that the community understands that this Liberal government has lost its way. Since 2008, all it has done is work on 7.5 kilometres of rail line—and it is still not open. Is it open? Anyone? Is it open?

Mr B.S. Wyatt: No.

Ms R. SAFFIOTI: Is the 7.5-kilometre rail on greenfield flat land open yet?

Mr B.S. Wyatt: No, not yet.

Ms R. SAFFIOTI: Not yet! So, that is what the government has been doing.

I want to talk about the structure of the finances because it is quite important. The operating balance for 2014–15 is \$175 million and for next year it is \$5 million. Let us just go through this. It is the operating balance; it is not the full account. It is operating revenue minus operating expenditure. It is basically the money that the government needs to pay staff, to keep the lights on and to undertake the normal operating activities. The government has structurally changed the books so much that it almost cannot raise enough money each year to cover the payment of salaries. That is what the government has done. It is an incredible turn of events. Yes, Labor had massive surpluses. Those surpluses showed that the structure of the books was sound. It also allowed us to undertake capital works without having to borrow all the time. That operating balance, as I said, is so wafer-thin that next year there is an operating surplus of only \$5 million. This year the surplus is \$175 million. The government, therefore, is in a position of almost having not enough money to pay the operating expenditure

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of government. It cannot pay the ordinary running of government. It is in a position of almost having to borrow—not for capital works; we know it is doing that—to pay salaries. That is where the operating balance is at.

Mr M. McGowan: Compared with where it was.

Ms R. SAFFIOTI: Yes, compared with where it was.

On a cash basis—an interesting analysis and methodology for how budgets were measured until 1999, and used by the Australian federal government—there will be an underlying cash deficit of \$1.6 billion in 2014–15. That is why debt is out of control. Debt is absolutely spiralling out of control. If we go through the net debt figures, we can see that net debt at June 2008 was \$3.6 billion. In 2014–15, total net debt is estimated to be \$24.9 billion. That is an extraordinary increase.

If we look at the general government sector alone, net debt was in a positive. Back in 2007–08, I recall that the state was owed \$3.7 billion, yet in the general government sector the state now owes \$14.5 billion. Remember that the general government sector is the ordinary course of business; it does not usually charge at user rates, and it is debt that is basically funded through taxes and normal consolidated revenue. That is why general government sector debt should be taken note of, particularly because it can be sustained only through taxes and general revenue.

Next year, net interest costs are estimated to be \$960 million. That means that before nurses and teachers can be paid, money must be found to pay interest costs. Those statistics sound bad, and they are bad, but what do they actually mean? I will tell members what they mean. First of all, of course, we lost our AAA credit rating, and we have seen increased borrowing costs to the tune, as I recall, around in the millions, which is significant when we look again at what those millions could be better spent on. Of course, there are interest costs—another key issue.

Mr D.C. Nalder: You said “around in the millions”.

Ms R. SAFFIOTI: Yes, in the millions. I think it is up to about \$10 million. In fact, to be technically correct, I think it is between \$5 million and \$6 million. Thanks for the interjection, minister.

As I said, there are massive interest costs of \$960 million next year. That change in debt levels reduces flexibility in the future. Those debt levels can be sustained if no further infrastructure needs to be built. Members on the other side talk as though all the infrastructure has been built and we will not need any more schools, public transport, roads or water supply. It is as though the government has done it all—and for the next 20 years we do not need to build anything. That is the arrogance of this government. It has maxed out the credit card and limited the flexibility of future generations, and future Parliaments, to build the infrastructure they may need.

Mr D.J. Kelly: Are you saying they haven’t put aside the money for the MAX light rail in the budget?

Ms R. SAFFIOTI: That is something that is not there.

Mr D.J. Kelly: Isn’t it?

Ms R. SAFFIOTI: No—funnily, it is fully costed, fully funded and the Metro Area Express light rail is not there.

Mr D.J. Kelly: Not even in the \$20 billion?

Ms R. SAFFIOTI: It is not in the \$24 billion at all.

Mr D.J. Kelly: That is extraordinary!

Ms R. SAFFIOTI: It is extraordinary given what was said during the election campaign.

Another key point to acknowledge is the changing structure of the budget. I saw the front page of the weekend newspaper that contained commentary on the state budget by professors of the Institute of Public Accountants. Their key point was that the state budget is now more vulnerable to changes in mining royalties. It was a deliberate decision of this government to increase the royalty rate two or three years into its first term that has made the state budget more vulnerable to changing royalties.

The other element I want to talk about is changing economic conditions. A key factor is that the government’s budget has state final demand at zero per cent for 2014–15. I went through my little Treasury economic indicator notes last night to refresh my memory when the last time state final demand was zero or negative, and it was when the state was in recession in 2000–01. GST fell at that time, too, but it was the last time that state final demand had hit zero or was below zero. There has been a bit of commentary about this matter in the past week. I refer to *The Australian Financial Review* of Thursday, 5 June, in which Jonathan Barratt writes —

Western Australia has the weakest state final demand figures — that excludes exports—out of any state in the first quarter.

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It is down 1.5 per cent in the March quarter, seasonally adjusted. It is also down 1.1 per cent down over a year, according to the national accounts published by the Australian Bureau of Statistics ...

State final demand measures the level of economic activity in a state. On that measurement, the former economic engine room of the country, Western Australia is contracting.

The article continues with comments from Saul Eslake —

Mr Eslake said an added unfortunate irony for Western Australia was that the boom helped keep the Australian dollar high — demand for export receipts increases the value of the dollar — which hurt manufacturing hubs, including operations in the eastern states. Yet, the state government has since lost its triple-A rating, while NSW and Victoria have retained their top credit ratings.

“I think a lot of the benefits that might have come and stayed in WA have been frittered away,” he said.

The budget now has debt climbing to \$24 billion, the state’s finances are more vulnerable to changes to mining royalties than ever before and now there are significant question marks about economic activity. In relation to economic activity, I notice that a key forecast concerns dwelling investment. There are definitely signs that dwelling commencements and the level of residential activity have been strengthened, but one of the things that may happen or may play out over time is that as the economy slows and as, in particular, population growth starts to slow, the real estate market might start to slow down. I believe that the level of new construction or residential dwelling activity might slow down if the real estate market as a whole starts to flatten out. There are some particular question marks and concerns about what the economy is doing. The key point is that we have not diversified enough. Not only is the economy very reliant on the mining and resources industry, the budget is reliant on that industry also. On both sides we are more vulnerable than we have been in the past. That raises significant concerns about how the state can move forward unless it can keep bringing in the big projects. Frankly, this government has not brought in any new big projects. That is one of the reasons that business activity in particular is starting to bring down the level of state economic activity.

Another key outcome of such bad finances is that some very stupid and illogical mistakes are made in the priorities of government. Take the north Ellenbrook high school as an example. All of the information I have seen through freedom of information shows that the north Ellenbrook high school needs to be built as soon as possible. The advice of the Department of Education in November 2012 was that the high school’s capacity is around 1 650 and only eight transportables were available. That is why the government made a commitment at the election to bring forward the construction of the north Ellenbrook high school and complete its construction by 2017. Since then, that deadline has been pushed back. What has happened is nothing more than a budget discussion. Two high schools were proposed to be opened in 2017—Harrisdale and north Ellenbrook—and the budget is in such a mess that the Minister for Education was asked to cut one of those schools and I think he made the simple but very bad decision to cut north Ellenbrook for electoral reasons, given that Harrisdale sits in a targeted seat. I think that is what happened. It is a demonstration of the bad decisions that are made when finances are managed this poorly.

The Malaga Drive–Reid Highway overpass is another example. The government has managed the finances so badly that projects that are a priority and tick all the boxes—both north Ellenbrook high school and the Malaga Drive–Reid Highway overpass tick the boxes in their respective portfolios—do not happen. Everyone understands the number of accidents at the Malaga Drive–Reid Highway intersection, where it is ranked in the RAC black spot survey, the waiting times at the intersection, and the number of rear-end collisions that impact on Reid Highway. That project ticks all the boxes. There was a commitment for the project to be underway now, but it is simply not happening. When the government ruins the finances to this extent, it starts making stupid decisions that impact on the livelihoods of Western Australians. They are two examples of where that has happened.

I now want to touch upon the tax take. This budget includes \$1.1 billion of increased taxes over the next four years, and I will go through them. Basically, the summary of the revenue measures is contained in the *Economic and Fiscal Outlook*. It clearly shows on page 90 that \$1.135 billion will be raised from the increase in revenue measures over the next four years, with \$289 million in 2014–15, \$278 million in 2015–16, \$277 million in 2016–17, and \$289 million in 2017–18. Together with the tax increases in this budget, the private use vehicle registration concession will be removed, the Perth parking levy will increase, the landfill levy will increase, and the port interim dividend will increase. Again, \$1.1 billion will be raised through these tax increases.

Like always, we have done a bit of research into the Minister for Finance’s inaugural speech. I want to comment on his vision for the state and taxation. He said —

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Our vision for this state must not come at the expense of our fundamental philosophies of lower tax, of leaving businesses with more of their own money and of not burdening future generations with debt to fund expedient policies today.

Mr D.C. Nalder: What is humorous about that?

Ms R. SAFFIOTI: What is humorous about it?

Several members interjected.

The ACTING SPEAKER: Thank you, members.

Ms R. SAFFIOTI: I want to acknowledge the member for Cannington for finding that commentary. Why is it humorous? It is humorous because the government has increased debt from \$3.6 billion to \$24 billion. It is humorous because the government has made the biggest ever annual increase in taxation measures. If the minister believes that there have been bigger ones, he should let me know, but I have done a bit of analysis of the taxation increases. I am talking about policy measures to increase taxation, and this is bigger than what I have seen previously. That is why it is humorous. It completely contradicts everything that the Minister for Finance is doing.

I now want to move to each of the increases that I am talking about. The first is the change to the threshold for first home buyers. In 2007, the stamp duty exemption threshold was increased to \$500 000, which meant that anyone who purchased a property up to the value of \$500 000 was exempt from paying stamp duty. This bill seeks to change that threshold. Stamp duty is one of those taxes that people rightly criticise, because it is a massive amount of money to pay when they purchase a home. Unlike previous oppositions, we are not going to say that it is easy to abolish, because it is not. Basically, the taxation base of the state is narrow and stamp duty is a key tax in a sense in raising sufficient revenue to fund expenses. However, it is not a nice tax; it is very explicit and it is significant. I am not saying that it impacts on all buying and selling decisions—particularly buying decisions—but it does have an impact, because people know that they have to pay the stamp duty as well as the cost of the house. It impacts on their ability to raise the finance to purchase the property.

Interestingly, the duty on the transfer of property was originally introduced on 1 October 1841 at a rate of £1 for every £100, so it is probably one of the oldest taxes this state has. As I have said, this bill seeks to decrease the full stamp duty exemption threshold from \$500 000 to \$430 000. There will be some concessional rates on homes valued at between \$430 000 and \$530 000. As I understand it, 36 per cent of first home buyers will be affected by this change. I read that 64 per cent will not be affected; therefore, 36 per cent will be affected by this change. It is important to note that in March this year, the median house price for first home buyers was \$470 000. That is well above the threshold amount of \$430 000. Basically, the median house price is now above the threshold value. When the threshold was raised to \$500 000 in 2007, the median house price was \$380 000. The state opposition has made a lot of commentary against this measure, because, frankly, it will impact on that sector of the market that we need to assist to get their first home. As I have said before in this house, it is very difficult for people to get into the housing market in Western Australia now if they do not have any equity behind them. If people do not have an existing house or are not fortunate to either inherit or have some equity in an existing property, it is very difficult to get into the market. I think all members have met constituents who are struggling with the issue of housing affordability. Things have not improved, despite what the government claims in its affordable housing strategy. In fact, I say that things are probably getting worse, whether it is because of the number of people seeking assistance through charities and non-government organisations, the number of homeless people who cannot find permanent accommodation or the continual stories of families who have to live with their parents or friends just so they have a roof over their head. I think it is unfortunate that this measure targets first home buyers.

I know the government has not changed the exemption level for land because it is trying to encourage the construction market and new dwelling commencements, but, as I said before, the real issue is being able to access existing properties, particularly if the real estate market flattens. If first home buyers have to pay stamp duty on top of the price of the house, it impacts on their ability to enter the housing market. I think it is unfortunate that the government has chosen to do that; not only is it unfortunate, I think it was basically targeting the wrong people in trying to recover revenue in this budget. I note the Premier's comments on radio on 15 May that the first home buyer buying a \$500 000 to \$600 000 house has a pretty small stamp duty bill. I think in Parliament he went on to say that if someone is buying a \$500 000 house—a half-million dollar property—\$13 000 is not a great component of what their mortgage will actually be. The key point is being able to afford to get into that house in the first place. As we know, borrowing requirements have changed, especially since the global financial crisis, and it is getting harder and harder to access finance, in particular to enter the housing market. As I said, we are opposed to this measure and I do not think attacking first home buyers was the right

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thing to do. It was not the sensible thing to do, particularly as we enter a time of significant economic uncertainty with some real question marks over what will happen to employment growth and employment in WA.

I want to move onto the land tax change. This is a straight-out increase of 10 per cent. I again go to the overview of state taxes released by Treasury, which states —

Land tax in Western Australia was originally introduced in 1907–08 and is levied upon the aggregated unimproved value of taxable land owned at midnight on the 30 June immediately preceding the (financial) year of assessment.

Land tax is payable annually by the land owner and is collected under the *Land Tax Assessment Act 2002* and *Land Tax Act 2002*, which are administered by the Commissioner of State Revenue. The unimproved value of land is updated annually by the Valuer General.

Again, last year we saw a 12.5 per cent increase in land tax rates. This all flows through to housing affordability and business costs. Land tax is paid by businesses and, of course, by landowners with investment properties. I know this will be an issue to be dealt with in debate on another bill, but sometimes there are significant administrative changes in relation to land tax that impact people who pay land tax. We saw that in relation to the primary producer exemption over recent years. As I understand it—this is from memory—if someone has a primary producer exemption, that person does not pay land tax. Some administrative changes were made two or three years ago in how the act was applied—in particular, it related to when some processing was being undertaken on adjacent or the same property as primary production, and that started to become subject to land tax. Through the Swan Valley especially, and I suspect in other parts of the metropolitan area, situations arose in which landowners who had never paid land tax were subject to quite hefty bills. I understand that the government is reviewing this situation, and hopefully a consultation paper will be released in the next few weeks—I think it was meant to be June. It will be good to understand what the government intends to do. So far I have heard that the land being used for processing will be subject to land tax and that the land not being used for processing will not be. Administratively, that would be very difficult. It will be interesting to know exactly how the government intends to follow through with giving landowners in the Swan Valley a break on this matter, because significant new costs are being borne by landowners who previously never paid land tax.

This bill seeks to increase the land tax rate by 10 per cent—and that is on top of land tax increases of 12.5 per cent last year. I predict that this government will probably need to do that again next year and the year after because of the way it has managed its finances. The government has gone to great lengths to tell us about the interstate comparisons, and I understand that we need to be a bit careful about which thresholds we are looking at, but the government has been very keen to promote the fact that our land tax rates are not high. I suspect there will be another land tax increase next year because basically the budget is so structurally weak that the government will need to keep taxing to get through every budget.

I want to talk a bit about land prices in Western Australia and across the metropolitan area. This is one of those issues that have a big impact on housing affordability. I think the statistics indicate that in some instances land value is about 50 per cent to 60 per cent of the average house and land package; that is a significant amount. Although some pressures apply on building costs, the real pressure is on land. I do not think this government has really grappled with that issue. It is a massive challenge to try to stem the massive increases in land costs so that we do not price everybody out of the market. I want to talk a little about what has been happening in recent years. One of the ways that some of the increase in land prices has been hidden is through a reduction in block sizes. In 2001–02, the median-sized house block sold was about 562 square metres, and in 2013–14 that has dropped to about 528 square metres. Therefore, developers are trying to remain affordable by reducing their block sizes, and I suspect there will be more reductions to come. That has allowed some of the real increases in land prices to be hidden. Over the past year the statistics indicate that there was a 13 per cent increase in the square metre cost of land becoming available. That has been hidden by, I think, a five per cent increase in the block price, and a seven per cent reduction in block size. Although there will still be reductions, we will hit some floor soon. Are we ready, and what mechanisms do we have in place to ensure that we continue to have land available, in particular for first and new home buyers?

The other key aspect of this is in relation to where the land is and what is easier to develop. We always have these stats that there is X-hundred thousand hectares of urban-deferred land and that there is land there ready to go. It has always been put to me that a lot of the land on our list that is there to be developed has significant issues. It might be sterilised by some sort of buffer. I do not want to mention chicken farms, but I will mention chicken farms. For example, I refer to agricultural buffers such as chicken farm usage or mushroom farm usage. A lot of land is sterilised because of agricultural buffer use, and other environmental issues apply with such things as acid sulphate soils. It has been put to me that some of the land out there is not as easy to develop as

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land that has previously been there. As a result, it will not only have significant environmental issues, but the cost to develop will continue to skyrocket.

Of course, another key issue is infrastructure and the continuing need to keep up with development. We have not done that well in WA, and I think we come a bit late to the party in developing public transport in particular, but also roads. For example, Reid Highway not being dual carriageway the whole length is a significant issue. When we build these ring roads, in essence, we must build them to be able to cope with traffic, not only for the next year, but for the next 10 to 20 years. Reid Highway is an example of a road that has a big purpose, but it is not fit for purpose. It serves as a ring-road and needs to be developed and funded to ensure it is a dual carriageway all the way.

The other issue with land is infill development and the need for better infill planning. The density argument has moved on since Hon Alannah MacTiernan introduced the Network City planning strategy, for which she was roundly criticised, as I recall. The transit-oriented development model being introduced by this government is not hugely different from the Network City model; it is an old concept. Whether we call it Network City or TOD, the model aims to increase density around our transport hubs. As I said, the density argument has moved on because more people realise we need housing density, but we need to do it better than has occurred in our suburbs. I am not saying that every house block should be subdivided or every street needs a five-storey apartment block, but we need to be far more aggressive and innovative in what we deliver.

I note the member for Gosnells is present, because a few members on this side have visited the Gosnells electorate and understand the amount of time it has taken to get planning underway around the Gosnells train station site. Gosnells is 15 kilometres from the CBD, with great road and rail access, yet it has areas that need some strong development impetus with government leading the charge. There are massive opportunities around increasing our housing density and, frankly, that is not occurring to the degree needed. We can debate particular projects, but the issue is government priorities. While the government devotes resources to Elizabeth Quay, it is not improving the amenity of and infrastructure in other areas, and I refer in particular to the area around the Gosnells train station. Any project can look great, but when we consider the priorities of government and the limited resources of government, there is a greater need for well-planned infill development, in particular, in areas that have good public open space, good transport connections and also proximity to small business. It has been put to me a number of times by planners that the best way to support small business is to increase its customer base, and this can be achieved by increasing housing density around those businesses. If the government wants to support small business, it needs to make sure it has a customer base that can access those businesses in a timely manner.

I cannot talk about land tax without mentioning the metropolitan region improvement fund that was set up when the Stephenson plan was first introduced. The metropolitan region improvement tax is applied in the metropolitan area on top of land tax to fund the purchase of land and land improvements for public purchases. That tax is collected and put into the metropolitan region improvement fund. I undertook an analysis that indicated that up to 2007–08 the entire amount collected through that tax was spent on land acquisition. Basically, the fund was not being used to help prop up the state's finances. Currently, only 40 per cent of that tax is used for land acquisition, while some of those funds are used for the operating expenditure of Whiteman Park. The Minister for Planning told us that over \$180 million is sitting in the metropolitan region improvement fund. That money was intended to purchase public open space and road reserves, including transport reserves, but is now being used to help prop up a very bad set of books. That is another bad decision as a result of this government's bad management of its finances.

The last issue I raise is payroll tax. I note with some interest the history of payroll tax set out in the "Overview of State Taxes and Royalties 2013–14", which reads —

Payroll tax was originally introduced by the Commonwealth Government on 2 May 1941. In 1971, responsibility for this tax was passed to the States, at which time the payroll tax rate was 2.5% and the exemption threshold \$20,800.

