[Tuesday, 31 March 1992.]

HON KIM CHANCE (Agricultural) [3.37 pm]: I wish to thank members for their welcome. In particular, I appreciate that several members opposite extended their welcome while speaking in this debate last week, even if, as Hon Norman Moore said, I will be here for only one year. I am sorry Hon Norman Moore is not in this place today; I imagine he has pressing engagements in his electorate. Hon Norman Moore need not worry on my account, and I am pleased to advise that I fully intend to be in this place next year.

Government members: Hear, hear!

Hon KIM CHANCE: In return for Hon Norman Moore's welcome, I express my wish that he also is returned to this place next year, as few things would please me more than to see Hon Norman Moore again occupy the Opposition benches in the autumn session of the next Parliament. Hon Norman Moore makes a great contribution to this place; and I am sure, from discussions that I have had recently with the Chairman of Committees, Hon Garry Kelly, he thoroughly agrees with me.

Mr President, I thank you sincerely for allowing me the privilege of using the facilities of the Parliament during the period between the retirement of Hon Jim Brown and the date of my election. I appreciate that that privilege is a matter of courtesy and not one of right, and I am most grateful.

I think my parliamentary colleagues on this side of the House know how I feel about them. For many years they have been a source of inspiration, good advice and close friendship to me and to my family. While my role as a member of the Australian Labor Party for the last 21 years may have now changed, some things will always remain the same. Foremost amongst those things will always be my commitment to Australia's workers and to their families; and that is my promise to my colleagues, to Parliament and to our electors. My colleagues now understand that my commitment to farmers over the past two decades is motivated by the same ethic and that if I bring anything new to the Australian Labor Party's contribution to the Parliament it will be a better understanding of rural issues and the aims and aspirations of country people.

Hon Muriel Patterson said in her welcome to me that it was good to see another farmer in this place and that it was unfortunate that I was - in her words - in the wrong party. My colleagues disagreed with her in respect of one if not both sentiments. For my part, I follow some of her line of reasoning because I believe I may have heard it expressed once or twice before. All I can say in response to Hon Muriel Patterson is that I hope that in the next few minutes I will be able to explain what I am doing here and why I am doing it. In any case, I thank her for her generosity.

I would like to pay tribute to my predecessor in this place, Hon Jim Brown. Jim's advocacy of country people had few peers in this Parliament and he established standards that will not be easy to meet for any of us who follow. Along with all members of this place, I wish Jim a long, happy and successful career in his chosen role. He has earned the respect and affection of country people and of those who worked with him

It is time now for me to extend a welcome of my own. My family have deserted their work and their school to watch the proceedings today from the Public Gallery. In welcoming them, I want to thank them not just for their support and encouragement but also for telling me that I was wrong when I needed to be told that I was wrong and for being my best friends when I most needed friends.

I turn now to an item referred to in the Speech by the Governor, Hon Sir Francis Burt, when he outlined some measures of the Government's economic strategy. The Government's commitment to value adding is not new. However, new measures announced in WA Advantage will provide fresh impetus to the Government's aim of creating jobs and wealth for Western Australians - jobs and wealth that are now exported along with our raw materials.

To illustrate the extent of the value of our products once processed, I would like to cite the case of the town of Biella in the Piedmont region of northern Italy. I thought that would be popular with Hon Sam Piantadosi! In giving this illustration, I would like to acknowledge the valuable assistance in researching this information that was provided by the Italian Consul in Western Australia, Barbara Bregato. In and around the town of Biella, west of Milan, there is a wool processing industry that has thrived for centuries. Statistically, many of the mills must be quite small as the 36 000 employees in those mills work in a total of 3 000 factories. These mills have traditionally processed wool from the raw fibre right through to the finished clothing. Modernisation of those factories during this century has led the mills to specialise in the stages of production in which they are most competent, but the industry within the region remains vertically integrated, and that has been the pattern of the industry in the region for centuries. Those 36 000 workers of Biella produce finished product to the value of $A5 billion. The total value of the entire Australian wool clip exported in the year ended June 1991 was a little over $A2.8 billion. In other words, Italian workers in and near the town of Biella, and using a fraction of the output of the world's biggest export wool industry, are creating a value added product equal to almost double that of the whole Australian industry.

