STAMP AMENDMENT (BUDGET) BILL 2002

Second Reading

Resumed from 18 June.

HON GEORGE CASH (North Metropolitan) [8.43 pm]: The Act to be amended is the Stamp Act 1921. Before I speak to the detail of the Bill, I will just say that this Bill has been brought to the Parliament courtesy of a party that, prior to the last election, promised it would not increase any taxes and charges. This Bill will considerably increase land and other taxes to the detriment of people in Western Australia.

As far as the commencement of the proposals within the Bill go, it should be noted that the Bill comprises a number of parts. For instance, part 2 deals with the transfer of property rate change, part 3 deals with the vehicle licence rate change and part 4 deals with the policy of insurance rate change. I mention those parts because some will commence on different dates. For instance, part 2 will come into operation on 1 July 2002 - that is next Monday - and part 3 on 1 July 2002, or the day on which the Act receives royal assent if it is after 1 July 2002. Clause 2(4), which deals with the policy of insurance rate change, states -

> Part 4 comes into operation, or is deemed to have come into operation -
>
> (a) on 1 July 2002 -

That is next Monday -

> in relation to policies of insurance issued under the *Motor Vehicle (Third Party Insurance) Act 1943* that are effected or renewed on or after 1 July 2002; and
>
> (b) on 16 May 2002 in relation to policies of insurance issued under the *Motor Vehicle (Third Party Insurance) Act 1943* that -
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> (i) were effected or renewed on or after 16 May 2002 but before 1 July 2002; and
>
> (ii) are valid for a period commencing on or after 1 July 2002.

In some respects, members might believe that a part of part 4 will come into operation retrospectively. However, it deals with policies that were effected or renewed on or before 16 May 2002 but the charges will take effect from 1 July 2002.

It is interesting to note that the first the Opposition heard of the proposals to amend the Stamp Act 1921 to increase stamp duties in this budget were in the budget speech of 16 May 2002. Members will recall that there were also significant increases in taxes and charges last financial year. It is fair to say that the budget speech in budget paper No 1 delivered by the Deputy Premier, Treasurer and Minister for Energy, cobbled together a series of feel-good statements designed to lull the people of Western Australia, in particular taxpayers, into believing that all was well and that the Government was doing a good job of the budget. The budget speech indicates the sorts of things that were said to make the community believe that all was well. First, the Treasurer opened his budget speech by saying -

> Mr Speaker, every day Western Australia cements its position as the economic powerhouse of the nation.

That is a very positive statement and I for one am pleased that that should be the case, if it is the case. I will not read the statements in seriatim; however, on page 1 of the budget speech, the Treasurer goes on to say -

> And there is every indication that Western Australia is on the cusp of the biggest development boom in the State's history.

That, again, is a pleasing statement, which I hope is accurate. He went on to say -

> There are estimates of projects worth $87 billion in the pipeline and if just a proportion of these come to fruition Western Australia could enjoy an unprecedented period of economic prosperity.

Again, feel-good statements that sound good. Further on, the Treasurer says -

> The 2002-03 state budget, more than anything, is about making long-term investment decisions.

Further on, he says -

> And in 2002-03, growth is expected to deliver a further 21 000 new jobs.

He qualifies that by saying -

> This cannot be done without the private sector.
>
> That is why the Government is developing a policy framework to encourage business activity in the State. Our initiatives in funding economic and social infrastructure underpin this strategy.

Further on in his speech the Treasurer says -

> The Government is alert to the fact that some of our most serious competitors are the other States of the Federation.
>
> Business is increasingly mobile, and will relocate to the State that offers the most attractive environment to live and to do business.

While he is making all these feel-good statements, the Treasurer goes on to say -

> That is why the Government has committed to maintain its tax competitive position with other States and Territories - a position that remains unchanged as a result of this budget.

We will see about that as we go through this Bill, because the next statement he made was -

> And it is why this budget delivers targeted stamp duty relief to some sections of the business community who are disadvantaged.