An employer (or a group of employers) is currently liable for payroll tax on wages paid or payable in Western Australia when its total Australia-wide wages exceed \$750,000 per year (\$62,500 per month). The threshold is scheduled to increase to \$800,000 from 1 July 2014, and to \$850,000 from 1 July 2016.

I understand that responsibility for payroll tax passed to the states in 1971 as a result of an election commitment. This issue was again raised in the lead-up to the last election during a debate between the then Treasurer and Labor's shadow Treasurer. Payroll tax collections have increased significantly under this government. The figures are given in 2013–14 dollars, so they have been adjusted for inflation, which is a bit misleading. The forecast tax collection for 2013–14 was \$2.3 billion; it is now standing at \$3.8 billion. As I read this, the payroll tax collection increased from \$1.9 billion in 2007–08 to \$3.8 billion in 2014–15. That is a significant increase in

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the amount of payroll tax collected. There has been strong employment growth, but as the economy starts to level out, it will be interesting to see what happens with payroll tax collections in the future.

It is interesting that the government has introduced the Revenue Laws Amendment Bill that has proposed two tax increases and a small tax cut. As the opposition has outlined, this is yet another demonstration that the government has lost its way; it has not been able to manage the state's finances with any structure or long-term vision for the state. We have a falling state economy with zero growth forecast for next year and the government has no financial or economic plan for our state's future. Despite its rhetoric about science, this government has cut the science budget since it came to power. There has been a lack of diversification in our economy or any concentration on strengthening other sectors of our economy. The Premier says he is good at bringing in big projects, but he is not! Time and again we have seen why the Premier does not bring in big projects. It is because he thinks he knows it all. The Premier thinks he knows more than any developer or financier who comes to the table—in fact, anyone who comes to the table. He did not support the Gorgon project being on Barrow Island. Frankly, if Labor had not been there to give Gorgon the standard agreement, that project would not have happened. The Premier takes the same approach again and again that he knows it all! He keeps talking about the projects he has brought in; I am waiting to see the list.

The government has brought in a new tax bill. As I said, we have falling state final demand and no real certainty or plans for the future of the Western Australian economy. We have a wafer-thin operating balance, debt is out of control and the government has no financial plan for how it is going to get out of this situation. Today, we heard about the Mineralogy issue. I do not care how it happened or that it was tabled in the Queensland Parliament; I care that this is a significant issue facing Western Australian taxpayers and that the Premier does not seem to get it. The opposition brings these issues into this place and the Premier just brushes them off, but they add up. The Minister for Sport and Recreation, incredibly, stood up and tried to dispute the costing of the new Subiaco Oval proposal. That proposal was done by independent experts, including the former Under Treasurer, former head of the Chamber of Commerce and Industry of Western Australia and significant business identity, John Langoulant. The Minister for Sport and Recreation—let us face it, numbers are not his strong point—stood there and criticised the work of someone with such a strong reputation as John Langoulant. He stood there and said, “This would have happened and this would have happened. We would have had to resume houses.” Yes, but it was all costed. It was all costed and still, probably, at least \$400 million cheaper. Let us go through what this government is doing. It has a \$1.4 billion proposal with about \$400 million or \$500 million coming from the private sector. The \$1 billion from the government is all borrowed—there is no cash—so we will have to pay the interest on the \$1 billion and the financing of the \$400 million, which is an annual payment that includes the capital repayment, their interest component plus the maintenance. This is a significant amount and will have to be factored into the budget for the next 25 years.

Then there is the issue of the operator. The West Australian Football Commission is the current operator of Patersons Stadium. I understand the commission takes and distributes about \$15 million. There are also a number of interactions with the two WA football clubs: the West Coast Eagles and the Fremantle Dockers. These two entities have significantly different cash flows. If the commission gets to operate the stadium—I know there will be a process for that—there will need to be some budget balancing, because, frankly, it will not make the same revenue from the new stadium as it did from the other stadium. The whole structure of the new stadium is completely different. The user agreements will be different, everything will be different. If the commission does not get to run the stadium, there is a straight payment the government will probably have to fork out each year. Adding up the total-life cost of this project; it will be massive. The Treasurer said we cannot afford it. On the front page of the newspaper on the weekend, the Treasurer said we cannot afford it. Before the last election, the opposition said that we cannot afford it and that we should go back to the original model that was fully funded and fully costed. The opposition was severely criticised by people in the football community and, I suspect, by members of the public. But at that time people thought we could have it all; the government had not told them about the debt problem and the need to prioritise projects. The financials of this stadium will be significant for the next 25 years. Honestly, the Minister for Sport and Recreation—the minister for KidSport—stood up in the chamber and said that all of the issues we had with Subiaco Oval were included in the Langoulant report. It was as if these issues had never been factored in before. All of these issues were costed, highlighted and brought to the fore in the Langoulant report, and the minister stood up in this place today to try to scare people by saying it would be expensive. It would not be half as expensive as the proposed new stadium.

I cannot wait for the Friday night games, when 50 000 people—if they get 50 000 people—are shuffled back and forth through the Perth Train Station. I cannot wait to see how that will work. The entire public transport system will have to stop to allow people to leave the ground because, unlike the Melbourne Cricket Ground and Etihad Stadium, which are the examples always given, the new stadium will not be integrated with the existing public transport network; a dedicated public transport system is being created for the stadium. I would like to see the

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Friday night games. How will public transport move that number of people back and forth and get commuters out of the city? This is another example—the government laughs and mocks but this is the reality. Government members can criticise us, make personal attacks and say that we are all best mates with Clive Palmer. Government members can say the most ludicrous thing they want, but this tax bill, which was brought in before the budget bill, is an example of a government that has lost its way. This budget sees taxes increase by \$1 billion and has Western Australians paying massive increases in water and electricity charges. The cost of living is climbing out of control and the government has no economic plan for our future. I will make further comments on this bill in consideration in detail. I will go through particular components to look at the legitimacy and fairness that underlies this legislation. The Liberal Party has always maintained the rage against land tax.

Mr P. Papalia: Not this government.

Ms R. SAFFIOTI: Yes, this government is increasing land tax year after year. It is hitting first home buyers, probably the most vulnerable people in the home market, with no equity or existing home behind them. Of course, the government is finally doing something on payroll tax, even though payroll tax collections have increased significantly. This is another bill from the tax-and-spend Liberal government, which has increased debt from \$3.6 billion to \$24 billion.

MR P. PAPALIA (Warnbro) [5.49 pm]: I appreciate the opportunity to reflect on the Revenue Laws Amendment Bill 2014. It also gives me the opportunity to reflect on who is earning their money in the government. We know it is not the Minister for Sport and Recreation. He is not earning his dollars; he is giving them all away to private operators of stadiums to not operate stadiums. We know it is not the Minister for Health. He is not earning his money; he is giving more than \$100 million away to private operators of hospitals to operate hospitals without patients. We know it is not the Minister for Planning; he is giving millions of dollars of taxpayers' money away to Chinese restaurant operators to not cook any Chinese food. None of those ministers are doing their jobs. I will come to the Minister for Finance, but before I address him, I think I know who is doing their job in government, and it is the people who got the 52 per cent pay rise immediately after the last election: it is the spin doctors. The spin doctors are clearly working hardest in the government. They have the biggest job to do, because they have to cover up all of the gaps and holes, and clean up the mess left behind by the incompetence of the cabinet. Calling this bill the Revenue Laws Amendment Bill 2014 is clearly one of the spin doctors' jobs—it is a bit of good work. The Revenue Laws Amendment Bill 2014 is a tax bill. It is a tax bill, which, bizarrely, is coupled with a small tax cut, but has two key tax increases. That would have been the honest name to call it, instead of what the spin doctors recommended. Nevertheless, that indicates they are doing their jobs, and more power to them—perhaps they will get another 52 per cent pay increase next time the Premier is feeling generous.

I turn now to the Revenue Laws Amendment Bill 2014. It is early days for this minister and I should not be too harsh on him, but so far he is not really shaping up that well. The minister's second reading speech included the justification for the impact this bill will have on first home buyers, and my analysis of the bill will focus on that. The reason for that is that when I was first elected to this place in February 2007, I witnessed the most generous change to stamp duty rules for first home buyers ever by not only any government in this state, but also anywhere in the country. That was done by the previous Labor government, and was introduced immediately after my arrival into Parliament. I was very appreciative of that, being newly elected to represent an outer metropolitan growth area. I will return to that later. I find the minister's justification for the changes he is now making for first home buyers incredible. The second reading speech states —

These changes better reflect the value of homes being purchased by first home buyers in Western Australia.

The minister is erasing, reducing and diminishing a benefit to first home buyers, and saying he is doing it because that better reflects what is going on with first home buyers in Western Australia. The minister is reducing the threshold for exemption to \$430 000, although he knows, as we heard from the member for West Swan—I would hope the minister would know anyway from the advice of his own department—that the median house price for first home buyers in Perth is \$470 000. It is extraordinary that the minister would suggest that to reduce the threshold to below the actual median house price for which first home buyers are purchasing a house somehow better reflects what is going on with the first home buyer market. These changes better reflect the value of homes being purchased by first home buyers in Western Australia, according to the minister.

What does the median house price mean? The median house price is not the medium house price; it is not subject to as big variations as a medium is because it actually draws a line through the halfway mark. Half of the properties are above it and half are below it. It is less volatile and is a good indicator of what people are actually paying. If we look at the median house price in the suburbs, we see that that price is not the top or bottom price;

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it is in the middle of the prices of properties. Across the metropolitan area, houses sold to first home buyers have a median price of \$470 000, and the minister has dropped the stamp duty exemption to below that. He is not helping people. This is a blatant tax grab after this government's appalling mismanagement that has seen net state debt explode from an all-time low of \$3.6 billion when Labor was in government to \$22 billion at the moment and heading north with no end in sight because the Treasurer is incapable of compiling any plan to arrest the growth in net state debt. This government shows no inclination or ability to even think of any means of addressing that. All it has done is shift the deckchairs on the *Titanic* without any benefit to the community. It is reducing services, it will hurt people and it is tangibly changing the quality of life in Western Australia, but there will be no impact on net state debt. As a consequence, generations of Western Australians will have to pay for this government's stuff-ups. They will be cleaning up the mess of the Barnett government for generations. It is tragic to watch; it is frustrating in opposition at the best of times, but it is incredibly frustrating watching this inept effort by this incompetent government.

It is just gross deceit to see this minister come into this place and suggest that he is somehow doing a good thing and benefiting Western Australians—in particular, first home buyers who are struggling more than probably any other generation in history to get into the market. As a new minister, he should be ashamed. If any backbenchers could be bothered learning about what is going on and what their government is actually doing, they would be ashamed. Clearly, this minister is so detached from reality and so used to being spoonfed rubbish by the Premier's advisers and the Department of the Premier and Cabinet's multitude of spin doctors that he is quite comfortable that things are okay. This minister has no skerrick of interest in what the new generation of first home buyers is going through and is confronted with, in an environment in which this government has destroyed the state economy, created a situation of exorbitant household costs that are going up all the time as a consequence of the government's own actions while at the same time we are confronted with exploding net state debt, the interest on which we will have to pay off for many years to come. As a consequence, the government will have to cut services—and it will—and its only response is to borrow more on the credit card. It is shocking to see the lack of response from the backbenchers and lack of response and ability in the government frontbenchers; it is just tragic.

I will go further into the minister's second reading speech because it interests me. During his second reading response and consideration in detail, I want to hear the detail of this bill. The minister's second reading speech states —

It is estimated that 64 per cent of first home buyers will be unaffected by the changes, as the purchase price of their properties would either be below the new exemption threshold of \$430 000, —

That is one of the components; the minister reckons 64 per cent will avoid any impact. I will talk about the impact of that in my own electorate because it is not a wealthy electorate or one that we would expect median house prices to be exorbitant or massively wealthy people to be purchasing properties. But I tell the minister that his changes to the threshold will impact on that electorate. Beyond that —

The ACTING SPEAKER (Mr P. Abetz): Member for West Swan, when you walk in between the chair and the member speaking, you are to wait until the Acting Speaker gives you a direction that you can proceed.

Ms R. Saffioti: I thought I nodded to you, but you were not looking at me.

The ACTING SPEAKER: I was looking at you all the time.

Ms R. Saffioti: I do not think you were; you were reading a book.

Mr P. PAPALIA: I am deeply offended!

I would like to know the exact breakdown of the 64 per cent of first home buyers who will be excluded from the impact of this change. What component can be attributed to those whose first home purchase the minister claims will be below the threshold? How many are there? I do not just want a global figure; I want the minister to give us a little detail, because I actually think he is going to distort the market through this bill. Potentially, it will benefit property developers who are opening up outer-suburban divisions, and in the field, as suggested by the member for West Swan, of very small blocks, such as those in the electorate of Butler, that are a long way from the city. They are selling tiny little blocks for house and land packages. The minister might be pushing more first home buyers towards that market, but I will suggest that he may be being a little too hopeful, because people cannot move if they cannot get into the city to work. They will not go to a place where there is no employment and no public transport. The Liberal Party is the world's worst deliverer of public transport. It has proven itself absolutely incompetent and dishonest when delivering public transport. That will preclude people from moving where the minister thinks they will go. Perhaps the minister thinks he will benefit some of the Liberal Party's big contributors, and that people will go to the far-flung outer suburbs and buy tiny little blocks of land and build

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houses on them. I question that, but I want to know exactly what the minister's projections are for the component of the 64 per cent who will be that part of the market.

The second reading speech also states that another group would be above the previous concessional scale threshold limit of \$600 000. The minister is saying that a whole lot of people will not be affected because they would have been buying first homes above \$600 000, so they would not have got the exemption anyway. I am assuming that is what that means, on a quick reading of it. The minister says that those people will not be impacted in any way by the changes in this legislation. I would like to know what component of the 64 per cent is represented by that figure, because I am wondering how many first home buyers are buying houses worth more than \$600 000. It would be interesting to know, as a percentage of the market, how many there are and also how many the minister projects in the future will be buying houses worth more than \$600 000 and therefore will be exempt from any benefit under the current rules and not be impacted by the changes.

Sitting suspended from 6.00 to 7.00 pm

Mr P. PAPALIA: The Minister for Finance appears to be absent, but I would like him to give specific detail as to where the analysis came from, how accurate it is and what the modelling is based on. The other category that I want to know about, which the minister detailed in his second reading speech, is the number of people who qualify for concessions for vacant land. That will not change, which is fine, but I want to know the exact breakdown of the 64 per cent the minister claims will not be impacted by the changes. I want the minister to deliver an accurate and detailed breakdown of the analysis and advise where the modelling came from and how accurate he believes it to be. That is very important.

Leaving that for the moment, I refer further to the minister's second reading speech. Immediately after having claimed that it is okay because only 36 per cent of first home buyers will be damaged financially as a consequence of the Liberal and National Parties of Western Australia increasing taxes, which is effectively what the government is doing —

Mr D.C. Nalder: No, we said 64 per cent.

Mr P. PAPALIA: The government is saying that 36 per cent will be impacted. If 64 per cent will not be impacted, 36 per cent will be, minister. I am not good at maths; I am an old diver. The minister can correct me if I am wrong, but I think that is correct. It is not a difficult calculation. I can ask my sons to check the figure later, but I think it is right. Having claimed that only 36 per cent of first home buyers will be impacted by the Barnett government's increase in taxes on first home buyers, the minister then went on to say something that bells the cat. The minister's comment indicates what is really driving this legislative amendment. Immediately after making the interesting claim in his second reading speech that only 36 per cent of first home buyers will be hurt by the Liberal–National government, he states —

Even after these changes, Western Australia's assistance to first homebuyers is still generous compared to most other states, with many providing no transfer duty concession or no first home owner grant on the purchase of an established home.

In selling his tax increase and impost on first home buyers in Western Australia, the minister has said that they should not worry—rather, they should lower their expectations! That is the message from the Barnett government. Not surprisingly, that is the message the Premier has been giving for years! He has been saying, "Don't get excited; lower your expectations." He has been saying that we should not expect much of his government nor should we expect it to hold promises or keep commitments that are made prior to an election because it is all baloney! He has been saying that we have expected too much in expecting that the average voter would consider that a government might keep the commitments it made prior to an election—that is too high an expectation and we should lower it. He said that earlier, post the last election, when he suddenly became honest and told everyone that he was not going to deliver on any of the promises he had made. He said it as early as 2011. In May 2011, as reported on the WAtoday website, the following was the Premier's message to first home buyers —

Mr Barnett said while he encouraged first-home buyers to enter the market, he said they were being unrealistic about what they wanted.

It was not that his government was driving up the price of everything in the market, such as household costs and taxes; rather, the problem in 2011 was the high expectations of first home buyers! He is further quoted in the article —

"I don't want to hark back to the past, but in previous times couples, single people would often be content with buying a flat or an old house and doing it up," Mr Barnett said.

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“Now there seems to be an expectation amongst many, if not all, first-home owners to buy a brand new four bed, two bathroom home.

“Be realistic about your expectations and be prepared to buy a fairly humble property first off and gradually work your way up as you go through life and your income increases.

[Member’s time extended.]

Mr P. PAPALIA: That is an interesting insight. What he was saying at that time was that first home buyers needed to lower their expectations and, instead of buying a brand-new house and land package, they should buy an old house or flat and do it up because that would be cheaper. Coming forward to the present, the suggestion in the argument provided by the minister on behalf of the Premier, and by the Premier in the media, is that first home buyers should be buying house and land packages in remote and extreme regions of the metropolitan area because that will be cheaper. He has abandoned his claim that doing up houses and units is an easier option for first home buyers and that their expectations were too high to now saying that they should buy a brand-new house in a house and land package. The truth is that in 2011 the Premier was out of touch; today in 2014, the Premier is well and truly out of touch. Median house prices are so high that first home buyers will be impacted by the government’s tax increase regardless of where they are trying to buy, regardless of what sort of property they are trying to purchase and regardless of how they are trying to get into the first home buyers’ market. The truth is that even in the outer metropolitan area, where the government might have expected that the increase in tax would not have an impact, the increase in tax will have an impact.

[Quorum formed.]

Mr P. PAPALIA: In case they were wondering, I confirm for those members who were not in the chamber that it was the member for Mandurah who called attention to the state of the house!

As I said, the Barnett government’s increase in taxes on first home buyers will hurt the entire first home buyer market. The vast majority of first home buyers will be hurt, including those who seek houses in the outer metropolitan area where the government thought that it would not have too much of an impact. I wanted to specifically focus on the electorate of Warnbro and look at the impact that the government’s increase in taxes on first home buyers will have. It does not take much to do a median property price search thanks to realestate.com and Mr Murdoch’s profitable company. After a bit of search one can find very quickly for each of the suburbs in the electorate of Warnbro the median price and therefore the likelihood that a large number of people trying to find a first home in that particular suburb will be impacted on because of the increase in taxes on first home buyers.

Secret Harbour is a nice beachside suburb in which, not surprisingly, plenty of first home buyers are trying to find a property. A lot of them are migrants.

Mr P. Abetz: If they come to Southern River, they can buy for under \$400 000.

Mr P. PAPALIA: I do not represent Southern River, so, interestingly enough, I focused on the electorate of Warnbro. I did a search on realestate.com for the median property prices of the entire metropolitan area. I can vouch for the fact that not many suburbs have a median price below \$430 000. If the member wants to do it himself, he can look at all the other suburbs outside his own electorate because as members of this place, we have to represent everybody. We are not just being selfish; we would not want to do that.

I want to focus on the electorate of Warnbro for now and then I will elucidate a little more about why I am aggrieved about what the government has done with this increase in taxes. It is informative to look at the breakdown of the sort of people who are buying property in Secret Harbour. Established couples and families make up 33 per cent of the market and maturing couples and families make up 24 per cent of the market. The percentage of people who are second home buyers—the older demographic—is very small. I believe that is below 20 per cent.