It is true that Italy is one of the Australian wool industry's most important clients and that its industry produces probably the world's finest product, but these figures from a little town in northern Italy are an awesome reminder of the opportunities that we and every other resource-based economy in the world have allowed to slip by us. As a former wool grower whose father was a member of the Australian Wool Board and one of the architects of the reserve price scheme later introduced by the Whitlam Government, I am proud of the wool industry. This great industry and its pioneers provided our nation with its economic backbone when it most needed one, and led to the exploration and development of the furthest reaches of our country. Even today, after 200 years, wool is amongst our most important export industries and is one of the few, if any, industries in Australia in which we are the undisputed world leader.

However, proud as I am of our wool industry and all its parts - growers, shearers, handlers, the transport industry and the brokers - it is a disgrace that we have been unable to base our manufacturing industry on this massive resource. It is not enough to say that our labour is uncompetitive and then just resign ourselves to becoming a farm and a mine for the rest of the world. If we cannot see by now that the industrialised nations have so corrupted world markets that any nation that chooses to remain resource-based will be bled white, then we are truly condemned to becoming the poor white trash of Asia. We do not need to reduce pay and we do not need to savage workers' conditions, as New Zealand has done and as the Liberal Party wants to do, in order to improve labour unit productivity. All that will result from that is a level of industrial disputation even higher than the level that we suffered under the last Liberal Prime Minister.

If members are unconvinced that reforms are possible under a negotiated agreement, I invite them to look at the effects of the Waterfront Industry Reform Authority, which have swept the Australian waterfront. The manager of the stevedoring company Conaust in Western Australia was reported in the Daily Commercial News as saying that, "In bulk grains, waterfront productivity has risen by 80 per cent since the introduction of the Waterfront Industry Reform Authority program." Australia's productivity per labour unit is already competitive. What is needed now is not a destructive Rambo-type approach to industrial relations but opportunity, enterprise and skill throughout manufacturing industries. I believe WA Advantage is seeking to provide a way of achieving those aims. In presenting the document WA Advantage, the Premier noted that Western Australia had a trade surplus of $8.8 billion in 1990-91. This trade surplus reflects the influence of the farms and mines of rural Western Australia. However, those farms and mines employ only five per cent of our work force, and the huge wealth creating potential of those raw materials is realised somewhere else. It is realised in North Asia, in South East Asia and in the North Atlantic. It is this group of countries, the industrialised nations, and particularly those of the North Atlantic, that have profited so much from the exploitation of our resources while providing so little in return. Indeed, it could be argued that the industrialised countries prey on all resource dependent countries in the subtle but effective form of neocolonialism. The old colonial masters of the new world no longer have the tiresome problem of administering their colonies. The administration is performed by locals working for their multinational bosses, and the gunships have long since been replaced by the International Monetary Fund. Most important of all, the payoff comes in the form of the profits made from the cheap resources we provide because we are forced to sell in markets deliberately corrupted by market subsidies. The long running trade war which has decimated the wheat market is not a war between the European Economic Community and the United States of America but clearly a war aimed at Australia, Argentina and, to a much lesser extent, Canada. The evidence of this is that the United States has specifically targeted markets such as the Peoples Republic of Yemen which had been exclusively a buyer of Australian wheat. It targeted the Peoples Republic of Yemen as recipients of the export enhancement program for wheat. This was done within days of assuring Australia that only markets now supplied by the European Community would be targeted; but within days the United States was negotiating with Yemen. The EEC was not exporting a single grain of wheat to Yemen and probably never intended to. The truth is that the United States wheat industry was badly hurt by successive foreign affairs blunders dating back to the Carter Administration which had severely reduced its market share worldwide but particularly in the USSR. The vacuum left, following Carter's sanctions on the USSR, was filled by the European Community and by the unsubsidised industries in Australia, Argentina and Canada.

The result of the retribution then carried out by Washington has left a trail of bankrupt wheat growers not only in Australia, Argentina and Canada but also in the United States. The only winners probably were the Russian housewives who, all things considered, really needed a break; but it was a strange piece of logic that saw American housewives end up subsidising Russian housewives. United States envoys and Legislatures have attempted to brush aside Australia's claims for a fair deal. When that has not worked they have simply lied to us. I recognise that United States wheat growers are suffering badly, and I have the deepest sympathy for them - as any farmer has for another farmer regardless of his nationality. However, surely their answers lie within the United States, and their solutions will not be found by deliberately reducing the international price of their own product, which is precisely what the export enhancement program does.

