

LAND TAX AMENDMENT BILL 2015

Second Reading

Resumed from 13 August.

HON SUE ELLERY (South Metropolitan — Leader of the Opposition) [12.33 pm]: I rise as the lead speaker on the Land Tax Amendment Bill 2015. At some point in this debate members will think they have heard this speech before and they will be right, because this government just keeps bringing in new taxes, so I have to keep making the same or a very similar speech to ones I have made before and raising the same issues. That is because the same lack of scrupulous financial management and the same promises that the government made at the election, knowing that it had no capacity to actually deliver on the financial consequences of those promises, have led us to a position of the government having to raise, in this case, land tax.

The government told Western Australians that its election promises were fully funded and fully costed, although they were not. It had no plan to manage its finances, and as recently as 12 May—which some may recall as being a very august date—I set out in a speech I made on that day about increases to payroll tax that the government's disgraceful economic record had resulted in it bringing yet another new tax increase into Parliament. Today, if the government listens carefully to my comments, it might find that it has heard some of them before.

The purpose of the bill before us today is to amend the Land Tax Act 2002 to implement changes to the land tax scale that were announced in the 2015–16 state budget. The bill introduces a flat rate of land tax of \$300 for taxpayers who hold land with a taxable value between \$300 000 and \$420 000. The new table also includes changes to some thresholds at which rates change, and increases all rates except the top marginal rate. Some typical impacts of the bill before us today are, as I said, that for a land value of \$300 000, the tax payable increases from zero to \$300. For land with a value of \$1 million, the tax payable will increase from \$770 to \$1 750. For land with a value of \$2.2 million, the tax payable will increase from \$7 730 to \$8 950. For land with a value of \$5.5 million, the tax payable will increase from \$57 560 to \$66 550, and for land with a value of \$11 million, the tax payable will increase from \$156 650 to \$186 550. The changes to the land tax rates are estimated to raise additional revenue of some \$184 million in 2015–16, and a total of \$826 million over the next four years. This bill is yet another broken promise from the Barnett government—the government that says it is the government of low taxes. The Barnett government promised to lift the burden of taxation on business, but in fact this bill will increase the tax burden.

We find ourselves in another one of those parallel universes when it comes to tax and legislation, because the Liberal–National government would have us believe that they are the parties of low taxes and deregulated markets. But it appears that the opposite is true, and we are debating yet another piece of legislation from the Liberal–National government that raises taxes. Despite the government telling the electorate of Western Australia in 2013 that it would lift the burden of taxation, we have before us today a bill that is effectively doing the exact opposite. In one way that is not really surprising because members will recall that after the election the Premier was asked by the media about election promises—this was when he created a new definition of election promises. He said that the fully funded, fully costed seal—people will remember that little logo that was designed to look like an old-fashioned wax seal—that was printed on all the election material that was circulated —

Hon Alanna Clohesy: How could you forget? It was on everything.

Hon SUE ELLERY: Yes.

It was stamped on a range of election material produced by the Liberal Party. The Premier said that that was an election slogan and that election campaign slogans should not be treated as a promise. He said that “fully funded, fully costed” was an election slogan, not a promise. At that time he was talking about the question of light rail and said —

“I did not mislead, in any sense, the people of this state but I have had to adjust to a change in circumstances,” ...

I am quoting from *Hansard* my contribution to the second reading debate on the Taxation Legislation Amendment Bill 2015 on 5 May 2015, on the specific issue of the Metro Area Express light rail system. The Premier believed that it was perfectly reasonable for the government to back away completely from its promise to people in the electorates of the inner north east of the metropolitan area. It continues —

We were being asked to accept in March of this year that was in respect of the light rail, but in respect of the general notion about what people vote for, he said —

... the media had portrayed him as a premier who had broken promises, but he did not see it that way and did not think the community believed it either.

“I don’t think people study the promises,” ...

“I’m not dismissing them, but people elected us because they saw it as a good, reliable, stable government that made decisions and was getting on with the job.”

He basically said that the specifics of what he promised at the time of the election were irrelevant, and that he was elected on the basis of—in the words of one of my favourite movies, *The Castle*—“the vibe”, and that the precise contract he entered into with the electors, seat by seat, including those in the inner north east of the metropolitan area, to deliver the MAX light rail should not have been taken in a literal sense, but just as a slogan, as should the words “fully funded, fully costed”. He could not understand what everyone was getting so uptight about, because everyone knew he was voted in because he is basically a good guy who people could trust to get on with the job. If he decided there was reason to back away from some of his promises, like MAX light rail, he must be doing it for a good reason, and people should just go along with it. He is in for a bit of a rude shock, because people are not happy. The general “vibe” that people have in Western Australia right now about the Premier is that he is out of touch, untrustworthy, and a man of broken promises who is not going to be Premier for much longer; although I do hope he stays until March 2017, because he is one of the best things the Labor Party has going for it right now if he continues in this way.

At the time of the last election in 2013, there was a series of debates around various portfolios, as always happens, and one of them was between the then Treasurer—iteration number five—Troy Buswell, and the shadow Treasurer, who is still the shadow Treasurer, Ben Wyatt, the member for Victoria Park. The debate was held, I think, at a breakfast organised by the business community of Western Australia, and Mr Buswell used that opportunity to announce tax cuts. He said that the government could make a range of promises on all sorts of things, including light rail, and could deliver tax cuts. During the same debate the shadow Treasurer, Ben Wyatt, was asked whether Labor could match the promise made by the Treasurer, and he said that he could not because it would be using debt to finance tax cuts. He thought that would be irresponsible and said for that reason he was unable and unwilling to make that commitment on behalf of the Western Australian Labor Party.

As the member for Victoria Park tells the story, he copped a pretty negative response from the room when he said that because it was a room full of people who were desperately looking to the government to provide them with some tax relief. It turns out that Ben Wyatt was absolutely spot-on: this government could not fund its promises and deliver tax cuts, and that is exactly what has happened. Our debt is beyond any debt that has been experienced, both proportionately and in dollar figures, by any previous Western Australian state government. The government is breaking promises left, right and centre, and to deliver what the Premier regards to be the core, essential services of government, the government has to raise taxes, and that is what the Land Tax Amendment Bill 2015 will do.

The promises the Premier made were not affordable at the time, and he knew they were not affordable. He certainly knew that he could not afford to make the promises to deliver all the things he said he was going to deliver and deliver tax cuts as well. He could not do it, he knew he could not do it, he knew the government’s financial position, and he knew the volatility of the various assumptions in the budget papers, but he went ahead and did it anyway, hoping that he would not be held to account. I think we are getting closer and closer, for those of us who are counting—19 months until March 2017—to the time when the Premier’s chickens will come home to roost.

The government has deemed it appropriate to spend millions of dollars of our money on an advertising campaign to tell us the general theme of the Bigger Picture program. According to that advertising campaign, there is a plan, everything is going to be okay, everything is part of the bigger plan, and everyone should just walk around with a big smile on their face and look at various buildings and say, “Oh, thank God for Colin, because everything is okay.” I am not entirely sure where the people in the ad live and work, because I do not see people in the community where I live and work walking around saying, “Thank God for Colin”; in fact, they are saying, “Why on earth are we spending money on X when we can’t afford Y?” That is what they are saying. “What sort of plan is this?” Despite an advertising campaign that is costing taxpayers millions of dollars, what we in fact have is an absence of a financial plan. We have ads, but if a financial plan exists at all, it is being ripped to shreds and left in tatters and is not being implemented very well at all.

If members care to go back to *Hansard* and look at my previous contribution to this issue in May, they will see similarities between the speech I made then and the speech I am making today. I was then talking about MAX light rail, schools and hospitals, and I want to again today quickly touch on hospitals. Although this house debated hospitals yesterday in a different context, it is a subject that continues to grab headlines in the media today because there was yet another revelation yesterday by a senior clinician about the sad state of affairs at Fiona Stanley Hospital. This is the hospital that should be a shining light for the people of the southern suburbs.

We were promised that it would be a cutting-edge, state-of-the-art hospital with the very best clinical practice possible, but it continues to get attention for all the wrong reasons. Meanwhile, we still have these ads telling us everything is okay: “Look at that big, shiny, bright hospital and say, ‘Phew, thanks for Col!’” Unfortunately, there are too many people coming out of the doors of Fiona Stanley Hospital saying, “What the hell is Col up to? This hospital is not meeting the standards we were promised.”

Western Australians are also looking at public transport and the plans for public transport and saying, “What we want is a coordinated, integrated public transport system”, but that is not what they are seeing. Part of what they are seeing is what I now lovingly refer to as “piffle”—the Perth Freight Link, or PFL. I want to talk a little bit about that. If members want an example of a non-plan, PFL is it. There has been media revelation after media revelation showing that no planning was done for the application for federal funding for part of PFL. When I made my speech in May I talked about MAX and the unfolding debacle of the commissioning of Fiona Stanley Hospital, but today, some two and a half months later, it is PFL that is the symbolic picture of a lack of planning and of a Premier and a Minister for Transport who apparently do not speak to each other. When they do talk about PFL, they contradict each other. I think this is about a Premier who can maybe read the play that the announcement of phase 2 of PFL is not going down well, and a Minister for Transport who cannot read the play at all, whether on electoral boundaries, on how to win friends and influence people in his own party, or on how to run a transport portfolio. It is absolutely extraordinary. They do not get their lines sorted with each other, which is rule number 1—at least be singing off the same song sheet. Every day we are subject to new variations and possibilities about how the Perth Freight Link will be rolled out. That is how we find ourselves in a situation in which the government yet again has to announce increases in taxes as a consequence of its own inability to manage the state’s finances. Let us use Perth Freight Link—PFL—as a case study in how not to financially plan a major transport project. If we were to ask people, I think they would say that there is a certain degree of chaos associated with PFL. A lack of planning is evidenced by the conflicting comments of the Minister for Transport, the Premier of Western Australia and the federal government at various points over the past few months, all contradicting each other about how PFL will roll out. The Premier has hinted or suggested at various points that stage 2 may not go ahead. After telling everyone that it was definitely going to be built, he said —

“Freight Link, if it is built, will divert more of the trucks to the south through the specialised freight link itself,”

That is what he was quoted as saying on ABC Online just last week, on 13 August. The Minister for Transport, the day before that, said —

Phase 2. Because of this, we have said that we are still on track to be able to get this contract by the end of the year.

That was in *Hansard* in the other place on 12 August 2015, but the next day the Premier said “if it is built”. Senator Mathias Cormann, representing the federal government, said, as reported in *The Weekend West* of 15 August —

“We expect that stage 2 of the Perth Freight Link will begin next year as agreed between the Australian Government and the WA State Government,”

The federal government is saying, “Hello, what’s going on over there, folks? What are you doing, Premier Barnett, in saying ‘if you’re going to build it’? We’ve already reached an agreement and committed funds on the basis that you are going to build it, my friend.” We can see Mathias Cormann saying, “Hello, I’m looking down the barrel of a” —

Point of Order

Hon PETER COLLIER: I just want some clarification, because I think this is going to be a long debate. I appreciate that with the Loan Bill and the appropriations bills, debate was quite wideranging. This bill is specifically related to land tax. I have been listening to Hon Sue Ellery for almost 25 minutes, and very little of her remarks have dealt with land tax. A lot of it has been about the Perth Freight Link, but not much about the actual bill. If we are going to have this debate, can I get some clarity about what topics are acceptable?