The median house price in Golden Bay, the next suburb along, is \$427 500. Twenty-six per cent of the people who live in Golden Bay are established couples and families; 19 per cent are maturing couples and families; and only 18.8 per cent are older couples and families. I can guarantee members that huge numbers of first home buyers live in those suburbs. Their kids are swamping the schools down there. Three of the biggest primary schools in the state are in the electorate of Warnbro, with over 1 000 children and more demountables than any other primary schools in the state. It is a reflection of the massive growth in that outer metropolitan area. It is also a reflection of the young demographic and the number of people who will be impacted by the increasing number of taxes imposed on them by the government.

The median house price in the next suburb of Singleton is \$449 500. Again, a large percentage—about 30 per cent—are couples and families; 21 per cent are maturing couples and families; and older couples and families

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make up a smaller percentage, around 16 per cent. The median property price in Baldivis is \$468 500. I know that the government would not expect to hurt people with this increase in tax for first home buyers in Baldivis. Baldivis is in the outer metropolitan growth area. That is the area in which the government is lagging behind with supply and provision of services such as primary schools. It is extraordinary that earlier this year the incompetent Minister for Education had the gall to go down to Baldivis and trumpet the fact that in a year and a half, a school might be opening in Baldivis when Makybe Rise Primary School has 1 200 kids right now, has more demountables than any other school in the state and has two sites for its school to accommodate all the preschool kids. Another school at Smirk Road is opening next year, which will be full as well. Just down the road is Settlers Primary School, which has over 1 000 kids as well. It is extraordinary that the government is so out of touch that it would proclaim delivering two years late on a primary school in Baldivis a wonderful example of government delivery of services, and it needs to build another one before that one is even open. It is unbelievable that the government is so out of touch that it has the front—the education minister has a lot of front—to make that audacious proclamation and seek out good media as a result of opening a school late.

Golden Bay is desperately in need of a primary school. It will ultimately open next year, about two years' late. We were calling for it years ago. Out of all the suburbs in the electorate of Warnbro, Port Kennedy's median property price is below \$430 000; it is \$400 000. As I indicated earlier, the median price is an indicator because half of the properties in that suburb that are being sold to first home buyers are above that price and half of them are below. The extraordinary thing is that the government thinks that \$430 000 will exclude 64 per cent of first home buyers. I do not buy it; it is just not credible. The suburb of Warnbro is also under \$430 000, with the median property price being \$365 000. As I said, the vast majority of half of those properties that are sold in Warnbro would be above the median price.

The point is that when the minister is making his claims that 64 per cent of first home buyers will be untouched by the Barnett government's vicious increase in taxes on first home buyers who are struggling to get into the market, it shows that he is not in touch with reality. He is not connected. What is most offensive about this whole issue is that he tells first home buyers to lower their expectations. I do not think it is good enough to say that other states do not give as much in the way of support to first home buyers as we do. Other states have not suffered the massive imposts on households that we have as a result of this government. First home buyers in other states were not the beneficiaries of the most generous first home buyer exemptions to stamp duty in the nation, only in 2007. Western Australia had the best exemptions by a long shot. Why should we lower our expectations because the government has managed the state's finances so terribly? Why should the first home buyers of this state be hit with a tax that they were not required to pay just because the government is incapable of managing the books? That is the only reason this is happening. The government would not be doing it for any other reason. It would not be saying that it will impose a tax on first home buyers because it will do them good and that will encourage them into the market. It will actually drive up rental prices at a time when we can least afford to have rental prices going higher, when we are desperately in need of housing stocks in the public sector as well as in the private sector.

Mr D.C. Nalder: It's new housing. We haven't changed anything.

Mr P. PAPALIA: When first home buyers are driven out of the market, they go and rent; they become competitors in the rental market. So we have more people looking for rentals than we used to have because some of them were buying properties when they did not have to pay the first home buyers tax. The minister will say that it is only a small amount of money. That will not stop anyone.

Mr D.C. Nalder: You just said we need housing stock.

Mr P. PAPALIA: I was talking about availability of rental properties—housing stock in the form of rental properties for people to seek out. The government is driving more demand for rental properties, which will drive up the rental property market. It will increase the cost of rentals for people trying to rent in Western Australia as a result of this tax because fewer people will go into their first home. What the government perceives as being a small impact will be enough. It has imposed enough of a hurdle for people to decide not to do it. With the loss of confidence that is happening in Australia, particularly in Western Australia, as a result of the double hit from both the incompetent federal government and this government, it has driven down consumer confidence so much and it has increased the cost to first home buyers so much that they will pull out of the market. When they do, they will be seeking out rentals and driving up the cost of rentals. That is the impact. The government is saying that there will not be an impact and it is not a big deal; it is not very much money. These people are the same people who have had to pay these increased costs, whether they are a renter or a home buyer, under this government. Under this government, the cost of electricity has increased by \$741 over six years, a 76.95 per cent increase; water has increased by \$328 over seven years, a 90 per cent increase; sewerage and drainage has increased by \$576, a 62.7 per cent increase; and public transport has increased by \$393, a 29.7 per cent increase. Over seven years, the cost of living has increased by \$2 479, a 48.63 per cent increase. That cost will be added to

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the burden of every single first home buyer who is trying to save money to get into the first home buyer market. They will not do it because the government has just imposed another tax on them. It has just put another hurdle in front of them. It has just built another wall to keep people out of the first home buyer market. A whole lot of other negative consequences will come into play, such as driving up the rental market and driving up the cost of renting for people who rent.

MR B.S. WYATT (Victoria Park) [7.20 pm]: I rise to comment on the Revenue Laws Amendment Bill 2014. I thank the lead speaker on behalf of the opposition, the member for West Swan, for a very thorough analysis of the legislation and of what the government is seeking to do here tonight. I want to reinforce and add to some of her comments about state final demand. That has not been discussed in this place as much as it should have been. I thank the public servants from the various departments whom I notice are sitting up the back listening intently to the wise words of the opposition.

This is an interesting piece of legislation, colleagues. On the one hand we have bad government and on the other hand we have good government. I think it is reflective of what we have seen from the Barnett Liberal–National governments over the past few years, but in particular over the past year and a half since the 2013 state election. I promised members here that in every speech between then and the next election I would mention and complain and remind everyone about the fully funded and fully costed Liberal lie of the 2013 election campaign. This legislation confirms and embeds that lie, just as last year’s land tax increase of 12.5 per cent confirmed and embedded that lie in people’s minds.

The West Australian did a wonderful job of analysing the Barnett government in its article “Election pledges under scrutiny”, and made the very point that those election promises were not fully funded, as the Minister for Transport knows. The railway line to the airport was fully funded and fully costed and a route had been chosen. Now we know that the Minister for Transport is looking at four different options subject to a business case. He said that the airport railway line was fully costed in the 2013 election campaign, but he now confirms with those comments on ABC that that was one of the great Liberal lies of that campaign, if not the greatest. This analysis by *The West* outlines quite accurately that the Premier refused to comment on broken promises but referred to promises that had received some “adjustments”. That is an interesting way to describe a broken election promise. One thing of particular note to me was on the front page of *The West Australian*. I quote the article by Daniel Emerson —

His office argued several commitments, including road upgrades to Mitchell Freeway and Reid Highway, were made by Cabinet in December 2012 and were not election promises, despite Liberal candidates campaigning on them.

Government promises and election promises obviously receive a different standard of care in their implementation. I am not sure what the standard is or what the government expects the standard is, but I think that Western Australians as reasonable people would expect them to mean the same thing. We cannot say that they were election promises and they were cabinet promises and therefore different standards are applied when deciding whether they will be delivered. This bill is legislative confirmation that the government does not have a message; it does not know what it is. Earlier the member for West Swan quoted the inaugural speech of the member for Alfred Cove, the now minister. In our first speech we talk about our values and what we want to see in the privileged event that we sit on the front bench of government. He talked about being faithful to those Liberal promises of lowering taxation, yet this bill increases two taxes and lowers one. A decision has been made to debt-fund a payroll tax cut but to hit first home buyers and landowners with tax increases. I remember that at the election last year everything was fully funded and fully costed with an impact of \$1.9 billion across the forward estimates. Then we had the budget; we all remember when the government decided to bring every single election promise into the budget.

The headline about the then Treasurer, the member for Vasse, was “Buswell puts no limit on State debt”. I am sure that we all remember that 10-year projection of net debt out to nearly \$50 billion. I see that the Treasurer has now removed that from this budget, but I dare say that the trajectory is still one way, despite the fact that the Premier had said not a few years earlier that it would peak and \$20 billion was the cap. Then Christian Porter—the Barnett government’s fourth Treasurer—said that debt would peak then decline. Then Mr Buswell said that there was no limit on state debt. The reason he gave was that “the community want us to”. I heard an echo of that from the Treasurer not that long ago when he said on 720 ABC—it might have been 6PR—that we maxed out the spending because the community wanted us to. What an extraordinary thing for a Treasurer to say. There we have the budget last year. Then, because of the lack of political will to deliver on some of those savings and revenue measures in that budget, Western Australia lost its AAA credit rating. The government then had the audacity to say that it had to walk away from election promises because of changed financial circumstances. The government expected the people of Western Australia to cop that. The government lost the AAA credit rating,

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then the midyear review came in and, suddenly, all the capital works projects developed by the Barnett government are no longer affordable. A range of projects were deferred, perhaps the most stark being the Metro Area Express light rail.

As I have mentioned to the Minister for Transport already, I remember the fully funded and fully costed airport line, which was promised to be operating by 2018. Now the Minister for Transport says he has four options and he is waiting on the business case. I am not sure what happened to the fully costed component of that election promise.

We all remember MAX. The Minister for Transport might like to look at what was shown on Channel Seven before the 2013 election. It was before he entered this place, so he may not have been paying the sort of attention that I was; I knew that the Bigger Picture TV ads were about to start. By chance, I happened to get a copy of the script before the ads started. I noticed that in that script were references to MAX light rail that had not been announced. Two weeks before the ads were due to start they still had not been announced. One week before the ads were due to start, we were waiting. Then Mr Buswell and the Premier rushed up to Mirrabooka to announce MAX light rail. I remember the Premier saying, "I'll give you a tip; buy a property in Mirrabooka now because MAX is on its way." I also remember the startled look on the face of the Treasurer, the member for Vasse, because of the rush for this project. It was quite useful because the member for Vasse as Treasurer went on radio on 3 September 2012 to talk about MAX, this great new big announcement. Mr Buswell was asked how government would pay for it. He said, "It will be paid for by—I am assuming—I imagine—". The questioner then interjected and asked whether cabinet endorsed it. He answered that he did not know. He was asked how long it would take. Members should remember that this is in September 2012. The Treasurer said he imagined it would take 12 to 18 months. He is imagining a lot at this point about the project that had just been announced by this government. When asked how much it will cost, he replied that he thought it would be over \$1 billion or at least \$1 billion or more than \$1 billion. That is the Treasurer of the day a few days after the great announcement about MAX light rail. That apparently was fully funded and fully costed along with the airport line. As I said, every speech I intend to give between now and 2017 will talk about fully funded, fully costed.

There is another thing I will raise with the Minister for Transport, because I understand that this legislation reflects the general confusion in government; namely, "We're raising taxes, we're cutting taxes, we don't know what we're doing. All we know is that we've got a \$5 million projected surplus in a couple of years and we've got to look in every hole, every little nook and cranny, to get some revenue!"

The member for West Swan is right. There was the 12.5 per cent increase in land tax last year. We saw in the budget a great explanation as to why the WA land tax rate is still lower than everyone else's rate. I got a letter from the Property Council of Australia, which probably wrote to all of us, about its land tax campaign wanting a review of land tax. I was a bit uncertain because the Property Council did not say what it wanted or what it was looking for. I wrote back and warned the Property Council—this is before the budget—to look at the budget of 2012–13. I did not see any critique from the Property Council about the 12.5 per cent increase in land tax, so the government got away with that. I said I noted that the Property Council did not complain about it, but I suspect that the government has another increase coming because the government spent a lot of the time in the budget explaining how much lower the land tax rates in WA are compared with the rest of Australia. Sure enough, another 10 per cent hit comes.

I note that a similar effort has been made by the government to explain that, despite the 12.5 per cent increase or despite the 10 per cent increase, our rates are still low compared with other states. I am pretty sure that is another grubby little tin of coins that the government will look to next year. I warned the Property Council about that, so I hope and expect that at some point it will start raging against that.

Mr J.H.D. Day: You know that the increase is calculated by reduced value—or property valuations to some extent.

Mr B.S. WYATT: If that is the theory of taxation by this government, because its royalties keep coming in higher, will it cut the rate? I am sorry, I cannot hear the minister! Will he cut the rate? What an absurd argument to say, "Oh, the tax is coming in less than we predicted, therefore we're going raise it."

Ms R. Saffioti: Are you running down the value of land across WA?

Mr B.S. WYATT: Thank you, member for West Swan!

Mr J.H.D. Day: The market determines that.

Mr B.S. WYATT: What an absurd proposition! So if payroll tax comes in under, as it has, what does the government do? It lifts the thresholds! It is just a ridiculous argument to raise. If the government does not have the capacity to forecast correctly, Western Australians will cop it. I note that it is the only tax that the

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government has used this argument for—the only one. I think that the Leader of the House knows it is absurd; he has been here long enough to know it is a silly argument. He does not need to try it on.

But the one other thing I want to raise with the Minister for Transport, because I was surprised by this, was when he got, to his credit, a front page titled, “Second Airport”. I was surprised by this because I seemed to have some recollection when I sat down to my Saturday breakfast that I am sure we have been looking at a second airport in Western Australia for some time. I read the article, which states —

Transport Minister Dean Nalder has asked his department to identify the best site for a second major airport for Perth.

I am sure I had seen this before and, sure enough, I went back to the “Western Australian State Aviation Strategy”, released by the former Minister for Transport in August 2013. I hope that the current Minister for Transport has had a chance to brush up on this document. It states —

Preliminary work is being undertaken by the Department of Planning and DoT to identify a suitable site for a proposed second metropolitan airport. Experience in NSW strongly suggests identifying and protecting a suitable site for a second Perth metropolitan airport now represents good forward planning, even though the current airport is likely to meet Perth’s requirements for the next 40 to 50 years.

When that was put to the Minister for Transport on television, I was surprised that his response was, “Well, the department never told me that.”

The ACTING SPEAKER (Ms L.L. Baker): Member, just remind me of the relevance again in relation to this bill.

Mr B.S. WYATT: Because all this work that used to be done, that was done, that is being done, that is not being told to the minister, has to be paid for somehow! I am stunned that I forgot to raise a very important issue—I have not seen this and I have been doing this job for a little while—whereby the budget gets bumped for a revenue laws amendment bill. We do not often see that: we can appropriate, but it is the revenue we need. This is the more important issue! I have not seen that before. It highlights the confusion and mismanagement of this government.

I want to spend a little time, if I can, talking about some of the comments that have been made by the government around the narrowing revenue base, and hence this is the reason that we have lost the AAA credit rating. This is the reason why we need tax increases as part of the 2014–15 budget process. I think the “Analysis of the 2014–15 State Budget” by the Chamber of Commerce and Industry was quite useful. Its representatives were not complimentary by any stretch of the imagination. I want to quote from page 2 of the chamber’s document, which states —

Today’s State budget has not set the State on a track to live within its means and regain the prized AAA credit rating.

Government expenditure will continue to grow without underlying reforms and debt is showing no signs of peaking in the forward estimates.

...

CCI is disappointed the government hasn’t been able to reduce debt levels in the forward estimates, with net debt climbing from \$22 billion to almost \$30 billion—an increase of 33 per cent since ratings agency Standard and Poor’s reduced WA’s AAA credit rating.

While the Government has also highlighted the instability of its revenue base a factor behind the loss of its AAA credit rating, the budget reveals an inability to contain growth in spending.

That is quite right. I hear the Treasurer and the Premier on radio saying, “The reason we lost our AAA credit rating isn’t because of the lack of political will that we have to make tough decisions, isn’t because of the 10 per cent annual recurrent expense growth in the first term, isn’t because we couldn’t implement our wages policy in the first term and isn’t because we kept getting our capital works program wrong.” I do not hear that. What I hear is the fact that our revenue base has narrowed, and I want to make the point about this. Yes, it has narrowed. Yes, the value of iron ore and the volumes of iron ore have increased, and that has had an impact on our GST return, which has effectively narrowed the revenue base.

[Member’s time extended.]

Mr B.S. WYATT: But the government has pursued policy positions that exacerbate that narrowing of the revenue base. It has deliberately gone about narrowing its revenue base to be more and more reliant on iron ore

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royalties in particular, but also royalties generally, and then it has the audacity to point at the decisions it has made and say, “It’s their fault! It is that policy’s fault that put us in this position where we lost our AAA credit rating!” I refer to what the budget papers called royalty rate reform whereby the government increased the rate of royalties for iron ore fines. This started having an impact, or we started seeing it in the budget, from 2011–12. I will quickly quote from the 2011–12 budget, which states —

Revenue growth is expected to moderate over the period 2012–13 to 2014–15, with the main detractor from growth being a projected decline in GST revenue.

...

This primarily reflects the current strength in Western Australia’s capacity to generate royalty income relative to other States. As recent growth in Western Australia’s revenue raising capacity (including in relation to iron ore royalties) is progressively reflected in data used by the CGC —

That is, the Commonwealth Grants Commission —

(a rolling three-year average), the State’s GST grant share is forecast to drop from 7.4% in 2011–12 to just 3.5% by 2014–15.

In that same 2011–12 budget, the *Economic and Fiscal Outlook* at page 74 refers to the reform. Just for the record, the reform was to lift the iron ore fines royalty rate from 3.75 per cent to 5.625 per cent by 1 July 2010, and then to 6.5 per cent by 1 July 2012 and to 7.5 per cent from 1 July 2013. The 2011–12 *Economic and Fiscal Outlook* budget paper went on to state —

This reform is expected to increase royalty income by \$378 million in 2012–13 and by over \$800 million per annum in both 2013–14 and 2014–15. However, this will be accompanied by an ongoing reduction in the State’s GST revenue, commencing from 2014–15. The net impact of these changes is an additional \$1.9 billion in revenue over the budget period.

It is additional revenue, but a narrowing of the base, which is why in the 10 years up to 2012–13 we have seen royalties go from nine per cent to 22 per cent of the revenue base in the general government sector. Yes, it is as a result of increased value in terms of the trade boom we had. Yes, it is as a result of an increase in volumes, in particular now and across the forward estimates, but it is also as a result of policy decisions made by the member for Cottesloe, supported by the Liberal Party. They made those decisions to narrow the revenue base to iron ore.

I had a very useful conversation in September 2012 with the former Treasurer, the member for Vasse, about this very issue when we debated the passage of the Western Australian Future Fund Bill. The former member for Belmont, Hon Eric Ripper, posed this question to Troy Buswell, the then Treasurer —

Given that we have the goods and services tax effect whereby our GST is reduced as a result of our receipt of mineral royalties, can the Treasurer give us the latest Treasury calculations for the net retention of mineral revenue the state enjoys? This calculation varies from time to time due to price impacts, but I would like to know the latest calculation of the net retention of mineral royalties revenue, given the reduction in GST share.

The Treasurer replied —

My understanding is that the net retention—let me look at it from the other side: We lose about 70 per cent over a three to five-year time frame.

Back then, Eric Ripper warned the member for Cottesloe about jam-jar economics. That is exactly what this government has always carried out—jam-jar economics—when it is focused only on its one revenue source, that one budget year. As we have heard, the member for Cottesloe’s disdain for the forward estimates is well known. In my view that is why we have lost the AAA credit rating. It is jam-jar economics. We increased that royalty rate and all the Premier was concerned about was next financial year, despite Treasury saying year after year, “Treasurer, Premier, the result of this will be a redistribution; it will be the narrowing of your revenue base.” It galls me to hear the Treasurer and Premier go on radio and complain that we are reliant on a volatile revenue source. That was a conscious decision of the government. It must manage the results of the decisions it makes.