I remind members that the title of this Bill is the Stamp Amendment (Budget) Bill 2002. It is all about increasing stamp duty, and very little about reducing it. Further on, the Treasurer says -

> To improve our competitiveness, the Government is pressing ahead with electricity reform because it recognises that high energy prices are a major disincentive to economic development in Western Australia.

As I have said before in this House, the Government should show us its wares so that we can comment on its proposals. What the Treasurer says is interesting, but he should put the proposition on the table, so that the Opposition can comment on whether or not the electricity reforms will work for or disadvantage consumers in Western Australia. Further on in the budget speech, the Treasurer says -

> And the Government will continue to develop a policy for public-private partnerships this year because it would be irresponsible of a Government - particularly with the infrastructure needs of Western Australia - not to explore these opportunities.

As I have said in previous debates, all issues should be open to public debate, but, again, it is a case of the Government's showing its wares so that the Opposition can analyse them and see if they are a worthwhile proposition. The Government should not hide its light under a bushel; it should come out and show the Parliament what it wants to do. Public-private partnerships are quite common in the eastern States. Queensland, New South Wales and Victoria have policies in that area. I am keen to read about the policy that might exist in Western Australia. I do not know whether the proposition to consider public-private partnerships was debated at the most recent state Labor Party conference, but I am hopeful that the Government will, some time before Christmas, come out with a policy so that the Parliament can debate this interesting area of economic endeavour and analyse what the Government has in mind. Those are some of the feel-good things the Treasurer talked about in the early part of his speech. However, further on in the speech is a heading "Revenue Measures", and this is where the good news turns into the bad news. The good news is at the front; the bad news is at the back; but there we are.

Hon N.D. Griffiths: Balance.

Hon GEORGE CASH: As the minister says, it is balance.

Under the heading "Revenue Measures", the Treasurer said -

> Notwithstanding our spending restraint, the Government has found it necessary to introduce some targeted revenue measures to ensure the tax base is broad enough to sustain our investment in community services and vital infrastructure in the years ahead.

Again, this is the party that, prior to the election, said it would not introduce any new taxes or increase taxes and charges generally in Western Australia. Further on in the budget speech the Treasurer comments -

> That is why we have taken corrective action, with new revenue measures raising a net $110 million in 2002-03.

That is not a bad increase, $110 million for this financial year, and it must not be forgotten that the increases in the last financial year must be added to that - again brought to us by the party that said it would not introduce any new taxes or impose additional taxes and charges. The Treasurer then said an interesting thing -

> I expect some people will be angry about tax increases.

At least he has some foresight. He worked that out and was dead right. A lot of people were and remain angry about the tax increases that are proposed. However, the Treasurer qualifies that by saying -

> The Government can either cut essential services; turn its back on future development opportunities; or run up debt and interest costs to unsustainable levels.

Hon Simon O'Brien: It is doing all three as well.

Hon GEORGE CASH: That is exactly the way I feel about it. Hon Simon O'Brien is right. The Government is doing all those things anyway. It is cutting essential services, turning its back on future development opportunities and running up debt faster than most Governments have run it up in the history of Western Australia. When the coalition came into government in 1993, state debt was running at about $8.5 billion. We spent an awful lot of time and energy during the eight years that we were in government reducing that debt to around $4.5 billion. If it is not in the debate on the Stamp Amendment (Budget) Bill, in my appropriation speech I certainly will refer to the developing trend of increased state debt, which will blow our interest payments out of kilter in the next few years.

As we work through the statements under the heading "Revenue Measures", we get to the crunch line: what was the Treasurer delivering to us? Because he had been on a bit of a high until this point, with all the feel-good information, I assume he dropped his voice at this stage of his speech and said -

> Mr Speaker, from 1 July 2002:
>
> - Stamp duty on motor vehicle compulsory third party insurance will be set at 8 per cent of the premium - the same rate that applies to most other forms of insurance.

Hon Derrick Tomlinson: What per cent?

Hon GEORGE CASH: Eight per cent. It is an ad valorem tax.

Hon Derrick Tomlinson: One dollar in every 12.

Hon GEORGE CASH: Correct.

Hon Derrick Tomlinson: He must have said that silently. I did not hear it.