The DEPUTY PRESIDENT: That is a fair question. This is different from the appropriations bills and the budget speeches, in that it is a bill dealing with amendments to the Land Tax Act, and therefore the debate needs to be narrowed to relate specifically to the content of the bill.

Debate Resumed

Hon SUE ELLERY: Thank you very much for your guidance, Madam Deputy President. I made the point that I was using PFL as a case study of why this government keeps having to bring before the house bills that increase taxes. I thought I had made it very clear that, as a result of the lack of proper financial management and planning, this government is bringing the second tax bill before this house in a matter of months. We debated the

last one in May, and we are debating this one now in August. I think the Perth Freight Link is a classic example of why this bill has to come before the house.

The point I was making was about chaotic planning, and the Perth Freight Link is a perfect example of what happens when the government does not properly plan and put in place appropriate financial scrutiny of the decisions it announces. If that planning and that scrutiny is not done way before the announcement is made, the government will end up in a situation in which it must revisit the budget and announce increases in taxes, because the minister suddenly says, “Oh my gosh, we haven’t paid attention to the detail of the planning around project X”, whether it is Fiona Stanley Hospital, Metro Area Express light rail or, in this case, the Perth Freight Link. That is the point I was making. This was reinforced by material provided by Infrastructure Australia in the last couple of days. A document from Infrastructure Australia makes the point that it is a \$1.742 billion capital project, as set out by the proponent—in this case, the Western Australian government. When Infrastructure Australia did an assessment of the planning and preparation that had gone into the proposal, it found that the project did not come up to scratch. The document states —

The options considered included pricing and efficiency using existing road infrastructure, investment or subsidisation of rail and a number of road investment options. The options did not include consideration of the Outer Harbour at Cockburn Sound South of Perth ...

A rapid BCR —

That is, a business case —

was completed for the preferred option only, assessed against the Base Case. A rapid BCR was not completed for additional options to determine if the preferred option provided the greatest net benefits.

Infrastructure Australia notes that there are other significant options for addressing freight accessibility issues in Perth, including the expansion of the Outer Harbour at Cockburn Sound South of Perth and a previous project submitted to Infrastructure Australia (Leach Highway/High Street upgrade, at a cost of \$100 million) that is currently at Threshold on the Priority List ...

Infrastructure Australia notes that the options identification and assessment for this project could have been improved by undertaking quantitative modelling of traffic and economic impacts for multiple short listed options. The multi-criteria assessment used has significant weaknesses. In particular, criteria weights used allocate 80% of the weight to benefits and only 20% to costs. This is likely to bias assessment against low cost options and in favour of higher cost options. Further, the assessment of options has had limited reliance on objective quantitative evidence ...

The costs estimated for this stated BCR exclude costs associated with the heavy vehicle tolling system thereby underestimating capital costs ...

Further down, the document states —

The stage of the project indicates that there are significant risks around estimated costs.

That is the point I am trying to make. If the government cannot do this financial planning properly, it will keep coming back here and asking us to agree to the imposition of higher taxes on the citizens of Western Australia, because it does not do its job properly when it puts together major projects and does the planning for those projects. The Infrastructure Australia document continues —

There are also risks to benefits depending on the timing and extent of transition to the Outer Harbour ...

The transport modeling that underpins the economic appraisal of the project does not allow for inducement of additional traffic as a result of lower costs of travel.

Under the heading “Deliverability summary”, the document states —

The project is still at early phases, so much of the work relating to deliverability has yet to be completed, including the detailed design, so risk assessments as well as other material, such as construction timelines are preliminary.

I could go on about that, but the point I am trying to make is that that is just the most recent example—but there is a litany of them—in which this government’s own poor financial management and planning resulted in the people of Western Australia being told that they must accept budget cuts that result in reductions in the quality and quantity of service delivery from public sector agencies and, as a direct consequence, higher taxes. The bill that is before us today does exactly that.

Sitting suspended from 1.00 to 2.00 pm

Hon SUE ELLERY: I was making the point before the lunch break that we are dealing with the second bill to increase taxes in as many months due to this government's poor financial management. I was using the chaos and dysfunction around the planning, or lack thereof, of the PFL as a case study or a case in point, if you like. I want to set out that in some more detail—the very short version that demonstrates the toing and froing, swapping and changing that has characterised the government's planning, or lack thereof, and financial management of this issue. During the 2008 state election campaign the Liberal Party committed to building Roe Highway stage 8. That is confirmed in 2012. It should be pointed out that between 2008 and 2012 the money went into the budget and then came out of the budget for Roe 8. In 2013 the government promised again to build Roe 8. The federal coalition's infrastructure policy was released in September 2013. It does not mention the Perth Freight Link, but commits only to building the Swan Valley bypass. In September 2013, it appears that we are going backwards and, referring to Roe 8, the Premier said —

“We haven't put money aside for the construction of that, so I think Roe 8 as it is known, I believe will happen, but it is not a project in the timeframe in this term of government.”

In March 2014 the Premier said —

“The Liberal–National Government does support Roe 8 but we did not commit during the election campaign to build it.

The member for Riverton certainly campaigned to build it. To continue —

It costs probably about \$800million and we simply don't have those funds. But hopefully we can reach an agreement in the future with the Commonwealth to share the funding ...”

The 2014–15 federal budget announces the Perth Freight Link for May this year. The 2014–15 state budget makes no mention of Roe 8 nor of the Perth Freight Link. In May 2014 a federal–state joint announcement is made in which the Abbott government commits \$925 million to the Perth Freight Link. It reads —

Total project costing \$1.6billion, with \$230million from the State Government and the remainder (\$445m) coming from a private partnership.

That was the first we heard of that. In August 2014, the Premier said again —

“Roe 8 is an important road project ...but it's very expensive, I think running up towards \$800–\$900 million. We'll never recover that sort of money. We're optimistic that the Commonwealth will provide the lion's share or probably two-thirds of the funding, but I think it's still some way away.”

“It's there as part of the forward planning. We haven't committed to it.”

Yet the government had announced it in a joint statement with the commonwealth government in May, two months earlier. To continue —

I hope that sometime in the next few years we can commit to it.”

In the 2014–15 midyear review \$650 million is allocated for the Perth Freight Link. We are told in the Premier's media statement of 17 December 2014 —

“All works on the Perth Freight Link should be completed by mid-2019, with some infrastructure due to open by mid-2017—including the first leg of the Roe Highway extension.”

In May this year, the Minister for Transport announced a consortium to investigate route solutions for section 2 of Roe 8. Remember, back in 2014, the government announced that it was getting money from the federal government. In 2015 it says that despite everyone committing money to it this is the consortium of people we will ask how to do it. The Minister for Transport says —

“The consortia will now participate in the Request for Proposal stage of the procurement process and prepare detailed proposals for design and construction.”

“Consultation and design work over the past six years has finalised the route for Section 1. However, while the most obvious route for Section 2 had undergone robust planning, it will continue to be refined.”

“In this next phase we ask the proponents to also look at innovative solutions, including the potential for a tunnelling option.”

Now, in May 2015, we are talking about a tunnel. The proposition the Minister for Transport talked about involved the demolition of people's houses. It turns out that the homeowners were not keen on that solution. When asked by television news on 17 May 2015 about the people concerned about their homes being demolished, the Premier said —

“Unfortunately that does happen in major projects, there will be some houses or some private commercial property that will be in the way.”

The next day the Minister for Transport says —

“I’m still not convinced that this is the best possible route so I’ve asked the proponents to explore innovative ways we can approach this issue and see if we can find an alternative solution.”

On 21 May the Premier acknowledged that the resumption of properties was “not handled well”. On 31 May a draft alternative tunnel route was revealed—from Clontarf Hill through to High Street. In estimates in June 2015 the Minister for Transport acknowledged Stirling Bridge requirements that are not included in the project budget. During the Legislative Assembly Estimates Committee hearings on 9 June, he said —

There have always been plans to do work on Stirling Bridge within the next 10 years, and it is known that it is quite busy now. We are looking to see how we can bring that forward and duplicate the bridge to make it twice as wide and to provide safe cycling because that is a challenge with the number of trucks going through.

It was reported on 3 July that environmental approval for Roe 8 was signed off by the Minister for Environment. On 6 July the Premier again cast doubt about whether the December deadline would be met. He said —

The project, I think, should be looked at in two stages. The first stage is Roe 8, which is taking the traffic from the Kwinana Freeway through to Stock Road. Now, whatever the future of the port may be, Roe 8 is needed, both to service the Fremantle Port and a future port at Cockburn.”

On 22 July the Minister for Transport revealed that the state will take on the private share of the project, with plans to sell the income stream at a later date. “It won’t cost the state a cent”, said the Minister for Transport. Members will remember that yesterday or the day before, Infrastructure Australia had some commentary on the methodology and the level of assessment that had been applied to the assumption that that would result in the state not having to pay a cent. On 29 July it was revealed that the port expansion cannot proceed until the Fremantle Traffic Bridge is replaced at a cost of \$250 million. Later that day, the Premier reaffirmed the lack of commitment to phase 2 of the Perth Freight Link. He told the ABC —

“We haven’t committed to how we are going to connect to the port.”

On 3 August the Minister for Transport said on the ABC —

“We’re still working towards that timetable. I don’t see that at this point in time. We’re working [on it] and still working it through to make sure it stays on track”, “I haven’t had any indication from my department at this point that I need to change [the timetable] from the end of this year.”

Following that, there was some commentary by the Premier while the Minister for Transport was away. On 6 August the minister said, according to my notes —

“Look I was away last week. We are working through the freight link in two completely separate projects. Phase 1 is the Roe 8 section. That route is clearly understood and progressing. We expect to go to contract in October. With regard to phase 2, there is added complexity in the sense we haven’t finalised the route because I have requested proponents to explore different ways of getting us to the Port. I believe there may be better ways that are less disruptive to the community.”

On 12 August, the Minister for Transport said —

My understanding is that all environmental processes have been signed off, including federal, and we can proceed forthwith with Roe 8.

Except, of course, that was not the case—they had not been signed off.

On 13 August—this is last week—stage 2 was thrown into further confusion by the Premier, who expressed some doubt that it would happen at all, and certainly doubt about the timing. He said —

I don’t think we are going to be building a road very soon. Roe 8 is our priority. Now that’s a big project. We haven’t started construction on that. We’re heading towards construction.

The Premier said also —

Freight Link, if it is built, will divert more of the trucks to the south through the specialised freight area itself.

That caused the federal government to go, “Hello! Excuse us! What do you mean ‘if it is built’? We have committed funds, and we are looking at an election before you are and we do not want you undermining the

things that we want to say we are achieving in Western Australia.” I am paraphrasing what Mathias Cormann said, but I am pretty sure that is what he meant. What Mathias Cormann actually said was —

We expect that stage 2 of the Perth Freight Link will begin next year as agreed between the Australian Government and the WA State Government.