To continue with that discussion between Eric Ripper and Troy Buswell during the passage of the Western Australian Future Fund Bill, Troy Buswell’s extraordinary response is as follows —

As the member for Belmont knows, the impact on the GST share is dealt with in a future budget at a future time. We may well complain about it, and it may have an impact on, in particular, some of the longer term capital programs over the forward estimates, but if we get \$1 billion this year, that is

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\$1 billion that is available to spend. The discount applies in future years, and we generally defer dealing with that until that time—generally.

The member for Vasse confirmed the very point Eric Ripper made then, the very point I am making now and the very point that Treasury has been making in budget after budget; that is, we cannot look at just one year and one revenue source. Jam-jar economics is a sure way to lose a AAA credit rating, to drive up net debt, to end up needing to introduce these absurd pieces of legislation to implement a tax increase in two areas and a tax cut in another. What is going on? We end up at a point when Treasury, desperate because it was not being listened to, finally introducing in its parameter sensitivities—members who read the 2011–12 *Economic and Fiscal Outlook* may be familiar with the parameter sensitivity that refers to the sensitivities of movement in the Aussie dollar, royalty rates, iron ore rates and petroleum royalty rates—from 2012–13 on, GST grants with a plus or minus to let us know exactly the impact on our GST for each \$100 million of royalty revenue. In 2012–13, for a \$100 million increase in iron ore royalty revenue, Western Australia lost an estimated \$89 million in GST grants. The next year, 2013–14, that had increased to \$90 million, and \$90 million again in 2014–15. The government made a decision to increase royalty rates—so be it, but it is losing \$90 million of every \$100 million through the GST mechanism. The government made the decision to narrow the revenue base. Yes, there are components of volume and of price but they are exacerbated by policy decisions made by the Barnett government.

I want to spend the last five minutes of my time focusing on *The Structure of the WA Economy*, a very useful document put out by Treasury last month. It captures what has happened in Western Australia over the past 10 years with revenue sources, revenue bases, industry and employment. I encourage all members to read it because it shows the incredible journey of our state's finances over the past 10 years. It says, simply, that the structure of the WA economy has fundamentally changed. It states on page 5 —

The structure of the Western Australian economy is significantly different when measured by contributions to employment rather than output. Most notably, whilst the mining and petroleum industry accounted for around a third of Western Australia's output, it comprised only 8.7% of the State's total employment in 2012–13. This reflects the highly capital-intensive nature of the industry. In contrast, the services industry accounted for a greater portion of the State's total employment ...

Although Western Australia's average gross state product growth over that year was 4.9 per cent every year, we saw extraordinary growth and domination of the mining and petroleum sector in respect of our GSP, but in respect of employment, it is not that significant. The rate of 8.7 per cent is significant, but it has grown from about 3.6 per cent I think—Treasury officials at the back of the chamber can correct me on it—10 years ago to 8.7 per cent. That has occurred at the end of the mining sector investment boom. We are now in the export boom, which does not employ anywhere near the number of Western Australians that, colleagues, we have grown used to over the past 10 years. That is why the member for West Swan made those points earlier today about state final demand. I was stunned to hear the Premier say, “State final demand doesn't matter; we are an exporting economy.” I know what he means. Yes, state final demand jumps around and state final demand is not an indication of recession; GSP will continue to grow simply off the back of increased volumes of iron ore being shipped. We know that, but document after document—whether we read Ross Garnaut or any state economist—will tell us that we are entering troubled times. If we are forecasting state final demand at zero, it means the rest of the economy outside mining is not doing anything. As a contributor to revenue, yes, mining is 22 per cent, which is huge; as an employer, it is 8.7 per cent. We are not looking at the big employment boom that we have enjoyed over the last 10 years. It worries me to hear the Premier sit there and say that state final demand does not matter because it suggests to me that he does not have a plan to deal with the next few years. The budget is very reliant on strong dwelling investment. It is all about people building new homes, but if that does not come to pass, we are in trouble. There are significant issues around unemployment that we will have to contend with over the coming years. I do not think this Premier is interested in it, nor do I think he is the man to do it.

In conclusion, that is a small part of what I intend to say again when we finally deal with the budget document. This again highlights the awful financial management of a government that, in one document, is increasing two taxes and cutting another. The government has no story. It has panicked in respect of its economic management. It cannot guarantee surpluses across the forward estimates and it cannot guarantee significant reductions in net debt. This is the result.

MR C.J. TALLENTIRE (Gosnells) [7.51 pm]: I rise to speak to the Revenue Laws Amendment Bill 2014. I begin by expressing my concern that on one hand we seek to raise additional revenue. There is means in place here. I will particularly go into the area of duty changes to discuss that potential increase in the revenue stream. What I am really disappointed in is the fact that we are not using this change to deliver a good policy outcome. It is yet another missed opportunity. It is bad enough that we tell people that the budget is fully costed and fully funded and that projects are fully costed and fully funded, but it is really another thing when we introduce into

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this place amendments to legislation that increase the amount of revenue but do not use those changes to drive better policy outcomes.

I am particularly interested in the change to the duty arrangements. I note from the new Minister for Finance's second reading speech that we are seeing this change whereby the full exemption for first home buyers is a threshold of \$430 000 rather than \$500 000 as it was before. We provide one other major incentive for first home buyers, and that is the first home buyer grant. The nature of the first home buyer grant is that people buying a brand-new home are able to access \$10 000 in grants but those buying an existing home are able to access only \$3 000 in grants. Of course there are ceilings on that as well. Above the twenty-sixth parallel, it is applicable for homes up to \$1 million in value, whereas for homes below the twenty-sixth parallel, access to assistance is available if the home is valued at \$750 000 or less. The idea is to assist people getting into a new home.

But what is really going on with that assistance—\$10 000 if someone is contemplating a new home and \$3 000 if someone is contemplating an existing home? I am concerned that this arrangement is driving people to the outer limits of the city. It is discouraging people from buying older properties and renovating. There is a lot of older housing stock around the Perth metropolitan area. It could well benefit from the skills that a lot of younger people seem to have who might work in the trades. They have good contacts in the various trades, be it carpentry, bricklaying, roofing, electrical work or plumbing. All those trades are essential to the construction industry. People who are looking to buy a first home often have those skills, yet we are saying to them that they will get the maximum \$10 000 first home buyer grant if they go to the outer limits of the city. That is a missed opportunity; it is a waste. We really should be encouraging those people to renovate older housing stock where zoning permits. It is now increasingly common that the zoning allows people to not only renovate the existing house on a block, but also to create a second property on a block. If a block is over 500 square metres, there is often that potential. If it is, say, a 800-square metre block, there really is potential to provide an additional townhouse on it. If it is in an area near public transport, it is highly likely that the zoning would allow for that sort of change.

With these revenue law changes, we do not see a connection being made to what our policy direction might be. The Minister for Planning's "Directions 2031: Draft Spatial Framework for Perth and Peel" document encourages greater densification and better use of land closer to the city centre. A denser city does not mean that people have to travel as far to get to their place of work, sporting pursuits or recreational pursuits. A denser city can be one that has better quality public transport and enables us to justify investment in various public transport initiatives. That is a policy direction that we should be heading towards. We should always be looking towards that when developing things like changes to revenue laws, yet that opportunity has been missed because all we have done is reduce the threshold for that duty to the \$430 000 mark. I am concerned that the homes that will meet that threshold will be the homes that are further out. I think we will find that the median price of homes closer to the city centre is around the \$500 000 mark. That is the sort of mark where we would find homes nearer to the city centre. It is definitely a missed opportunity.

I think back to my visit to the Housing Industry Association's GreenSmart Awards last year. I went along to that event imagining that my speech would perhaps be a little challenging for some members of the Housing Industry Association. I thought that they perhaps would not be as open to ideas about increasing the benefits that would be given to people who want sustainability features in their home. Members can imagine my surprise when I was preceded by the president of the Housing Industry Association, Dean O'Rourke. He gave the very speech that I wanted to give. He gave a brilliant speech. He outlined a vision for the first home buyer grant whereby that grant would be targeted at properties that had sustainability features built into the home, including energy efficiency and water efficiency features. The president of the Housing Industry Association said that first home buyer grants are a good idea but we should not just throw money at people and risk the chance that the industry just factors it in and there is actually no real benefit given to new home buyers. That is the very real situation that we so often face—the market adjusts its prices and there is no real benefit. The policy change does not come about as a result of the extra \$10 000 that is given to people through that first home buyer grant. It needs to be tied to something tangible. Sustainability features are the sorts of things that we expect to see in a home that has a six-star energy efficiency rating. Add other features on top of that and one could really go a long way to not only make it a more comfortable home to live in but also one that will be cheaper to run. If we are talking about first home buyers, of course they will have the fairly heavy financial burden of paying off a mortgage. They will certainly be paying off their first home mortgage and probably facing the financial stress that goes with having a young family as well. They would benefit much from having a home that is cheaper to heat in winter and cheaper to cool in summer. That would make a lot of sense. But the government has not thought about that. Instead, it will just be doling out the \$10 000 for first home buyers. The government is missing the chance to improve the quality of the housing stock. As the president of the Housing Industry Association has said, we should be improving the quality of the housing stock and driving that change through the incentive of tying the first home owner grant to those things that we can generically call sustainability

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features. I am disappointed when I see legislation like this. It is clearly a money grab. It is also a missed opportunity, because it could have been done in a way that would drive some positive policy outcomes.

The other policy outcome that we could have achieved through a better application of changes to the revenue laws is a greater push towards urban renewal. There is no differentiation in this bill for properties that are at the outer limits of the metropolitan area. The threshold is the same right across the housing stock. It is just the value of the property that will determine whether the person is above or below the threshold. What a missed opportunity. We could have applied the threshold in a way that would lead to greater inner city development and densification, and greater urban renewal. That would help improve the patronage of public transport, and therefore its viability. That in turn would justify the additional investment in public transport that would increase the frequency with which trains and buses run, and that in turn would cause people to feel that the public transport service is of such quality and reliability that they can do away with their second car. It would perhaps also encourage people to integrate—as in the member for Churchlands' message—their public transport usage with a cycling pursuit. The member for Churchlands' ring tone—a bike one, I believe—is very appropriate to this time in my speech.

The sorts of initiatives that we should be seeing are well understood. As I have said, I was greatly impressed by the progressive view that was put by the president of the Housing Industry Association in his speech at the GreenSmart Awards last year. That was very enlightening. But, instead, I fear that by lowering the threshold for first home owners to \$430 000, people will buy in suburbs that are at the outer limits of the metropolitan area, such as Byford. How many hours will someone have to spend commuting from Byford if they happen to work in Perth or in a light industrial area like Canning Vale or Kewdale? It is just not fair to condemn people to having to spend that amount of wasted time in their vehicle. In addition to imposing on these people the hefty burden of having to spend time away from family and friends, just through the need to get around we are imposing a hefty financial burden.

As I have said, this is a missed opportunity to drive urban renewal and densification. It is also a missed opportunity to encourage people to renovate the existing housing stock. As much as I have acknowledged the progressive views of the president of the Housing Industry Association, there are some in the housing industry—perhaps the government listens to these people—who want to churn out 20 000-odd properties a year on the outer limits, because they are nice, flat, sandy areas, and they can have the builders go from one block to the next in a production line and build a fairly cheap product. Frankly, it does look as though it is a cheap product. I also do not think the sense of community in some of these new suburbs has really been thought about. Even though the property developers claim that they are creating communities, and often those words feature in their advertising, when we see those communities, certainly in the early stage of their development, they tend to be pretty soulless. They are also way out from where people are going to live their lives. That is just not fair, because that has a direct cost on people, not only in emotional terms but also in financial terms.

This Revenue Laws Amendment Bill also misses the opportunity to remedy the high infrastructure costs that are associated with urban sprawl. I know there are developer contribution schemes. However, the requirement to provide infrastructure still falls on the state government. I am thinking here of the eastern hills, where there is no scheme water supply. Many of the residents in the hills are very happy with that arrangement, because they live on properties where they have sufficient roof area and rainwater tanks that they can fill with our rainfall, declining as it is. They can still get by on 800 millimetres of rainfall per year and fill up their 90 000-litre rainwater tank. That will provide them with all the fresh water, and shower water and washing water that they need, and perhaps they will need the assistance of a bore to switch the toilets over to that during summer.

[Member's time extended.]

Mr C.J. TALLENTIRE: Those people are currently getting by like that. But I am thinking about the push for development in the outer areas of Perth, such as Gidgegannup—my old stomping ground, in fact—where there is a push for blocks that are of the suburban size of 800 square metres or 1 000 square metres, and where people could not possibly contemplate having big rainwater tanks or a large roof catchment area. That will mean that the state will have to bear the impost of having to provide a scheme water supply and eventually a sewerage network, as well as all the additional costs that go with creating suburbia well beyond the limits of what should be considered the metropolitan area. Again, there may be some developer contribution scheme. But ultimately there is always an additional cost on individuals, on society and on the taxpayer. That strikes me as very unfair and unreasonable.

I think we are entering into quite a volatile phase in our housing sector. Again, this legislation strikes me as being not just a revenue raiser but a missed policy opportunity. I am not sure that we in this place have our fingers sufficiently on the pulse when it comes to migration to Western Australia. People have had rules of thumb—we have heard about it often enough in this place—of 1 000 people arriving in Western Australia every

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week. That was very much during the construction phase of many of our resources projects, but as we are all becoming aware, we are switching from that construction phase to the operational phase in which the workforce demand is greatly reduced. One has only to look at one of the big liquefied natural gas plants to see how many people are required in the construction phase and contrast that with the operational phase. The reduction is dramatic. I do not think that the reduction in the workforce in the mining sector is as dramatic as it is in the LNG sector. At the moment, something like 4 000 or 5 000 people are on Barrow Island working in the construction phase, but once that plant is constructed, I think we are talking about fewer than 100 people to operate it. Certainly, when I have been to Karratha to see the Woodside operation for the North West Shelf project, the enormous construction there in the way of silver pipes is really quite striking. A person feels as though they are on a James Bond set or something like that. But, in fact, it is a place where hardly a soul is around; just a few people are in an operating room. It is not a project that will need a lot of people. That will flow on through our society. We will see that the demand for a workforce will reduce. That raises all sorts of questions, and unemployment prospects perhaps.

But in the immediate term, and getting back to the issues at stake here that relate to these duties and how we deal with housing and the housing supply in the outer metropolitan area, I am very interested in the observations and the statistics that the Real Estate Institute of Western Australia puts out about the rental market. It is perhaps a foreboding of what is to come, because I understand that the time for which a property stays vacant at the moment has blown out quite considerably, reflecting the fact that the construction workforce is a declining percentage of our overall workforce. The operating workforce is not picking up that slack by any means. The comment that I heard from the president of the Real Estate Institute of WA was that people are perhaps going back to their state of origin or to other states and no longer need the rental accommodation that they previously had in Perth. We are seeing a slackening in the demand for rental properties, and I wonder whether that is perhaps one of the early indicators of what is to come and what will happen in the housing market as we switch from the construction phase to the operational phase. If that is the case, I wonder about the benefit of this change in the transfer duty thresholds and whether that will really achieve the revenue that the government is so desperately seeking. If the rental market is an indication of what is to come, we could find that there are changes in the median prices and that many more houses are below that threshold. There is another dimension or another aspect to this issue.

As I come to a conclusion on this, I want to reiterate the point that I think it is disappointing that we are not only seeking to squeeze more money wherever we can, but also missing the opportunity to drive good policy outcomes, especially in the areas of housing and urban renewal, when we could have tailored this threshold change to reflect what we are trying to achieve. Having these one-size-fits-all thresholds may be simple to write into legislation such as this and to administer, but I do not think it is beyond us to have something that is just a little more subtle, and a little more complex perhaps, whereby we have thresholds that apply in different areas so that we can achieve the sorts of policy outcomes that we need, especially when it comes to making it more attractive for people to buy older properties and renovate. As I said at the beginning of my speech, I think it is such a shame that we made that decision that we would give the \$10 000 first home buyer grant to people buying brand-new properties and make it only a \$3 000 first home buyer grant for people buying older properties. It is just not driving the sorts of changes that we need to see in the way we occupy our housing stock and how we improve that housing stock. It is clearly understood by those in the industry that we need to improve, for a whole host of reasons, the quality of our housing stock. Because of my shadow portfolio responsibilities, naturally I am interested in the environmental performance of our housing stock. In many cases it is poor, and we need to lift that standard, but also we need to think about the affordability factors. There is no doubt that a house that has sustainability features and energy and water efficiency measures is the sort of property that is much cheaper and much more affordable to run and, therefore, is a home that will be attractive and more agreeable to someone who is perhaps experiencing their first ever home mortgage and has all the responsibilities that go with a young family as well.

I fear that the Western Australian public will again feel very let down by this legislation. It will, of course, see it as a revenue grab; a tax grab. However, if they scratch the surface of it, they will also see that it is a serious missed opportunity in bringing about good policy outcomes for Western Australia.

DR A.D. BUTI (Armadale) [8.17 pm]: I also rise to contribute to the debate on the Revenue Laws Amendment Bill 2014. Many of my comments will reflect the comments that have just been made by the member for Gosnells, which I am sure will be well received by the minister, because many of the comments made by the member go towards the formation of good policy and how governments should operate. The problem that we have, which this bill is partly a reflection of, is that since the last election—which was an emphatic victory by the Liberal and National Parties; there is no doubt about that—the government has been in a constant state of crisis. I am not doubting the capabilities of the current minister, but he came to the job as a result of a crisis in the government. That is why the current minister, who had been a member of this house for only a year, became

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a senior and very important minister. It was because of another crisis that this government finds itself in. Of course, this government went to the election with fully funded, fully costed and on-time promises. As we know, as *The West Australian* exposed yesterday but which we have been exposing in this house since the last election, this government, unfortunately, gilded the lily to the WA public when it went to the election with its fully funded, fully costed policies. As a result, it has been trying to catch up ever since.

What the member for Gosnells stated about the bill before us is true; it is a missed opportunity. This is nothing more than a one-trick pony, and that one-trick pony is: we need money. Of course governments need money. Every state government in Australia has a revenue problem. This bill seeks to increase the revenue available to the Western Australian government, but that is all it is trying to do. It does not look at the overall policy strategy that will serve the Western Australian public to the best possible advantage. For instance, in the second reading speech the minister referred to the fact that these changes are part of a fiscal action plan announced in the 2013–14 state budget and will allow additional spending to be directed towards front-line services including health, education, disability and child protection services. Of course they are major budget items for any state government, but the problem is that these revenue measures do nothing to improve the housing crisis in Western Australia. A government that has a housing crisis will need to provide more front-line services in health and child protection. In regard to education, one primary school in my electorate has a 40 per cent transient student population. In a primary school of about 300 or 400 students, 40 per cent of students change in one school year. The reason for that in the main, as has been relayed to me by the principal, is the lack of housing as people move from one dwelling to another—often from one rental property to another.

What does this Revenue Laws Amendment Bill do? It seeks to do three things. It seeks to amend the Duties Act, the Pay-roll Tax Assessment Act and the Land Tax Act. The amendment to the Pay-roll Tax Assessment Act will increase the payroll tax exemption threshold to \$850 000. I have no problem with that. Philosophically I find it difficult that we actually tax employers for employing people. However, of course, governments will always continue to do that because a payroll tax is one of the major revenue sources for any state government. No state government can go out on its own and remove payroll tax, because the commonwealth government will still see it as a revenue source and, as a result, that will have an effect on the revenue that the state receives from the commonwealth. Therefore, of course no state can unilaterally decide that it will not have payroll tax anymore. Philosophically I do have a problem with it, but I do not have a problem with the payroll tax exemption threshold being increased to \$850 000.

The other two measures are the ones I wish to spend more time on, and that will lead into my policy discussion on housing. In my contribution, I will briefly repeat the measures in this Revenue Laws Amendment Bill and then talk about the need for a taxation and housing strategy. The government can say it will raise revenue to provide more resources for front-line services but if it has a housing crisis, it can spend as much money as it wants on these other front-line services but the problem will remain for many families and individuals.

As stated by a number of people, this bill seeks to reduce the full exemption threshold on transfer duty for a first home purchase to \$430 000 from the current exemption threshold of \$500 000; and it will be phased out for homes valued between \$430 000 and \$530 000, which is down from the current \$600 000 mark.