Hon GEORGE CASH: He went on to say -

> This will raise $24.5 million in its first full year, increasing the effective cost of compulsory third party insurance by $19.21 for a standard passenger vehicle.

It is interesting that when one wants to try to reduce the impact, one uses a mathematical calculation. One just gets some statistical data, applies a mathematical formula to it, and ends up with what is called a statistic. The statistics to which I refer show a figure of a mere $19.21, which is not very much according to the Treasurer. Later, I will show that that is a minimum cost because most people will find that they will have to pay more than that amount. The Treasurer further states -

> Compulsory third party insurance premiums will not rise and even after this increase in stamp duty . . . Western Australia will remain the lowest of all the States and Territories.

I added that last statement because that is obviously part of the good news.

Hon Ljiljanna Ravlich: Don't look at me; speak to the Chair.

Hon GEORGE CASH: I am speaking to the Chair. However, I am pleased with the support I am getting from Hon Ljiljanna Ravlich.

The Treasurer also says that the stamp duty on motor vehicle licence transfers, including new registrations, will be increased, except for heavy vehicles exceeding 4.5 tonnes. The Treasurer stated -

> Specifically, the rate of duty will be increased from 2.5 per cent to 2.75 per cent for vehicles valued under $15 000, and from 5.0 per cent to 6.5 per cent for vehicles valued over $40 000. The rate of duty increases proportionately for vehicles valued between $15 000 and $40 000.

This is relevant to the Bill because it is in the Bill. However, it is easier for the sake of the debate tonight to refer to the words in the budget speech. The Treasurer estimates that stamp duty on the transfer of a vehicle valued at about $15 000 will increase by $37.50. However, by reading the motor vehicles for sale column in the newspaper, it is obvious that very few vehicles in Western Australia are valued at $15 000; most are valued at a lot more than that. The Treasurer says that the stamp duty on property conveyance - the big property spinner - will be progressively increased. The Treasurer stated -

> . . . the increases from 1.95 per cent to two per cent for property valued below $80 000, and from 4.85 per cent to 5.5 per cent for property valued over $500 000.

Hon Derrick Tomlinson: Does that mean that the stamp duty on a property I bought would double?

Hon GEORGE CASH: Absolutely. Later I will inform members of how stamp duty rates have increased in Western Australia in recent times and the effect that is having on young people, for example, and the building industry.

Hon Derrick Tomlinson: I am more interested in the effect it has on geriatrics like me.

Hon GEORGE CASH: I will refer to the seniors in our society later.

Hon N.D. Griffiths: I am not sure whether Hon Derrick Tomlinson has much longer to be with us, so please deal with it! I am very concerned because although it is always good to see him back in Western Australia, he has plans.

Hon Derrick Tomlinson: It will be published only post-mortem.

Hon GEORGE CASH: It seems that if Hon Derrick Tomlinson is with us until the completion of the Planning Appeals Amendment Bill, he will be here for a long time.

Hon Derrick Tomlinson: I do not want to retire at 78!

Hon GEORGE CASH: I refer to some of the issues that were raised in the Treasurer's budget speech this year. This Bill has a relatively small number of clauses but its impact on the community is not limited. For instance, the effect of the proposed revenue the Government will collect from stamp duty on property conveyance alone will be $57 million in 2002-03; $61.2 million in 2003-04; $64.7 million in 2004-05; and, $68.1 million in 2005-06.

The increased stamp duty on the issue and transfer of motor vehicle licences, having regard to the concessional rates proposed for heavy duty licences, will provide revenue in 2002-03 of $38.3 million, in 2003-04, $39.8 million; in 2004-05, $41.5 million; and in 2005-06, $43.2 million. Those rates are shown in budget paper No 3 at page 80. As far as the increased revenue due to the imposition of the ad valorem rate of eight per cent on compulsory third party motor vehicle insurance polices is concerned, in 2002-03 it is anticipated that the increase will be $24.5 million; in 2003-04, $25.6 million; in 2004-05, $26.7 million; and in 2005-06, $27.8 million. Let us look at how much that is worth to the Government over the period that we are talking about. In budget paper No 3 at page 78, for 2002-03 the total impact is $109.9 million; for 2003-04, $116.5 million; for 2004-05, $122.6 million; and for 2005-06, $128.7 million. The total revenue over the next four years is in the order of $475 million. That is nearly $500 million in increased revenue.

