

Ms Rita Saffiotti; Mr Ben Wyatt; Mr Bill Johnston; Mr Peter Tinley; Dr Tony Buti; Mr Fran Logan; Ms Margaret Quirk; Mr Chris Tallentire; Mr Paul Papalia; Mr David Templeman

TAXATION LEGISLATION AMENDMENT BILL 2015

Second Reading

Resumed from 26 March.

MS R. SAFFIOTTI (West Swan) [4.14 pm]: Thank you, Madam Acting Speaker (Ms J.M. Freeman), for calling on me to start the opposition's contribution to the Taxation Legislation Amendment Bill 2015. We have another week and another revenue measure from the Liberal–National government—this big-taxing Liberal government.

Mr J.H.D. Day: You want us to spend it!

Ms R. SAFFIOTTI: I welcome the minister to the debate. I hope he did not get here today by Uber!

Mr P. Papalia: I hope you're not waiting for the transport minister to speak!

Ms R. SAFFIOTTI: We could hear his policy.

Is it a pleasure to speak on the bill? Probably not, but it is an opportunity to again discuss this government's massive taxing record. As I have said to the advisers to the Minister for Finance who have briefed me on this, this government has introduced so many taxation measures that I now know them very well.

[Quorum formed.]

Ms R. SAFFIOTTI: I hope government members stay in the chamber to listen to my contribution about the massive taxation record of this government. All the members of the Liberal Party are running away from hearing about their government's massive taxing record and its increased taxes.

Mr B.S. Wyatt: They are humiliated!

Ms R. SAFFIOTTI: Government members are so humiliated that their government is again introducing new taxes in this place that they do not want to listen to me. They support increasing taxes in the party room, but they do not want to hear about it in this chamber.

As I said, this government has introduced so many new tax increases that I see the minister's advisers more often than I see many members of my family. I see them so often that we can share a joke and I buy them a coffee! They are like part of my extended family, because I am getting briefed so often about new taxes. As a family, I welcome them into this place.

We have another new Minister for Finance and yet more taxation bills. As the member for Cannington outlined to me, the first bill introduced in this house by every new Minister for Finance—the former Minister for Finance and the one before that—has been a new taxation measure. This government has completely lost the plot when it comes to the state's finances. I could tell by the performance of the government today in question time that the Premier did not seem to want to be here. The Minister for Health, under his breath, was making absolutely crude remarks to the member for Bassendean and the Premier just did not want to be here. In question time, the Minister for Transport's answer was, "Yes, I said that about Uber, but I had no follow-up. I did not pursue it." The Minister for Transport is the head of the government who is meant to be regulating the industry and he said that the opposition should not ask him those types of questions! This government has lost the plot.

I want to take members back to a time not too long ago, to just over two years ago, when the last thing that the Liberal Party was talking about was taxation increases. Members may recall this time, particularly the member for Victoria Park, because it was during the 2013 election campaign, when taxation increases were not something that the Liberal Party was talking about. No; during the election campaign the Liberal–National government was saying that the streams were full of gold and that cash was pouring into the state. The government made a number of promises during that campaign. Government members stated that everything was fully funded and fully costed. For people who grew up in the 1980s, as I did, it was financial Xanadu! The Premier went rollerskating down the Terrace, with the wind blowing through his hair, with his team behind him, saying that everything was affordable. It was financial Xanadu and everything was affordable. The Premier said, "Whatever you want, we can make it come true." The Liberal candidate for the seat of Perth promised us light rail. The Liberal candidate for Mirrabooka said, "We'll deliver you one of those. We'll give you light rail to the electorate of Morley. Not only will we give it to you, but also it will be delivering commuters by 2018." This was the financial Xanadu that the Premier, rollerskating down the Terrace, was talking about. Everything was possible. What about airport rail? The Premier said, "Of course you can have an airport rail. Do you know why? Because you deserve it. And of course we'll deliver it to you quicker than the other side." The Liberals promised it would be delivered in 2018. Is that happening? Not so much now. Of course, the Liberals promised lower taxes. I am sorry; I have to use it again: of course, everything was fully funded and fully costed. However, not only was everything fully funded and fully costed, but also the Liberals wanted to give everyone tax cuts too.

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Do members remember that? There was the Premier, promising a light rail here, an airport rail by a certain date there, and lower taxes to everybody.

I want to talk about the lower taxes policy, because basically what we are seeing today is another key election commitment broken by this government. As my colleague the member for Cannington alludes to quite a bit, no wonder people are turning off this government and no wonder the popularity of this Premier has dived faster than the iron ore price in Western Australia. The government has broken promise after promise, whether it be to the people of Morley or Mirrabooka by not delivering the Metro Area Express light rail, or to people scattered throughout the suburbs by not getting the schools and the services that were promised. That is yet another broken promise. I want to talk in particular about the Liberal Party election policies, which I know the government does not like referring to. I know that it thinks election policies are something done during an election.

Mr M. McGowan: They are slogans.

Ms R. SAFFIOTI: They are election slogans and we should not actually listen to them. The Premier blames the public for listening to his own election commitments. He blames the public for believing him, and so do I, actually. No policy can better demonstrate another broken promise than the Liberals' small business policy, which states —

If re-elected, a Liberal Government will focus on practical measures that will make life easier for small business. The measures will include:

- Further tax payroll relief to business ...

It goes on to state —

The Liberals are committed to lifting the tax burden on Western Australian businesses to free up funds that can be better used to invest, expand, employ and innovate.

The Liberals committed to reducing the burden on taxpayers and businesses in this state. It continues —

This decision by the Liberals will see more than 16,000 employers save \$121million, ...

A Liberal Government will continue to grow the State's economy for the benefit of all Western Australians and the reduction in the payroll tax threshold is an important measure in ensuring Western Australia remains the most attractive State for business.

There it was, the small business election policy of the government. We had that. Then, of course, we had that debate. As I recall, it was run by Business News, member for Victoria Park.

Mr B.S. Wyatt: That's right.

Ms R. SAFFIOTI: We had a debate during the election campaign in which the Treasurer and the member for Victoria Park, the shadow Treasurer, went head-to-head to talk about business policy. That was when Mr Buswell announced tax cuts. I remember it was the financial Xanadu. The Liberal Party said, "Yes, of course we can do debt tax cuts. Of course we can deliver tax cuts. We can give you light rail and give you this, but of course we can deliver you tax cuts. Do you know why? It is because we are the Liberal Party and you all deserve it. There you go; have some more tax cuts." Do members know what the shadow Treasurer said at the time? He did not match the commitment because he said that would be debt funding a tax cut. I hate to say it, but the shadow Treasurer was right and the Labor Party was right because the tax cuts were not affordable at the time. We know they were not affordable because even though the Liberal Party promised \$121 million in tax cuts, it is now trying to legislate in this Parliament for a \$400 million increase in payroll tax. This more than wipes away any of the tax cuts delivered before.