The deliberate corruption of markets by the United States and others does not begin and end with wheat. It is now part and parcel of all resource markets. When the Organisation of Petroleum Exporting Countries attempted to raise the price of oil to a level which would allow its member nations to share in the wealth that their oil created, and to encourage conservation and exploration of a finite resource, they were met with the full force of the fury of the industrialised nations. It was for the industrialised nations to decide what price oil would be and how, if at all, international wealth would be distributed. The owners and producers of the oil were irrelevant and could have no say. It is history now that OPEC was finally subdued but its stand should be recognised for one of courage and foresight on behalf of all Third World and commodity dependent economies. Even within this country, which is a net exporter of energy, OPEC has not been given its due. An image of OPEC nations was deliberately created in this country to portray them as a handful of greedy and fabulously wealthy Gulf States. Certainly some OPEC nations were wealthy but the bulk of oil exporting nations were poor. Some of them were desperately poor. The only chance they had of raising their living standards was that offered by OPEC and ultimately taken away by the United States and its allies.

The effect of this predation on countries such as Australia, New Zealand or even Libya shows in deficits in their current accounts and reduced activity and profitability in their economies. The effect in the poorer, resource dependent nations of Africa, Asia, and the Central and South Americas is horrifying. Every day thousands of children starve in those countries, not necessarily because the countries are over populated - although almost certainly some are over populated. They starve because the fields which once provided the subsistence crops for the survival of their people are now planted with cash crops so that the interest on the loans authorised by the IMF can be met. Farmers in this Chamber today would understand what that is like on a micro scale. There is no foreign aid; foreign aid is an illusion. If it exists it is something which poor countries deliver to the rich countries because when one adds up the interest paid on those IMF sanctioned debts it far exceeds the foreign aid from the rich countries to the poor countries.

Hon E.J. Charlton: Like banks and farmers.

Hon KIM CHANCE: Exactly. Another effect has been the environmental disasters which have been created in those countries. In the efforts to keep up, the rainforests in Brazil are being decimated daily. The effect has been felt in countries such as Ethiopia, once the bread basket of the Roman Empire and now incapable of feeding its own people. Above all, this predation has created a level of international Third World debt of such a scale that it threatens to destroy the very forces of capitalism which created the problem in the first place. We have a duty to future Australians to use our unique surplus of resources to regain control of our own economic destiny. However we choose to go about that is for us to decide but it cannot be by leaving it until tomorrow nor by appealing to those who are responsible to clean up their act in the GATT or any other forum. They do not care. It is our job to develop our own resources and we need to start now, and here, in Western Australia.

It is worth noting that some of us also aspire to an Australia free of political as well as economic ties to our colonial past. Without entering into a fruitless argument about who deserted whom in the Second World War, I would like to comment on the Prime Minister's statement concerning Britain and Australia choosing their own paths. We are not talking about turning our backs on Britain - even that metaphor is not apt. Britain turned its back on us almost 30 years ago. In joining with its former enemies in Europe it rejected its ties with its old empire. It is time we did the same. Those of us who still feel cultural and ethnic ties with Britain, and I do, will still be free to enjoy those ties whether we have a Queen of Australia or not. Britain had the right to join Europe just as we have the right and responsibility to cut our archaic and pointless ties to a foreign Head of State. Progress towards a republican Australia, however important it may be for some of us, will need to be gradual and even then only when it has the support of more than a simple majority of Australians. Even then it will be a painful process for many people. While the need to process our own resources is much more urgent, it will also have problems, but some of the initiatives of the WA Advantage document, while giving real drive to the initiative, are quite painless. I refer particularly to one element of the program: The direction of three per cent of the State's annual royalty receipts into the investment attraction program to encourage value adding. This initiative will, at no added cost to our mining industries, provide a base for industry to develop downstream processing technology for the benefit of all Western Australians. I believe it is a real investment in the future

Another aspect of the document which has appeal to me is that of the five proposed industrial parks identified throughout Western Australia - two are proposed for my electorate. One will be located near Geraldton, and I know the location is being discussed now, and the other is at Meenaar between Northam and Meckering and is virtually ready to start. The fruition of these programs will be a realisation of a long held dream by country people whose populations, and thus their community services, have been decimated by the long years of drought followed by the collapse in international commodity prices. In the last decade the north eastern wheatbelt region lost 34 per cent of its population. The relocation of medium and heavy industries away from the metropolitan area and towards regional centres has always had merit; environmental concerns are more easily managed, and infrastructure costs can be lowered particularly when local raw materials are being used and when surplus infrastructure already exists.