It is interesting that the annual increases related to these issues alone - that is, the issues contained in the Bill before the House - total approximately $475 million over the four-year period. However, on an annual basis, for instance, in 2002-03, it is anticipated that these increases will bring in $109.9 million. The general government operating statement on page 16 of budget paper No 3 shows the estimated operating balance for 2002-03 is $119.1 million. I raise that issue because the net operating balance of $119 million is basically made up in part of $109.9 million that is attributable to the various increases in taxes contained in this Bill. Next year, these increases alone will raise $116.5 million. Next year's estimated net operating balance is $137.2 million. Again, the increase proposed in this Bill almost equals the net operating balance that is projected for 2003-04. It is an amazing situation that is brought to us by the Government that said before it was elected that it was not going to raise taxes and charges, but immediately it was elected decided that there was a need to increase them.

Budget paper No 3 at page 27 contains a summary of taxation revenue measures that were applied to the budget that we agreed to last year. There were to be increases in land tax, payroll tax and some other taxes. There were various increases; in fact, in 2001-02 alone, the revenue measures from last year's budget were going to bring in $35.6 million. The revenue measures from last year's budget applied to 2002-03, which does not include the revenue measures from this year's budget, and were going to bring in $147 million.

In 2003-04 the figure was $154.9 million; and in 2004-05 it was $164 million. Last year's revenue measures alone were worth approximately $500 million to the Government over that four year period. This year the additional revenue measures that are proposed will bring in approximately $475 million over that same period. That is a huge amount of money. In fact, the net operating balances that the Government talks about are being generated from the increased taxes and charges that it is applying. The Government's claim that it is running at a surplus is all about smoke and mirrors, because it is generating those surpluses from increased charges on the community. If we look at the impact of those increases and analyse where they are being focused, we see that this Bill is all about the politics of envy. The notion that is implied within this Bill is that it has to hit the so-called rich and hit them hard. I refer, for instance, to the area of motor vehicles and the increases that are to apply to motor vehicle licence transfers.

The Government fails to understand that a lot of people in the community require the use of more than one vehicle. They may have a family vehicle but also need another work-related vehicle to carry on their trade or business enterprise. For instance, a farmer may have a number of vehicles, such as tractors, headers and other machinery, most of which are required to be licensed when they travel on a road. As a result of these increases, the cost of production to farmers will also increase, and the bottom line is that in business when there are increased costs of production, they are generally passed on to the consumer by way of higher charges, but regrettably in the case of the farmers, it is not always possible to pass on those increases. Unlike farmers in the United States of America and many European countries, our farmers are not subsidised the way those farmers are; our farmers are subject to international farm product prices which means that, in the main, they will have to absorb these increases.

Builders and subcontractors often need more than one vehicle. They often need a work vehicle, such as a utility or a truck, to carry their tools of trade and building supplies. Again, I say to the Government that these people are not rich targets and they do not deserve to be hit, because many of them cannot pass on these increases in taxes and charges. The Government just assumes that if a person has his own business, he must be rich and therefore he is a potential target. In the main, taxi drivers, couriers and parcel delivery contractors are not rich people, but they need a work vehicle to carry out their trade or industry. They are people who travel a lot of kilometres and they change their vehicles on a more regular basis than other people might change the family car. They will be hit as a result of these increases. I recognise that the Government has made some concessions on some heavy vehicle charges.

The Government has had to make those concessions because a heavy duty purchaser of machinery such as semitrailers and other very expensive heavy vehicles could fly to the eastern States, Queensland in particular, and have a holiday and justify the expenditure because of the lower stamp duty payable in Queensland. With the change to the rate of stamp duty on the purchase of cars, people who buy the more expensive cars will be able to examine the tax rates throughout Australia and decide whether they would be better off buying one of the more expensive cars in another State and paying less stamp duty. It will be interesting to watch the wash up in that area.