I also want to talk about some of the commentary in the newspaper over the past couple of weeks about honesty during election time. Honestly, I find it disturbing. I noted an article written by Shane Wright in *The West Australian* this week. Shane Wright is a very good economics commentator, but in his article, instead of using the words "Colin Barnett", he used the word "politicians" and said that politicians do not use the words "opportunity cost". I do not know where Shane Wright has been looking, but on this side of the chamber we have been talking about opportunity costs for about six and a half years. We have been saying that the key issue is that if a decision is made to build a new stadium at Burswood for \$1.2 billion or \$1.5 billion, that has an opportunity cost, and it has an opportunity cost not only today, but also tomorrow when the state will have to finance the ongoing operations. We have no financial details yet and no details about the continuing cost. However, we have argued again and again—I have used the Ferrari example, but probably not as eloquently as have some of the commentators over east—that we all would like a Ferrari and we all believe we deserve it, but we cannot afford it. The Premier said to everyone that we can all drive a Ferrari and we all deserve it, but he did not tell them that it was not sustainable.

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Again, I refer to some of the commentary about the New South Wales election. Some comments were made about the New South Wales Premier and his honesty about the privatisation of power poles in the metropolitan area. I will tell members about some honesty. On 14 February 2013, Labor said during an election campaign, “These are the projects we’re not going to fund because we can’t afford everything.” Labor did that on 14 February 2013. It went out and said, “We cannot afford everything. We are making some judgement calls and we are telling you now that these are the projects that we are not going to fund or these are the projects that will be different in nature.” That is what we did. To all those people who say that they want honesty in politics, I say that we tried it. The media did not accept it very well at the time.

Mr P. Papalia: They attacked us.

Ms R. SAFFIOTI: They attacked us for making these crazy calls. But let us go to the comments made by the Premier at the time. When we announced that we could not afford everything, Mr Barnett rubbished our plan. I quote from *The West Australian*, which states —

Mr Barnett rubbished the plan, saying Labor had “panicked” and “lost the plot”.

That is what the Premier said about Labor; he said that we were small thinking because we said that we could not afford it all. We knew that the government was already in some financial difficulty. We recognised that net debt had increased significantly and that it was increasing at an unsustainable rate. We recognised that the government’s surpluses were far too small to withstand any shock to the budget. We saw it. Under the previous Labor government, we ran large surpluses, and we did so to insulate the state from revenue shocks in particular, because they do come, especially for an economy that is subject to external forces such as commodity prices, changes in oil prices and changes to the Australian dollar. We knew that the operating balance was too small, and we also knew that the government had deliberately set out to increase mining royalties, thus making more of our budget prone to external shocks. Those are the three things we knew. Of course, Treasury would have known and anybody who knew anything about finances would have known. We knew that, which is why we put forward a list of cuts during the election campaign, which prompted the Premier to respond by rubbishing our plan and saying that we had panicked, that we had lost the plot and that we were small thinking. The financial Xanadu lasted for the election campaign. The Liberal Party said that it could do it all because of its strong financial management—that is, iron ore prices were high—and because of its economic brilliance. It said that the money was rolling in and that it could do it all. Everyone knew that that was not the case. Again, just as he did during the previous election campaign, the Premier basically said things that he could not deliver on. The Metro Area Express light rail and tax cuts are classic examples. March came and saw the re-election of the government. A couple of months later, after the financial Xanadu, the government prepared and released its budget. What happened between the financial Xanadu that existed during the election campaign —

Mr F.M. Logan interjected.

Ms R. SAFFIOTI: The member for Cockburn will like this. I am talking about the financial Xanadu during the election campaign when the Premier was rollerskating down the Terrace saying that we could have it all when that was not the case. He made promises and created an artificial world, a world in which we would all like to live because in that world we can have it all, money is free and there is no such concept as opportunity cost—we can do whatever. That is the world he created. A few months later, the Liberal Party won the election and, oh my goodness, financial Xanadu did not exist anymore!

Mr F.M. Logan: It was the price of iron ore.

Ms R. SAFFIOTI: No, this was well before the decline in iron ore prices. The member for Cockburn might remember the fiscal action plan.

Mr W.J. Johnston interjected.

Ms R. SAFFIOTI: The sweet FA plan that the government introduced in its first budget. It went from everything is rosy to, oh my goodness, things are not rosy. It was a case of, “Remember all those election commitments we promised? Well, things have changed.” What had changed during that time? Pretty much nothing had changed. The first raft of new revenue measures hit the state in 2013–14. They were the first round of tax increases by the government. Remember, everything was meant to be fully funded and fully costed but the fiscal action plan of 2013–14 reads —

To accommodate priority spending initiatives and address the State’s fiscal challenges, the 2013–14 Budget includes a Fiscal Action Plan that will generate estimated savings of \$6.8 billion over four years.

It went from everything is okay and we do not need to cut anything, which is what the Premier said during the election campaign—he said that the Labor Party had panicked and lost its mind by trying to cut projects to fund

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other projects—to just a few months later when the government introduced a fiscal action plan to allow for the funding of its priority initiatives.

Mr F.M. Logan: On that basis we would have saved \$3.48 billion already.

Ms R. SAFFIOTI: Exactly. A lot of the savings were revenue initiatives. The first new tranche of tax increases involved —

The abolition of transfer duty on non-real business assets ... has been deferred indefinitely

This measure is expected to raise \$125 million in 2013–14 and a total of \$527 million across the four years ...

Straightaway the government introduced a new tax increase of \$527 million over four years. It also increased land tax rates by 12.5 per cent from 2103–14 to increase total revenue by \$340 million over the next four years. A few months before the election campaign everything was okay but then it went to, “Let’s slug every taxpayer in Western Australia.” The government halved the private motor vehicle concession by \$36, which raised \$155 million over four years. It introduced a great concept—sorry, my sarcasm does not translate to the written page—which was a poorly thought out, poorly researched idea to charge 457 visa holders school fees. Do members remember that the government decided to charge them \$4 000 per annum for each child they had at school? The idea had to be scrapped because no-one counted how many there were and no-one consulted with anyone about it. The entire logic, methodology and numbers that underpinned that initiative were flawed.

There was a taxation administration package of another \$450 million over four years. That was the government’s first budget—taxes upon taxes. Liberal Party members stand in here and lecture us about business when all it did after being re-elected was to hit business again and again and again. The Chamber of Commerce and Industry of Western Australia is quite angry now, which is good to see.

Several members interjected.

Ms R. SAFFIOTI: I am sure it is really angry. It is probably not expressing it with the volume or theatrics that we were used to when we were in government, but it is really angry.

There were more taxation measures in the 2014–15 budget by this high-taxing, small business–hating Liberal Party. I do not know why this Liberal Party hates small business so much. I do not know what the government has against business in Western Australia.

Several members interjected.

Ms R. SAFFIOTI: It is. Just like big business is a shareholder in the Liberal Party. It is similar to the way big business used Hale House for functions. Let us face it, if we ever tried that with the union movement, there would be a Corruption and Crime Commission inquiry! The Liberal Party opened up government-funded Hale House for private functions for its major fundraiser, yet it comes in here and talks about the union movement—give me a break! Even though big business donates to the Liberal Party and the government allows it to use government premises at no cost so that it can make money, the government must not like it much because it keeps increasing taxes. Maybe it knows that it will not complain loudly under a Liberal government.