Perhaps most importantly of all, industry is welcomed in regional areas and not treated as some kind of a threat. Location and relocation of industry into regional areas has more relevance than ever before and I know that all members representing country areas will work together to ensure the ultimate success of industrial parks. In the excitement of planning and executing the regionalisation of industry it would be easy to forget that we already have an industrial base in the country. Possibly some members who are not familiar with the Agricultural Region may not be aware of the extent or high quality of manufacturing industry throughout the region. Predominantly steel fabrication industries, these industries usually began by constructing farm machinery or sheet metal products used by farmers such as silos, tanks and grain bins. They have progressed to other, sometimes surprising, products which are sold on local, national and export markets. During the past year I have had the privilege of working in one such industry located in the heart of my electorate. The company was and still is a builder of high quality sealed grain silos and supplies farmers through the whole of the Western Australian wheatbelt from the central wheatbelt town of Kellerberrin. Kellerberrin has a population of 1 500 people. The owner of the business, Mike Moylan, like many others in this type of operation, entered the business world with little more than a trade ticket, some tools, and a great deal of courage and talent. The failure rate of tradesmen who turn to small business is alarmingly high. Fortunately for the people of Kellerberrin Mike Moylan did not fail. He went on to become a successful manufacturer largely because of his own skill in production engineering and with the support of a core of highly skilled workers who were his friends first and workers second. During an earlier downturn in the wheat industry Mr Moylan, who has a long and successful association with the motor racing industry, decided his business needed to broaden its base and produce a product that could be marketed beyond the rural sector. In a display of lateral thinking possible only in the small business arena he became a motor vehicle manufacturer. The Replica Motor Company of Kellerberrin and Welshpool is now on its way to becoming the most successful small volume builder of motor vehicles in Australian history. The company has developed what seems to be an exciting export market. One of its cars incidentally is owned by a prominent Arab ruler and shares a garage with two Ferrari F40s. The cars, replicas of Carol Shelby's Cobras, are recognised for their quality throughout Australia and are soon to be recognised as approved exports by the Automotive Industry Authority.

I mention this case not because it is the most remarkable of its type but to illustrate the boundless energy and versatility of our manufacturers. Other similar industries exist in towns such as Wagin, Merredin and Wongan Hills, all producing very different products but each with a common base and motivation. Many of these companies are now suffering severely from the rural downturn, and obviously those most dependent on the rural market are suffering the greatest difficulty. Sadly some of the largest are now in liquidation or have been and are now trading under altered ownership. It would be a tragic result if we lost these industries which gave such hope to country towns. Prior to their establishment the largest employers in country towns were usually either the shire council or a Government employer such as the local school or, if the town was lucky, the hospital. At their peak the two engineering works in Kellerberrin, M.J. & H. Moylan Pty Ltd and O.G. Cole Engineering, employed a staff more than four times greater than that of the local shire council. With the improvement in farm product prices I am happy to report that some, at least, of these businesses are now operating more profitably than before and that employment is increasing.

It is vital that we look closely at the reasons these companies were established in the first place. Why have some been more successful than others? What could have been done to ensure a flow of work through the slump? It is not until we know the answers to these questions that we will begin to understand the factors which will determine the viability of manufacturing industries in the proposed industrial parks. Clearly one of the first factors we encounter when we look at the problems these industries face is the cost of money. Even the most devout free market economist will concede that the inherent weakness of a deregulated and basically uncontrolled financial system is the variability of interest rates. At the same time there are no effective mechanisms to target productive and less productive investment sectors. In the absence of controls to regulate consumption of imports high interest rates are the only means the Reserve Bank has to regulate a deficiency in the current account. The procedure is easily enough understood from the central bank's point of view. It sees the problem as an over active economy drawing in too many imports. Imported goods and services are amongst the inputs and therefore if demand is reduced by raising the cost of money, so the demand for imports will decline.

