

GOODS AND SERVICES TAX, IMPACT ON STATE FINANCES AND ECONOMY

Motion

Resumed from an earlier stage of the sitting.

HON J.A. SCOTT (South Metropolitan) [5.37 pm]: I was referring to the complexity of the GST and the difficulties that have arisen from it.

Hon Peter Foss: Which you said were caused by the Australian Democrats.

Hon J.A. SCOTT: Hon Peter Foss correctly pointed out that the Democrats complicated the GST. As I said earlier, Andrew Murray appeared to carry the Bill for the Government in the Senate during debate on the legislation. In fact, that debate spawned a new joke about why the chicken crossed the road. The now Leader of the Democrats was then known to cross the floor. People now ask: why did Natasha cross the floor? The answer is: to vote against Andrew Murray. If she crossed the floor to vote against Andrew Murray, I wonder whether anybody in Western Australia should vote against him, given the complexity he gave to the GST system.

Hon Peter Foss: Aren't the Greens giving him their preferences?

Hon J.A. SCOTT: Yes, we are.

Hon Peter Foss: You are telling other people to vote against the Democrats and you are giving them your preferences? Isn't there an inconsistency there?

Hon J.A. SCOTT: Quite so; touché.

Another important issue that should be raised is the GST on homes. I believe we are heading down a slippery slope in Australia on house prices. It is my opinion that the huge amounts of money invested in homes and properties in which people live is bad for our economy.

Hon Peter Foss: I am sure people would prefer to invest less money in them.

Hon J.A. SCOTT: That is exactly right. However, I am saying that when people have to pay a higher percentage from their overall pay for their homes they have a lot less money to purchase other things, which might help the economy.

Hon Peter Foss: Market prices are the biggest determinant.

Hon J.A. SCOTT: If house prices are pushed up with a percentage tax like GST, agents sell -

Hon Peter Foss: Some of the most expensive houses are the ones that have existed for ages and have gone up in value with market forces.

Hon J.A. SCOTT: There is an overall trend to push up house prices with this GST. The cost of building a house has gone up.

Hon Peter Foss: An actuary friend of mine said that one thing that is absolutely certain over a period in actuarial terms is the value of houses. They increase an average of seven per cent a year come what may. It might not be seven per cent every year but on average it is.

Hon J.A. SCOTT: The problem with the GST is that not only has the price of a house increased but also on the sale of a house an agent gets a huge fee, which fee rises as the house price rises. The tax is on top of the house price and an agent's fee is on the total price. There is therefore an unnecessary escalating system of prices on houses. We should consider how to reduce the cost of living for people as a way of improving our economy rather than constantly trying to increase wages to enable people to pay for their houses. In addition to that, although people may be able to pay those house prices, they do not have as much residual income with which to invest or to buy other commodities that may improve our economy.

Hon Peter Foss: With a bit of luck, the GST may cause a reduction in house prices because of people's inability to afford them.

Hon J.A. SCOTT: It is a really dead area of the economy, and I would like to see some data on how much it takes away from economic expansion. I would not mind betting that if the prices of houses, and therefore the size of mortgages, were halved overnight, there would be a real boost in the economy.

Hon B.M. Scott: Would you be prepared to take half the price if you put your house on the market?

Hon J.A. SCOTT: I would, if I were then able to buy another one for half price. I have a house to live in, not as an investment.

Hon B.M. Scott: Most people have their houses to live in, but who will be the first to accept half price?

Hon J.A. SCOTT: I understand that, but I am talking about an ideal world. It is very difficult to suddenly make an announcement that house prices are to be halved. We should, however, be working to reverse the pressures that make house prices rise, and trying to hold them down as much as we can.

Hon Peter Foss: Home ownership is a very secure form of saving. If money is put into houses, the value can be assured of rising. It is also very useful because it gets people to spend money, which stimulates the economy.

Hon J.A. SCOTT: It is not really a form of saving, because we would save an awful lot more, and the economy would be boosted more, if that money was not tied up in an unproductive way. The problem is that so much money tied up for so long in such a costly item detracts from people's ability to invest in other things.

