

FOREIGN INVESTOR SURCHARGE

Standing Orders Suspension — Motion

DR M.D. NAHAN (Riverton — Leader of the Opposition) [2.57 pm] — without notice: I move —

That so much of standing orders be suspended as is necessary to enable the following motion to be moved forthwith —

That this house condemns the McGowan government for imposing the job and investment-destroying foreign investor surcharge, which has seen a \$1.4 billion development put on hold, will see 600 subcontractors lose work, and which is not delivering the revenue the government forecast it would deliver.

I understand that the government has offered 15 minutes to each side to debate this motion.

Standing Orders Suspension — Amendment to Motion

MR D.A. TEMPLEMAN (Mandurah — Leader of the House) [2.57 pm]: I move —

That the following words be added to the motion after “forthwith”—

, subject to the debate being limited to 15 minutes for government members and 15 minutes for non-government members

Amendment put and passed.

Standing Orders Suspension — Motion, as Amended

The SPEAKER: Members, as this is a motion without notice to suspend standing orders, it will need the support of an absolute majority for it to proceed. If I hear a dissentient voice, I will be required to divide the Assembly.

Question put and passed with an absolute majority.

Motion

DR M.D. NAHAN (Riverton — Leader of the Opposition) [2.58 pm]: I move the motion.

The government made a mistake. It put a foreign investor surcharge on a declining industry. The government was warned, but it is now destroying jobs. The Premier was elected on a campaign of creating work in Western Australia. The number one rule is: do no harm, and the Premier is doing harm. He is destroying jobs. The Treasurer laughs, but this is a fact. The Premier is destroying jobs and the government is earning very little revenue. This is serious. The Premier comes up with all sorts of excuses but the facts are clear. Far East Consortium is building a very large project at Elizabeth Quay. It has bought land by Perth Arena to build a \$1.4 billion facility that includes apartments. It has paid the land tax, so it is not the land tax or the 50 per cent cap put on by the commonwealth—it never planned to go 50 per cent foreign sales; it is the state government. It has been reported that the company has been out there trying to sell the properties and it had been going well until now. What happened now? The government’s foreign investor surcharge came into effect early this year. Last year, Far East Consortium was doing well and it sold 120 apartments. The sales have gone to zip, close to nothing, and the company wanted to take the 600 people who are currently working and employed at EQ and move them to its new Perth Hub development. Because of the government’s tax, it has announced that it will not do that. Those 600 people will lose their jobs. Those 600 jobs are being destroyed by the government. When it proposed a foreign investor surcharge before the election, the Labor Party was warned. It was warned after the election before it put it in, and now the data is coming forward. All we can do is say, “Backflip.” This government specialises in this. Do a Sam Kerr—backflip. When members opposite are at the soccer, go out there and just do a backflip. Save people’s jobs. It is on their watch; it is in their power. This is when the government can really create jobs—by not destroying jobs. That is what it is doing. The government was warned by every group. The Minister for Housing said that this is a different government—it listens. So listen to the housing industry, the Master Builders Association and the Urban Development Institute of Australia. Listen to them. They are singing in chorus loud and clear that the foreign investor levy that the government put on is killing jobs and investments.

It is not only Far East Consortium. Finbar Group, the largest apartment builder in this state, has also indicated that this surcharge is killing 70 per cent of its foreign sales and 25 per cent of its total business. Foreign sales are important. They are not generally 50 per cent of sales; they are between 15 and 20 per cent of the apartments sold at complexes. Foreign sales are crucial because foreigners buy apartments off the plan rather than when they are finished, and they are absolutely vital to get approval to go ahead and build. They are not large, but they are vital, and the government’s surcharge was an act of suicide and a threat to employment in this state that has come to fruition. The government was warned by us and everyone. Indeed, this is the most stupid thing that I have ever seen. This levy was introduced in other states to do exactly what it is doing in this state. It was put in the other states and around the world to stop investment and take the heat out of an overheated market. We do not have an

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overheated market; we have a declining market. We have a market that is struggling both in price and volume and the government put a tax on the foreign sales that are crucial to get new developments happening. It is having an effect and destroying jobs. A good example is the Momentum apartments in the City of Canning. This example illustrates the widespread damaging impact throughout the economy. That Momentum development is crucial for the government's transport-oriented development and sale of places around the new train centre as part of Metronet. Today the developers have also indicated that, as it is for Far Eastern Consortium and Finbar, sales are declining because foreigners have said, "Perth doesn't want us; don't invest in Perth; stay away"—and they are.