The problem is that using interest rates in such a manner places a brake on the whole economy. In effect, it creates varying degrees of recession which, as we have seen, can gain its own momentum and drive the whole economy into full recession. Interest rates and their use as a means of economic management have a valuable role to play, but if other controls are deregulated and we have to rely almost entirely on interest rates they become a heavy blunt instrument. There is no mechanism within the deregulated monetary system which can distinguish between economic activity resulting in import enhancement and that which results in import replacement or export enhancement. Thus when we raise the cost of money to dampen demand for imports, we also reduce the capacity of the economy to create exports by pretty much the same amount. The net effect of high interest rates on the current account is far less than conventional free market theorists predict for that reason. Monetary controls can have a real impact only when they have caused a full recession and when the heavy blunt instrument has knocked the economy out. There is of course another reason why the response to monetary control is always less than expected by free market theorists. That is because each dollar extracted from the economy by means of high interest rates is returned to the economy by the recipient of the high interest rates. Interest rates are not so much a means of controlling consumption as they are of redistributing money from those capable of lending to those who need to borrow; that is, from the rich to the poor. Thus when we transfer $20 000 or $30 000 raised by interest rates from a manufacturer or from a farmer across to an investor we are effectively reducing our exporter's capacity to produce while at the same time increasing the capacity of the passive investor to increase his consumption of, possibly, imported goods. In this case then, the net effect of high interest rates has been to worsen the current account deficit - an effect precisely opposite to the intention of the economic architects. The only winners in this situation are the passive investor, the foreign manufacturer who supplied the goods, and, of course, the bank which negotiated the investor's transaction.

This brings me to the role the private banking sector plays in Australia. I can imagine few greater obscenities than the spectacle of the private banks parading their billion dollar profits at a time when the people who provided those profits are suffering so badly. I have no ideological objection to profits provided that they are fairly earned and are a result of legal and worthwhile pursuits. It is difficult to see how the profits being declared by banks now are either fairly earned or as a result of worthwhile pursuits. Last month a manager for a major trading bank in a wheatbelt branch confirmed that the average interest rate being charged at that time was 14.5 per cent. While that is a substantial reduction on the 20 per cent plus which was previously extorted so ruthlessly, it represents a massive margin of profit. Banks have a wide variety of funds available to them. The cost of these funds varies from nil, in the case of funds held on a cheque account, to around 12 per cent, in the case of some of the older term deposits. With the exception of these deposits the most expensive money borrowed in any scale by banks is the short term, usually 90 day, corporate rate bills. The 90 day bill rates a month ago were below eight per cent. If the bank's average borrowing rate is eight per cent, and as confirmed by the bank manager in the wheatbelt branch, the average lending rate is 14.5 per cent, plus charges levied to cover the bank's administration costs, the bank is generating a margin of 6.5 per cent on money it never had in the first place. It has effectively created credit out of thin air and then extracted a profit margin from it.

The debate on the legitimacy of private banks was conducted long ago, but more recently, along with the deregulation package, we were provided with the opportunity to consider the effects of greater competition in banking in Australia. Members will recall that the protagonists of increasing the number of banking licences argued that the increased competition would improve the efficiency of and range of services provided by banks to their customers. Those who opposed the proposal argued that increasing the number of competing banks would simply reduce the throughput of each bank, which in response would increase margins in order to keep themselves in the manner to which they had become accustomed. How right they were!

Banks do play a vital role in the economy. They provide a safe and secure network for the transmission of funds, introduce lender to borrower and provide vital statistical information to Governments to facilitate economic management. The question is why do we need so many different banks? Why do we allow private banks to have access to the creation of credit which should surely be the preserve of the public? We have seen the results of allowing increased competition, which has resulted in higher costs to the consumer through lower throughput per bank, and we witness daily the massive wasteful scale of banks advertising campaigns while they compete with virtually identical packages for the limited resource of borrowers and lenders. Virtually all of these expenses impose unnecessary costs upon customers and society. A single State owned bank would have no need to advertise beyond the need to acquaint customers with its services. It would have no pressure on it to satisfy shareholders since it would be owned by the public and it would be free to conduct its business in the best interests of the economy and of the Australian people. It is possible to retain a viable private banking system which meets at least some of these objectives. This is possible through a strong central control of private banks by the public and through the mechanism of the central or Reserve Bank. It is significant that the economies which employed this system in the last decade - for example, Japan, Korea and West Germany - are those economies which have performed much better in this decade than those economies which adopted the freer approach - Britain, United States, Australia and New Zealand.