That same day, on the weekend, the Minister for Transport said —

This term of Government, —

This is even though the Premier has said “if we build it at all” —

we are committed to commencing both stages of the freight link project that takes it through to the port.

I repeat: The Minister for Transport said on the weekend —

This term of Government, —

So, we have 19 months to go —

we are committed to commencing both stages of the freight link project ...

Let us see what the next range of developments shows.

The point of my raising that issue in a debate about land tax is to demonstrate that this government has no clue about planning. Its financial plans are in tatters, and in two months we have had two bills to do with raising taxes, all because this government does not know how to manage its finances.

I want to turn also to land tax as a revenue source for state governments. People will know that earlier this year—I think in April—the federal Treasurer asked us to engage in a mature debate about tax. That is a courageous thing to ask for at all; nevertheless, that is what he did. As a result, much work has been released by various public policy organisations and forums, and the issue of land tax has been raised in the context of that debate. I want to refer to a paper that was produced in 2012, before that tax debate began, by Curtin University. The paper is headed “Stamp duties, land tax and housing affordability: the case for reform”, and the authors are Gavin Wood, Rachel Ong and Ian Winter. The paper is a useful reminder of where land tax fits into state taxation regimes and whether it attracts the same level of scrutiny as is given to other forms of taxation. The paper states in part —

The state governments’ taxation of residential land and buildings has not attracted the same scrutiny —

As federal government taxes is the point it is making —

but is arguably as inefficient and inequitable as Federal taxation arrangements. There are two main tax instruments. Stamp duties must be met by the purchasers of residential property and are levied on purchase price, with marginal rates of duty that rise across purchase price brackets. Most states provide some form of relief for first-homebuyers although the extent of and eligibility for such relief varies depending on the jurisdiction. The duty schedules can also differ depending upon whether the housing has been purchased as a principal residence or rental investment. Duty schedules in the latter case impose a higher tax burden, giving a financial advantage to home owners relative to landlords.

State governments also levy land taxes on the unimproved capital value of residential land, but exempt land used for owner occupied housing —

That is the residential land that we build our houses on and live on, which of course is not subject to land tax —

and these arrangements also favour home owners relative to landlords. Typically state governments apply a zero rate land tax below a value threshold, and then apply a progressive schedule with marginal rates that increase with assessed land values.

The bill that is before us today is asking us to adjust those rates within a schedule. The paper continues —

An important feature of land tax arrangements is measurement of the tax base on a cumulative basis. Thus multiple property owners are taxed on the cumulative value of the land plots that their properties occupy, rather than on the value of each individual plot of land.

Tax receipts from stamp duties and land tax are an important source of revenue for state governments. For example, in Victoria in 2010–11 they amounted to \$5.3b or 35% of total tax revenue. Understandably there is a reluctance to introduce reforms that threaten this revenue base. This reluctance has persisted despite considerable expressed dissatisfaction with stamp duties on residential property transactions. For example, at the recent Australian Government Tax Forum, the weight of opinion favoured the removal of such transaction taxes.

Indeed, the Henry Review believed the case for reform was strong enough to warrant the following key recommendations (51 to 54) ... —

This is the Henry review of 2009 —

- the abolition of stamp duties on all property transactions;
- the levying of land tax on all land;

That means no exemptions for people who live on the land that they own —

- levying land tax using an increasing marginal rate schedule applied to unimproved capital values, with the lowest rate being zero and thresholds determined according to per m2 value in order to tax more valuable land at higher rates;
- levying land on a per land holding basis, not on an entity's total holding, to promote investment in land development.

The paper goes on to say —

The introduction of such measures would radically alter state government taxation of land and buildings.

I must say that it would also radically adjust revenue for state governments.

In the context of the most recent call from the federal Treasurer, Joe Hockey, for a mature debate about tax, I want to refer to an article by Jessica Irvine in *The Age* of April this year. The article is headed "Land tax often overlooked in the tax debate", and it states in part —

Sometimes, the answer is right in front of your face. Sometimes, it's just below your feet.

As we embark, as a nation, on a sensible and measured debate about tax reform, land tax should be a major part of the discussion.

Of the roughly four things governments can tax—companies, individuals, consumption and land—economists agree that land is by far the most efficient source for taxation.

Why? Well, of course, all taxes distort behaviour in the economy. That is because the targets of taxation go to great lengths to avoid it. Think Cayman Islands.

Land tax is one of the most efficient taxes for precisely the reason it is unpopular: it is hard to dodge. They know where you live. You can hire as many accountants as you want, but it is difficult to hide that mansion in Point Piper.

Hate them as we may, taxes are a necessary evil to fund the things we want as a society, such as healthcare, education and to help the poor.

The goal of government should be to raise enough taxes while doing the least damage to the economy possible. Land tax is often overlooked in the tax debate, but the way forward is clear.

The Ken Henry review recommended land tax should be broadened to fund the abolition of other more damaging state taxes, such as stamp duty.

"Stamp duties are a highly inefficient tax on land, while land tax could provide an alternative and more stable source of revenue for the states," the review found.

Economists hate stamp duties because, as a tax on transactions, they prevent transactions from taking place that would otherwise have been mutually beneficial.

First-home buyers must save for longer before they can buy a home. Ageing property owners are discouraged from moving to smaller properties.

A broader land tax—applied to all homes in Australia—could raise significant revenues, and at a lower rate than now. Ironically, parties arguing for no land tax could have more success arguing for the burden to be shared more widely.

Presently, only half of the total value of land in Australia is liable for land tax, according to the Abbott government's tax discussion paper released last week.

This was back in April. It continues —

"This results in forgone revenue and distorts land use," the paper states.

For example, the application of high rates of land tax on large institutional landholders prevents large companies from investing in private rental housing. Instead, we have a cottage industry of landlords.

Renters get to live on the whim of mum-and-dad property investors, who are more likely to up and sell, and less likely to fix the leaky sink promptly.

More broadly, there is evidence of “significant economic gains associated with state tax reform”, the discussion paper finds.

Replacing stamp duty with a broad-based land tax could boost the economy by 1.3 per cent in the long run, on some estimates.

Implementation would be tricky.

There would need to be a provision for asset-rich, but cash-poor senior property owners to delay payments until their properties sold.

A new tax on homes, in isolation, would likely result in an immediate fall in prices, as the present value of all future land tax was factored into the sale price.

But if done in combination with a reduction in stamp duty, prices would be supported by buyers having more money upfront to spend on the purchase.

Over time, the economy would benefit as a less efficient tax was replaced with a more efficient one.

Most importantly, taxing land better would force a more efficient use of land in our major cities. Australian cities are home to some of the biggest houses in the world. A land tax would give grandmas in Woollahra, rattling around in their four-bedroom homes, more of an incentive to subdivide or downsize. No more sitting on windfall wealth from rising property prices and passing it on to the kids.

It is getting harder to ignore the glaring and rising wealth inequality across Sydney: the affluent inner sanctum versus the rest. Natural supply constraints and NIMBY councils —

That is, not in my backyard —

have pushed up prices, regardless of where the Reserve Bank has interest rates.

Sensible tax debates are, at heart, debates about what sort of society we want to be.

Should we be a society in which wealth is passed from generation to generation through property, a landed aristocracy 2.0?

Or should governments begin to tax wealth where they find it: at home.

The Economist magazine, hardly known as a bastion of left-wing thought, last week called for countries to rely more on land taxes to relieve affordability and drive more efficient land use in global cities.

Sound like pie in the sky?

Well, no. The ACT government recently committed to just such a reform. Over two decades, stamp duty will be phased out and replaced with a broad-based land tax on family homes.

Land tax offers a way forward for cash-starved state governments, with the added benefit that you do not need to wait for a sensible and measured tax debate in Canberra.

And I wouldn't hold my breath on that one.

That is what she was arguing in *The Age* back in April.

The last document I want to refer to is from the Grattan Institute. I then want to make the point that it is a very courageous government that goes down the path that these people are arguing for. I also want to make the point that every time a government tweaks taxes like land taxes, it causes a ripple effect of uncertainty out in the market. That has a flow-on effect as well. The fact that the government needs to keep making these announcements in what appears to everybody else to be an unplanned, ad hoc fashion is sending out the wrong message to a market that relies heavily on certainty. This article from the Grattan Institute of 2 July 2015 states —

State governments can go a long way towards meeting their budget challenges by raising more revenues from their own tax bases. The states control the most efficient tax base available to any Australian government: property. Well-designed property taxes drag less on the economy for each dollar of revenue raised than any other tax. Unlike capital, property is immobile—it cannot shift offshore to avoid higher taxes. Concerns about the risks of multinational tax avoidance, the increasing mobility of global capital and the increasing value of residential property relative to incomes should make property taxes a priority in any tax reform.

Property Taxes, a new Grattan Institute paper, finds that a modest property levy of just \$2 for every \$1000 of unimproved land value would raise \$7 billion a year for the states and territories. The annual charge on the median-priced home in Sydney would be \$772, in Melbourne \$560, and lower in other cities and the regions.

Again, this is an east coast article—the rest of us are just lumped into one group. I suggest that the Perth property market is fundamentally different from the Adelaide property market. It continues—

A broad-based property levy could help plug the gap for schools and hospitals left by the Commonwealth's decision to cut funding to these areas from 2017–18. Based on historical price trends over the past two decades, revenues from a levy on unimproved land values could double to as much as \$14 billion by 2024–25, offsetting much of the projected shortfall from Commonwealth cuts.

Higher property taxes could also be used to fund the reduction and eventual abolition of state stamp duties on property. Stamp duties are among the most inefficient taxes because they discourage people from moving to better jobs, or to housing that suits their needs better. Their revenues are inherently volatile. Shifting from stamp duty to a broad-based property tax would provide a more stable tax base, spread the tax burden more fairly, and add up to \$9 billion annually to GDP. The ACT —

As I have just mentioned —

is already phasing out stamp duty over 20 years, and replacing the revenues with higher municipal rates. Other states and territories could follow suit.

Alternatively, states could fix their existing land taxes, which are paid on around half of Australia's land by value due to exemptions for owner occupied housing and agricultural land, and minimum thresholds below which no land tax is payable. These state land taxes raise \$6.4 billion a year. Broadening their base to include owner occupied housing could raise about \$5 billion in extra revenues. Reducing the tax-free thresholds would raise even more.

That is fine for the authors of those pieces of work to say to governments that they should just levy another \$2 for every \$1 000 worth of unimproved value. If we were to go out and ask people what they thought of that proposition, I am fairly sure what we, as hardworking members of Parliament, would be told. I raise those issues not because I am advocating what they are advocating, because I am not, but because I want to make the point that when people say that we should have a sensible and mature debate about tax reform, I wonder who it is that they are actually engaging with in that debate. It would be a courageous government indeed that said, taking the suggestion in the Grattan Institute paper, "Well, to fix this, we're going to introduce a modest property levy of just \$2 for every \$1 000 of unimproved land value and we're going to lift the exemption for owner-occupied residential property." Go for it and see what happens! That is not going to happen. I also want to make the point—and I made this point in my speech back in May when we considered the last round of this government's tax increases—that what the market wants is certainty. It is this government's ad hoc approach to financial management that has resulted in uncertainty for the market. The government makes promises that it knows it does not have the money to pay for and has to rearrange its budget accordingly; it looks at it and wonders what its options are. Its options include tweaking payroll tax and tweaking land tax, so we find ourselves in a position where, for the second time in two months, we are debating increases in taxes to fix the big black hole created when some really smart person did one thing in the election campaign—that is, put a stamp on everything that said, "Fully funded, fully costed", because they were not.