From July 2014, the \$36 private motor vehicle registration fee concession was abolished. The government abolished the further part of the concession, increased Perth parking fees and introduced another increase in land tax. I do not know why the Liberal Party hates landowners so much. I do not know why it hates landowners or small businesspeople. There was a 12.5 per cent increase and then a 10 per cent increase. That is what this Liberal Party has done. Then, of course, it did all these things with interim dividends, whether it was the Insurance Commission of Western Australia or the state port authorities. It ripped money from interim dividends from around the place and increased the landfill levy. After a couple of years in government, there were so many revenue increases by the Liberal Party. We have seen revenue increase after revenue increase and tax increase after tax increase and from a government that pretends to be the friend of business and pretends to be a good economic manager. It cannot pretend that now.

I also highlight that there are not only all those headline rises and increased taxes, but also other increases across the state. I talked about the car registration concession being halved in 2013 and the \$235 increase in electricity, water, public transport and car registration costs. In 2014, there were further increases in household charges, such as electricity, water, public transport, car registration, landfill levies and a new tax for parking at Perth’s train stations. Basically, the government could not get enough revenue through the door. It was not that the Liberal Party did not want to tax and grab more money; government members wanted to feed their habit through more taxes.

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What happened in the last midyear review? If members did not think that this Liberal Party had increased taxes enough, again we have seen further tax increases. One of these is the subject of the legislation that is being considered today. Another one was the introduction of the regional improvement tax, which is similar to the metropolitan regional improvement tax. This was not highlighted in the major section of the midyear review, but is highlighted under the agency area. It is expected to be brought into Parliament this year, and collections are expected to start on 1 July 2015. Introduction of this tax is expected to bring in about \$17 million and affects 22 000 landowners around Australia. This government is bringing in massive taxing, and now we have this legislation before us.

The chickens are coming home to roost with the Taxation Legislation Amendment Bill 2015 from a government that has never taken financial responsibility or financial management seriously in this state. We have a Premier who, let us face it, does not believe in forward estimates.

Mr P. Papalia: We are in them.

Ms R. SAFFIOTI: We are in them; we are living them.

The idea that the chairperson of the state does not believe in looking after the ship the day after tomorrow—does not care about what happens tomorrow, but just cares about today—is a sad indictment of where we are in politics. We have a Premier who for the first four or five years said that we could do everything. Riding the back of record iron ore prices, he ran around the nation telling everybody how good he was and what he was delivering on the back of high commodity prices. He had mining royalties coming through the door in billions of dollars at a time. He could have done a number of things with those royalties. He could have spent more on capital infrastructure, stabilised or reduced debt, or run stronger surpluses at the time. The Premier did nothing to this effect. He borrowed in the good times. This is something that everybody has to understand: when the billions of dollars were coming through the door, instead of being just a little bit prudent—I am not saying he should have put it all away; if he wanted to have a bit of a good time, I will give him that—not only did he spend all the benefits of the boom, he also borrowed against future generations. The idea that he went around saying there is a once-in-a-lifetime—sorry, he did use “boom” sometimes—opportunity to build the infrastructure for the state.

Mr P. Papalia: Once in a generation.

Ms R. SAFFIOTI: It was once in a generation. Firstly, he has not done that because we still do not have any real investment in our public transport system. Secondly, he did not invest the proceeds; he borrowed against the future. Far more than just investing the proceeds, he borrowed against the future. What has this government delivered? There has been massive revenue growth since it has been in government, massive increases in debt and massive increases in taxes. It is a trifecta that is really hard for any government to nail, which this government seems to have nailed! That was sarcasm. At the same time as receiving massive increases in revenue, the government is increasing taxes and increasing debt. It is an absolute perfect storm. Together with that, we always knew there would be some economic adjustment after the major construction phase of some big projects up north, as construction moved into operation. That was not properly planned for by this government. It failed to diversify the economy or to get more projects in the pipeline. The government never geared up for the change from the construction to the operation phase. On top of this, the iron ore price has now fallen, which has exacerbated the natural, in a sense, or the predicted change in the economy when we moved from mainly construction into operation. Particularly looking at state final demand figures over the past couple of years, there has been significant deterioration in a slowing economy. This is what has happened.

[Quorum formed.]

Ms R. SAFFIOTI: I hope members stick around to listen to this.

At a time when we should be in the other position with some financial flexibility, whether it be in infrastructure or on the recurrence side, we have no financial flexibility because —

Several members interjected.

The ACTING SPEAKER (Ms J.M. Freeman): Members!

Ms R. SAFFIOTI: At a time when we should have more financial stability and more levers to respond to a changed economic situation in Western Australia, when we should have levers to provide tax relief or increase our investment in infrastructure, we have to go the other way. The forward estimates show that at the midyear review, there is a predicted cut in infrastructure spending from one year to the next and there are now increases in taxes. Instead of using the proceeds of the boom as capacity for when the economy does slow, now there is no capacity. The government is having to increase taxes and reduce infrastructure.

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I will now talk specifically about the key parts of this legislation. This legislation seeks to amend three pieces of existing legislation—the Pay-roll Tax Assessment Act 2002, the Duties Act 2008 and the Land Tax Assessment Act 2002. To outline, we are opposing these increases in payroll tax. The biggest changes are in payroll tax. In WA, 17 000 employees will have their tax-free threshold removed from their payroll tax bills each year. I will go through some examples. A payroll of \$1 million will mean payment of an extra \$1 313 under this legislation; a payroll of \$3 million will mean an extra \$14 448 in tax next year; a payroll of \$5 million will mean an extra \$27 582 in tax; and a payroll tax of \$7.5 million will mean an extra \$44 000 extra in tax. These are significant increases for businesses in Western Australia. That is a \$397 million increase in new taxes over three years. Remember that this was a government that promised at the last election to reduce payroll tax. It is now increasing payroll tax. This government has mismanaged the finances of this state so badly that it now has to increase taxes at a time of economic slowdown.

The bill also contains amendments to the Duties Act. Under the Duties Act, a nominal duty of \$20 applies to the sale of property by a person to the trustee of a superannuation fund when only that person can be the member of the fund or the property is held solely for the benefit of that person. This bill will extend the duty concession to the custodian for a trustee of a superannuation fund in certain circumstances. We support that initiative, of course. However, from an overall perspective, because this is attached to a \$400 million tax increase, we will be opposing the bill, because it is yet another broken election promise.

The bill also makes changes to the Land Tax Assessment Act to extend the current exemption from land tax for the owners of residential land to the owners of residential land that has been compulsorily acquired. That again is a sensible amendment. The bill also formalises some practices that are currently undertaken by the Office of State Revenue. Some of the minor changes are not controversial for us. However, we strongly oppose the \$400 million tax increase, because during the election campaign the Liberal Party promised that it would cut taxes, and it is now proposing to increase taxes.

In relation to the payroll tax section of this bill, some of the methodology and the equations that are used are quite interesting. The payroll tax threshold will be reduced by \$8 for every \$67 worth of value over \$800 000. That is quite complex, but I am sure we will be able to get our heads around it during consideration in detail.