Hon Peter Foss: It is a pretty good investment from the point of view of the investor, and it is also good for the economy from the point of view of builders and people paying for them.

Hon J.A. SCOTT: It is a good investment on an individual basis, but for the good of the whole community, if the cost of the average mortgage could be reduced, there would not be the same upward push on wages. Australia would then become more competitive with other countries.

Hon Peter Foss: Inflation is probably the biggest factor there, and the latest figures show very useful inflation figures, under three per cent.

Hon J.A. SCOTT: While houses increase in value regularly, there comes a point in time, like right now, at which they are priced out of the reach of some people. A study released just a couple of days ago said exactly that. A whole new group of people have been put out of reach of the prospect of owning their own homes. I do not know whether people really need to own their own homes. I was in England some years back, at a time when house prices were on the way down. They do not always rise in other countries.

Hon Peter Foss: On average, they tend to rise in Australia. I think they have been going down for a while in Europe.

Hon J.A. SCOTT: There does not appear to be the same level of interest in owning houses in Europe as there is in Australia. It is far less of a big deal - or an ideal - than it is here. If Australia were to begin to move its economy in the direction of reducing those things that cause an increase in the cost of living for the average person, pressure on wages would be reduced, which would make Australia more competitive. The problem with a percentage tax, when it is added to essential items, is that people have no way of not paying it, and they do not have disposable income.

Hon Ray Halligan: Hon Jim Scott may recall that I reflected on wages yesterday. It is simply a matter of supply and demand, and we know about that economic equation. If plenty of goods and services are available, and plenty of competition, invariably prices are depressed.

Hon J.A. SCOTT: We really need to look at this a lot more closely. Over the years, there has been much focus on how our circumstances might be improved, but paradoxically, if we could devalue everything we had, we would probably be a lot better off. Rather than adding to the cost of things, we should look at ways of reducing it. The goods and services tax did not add to the price of every item, because some things were more highly priced.

Hon Ray Halligan: There were natural increases, as there have been over the last two decades.

Hon J.A. SCOTT: As I said, however, it tends to be non-discriminatory. The reductions are just as likely to be on things that are not good for the community as on the things that are good for us. I do not like the goods and services tax for that reason. A lot more work needs to be done to find more progressive and community-benefit taxes.

Hon Ray Halligan: Are you looking for more flexibility?

Hon J.A. SCOTT: More direction, and more discrimination. For instance, all the different industries and services should be considered -

Hon Ray Halligan: Do you mean making judgements and rating them?

Hon J.A. SCOTT: Yes, it would be like a star rating on a refrigerator. An industry would be given ticks or crosses. Everyone should pay some sort of basic level to maintain the services they receive, but above that, with the crosses and ticks method, heavily polluting industries, for instance, would have a disadvantage against industries that worked against pollution. With some industries, considered from the point of view of being good employers, and environmentally friendly, the amount they spend on research and development, and so on, are much better than others. All these things are definite pluses, so an industry that met them all would pay virtually no tax at all, and would become more competitive with industries overseas that are in the same line of business.

Industries that are really good for the community would be encouraged to compete overseas, while the dirty and unhealthy ones would be phased out.

Hon Ray Halligan: Would there be two ways of achieving that, with one by way of education: educating people to look for as many ticks as possible?

Hon J.A. SCOTT: The only disadvantage of a tax system that worked like that would be that it would have to be gradually changed over time, because no taxation revenue would be obtained. On the other hand, because all these benefits were being provided to the community, less taxation revenue would be needed.

Hon Ray Halligan: As you said, however, there would be a base rate.

Hon J.A. SCOTT: Yes. Those things will occasionally need to be adjusted, for the good of the community. One of the weaknesses of the current taxation system is that it taxes excellence. The better an enterprise is, the more it gets taxed, while a crumby industry that pollutes a lot and hardly makes any money is not taxed.

Debate adjourned, pursuant to standing orders.