Undoubtedly, in recent times the housing market has been on the boil. In recent Australian history interest rates have been at an all-time low. Unquestionably, the various titles offices around Australia have processed a huge number of deals. In Western Australia the Government has made a killing on the stamp duty on property transactions. However, things have changed recently for the worse. The Reserve Bank has decided interest rates will not decrease again in the short term. The bank has indicated very clearly that interest rates are likely to increase. The reason for the recent increases in interest rates and projected increases in the near future is to moderate the market to slow down the economy. The building industry is already showing signs of apprehension as the community anxiously awaits the next interest rate increase. The only thing that is certain about interest rates in Australia now is that they will increase rather than decrease because the Reserve Bank has made the situation very clear. There is a total bias towards increases, which means in anyone's language that the next rate change will be an increase. Under the heading "Taxes on property" on page 86 of budget paper No 3 are the words -

> The growth in land taxes is expected to be . . . 17.7% in 2002-03.

That increase will return a huge amount next financial year. It is cumulative insomuch as it is worked into the out years.

In his second reading speech the minister says that, according to statistics, the increase in stamp duty will be approximately $390 based on the median price of a home in Western Australia. As I said earlier, like all statistics, the figures do more than apply a mathematical calculation to numerical data. The result of those calculations depends on the figures that are used. The true test is to examine the additional burden imposed on people who must pay the tax. That burden is both economic and social. At first blush, the economic costs appear to affect only the buyers; that is, the purchasers in the market. Again, the Labor Party, in applying its politics of envy, has said that if people can afford to buy a home or land, they must be rich, so they will be the ones who pay. The rich will be targeted and the wealth redistributed. The problem I see is that it is not just the so-called rich who want to buy a house in which to raise a family; it is the majority of the community - Liberal, Labor, Greens (WA) and One Nation voters. It is right across the board. Buying a house in Australia does not mean that people are rich. However, regrettably, the Labor Party has suggested that if people can afford to buy a house, they can afford to pay more stamp duty, because they are rich targets.

I said that it is wrong to assume that only those who are buying houses will be subject to these increased charges; people who are renting will find that the increase in conveyancing costs on property, or stamp duty, will be passed on to them. Many young people in the community are renting properties, while at the same time they are trying to save a deposit to buy a home. Guess what? This increase in stamp duty, which the Government claims is insignificant, will in fact impose a huge additional impost on young people, and it will keep them renting for longer. They will be delayed in raising their deposit because they have to raise additional money for the Government. Stamp duty goes straight to the Government. These young people will spend that additional time renting trying to save the additional amount of money, which the Government now intends to burden them with by way of stamp duty.

The interesting thing about the general outgoings of people who buy a property is that it is unusual to be able to finance the stamp duty. Financial institutions require people to come up with certain outgoings - the cash money, so to speak - as well as their deposit. The deposit plus outgoings is required to encourage those financial institutions to lend people money to purchase a home. The politics of envy will hit the battlers for a six. Some might say that if people can afford to buy a property, they are targets and should be hit. If the impact of the increases is analysed, it is likely that the people at the lower end of the socioeconomic scale will be hit a lot harder than those at the other end who might be buying a house for $500 000, $600 000 or $1 million. There is more chance that someone who is buying a house for $1 million will be able to afford the additional stamp duty that will be imposed by this Bill than will someone who is buying a house for between $80 000 and $100 000. Members need only talk to their constituents to know that is the case. There is no question that young people in particular work extremely hard. Often both partners work hard to try to accumulate a deposit. Then they must face the fact that they have to accumulate the additional outgoings so that they can buy a property in which they can raise their families in due course. They are the ones on whom this burden will be imposed most of all.

Interestingly, the premium property tax is an item in the revenue measures in the 2001-02 budget papers. Last year when the budget was brought down, it was assumed that a considerable amount of money would be raised as a result of that premium property tax. Again, the politics of envy was to hit those who owned a residential property valued at more than $1 million. The Labor Party thought that those people were good targets. Of course, that did not work. There was huge community opposition from not only those who owned properties valued in excess of $1 million, but also those who aspired to one day own a property that perhaps might be in that league. It was not just the owners of those properties. Other people in the community were also totally incensed at that proposition. The Government did not succeed with its premium property tax. The revenue measures in this budget are spread across-the-board, but the bad news is that they hit the battlers most of all.