The explanatory memorandum states —

These changes better reflect the value of homes being purchased by first home buyers in Western Australia

That may be the case, but I can tell members one thing: a lot of people cannot even get to that first home buyer scenario at that price. That is a very significant price. The change to the stamp duty threshold will have a significant effect on many potential first home buyers. The government states that this will not affect many people. The memorandum of understanding refers to the land tax issue and states that the exemption continues to be available on land valued up to \$300 000, phasing out at \$400 000. It states —

It is estimated that 64 per cent of first home buyers will be unaffected by the changes ...

We will have to wait and see whether that is the case. The point is that on one hand the government is saying that this bill is a revenue raiser, but on the other hand it is saying that not many people will be affected. If not many people will be affected, it will not be much of a revenue raiser. If the government is seeking to amend the legislation to increase the revenue flow to the government, surely it would expect that it would have a significant effect on the number of people. The government also seeks to then compare it with other jurisdictions, and states that people in Western Australia are in a better situation. However, the fact is that we are not comparing oranges with oranges. We are comparing a state that is very rich in mineral royalties and has another major inflow of revenue for the government coffers with other states such as New South Wales that do not have the resource-rich royalties of which the Western Australian government has been the beneficiary but has still managed to lose the AAA credit rating.

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The issue about land tax is rather interesting and I want to move onto that shortly. There is much to be said that one should reduce the emphasis on stamp duty as a revenue-raising measure and that one should seek to rely more on land tax as a revenue-raising measure. The problem with stamp duty as a revenue-raising measure for state governments is that it is very unreliable because it is determined by the demand of the housing market. It is therefore not overly reliable, but a land tax can be reliable. However, politically it is a very difficult sell for any state government to cynically increase land tax as a source of revenue.

The issue of taxation on property, land and housing has for a long time been a major issue of concern for governments. Many economists have dealt with this issue and governments have commissioned economists to look into it. Of course, the Henry review on taxation was conducted over 2008–09 by the former federal Labor government. It is interesting to note that it was a rather comprehensive review of taxation. However, we also know the following, as reported by *The Australian Financial Review* —

Treasurer Wayne Swan has ruled out almost 30 changes to the tax system proposed by Ken Henry, his top bureaucrat, because they run counter to the government’s “values” and “economics”.

Presumably, those values include the redistribution of wealth from renters to home owners, and those economics involve slashing the number of new entrepreneurs. For these are likely consequences of the government’s failure to pick up recommendations that would temper demand for housing, augment its supply, and keep home and business ownership within reach of most Australians.

Henry raised the issue of housing supply because, although he stated that the taxation mix is very important for housing affordability, the main determinant is housing supply. He states —

The tax system is unlikely to be an effective instrument to move housing prices toward a particular desired level and the tax system is not the appropriate tool for addressing the impact of other policies on housing affordability.

However, it still remains a very important issue in the whole scenario of revenue raising, housing affordability and house supply in any jurisdiction.

Henry’s views, in his review of land tax and stamp duty, were in agreement with many of the economists and also the Productivity Commission and the Independent Pricing and Regulatory Tribunal of New South Wales.

Generally the view about stamp duties held by economists is that they have a negative effect on the allocation of society’s housing stock because they impose efficiency costs; thus they discourage people from moving. Therefore, if we are discouraging people from moving, that can of course have a negative effect on the real estate market, but it may actually make housing more affordable if people are not driving up house prices and increasing demand. Henry also said that taxing the value of land is considered efficient because a tax does not affect how the land is used or how much it is used and, indeed, it reduces the sale price of land. He says that in doing so the tax equalises the after-tax return from land with the return from other investments and that means that land tax does not distort investment decisions. That is interesting in the light of the bill before us, because the bill proposes to change the land tax scenario—which, as far as I recall, was never mentioned by the government in the last state election—but I am sure that when the government drafted this bill it had no further purpose than raising money. It did not seek any change in the land tax scenario in Western Australia as an important cog in the whole land and housing industry, the economy and housing affordability in Western Australia. It is a shame that the government does not have the foresight for a more comprehensive strategy for legislation and policy. It does not because it is a government that is constantly in crisis. One could write a novel about how this government has unravelled since the last election! It is amazing how this government goes from crisis to crisis. Although this bill before us is not a bill of crisis, it is a bill that is symptomatic of a government that is so caught up with trying to deal with crises and a shambolic way of administering government that it cannot come up with a forward, grand strategy for how this bill fits into an overall strategy for housing and other matters important to the citizens of Western Australia.

Henry also recommended that the application of land tax should change because the current practice of taxing large landholdings at a higher tax rate discourages land-based investment by institutional investors, such as rental housing. It discourages large investments. He suggested that this method of taxing land could be one of the factors underpinning the dominance of the provision of rental housing by small investors and he recommended that taxing on aggregate holdings should end and that a tax be charged at a flat rate on the unimproved value of the land irrespective of the total value or, alternatively, charge it using progressive rates based on the value of the property per square metre, starting with a zero rate on low value land. Has the Minister for Finance had the opportunity to look at the Henry tax review? It would be interesting to know whether in discussions with his advisers during the drafting of this bill he considered those matters or whether this was purely seen to be a case of “We need money; we need money. What can we do? Let’s bring in this piece of legislation.”

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[Member's time extended.]

Dr A.D. BUTI: It is incredibly important that when legislation is introduced it is not considered in isolation. Legislation has to be part of an overall strategy of government and, of course, the amendments to the Duties Act and the Land Tax Act introduced in this bill should have a significant impact on the property market and on housing affordability. I am concerned about not only the merits or the flaws in this piece of legislation but also that the bill is not part of an overall government strategy. I recommend that the minister consider reading the Henry tax review. I am not saying that he should accept any of its recommendations, but I think it provides very important information for how governments should proceed when introducing revenue or taxation legislation.

I recommend another document the minister should look at—in fact, it would be useful for many ministers to look at it, because the Minister for Housing, the Minister for Planning, the Minister for Environment and even the Minister for Transport would find it useful. Even the Minister for Corrective Services may find it helpful although his portfolio concerns a different type of housing that is very important.

Mr J.M. Francis: Even a prison cell is a home to someone.

Dr A.D. BUTI: The problem is that the people are not staying in the houses, minister.

Mr W.J. Johnston: No, they go walking the dog.

Dr A.D. BUTI: Exactly, they go walking the dog.

Mr D.J. Kelly: The hired help are no good, you see.

Dr A.D. Buti: Yes! The member for Gosnells raised some interesting points about housing and how to develop the housing market when he spoke about Byford, which is not far from where I live and which is not that far from Perth. I know what the member for Gosnells was alluding to. He was suggesting that, of course, if the threshold for receiving a benefit from stamp duty is decreased, those homes will generally be homes or properties on the outskirts of the city. The problem with urban sprawl—the Minister for Transport would be well aware of this—is that it lacks population density for service delivery, which increases the cost of infrastructure, because longer roads have to be built. That is one problem in Australia. It has a large land mass with a relatively small population and a small revenue base to provide infrastructure for that land mass.

Recently, I attended an international conference with politicians from Gibraltar, Jersey, Guernsey and the Isle of Man. Those places do not have the same problems we have in Australia, because the length of Gibraltar is probably equivalent to the distance from Parliament House to the end of Adelaide Terrace! The amount of roads a transport minister in Gibraltar would need to provide would not be that extensive. Gibraltar has a population of 30 000 people. That may not be a lot of people, but 30 000 people living in that small area is a lot of people. In Australia, governments of all persuasions battle with the tyranny of distance and lack of population. I am an unabashed big Australia proponent. I believe that we should have a bigger population because one of our problems is that our revenue base is drawn from a relatively small population.

In the time I have left I refer the minister to an interesting speech, entitled “50 Years of Housing Failure”, delivered last year by the renowned economist Saul Eslake at the 122nd Annual Henry George Commemorative Dinner. Of course, the title alludes to the fact that Saul Eslake believes that governments of all persuasions have failed in housing policy, both on the revenue and supply sides. It is interesting that the member for Gosnells talked about the urban sprawl. I am concerned about urban sprawl. Although I live in the Armadale hills, one could argue that I live in the urban sprawl. Is it not an interesting moral, ethical and philosophical argument? Do we seek to restrict urban sprawl and, therefore, make it more difficult for people to get into the housing market, because of course the homes in Byford and beyond are cheaper than the homes in Victoria Park, Applecross or the inner city? Or do we seek to reduce the cost of housing by increasing the density of housing, and then of course we have to consider the planning laws? Traditionally in Western Australia, people have not generally been in favour of density of housing, but there is no doubt that we need to increase the density of housing, especially in the inner metropolitan area, if we are to alleviate the chronic shortage of housing. I was at a local park last Friday training some locals for a charity fun run that I have organised for 22 June at Champion Lakes—if the minister wishes to participate, he is more than welcome—and there were three homeless people at the park. A month ago there was one homeless person, and now there are three homeless persons in a park in Kelmscott. I would never have seen that a couple of years ago. The federal budget will not help with that, but that is another matter.

I do not have long, but I would like to read into *Hansard*, and also for the benefit of the Minister for Finance and the Minister for Housing, who is not in the chamber—of course, tomorrow we may deal with more housing matters—this quote from Saul Eslake, who states —

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I've argued that two of the principal long-standing government interventions in the housing market—cash assistance to first-time home buyers and 'negative gearing'—have not only failed to achieve their stated objectives, but have actually exacerbated the difficulties facing those whom these interventions are supposed to assist: ...

The problem for political parties in government is that there are more voters with a house who want the price of the property to rise. It is an investment. Home owners want the price of their property to rise, and they fundamentally outweigh the number of people trying to get into the housing market. Of course, it is an issue of doing the math. Saul Eslake also states —

John Howard—who could 'do the math' better than most—often used to say that no-one ever came up to him complaining about the increase in the value of their home, or asking him to do things that would reduce the value of their homes so that younger people could buy them more readily.

As a slight digression from my speech, it is a similar issue with unemployment. We would think that a rise in the unemployment rate would be a negative for governments. It is a negative for governments; it is a negative for society. However, when the unemployment rate is seven per cent, there are still many more people in employment. The issue for governments often is whether the person who is employed is fearful of losing their job, rather than necessarily the person who is unemployed, because they are a small part of the population. That is when governments have a political problem.

Saul Eslake went on to recommend a number of policies that should be pursued. I will run out of time, but I will try to read some of them. He states —

- first, the abolition of all existing policies which serve only to increase the prices of existing dwellings, such as cash grants to and stamp duty exemptions for first time buyers, and 'negative gearing' for investors (in all assets, not just property, and if politically necessary, only for assets acquired after the date on which such a policy was announced);
- second, the redirection of the funds thereby saved ... towards programs that increase the supply of housing—for example, by directly funding the construction of new dwellings (as the Rudd Government did as part of its response to the global financial crisis), ...

People tend to forget about the global financial crisis. They want to bag the previous federal Labor government, but my understanding is that when the Labor government came to power in 2007, 16 nations had a AAA rating with the three credit agencies.

Mr W.J. Johnston: And Australia wasn't one of them.

Dr A.D. BUTI: Australia was not one of them. When the Rudd–Gillard government lost office, only eight countries had a AAA rating by the three agencies and Australia was one of them, so how could the former Labor government have been that bad with finances?

Saul Eslake went on to state —

- third, expanding or replicating programs like Western Australia's 'Keystart' scheme which assist eligible people to become home owners on a 'shared equity' basis, with eligibility being subject to a means test, and which creates a 'revolving fund' as the 'shared equity' is returned to the State Government upon sale;
- fourth, changes to the way in which State and Territory Governments tax holdings of and transactions in land, with a view to encouraging more efficient use of it. That would include replacing stamp duty on land transfers (which are 'bad' taxes on many grounds, including that they discourage people from changing their dwellings as their needs change) with more broadly-based land taxes ...

Of course, that is an issue that is relevant to this legislation. The reason that the government has increased the land tax has no bearing on it wishing to have a better housing property policy; it is purely a revenue-raising grab. That is one of the great disappointments with this piece of legislation. If the government were not in crisis and in a shambolic state, it would have taken this piece of legislation and thought: we want to increase our revenue base, but how will it fit into our overall strategy for housing, planning et cetera? Saul Eslake continues —

- fifth, taking a more 'holistic' view of urban infrastructure investment, by recognizing that it has an important housing dimension—that is, that public (or private) investment in transport infrastructure ... can make a tangible contribution towards improving housing supply and affordability by making 'greenfields' developments more accessible to both buyers and renters—and considering funding such infrastructure by levies on the increments to the value of the land which result from such investments ...

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I am sure that the member for West Swan would agree that transport infrastructure is very important to her electorate, and of course her electorate has been let down by this government time after time. This government is in a shambolic state and a state of crisis. We do not know what will happen tomorrow, but one thing we do know is that it will never deliver for her electorate. That is one constant that has always been consistent.

Several members interjected.

Dr A.D. BUTI: That is a known known. That is one thing we know. What we do not know is how this government will wake up tomorrow and what crisis will engulf it.

MR F.M. LOGAN (Cockburn) [8.46 pm]: I wish to contribute to the debate on the Revenue Laws Amendment Bill 2014. I will open with an overview of the contribution of these changes to the economy of Western Australia. We have heard on a significant number of occasions, sometimes from this government, about the great transition that is underway in Australia of jobs and skills from the mining sector to the construction sector. How many times have we heard from various social commentators, supposed economic gurus and politicians, particularly politicians in government today in Australia and Western Australia, that there is this great economic transition underway supposedly of jobs and skills from the mining sector to the construction sector? If that were true—I do not believe it is true—the bills before the house tonight will certainly not help that transition. None of the comments that have been made by those who have a significant interest in the housing market and the construction sector in Western Australia has been supportive of the changes to the threshold for stamp duty for first home buyers. For example, the Housing Industry Association director, John Gelavis, said that these changes would cause a slump in the construction industry. Neville Pozzi from the Real Estate Institute of Western Australia said that similar changes in New South Wales and Victoria 18 months ago had a disastrous impact on first home buyers. There is no support from the very people who know more about home purchases, land sales, house sales and construction than anybody in this chamber. There is no support from those people for these changes, particularly two of these changes before the house tonight, specifically, land tax—the Real Estate Institute of Western Australia has a very, very strong opposition to what the government is doing on land tax—and the changes to the threshold limit for the introduction of stamp duty for first home buyers. Not only does REIWA have a strong opposition to that, so do many other industry commentators. They believe that it will have a significantly detrimental impact on the housing industry itself, specifically on the construction industry in Western Australia. If there is a great transition underway between mining and the construction sector, the Barnett government is doing the very best it can to undermine that transition.

I will deal with the issue of the reduction of the threshold limit for the first home owner grant from \$500 000 to \$430 000. All members of Parliament received an interesting map in REIWA's quarterly update of its industry. In the centre of that REIWA market update Perth house prices are shown on a map of Perth. The map is coloured according to the value of median house prices, which helps to quickly identify the median house price of each area. Dark red on the map indicates an area with a median house price of more than \$1 million and areas shaded pale green and blue have a median price within the new threshold levels in the legislation before the house tonight—that is, areas with a median house price of less than \$300 000 and \$300 000 to \$400 000. It is interesting to see where that pale green and blue is on this map. I am not sure whether Madam Deputy Speaker can see this, but it is fairly clear. I will list some suburbs so the minister has an idea of where he is encouraging first home owners to buy if they want to benefit from not paying stamp duty by staying under the threshold limit. The areas are Bullsbrook, Herne Hill, Middle Swan—although I am sure the member for West Swan has no problems with that—East Cannington, Kenwick, Maddington, Gosnells, Kelmscott, Armadale, Mundijong, Leda and then further south. There is certainly nothing in my electorate of Cockburn that fits the criteria in which first home owners would be able to benefit from the threshold limit of \$430 000. According to the REIWA map, the lowest median house price in my electorate is at South Lake at \$460 000 and Yangebup at \$485 000. I might add—the minister is well aware of this—that a significant number of first home owners have bought in the Cockburn area, particularly in Success, Hammond Park and across the road in the minister's colleague's electorate in Atwell, Aubin Grove and Harvest Lakes. They are the stomping grounds for first home owners and in many cases, with the \$500 000 threshold, they were able to buy their home without paying stamp duty. That will not be the case now as a result of this bill that will pass the house tonight. It is a shame because it will have a significant impact on the cost of buying a new house, with REIWA estimating anything up to \$16 000 extra for the purchase of that house. Interestingly, in the front of the REIWA quarterly market update there is mention of the number of first home buyers in the market as of the March quarter 2014, and that has slumped from 27 per cent of the market last year to 22 per cent of the market this year. Therefore, the market is already on its way down and this bill will exacerbate that. I put it to the minister that this bill, by reducing the exemption threshold for stamp duty to \$430 000, will exacerbate that decline in the number of first home owners purchasing their houses. That is supported by the industry itself.

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In the second reading speech to the bill that the Minister for Finance was given by the department, there is reference to the fact that 64 per cent of first home buyers will be unaffected by the changes. I will quote exactly what the minister said —

It is estimated that 64 per cent of first home buyers will be unaffected by the changes, as the purchase price of their properties would either be below the new exemption threshold of \$430 000, above the previous concessional scale threshold limit of \$600 000, or they qualify for the concession for vacant land, which will not change.

I am not too sure where the minister's department got that advice and information from and how it can be backed up, because David Airey of REIWA does not support that view. In his comments criticising the changes to the threshold test, he said that he estimated that more than half of all first home buyers would start paying stamp duty under the threshold change. He did not say that 64 per cent of first home buyers would be unaffected by that change; he said that 50 per cent of first home buyers would be affected. I am not too sure where the minister and the department have got their information from, but it is clearly not from the industry itself, which I suggest would know more about it than the department does.

With those comments, it will be obvious to all members in the house that changes proposed by this legislation will affect existing homeowners and investors, who will once again be affected by increases to land tax, and, with the lowering of the stamp duty threshold, will have a direct impact on the aspirations and the purchasing capabilities of first home owners. Those buying above the range of \$430 000 will effectively be slugged up to \$16 000 extra on the purchase of their first home. We will see that play out over the next 12 to 24 months, just as it did in New South Wales and Victoria where similar changes took place. I am sure that the member for Victoria Park will raise this matter again when he sees the changes made to purchasing patterns by first home owners and the slump that takes place in the purchasing of first homes, and possibly the direct impact on the construction industry itself. That information will be fed back to members of the opposition, and it will certainly go directly to the Minister for Finance, who is responsible for these changes. I can absolutely guarantee the government that opposition members will be on their feet saying to this minister, or to whomever is responsible at that time, "We told you so. We raised these things in the house. The construction industry told the government it would have an impact because of a reduction in the number of first home buyers, and lo and behold it has." These are unfair changes that the Barnett government has proposed because they are easy steps that it thinks it can get away with. The government will slug first home owners in order to pay for its mishandling of the state's finances and the extraordinary problems it has created for itself by building up debt in Western Australia from just over \$3 billion to almost \$30 billion. This government is taking out its financial problems and woes on people who are struggling to buy their first home. That is not the way to go about financially resolving the problems of the state government. The opposition thinks this is appalling and I hope that everybody on this side of the chamber expresses those views alongside me.

MR D.J. KELLY (Bassendean) [9.02 pm]: I rise to make some comments on the Revenue Laws Amendment Bill 2014. I want to begin by acknowledging someone who is at Parliament House tonight—Michael Crosby, the current national president of United Voice. I had the honour of having dinner with him tonight. He is finishing up in that position this year. He has been an outstanding leader of our union, a man with a deep commitment to improving the working lives of Australian workers. It was a great joy to have dinner with him tonight, along with the current leadership of United Voice. I know that is not a particularly relevant comment to make on this bill, but I wanted to take the opportunity to put that on the record.