The proposition that Australia relies too heavily on foreign savings would be generally accepted. When considering foreign investment, which has provided much of the capital base for the major resource projects in Western Australia, it is a matter of concern to many that we have been unable to mobilise Australian capital to take a greater share in our own development. This concern is particularly evident in Western Australia where we will need even more foreign investment to continue our resource development and to establish downstream processing facilities which are so badly needed for those resources.

The reasons offered for the shortage of Australian investment capital are either that Australians are not interested in providing for long term projects or that the economy is too small to fund them. Both reasons are blatantly incorrect. One of the reasons we have excessive demand for imports is that we have a surplus capital base which is not directed towards investment in our productive industries. Various and usually half baked solutions have been offered to overcome this shortage in savings in our own economy, including the allowance for tax breaks on savings to predetermined cut-off points. Savings in this context means more than people adding to their savings banks' accounts, it is the difference between gross earning and gross consumption in the economy and as such includes the whole investment range.

I have described the tax break on savings as half baked because there is no proposal for the direction of these funds so generated. If these funds are used ultimately for the building of more office blocks in the over supplied business districts, or for more housing in what is probably the most over housed society on earth, we have achieved nothing. Tax breaks on savings, without providing a clear use for the huge capital base that would be created actually disadvantages productive industries as it favours passive investment over active investment. This is a real concern in Western Australia with its greater need for active investment than that in more industrialised States. If, however, the capital base can be allocated to a lender which has a clearly defined charter to support the development of productive industries, such as the Commonwealth Development Bank of Australia, the whole proposal begins to make sense. I acknowledge that much of what I have said falls within Commonwealth jurisdiction. However, by definition, the Federal system is dependent upon the States, and vice versa. It is my firm belief that the future prosperity of our State will depend on Australia making decisive and sometimes radical changes to its investment structure and that these changes are unlikely to be made unless they are driven by the Parliaments of the States.

I know that this House is well aware of the problems country people are experiencing; however, I intend to comment on the Liberal Party's Fightback package and its likely effects on country people. The package, particularly the goods and service tax component, claims to be of benefit to country people and to farmers in particular. Some of these claims are misleading and, in representing these claims, the Opposition, perhaps unwittingly, is aiding a cruel hoax aimed at farmers and small business proprietors in general. Of central importance to the Fightback package is the abolition of payroll tax and other business charges, including wholesale tax, which together amount to some $20 billion per annum. I know of no farmer who pays payroll tax or who has ever paid payroll tax. Similarly, in the non-farm sector about 95 per cent of all private sector enterprises employ less than 20 people. Hardly any of those 95 per cent pay payroll tax because they fall below the exemption threshold. Indeed, when the Premier released the WA Advantage package she announced that because the threshold had been raised some 90 per cent of businesses in Western Australia would be exempt from payroll tax. She did not go on to say the obvious; that is, that those who would be exempt would be small businesses and that that would give an advantage to small businesses against their larger competitors.

Almost all non-farm, private sector employers will have to pay a goods and services tax and the administrative cost of assessing and substantiating the tax, which will replace a tax from which they were formerly exempt! Payroll tax is not popular. Like any other tax, it is an inhibiting factor on employment and profits, but in exempting small business from this tax it has been given a competitive advantage over the larger companies, which is rarely acknowledged. The Opposition promise not only to end that advantage, but also to impose a goods and services tax on the labour component of these businesses value added to the extent of 15 per cent - three times greater than the payroll tax from which they were exempt in the first place. This deception on a micro scale is bad enough, but on a macro scale it is incredible.

The Opposition has said that business charges amounting to $20 billion will be abolished, thus relieving a huge burden from the embattled business sector. That is great as far as it goes but after telling business it would be $20 billion better off, the Opposition told the rest of us that a 15 per cent GST will not cost 15 per cent more but 4.4 per cent more, because we will not have to pay payroll tax and wholesale tax, which used to be passed on to us by business, amounting to $20 billion. It is the same $20 billion; it has been counted twice. The Opposition must come clean and either admit to the business sector that it conned it and there will in fact be no saving to it or, alternatively, it must tell the public that its prediction of a price increase of 4.4 per cent, 4.7 per cent, or whatever figure it has plucked out of the air, is a con. It is a fraud and the public will be paying an additional 15 per cent on top of current prices, inflated as they are by business charges. It must admit to one or the other.