The government is not making as much money as it predicted. It has made \$124 million over the first three and a half years of the levy. It was predicted to be about \$10 million this year. Our evidence from a question in the other place is that so far it has \$4 million out of that \$10 million. It is way down. The reason is that no-one is buying. No-one pays the duty if they do not buy. This is easy; this is one way that the government can talk about jobs. Yes, members opposite said more full-time jobs have been created, but job creation in this state is not keeping up with demand. The unemployment rate is getting higher. When we raised this issue, we got ridiculed from the classic junior minister, the Minister for Tourism, who said that the idea that putting a foreign investor levy would decrease demand was, and I quote, "Ridiculous". But that is what it was meant to do in other states. The Treasurer as usual denies that it will have any impact, and that if it has an impact it will be marginal. He also denies that it will have any impact on the volume of sales and revenue. He is in denial. He lives in his own little cloistered world. This is a serious issue. The government brags that it won and is proud that it got elected to create jobs, but the government is destroying them. Members opposite know that this tax is destroying jobs. The evidence is here, there and everywhere. Look over east. It met their aim and it led to a decline in investment and job creation in the industry. Just to show members, the Treasurer forecast that about 5 000 apartments are planned, considered or being marketed in Western Australia right now. If this tax comes on, and the impact of last year holds true, over the past 12 months to February before the tax applied, there was a 68 per cent drop in apartment approvals in Western Australia. The reason in large part is that in order to get those apartment complexes built, they have a sell a bit to foreigners—not 50 per cent, but 15 to 25 per cent. The government has told foreigners to stay away, so the whole thing has dropped off. The evidence is there.

Do a backflip. The government did it for Perth Modern School and for Schools of the Air, and it did it for the most ridiculous one—the nationalisation of the crayfish industry. This government specialises in this. Do it for jobs. Do it for the 600 people whose jobs the surcharge has destroyed, and the other people who work for Finbar and elsewhere. Do it to support Metronet. Do it to revitalise foreign international students in this state. Do it for this state, but just do it. Be real; be a job-creating-ready Premier who does not hide behind his rhetoric. This is serious.

MRS L.M. HARVEY (Scarborough — Deputy Leader of the Opposition) [3.07 pm]: I also rise to contribute to this motion. We raised this matter today because it was in the press this morning that a \$1.4 billion project with 600 jobs attached to it has fallen over. It was quoted in the article that this project had fallen over because of the seven per cent foreign investor surcharge. That is the reason that the opposition brings this issue to Parliament today. I take on board what the Minister for Housing and the Premier said earlier about listening to business. I quote from *Hansard* of 19 February 2019. Premier McGowan is quoting from the Master Builders Association and Sandra Brewer from the Property Council. At that time he said, "I like quoting Sandra Brewer." He likes quoting Sandra Brewer when she agrees with what he is saying, but he does not like quoting Sandra Brewer when she is pointing out the problems that his seven per cent foreign investor surcharge has caused for the property market. Is the Property Council one of those business groups whose advice he takes on board or not? Why would it have it right about the Infrastructure Western Australia Bill but have it wrong about the seven per cent foreign investor surcharge, when it is dealing with the very construction companies that are saying that they cannot get their developments off the ground because they cannot get the presales that then support them going ahead with the business case? That is what they are saying, and members were warned at the time that this was being proposed. The Urban Development Institute of Australia said —

The Government's announcement that it will hit foreign residential property buyers with an extra 7% tax surcharge is very disappointing as it will jeopardise the property market and WA's broader economic recovery, ...

That was from the UDIA.

In March 2017, the Property Council of Australia said —

"The ... surcharge on foreign investors in residential property would limit WA's economic growth, constrain the ability of local businesses to raise development capital, and result in less real estate sales," ...

At that point, the property council WA executive director, Lino Iacomella, envisaged only a four per cent tax, but the government put in a seven per cent tax. Foreign buyers usually make up around five per cent of real estate in WA and we need to double this to achieve our urban infill and density targets. Presales to foreign investors in WA is essential to underwrite new multiunit projects emerging around retail centres and train stations. The government

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was warned. The Minister for Housing actually said that he has pledged to ask Treasurer Ben Wyatt to consider the WA property industries' plea to defer the foreign buyers surcharge by two years. UDIA and property council were begging him: "The housing market is in a slump. Please defer this for a couple of years and give our construction guys, our construction companies and our property market a break and let us have a competitive advantage over investments on the east coast." But he did not listen. He decided not to defer for two years. Instead we now have terrible media out there. The assistant governor of the Reserve Bank of Australia, no less, said —

"I would only observe that given the WA market was not particularly buoyant to begin with, putting a tax on it wouldn't seem to help that circumstance," ...