Having looked through the stamp duty Bill and having analysed the various clauses, having looked at the impact of the budget on revenue, and having looked at the general expenditure that the Government proposes for this year, this Bill represents strange politics to say the least. It is not the Opposition’s intention to oppose the Bill. We are opposed in principle to the increases that are proposed, but we recognise that the Government is entitled to make its own bed and then lie in it. However, it cannot blame the Opposition if from time to time, if not daily, we raise these increases with the Government.

One of my colleagues, Hon Alan Cadby, has handed me a newsletter that I think all members of Parliament received today. It is put out by the Real Estate Institute of Western Australia and is headed “Political Liaison News”, and it is dated June 2002. The first issue that is raised in that newsletter is under the heading “State Budget: stamp duty blow-out”. It is worth taking a few minutes to recognise what the real estate industry is saying. The newsletter states -

> The State Government is to be commended for projecting a Budget surplus, but this was achieved by treating the sale of WA homes and commercial property as a revenue cash cow.

Hon Alan Cadby: A bit like Multanovas.

Hon GEORGE CASH: It makes an interesting observation. I am prepared to recognise that this Government is not the only government that has raised stamp duty in recent years. In fact, the Real Estate Institute states in this newsletter -

> From 1992 to 2002 the stamp duty applicable to the purchase of a median priced home in Perth has risen from $1,800 to $5,524. This represents an increase of 207%.

That is a huge revenue source for any Government. It also makes the point -

> Over the same period the Consumer Price Index has risen by 26%, and the median house price has risen by only 96%.
>
> For an average homebuyer in Western Australia with a mortgage, the stamp duty on the purchase of their home represents an additional $38 per month to the home loan repayment. The recent increase in stamp duty -

That is the stamp duty that is proposed in this Bill -

> has contributed an extra $3.50 per month to the average home loan repayment.
>
> Stamp duty on property purchases now represents a significant premium on home ownership and business investment in Western Australia.
>
> Access Economics recently recommended that all governments should trim property taxes as soon as GST revenues made it affordable to do so, in order to stabilise the market and increase affordability in the property sector. Access Economics also demonstrated that property tax reform would have significant benefits for the broader economy.
>
> Stamp duty on property purchase now represents a significant premium on home ownership and business investment in Western Australia.

It then makes a number of other comments about the review of the Residential Tenancies Act, the review of the Department of Land Administration, and the changes that are required for a real estate regulator. The newsletter is fresh off the printing press, because it was received in most members' offices only today.

I make the point again that massive revenue flows will result from the impact of this Bill. Those revenue flows are in the order of $475 million over the next four years. Added to that must be the revenue measures that were introduced last year which had the effect of raising about $500 million over the four years from 2001-02. I said earlier that it is strange politics. I indicate with those comments that the Opposition will not vote against this Bill.

HON J.A. SCOTT (South Metropolitan) [9.31 pm]: The Greens (WA) will not vote against this Bill. We have considerable concerns in a number of areas about the policy behind the Bill. We agree with some of the comments by Hon George Cash, but not others. I will outline a number of queries during my speech, but, put quite simply, I believe that this Bill is probably typical Labor Party legislation in that it tends to create a feeling of equality by imposing a larger percentage of tax on more expensive homes. The tax is described as progressive.