Dr M.D. Nahan: It is very simple maths.

Ms R. SAFFIOTI: It is simple maths, but it is an interesting equation, and I will be asking some questions about that during consideration in detail. Only one other state and one territory deal with the threshold in the same way. It is simple maths, but it is a detailed change in the bill.

I want to again make the point about the revenue situation of this government. We saw again during question time the performance of the economic guru of this state, the Treasurer, when he was asked his dorothy dixer. I am not sure where the Treasurer went with that, and whether it achieved anything. I am not sure why the Treasurer keeps getting dorothy dixer. It is becoming a bit like the Perth Comedy Festival, which I understand opens this week, on 24 April. Honestly, the economic genius of this state, the Treasurer, will come into this place and argue anything. The economic mastermind, the Treasurer, comes into this place and tries to preach his economic credentials, when he is overseeing massive increases in debt and massive increases in revenue, and is increasing taxes.

The Treasurer's performance on the goods and services tax is a good example. The Treasurer applauded the GST when it came in. I want to go through some of the comments the Treasurer made when he was head of the Institute of Public Affairs, because they prove my point that this Treasurer will say anything and do anything. He is not believable, frankly. I have seen the Treasurer's performance on other issues, and we will get to that tomorrow when we debate the Italian language program. The more the Treasurer sticks around, the more people can see through him. One of my colleagues has made some commentary about the Treasurer's honesty on issues. I have to say that I am starting to agree with my colleague on some of those issues. The GST is a classic example. On Sunday night, as I recall, the Treasurer said on television that there is a side deal that no-one in the state knows about apart from him, and that is that this state will get an extra \$660 million. However, now that does not seem to be the case. What would cause the Treasurer to tell a journalist that he got an extra \$660 million when he did not? I just do not understand it.

The Treasurer comes into this place and preaches to the Labor Party about the GST. I will go through this again. Labor opposed the GST deal. That is because we thought about it. The key point that is missed by everybody is that we said at the time that the GST deal would expose more of our revenue base to horizontal fiscal equalisation. We said also that it would be a centralisation of taxing powers to the commonwealth, and we would be more exposed to changes to the Commonwealth Grants Commission formula. We undertook analysis after analysis, and we said that Western Australia would eventually be worse off, because of horizontal fiscal equalisation. We know that HFE has been around for decades. However, when the GST deal was struck, it replaced three things. It replaced the commonwealth financial assistance grants, which were then exposed to

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horizontal fiscal equalisation. It replaced the state revenue replacement grants, under which the commonwealth gave us 10 per cent of the duties that it had imposed on liquor and petrol after the High Court decision of 1997. It also replaced some state taxes, such as stamp duty and financial institutions duty and bank account debits tax. So, we handed power to the commonwealth, at a time when Western Australia had the power at the negotiating table. Remember, the Howard government was desperate to get the GST through. We could have said, “Hang on. This means that more of our revenue will be exposed to the Commonwealth Grants Commission formula. Therefore, we need a floor for our share of the GST revenue.” That is the time when we should have done that. However, we handed over power to the commonwealth, with absolutely no guarantees. What sort of government does that? What sort of government hands over to the commonwealth its financial taxing powers by signing on to the GST and having the GST replace financial assistance grants that were subject to HFE, state revenue replacement grants that were not subject to HFE, and state taxes that were not subject to HFE? This state has now exposed more of its revenue to the Commonwealth Grants Commission formula. That means that when things go bad—there is no doubt that they have gone very bad—more of our revenue will be taken away through the GST process. That is what this Liberal Party signed up to. At the time, the WA Labor Party was rallying against it. That was in 1999–2000. I remember it very well. We were rallying against it, saying that this was a centralisation of power. Were we getting any support from the economic mastermind, who is now the Treasurer, at the time? Even worse, do members know what he was saying? I will go through it. This is the person who stands and lectures us about our performance on the GST. In the 2006 *IPA Review*, he said —

“It also highlights the need to review the GST agreement. The existing arrangement is far too generous to the States, both in terms of funding and accountability. At the very least, the States should be forced to eliminate all capital transaction taxes, including those on housing as was the original intention.

He is the Treasurer now. He could abolish them now if he wanted to. He was critical of the GST system, arguing that it has key design flaws that let the states keep too many taxes and it left them unaccountable for GST revenue spending. It goes on to state —

... it gave the states all the GST revenue without the responsibility for raising it or being otherwise accountable.”

We should remember that in 2006, Labor was in power in WA. We were trying to get our fair share of water initiative grants. Do members remember that? We were begging John Howard for \$41 million for what I think was the Harvey water initiative.

Mr P. Papalia: I think it might have been desal.

Ms R. SAFFIOTI: No, it was not the desalination plant; it was for putting pipes down in Harvey as part of the National Water Initiative. We were begging for \$41 million and no-one supported us.

Mr P. Papalia: To stop evaporation.

Ms R. SAFFIOTI: Yes, to stop evaporation. It was part of what I believe was the National Water Initiative. No-one supported us. The Liberal Party did not support us, and neither did the media.

In 2012, the now Treasurer said —

We have heard all this rhetoric that we are responsible for the GST. Okay, we are, but it gave us more money.

Even back in 2012 and throughout a lot of years, the Treasurer was basically saying that the GST was too generous to the states.

Then the Premier and the Treasurer went to the eastern states. We saw the circus of last week. I know that the Premier’s popularity is low.

Mr P. Papalia: Low! That is an understatement.

Ms R. SAFFIOTI: It is at a record low. He is desperate for a bit of a diversion. His popularity is lower than the iron ore price. He thought that a bit of chest beating would improve the situation but he failed. He came back with nothing. Remember all those empty threats? Remember Dorothy Dixier after Dorothy Dixier in the lead-up to the federal election? Liberal Party members said that the federal Liberal Party understood WA better. Do members remember that? They went out campaigning for Mr Abbott. They said, “Mr Abbott and Mr Hockey know WA so much better. They are going to have a better change to the GST formula.” It has not happened and it will not happen. The Prime Minister will not give the Premier a better GST formula. There may be some interim loans—that has been speculated—but there will be no change to that GST formula. It was an absolute circus. As I said, it was all a diversion. Saul Eslake said that this Premier has crashed the Ferrari. He said that he was given a Ferrari to drive but he went and crashed it and then asked the other states for more money. It is another example of a government that does not want to take responsibility for the situation it put itself in.