In that article, a Reserve Bank of Australia senior official said —

Western Australia's newly introduced foreign-buyer tax would not help the state's property market, ...

Damian Collins from the Real Estate Institute of Western Australia was disappointed with the budget and the government's move to double-down on the seven per cent foreign owner duty surcharge despite the new tax having negatively affected building and off-the-plan sales since it was implemented at the start of this year. I quote Damian Collins —

"In the 2018–19 budget, the WA government forecast the FODS would bring in \$123m worth of revenue for the state over three and a half years, but in the first five months a measly \$2m has been raised, ...

That is because it scared foreign investors off and the sales are not happening. We are imploring the government to reverse these changes and bring those 600 jobs in the Perth hub back online to make that project viable. Woe betide any investors or construction companies in Western Australia if Bill Shorten gets in. There will be a doubling of the capital gains tax and negative gearing changes, which will result in reducing demand for property, reducing investor decisions to provide housing stock and pushing rentals up, which is what happens when we reduce supply to the market. God help Western Australian investors and the housing sector if those policies come in and are layered on top of this anti-housing, anti-construction, seven per cent foreign investor surcharge.

MR M. McGOWAN (Rockingham — Premier) [3.13 pm]: The government will not be supporting the motion. I want to outline a few facts for the house. We took the foreign investors surcharge as a policy to the state election and we implemented a foreign buyers surcharge as we said we would prior to the elect election. The reason we did that was we wanted to ensure that foreign property purchasers actually contributed something towards —

Dr M.D. Nahan interjected.

Mr M. McGOWAN: I did not interject on the opposition; no-one on our side did.

A member interjected.

The ACTING SPEAKER (Ms M.M. Quirk): Leader of the Opposition, you're on two calls already.

Dr M.D. Nahan: It wasn't me.

The ACTING SPEAKER: It was not? Sorry.

Mr M. McGOWAN: We took it to the state election because we wanted to ensure that foreign property purchasers actually contributed something towards all the infrastructure and every other beneficial support provided. We followed the exact same policy of the Liberal governments in New South Wales and South Australia and the Labor governments in Queensland and Victoria. It is a uniform national policy. It is designed to ensure that there is some benefit to the people of Western Australia from foreign property speculators. It is not unusual. The Liberal government over east has done the same.

Since this government has been in office, we have seen 44 000 jobs created in Western Australia. Today we had the announcement of 6 500 new Western Australian jobs created. During the entire last term of the last government not a single job was created in Western Australia. There was zero additional employment. Over our two years in office, 44 000 additional jobs have been created in Western Australia. I might add that we have the highest participation rate in the nation because there is greater confidence in Western Australia.

I also note a couple of things about the Liberal Party. As I outlined in question time, the federal government has imposed a 50 per cent cap on foreign buyers in new developments. Members should understand that. A new development cannot have more than 50 per cent foreign purchasers. What does that do? Obviously, that would impact new developments. When talking about new developments somewhere in Western Australia, or wherever else it might be, if there is a 50 per cent cap on who can purchase, it will impact new developments. It is well understood that it would have that impact. The federal government obviously brought that policy in to try to slow down the rampant property speculation by overseas investors in Sydney and Melbourne, but it forgot other places like Adelaide and Perth. That is the reality. That is the truth. That is the undeniable truth that that is what the federal Liberal government has done, and that has had an impact on Western Australia.

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The other thing that I wanted to point out about the Liberal Party was when it was in office, it put in place three massive increases in land tax, which impacted —

Dr M.D. Nahan interjected.

The ACTING SPEAKER: Leader of the Opposition!

Mr M. McGOWAN: — on property purchases. I want to read out to members what some people had to say about that. For instance, the shadow Treasurer, the member for Bateman, said on 17 May 2016 —

“There has been quite an adverse impact on various constituents at various levels and, yes, I do have concerns about it ...

Dr M.D. Nahan interjected.

The ACTING SPEAKER: Leader of the Opposition, I call you for the third time.

Mr M. McGOWAN: Do members want to hear what Hon Phil Edman said?

Several members interjected.

The ACTING SPEAKER: Leader of the Opposition! You are on three.

Mr M. McGOWAN: I want to quote Hon Phil Edman—I appreciate that interjection. He said —

“I also tried incredibly hard to stop the increase in the land tax to ensure the long-term viability of the property market.

Several members interjected.