The Fightback pamphlet which arrived in the mail last week lists in its section devoted to farmers and country people the advantages from cheaper fuel for private and commercial use. The third item on the list is lower road freight costs. While a reduction in the price of road fuel would be welcome, the Opposition must be aware that farmers' principal energy usage is the on-farm use of distillate which is already exempt from excise and has been since it was introduced by the Fraser Government, under the import parity pricing scheme. The Opposition must know that. Not only have farmers always been exempt from excise duty, but so have those people in the fishing, mining and forestry industries. The Opposition should also be aware that freight costs will rise, not fall, under its proposals.

In his contribution to the Address-in-Reply debate Hon Tom Helm said that the increase in freight costs according to the Fightback proposal will be at least seven per cent. He was speaking about road freight costs in the north west and he was, indeed, being kind to the Opposition. The minimum increase in freight costs outlined in that package will, from my calculations, be eight per cent and it will apply anywhere in Western Australia, not only in the north west. Hon Peter Foss in his contribution to the same debate said that Hon Tom Helm was incorrect and that it would go down by 30 per cent. I know Hon Peter Foss is well regarded in this House and that his contributions are usually well researched. However, on this occasion he was wrong and Hon Tom Helm was correct.

Of all the factors which make up the cost of operating a trucking business, fuel is an important component and, as Hon Tom Helm tried to explain, it is not the only component. As a transport operator my fuel costs rarely exceed 20 per cent of my total operating costs.

The figure would be lower than 20 per cent in most operations for two reasons: Firstly, the larger companies would impute debt servicing and administration costs which would reduce fuel costs as a percentage of the total, but this was not part of my calculations. Secondly, the two or three trailer road train configurations which are used for long haul routes are much more fuel efficient than the one trailer I operate. However, using 20 per cent as the fuel component of the road freight costs, it is simple enough to demonstrate that a one-third reduction in fuel prices would reduce the freight cost by one-third of one-fifth. I will not finish that equation, but it is roughly seven per cent. If we add 15 per cent GST to the total retail bill for the service - that is 15 per cent for freight costs, plus 15 per cent for the operation's margin of profit which varies between zero and four per cent - we have a net increase of over eight per cent, and that cannot be refuted.

All country people will pay more for road freight services and those most distant from the point of origin of the goods will suffer the most if the Fightback package is agreed to by the electors. The Opposition will argue that other aspects of its package will overcome this increase in costs and the final result will deliver lower freight charges to people in the north west, Geraldton, Merredin and Esperance. If that is its argument, the Opposition will need to be much more careful in spelling out its proposals than it has been to date. Perhaps it will argue that its industrial relations proposal will result in greater productivity from workers in the road transport industry. Just because the Opposition's record in industrial relations in the past has been an unmitigated disaster, it does not mean that it is not able to develop worthwhile ideas for the future. I am sure that members of the Transport Workers Union, of which I am a financial member, will be interested to hear the Opposition's plans to increase their productivity. If the Opposition believes that transport workers can be made even more multi-skilled and work even longer hours and can survive on even lower hourly, trip money, or subcontract rates, it will find the Transport Workers Union disappointingly intractable.

Of course, the Fightback package makes provision for employers and prime contractors in the transport industry to circumvent the influence of the Transport Workers Union. That is, after all, the fundamental ideology of the Liberal's industrial relations policy. Let us assume for a moment that non-union truck drivers will sign enterprise agreements with their bosses which result in an eight per cent wage cut or an eight per cent increase in driving hours without pay. We will also need to assume that owner drivers will sign fresh contracts with rates at eight per cent lower than at present. What will be the end result for transport consumers in the north west or anywhere else? It will be exactly the same rate as is now being charged because we have an inbuilt eight per cent rise before we start. The costs will be more bankruptcies in an industry already hit by bankruptcies, more road accidents involving heavy transport vehicles and driver fatigue, and lower profits for the bosses. An eight per cent wage cut will not equate to an eight per cent reduction in overall costs.

Why does this seem to be a no win situation? The answer is, of course, that the Fightback package is taxing a service - in this case transport - which previously was not taxed except to the extent that it paid fuel tax. I am not sure that my fellow members of the Transport Workers Union will appreciate the finer points of the Fightback package. The fact that their industry will be taxed as a service in order to ensure that private school fees will not be taxed at all and that mink coats and Porsches will be much cheaper will probably take some selling by the Opposition, particularly to those people on the third floor of the Labor Centre in Beaufort Street.