HON SALLY TALBOT (South West) [2.28 pm]: Hon Sue Ellery gave an excellent account of where we are up to. Nearly halfway through the third year of the government's second term, we find that at every fortnightly sitting we have to stand up and make the same speech about a cut in concessions or an increase in tax set against the government's 2013 promises to do neither of those things. Nonetheless, we on this side of the house always rise to the challenge of finding new things to say about the incompetence of the Liberal–National government.

Hon Simon O'Brien: Same old, same old; every time.

Hon Peter Collier: You say the same thing.

Hon SALLY TALBOT: I do not think I have said that before.

The ACTING PRESIDENT (Hon Brian Ellis): Order, members.

Hon SALLY TALBOT: Indeed, my colleagues on this side of the house are saying they have never heard me open a speech like that before. In fact, I usually —

Hon Donna Faragher interjected.

The ACTING PRESIDENT: Order, members. I do not need to point out on regular occasions that there is only one speaker who has the call, and that is Hon Sally Talbot.

Hon SALLY TALBOT: Thank you, Mr Acting President. I know government members do not want to hear this, they would much rather —

Hon Peter Collier: We just don't want you to repeat it.

Hon SALLY TALBOT: I am sorry, but you get what you get!

Several members interjected.

The ACTING PRESIDENT: Order, members. We seem to be having interjections from both sides now, and I hope that I have not encouraged that. Just to make it clear, Hon Sally Talbot is the only one who has the call.

Hon SALLY TALBOT: It is really nice to see your spirit, Mr Acting President. Perhaps Mr Acting President gets so carried away by these things that he wants to join in, and I for one welcome that.

In the last three or four of these speeches I opened by rehearsing some of the arguments that I had used earlier, because it had seemed to us on this side of the house that eventually the government would wake up and hear the message that it cannot continue with this reckless approach to budget mismanagement. But the government has not, so I for one have looked for an alternative way to approach this problem. Hon Sue Ellery gave a very adequate account of the measures contained in this bill. One of several remarkable things is that we stand in this chamber today not just engaged in another argument about another tax hike, another broken promise, but this is actually the third increase —

[Interruption.]

Hon SALLY TALBOT: Interjections from behind as well now.

The ACTING PRESIDENT: Interjections in all sorts and forms now.

Hon SALLY TALBOT: This is actually the third time that we have debated an increase in land tax. Four years is an extraordinary long time to have this mob in government—eight years will seem like half a lifetime—but four years is not much time when one looks at the life of an economy. One would have seriously thought that when the government came to its first budget after the March 2013 election, it would have foreseen the need to make changes to land tax if that is what it had decided to do. We do not really know whether anybody has decided to do anything in the sense of having any sort of plan that can be followed, measured, assessed, monitored and audited. I do not think anybody on the government side of the chamber has a plan; they just have these ad hoc bits of revenue raising. It is like a constant car boot sale from the other side, except that it is a reverse car boot sale because every time a person walks along past the boots and looks at what is on offer, there is less and less and they have to pay more and more to go in to the car boot sale. There is no plan, but one would have thought that somebody could have sat down two years ago and said, “Look guys, we are going to get through to March 2017—we know that is the date because we now have fixed election terms—this is what we are going to have to do to land tax and this is what we are going to have to do to payroll tax.” Of course, what they have done to payroll tax is even more absurd than this. We are looking at only the third increase in two years to land tax, but the Liberal–National government walked into this place and passed legislation that granted payroll tax deductions. That was on day one, and on day two they came into this place with the first of several payroll tax hikes. But nobody has that kind of plan, and so here we are again looking at another increase in the amount of land tax that the Western Australian community has to pay.

No doubt this will be referred to more than a few times in this debate: this is all on the back of the FFFC, the Liberal’s fully funded, fully costed election promise in 2013. Let us have a little survey of the territory over which we have traversed since March 2013, since the FFFC promise was made. From memory, it was a delayed budget in 2013. I think it came down in September; it was not in the usual May because we had had an election in March. The 2013–14 budget was announced in the context of an FAP. To me, and I know at least to Hon Donna Faragher on the other side of the chamber, FAP means fertiliser action plan—they made a complete pileup of that as well—but in this case, we are not talking about that FAP, we are talking about another FAP; that is, the fiscal action plan. We were told there was a fiscal action plan with the 2013–14 budget.

The first situation of the fiscal action plan looked like five different ways of raising taxes or cutting concessions that roughly speaking—I have rounded the figures slightly—went like this: deferring non-real property exemptions was \$527 million. Remember, the time between the state election in March and the state budget could be counted in weeks. This was released weeks after the government said none of this would be necessary. Another \$338 million was to come to government coffers from the first of the three land tax increases of 12.5 per cent. Another \$155 million was to come from halving private vehicle concessions. This is the other side of the coin, sometimes the government hikes taxes and sometimes it cuts concessions. A further \$120 million was to come from charging school fees for the children of 457 visa holders. Gosh, I do not remember that being part of the Liberal or National Parties’ election platform in 2013, but a matter of weeks later that is what they marched into the house with. Of course, they could not quite get away with that one—it was slightly modified. Finally, a \$454 million addition to government coffers was to come from what was called a tax administration package. In the 2013–14 budget that came to a grand total of an extra \$1.5 billion into government coffers over and above anything that had been talked about only a few months before in the context of the state election.

Is that what the FFFC promise meant? Was the FFFC promise to say that all the government's commitments were fully funded and fully costed? At the time, I do not think the Western Australian electorate thought that for one moment. Even if the electorate was prepared to give the government the benefit of the doubt by the end of 2013, that has certainly changed now.

Let us move on. We then had the *Government Mid-year Financial Projections Statement*, and not much happened. I guess that is another reason the Western Australia community would have looked at what had been done in the budget—\$1.5 billion worth of cuts, concessions and increased taxes—and thought: maybe the books have changed substantially in that time and perhaps we now have a slightly different setting for the next three and a half years, perhaps things will be all right after all.

Maybe people thought that because the government did not announce any swingeing measures in the *Government Mid-year Financial Projections Statement* in December 2013, the bad news was all over, but of course it was not. By May 2014, the government was once again showing that it was desperate to find some more money. I will not go into all these details again because I have canvassed this aspect of the problem in considerable detail in the five or six speeches I have already made about the government's financial mismanagement. This all happened against the background of what almost every economic commentator in the country had called a royalties windfall that the government had experienced since 2008. This government had done the political equivalent of winning lotto week after week during those years, yet here we are in the 2014–15 budget on the back of \$1.5 billion that was milked from the Western Australian community in 2013. An additional—I have rounded the figures slightly—\$1.1 billion has been grabbed back from the Western Australian community in the shape of additional taxes and abolished or reduced concessions.

This story goes like this: there have been six different hits on the hip pockets of electors. The government grabbed back \$185 million by abolishing the private vehicle registration fee concession. Who does that affect? Do members really think that people like Gina Rinehart and Andrew Forrest thought, "Oh no, now we're in trouble. Never mind the falling iron ore royalties; the government has abolished the private vehicle registration fee concession." Of course they did not think that! This \$185 million was not taken from people whose back pockets were growing fat because of the economy; it was taken directly from the ordinary working people in Western Australia who have been the victims of this cash grab by a government desperate to stem the haemorrhaging of its budget—\$185 million with the abolition of that concession. We then get to the Perth parking levy increase. Again, I ask: who does this affect? I suppose that some multinational companies in Perth who buy parking spaces for their employees would have been affected, but the government raised \$73 million extra by increasing the Perth parking levy. I have to say that that is probably the one item in this long list that offends me the least. I find myself in the very curious position of agreeing with things such as the congestion charge in London, which has taken an extremely grubby, unpleasant city and turned it into something that is actually quite nice. Things that stop people bringing their cars into the centre of a city are probably a good thing, except we have to remember that there are two sides to that coin and we must have decent public transport. By "decent", I do not just mean that it runs, which, of course, anybody who lives anywhere other than on a main street in one of our major suburbs knows is definitely not the case in Western Australia, even in the metropolitan area. Even if a person lives just up the hill in Kelmscott, they cannot get a bus after 6.00 pm. Public transport must also be affordable. Neither of those boxes is ticked by this government. I just go back to that \$73 million that was hiked out of the increase in the Perth parking levy.

We then get to the third item, the \$222 million from the first home buyers transfer duty concession charges. This is one of several tweaks or cash grabs foisted onto first home buyers. This is the one that cut the transfer duty concessions, which amounted to \$222 million worth of extra cash for the government. We then come to the second round of thought bubbles about land tax and the second increase in land tax on top of the 12.5 per cent increase that occurred nine months before and came to \$338 million. The government had obviously decided that it was on to a jolly good thing here, so it had another look at land tax and put it up by another 10 per cent, which garnished another \$334 million for the government. Then we come to the port authorities and the 75 per cent interim dividend, which comes to \$93 million, and, finally, the increase in the land fuel levy, which netted a further \$202 million. That little list from the government's second budget of its second term added up to a further \$1.1 billion-plus. We are now up to \$2.6 billion. We have come off the back of a fully funded, fully costed election promise that has stripped \$2.6 billion of unforecast tax increases and concession reductions from the Western Australian community.

Moving right along, we come to the 2014–15 financial year—I know honourable members opposite are following my argument very closely—and the midyear economic review. By December the government could not let another opportunity go past, because by that stage, as I have alluded to in previous speeches on the same subject of tax increases, we were into that phase of this second term when the Premier, when asked by yet another minister to shell out another couple of hundred million dollars on yet another new facility in Western Australia, said, "We're running out of money, mate", but he still gave the minister the money. In that

particular case, that quote relates to a request from the Minister for Sport and Recreation for some new sporting facility. I am sure the sporting facility is fantastic, but we are told that when the minister put in that submission, he was told by the Premier, “We’re running out of money, mate”, yet he still got the money. We get to the midyear financial review and, as I said, the government could not let that opportunity go past. Another \$557 million was taken out of the economy and added to the government’s income coffers because of increased taxes and reduced concessions. The bulk of that \$557 million was \$418 million, which was the broken promise on the payroll tax increase, which is what I referred to at the beginning of my speech. This was the moment at which the government reversed a decision that it had taken through this Parliament only a matter of months before when it reduced payroll tax. The government came back into Parliament and got an extra \$414 million increase in payroll tax.