Mr M. McGOWAN: I repeat, it is Phil Edman, one of the former Liberal MPs.

Mr I.C. Blayney: Yes, he comes from down your way.

Mr M. McGOWAN: Is the member for Geraldton going to hold me to account for everything that everyone in Geraldton has ever done?

Mr I.C. Blayney: Yes.

Mr M. McGOWAN: No. Does the member want me to say that he is responsible for everything that everyone from Geraldton has ever done? Okay. The quote continues —

It has had negative impacts on people’s ability to purchase and keep property, and should never have been increased ...

“Furthermore, the Barnett Government’s decision to take away the first home buyers grant from those who wish to purchase established homes, hurt the housing market and the construction industry.

That was a quote from Phil Edman on 18 May 2017—“Big” Phil, who was one of the big tsars of the last Liberal government. When members opposite come in here and say these things, they have to understand that this government was elected with a mandate. One of the things we have to do is deal with the financial situation they left us. They left us with more than \$40 billion worth of debt, but they attack every measure that we take to try to fix the situation. That is what they do! Good financial management has its issues and has its problems. At times, it has its pain. Unfortunately, that is the legacy members opposite left us. The legacy of the Liberals and Nationals in Western Australia is the worst financial management in the history of our state. That is the legacy! Members opposite cannot get away from it because I, the Treasurer and the cabinet will never let them, because dealing with the legacy they left has made government significantly harder for us. We have had to do some difficult things and this is one of them.

MR P.C. TINLEY (Willagee — Minister for Housing) [3.20 pm]: I will pick up where the Premier left off and talk about what it means to business when governments make decisions. One thing we always say in this place is that the business community wants certainty and wants to understand the nature of the landscape in which they will trade. It is very important. The business community got transparency and a very clear enunciation during the 2017 election campaign of what the Labor government would do about fees, charges, taxes, and the sort of plan we had for the economy of Western Australia. Embedded in that plan was the foreign buyers surcharge. It levelled the playing field across Australia and made every jurisdiction the same. It made it very transparent for anybody looking at Australia as an investment opportunity.

I have been in business and I understand the pain that goes with funding debt. I understand what a director’s guarantee looks like and what it is like to put the family home on the line in support of a business. Many on this side understand that. We are acutely aware of the impact on business of government decisions. Business owners

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do not like shocks. They do not like to find out that the state's tax base will increase on the basis of a decision made by government in the cycle.

I will again pick up where the Premier left off and talk about the three increases in land tax. I want to remind members again of the impact of those land taxes, which were raised three times in three years. I want to make it very clear for every member in the chamber so they do not misunderstand the impact of those increases. If a person had land worth \$500 000, their tax bill would have increased from \$180 in 2013 to \$500 in 2016. That is a 180 per cent increase. More importantly, if a person had taxable land worth \$750 000, their tax would have gone from \$405 to \$1125. That is another increase of 180 per cent in three years. More importantly, for commercial land arrangements, for a land valuation of around \$1 million, which is not unreasonable, the land tax bill would have increased from \$630 in 2013 to \$2730 in 2016. That is a 333 per cent increase in three years. That is a shock to a business. It is the sort of thing that members opposite delivered to the business community of Western Australia, particularly small and medium-sized businesses, which rely on a liquid cash flow in order to underwrite their business.

It was very clear during the 2017 election campaign that in order to bring some fiscal discipline to the budget, the government would use the \$20 billion to \$30 billion cheque it writes every year and reprioritise some of that spend to ensure that it delivered the sort of job-creating opportunities that the state of Western Australia deserves. We invested no less than \$4.1 billion into one of the largest urban rail projects in the country. It is certainly the largest that the state has ever seen. That has created more jobs than we ever saw in the last term of the previous government.

Mr P. Papalia: You'd only need one.

Mr P.C. TINLEY: Yes, only one. Embedded in that was \$394 million for the development of housing and job packages around the Metronet precincts. It takes time to create the sort of development needed for sustainable economic growth. As I said in my answer during question time, we understand what is happening in the housing industry. We understand that 16 000 starts is a diabolically low number and the impact of that. We also know that the 2.4 percentage rental vacancy rate, which is normally a driver and motivator for the property market, is not doing what it needs to do. We understand that the demand take out requirements need to be assisted, which is why we have put \$900 million into the loan book and increased the income threshold to \$155 000 for families so we can get more Western Australians into houses. That is expected to deliver 700 houses over the forward estimates—in fact, a lot quicker than that. We are looking forward to the opportunities for a brighter future for the businesses of Western Australia.