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As I said, WA Labor has been the only party in this place that has been consistent on the GST. We have said all along that the formula would cause problems. We opposed the GST formula and the distribution methodology at the time because we knew there would be implications long term. We have been very consistent. As I recall, under Geoff Gallop and Alan Carpenter and with Eric Ripper as Treasurer, we made reviews and submissions to try to better recognise the infrastructure costs for WA. I know that the member for Victoria Park will go through some of the Commonwealth Grants Commission issues. Basically, this is a government that continually does not do the work, is not prepared and gets laughed at by the commonwealth bureaucrats and the other states. As I said, that circus was all about domestic consumption. We all know that. It was not about getting a better GST deal. The Premier was not serious about it. If he were serious about getting a better GST deal, which means he would get the other states to agree with him, he should not have criticised the victims of bushfires. Diplomacy 101: if the Premier were serious about getting that deal, the first thing to try is diplomacy. He should not criticise a state that he sent firefighters and resources to when nearly 200 people died. He was never serious about it. It was a diversion to take away from the fact that he has wrecked the state's finances. This government has wrecked the state's finances. We always knew that the GST contribution would come in lower. When this government increased royalties, it knew about it. As I said, that does not mean that we should not be fighting for a better GST deal. Labor has been consistent about it year upon year but the government should have insulated the state a little better than it did to protect us from shocks. The shock in this instance is not the GST; it is the iron ore price. The GST was known; it has been known for a long time because there are lags and it was known that it would come down to this level. As the member for Victoria Park will outline, the outcomes are always slightly better than the anticipation anyway. But the GST is not the shock; the iron ore price is the shock. But we should not go and spend the windfall. We should not spend the entire lotto winnings and then say, "What is next? We cannot feed the kids because we spent the entire lotto winnings on the Ferrari."

I want to finish by referring to some of the comments made by members in this house, particularly in relation to tax cuts and taxes. I want to refer to something that the Treasurer said in 2013 about increases in taxes. He said that he was very proud of balancing the books over the four years. He went on to say —

We will not do what the Labor Party did in Queensland, New South Wales and Victoria—when they faced fiscal problems, they just put it on the credit card.

That is what the Treasurer said. This is a person who does not accept reality. He made this statement in 2013 when the Liberal Party had already increased debt by about \$16 billion. He does not accept that the government has increased debt and increased taxes while revenue has gone up. That is what he has overseen. The so-called self-proclaimed economic mastermind on the other side has basically shrunk the WA economy, wrecked the state's finances and increased debt to a level that we could never have contemplated. I saw some net-debt-to-revenue figures in some of the analysis. In 2007–08, net debt to revenue was 19 per cent. It is now 70 per cent. This is a complete deterioration in the finances of the state.

I now want to talk about the former Minister for Finance. In his inaugural speech in 2013, he said —

Our vision for this state must not come at the expense of our fundamental philosophies of lower tax, of leaving businesses with more of their own money and of not burdening future generations with debt to fund expedient policies today.

That is what the member for Alfred Cove said. The member for Churchlands said —

Wherever possible, we should set the macro-economic conditions for small business success, while simultaneously limiting the amount of government interference evidenced by antiquated labour market laws, bureaucratic red tape and discouraging taxation measures.

These people are voting for tax increase after tax increase.

I want to refer to a speech from my good friend in the other place Hon Peter Katsambanis—we meet normally on a Friday morning—who said that payroll tax is nothing but a tax on growth, a tax on success and a tax on jobs.

Mr P. Papalia interjected.

Ms R. SAFFIOTI: Apparently, he is very well respected for his policy contribution, as is always reported. He said that payroll tax is nothing but a tax on growth, a tax on success and a tax on jobs. According to the member's words, the Liberal Party is taxing growth, taxing success and taxing jobs.

We should not be debating tax increases at this time. This government has failed to manage the finances properly, it has failed to take responsibility and it continues to make decisions without any understanding of the long-term implications. I will talk about Perth Stadium for a moment. We have no idea of the ongoing costs of the stadium. The Minister for Sport and Recreation has been unable to provide any key information about the ongoing costs. This government has made decisions for the headlines of tomorrow. It has always had a media-

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run strategy. It has never had a budget strategy from one day to the next or from one year to the next. As a result, this government increases tax upon tax, and of course the state budget is still to come.

The interesting approach taken by the Treasurer is that he still thinks he is a commentator. He commentates about Labor, yet he is overseeing massive revenue and is allowing massive increases in debt. He determines the policy of this legislation. The Minister for Finance has to work out the intricacies and handle the legislation, but the major policy settings are undertaken by the Treasurer. He sets the policy direction, which is to further increase taxes. He comes into this place and talks about Labor. He has more front than Myer. He is unable to look in the mirror and understand what he is doing to the state. As an economic commentator who wrote for *The West Australian*, he criticised Labor for its spending, yet this government is overseeing massive spending. Today he is talking about probably false and made-up expenditure growth figures. He is overseeing massive expenditure—the Minister for Health is proud of that, so there is obviously always tension there—massive revenue, increasing taxes and increasing debt. We lost the AAA credit rating and we will probably be downgraded again, yet he is trying to justify it. We would not be in this situation if this government funded over the longer term and budgeted for more than one year at a time.

I know that some parts of government are building up hopes in the racing industry of a brand-new racetrack. The Premier has said that he thinks he will get \$1 billion from selling the TAB. When he chose the site for the stadium, he did it on the basis of “I think it’s the best place for a stadium.” There was no financial analysis or financial comparison. There was nothing; it was “I think”. Then we got Elizabeth Quay. I have always said that all these things are pretty. We all like pretty things; my children like pretty things. We all like new glossy things. We live in a consumer world and we all like pretty new things, but we cannot afford them all at the same time. That is the key point. This government said to the public that it could afford everything. It said that it could afford MAX light rail and it could do this and that. The Minister for Planning answers a dorothy dix question every day. What is the opportunity cost? What is happening to the state’s finances? How can we encourage business today when we are increasing the costs for businesses? Everything has an opportunity cost, but this government has never realised or cared about that. The government can answer dorothy dix questions about what burgers people can have at Elizabeth Quay all it likes, but, as I said, for \$500 million, people will want a good burger at Elizabeth Quay. The government cannot afford everything. That is what we kept saying: the government cannot afford everything. This is not a once-in-a-generation spend, because we will need schools and public transport. This government has basically impacted future generations for decades.

MR B.S. WYATT (Victoria Park) [5.15 pm]: I, too, rise to make some comments on the Taxation Legislation Amendment Bill 2015. I note that when the Minister for Finance introduced this bill, he blamed the goods and services tax as one of the reasons that the Liberal Party again needed to introduce legislation to increase taxes. From what I can recall, this is the third time we have had to increase taxes since the fully funded, fully costed 2013 state election campaign. At some point along the way, the Liberal Party is going to have to work out what it is. We have seen over the last six or seven years this focus on year-by-year budgeting whereby it ignores the four-year budget forward estimates and focuses on one year. I said in this place when we lost the AAA credit rating that if the government focuses on only one year and does not look where it is heading across the forward estimates, ultimately it will end up with record debt and will be looking at an enormous deficit this financial year and next year and another potential downgrade. I do not blame the finance minister; he knows not what he does. I blame the Premier, because he is always focused on one aspect of the finances—GST. In a fiscal federation, the government cannot focus on one part of its revenue. I used to listen to Eric Ripper, the former Treasurer and Leader of the Opposition, talk about the jam-jar economics of the Liberal Party, and I will come back to that in a little while because we fleshed that out during discussion about the so-called future fund. With jam-jar economics, when the government focuses on individual parts, whether it be royalties or GST, it misses the whole picture and it ignores where the finances are going.