What is the Revenue Laws Amendment Bill 2014 all about? On the face of it, it is a bill to make three amendments, but the backstory of this bill is that yet again legislation is coming into this house from this government to try to clean up the mess it has got itself into since the state election. It is probably not fair to say that the mess occurred since the state election, because the problems the government created began before the state election when it made a series of promises it knew it could not meet; but they were promises it was prepared to make in order to be re-elected. It is not the case that members opposite made promises in good faith and that there were changing circumstances that were beyond their control that have led them not to meet their promises. The government made a series of promises that it knew it would not be able to meet. The government flooded electorates that it wanted to win with material that claimed the Barnett government's re-election program was fully funded and fully costed. I can see Mr Acting Speaker (Mr P. Abetz) nodding. I thought he was agreeing with my comments, but maybe he is nodding at the member for Cockburn. The Barnett government flooded key electorates with reassuring comments that its programs were fully funded and fully costed when the Premier and senior ministers knew that what they were promising to the electorate was simply impossible to deliver within the financial constraints they had. Members opposite were prepared to make those commitments because all they cared about was getting re-elected. The Liberal Party was prepared to tell untruth after untruth to the people of Western Australia so that the Barnett government would be re-elected. Once the Barnett

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government was re-elected, it systematically walked away from one promise after another—promise, promise and promise again.

The government has brought forward legislation that increases taxes and reduces the threshold for exemption from stamp duty for first home buyers. This is done in a desperate attempt to plug the budget hole it created. The Premier, with the support of the Treasurer, is very fond of saying that the circumstances the government finds itself in are beyond its control. As we have heard from members on this side of the chamber on many occasions since the election, the circumstances in which the government finds itself are completely of its own making. There has been no revenue shock or slump in revenue that could not have been foreseen. The state government uses the goods and services tax as an excuse for increasing taxes, but it has exactly the amount of GST coming into its coffers that was predicted at the formulation of each budget. Of course, the GST agreement was signed up to by this Premier as a member of the Court government. A Liberal government stitched that deal up, and now it is the Premier of this Liberal government who is saying that the state's woes are all because of the declining share of GST. The state government was fully aware of all those factors when it went to the election and made the promises it did. Yet the government has come into this Parliament blaming everybody else for putting up taxes and has tried to say it is because of changed circumstances.

I could feel a little sorry for the new Minister for Finance, because he has been asked to introduce a bill that increases taxes. The Minister for Environment does not think I should feel sorry for the new minister, because he is smiling. Even though the Minister for Finance is bringing in a bill that puts up taxes again, he is also smiling. It is probably because he has been the only Western Australian who has been a true beneficiary of the chaos in which this government has found itself. In his inaugural speech, the minister preached long and loud about lowering taxes and not burdening future generations with state debt, but even though he is now a minister in a government that has done the opposite of all those things by putting up taxes and building up a mountain of state debt, he can come in here and smile when he does the job. That is because he is probably the only true beneficiary of the mess this government has found itself in. If it were not for that mess, this minister would not be in the cabinet. The minister once talked about a future with lower taxes and low state debt, but he is now part of the problem even though when he came into this place he probably hoped to be part of the solution. This bill is typical of what this government has done.

I was not in this Parliament when the previous Labor government was being pounded by the opposition of the day for running high surpluses that were too high, but I was an observer. The Gallop and Carpenter governments were being roundly criticised by the Liberal Party for not sharing the benefits of the boom by spending the surpluses. How ridiculous that commentary now sounds. It was pretty crazy at the time, but in hindsight how much worse does it look now? This government inherited very low state debt—below \$4 billion—because the previous Labor government ran surpluses and funded its capital works programs largely out of those surpluses. It sticks in the throats of people on this side of the chamber when we see the advertisements on TV now about rebuilding the health system, with scenes of Fiona Stanley Hospital, when we all know that Fiona Stanley was paid for with money put aside by the previous Labor government. When government members are asked about how this debt was run up, they still talk about Fiona Stanley as if Fiona Stanley has been paid for by the current debt that it has incurred, although it was paid for by the previous Labor government. The Mandurah rail line —

Ms R. Saffioti: We paid cash.

Mr D.J. KELLY: Yes, we paid in cash. The Treasurer of the time went down to the ATM and took out \$1 billion and paid it off in cash. What an extraordinary thing for any state government to do, but it was able to because it lived within its means, ran surpluses and was then able to pay for significant infrastructure in this state.

Dr A.D. Buti: Was the ATM put in by the minister?

Mr D.J. KELLY: It may well have been an ANZ ATM! I do not think, though, they have \$1 billion daily limits. Maybe Eric Ripper had to go several times to get the \$1 billion.

Ms R. Saffioti interjected.

Mr D.J. KELLY: Yes, that is right.

It just shows how opportunistic the commentary from the then opposition was that the Gallop and Carpenter governments were somehow doing the wrong thing by running surpluses. Would not this government love to be in the position of running surpluses that could pay for a rail line to the airport or a surplus that was able to pay for the Metro Area Express light rail, or, heaven forbid, even a surplus that was big enough to build an Ellenbrook railway line? Members opposite in the government would dream of being able to do any of those things. Instead, it has run up state debt of almost \$25 billion—that figure is still heading north significantly—yet it has still not built any of the major transport infrastructure promises that it went to the election with. The

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minister is frowning; I have not yet been able to catch a train to the airport, and there is no sign of the MAX light rail. We still drive along Reid Highway and come to that horrible intersection with Malaga Drive; it is still there. None of that has been addressed by this government, and most of these projects are not even funded in the current budget. We do not use the word “shameful” lightly, but what this government has done to the state’s finances really is shameful. It has not lived within its means, it has run up a significant amount of state debt, and it has not built, in particular in the public transport area, those significant public transport infrastructure projects that it said it would. In the process, of course, just to prove that we are not just making this up, it lost the AAA credit rating. This is not commentary from the opposition that is opportunistic and insincere or lacking in any sound economic analysis; this is analysis that everybody else agrees with. The government lost the AAA credit rating because people who should be its natural philosophical allies have basically lost patience with the government. They have withdrawn their philosophical support for what this government is doing.

What would the Liberal Party’s reaction have been had the Gallop and Carpenter governments lost the AAA credit rating? Geoff Gallop got back the AAA credit rating; if Alan Carpenter had lost it, the Liberal Party would have said he should be taken out and hung from the highest lamppost as a great economic vandal of the state. That is what the Liberal Party would have said if he had done that as Premier. But now the Liberal Party has lost our AAA credit rating and the Premier just brushes it aside as if it is something of no great consequence—how extraordinary, how hypocritical and how dishonest.

That is the backstory of the Revenue Laws Amendment Bill 2014, but what is actually in the bill? First up, the bill reduces or scales back the exemption for first home buyers on stamp duty on the purchase of their first home. The minister’s second reading speech states that these changes are being made because they are a part of the famous fiscal action plan—the FAP.

Mr W.J. Johnston: The sweet fiscal action plan.

Mr D.J. KELLY: Yes, the “Sweet FA plan”; that is right.

I am not actually sure of the standing of that plan now. It was my understanding that that was a creation of the previous Treasurer, and the current Treasurer has failed to commit to everything in the fiscal action plan. When he was quizzed in this place I think he said some things will stay and some will go. This minister’s second reading speech states that this is all part of the fiscal action plan, so I would be interested, when the minister responds, to hear which bits of that fiscal action plan are in and which are out.

The minister’s second reading speech also states that this change will —

... allow additional spending to be directed towards front-line services, including health, education, disabilities and child protection services.

I wanted to draw the minister’s attention to one area on that list, being education. In my electorate, like every other electorate in the state, individual schools have received a reduction in their budgets. Even if this bill is passed, schools in my electorate will not see any more money; in fact, they are seeing less money this year than they did the year before. I wanted to draw the minister’s attention to that. In the first round of education cuts \$1.5 million was taken out of schools in my electorate. The minister might think they are well funded and they do not need it, but members may have picked up the paper last week or the week before and seen the state of the toilets at Hampton Senior High School. They are shocking. I give credit to the P&C there and the federal member for Perth, Alannah MacTiernan, for shining a spotlight on what are some very substandard facilities at that high school.

[Member’s time extended.]

Mr D.J. KELLY: I might be more enthusiastic about this bill if it was actually going to result in more money going into schools that have had their budgets cut by this government. But it will not; I know, for example, that the literacy program in Anzac Terrace Primary School, for kids in kindy and grades 1 and 2, has had to be canned after being in place for 10 years, and it will not reappear as a result of this bill being passed. That was a fantastic program. It is hard to think of a cut that is more lacking in logic than reducing funding to a school so that it has to remove its early years literacy program. All the research shows that we need to put more money into kids in the early years, not take it away; yet this government, as part of its fiscal action plan, is actually taking it out. The Premier says, “Oh well, globally, there is an increase in the budget”, and therefore that means everything is fine; but when we actually look at it school by school, budgets are being reduced. As I said, I would be more enthusiastic about this bill if it were to actually result in more money for schools in my electorate and across the public education system generally, but I know it will not.

What does the bill specifically say? In his second reading speech, the Minister for Finance talked about the first home buyer exemption and stated —

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One of the new measures announced in this year's state budget seeks to adjust the property value thresholds under the first homebuyer transfer duty concession to provide a full exemption for home purchases of \$430 000 or less, down from the current exemption threshold of \$500 000.

Further along, he stated —

This measure is expected to save \$222 million over the four years from 2014–15 to 2017–18.

Because of the government's financial mismanagement, it is going to take \$222 million from first home buyers over the next four years. I do not know anybody who thinks that is a good idea. First home buyers certainly do not think it is a good idea, and people in the housing industry do not think it is a good idea. I do not know where the government is getting its advice if it thinks it is a good idea to make it more difficult for low income earners to get into the housing market. This is simply a measure to increase revenue and it will make it more difficult for low income earners to get into housing.

We all know that there is still a housing crisis in Western Australia; many Western Australians are struggling every day just to put a roof over their head. This government has not done anything to make it easier for people to access public housing, and the public housing waiting lists are way too long. The most common reason for people getting off the public housing waiting list is not because they are actually getting a house; it is because they are simply giving up and making other arrangements.

Another aspect of the housing waiting list that was highlighted this week by the Leader of the Opposition and the member for Cockburn is the fact that the amount of income that people can earn while in public housing has not changed for many years. Those income limits actually work as a disincentive for people in public housing to go out and function in the workforce and build a better life for themselves and their families. If the government wanted to change the landscape of the housing sector, there are a lot of things that it could do to deal with the housing crisis in Western Australia. Unfortunately, however, it is not doing that with this bill. Instead, it is making it more difficult for first home buyers to enter the market, and that is not a good idea; no-one thinks it is a good idea except for this government, and the government is doing it solely because it is scrounging around for money—an extra \$222 million over the next four years—so that it can desperately try to maintain a wafer-thin surplus in the coming years.

This is a harsh decision; it is not a decision that is going to make housing more affordable in Western Australia, and it is not a change that the government was honest enough to foreshadow before the last election. The government did not get elected on the basis that it was going to reduce the stamp duty exemption for first home buyers, did it? When we read the letter from the Premier about all wonderful things that the Liberal Party was going to do—"fully funded, fully costed"—there was not even an asterisk referring people to small print at the back of the envelope that might have read, "First home buyers' stamp duty exemption may change"; nothing of that nature. This legislation is yet another change made by this government simply to raise cash.

The 10 per cent across-the-board land tax increase is, again, simply a revenue-raising measure, to the tune, I think, of \$334 million over four years. I am not aware of anyone who thinks increasing land tax is a good idea, but the government is doing it for one reason and one reason only: to try to remedy the terrible state it has got the budget into. The Minister for Finance should go back and read his maiden speech in this place to remind himself of what he said. If he were true to what he said in his first speech, he would be making the same sorts of comments in this place as the member for Hillarys makes when he talks about state debt. If he were true to the first speech he made in this place, then instead of introducing a bill to increase land tax, he would be criticising the government on its economic record.

The one measure in this bill that is actually something I think is worthwhile is the increase in the payroll tax exemption threshold. Payroll tax is an unfortunate tax in that it actually taxes employment and acts as a disincentive to employment. One of the most unfortunate consequences of payroll tax is that it encourages employers to shift people off direct employment arrangements and move them onto subcontracting arrangements, and often those arrangements are less than genuine, if I can put it that way. We have workers who are, for all intents and purposes, employees, but to avoid things like payroll tax and other requirements, employers ask workers to set up bogus contracting arrangements. Any increase in the exemption threshold for payroll tax is a good thing if it removes part of the current incentive that payroll tax provides for employers to move people onto these sorts of employment arrangements.

I will just say one other thing about this change. Obviously, small business people will benefit from the increase to the payroll tax exemption threshold. I understand that the Premier made some comments today about wanting to reduce the penalty rates payable by small business people with staff who work at the weekend and in the evenings. I have heard the Premier say that penalty rates could be reduced at the weekend and compensate that

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reduction by a higher rate during the week. I hate it when the Premier pursues little thought bubbles about things he often knows little about. One of the consequences of lowering penalty rates at the weekend or evenings and supposedly compensating them by increasing the hourly rate during the middle of the week is that employers then find that no-one wants to work on the weekend or in the evening. Despite employers saying that we now live in a 24/7 economy and that Sunday is the new Monday, people in the real world still like to spend their evenings and weekend at home with their families. The compensation that attracts people to work those shifts is the additional money. In my previous life, I dealt with employers who made that argument: get rid of the penalty rates and increase the hourly rate during the day. Some employers negotiated agreements like that but they soon found that they could not find people to work on the weekend or in the evenings because there was no financial incentive. The Premier should just beware of what he wishes on small business. Small businesses that want to operate in the evenings and on Saturday and Sunday need to provide an economic incentive or they just will not get staff to work.

I will conclude my comments. This bill is really just another part of this government's scrambling around to fix the budget woes it has got this state into. The government really should be doing better.

MR W.J. JOHNSTON (Cannington) [9.31 pm]: This afternoon when the member for West Swan was making her second reading contribution, she quoted a section from the Minister for Finance's inaugural speech, and we all laughed at the minister when the member read that out. The minister asked why we were laughing at him. The reason we were laughing was because the minister said one thing in his inaugural speech when he set out what he wanted to do as a member of Parliament, and on the first occasion that he was asked to deal with legislation regarding tax he did exactly what he said should not be done.

Everybody is laughing at the minister because generally in politics a member's inaugural speech sets out their desires, and most people do their best to adhere to what they talked about when they set out their moral compass in their inaugural speech. Therefore, when a member does exactly what they said should not be done, people laugh at them. The minister should therefore understand that we will continue to laugh at him until he either does what he said he was going to do in his inaugural speech, or explains why his inaugural speech is wrong.

I have absolutely no trouble at all with governments increasing taxes if it is necessary—absolutely no question at all. The basis of good government is that governments need to have sufficient revenue to transact the business and activities that are demanded of them by the community. That is why I make that point in public when I am asked about it. The reason we laughed at the minister is that he made the opposite point. He said that his vision was for lower taxes. Can the minister explain between the date he gave his inaugural speech and now whether he has changed his mind on these issues, or is that still his opinion? If it is still his opinion, why is he a member of the cabinet? The minister has one responsibility. As a minister, he is bound by the decisions of cabinet. If he does not agree with the decisions of cabinet, he has only one choice; he has to resign. Does he understand that? If he does not agree with a cabinet decision, he should resign. That is his job. That is his duty to the people who elected him to Parliament. If he does not do so, he should explain to us why his inaugural speech was wrong. The second reading speech he gave—I will quote from it in a minute—set out my philosophy about taxation, not his. In his second reading speech he said that taxation revenues are being obtained because we have to spend more money in the community. Bonzer, minister! That is why I am a member of the Labor Party—because I think we need to have a fair, reasonable and equitable taxation system. We will get to whether these increases are doing these things, but that is a separate issue. If that is the minister's philosophical position, he should join the Labor Party; he should not have talked nonsense in his inaugural speech. That is his challenge.

What the minister says in this place is important. This is the second piece of legislation that the minister has handled in the chamber. The first was the amendment to the Taxi Drivers Licensing Bill 2013, in which he did not tell the truth in the chamber. What he said in the chamber was not true; it was not correct. He claimed that because it was an opposition amendment, he could not answer questions quite reasonably put to him by the opposition. That is not true; it is simply false. I say again to the minister that I do not know whether he knew it to be false at the time—I am not accusing him of lying; only he can tell us whether he was lying or not—but let us make it clear that his contribution to the debate on the amendment to the taxi bill was wrong.

Point of Order

Mr D.C. NALDER: Mr Acting Speaker, I think we are dealing with the Revenue Laws Amendment Bill, not the taxi bill at this point. I think that was deferred to a later date. I seek your support on that, please.

The ACTING SPEAKER (Mr N.W. Morton): I take on board your comments, minister. Member for Cannington, if you could just bring your comments back to the bill.

Debate Resumed

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Mr W.J. JOHNSTON: I am talking about the minister's behaviour when he brought his speech in support of this bill to us. I am pointing out to the minister that this is the second time he has brought legislation to this house. The first time he did not tell the truth and now we have a situation in which his second reading speech for this bill exactly contradicts his inaugural speech to the Parliament. That contradiction needs to be explained by the minister. I am happy if the minister wants to stand up—I have already said this—and say that what he said in his inaugural speech was not correct. I am relaxed about that. I would also be relaxed if the minister stood and said he continues to support the comments he made in his inaugural speech and that is why he is resigning as a minister because he cannot sit in a cabinet in which he does not agree with the decisions of the cabinet. They are the two choices that the minister has. He cannot come in here and say that he does not agree with the legislation that is brought into this place following a decision of cabinet. He is obliged to resign from cabinet if he does not support the decisions of cabinet. He can continue to adhere to his inaugural speech only if he does not agree with cabinet's decision. If he does not agree with cabinet's decision, he should resign. They are his choices. As I said, I am very relaxed about the idea that we need to increase taxes on occasions. As I said, I am not saying that I necessarily agree with these increases in taxes; I am saying that I accept that that has to happen sometimes.

It is interesting that we often hear Liberal members of Parliament saying that we cannot tax our way to prosperity. It is interesting that any country with a low tax rate is a poor country. Only two countries are rich and have low tax rates; that is, Australia and the United States. We are the only two countries with a low share of gross national product as a tax that is also rich. Poor countries have low tax levels. That is interesting. I agree with the view of the Liberal Party in Western Australia that we can tax our way to wealth and that is not an issue and that the position put by the Liberal Party so constantly is wrong. That is not to say that each individual decision to increase taxes is right. I am not saying that at all, and I am not even saying that I agree with the tax increases in this bill, because I do not. There is no justification for these tax rises. The minister said in his second reading speech that there were revenue shortfalls. I am interested in that because I want to make a point.

On page 217 of budget paper No 3, in appendix 1, table 1.1, the budget revenue for the state for 2014–15 is estimated at \$28.683 million. That compares with an estimated actual in the same table for last financial year of \$27.970 million, which is obviously an increase, not a reduction. I thought that I should go back and have a look because maybe the minister was talking about the revenue under the last Labor government. So I went back and had a look at table 1.1 of appendix 1 on page 31 of the *Pre-election Financial Projections Statement*—the so-called PFPS—from 2008. The total revenue for the last year—that was our last budget—was \$19 903 million, which was nearly \$10 billion less than this year's budget estimate. I thought that perhaps that was not what he meant; maybe he meant some other thing. The fact is that he is nearly \$10 billion better off than what was happening when Labor was in power, so I thought that maybe he was talking about something else. So, I went back and had a look at the 2011–12 budget, which was the first budget in which the 2014–15 financial year was included in the forward estimates. The "General Government Operating Statement" appears in table 1.1 of appendix 1 on page 219 of budget paper No 3 of the 2011–12 budget papers. What was the budget estimate in that year for this coming financial year? It was \$28.202 million, which again is \$600 million-odd less than the budget estimate for this year, so clearly it is more than was estimated when we go back in history. I then thought that maybe we need to look at last year's budget and the estimate last year for the coming financial year. I refer to table 1.1 of appendix 1 on page 233 of budget paper No 3 for the 2013–14 budget. What was the estimate? It was \$27.917 million, so again it is a lower figure than the one in the budget this year. Again, that cannot be right because it is higher, not lower, so it is not a decline in income. I then thought that maybe I should look at another document; maybe something else could explain the contradiction between what the minister said and the facts. I am sure that the minister can explain why what he said does not match any of the facts, so I thought that maybe I should go to the PFPS for the 2013 election, because it must be remembered that the PFPS is the only document that is produced just by Treasury without government interference, although we found out afterwards that there was government interference. What was the estimate? It was \$28.400 million, which, again, is still lower than the figure in this year's budget. I do not understand any of this. Perhaps the minister can show me the budget paper in which the revenue for 2014–15 is lower than the revenue estimate in that other document that was produced before this year's budget.