Then, of course, we come to this year and the 2015–16 budget, in which we find four major items. None of this has been made up. This is not “think of a number, any number” on the part of the opposition; these four measures are in budget paper No 3. The government got \$11 million when the cellar door subsidy was removed. People who were paying attention will remember that I asked the minister, Hon Col Holt, the other day what consultations had gone on. I never ask a question without knowing the answer, and I knew that there had not been any consultations. Industry was completely blindsided by that announcement. In light of that fact, I did not ask the minister to cancel the move; on behalf of that sector in my electorate, I asked him to defer that move for one year. Of course, the minister gave me a one-sentence, two-line response that basically said, “This is a budget measure; suck it up. We’re not going to change it.” What a message to give to one of the primary economic drivers in the south west of this state, not only in the south west, of course, but certainly it is a major part of our economy in the south west. The government has scraped \$11 million from that industry. A further \$109 million was gained as a result of another slug to first home buyers due to the abolition of the grant to buy established homes. Again, there may be sound reasons for doing these things. Do we ever get an explanation? Do we ever hear these measures discussed as part of a plan that has a strategy and a series of outcomes attached to it that could then be measured for the effectiveness of the moves that the government is making? No, of course we do not. Any justification for these kinds of measures is left to stakeholders to put forward or left to the electorate to put the pieces together and construct its own narrative about them. So \$109 million went into government coffers as a result of the abolition of the first home owner grant on established homes and \$149 million will go into government coffers as a result of fee increases to loan guarantees. My further reading on that subject told me that this relates mainly to universities and similar tertiary institutions.

Members heard the figures I read out. I think the highest one so far is the \$527 million from the deferral of non-real property exemptions. That is about half a billion dollars. At the same time the government is throwing the money away in dribs and drabs. As I have said before, it might just as well stand on the Narrows Bridge and chuck money into the Swan River. Every day that goes past there is a new example of income foregone and opportunities wasted. We saw another example just on the weekend. I do not know how much the government can get for naming rights in 2015 but I know there is a well-rehearsed argument in the community that while we may not particularly like our major institutions —

Hon Martin Pritchard: Sports stadiums.

Hon SALLY TALBOT: Yes, sports stadiums, theatres and that sort of thing. Although we may not like the naming rights of our major public institutions being put out to the highest bidder, it is nevertheless an extremely sensible way to proceed, providing it is done with propriety. Quite a few years ago when the idea of building a children’s ward at Peel Health Campus was first mooted, one of the first people who came to the table and sat down with the group under the direction of Arthur Marshall, the previous member for Dawesville, was Ralph Sarich, who was happy to donate enormous amounts of money to build a children’s ward in return for naming rights. Why did the Premier suddenly say at the weekend that he would not do that? I suspect it was because he is going to call the new stadium the Barnett sports stadium.

Hon Amber-Jade Sanderson: Elizabeth stadium.

Hon SALLY TALBOT: We already have Elizabeth Quay. That would be nice. Maybe it will be called Colin’s stadium so then the Premier can walk from Elizabeth Quay up to Colin’s stadium.

Hon Alanna Clohesy: Coliseum.

Hon SALLY TALBOT: Yes. Emperors have a fine old time in coliseums. Hon Alanna Clohesy may well be right. We can build all sorts of possible constructions and narratives around that weird decision.

One of the questions that I think we need to ask in this kind of debate is where is all this money going? If we sit in coffee shops or our electorate offices or if we move around our community in our electorates, as I do, and ask anybody where the money is going, they will all tell us that it is going down the Swan River to that mud heap. They will all talk about the sports stadium in exactly the same way as I think more than half the electorate in

2001 knew that \$5.5 million—it seems a small amount of money now—was going on the belltower. That was the money that the Court government took out of a stretched budget in 2000–01 to build the belltower. A substantial majority of the community could tell us exactly where that money should have been spent. It should have been spent on teachers, nurses and police officers, yet it went to the belltower. I think we are heading in the same direction now.

When I move through my electorate in a few years and we talk about \$38 billion of debt, people will say that that debt is a result of the sports stadium and Elizabeth Quay. What do those projects mean to people who live down in Bunbury or Mandurah? Where is the benefit for them in those projects? Why did we lose our education assistants? Why are our police services being cut? Why can we not get decent on-the-ground services for our kids who need specialist treatment outside the metropolitan area? It is because Colin is spending all the money on the sports stadium and Elizabeth Quay. That is the perception out there in the community. That is the answer to the big question about where the money is being spent.

I was working my way through the cuts that have been imposed on the Western Australian community in this year's budget when I got to the bill before us now, which is a good place to end up at the beginning of my introductory remarks. I came across the largest single figure related to any measure. I am talking about the \$826 million that will be raised as a result of the third increase to land tax. That comes very close to \$1.1 billion; in fact, I think it is an extra \$1.095 billion. Since 2013, a grand total of \$4.4 billion has been taken out of the pockets of ordinary workers, ordinary families and ordinary citizens of this state by this government that went to an election promising exactly the opposite—promising that there would be no tax increases and no concession removals. It promised that great empty promise that I have dealt with, the FFFC. Let us see where that brings us.

We have this whole question of the broken promise. I think it is worth spending a little time looking at exactly what this means. Anybody who may have sat down and read the back of a cornflakes packet with its little explanations about ethical dilemmas in modern life will know that any summary of the arguments around what it means not to tell the truth point out that if we ever deem it okay not to tell the truth, we totally remove any notion of truth telling. I could talk for a number of hours on this subject because I think it is particularly interesting. The person who got himself into extremely deep water on that subject trying to carry that argument through to its logical conclusion was Kant, a philosopher of not insubstantial reputation, who was able to show quite conclusively that if it is okay to lie, we lose the concept of truth. I ask members to try it. Just do the mind experiment on it. If we never know whether somebody is telling the truth, we have no concept of truth anymore; we just have a series of utterances and they all have to be interpreted the same way. We cannot do it without fundamentally changing the way human beings communicate with each other.

In the world in which we operate every day professionally, we have exactly that problem, because this government bought its way into another four years in office on the back of something that turned out to be a lie; it was on the back of a fully funded, fully costed promise that turned out not to be true. That has made everything that the government says, anything that the opposition says and anything that anybody says in a public policy setting to be without a foundation of truth. What did the Premier do when his cover was blown on the FFFC lie? He said that it was not a promise. Why would he not try that? To be honest, it is a pretty standard technique in any sort of argument. If a person's argument suddenly crumbles away under their feet and they find themselves in argumentative freefall, which is exactly what happened to the Premier, they have to quickly think of another story. One of the things a person does is to change the basics that they are arguing on. The Premier has a broken promise—it was clearly a broken promise—so one of his options was to say, "It wasn't a promise; you've misunderstood me! I haven't broken any promise because I didn't make one to break." That is exactly what the Premier did. He said that it was not a promise; it was a slogan. That is a bit of a problem, is it not, because the same principles apply and the same explanation about the nature of that problem applies to the truth and the lie. If we do not have any promises anymore and we just have slogans, or if every promise might be a slogan, where do we start? How do we tell? The Premier did not go into any of those details, strangely enough. It was obviously the only thing he could think of, and he has not come up with anything better since.

We now have an eroded basis of confidence in any kind of political activity, which fundamentally means policy action, and policy is what we all do. We all get involved in politics because we all have ideas and plans on how we make things better. What we ought to do is come into this place and talk about those things, but we do not do that. We come in here and we have to talk about some fundamental piece of trickery on the part of the government, which has left the electorate speechless. I will not say that, because they are not speechless, because when I listen to any public forum in which laymen of Western Australia—as opposed to this place—can make their views known, they are certainly not speechless, but they are horrified by what they have seen. They do not know where to go next. How do people talk about politics anymore when they have had such a blatant atrocity committed on their belief systems by the two political parties that have the reins of power at the moment?

I thought a good way to illustrate this in absolutely concrete politics—the politics with which we deal every day—is to compare three statements. The first statement reads —

By 2018, we will build MAX light rail and a train to the airport and we will give you tax cuts and impose no savings measures because everything is fully funded and fully costed.

Who do members think said that? No, I will not go there again; we have done that. I promised I would not rehash any of my previous arguments, so we are not going to have a quiz and members opposite should not get excited. It is probably not an exact quote. If that was run through a piece of software that detected plagiarism, I am quite certain that although it is not a direct quote, it will definitely come up with “Liberal Party, March 2013”, because that is what was said. It was all over everything. It was implicitly and explicitly over everything it said and did and on every bit of blue and orange paper that went into the letter boxes. The Liberal Party said —

By 2018, we will build MAX light rail and a train to the airport and we will give you tax cuts and impose no savings measures because everything is fully funded and fully costed.

Members can compare that with this statement, which again is not an exact quote, but if members googled it or put it through a piece of software to find out who said this, it would definitely be the right one. This statement reads —

I cannot commit to a payroll tax cut and the Labor Party cannot commit to that. We will not debt fund a tax cut. We are committed to the sensible management of the finances and we are committed to an honest account at election time.

That, of course, was a statement by the shadow Treasurer Ben Wyatt when he was addressing a function during the 2013 election campaign at which Hon Troy Buswell, who was at that time the Treasurer, made an off-the-cuff announcement about reducing payroll tax. That is what the member for Victoria Park said on behalf of the Labor Party. If members compare those two statements, they will see the difference between them. One is saying, “We will give you this, that and the other and we are not going to take anything away”, and the other is saying, “We are committed to the sensible management of the finances and to an honest account at election time.”

It is interesting to me that the Liberal Party’s sentiments were not followed up and were not part of that so-called promise that was made by the Liberal Party. It does not say, “By 2018, we will build railways and give you tax cuts and impose no savings measures because everything is fully funded and fully costed and we are committed to the sensible management of finances and an honest account at election time.” I will tell members why it does not: it is because the Liberal–National government is not committed to that, and to say that, in itself, would have been a lie. I will tell members how it works out in the end. This is the statement that we should have heard from the Liberal Party in the 2013 election campaign. The Liberal Party should not have said all that stuff about MAX light rail and the rail link to the airport, tax cuts and no cuts in concessions; it should said, “If we are elected at this election, we will introduce \$4.4 billion in revenue measures in three years.” Of course, it could not do that and the government did not claim to be honest and accountable and sensible managers, because it does not make promises—members opposite just deal in slogans! That is all we get now. It is official; it is on the record. It is the best thing the Premier can come up with to account for the mess we are in. They did not make promises; they just thought of a few slogans. Members should remember that as we move through next year. When the new year dawns in 2017, we should remember that nothing we hear from the Liberal Party or the National Party will be anything like a promise; it will just be a slogan. That is according to every member on the other side of this chamber, because I have not heard one of them dissent from that and I have heard plenty of them dissent from other things the Premier said, and I appreciate that. Nobody has dissented from that idea that they did not make promises and they just made slogans. That is the sad position we have ended up with after three interminably long years of this government’s second term.