Hon George Cash has pointed out that finding the extra money needed is sometimes much harder for people on lower incomes who own cheaper properties than it is for very wealthy people. However, the proof of the pudding lies in the expenditure of the money raised. If the money is spent in a progressive fashion, difficulties can be overcome to some degree. It is a bit like physics: for every force, there is an equal and opposite force. Raising extra money from the purchase of houses is of no advantage to our community and our economy. I say that because Australians, per capita, probably waste more money on investment in houses than any other people in the world. Money used to buy the family home is not an investment in a productive enterprise and nor will it assist the manufacturing industry in this country. The more the price of houses increases, the more is taken out of the general economy. The housing market is set up and operates in such a way that agents' income from property transactions is a percentage of the sale price, in the same way that government taxation is. However, the take is a percentage of the total and not the price before tax. At the end of the day a vendor is trying to get a certain amount from the sale of a property and, therefore, there will be a tendency to try to pass on all increases in costs. Not only will there be imposed increases, the increase in sales costs will also be added by the estate agents. This has an ongoing effect in the general economy. The more people are required to spend on their homes, the less money they have for other things. It also means that people who need more money to support a family home will need to be paid more. It puts pressures on wages as well. This sort of tax is not a good thing for the general community.

I am also concerned about heavy vehicles. We are seeing a reversal of trends when it comes to heavy vehicles. Large vehicles are described in the Bill as having a gross mass of more than 4.5 tonnes. I am not sure whether the description includes trailers as people often buy a trailer and truck together. I am not sure whether the values of vehicles mentioned in the Bill refers to trucks and trailers or trucks alone. If it does, people could buy road trains of numerous trailer lengths and later purchase prime movers to go with the trailers. They could then split up the road train without paying extra tax. The cut-off for the value of vehicles is $400 000; the tax does not increase above that point.

Hon Kim Chance: The cut-off of $400 000 applies to single vehicles. When applicable to large road vehicles, it would probably not include trucks at the threshold level. It would more likely apply to heavy road going cranes. It applies to single units; they cannot be split up.

Hon J.A. SCOTT: I wanted to clarify that otherwise people could buy a road train with 15 trailers and then purchase two or three additional prime movers.

During the debate on the sale of Westrail, I took the opportunity to look at the advantages being given in this country to heavy vehicles as opposed to rail. A lot of hidden subsidies were passed on to heavy vehicles.

Unfortunately, it was because heavy vehicles cause much more damage to roads than they pay for through taxes and charges. Light trucks and cars pay more relatively through taxes and charges for the damage they do to the nation's roads. I understand that there is a problem with the body building industry in Western Australia and that these charges are aimed largely at helping that industry. Hon George Cash said that people were purchasing large vehicles in other States because of tax advantages. In effect, increasing subsidies to heavy vehicles is also subsidising the production of greenhouse gas and damage to roads in the State. I just wish that a more imaginative way could be found to not only help the industry but also to discourage production of greater levels of greenhouse gas or further damage to our roads. Damage to roads also equates to the production of greenhouse gases because each time roads are fixed, more greenhouse gases are created, because heavy vehicles and a lot of resources are used to carry out that work.

This type of tax is probably worse than the goods and services tax in one sense because the GST is anti-progressive in that it does not discriminate between things that are good or bad for our society. Under the GST, things that are bad for our health are taxed at exactly the same rate as things that are good for our health, but under this tax, further subsidies will be given to greenhouse gas producing vehicles. That is being enhanced by this legislation. I am concerned about that. I hope that the Government is committed to the reduction of greenhouse gas emissions, as it has said that it is, and will try to find more imaginative ways in which to protect that industry.

One question is whether the taxation breaks for heavy vehicles will also include trains. New types of rail vehicles have been introduced to Western Australia, such as the Sprinter, which was recently brought here by a small rail company that hopes to break into the market by using shorter-length trains and transporting lighter-load weights by rail on an economic basis. Will this stamp duty cap of $400 000 for heavy vehicles apply also to trains? Clearly, trains are heavy vehicles and would normally have a mass greater than 4.5 tonnes. I hope that if that cap does apply to trains, it might actually give an advantage to the development of that sort of industry in Western Australia. Will the Government give some indication of whether it will try to find some more imaginative, non-greenhouse gas producing ways to ensure that heavy vehicles are not subsidised at the expense of the environment? I understand that people could buy those vehicles somewhere else and use them here, so that would be a problem. That is a difficulty that cannot be easily solved. Some corresponding advantage needs to be given to the reduction of greenhouse gases every time its production is supported by a subsidy.