It is inevitable that we are here tonight with another payroll tax increase. I remember distinctly, as the member for West Swan pointed out, the debate I had with Troy Buswell, the then Treasurer, in January or February 2013 at the *Business News Western Australia* debate between the two Treasury spokespeople. There were 600 people there, mainly from the business community. The Treasurer announced a payroll tax cut. Of course, Peter Kennedy, who was the master of ceremonies, then turned his withering gaze to me and said, “Mr Wyatt, will the Labor Party be matching that?” I said, “No. I cannot honestly look Western Australians in the face and say that we are going to debt fund a tax cut. We are not going to debt fund a tax cut.” It did not go down enormously well with that audience to be frank. Let us just say that it did not get a round of applause. But, as shadow Treasurer in early 2013, I knew that the state’s finances were on such a trajectory that we could not afford to debt finance a tax cut, but away the government went anyway with the fully funded, fully costed tax cut. Sure enough, we are now increasing payroll tax. In the budget, we cut the tax and then in the midyear review we increased it again. What is going on? Where is the government’s financial plan? Where is the four-year strategy? There has never been one. That is why Standard and Poor’s uses such inflammatory language as “We

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suspect slippage and lack of political will.” The government got away with this in its first term with its so-called savings, whether it was the fiscal plan or the efficiency dividend, because its revenue always exceeded its assumed revenue. The government got away with it, but meanwhile debt was on its way up. I direct this to Liberal members, all of whom are no doubt sitting in their offices listening intently to my speech.

[Quorum formed.]

Mr B.S. WYATT: I was talking to all those Liberal members who were in their offices listening intently. It is good that they have joined me here at 20 past five in the afternoon! I was saying that because this government has never had a plan that it has stuck to year by year, we are coming out of one of the most extraordinary commodity price booms or increases, whatever we want to call it, in our lifetime with our balance sheet shot. It is extraordinary that the Liberal Party of Western Australia could deliver this to Western Australians. It is extraordinary that after the huge surge in revenue it has experienced since it came to government—a 40 per cent increase—we now find ourselves in a situation with iron ore prices in rapid decline and debt at levels that mean the government has taken the flexibility out of the state’s finances. The governments that will be elected in 2017 and 2021, and probably the one in 2025 will be dealing with this debt because this government has never had a plan. The entire time this government has been in power, Western Australia has enjoyed the highest revenue per capita of all the states. Indeed, since 2001 there have been only two years in which Western Australia has not enjoyed the highest revenue per capita of all the states; we slipped just below Queensland for a couple of years in the early 2000s. I am mindful of population growth arguments that are made. Despite that, the government has blown the state’s AAA credit rating to AA and Western Australia is on negative watch, debt is on its way to \$30 billion—I can guarantee that when the budget comes down the debt will be going over that—and two deficits have so far been forecast and there might even be a third. I cannot wait to see this budget and the sins it may expose.

We then had the performance of the Treasurer and the Premier over the goods and services tax. We are all familiar with some of the Premier’s rhetoric on that over the past few years. We then had the Treasurer saying that the Labor opposition did nothing; but, after all of this, neither did this government! Last week when I was watching this play out, I was not sure of the Liberal Party’s position because Mathias Cormann was saying one thing and the state Treasurer another thing; and we had the Premier saying one thing and Joe Hockey saying another thing! I did not know what the Liberal Party’s position was, but I watched all this carry on and thought that there must be a strategy behind this; there must be an outcome. There was nothing! The only thing the Premier managed to do, which I will give him credit for, was unify every Treasurer in the nation on the view that the Barnett government is a terrible financial manager. It is impressive that he managed to do that! Now we have economists around Australia looking at Western Australia thinking, “What did you do? You had the biggest mining boom in our lifetime and you’ve come out of it with record debt and now record deficits.” People are flummoxed at how Western Australia managed to do this. Ultimately, it was because this government had no financial plan. I have said it time and again.

In September 2010, the Premier sat right over there when I asked him to confirm what had been reported in the media and that he had said he did not want to see net debt rise above \$20 billion. He confirmed that and said, “That’s right. That’s my view.” The Premier said in this place, “I would not want to see, in absolute terms, state debt rise about \$20 billion.” He said, “... in fact I made this comment to Treasury the other day.” That is how serious the Premier was: he made the comment to Treasury!

As an aside, I offer my congratulations to Michael Barnes, who has just been made the permanent Under Treasurer. I have no idea why he applied for that position, because this government does not like its Treasury; it is not interested in its Treasury. I wish Mr Barnes all the best, because his clear expertise is in dire need. Over the next 75 years, we will need to recover from this term of the Barnett government’s largesse. I look forward to working with Mr Barnes post-2017.

As the Premier said in September 2010 —

... I made this comment to Treasury the other day—I would not want to see ... state debt rise above \$20 billion.

That was based on the 2010–11 budget and forward estimates, so I thought that we should go back and look at what revenue was when the Premier set that \$20 billion cap. There must have been a dramatic decline in revenue over that budget in four years compared with the revenue the Premier thought he would get when he set that cap. There was a dramatic change in revenue, members—the Barnett government got an extra \$6.5 billion. Even with that \$6.5 billion extra unbudgeted at the time that the Premier himself set that cap in September 2010, he could not meet it. What rank incompetence! The reality is that time and again the Premier said, “Don’t worry about the budget year. Don’t worry about the forward estimates.” The Premier cannot do that in a federation, and that is why this whole debacle around GST has ended up in the way it has.

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I want to make some comments about the GST, because I read the Commonwealth Grants Commission's report, and Michael Barnes probably did as well; he probably wrote our submission. I read the "Report on GST Revenue Sharing Relativities: 2015 Review" and I suggest that all members read it. It is well written and easy to understand, but it is an interesting disclosure. We heard the emotional rhetoric from the Treasurer and the Premier around the GST and why we in Western Australia deserve more, and we do. I will come back to that. The member for West Swan has already outlined this, but the time that Western Australia should have ensured the floor was in place was back in 1999 when the federal government was desperate to introduce the GST; that was when the bargaining power was there to be taken. That was when the warnings were given by Hon Eric Ripper, the then shadow Treasurer, and I will come back to those warnings shortly.

The first point I make relates to mining-related expenditure. We always hear the Premier and the Treasurer talk about how much is involved to get mines up and going and the expenditure that goes into that task. The Commonwealth Grants Commission report has a chapter on mining-related expenditure. The first thing that struck me about the report was that Western Australia got its submission in late. So determined were we to argue our case, that Western Australia could not even get its submission in on time. Despite the grades markdown due to punctuality, let us look at the impressive argument that the Barnett government raised. Ultimately, we tend to focus on the GST revenue side of things, but we are not very good at focusing on expenditure—that is, why we deserve extra weighting for things like our size, remoteness and Aboriginal population. That is not what we spend the effort on and that is where Western Australians have been let down.

The next thing I will read from the "Report on GST Revenue Sharing Relativities: 2015 Review: Volume 1 — Main Report" is about mining-related expenditure. I will quote for the benefit of *Hansard*. At page 41, it states —

Western Australia was unable to provide data on direct mining expenditures due to difficulties in identifying relevant expenditures and the inability to apportion costs between mining and non-mining related activity. Instead, Western Australia provided data on the level and purpose of spending through its Royalties for Regions ... program explaining that much of this spending is support for its mining economy.