Where has the money gone? I referred to this earlier. I noticed when I looked through debate in the other place that at one stage the member for Kalamunda, Hon John Day, the Minister for Planning, interjected when similar points were being made by our colleagues in the other place and said, “I suppose you want to pay nurses, teachers and police less money?”, as if that is where all this money is going. That is why I think it is really important for members opposite to get out more and talk to people who are not members of Parliament or their staffers. Members opposite should talk to them and say, “Hey, listen, do you know what we have done? We’ve hiked \$4.4 billion out of you in just under three years.” Where do members opposite think it has gone? They should do a little bit of empirical research in their own electorates. I bet members that no-one—I am prepared to be as bold as that—says, “Oh, it all went into higher pay for teachers and nurses and to giving us extra police. That is what it was; it was all absolutely worth it.” I bet members that not one person will say, “Thank you, Mr Barnett.”

Several members interjected.

The ACTING PRESIDENT (Hon Brian Ellis): Order! Hon Sally Talbot has only four minutes left.

Hon SALLY TALBOT: Thank you, Mr Acting President. I bet that anyone who has that conversation with an elector over this weekend will find that no-one in the community will come back and say, “Mr Barnett, thank you for taking that extra \$4.4 billion and giving it to all the nurses and teachers; thank you for the extra police; thank you for the extra nurses; thank you for the extra teaching assistants in our schools; thank you for keeping TAFE fees down; thank you for all that; it was absolutely worth it. Take some more.” I bet no-one will say that because they know it is not true. That is not where the money has gone. It has not gone into the pockets of essential service providers. It has gone into the government’s trophy projects. Now the cat is out of the bag: not only do government members want to spend taxpayers’ money on those trophies; they also want to name them after themselves.

Hon Peter Collier interjected.

Hon SALLY TALBOT: I wonder what Hon Peter Collier wants named after him. It will be very interesting when we get to that stage.

Hon Peter Collier interjected.

The ACTING PRESIDENT: Order!

Hon SALLY TALBOT: Hon Sue Ellery can take it on as a project to find out what will be called the “Collier Institute” or something like that.

Hon Peter Collier interjected.

Hon SALLY TALBOT: I am not taking interjections; I am just reading my notes.

The ACTING PRESIDENT: Order, members!

Hon SALLY TALBOT: I have only a couple of moments left.

Hon Simon O’Brien interjected.

Hon SALLY TALBOT: I have so much to say. I have all this information; I have not even started. I will quickly summarise, recognising that I have only a couple of minutes left. I might get another opportunity later. We might go into committee and I can make a clause 1 speech. I thoroughly look forward to that and then I can use all this other material on my desk that I have not started on. I will summarise now. This government has totally lost touch with what is going on out there. It sits up in its ivory tower of Dumas House whizzing up and down in the lifts. Mr Acting President, you may not know that members can go into the underground car park at Dumas House and get into a lift that does not stop anywhere except on the ministers’ floor so they do not have to talk to ordinary people, which is why I keep recommending that members do that. They have totally lost touch.

Hon Helen Morton: How would you know that?

Hon SALLY TALBOT: I was a parliamentary secretary.

Hon Helen Morton: I have never done it. I don’t know how to do that.

Hon SALLY TALBOT: I was a parliamentary secretary. I know how that building works.

Several members interjected.

The ACTING PRESIDENT: Order, members!

Hon SALLY TALBOT: Do members know what this reminds me of?

Several members interjected.

The ACTING PRESIDENT: Order, members! There has been far too much interjection.

Hon SALLY TALBOT: I keep getting these deja vu moments back to the years 1999, 2000 and the opening weeks of 2001 when the predecessors of this mob over there showed that they had totally lost touch with anything that is real to the Western Australian community. I remember one example of this. There have been a few times in the last couple of months when I have thought that members opposite have got very close to this moment. I know it will come in the next few months. I remember when the Liberal government wanted to make baby capsules in the back of cars compulsory. That was a very good thing.

Hon Peter Collier interjected.

Hon SALLY TALBOT: I have absolutely no idea what the Leader of the House is talking about. Has he gone off on some sort of psychedelic rant or something?

Hon Peter Collier interjected.

The ACTING PRESIDENT: Order, members!

Hon SALLY TALBOT: The Liberal government decided to make baby capsules in cars compulsory and we thought that was a very good idea and we completely supported it. However, we on our side of the house, said that the government should give a concession to low income earners. In 2001, Hon Richard Court stood up and said, “Oh, for goodness sake, they cost only \$75; if you don’t have \$75 to spare, you shouldn’t be having a baby.”

Several members interjected.

Hon SALLY TALBOT: That is what he said in the lead-up to the 2001 election. We are at the stage now that the mob over there has no idea how angry the Western Australian community is.

HON SIMON O'BRIEN (South Metropolitan) [3.14 pm]: Thank you, Mr Acting President.

Hon Robin Chapple: It’s Deputy President.

Hon SIMON O'BRIEN: No; it is acting. That was an unruly and inaccurate interjection!

Mr Acting President, a former occupant, whom we all know, of the position now occupied by the Leader of the House used to say when we were in the depths of opposition, “Well, the only thing sometimes you can do in opposition in this place is give the government the —

Hon Sue Ellery: I think I know where you’re going.

Hon SIMON O'BRIEN: How do I put this?

Hon Sue Ellery: Biological condition.

Hon SIMON O'BRIEN: It rhymes with threepenny bits. I think that is what Hon Norman Moore used to say, and what sage and wise counsel it was. In the depths of opposition there might have been the odd one or two of us who thought that we had better do that. Ultimately, I am not sure what the point is. The other thing when Hon Norman Moore was sitting there, or its predecessor under the old arrangement, when he was trying to get some progress on a bill before the house that had to be passed, and the opposition had finally sat down and someone from over here stood to make a contribution, he would look up with a shock of absolute stunned disbelief —

Hon Sue Ellery: Like the look you are getting now.

Hon SIMON O'BRIEN: No; I am not getting that now. What incredible restraint the current Leader of the House has. He knows that I would not be standing to speak on this Land Tax Amendment Bill, which I think is the bill we are on, unless it was to correct a serious mistake that had been made in the course of the opposition’s contribution. Indeed, I will do that in a sec. Hon Sue Ellery would never forgive me if I allowed some of what she had to say to go uncorrected. I have nothing to say, though, about what Hon Sally Talbot had to say. I listened with some interest to her remarks and was not any the wiser as a result of hearing anything she had to say. But as I alluded to in my opening remarks, Hon Norman Moore would be proud of Hon Sally Talbot, because she sought refuge in the only place she can when in her position and she does not know what to do—and that was to carp on at the government about keys to lifts and things like that. I understand that there used to be such a key. I used to have one. I was on the thirteenth floor. Of course, I never used the key, I would just —

Several members interjected.

Hon SIMON O'BRIEN: What I want to say, because we need to make some progress here, is that in the very wideranging debate that has been had, again we have had this myth come up, or this piffle—that is a new term; I have not heard that one before—about the Perth Freight Link, which the honourable Leader of the Opposition has been telling us about. The only problem is that some of us here can actually go back and know where this has come from. Members are looking at one of those members right now. I know where this has come from and why this has come about; and if there is anyone here who does not know, they need to know. This is an important issue of the day. I know that members opposite would not want their views to be corrupted by false and misleading information. Therefore I have to rise to rescue my colleague the honourable Leader of the Opposition before she continues to be sucked in and repeat the nonsense that we have been hearing from the Labor Party about this matter.

I will go over again how it occurred. It occurred in 1991 during a state by-election for the seat of Fremantle, when a desperate Jim McGinty, who had a real battle on his hands to hold that seat against Arthur Marshall in the context of the time, went to the then Premier, Carmen Lawrence—a person who would be admired by Hon Sally Talbot, I am sure, for her qualities—and said, “Carmen, I’ve got a bit of an issue here with a few locals. They don’t like this plan for the Fremantle eastern bypass.” So the Labor government of the day, in the teeth of that, made the shallow and irresponsible decision to get rid of the Fremantle eastern bypass—this is the key point—without any plan for how to do that and without any sympathy for what the ramifications might be. That is starting to sound a bit familiar today as members opposite criticise the government for not planning an alternative. We have heard that said over and over again.

In due course, in 1993 there was a change of government, and the Court government enacted, via a bill that went through this place, legislation to reinsert the road reserve into the metropolitan region scheme, and even Jim McGinty as Leader of the Opposition at that stage said the issue is now certainly dead and will not be revisited. Then in 2001 there was another change of government, and guess what the government decided to revisit? It was the Fremantle eastern bypass. In 2003, the matter was again debated extensively in this very chamber—I know, because I was involved in it—and the Fremantle eastern bypass was proposed to be deleted from the metropolitan region scheme; and, again, the Labor government of the day had no alternative plan—it simply wanted to appease a few of its supporters, and Jim McGinty in particular, in Fremantle. This government has come under attack for not having a plan for what it is going to do. Members opposite need to understand that all these problems arise from the action that was taken by the Labor government—which Hon Sue Ellery and a number of other people here were a part of, or were supporters of—to delete the Fremantle eastern bypass when it had no alternative plan whatsoever.

I would say to members opposite, without too overtly inviting unruly interjection—but I am sure they want me to finish and sit down as soon as possible, so perhaps they will cooperate—that I understand they are concerned about a proposal to upgrade Stock Road, thence into Leach Highway, and thence into High Road, Fremantle, and Stirling Highway, as a freight route. Members opposite are opposed to that, and they have some reasons for being opposed to that, including that people might have their homes resumed, and they do not like that. Do members opposite know where that idea comes from? It comes from their plan from those days. I can produce it for members in writing.

Hon Sue Ellery: From 20 years ago!

Hon SIMON O'BRIEN: It was not 20 years ago. It was when members opposite were last in government. They did something, did they not? I wonder whether there are any former parliamentary secretaries to the then Minister for Planning and Infrastructure, Hon Alannah MacTiernan, who might be around the precinct and might be able to clarify this. Maybe a Perth metropolitan area freight management review was conducted, under the auspices of Hon Alannah MacTiernan and the then Labor government, and maybe that freight management review said, "We have to come up with something post the Fremantle eastern bypass" and so the then government came up with a multipoint plan for what it was going to do. That plan included the extension of Roe Highway all the way up to Kwinana Freeway, full stop. That is where we are at the moment. That plan also included the upgrade of Stock Road, and then Leach Highway—remember the old spaghetti junction overpass as I described it at the time?—and then along High Road, with the removal of the trees alongside Fremantle Golf Course and a couple of the fairways, and the removal of the netball area along High Road. Have members opposite forgotten about all that? It is very convenient if they have, because that was the Labor Party's plan. If that was also the plan that the government wanted to go ahead with now, I would say now what I said then—it is a horrible plan; it is a terrible plan; and the government should not go ahead with it. That is why I give credit to the Minister for Transport, Dean Nalder, who came into that office recently, and who has said, "Hang on; I don't think this is the right way to go; let's see if we can contemplate some other way of achieving the outcome", and that is why he looking at the FEB route via tunnels and so on, and I wish him all the best in doing that.