Mr B.S. Wyatt: You won't find one.

Mr W.J. JOHNSTON: As the member for Victoria Park so correctly interjects, "You won't find one." That is the problem with this government. It says one thing regardless of the facts. If the minister was not aware of these facts, I am happy for him to explain that he was not aware of these facts. Now that I have drawn his attention to the facts, perhaps he could correct the record.

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I want to go to the question of land tax. It is interesting that the land tax is a very difficult tax, because many people are holding land assets on which they have to pay tax, but they get no holding income. I am sure that I am like every other member of this chamber who has individuals coming to see them about this issue. Although not many people who live in the Cannington electorate are paying land tax on land in Cannington, many people are paying land tax on land in Cannington. I have been approached by people on a number of occasions on this question. In fact, even at dinner tonight, the matter was raised with me. If a person has vacant land, they still have to pay land tax but do not get holding income from it, and that can be quite complex. That is why the draft report of the Economic Regulation Authority refers to widening the base to lower the rate. I am not necessarily convinced by all of the arguments in the report of the inquiry into microeconomic reform in Western Australia. The final report of the inquiry is due on 30 June and it will be interesting to see what that shows. However, I do note that the Property Council of Australia strongly urges a rethink on this matter and it very strongly says that we should be broadening the base and lowering the rate.

Mr B.S. Wyatt: As does REIWA.

Mr W.J. JOHNSTON: As does the Real Estate Institute of Western Australia.

An article written by Kim Macdonald in *The West Australian* of 14 May 2014, under the heading “Property sector decries WA Budget”, states —

The Property Council has accused the Barnett Government of taking the “lazy way” to fix its Budget problem by slugging WA property owners with a second consecutive increase in land tax as well as putting up the CBD parking levy.

Later on, the article makes the point that over two years the land tax has increased by 23 per cent and the Perth parking levy has gone up by 50 per cent. The article continues —

... Treasurer Mike Nahan said he would consider alternatives to stamp duty.

That is one of the great decisions of the Treasurer. He announces that he is considering something but does not invite any public commentary, produce any public position papers or hold any inquiry.

Mr B.S. Wyatt: I put that to the Treasurer in estimates, saying that I note that you have said this, and are you looking at any form of land tax or broadening the base of it, and he said, no.

Mr W.J. JOHNSTON: Yes.

Mr B.S. Wyatt: Sorry to interrupt you.

Mr W.J. JOHNSTON: Not at all. I do remember that. It was quite amusing and I might talk about that later on.

The West Australian article quotes Joe Lenzo, the chief executive officer of the property council, and states —

He said the Budget was disappointing, lacked vision and did nothing to make the tax system more fair.

The article then quotes Mr Lenzo —

“It is a bookkeeper’s budget for the short term that masks the structural faults in the State tax system and the government’s inability to reign in expenditure,” Mr Lenzo said.

That is the problem. This is a friendless budget that takes the state nowhere. It does all the bad things that the Minister for Finance talked about in his inaugural speech, when he stated —

Our vision for this state must not come at the expense of our fundamental philosophies of lower tax, of leaving businesses with more of their own money and of not burdening future generations with debt to fund expedient policies today.

Of course, in this budget, each of the vile and poisonous activities that the minister railed against are in the budget. That is the budget! It will be interesting to see where we go from there.

I now go to the question of tax competitiveness. On 11 March 2008 in a debate in this house on a tax bill, which, by the way, was cutting taxes, the then member for Cottesloe, the now Premier, made this comment —

The ratio of tax collections to gross state product will decline, not because tax rates have decreased but simply because the size of the state economy has increased.

The member for Cottesloe then stated further —

The CCI is correct: the direct measure for the burden of taxation is tax collected per head of population.

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At figure 10 on page 71 of budget paper No 3, under the heading “Tax Competitiveness” and the subheading “Various measures” a little bar chart shows that tax per capita in Western Australia is about \$3 500 and in other states is about \$2 750.

[Member’s time extended.]

Mr W.J. JOHNSTON: On the basis of the assessment of how tax collections are judged that the Premier of the state of Western Australia believes is the best way to do it, Western Australia has a significantly greater tax effort than the other states. It would be interesting if the minister could explain why he is targeting this tax per capita to increase so dramatically through this decision. Why is tax competitiveness no longer an important issue?

It is interesting that the member for Cottesloe went on in his speech to say —

The Howard government spent too much. There is no doubt, with a strong domestic economy, strong household demand, strong investment spending, strong export demand and rising commodity prices, the Howard government in its last two or three years in office had an excessive rate of public spending, particularly in the area of middle-class welfare, with all sorts of schemes, handouts and allowances.

It will be interesting to hear the Premier’s views now about governments spending too much in a rising market, because, according to the Premier, we have had the biggest boom apparently in the state’s history over the period that he has been Premier and we have had the highest rate of growth in government expenditure in the state’s history. It is interesting that the Premier was developing the argument that the tax cuts should not have been given. The member for Vasse, who at the time was Leader of the Opposition, rushed up from his room and made an observation about the member for Cottesloe’s comments and then he said, “I always worry when people oppose cuts in taxes”. It was quite an embarrassing thing, after he had made a big dash up the stairs. It will be interesting to hear the comments that the government will now make about those views. It is interesting that the member for Cottesloe also said in his speech on that day —

Once again, it needs to be placed on the record that this is a high-taxing government; by any measure, both the Carpenter and Gallop Labor governments have been high-taxing governments.

If they were high-taxing governments, what do we class this one as? There has never been a government in the history of Western Australia that has set taxes at the levels set by this government. Hon Eric Ripper did not have the audacity to slug the people of this state by the rates that this government has. I make the point that the position for taxes in the 2008–09 *Pre-election Financial Projections Statement* was \$6 287 million. In the coming budget year, the government is planning to take \$9 346 million. This government has the Guinness world record for being the highest taxing government in the history of this state. There has never been a government that has taxed as highly as this government has. It is the highest taxing government per head and it is the highest taxing government in aggregate. It is the highest taxing government we have ever had. I also make the observation that not a single rate of tax has been cut at any time during the entire period of this government. There was one year when one adjustment in the land tax rate was made, but that was because the then Treasurer, the member for Vasse, wanted to balance the increases to keep them moderate. Because land values had increased, the rates were adjusted by a very small amount. Of course, since then there has been a 23 per cent increase in the rate of land tax. Even that tiny adjustment—it was less than \$100 million, from memory; I cannot remember the exact figure—has been massively wiped out by the increases made since then. There have been two attempts by the government to delay for four years and then to abolish the legislated stamp duty reductions by former Treasurer Eric Ripper. That is what this government is about. That is what it has done.

It is interesting to look at the question of business tax in this amendment. In the minister’s second reading speech he boasted about the effect of the payroll tax reduction. He said that this measure will cost —

... \$121 million over the three years 2014–15 to 2016–17.

I am sure that that is not to be sneezed at by any employer who gets that benefit. It is interesting, of course, that the revenue measures for the increase in land tax will rise to \$334 million. The \$120 million reduction in payroll tax will be collected two and a half times, nearly three times, in land tax. To the extent that land tax is being charged on commercial properties and shopping centres et cetera—a very small number of very large landholders pay the overwhelming majority of land tax—that will be passed on to small business. Most small businesses in the retail sector that operate in shopping centres will get no relief at all from the payroll tax measure because small businesses run by families without employees do not pay any payroll tax. They will not get any benefit from that tax reduction, but they will have 100 per cent of the cost of the land tax increase passed to them in accordance with their leases with the major shopping centre owners. The government is about to, if I can use the vernacular, screw small business owners in shopping centres; they are about to get a large increase in

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costs and no benefits at all from the payroll tax changes. Businesses with payrolls within \$750 000 to \$800 000—that would be businesses with about 11 full-time equivalent staff—will get a share of that. It would be interesting to see what the government’s modelling shows about how much the land tax will cost those businesses in shopping centres. Members should remember that unlike tenants of residential properties, tenants of commercial properties pay the land tax. There is a 100 per cent pass-through to the tenant for the land tax. An individual renting a residential property may have land tax form part of negotiations for their rental if their landlord gets a land tax increase, but it is not directly passed through. However, for commercial operators in shopping centres and elsewhere, land tax is part of what is called outgoings in rental agreements. Small businesses pay rent a square metre plus outgoings, and land tax is one of the outgoings. There will be 100 per cent pass-through to small businesses. Most of this tax increase will be paid for by large property holders, because they are the ones who have the largest rate of tax. It might have been the previous minister who talked about the number of taxpayers who pay land tax. Something like 80 per cent of the tax is paid by a very small number of taxpayers. Many of them will be companies such as Westfield, which owns the Carousel shopping centre in my electorate. Westfield will pass on 100 per cent of the cost to the people who operate their businesses out of the Westfield shopping centre. Regardless of what happens on their payroll tax, those businesses will have an increase in their costs.

Mr B.S. Wyatt interjected.

Mr W.J. JOHNSTON: I also make the point —

The ACTING SPEAKER: Member for Victoria Park, if you wish to interject, do so from your seat, please.

Mr W.J. JOHNSTON: Keep the naughty boy under control!

The minister’s second reading speech refers to how low land tax rates are in Western Australia. I make the point that since it came to government, the Liberal Party has increased land tax rates. These are the same land tax rates that the Liberal opposition before 2008 said were crippling incentive in Western Australia.

I know that the minister was not in the chamber and I am not blaming him or drawing that to him, but I am saying that the Liberal opposition, as it then was, obviously changed its position.

The ACTING SPEAKER: Member for Cannington, I am sorry to interrupt you. Member for Mandurah I can hear you, even I though cannot see you.

Mr D.A. Templeman: I am just preparing my speech.

The ACTING SPEAKER: Then do so quietly or outside the chamber.

Mr W.J. JOHNSTON: I want to finish with some interesting remarks made by the Premier in the estimates committee hearings. The Premier claimed that \$400-odd million was the additional revenue that had flowed out of the federal budget. Let us assume that that figure is true—I make the point that it is not, because it is actually about parameter variations. As our budget came down before the federal budget, not after, we used an estimated parameter rather than the actual parameter for the GST estimates in our budget. However, leaving that aside, that \$400 million would have paid for the land tax. If it was true and the federal budget had delivered \$400 million extra to Western Australia, the government should not proceed with the land tax because it is more than the \$330 million that it is proposing to raise. If that extra money actually arises from the federal budget, let us get away from needing to have the people of this state pay that extra money; that would be a better way to do it. It would be fairer and it would not affect the budget bottom line. I bet the proverbial \$100 that that will not happen and the government will proceed with this legislation, because, of course, the \$400 million, the extra money that Premier claimed out of the federal budget, is totally illusory. If what the Premier said was true, the government would not proceed with this tax increase because it would not have to. The problem here is the problem that we all know about. It is sad for the minister that his first full piece of legislation is something he had nothing to do with, because we found out last year when we dealt with the previous Minister for Finance that these are actually Treasury decisions made in that department that are then delivered to the Minister for Finance to bring and present to the chamber, so it is not actually his department that delivers the bill. We have a very small amount of sympathy for the minister on that issue!

Mr D.J. Kelly: He is smiling again.

Mr W.J. JOHNSTON: He is smiling again!

Mr D.C. Nalder: I was appreciating the sympathy!

Mr W.J. JOHNSTON: It is very small; do not worry, it will not last long!

The minister is bringing in this legislation and he will have to explain the great inconsistencies in the second reading speech, with revenue having gone up, not down, and why he said the things he said in his speech,

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because that is his obligation to this chamber. The minister also has an obligation to explain the difference between what he is saying now and what he said in the past, and his beliefs on those issues.

MS L.L. BAKER (Maylands) [10.04 pm]: I would like to raise a number of issues with the Revenue Laws Amendment Bill 2014. They mainly involve how it will impact on people who want to buy a house, basically—that is, first home buyers in all of our electorates. I will start by making a few comments about the history of first home buyers' exemptions that have been provided. I remember that in 2007 Eric Ripper phoned me when I was running the Western Australian Council of Social Service and talked to me a bit about what was going to happen with this issue. I remember that the community sector was extremely pleased to see it happen because the context for housing affordability back in those days, in 2007, which is seven years ago now, was that we were just starting to really see that bite of the increasing cost of housing. I remember doing a piece of research to inform the then Treasurer about the cost of housing in the north west, particularly for the community sector.

I remember looking at a house in Roebourne where I think a family resource centre was operating. It turned out that the rent for those premises was higher than the entire funding for the service. It became untenable in those days and some serious consideration had to be given to more creative strategies for how to manage what was the very start of a housing crisis in Western Australia. At that time the threshold for the exemption of stamp duty on a property was \$500 000. I am not aware that properties have gone down in price much; I think they have gone up quite a bit. In my electorate, for instance, we would be pushing hard to find a block for \$430 000 to build a house on. It would be extremely difficult for aspirational residents in my electorate to concede that they could afford to buy or build a house in Maylands because they would have been looking at a \$500 000 ceiling and that has dropped significantly to \$430 000. In his second reading speech the minister says that 30 per cent of first home buyers will be affected by this. I think most of them will be in my electorate.

The reality is that in an inner suburban electorate such as mine, a lot of development occurs on very small blocks and a lot of urban infill occurs. That is good for people on limited incomes who can afford to even think about buying a property in the electorate of Maylands. They would be well placed because they would be close to employment and to all the facilities they would need. It is often the case that new homes at that level are for young families just starting out. When the shoe is on the other foot and young families starting out are forced into the less developed, outer parts of suburbia with far less infrastructure, it creates a range of social problems. We need only look at any of the massive developments around Western Australia's metropolitan area. I am thinking particularly of Ellenbrook, the member for West Swan will be pleased to hear I am sure. I remember when Ellenbrook was first opened seeing, positioned on vast expanses of sand paddocks, signs saying, "This is a great community, you are entering a fantastic community, it will be wonderful." It was a pretty big leap of faith for people who moved to suburbs such as Ellenbrook 20 years ago when it was first developed. There was not a lot of infrastructure but I remember the private developers who were working on the initial community of Ellenbrook showing a great deal of consideration by building community facilities there. That included special compensation for business incubators and the like in an attempt to provide the young families who moved there with some of the facilities they needed to help provide them with fulfilled lives. The fact remains that young families starting out, by definition, are not cashed up—they do not have bags of money; they are trying to get into an exceptionally tight market. When it comes to generational wealth, most of us know that pretty soon, we will pass mortgages on to our children, not houses, as occurs in parts of Europe. It will be a very different Australia and Western Australia and young families will bear the burden. Any help we can give them to purchase their land and get started with a new house is a good thing.

I am mindful that at the rate the government is reducing the stamp duty exemption threshold, first home buyers will be purchasing housing way outside the metropolitan centre just to afford to get into the market. Then, when they have children, they will have to look for schools around the neighbourhood and, if those schools are not in their locality, they will have to travel to them. If they need to access public transport to get to schools, shopping centres and jobs, it becomes a cost on the government of the day to make sure that public transport infrastructure is in place so that new homes in these outer suburban areas can be serviced properly and we do not create pockets of social exclusion and isolation for young families in the outer suburban areas of Western Australia.

I was reading through the homeownership rates contained in the Grattan Institute Report No 2013–12 "Renovating housing policy", which clearly indicates the shift I mentioned earlier in the rate of homeownership among 25 to 34-year-olds. This has dropped dramatically from above 60 per cent to below 40 per cent, which is more than a 20 per cent drop in homeownership rates for young people 25 to 34 years. The only group that has maintained its homeownership rate is people aged over 65 years. I guess they paid their mortgages off before the housing boom and they are feeling happy to have that asset under their belt. It is not the same for young families anymore. The statistics show that homeownership rates are lower for that age group and for young families in our state. Why is the government making it harder for young families by lowering the figure at which the stamp duty exemption kicks in? It seems counterintuitive and against strong social justice principles, although that does

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not surprise me coming from this government. The Western Australian Council of Social Service calls the 25 to 34-year-old age group “generation rent” instead of “generation Y”. In the past, the number of houses in Western Australia grew faster than the population was growing; we cannot say that that is the case anymore. I recognise the need to massively invest in housing stock in this state. I am just not sure that this strategy by the government is anything but a way to get \$220 million into the state coffers. Then I asked myself why the government needed these additional funds through taxing young families in particular and putting pressure on those families. I looked at the minister’s second reading speech in which he states —

The change to the land tax rates will offset lower than expected growth in land values —

But the message hidden in the second part of this paragraph says it all —

and help fund the demand for additional expenditure on government services.

We do not have to read too far between the lines to work out that the government is broke and cannot afford to provide services to some of the most vulnerable members of our community. The government does not have the cash. What will it do? It will make first home buyers pay for this. I know what I would do with some of the \$220 million that the government will collect. From the perspective of the electorate of Maylands, I would make sure that our schools and hospitals can hire staff. On the weekend, I was talking to people who work in the records section of a big public hospital who said they were up against the wall because of staff freezes.

Experienced people who were being offered jobs just before the freeze resigned from their previous jobs and turned up for work on Monday to be told, “I’m sorry; the government has put a freeze on employment.” Those people have had to leave, having resigned from their previous jobs and being unable to take up their new jobs.

Mr D.J. Kelly: I would be taking legal action if that happened.

Ms L.L. BAKER: Yes.

I am hoping that some of this money that is being taken back from first home buyers might be spent on schools in my electorate. I have two schools with particularly dire needs, one of which is John Forrest Secondary College. John Forrest is the name of a former Premier of this state, as is John Curtin, and I think there has been a pretty big expenditure of funds on the rebuilding of John Curtin College of the Arts; I cannot say the same for John Forrest. John Forrest Secondary College is one of the few schools in the state that is over 50 years old and can claim that this government has completely ignored its redevelopment needs. The canteen has been there since the school opened, without very much having been done to it. The principal has had to lock one of the toilet blocks because it cannot be used; it does not function properly. It is a very large high school with increasing demands that is having basic services such as toilet blocks being locked. Some of this \$220 million would be well spent on infrastructure and maintenance schools in my electorate. I would like to see that happen. If we are going to collect money back this way, let us spend it on providing government services to the community in the way the government states that it does in the second reading speech. The demand for additional expenditure on government services is increasing because the government is broke. Money needs to be spent on the administration block at Hillcrest Primary School; there have been a number of occupational health and safety work orders on that school’s administration block, and it is still not able to comply with all the conditions on them. We are collecting money and we are spending first home buyers’ stamp duty exemptions, so let us spend it on something that helps our kids and the people in our schools, where it is most needed.

I wanted to mention a couple of other services that this government has increased the cost of. They relate to the Revenue Laws Amendment Bill 2014 in particular because of these additional government services that are being demanded. One of them is the landfill waste levy. Members will remember that, yet again, the landfill waste levy was substantially increased in this budget. When I was at the waste transfer station—I visit it every week because I do not get regular refuse collection; it used to be called the “tip”, but now it is called the waste disposal station—the people who run it told me that in the past it cost \$25 for a ute or a car with a trailer to drop off waste there. I can see my colleague the Leader of the House looking; he will be interested because he knows the tip I am talking about. It used to cost \$25 to go to the tip if people did not get a voucher from their local government because they did not have the service offered to them; if people wanted to go to the tip, it would cost \$25 for a ute or a car and a trailer. The staff there informed me that the charge will double because of the landfill levy increase; it will now cost \$50 to take rubbish to the tip. Do members know where it is going to end up? Somewhere down my street, on the side of the road. I have phoned the local government three times in the past two weeks—most recently yesterday—about 30 tyres that have been dropped on the side of the road. Members can only imagine that this additional cost that is being put on homeowners through an increase in the waste levy will play out badly in the bush and forests of our community.