The Government has indicated that the Bill will raise revenue of $116 million in 2002-03 and around $500 million over the four years to 2005-06. Will the Government give some indication of where this extra money will go? Too often revenue-raising exercises are carried out by Governments with no corresponding indication of where the money goes. If we are to tax the family home more and increase subsidies to vehicles that produce greenhouse gas, I would like to think that there would be an advantage in that for the community as a whole. That would be preferable to providing more money to Government with no specific aim except an increase in the Government's reserves and a further reduction of debt. The advantage of a reduction of debt is sometimes overrated, depending on the reason for the accumulation of that debt in the first place. Although I do not oppose the Bill, I would like to see from the Government more imaginative methods of taxation to create win-win situations rather than lose-lose situations.

HON N.D. GRIFFITHS (East Metropolitan - Minister for Racing and Gaming) [9.46 pm]: First, I thank Hon George Cash for doing his duty on behalf of the Opposition and raising the concerns that are always properly raised on the part of an Opposition when Governments find it necessary in their judgment to increase taxation in a number of areas, as is the case with this Bill. I also thank Hon George Cash for making a number of references to the Treasurer's budget speech. I also delivered a speech along similar lines and he could have referred to me, but I forgive him for that.

Hon George Cash: I didn't because I was holding in my hand the Treasurer's speech. I know that you made a similar speech but I did not have it to hand when I was quoting the Treasurer.

Hon N.D. GRIFFITHS: Perhaps the honourable member did not like my speech as much as he liked the Treasurer's speech and, therefore, referred to the Treasurer's speech. There will always be judgments made by Governments about these matters. Ultimately, Governments are elected to govern and these decisions have to be made.

I also thank Hon Jim Scott for his non-opposition to the Bill. He raised the issue of heavy vehicles. The Government decided that heavy vehicles should have a reduction in stamp duty. Frankly, it is anticipated that the reduction may be of benefit to the Western Australian economy in that people might buy heavy vehicles in Western Australia rather than elsewhere, as suggested by Hon George Cash. That reduction will not of itself increase the number of heavy vehicles in use in Western Australia, but will enable Western Australian businesses to make a bit of profit out of the sale of heavy vehicles that they otherwise would not make. In any event, the Government's judgment is that instead of Queensland first getting a benefit from this economic activity - namely the purchase of heavy vehicles and the Queensland Government getting a benefit from those transactions - it is not a bad idea for the Western Australian economy to have the direct benefit of that economic activity and the Western Australian Government, on behalf of the people of Western Australia, to have the flow-on of that revenue; if that is to occur and we trust it will occur.

Hon Jim Scott asked a question about road trains, trailers and the like and Hon Kim Chance kindly answered that question by an interjection, which was not unruly. I note the views of Hon Jim Scott on trains and road transport. I recall those views and greenhouse issues having been expressed in the sale of the Westrail freight debate. Heavy vehicles are not trains; they are motor vehicles. Hon Jim Scott was concerned about the Government raising money - I do not wish to misquote him - for governmental purposes. Governments deal on behalf of the community, and money raised by the Government in this way is used to provide for the expenditure on matters required by the community - matters that are consistently raised by Hon Jim Scott and other members as the expectations and demands of the community. Somebody must pay for the high demands and expectations of the community in the areas of health, education, law and order, the environment and a whole host of other activities that members from all sides of the House are constantly raising with the Government. It is impossible to satisfy everyone all of the time, but part of the process of seeking to satisfy appropriate public expectations and demands is to look to revenue sources.

The question of debt was raised. It is necessary to have a healthy surplus in the operating balance; failure to do so inhibits the capacity to engage in capital expenditure to provide all the necessary infrastructure that members are constantly raising with the Government in question time and other forums.

I thank members who have spoken on this Bill for their foreshadowed non-opposition to the Bill, and I trust the House will see fit to pass it with appropriate expedition. I am not seeking unruly interjections, but I propose to seek leave to move to the third reading stage following the passage of the second reading.

Question put and passed.

Bill read a second time, and by leave, proceeded through remaining stages without debate, and passed.