Despite all the rhetoric, we could not give any data to the Commonwealth Grants Commission about the cost of developing the infrastructure. All we did was press print on what we are spending through royalties for regions, and we wonder why the argument is not taken seriously. The CGC went on to make the point at page 41 —

Over 75% of RFR expenditure was for social and economic infrastructure in the regions, including schools, hospitals, courts, police facilities, community amenities, town infrastructure, housing, electricity, water, irrigation projects and other community development. About a quarter of the infrastructure expenditure was provided to local government for community amenities.

The grants commission went on to make the point at page 44 —

We consider —

This is not unusual. This is what the CGC says. If we read any report, we will see that this is what it says —

that mining related expenditure should be limited to the expenditure directly associated with the development and management of mining activities. We examined the data provided by the States, including Western Australia's RFR data. In most cases, the expenditure States identified as relating to mining is a small part of what they spend. The data indicate direct mining expenditure is less than one quarter of 1% of total State expenditure.

Where a conceptual case has been established, reliable data are available and it is material, we have made an assessment.

Colleagues, we could not make the case. I do not know what is going on in government when it is not collecting and maintaining the data to provide this to the Commonwealth Grants Commission. What an extraordinary failure that is. Because the government is too busy with the emotional argument, it is not making the case in the area in which Western Australia has the strongest case—a big state, a small population and expensive industry. That is where I would have thought the government would make the case and get the benefit with extra weighting so that extra GST flows back. That is where the opportunity lies, because ultimately, as we know and as I have been saying for years, not every state Treasurer will agree simply to give more. The government has to work with that process.

[Member's time extended.]

Mr B.S. WYATT: When I read that report, I was very critical to note that we had moved from the two-tier system. Colleagues may recall that when we increased the fines royalties in terms of both equalising with lump and then increasing in the 2010–11 budget, I think, then Treasurer Swan and, after the election,

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Treasurer Hockey issued the instruction to the grants commission that the fines were not to be moved into the high level. There were then two levels, low and high. They were not to be moved from the low royalty rate into the high royalty rate, because to do so would penalise Western Australia dramatically. Indeed, in the WA government's submission to the Brumby–Greiner review dated October 2011, we made the point that had the Commonwealth Grants Commission reclassified those fines from low rate to high rate, and I quote —

... Western Australia would have faced a loss in GST grants equal to about three times ... the additional royalty revenue raised ...

One would have thought that it was an important instruction to be issued, because without that instruction we lose way more in GST than in the revenue raised from that decision. Therefore, when I read through the 2015 review, I was surprised to see from the Commonwealth Grants Commission the comment that no instruction was issued. Why did Joe Hockey not issue that instruction? Why did the state Treasurer, Mike Nahan, not demand that Hockey issue that instruction? Hundreds of millions of dollars depended upon it. The response from the Treasurer, as reported in *The West Australian* on 13 April, was —

“This time the CGC —

That is, the Commonwealth Grants Commission —

shifted away from the old treatment —

That is, low and high —

to a mineral by mineral (treatment), thereby eliminating the ability of the Federal Treasurer to treat fines separately.” ...

That is what we did. I thought that was not fair. The state Treasurer was saying that the Commonwealth Grants Commission had changed its process, but, again, when we look at the Commonwealth Grants Commission report, it states at page 37 —

... Western Australia favoured a mineral by mineral approach. Most other States favoured assessing minerals in groups, although their views varied on the number and composition of groups.

At page 43, to make the point, the commission states —

Western Australia was broadly supportive of the category by category approach the Commission adopted. It did not want the Commission to make a separate mining expenditure assessment.

Western Australia argued for a change to how iron ore fines were treated that resulted in us losing hundreds of millions of dollars. To be fair, it must be remembered that it was because of that change that Mike Nahan, the state Treasurer, said that we could, therefore, no longer demand that fines be kept in the low rate.

To finish this complicated argument, I will refer to page 40 of the Commonwealth Grants Commission report. On one level, moving to the mineral-by-mineral approach benefited Western Australia to the tune of \$434 million but, as the state Treasurer said, because of that move that we could no longer keep fines in the low rate, it cost the state \$664 million. The position that the Western Australian government argued for at the Commonwealth Grants Commission left WA with a net loss of \$230 million. What is going on? This is the government's own mistake, and it is because it has not had a consistent line on the GST. It never has, which makes me doubt the sincerity with which it makes the case. We got right down to the dying minute and suddenly the government was out there thrashing around and arguing five different cases. Whether it was Mathias Cormann, the state Treasurer, the state Premier, the Prime Minister or the federal Treasurer, they were all arguing different cases. Then we found that the Western Australian government was in there arguing for a way in which royalties are treated by the Commonwealth Grants Commission that leaves us \$230 million net worse off. What a debacle!

Another point I want to make is around the idea of contemporaneous assessments. We saw the state Treasurer arguing for contemporaneous assessments. The first time I could find it reported was on 2 October 2014. There was a big headline “Nahan GST plan aims to net billions”. This was to move to a contemporaneous assessment process. It had gone from five years to three years, and then there was the argument to move to contemporaneous assessment. It is interesting, colleagues, that in the Commonwealth Grants Commission's 2015 review, it makes the point that had we had a contemporaneous assessment process on the way up during the iron ore boom, an extra \$7 billion in iron ore revenue would have been redistributed away, so we have to be careful what we wish for sometimes. On the way down, we were sitting there saying, “Oh, the sugar rush from the royalty increases a few years ago is now being taken from us”, as Eric Ripper warned when he was Leader of the Opposition. As the government's own submission states, the government will lose up to three times the revenue raised, and it made the point—I do not understand how it could make the point—in the August 2012 WA government submission to the Brumby–Greiner, at page 8 —

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while Western Australia has nonetheless proceeded with further reforms to its iron ore royalties announced in its 2011–12 budget, this was on the clear understanding that the GST distribution system would also be reformed.

A clear understanding by whom, when and how? Talk about a Hail Mary! The government upped the rates and thought, “Please, something’s got to happen over the next few years”, and when it did not, we saw the crazy performance of the past few weeks. The government does not even have the capacity to make its case on its spending side. That is what the government has managed to do. The contemporaneous assessment is an interesting case but, again, it highlights the Barnett government’s lack of consistency on the issue of revenue and on the issue of the state’s finances. In 2010, a goods and services tax review looked at this and changed the assessment period from five to three years, for those who are familiar with it. Western Australia put in a submission entitled “Contemporaneity”—it is a hard word to say—that specifically dealt with this issue. It came to the conclusion —

We consider that it is in everyone’s interests to represent equalisation the way it is (i.e. as an “over time” concept), and not the way we would theoretically like it to be.