The other issue I spoke about with the media today at Maylands train station was the parking fee at train stations. Members might think \$2 is just \$2. I was at the train station this morning with a couple of pensioners who have

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to use the train four times a week. I can see some raised eyebrows. If the Acting Speaker (Mr N.W. Morton) would like me to relate it to the bill, I am talking about demand for additional expenditure on government services. I am trying to make sure government members understand that the line I am drawing is between the revenue base and the things that the government is spending money on, and the things that my electorate would like to have money spent on and the things that pensioners might want. Ray and his wife Jennifer told me they will now be out of pocket every time they travel to the doctor because they have to catch the train. They have to park at the train station to do that. This indirect impact on residents will tell on the way people vote. It will tell on the way people look at this government. Hopefully, people will eventually realise that all this government is about is increasing the cost of living and taking away these kinds of benefits to try to secure better housing affordability for, arguably, the low income part of our community, new starters in the market, and people who are trying to get a foothold to build their families and their lives in the community. This government is taking away the exemptions they previously had and changing the level of that exemption, dropping it down to \$430 000. The median house price for March this year was \$470 000, so it is not even there.

In conclusion, a grave indifference has once again been shown by this government in the way it treats some of the most vulnerable people in our society. It has shown grave indifference in the way it takes with one hand; it attempts to say it is a trade-off to take tax off people but it puts up payroll tax—it is about time it did. The Liberal Party promised it six years ago. Small businesses in my electorate will be extremely pleased to see that they have finally got the payroll exemptions that they were promised six years ago by this government. But that does not excuse what the government is doing to first home owners in this state by grabbing back the first home owner's stamp duty exemption. This will add to the litany of negatives that this government is developing.

MR D.A. TEMPLEMAN (Mandurah) [10.24 pm]: I am the final speaker from the opposition tonight. As will probably become quite apparent, I am certainly not the lead speaker on the Revenue Laws Amendment Bill 2014, but I am very happy to make a contribution to it. I listened with great interest tonight and this afternoon to a number of issues raised by members on this side of the house, including comments by our lead speaker, the member for West Swan. I fully admit that I am not the full bottle on tax. In fact, last year *The West Australian* invited me to take part in one of its business roundtables. I thought I was going there to talk about red tape in local government but they said, "We're here to talk about tax." I almost fell over because tax is not my specialty!

But I think I performed quite well at the roundtable and it was quite pre-emptive, because the discussion was about whether there should be an increase to the GST rate. There were various representatives there; I said some very enlightened things that were not actually printed in the media, which is probably a good thing! I said to the Leader of the Opposition, "I hope tomorrow's paper's not too controversial; I did say some rather controversial things at the roundtable yesterday," but luckily they were not printed! I hope there is no record of my comments, because —

Several members interjected.

Mr D.A. TEMPLEMAN: Oh no, I could not possibly divulge that, but they were very incisive comments. I was just relating my participation in *The West Australian's* business roundtable about 12 months ago.

Mr B.S. Wyatt: Let's not repeat that!

Mr D.A. TEMPLEMAN: No, I will not repeat it, but I thought I carried myself quite well, considering I had no idea what the topic would be until I got there!

What is proposed in this legislation is another demonstration of the chaos that reigns in this government. We all know that since it was elected in 2008 this government has had six or seven Treasurers to deliver its budgets, one of whom has been there twice. I can remember the embarrassing situations for the government when, on two occasions, the Premier had to step in to deliver the budget. On one of those occasions Christian Porter, the former member for Bateman, had absconded from the Parliament of Western Australia, recognising the train wreck he would have inherited had he become leader of the Liberal Party and, potentially, Premier of the state. He would have cast his mind forward and thought, "I'm getting out of here," and that is exactly what he did. He saw the trajectory that the Liberal Party was taking the state along with its finances and he absconded, and not long after he absconded the state lost its AAA credit rating, thanks to the Liberal Party, with close support from the National Party. We then saw the demise of a subsequent Treasurer, and this sort of slow-motion train wreck experience.

Who is paying for all this? Small business is paying, and paying hard. Who else will pay for the measures outlined in the Revenue Laws Amendment Bill 2014? First home buyers will pay—people who are seeking to get themselves into the housing market. People have been priced out of the market, whether they live in regional areas such as mine, outer suburban areas such as Armadale, or even in the inner suburbs, where people for a range of reasons seek to live in a place that is close to the CBD and work and transport options. As the member

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from Maylands pointed out, the government is broke and has charged everything to its credit card, so my children, who are all under the age of six, will be paying off its debt well into their later years.

The interesting thing in this bill that is before us is that the government is clawing back money by reducing the threshold from \$500 000 to \$430 000. One of the things that I want to highlight is that in the outer metropolitan areas, and also in regional areas such as the Peel, there are still affordable housing options. However, as we all know, the further we move away from the CBD and the further we move away from transport routes, the greater are our day-to-day living expenses.

Although it is still possible to purchase a house in Mandurah that is under the new threshold of \$430 000, we also need to consider that for people in Mandurah who use the southern railway as their principal means of getting to and from their place of work in Perth—or even north of Perth, as many people in Mandurah do—the government through this budget has increased their costs. The average worker who uses the train five days a week will now have to pay an extra \$2 a day for parking. As the member for Maylands said, for some people in this place, that may seem like nothing. However, for people who are on a very tight budget, it means a lot. For the average worker in Mandurah, it costs them \$10 a day—or \$100 a week or \$400 a month, or upwards of \$5 000 a year—just to get to and from work. They then have to add the cost of parking. Therefore, although they may have chosen Mandurah or an outer suburb of the metropolitan area in which to buy what they consider to be an affordable housing option, the government has imposed an additional cost for them to get to and from their workplace. I can tell members that the average income in Mandurah is not high, and a large number of people in Mandurah have to travel out of the region to access employment. The government has increased public transport fares by four per cent in this budget, and in the previous budget it also increased fares. When people have to pay upwards of \$5 000 a year just to get to and from work on the public transport system, it starts to have an impact on their household budget.

The government has created a disincentive for first home buyers seeking to get into a home by its clawback. The clawback is about \$334 million—the member for West Swan might help me —

Ms R. Saffioti: That is for stamp duty.

Mr D.A. TEMPLEMAN: Yes. The government is clawing that money back. Who is paying for that? It is the first home buyers. I am genuinely concerned—as has been highlighted by other members this evening and late this afternoon—about the impact that will have on the construction industry and on the overall housing industry, and ultimately on the affordability of housing in general. The member for Maylands referred to a very interesting term that the Western Australian Council of Social Service is using for the 25 to 34-year-old age group. It is “generation renters”. I had not heard that term. It is a sad indictment when an important generation of that nature is saddled with seeing their hopes and aspirations of owning their own home dwindle in front of their eyes. The government has added to the fading of that great Australian dream. I genuinely worry about the impact on my children and the children of today of this government’s reckless carriage of the budget since it came to government in 2008. It has squandered the good set of books delivered to it by the previous Labor government under Hon Eric Ripper. I think our debt level was at \$3.6 billion when we lost office in 2008. The debt level is now more than \$20 billion and is expected to rise in the out years of the forward estimates to nearly \$30 billion—and members opposite do not seem to care! The Premier does not seem to care about it when it is raised with him. Of course, we know why. It is because he will not be in any accountable position for it when he leaves this place. He will retire from this place on a very generous pension, indexed for life, and it will not be his concern. However, the legacy that he and the Minister for Finance will leave is one of grave concern.

I want to highlight the land tax issue again. The clawback under the land tax changes proposed under part 3 of this Revenue Laws Amendment Bill is \$222 million. I think that is right, member for West Swan.

Ms R. Saffioti: That is right.

Mr D.A. TEMPLEMAN: My figures are right. She can see that I am right on the ball.

Ms R. Saffioti: You’re right on the money.

Mr D.A. TEMPLEMAN: The clawback is \$222 million. It reminds me of that wonderful meeting at the round table.

Then there is a clawback in stamp duty of \$334 million in addition to the clawback in land tax of \$222 million. What a generous government and a generous bunch of government members they are, because this bill gives back a little bit, but in comparison it is pitiful—the payroll tax concession of \$121 million. That is pathetic! In fact, from memory that was a promise made, and delayed, many years ago.

As the member for West Swan quite rightly highlighted earlier, how bizarre that we get to debate this bill before we debate the supply bill. As convention will show, we normally debate the supply bill first to give the

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government the money to pay teachers, nurses, bus drivers, train drivers, public servants et cetera; and the government would slip in the Revenue Laws Amendment Bill after that. However, that is not the case. Of course, we know why. The government is desperate. It is desperate for the money because it has cooked the books so very badly. This is a modern budget that has been desiccated. It is the Thermomix budget! It has been desiccated by this government. It is an appalling example of Treasury stewardship. Despite all the warnings by eminent people, such as the member for Hillarys, who warned this Parliament two years ago now about the trajectory that this government was setting itself on and ultimately the trajectory it was setting the state's finances on, everything the member for Hillarys said has come true. That is why I found it very interesting during an estimates committee hearing when there was a bit of an altercation. A very sensible question was asked of the Minister for Corrective Services about whether any modelling had been done by his department on the possible impacts of the budgetary measures that had been introduced and that would potentially encourage some people to regard crime as the only means of survival. I think it was a sensible question.

[Member's time extended.]

Mr D.A. TEMPLEMAN: We saw this vindictive and spiteful exchange from the minister, which I think was unfortunate. Irrespective of whether the Liberal Party does not like it when one of its own tells the truth and exposes them for who they really are, it is unfortunate that that question was not responded to in a more appropriate way by the minister. But that was the estimates committee, and I might be able to raise that when we debate the committee report, which I expect will come on sometime tomorrow or Thursday. I will reserve my comments on the estimates committee.

We know that small business will pay. We know that first home buyers will pay. We know that seniors will be affected by other budgetary measures that have been introduced. Seniors in Western Australia are looking down the barrel of a very stark future, not only because of what has been promised by the Abbott government with its massive seniors sting, but also, as demonstrated in question time by the Minister for Local Government, because he had no idea what the government will do about the impact of the Abbott government's concessions on seniors. His response to most questions was that the government is going to look at it and it will move forward. That was the basic response. But there is no substance in what is going to be done about it. Many seniors are starting to question not only why they voted Liberal—many of them voted Liberal and have done so for a long time—but exactly why they are being targeted by this government through its budget. The government will get a backlash from seniors. It will get a backlash from young people who are seeking to purchase their first home. It will be targeted, or certainly lambasted, by other sectors of the community for what it is doing.

As the member for West Swan highlighted, the opposition will not oppose the Revenue Laws Amendment Bill. We will raise some important matters in consideration in detail, which I hope the Liberal Party backbenchers listen to very closely. What we have already seen in this Parliament from the Liberal Party backbenchers is their lack of spine. They have no spine. They are jellyfish over there—classic examples of invertebrates. The fact is that whenever important matters are raised that affect the livelihood and the household budgets of their constituents, do we ever hear any of them saying that they are concerned about the impact of this budget on household affordability, the household budget and the fact that the cost of electricity has increased consistently? It has gone up every year of the Barnett government. I think it has increased over 70 per cent since it took government. That is one example. The price of gas has gone up.

Mr S.K. L'Estrange: You're a crayfish, member for Mandurah.

Mr D.A. TEMPLEMAN: What is wrong with you? Who are you? What is your name? I do not even know who you are. You sit over there and you yell out every now and again. You are an abusive person. I will not take your interjection.

The ACTING SPEAKER (Mr N.W. Morton): Thank you, members. Member for Mandurah, just direct your comments through the Chair.

Mr D.A. TEMPLEMAN: What a terrible thing! How dare he become so abusive. I do not know why he is so abusive. He has been in the Parliament for less than a year and a half.

The ACTING SPEAKER: Members! Member for —

Mr D.A. TEMPLEMAN: What is wrong?

The ACTING SPEAKER: What is wrong? I am on my feet, thank you.

Mr S.K. L'Estrange interjected.

Acting Speaker; Ms Rita Saffioti; Mr Paul Papalia; Mr Ben Wyatt; Mr Chris Tallentire; Dr Tony Buti; Mr Fran Logan; Mr Dave Kelly; Mr Bill Johnston; Mr Dean Nalder; Ms Lisa Baker; Mr David Templeman

The ACTING SPEAKER: Member for Churchlands! Excuse me, member for Churchlands, I do not think the member for Mandurah has asked for interjections. Member for Mandurah, would you direct your comments through the Chair.

Mr D.A. TEMPLEMAN: Thank you, Mr Acting Speaker. I am appalled by the abuse that I just received and deeply hurt by that contribution —

The ACTING SPEAKER: Would you just get back to debating the bill.

Mr D.A. TEMPLEMAN: — which is probably one of the most significant contributions by the member for Churchlands, certainly since he joined the Parliament. Of course, it is not even a shadow on the contributions of his predecessor, whom I had a great deal of respect for and who would have been appalled at this budget.

The ACTING SPEAKER: Member, it would be greatly appreciated if you would just bring your comments back to the bill being debated in the eight minutes you have left, rather than talking about the member for Churchlands.

Mr D.A. TEMPLEMAN: Yes, and I will not use my eight minutes because I do look forward to going home.

Ms S.F. McGurk interjected.

Mr D.A. TEMPLEMAN: He is out of control. He has lost it. He is like all of them; he has lost his head. Anyway, the fact of the matter is —

Ms E. Evangel interjected.

Mr D.A. TEMPLEMAN: What is wrong? Who else is there? Who is over there? The member for Perth is back here. She is back!

The ACTING SPEAKER: Member!

Mr D.A. TEMPLEMAN: No, it is good to see her back. She is back here today. I am very pleased to see her.

Ms E. Evangel: I've been here the whole day, member for Mandurah.

Mr D.A. TEMPLEMAN: I know. It is good to see her here, particularly today. It is always good to see her; it is a pleasure. It is always good to see the member for Perth, particularly as she is not in her dressing gown, as she told us she was during the debate on the taxi bill. I am very pleased to see that. No, it is very good to see her.

The ACTING SPEAKER: Member, the Revenue Laws Amendment Bill 2014.

Mr D.A. TEMPLEMAN: And what an important bill it is. This is one of the most important bills that we have been debating. I thought I was making a tremendous contribution until I was interrupted by the abuse from the member for Churchlands, and I am appalled by that. I think he should have been called to order, but obviously the Acting Speaker did not see it the same way.

Mrs G.J. Godfrey interjected.

Mr D.A. TEMPLEMAN: What is wrong? Member for Belmont! Goodness gracious me! Member for Belmont, I am trying to finish tonight. I want to go home and all the member for Belmont does is keep interjecting! Please, member for Belmont, give me a chance.

Mrs G.J. Godfrey: You called me a jellyfish.

Mr D.A. TEMPLEMAN: Who is a jellyfish? No, I just said that the member reminded me of jellyfish— spineless and lacking a backbone.

The ACTING SPEAKER: Member!

Mr D.A. TEMPLEMAN: This is the Revenue Laws Amendment Bill 2014. As I said to members at the beginning —

Mr I.C. Blayney interjected.

Mr D.A. TEMPLEMAN: What is wrong? Member for Geraldton, do not start! For goodness sake, member for Geraldton, there are times when one does not say anything. The member knows how I am goaded in this place. What is wrong? What does he have to say? I will take an interjection because I do like him.

Mr I.C. Blayney: I just want to hear what you've got to say about those bills you're holding in your hand.

Mr D.A. TEMPLEMAN: These bills?

Mr I.C. Blayney: Yes.

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Mr D.A. TEMPLEMAN: I wish someone could pay them because I will tell you what: they are looking very, very concerning to me.

I will sum up by saying that small business pays under this legislation. The government is clawing back money through the stamp duty changes in this bill. It is clawing back money through the land tax. Small business has been waiting for this government to deliver for a long time. Government members have always claimed that they are the traditional supporters of small business, but we all know that is not the case. The government is delivering a pitiful \$121 million after many, many years of promises.

I will finish on this point: we will not oppose this bill, but when we come to the consideration in detail stage tomorrow or, indeed, on Thursday, I hope that the government backbenchers, in particular, participate in the consideration in detail stage and look at the argument that we will put, in particular with regard to the proposed stamp duty changes and the land tax issue. I hope they will do that. I suspect they will not because history shows they will not, but I hope they will. With that, I am very happy to conclude my remarks.

MR D.C. NALDER (Alfred Cove — Minister for Finance) [10.50 pm] — in reply: I rise in reply at this late hour and promise that I will not take too long. I would like to share a couple of comments. I have listened attentively for the last near-on six hours and to the level of contribution of the opposition in the debate. First, I would like to clarify the concern about the construction industry raised by a few members opposite. I thought the second reading speech clearly explained that there would be no changes in the Duties Act to vacant land and that in the case of home and land packages, land is treated as vacant and therefore the duties payable will not change, so I struggled to connect with members' arguments about the construction industry.

Further questions were raised in the debate about the median house price. The member for Warnbro, who is not here, said that he would like to explore that matter further during consideration in detail. I will come back to those questions about the median house price because the numbers that he used were not correct.

The member for Warnbro also said that we are the world's worst at public transport. That is an interesting comment given that this weekend a Canstar Blue independent assessment rated Perth's train system as the best in Australia for the third year. I am pleased with those results but, supposedly, the member for Warnbro missed that news.

In consideration in detail I will reinforce the comments about the 64 per cent that are not affected. Again, the member for Warnbro said that this is a bad policy at a time when we have a shortage of supply and that new homes are needed. I am confused about his comments and it is obvious he does not understand the changes being made under the Duties Act.

The member for Armadale also made some interesting comments and quoted Saul Eslake's comments on stamp duty on housing for new entrants to the market. I have known the gentleman for some time and we have had quite a few conversations on this issue. In fact, if members listened, they would find that Saul recommends the removal altogether of any of those rebates for new home purchasers for existing or established homes. Again, I was a little confused about what the member for Armadale was promoting. Was he saying that we should remove it altogether? He seemed to be contradicting what other members on his side were arguing and I was a little bit confused by his comments.

The member for Bassendean was saying that he would be supportive of it if it was used for education. This government has increased spending on education more than any previous government. There have been massive increases in education spending. Again, I am not sure what he was arguing for, and we have every right to be very proud of our record in education.

The member for Cannington has made some self-righteous rants about my integrity twice now. I find that fascinating coming from someone such as the member for Cannington. I have known the member for Cannington for six or eight years and I actually thought a lot better of him than his efforts today. I am proud and I stand by the principles that I espoused in my maiden speech, and will continue to do so.

I would add that the member for Mandurah has disappeared. There is no-one left and I am about to wrap up.

Mr J.M. Francis: He's back!

Mr D.C. NALDER: It was interesting to listen to his contribution to the debate. Although the focus of the debate tonight was on the Duties Act, some comments were made about payroll tax—but only a few, because it is a benefit back to the community. Again I will defer my comments on that to the consideration in detail stage. But he did mention the Land Tax Act, and I waited for the poignant points he was going to make for the chamber. The only thing he mentioned was the amount of savings that that will bring forth for the state government. Again, there was no solid argument there at all. I was waiting for his point so that we could have a serious debate about this matter.

Extract from *Hansard*

[ASSEMBLY — Tuesday, 10 June 2014]

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Acting Speaker; Ms Rita Saffioti; Mr Paul Papalia; Mr Ben Wyatt; Mr Chris Tallentire; Dr Tony Buti; Mr Fran Logan; Mr Dave Kelly; Mr Bill Johnston; Mr Dean Nalder; Ms Lisa Baker; Mr David Templeman

The debate has been interesting. There are a few points that we will cover further in the consideration in detail stage. I know the opposition would like to move to that, so I will wrap up here this evening. It was an interesting six hours. I believe that the government is doing a great job. It is reducing the stamp duty only down to what is considered the median housing price for new purchasers, new entrants, into the housing market. We will explain that further in consideration in detail if the member for Warnbro wishes to inquire further. The land tax increases amount to up to \$20 for people with properties valued at up to \$500 000 and up to \$70 for people with properties valued at up to \$1 million. Again, I suppose that is the reason why members opposite did not talk about it that much—the change is minimal. I think that closes the second reading debate.

Question put and passed.

Bill read a second time.