Members opposite ought to understand that the one single point from which all of the problems of today now arise is the deletion of the Fremantle eastern bypass by their lot when they were in government. Every time members opposite get up and accuse the government of the day of not having a plan, and of wanting to chop and change, it all goes back to the Labor government's actions of 2003 or thereabouts. I know, because I was there. I was in this place when Hon Ken Travers, the then Parliamentary Secretary to the Minister for Transport and Infrastructure, Hon Alannah MacTiernan, tabled a document that thick. That document was the minutes of the Western Australian Planning Commission, which at meeting after meeting after meeting worked up its advice to the then government that it should not delete the Fremantle eastern bypass. However, at the last meeting that the WAPC had, that advice suddenly changed 180 degrees and sounded like a press release from the Labor government, and it was, "Go ahead and delete it." I remember saying publicly at the time that there are probably a few WAPC members who should have considered their position before accepting an order from the minister's office to give the government the advice it wanted rather than the advice that their expertise would lead them to offer to government. For every story that newer members might hear in this place, there is another story. They should not accept some of the nonsense that they are served up, like the nonsense that is being served up now in relation to the Perth Freight Link. It has got a big history. I am out of that portfolio and I have been for years, but one thing I want to make sure of is that if blame is to be cast around, it needs to be laid at the appropriate feet, and that is squarely at the feet of the Labor government, which a number of members here supported during that time. It is going to continue to develop. I will conclude on this point, as I commend the Land Tax Amendment Bill to the house for its further consideration.

Hon Peter Collier: You have mentioned it more times than anyone over there has.

Hon SIMON O'BRIEN: I hope I am not labouring that too much. It is an important matter. I want to conclude with the observation that it is not a matter of weakness for a minister such as Minister Nalder to stand up and say, "Yes, I am having a look at some alternatives." Yes, we have some arrangements with the Feds, but I still think it is legitimate for him to say that. If we can find a better way to achieve what we want, we ought to explore it. That is what seems to be happening.

The other thing that I can perhaps observe at this time in addressing the remarks of the Leader of the Opposition is that it is funny how these things go round and round over time. Back in 2007, I think it was, I came up with a proposal on behalf of the then Liberal opposition that in future we needed to move towards the movement of container operations from the inner harbour to a place outside the inner harbour. I gave a detailed plan of how that might be achieved, with benefits all round. Of course, there were certain people around the place who wanted to shout me down: "Heresy", they said, "You can't do that!" It is interesting that the same sort of group is now coming out in protest, saying that it is outrageous that the government is doing the Perth Freight Link and that what it needs to do is to move containers out of Fremantle harbour and out to the sound. The irony is certainly not lost on me. I was obviously way ahead of my time, but society is catching up. It was just drawn to my attention by another member that the City of Kwinana has just released its plan—a document for discussion—proposing, guess what? A new outer harbour away from Fremantle inner harbour and out in the sound. That will be the subject of further discourse I am sure, but it is good to see that at least one local government is catching up with me, even if the City of Fremantle could not manage that eight years ago. With those few remarks, and because I do not want to address everything that Hon Sally Talbot had to say—I will just limit it to important matters —

Several members interjected.

Hon SIMON O'BRIEN: Hon Sue Ellery is a thoughtful member who always makes a thoughtful —

Hon Sue Ellery: Stop it; that's like the kiss of death!

Hon Peter Katsambanis: Don't encourage him.

Hon Peter Collier: He's speechless!

Hon SIMON O'BRIEN: I commend the bill to the house.

HON ROBIN CHAPPLE (Mining and Pastoral) [3.34 pm]: I will try to bring us back to the metropolitan region scheme, which we are debating today. Sorry, no, the Land Tax Amendment Bill 2015! Before I start I would like to thank the advisers who came and gave us a briefing on this bill—Gary MacLean, Eli Hefter, Ivan Basei and Murray Hancock. I always like to thank the advisers, because it is always good to hear from the departments about some of the components of the legislation and to be able to ask a number of questions, which, indeed, we then bring into this place.

This bill seeks to amend the Land Tax Act 2002 to introduce a new land tax scale from the 2015–16 land tax assessment year. The new scale is part of a package of revenue and savings measures announced in the 2015–16 state budget in response to the challenging economic and fiscal conditions that this government has put us into. My notes do not actually say that but I thought I would mention it anyway, because we are clearly facing major fiscal problems. We have seen two massive loan bills and we will most probably have to have a third by 2017. This state government is doing its best in running around and trying to find methods to raise a little extra funding here and there through mining levies and a range of things that are coming before us. The land tax scale will introduce a minimum flat tax rate of \$300 for properties with an unimproved value of between \$300 000 and \$420 000. It will also increase land tax rates, with the exception of the top rate, and adjust some thresholds, for which the rates will change. The current exemption threshold of \$300 000 will remain unchanged. I want to talk a little about that a bit later.

Under the current scale, the top 1.5 per cent of taxpayers who own land with an unimproved value of \$5.5 million or more pay 74 per cent of the total land tax revenue. Taxpayers with land with an unimproved value of between \$300 000 and \$1 million comprise 81 per cent of all land tax payers but contribute only three per cent of land tax revenue. The revised scale seeks to more evenly distribute the land tax burden across all land tax payers, which is more consistent with land tax arrangements in other jurisdictions. In this regard, under the new scale the top 1.6 per cent of taxpayers who own land with an unimproved value of \$5 million or more will pay 66 per cent of total land tax revenue, and taxpayers with land with an unimproved value of between \$300 000 and \$1 million will contribute 6.3 per cent of land tax revenue. Except for South Australia, all other states levy a minimum flat land tax, the average of which is \$365. According to the minister, despite the changes to the land tax scale, Western Australia's land tax system will remain competitive with that of other states. For example, for a landholding with an unimproved value of \$1 million, land tax payable in Western Australia will be \$1 750 compared with \$2 975 in Victoria, \$4 500 in Queensland and \$11 588 in Tasmania. Following the passage of these legislative amendments, the new land tax scale will be reflected in the

2015–16 assessment notices that the Commissioner of State Revenue will issue from around late September this year. It is estimated that this measure will raise \$1.84 million in 2015–16 and \$826 million over the four years to 2018–19. It is a significant fillip to a cash-strapped budget.

Obviously, that is a very significant departure from the previous policy that underpinned land tax in this state. The Land Tax Amendment Bill 2015 will also change some thresholds and will increase all rates except the top marginal rate. That is quite a significant change. The bill will see an \$826 million increase in land tax. I am mindful that many years ago we actually saw this sort of thing happening with the waste avoidance recovery scheme. A series of taxes were raised, in essence, for one purpose, but they actually ended up helping Treasury's bottom line. Since the 2013 election we have not seen increases in land tax, but there have been increases in tax generally to tune of \$4.4 billion in revenue measures. There has been the abolition of transfer duty on non-real assets, an increase in school fees for the children of 457 visa holders, land tax increases of 12.5 per cent, another land tax increase of about 10 per cent last year, a landfill levy increase, which I have just mentioned, an increase in train station parking fees, the non-metropolitan regional improvement tax, changes to motor vehicle concessions and changes to the transfer duty exemption for first home buyers. Loan guarantee fees have also been increased.

Looking at tax per capita as a key indicator, if we actually refer to the overview of state taxes and royalties of 2014-15 by the Department of Treasury of Western Australia, we see there has been a significant rise. When we look at the latest Perth real estate figures—I refer to an article of 7 February 2015—the turnover in the December quarter was about 14 per cent below the 15-year average. The slowdown in the mining and resource sector has been causing the population growth rate to fall, and we also know that a number of fly in, fly out workers who were using the metropolitan area as their base have now returned to their original states. So we are starting to see some changes there.

This situation is likely to affect the housing market for all of 2015. The downturn in the mining and construction sector continues to impact on the Pilbara, with Port Hedland house prices dropping almost three per cent in the quarter, and 14 per cent over the year to a median price of around about \$773 000. Karratha has been hit much harder; it is down 15.4 per cent in the quarter, and down by almost 30 per cent over the year to \$499 000. We have to remember that two years ago people were buying a block of land up there on spec for about \$1 million. There has been a significant downturn. We also know the Karratha area has somewhere in the region of 400 properties vacant, and that all the mining camps, which were absolutely huge, are now empty. I do not think there will be any real improvement in the market up there for some considerable time. But that has also had a flow-on effect to the metropolitan region in that, as I have already pointed out, the people who were here for the mining boom have returned, to a large degree, to the states from which they came. The turnover for the December is about 14 per cent below the 15-year average. The overall results for the quarter pointed to steady prices but falling sales.

When we had the department in for a briefing we asked a number of questions, but I really need to see whether I can get some further clarification. I received some notes from the department, and I will try to deal with those and see whether we can arrange for slightly more clarification. We asked about some of the tenements being subject to land tax in the mining sector. Land is normally exempt under section 35 of the Land Tax Assessment Act 2002 unless it is owned in fee simple, in which case the owner of the land, as distinct from the holder of the tenement, is liable for the tax. The point we were trying to get to is what we refer to as the Hampton Land District in the goldfields–Western Desert area. There are approximately 1 900 tenements in that area, so we really want to know what impacts the bill might have.

The next part of that question was: what if a tenement owner owns this area in freehold? The answer given was —

As set out in one above, tax would be payable on the freehold interest.

This advice was provided by the principal policy adviser to the Ministers for Finance; Mines and Petroleum. The answer continues —

My understanding is that these situations would not be common with I suspect most mining tenements being over Crown land but in any event, land tax would be payable on the freehold interest regardless of whom the owner was ...

I really do need to know whether those tenements and what we refer to as “Hampton lands” will be subject to the changes brought about by the bill we are dealing with.

We also sought information in respect of pastoral leases liable for land tax. The answer provided reads —

Section 8(1) of the Land Tax Assessment Act deems a lessee or licensee of land from the Crown to be the owner of the leased or licensed land. While this may bring pastoral leases into the base in the first

instance, an exemption (Part3, Division 3 of the Act) applies for land that used for a primary production business. Pastoral businesses would fall with the definition ...

The definition reads —

Land is used for primary production if it is used for any of the following —

- (a) the growing or rearing of plants (including trees, fungi or any crop) for the purpose of selling them, parts of them or their produce;*
- (b) the breeding, rearing or maintenance of living creatures for any of the following purposes (produce animals) —*
 - (i) selling them, or their progeny, for food;*
 - (ii) the production or collection of their skin, shells or bodily produce;*
 - (iii) selling parts of them or their skins, shells or bodily produce;*
- (c) the breeding, rearing or maintenance of produce animals for the purpose of selling them or their progeny*
 - (i) for stud purposes; or*
 - (ii) to be used for a purpose set out in paragraph (b)(i), (ii) or (iii);*
- (d) the breeding or rearing of horses for the purpose of selling them or their progeny;*
- (e) any other thing prescribed for the purposes of this subsection.*

I seek some clarification on two points made in that reply. We know that some farming and pastoral land has or is being used for carbon storage. That is now deemed something people can do with their land. If that is the case, because they do not sell, harvest, cut it down and move on the product, will those properties that carry out carbon storage be caught by the Land Tax Amendment Bill? That is another point we really want clarified. With the passage of new pastoral lease arrangements, there is the possibility into the future to hive off various parts of pastoral leases for residential purposes and get freehold of some of those areas. It will be interesting to see how this land tax provision might affect those properties when that comes to pass. I am looking to get a much more specific answer to that question.