It was a relief to read in the Fightback pamphlet that farmers will not pay a goods and services tax on exports. Presumably the authors of the pamphlet meant that GST would be rebated when it was paid on top of the cost of imputs to produce those exports. What the pamphlet did not acknowledge was that almost no inputs used by farmers currently attract wholesale tax. The only difference is that under the Fightback package a farmer will have to pay 15 per cent GST and then assess and substantiate the claim he or she makes to the Commonwealth Government in order to receive a rebate at some time in the future. Cash flow consideration aside, it does not seem like much of a swap to me.

No-one is happy with the existing road funding situation. The road funding arrangement between the States and the Commonwealth has left people generally unsatisfied. Between the fuel excise and State fees and charges, road users pour $8 billion a year into Government coffers. Of that $8 billion, $4.7 billion is spent on roads and $3.3 billion is returned to Consolidated Revenue to fund schools, hospitals, etc. While it can reasonably be argued that road users should contribute to general revenue to fund the demand they create for hospitals, police and emergency services, etc, I do not think anyone has ever claimed that the demand thus created involves a cost of $3.3 billion a year. Clearly, road users as a group are making a considerable net contribution to general revenue and usually feel short changed when they compare the price paid with the service received.

Few groups of road users feel more short changed than the users of Great Eastern Highway, our major interstate link which runs laterally through my electorate from Perth to Kalgoorlie. It is the major Western Australian highway in terms of tonnage of freight carried and carries virtually all interstate road transport as well as serving the transport needs of the goldfields and the central and eastern wheatbelt. Much of this highway is pitifully inadequate for its task to the extent that it is dangerous; by comparison with other major highways in the State - that is, Brand Highway, Albany Highway, the North West and South Coast Highways - the Great Eastern Highway - our busiest and what should be our most prestigious link with the rest of the country - is little more than a goat track. In the stretch between Meenaar - which has been mentioned as the site for an industrial park - and Southern Cross, on numerous sections of the road trucks cannot attain the legal speed limit without risking damage. Virtually all the road is too narrow for the safety of passing traffic. The condition of our major highways points to the inadequacy of funding arrangements for roads.

I looked to the Fightback package in the hope of finding some fresh ideas and guidance on this matter. I was disappointed. If an article written by David Kelly which appeared in The Western Farmer and Grazier of 26 March 1992 is correct the Fightback package offers little hope for the Great Eastern Highway. He says that as the Fightback package pledges to abolish fuel excise, road funding revenue will fall by the $5.8 billion presently raised by that excise. In its place the Opposition proposes that roughly $1.5 billion will be raised from a goods and services tax paid by road users, but, as around half of that amount is paid by businesses and is rebatable, the GST will yield only $750 million for roads. Mr Kelly pointed to the Interstate Commission as the source of those facts.

When added to the State's contribution of $2.2 billion that will result in a total road income of $2.95 billion. Assuming expenditure on roads is not to fall, that will mean a shortfall to come from general revenue of $1.75 billion to make up the difference. That will presumably be found from the goods and services tax on other items. David Kelly's conclusion was -

> There seems to be only one conclusion. We will end up subsidising roads as well as other Government expenditure from our food taxes. That may be a change from subsidising Government expenditure from our road taxes, but it is not progress.

This shortfall in general revenue as a result of road funding is just one example of where the Opposition has failed to explain what will be the effect on Western Australians of decisions made by its Federal colleagues. Among the list of so-called advantages in the Fightback pamphlet is one headed "Farmers and country people will benefit!" Under that heading it states there will be lower interest rates and a more competitive exchange rate. The Opposition claims that all of the extra GST revenue will be devoted to tax cuts and compensation. In doing that the Opposition has ruled out the option of a tighter fiscal policy. This leaves only monetary policy or, if you like, a credit squeeze with sustained high interest rates along with the resulting sustained high - not low - exchange rate with which to manage the economy. This is a situation we have almost become used to. It is definitely not a fightback.

If our State is to progress it will do so by effectively harnessing its resources, both human and natural, and its capital. I believe the program outlined in the Governor's Speech, based as it is on this Government's WA Advantage document, is directly addressing the challenges we face in both human and natural resources areas. Perhaps taking control of our investment structure lies a little further into the future, but is a challenge that needs to be addressed. I thank honourable members for their attention and commend the motion to the House.

[Applause]