MR B.S. WYATT (Victoria Park — Treasurer) [3.25 pm]: I noted with some interest the words of the Leader of the Opposition that the role of government is to “do no harm”. I find that interesting because the Leader of the Opposition was a one-man wrecking ball for the economy and the finances of the state. I think we need to take a breath and look at the data on foreign buyers for property in Western Australia. The Deputy Leader of the Opposition quoted Damian Collins. I am going to quote him as well. To be honest, he is one of the more partisan commentators in the property space. On the budget that introduced the foreign buyers surcharge he wrote —

The WA Labour government's first budget is positive for property investors because there are no direct increases to property costs.

He commented specifically on the foreign buyers surcharge —

While there could be a slight impact from this, foreign investment only represents a small proportion of the WA property market ...

Instead, it was the billions of dollars of transport spending that he saw having a much more positive impact. I want to focus on that because ultimately it is the size of foreign investment compared with all other investment. That is a very small. It is about 1.2 per cent, and it moves around. This is Foreign Investment Review Board data, so I am not making it up, as the opposition tends to do. In 2015–16, FIRB approvals represented around 4.1 per cent of total home sales in Perth. In 2016–17, that declined to 1.6 per cent. That was under members opposite.

Mr W.J. Johnston: Hah!

Mr B.S. WYATT: Hah! In 2017–18 it was up to two per cent. At the moment we are looking at about 1.1 per cent, but we are four months in to the operation of the surcharge, so we will see how that goes. Clearly, it has not had the hyperbolic impact that the Leader of the Opposition was carrying on about. A range of other things are having an impact, such as the state of the housing sector and global flows of money. The Deputy Leader of the Opposition quoted what she called a “senior official”. She was actually quoting Michelle Bullock, the assistant governor of the Reserve Bank. I want to continue that quote, because I note the Deputy Leader of the Opposition did not continue it. She stated —

... in terms of foreign buying, what's had more impact than the taxes —

Referencing the foreign buyers surcharge —

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has been Chinese Government restrictions on outflows from China

That has been, at the margin, more of an impact than the taxes have been. The reason we saw a halving of foreign investment in property in Western Australia under the former government was due to the supply glut that came on and that the Chinese government made it much more difficult to move money outside of China. That had a much more dramatic impact. The reality is that the surcharge has not had the sort of devastating impact that the Leader of the Opposition would like to think it has had. If we look at and follow the data, that is the simple reality of where we are. We are four months into this surcharge—not 10 months, as the Leader of the Opposition mistakenly said—and we will see its impact over the course of the next couple of years. At the moment, it is tracking exactly as we expected.

Division

Question put and a division taken, the Acting Speaker (Ms M.M. Quirk) casting her vote with the noes, with the following result —

Ayes (12)

Mr I.C. Blayney	Mr P.A. Katsambanis	Mr R.S. Love	Mr D.C. Nalder
Mrs L.M. Harvey	Mr A. Krsticevic	Mr J.E. McGrath	Mr P.J. Rundle
Dr D.J. Honey	Mr S.K. L'Estrange	Dr M.D. Nahan	Mr Z.R.F. Kirkup (<i>Teller</i>)

Noes (34)

Ms L.L. Baker	Mr M. Hughes	Mr P. Papalia	Mr C.J. Tallentire
Dr A.D. Buti	Mr W.J. Johnston	Mr D.T. Punch	Mr D.A. Templeman
Mr J.N. Carey	Mr D.J. Kelly	Mr J.R. Quigley	Mr P.C. Tinley
Mrs R.M.J. Clarke	Mr M. McGowan	Ms M.M. Quirk	Mr R.R. Whitby
Mr R.H. Cook	Ms S.F. McGurk	Mrs M.H. Roberts	Ms S.E. Winton
Mr M.J. Folkard	Mr S.A. Millman	Ms C.M. Rowe	Mr B.S. Wyatt
Ms J.M. Freeman	Mr Y. Mubarakai	Ms R. Saffioti	Mr D.R. Michael (<i>Teller</i>)
Ms E.L. Hamilton	Mr M.P. Murray	Ms A. Sanderson	
Mr T.J. Healy	Mrs L.M. O'Malley	Ms J.J. Shaw	

Pairs

Ms L. Mettam	Mr F.M. Logan
Mrs A.K. Hayden	Mr K.J.J. Michel
Mr D.T. Redman	Mr S.J. Price
Mr V.A. Catania	Mrs J.M.C. Stojkovski
Mr K. O'Donnell	Ms J. Farrer

Question thus negatived.