We note that in the briefing on the first point there was no specific exemption for land used for reforestation if it is for the purpose of selling carbon credits. Only if the landowner eventually cuts down those trees generating a carbon credit, would they get an exemption, because they are then selling a product. But carbon sequestration is not a product, so it would not receive an exemption. I really want clarification of where this legislation will leave pastoral and farming people who have moved into that area.

We talked about budget paper No 3's table outlining the estimated implications of the new tax on the fiscal year and going forth, and I am mindful that whoever is in government, now and into the future, will have a major problem for at least the next couple of years dealing with the deficit we are now entering into, and which I estimate will be about \$32 billion within a very short space of time. I suppose, at another level, we really want to know: with the downturn in the housing market will the increase in land tax remove the incentive for average-priced investors to enter the rental market? What the government might gain on the swings, it might lose on the roundabouts. In a cash-constrained environment, the extra charges the government is putting into the housing market via this legislation could have some quite detrimental effects, which in turn could possibly lead to a slump in the rental market and deny those who cannot afford to purchase their own homes access to affordable rental properties.

There is another issue we did not raise that I think we need to deal with. I would like to thank my electorate research officer who happened to think about this issue last night and brought it to my attention. Land tax is for people who do not always live in their principal place of residence in Western Australia. We have quite a large cohort of people from Western Australia who work overseas, some for quite lengthy periods. They go out on long-term contracts, mainly in the oil and gas industry, to Saudi Arabia and places such as that, and their principal place of residence is not in Western Australia, because they are overseas, but they have housing here. How will this legislation impact on those people who have invested in housing in Western Australia, but it is not their principal place of residence? Will the higher levy force them to sell? If they come back to Western Australia and sell their house, will this legislation make it harder for them to re-enter the property market when they are no longer working offshore? What about those who inherit a family home or a deceased estate that was purchased decades ago who find that the value has significantly increased? Say a property bought for \$100 000 that might be now worth one million bucks—that it is going to be a massive slug. It would be interesting to find out whether the legislation will increase the potential for people to keep a family home they inherit or whether they will need to almost immediately put it on the market to pay for this increase in land tax.

Land tax will be a huge disincentive for the average-price purchaser, but not for those in a higher price bracket who can afford to pay the tax, because that tax bracket has not risen. I suppose it comes to whether this is actually a socially sound piece of legislation. In the future, will it disadvantage people who are less able to afford to get into the housing market? Will it assist a two-tier society in which only those at the top end of the income stream are able to afford to get into housing? Will this legislation make for greater division in the community? Obviously, I want to go into committee on this bill because I need to clarify some of these points, but I hope the minister dealing with the matter, when he returns, will be able to answer a number of these questions.

Hon Peter Collier: I have not left.

Hon ROBIN CHAPPLE: I am sorry. I do apologise.

That is my contribution, and there are a few more points to be raised out of that.

HON MARTIN PRITCHARD (North Metropolitan) [3.57pm]: I rise to make some observations and comments on the Land Tax Amendment Bill 2015. Firstly, I believe that this bill has as its primary measure the aim of raising money for the government to try to fix the financial black hole that its unfettered spending has landed us all in. It is a financial black hole that we never had to have. If those with their hands on the state's purse strings had only learned that we have to live within our means. I have mentioned in previous contributions in this place that I think that this government would have operated much better fiscally if it had kept in the collective mind of its members a couple of simple life lessons. I have just mentioned the first, and the second is that chickens always come home to roost.

Hon Simon O'Brien: That's a poultry argument!

Hon MARTIN PRITCHARD: Unfortunately they do not always come home to roost with those who are to blame, but they always come home to roost. I hate to hound on about these simple lessons, but it is very important. We have a debt or line of credit—if that makes the government feel any better about the situation—of some \$36 billion, and we still have nearly two years to go before the electors of Western Australia have an opportunity to choose an alternative government. That is two years in which it will be possible for this government to introduce yet another loan bill that could further degrade the state's financial position.

That this government has the audacity to again turn to the land tax money tree to try to fix this fiscal black hole with this bill seems to have caught the Property Council of Australia by surprise.

An article in *The West Australian* on 20 May reads —

The Property Council will ask the State Government to begin talks on tax reform in the next few weeks and said the land tax hike announced in last week's Budget had been met with disbelief by the property industry.

“The reaction to the tax increase for the third year in a row was one of disbelief and was not something expected by our members,” WA executive director of the Property Council of Australia Joe Lenzo said.

“There was also no indication from the Government that it wants to fix this problem, no review of land tax and no talk about a trade off.”

As a result of the change, more investment properties will attract land tax. The Property Council says as many as 10,000 investment property owners may get their first a land tax bill.

It goes on to say —

Land tax on properties in the \$1 million threshold would rise from \$770 to \$1700.

It further says —

“But ramping-up land tax revenues without offsetting tax measures will make WA a less attractive place to invest at a crucial time for the State's economy,” Mr Lenzo said.

It also seems as though the Real Estate Institute of Western Australia was not expecting the government to visit this particular issue. An article in *Farm Weekly* on 21 June says —

THE Real Estate Institute of WA (REIWA) has slammed the State Government for again increasing land tax in the State Budget, the third consecutive budget increase in land tax.

“It's dreadful the government is increasing land tax by lifting tax rates and adjusting thresholds,” Mr Airey said.

“This move will generate \$826m for the government over the next four years.

“This tax, especially for commercial properties, will be passed on to tenants through increased costs across the board.”

Mr Airey said the huge hike in land tax was another illustration of the State Government's heavy reliance on property taxes to fill Treasury coffers.

"Once again I call on the government to have a mature, long overdue discussion with businesses and the wider community with regard to completely reforming the property tax system.

It seems somewhat unfair to me that the current government has so poorly used the benefits that it has been in receipt of from royalties from iron ore over the last several years and will now impose extra costs on the small property investors in this state, which I suspect are often small business and, in many cases, families. To understand this mismanagement, we have to turn again to the position that this state was in when the electors of Western Australia handed this government the reins in 2008. At that time, the Liberal Party's promise going into that election was that it would lift the tax burden on Western Australian business to free up funds that can better be used to invest, expand and innovate. I can understand why it may have made that promise then because there was no better time to head down that path than in 2008. State debt was just over \$3.5 billion and there was unprecedented growth in not only the price of iron ore, but also production. The royalties flowing from iron ore to the state coffers were enormous.

I am not sure how the Land Tax Amendment Bill 2015 fits into that promise, but I suppose the position of this state now is a far cry from where we were then. Still it would seem fair to ask whether this is still an objective of this government or has it been thrown by the wayside as so many others have? If this commitment has been thrown by the wayside it looks as though it may have been done quite a while ago. If not, one might struggle to see how the commitment lines up with a 12.5 per cent increase in land tax in 2013–14, and a further 10 per cent increase in 2014–15, which has raised for this government some \$670 million. The latest bill is expected to raise a further \$826 million. Given the situation, it is not too hard to understand the concerns raised by the Property Council of Australia, the Real Estate Institute of Western Australia, and in particular those 10 000 property owners who may get their first ever land tax bill. I have to say that this does not seem consistent with the Liberal Party promise during its election campaign that it would lift the tax burden on Western Australian business to free up funds that can better be used to invest, expand and innovate. During that time this government has increased payroll tax, transfer duty on non-real business assets, loan guarantee fees, the landfill levy, the Perth parking levy and the dividend from the state-owned utilities, all of which again does not seem consistent with the Liberal Party's commitment to lift the tax burden on Western Australian business to free up funds that can better be used to invest, expand and innovate.

I am sure that this government would like to have been in a better position to keep the commitments it made leading up to the last two elections. I do not think that it set out to deceive the electors in 2008 or in the last election. I am sure it set out with all the good intentions in the world to do the best that it could for the Western Australian public, but, unfortunately, it has fallen well short in many areas, not the least of which being the running of the state's finances. I do not think that the government really wants to introduce another bill that increases land tax, but its failings in other areas means that it has no other choice. The real question is: what are the pressures that make this action necessary? I believe that it comes down to the Premier's propensity to spend money. When the Premier took charge of the state's finances in 2008, we had a debt-to-revenue ratio of around 19 per cent; it is now over 83 per cent. We had state debt of about \$3.5 billion; it is now climbing to \$36 billion. We had a AAA rating, and now we do not. From 2008 to earlier this year we had unprecedented income from iron ore royalties—then good, now bad. My concern is that if we graph these results from 2008 until now, we have to really worry about the next two years. For that reason, I can offer no comfort to the Property Council and the Real Estate Institute of Western Australia, let alone those 10 000 property owners who may get their first ever land tax bill. Under this bill, who will again be required to assist the government to fix this fiscal black hole of the government's making?

I would like to briefly return to an article that I quoted earlier to make a slightly different point but one that is very close to my heart. The article is titled "Land tax budget anger" and quotes the Real Estate Institute of WA. It states —

"The \$10,000 grant for first home buyers who build a new home will remain in place.

"This decision is pushing many first home buyers to the urban fringes, contrary to the government's own urban infill policy.

"By aiming the FHOG —

The first home owner guarantee —

to new constructions only first home buyers who want more affordable, established homes in older suburbs are being disadvantaged.

"This creates an imbalance in the housing market and adds to urban sprawl."

I was going to conclude my remarks there but I wanted to make one more point about a matter raised earlier by Hon Sally Talbot. She talked a little about promises, commitments and such. It reminded me of two other cringe moments that really spurred me on to get involved in politics. One was when John Howard said, “Don’t worry about that. It was a promise but it wasn’t a core promise.” He drew a distinction between non-core promises and core promises. In the past I think the current Prime Minister has said, “Don’t believe anything I say unless it’s in writing.” Talking about commitments coming into a campaign as just being slogans only adds to the cynicism of Western Australian electors. I am the newest member in the house so probably the newest to have the role of being elected in most recent times. I can say that it adds very much to the cynicism of the electors if they cannot believe a major party making a commitment leading into a campaign. I think it is important that we try to keep our commitments, our promises or whatever we wish to call them. If we cannot keep our promises or commitments —

Hon Helen Morton interjected.

Hon MARTIN PRITCHARD: It is okay, honourable member, I do not mind using more time but I will wait for you.

I think it is very important that major political parties try to keep their commitments, or whatever we wish to call them, that they make in the lead-up to an election. If they cannot—I understand that sometimes they cannot—I think the honourable thing to say is, “We couldn’t keep that commitment. Circumstances have changed. We have had to change with the circumstances.” That is an honourable way of dealing with it. To try to call black white and white black by saying, “It is not a commitment, it is a campaign slogan” or “It is not a core promise, it is a non-core promise” or “Don’t believe me if I don’t put it in writing” just adds to the cynicism and does not contribute to good government. I urge all parties, not just one side, that if they make commitments, they should do the honourable thing and take responsibility for those commitments and deal with it. We all find ourselves in situations in which we have to change our mind. Circumstances change quite regularly, but deal with it, man up to it and say, “I’ve had to change my mind.” Do not try to blur it by saying that black is white. With those words, I conclude my comments.

Debate interrupted, pursuant to standing orders.

[Continued on page 5690.]

Sitting suspended from 4.14 to 4.30 pm