On the way, we were arguing out there that the period should be over time. We reluctantly agreed to change it from five to three years, but even then we wanted it phased in. When the iron ore price did what we all knew it would ultimately do and decline, the government said that it should be a contemporaneous assessment despite the fact that it argued against it in 2010. What a debacle! This Liberal government has mismanaged the state’s finances in a way that the next two or three governments will have pay for. In my last few minutes, I will come back to the point I was referring to a little while ago. The government was warned about this. As the Premier said on 11 March 2008 when he was just the member for Cottesloe —

The Treasurer likes to carry on and talk about the taxes that he has abolished. Most of them were relatively minor in nature, and all of them were abolished as a result of the agreement for the introduction of a goods and services tax—an agreement that this Treasurer and this government had no involvement in.

Too right, because we knew what it would do to the state’s finances. The warning was specifically given. I have quoted this ad nauseam and I will do it again. I refer to a discussion that took place on a motion moved by the member for Belmont, Eric Ripper, on 28 June 2000. It was an exchange between Eric Ripper and the now Premier. It reads as follows —

Mr Ripper: Does the minister think there will be an effect on the Commonwealth Grants Commission?

This is in respect of a move to a GST. It continues —

Mr BARNETT: I predict that within five years there will be a reassessment of the GST and revenue-sharing arrangements. It should happen.

Mr Ripper: Should the grants commission determine our share of GST revenue?

Mr BARNETT: I would prefer that it did not but that is the system that we have.

Mr Graham: How would you do it?

Mr BARNETT: It is a good question. I would rather see simple GST revenue sharing on a population or revenue raised basis. It would present some anomalies as we have national companies and the like. I do not like the grants commission process and I do not think it is particularly effective. It has served Australia’s purposes in the early period of our development but I do not think it is appropriate now. That is a bigger issue to which we will come later.

Mr C.J. Barnett: When was that?

Mr B.S. WYATT: It was in 2000.

This is the problem. The Liberal Party had its time then when the Howard government was desperate to get its GST legislation through and desperate to get the states signed up. It was desperate—we remember it. Governments were rushing to help out Mr Howard. The specific issues raised in this state Parliament was when the government could have, as it wanted then, asked for a population or revenue-raised basis, but it did not do it; it did not demand it or get it implemented. Now we sit here and wonder why the other states are not agreeing to something that the Liberal Party should have started in 1999–2000. That is the reality. The government has created the mess in which it now finds itself.

Mr C.J. Barnett: Just remember that I was neither the Premier nor the Treasurer. I had an interest in the matter.

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Mr B.S. WYATT: The Premier was the lead speaker for the government in the debate. It was put to the Premier, just as it was put to Richard Court on 13 October 1999 when he interjected on Eric Ripper by asking if he thought that the Commonwealth Grant Commission should change, to which Mr Ripper replied that the Treasurer had signed up to an arrangement that would make a very large proportion of Western Australia's revenue hostage to a commonwealth government authority's determination, a determination that might not be helpful to this state.

Time and again the Liberal Party was warned, whether this Premier was warned or Premier Richard Court was warned, but it did not demand the floor when it had the political chance and pressure to do it. It could have got it done because back then all the states would have agreed to it. It is a mess of the government's own making and as I have gone through in the last half an hour, there is an erratic focus on finances for one year only that has led the government to this point. It cannot look at individual parts of the revenue of the state without considering them as a whole, because that is what our fiscal Federation does; that is how it works. It redistributes wealth. This was confirmed by Troy Buswell when he was Treasurer—I will not have time to go through it now—in a debate on the future fund. He said that it does not matter what happens in three or four years, because he was worrying about the current year. Ultimately, that is why we have ended up where we are. That is why there is another tax increase bill by this Liberal government after its fully funded, fully costed election campaign of 2013. That is the reality. The government has made the state vulnerable to the situation in which we find ourselves. We are coming out of one of the most extraordinary wealth creations in commodity prices that we will see with record debt and huge deficits and it will be left to the government elected in 2017, 2021 and most probably 2025 to resolve.

MR W.J. JOHNSTON (Cannington) [5.47 pm]: I would like to participate in this debate on the Taxation Legislation Amendment Bill 2015. I start by saying that, as the member for West Swan so carefully explained, governments increasing taxes is a common occurrence; indeed, increasing taxes is something that governments do. The Labor government did it when it was in power and, of course, every time we did so, we were criticised by the Liberal Party. We were pilloried. I remember in particular the comments about tax increases by the Premier when he was Leader of the Opposition and more particularly those of Hon Troy Buswell. Indeed, Hon Troy Buswell, when he was deputy leader, shadow Treasurer and later as leader of the Liberal Party, used to talk about the obscene budget surpluses that Eric Ripper and the Labor Party delivered for Western Australia. In fact, in 2007-08, the Labor Party spent 87c of each dollar that was raised in revenue in the state. We saved for the future 13c out of every dollar we raised in revenue. Looking at the midyear review, in the current financial year, the Liberal government is spending \$1.04 of each dollar it raises in revenue. I make the point that that is spent on recurrent expenditure; it is not what is spent on the capital side of the budget, which, as we all know, is separate from the budget deficit and the budget surplus. The Labor government was criticised and told by the Liberal Party again and again that it was running the state badly because it was spending only 87c of each dollar raised. The Premier is now spending \$1.04 out of every dollar he raises and he cannot see that somehow he had something to do with that. That is what is missing from the debate in Western Australia. An ownership of guilt; a fessing up to explain why we are in the mess that we are in and why we need to once again go back to the well of payroll tax that so many people—not me—say is a tax on employment.

We are now increasing payroll tax on family businesses across this state as well as large business. I point out that many family-owned supermarkets will be impacted by this change. This is in a market in which they are having increasing difficulty in dealing with the competitive pressure of Coles and Woolworths and are having to pay the additional land tax that this government has been imposing on them. As I have explained before, land tax is a pass-through cost for the owners of commercial property. Unlike land tax for residential property, which is borne by the landlord, the land tax for commercial property is passed through by landowners as part of what is called "outgoings". Additional land tax is already being imposed on small businesses, and now the owners of supermarkets in particular will have to pay this additional payroll tax.

The Premier has been in the media over the last month complaining about the collapse in the iron ore price, and blaming the collapse in the iron ore price on the expansion of iron ore production in Western Australia. I want to make some points about that. I draw members' attention to the *Hansard* of 11 September 2014 and to a question that was asked of the Premier and Minister for State Development by the member for Joondalup about Anketell port. The Premier said —

There has been a lot of media speculation that the so-called resources boom is over and it is all doom and gloom. I think anyone who understands anything about the Western Australian economy understands that it is export orientated, volatile, cyclical and subject to external shocks and the like.

He said also —

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The agreement announced today at the Australian Stock Exchange between Baosteel, Aurizon—the old QR—AMCI and POSCO is very good news. The project involves mine development, rail development and the development of a major port at Anketell in the Karratha area that will initially be designed to handle around 40 million tonnes; ultimately, potentially, it will be 350 million tonnes, and multiuser and multiproduct.

The point I am making is that the Premier was foreshadowing a new 350 million tonne iron ore port. The Premier went on to say —

The state has played a critical role, if you like, in the corporate activity, in winning the confidence of Baosteel and POSCO—long term major investors and customers of iron ore in Western Australia.

The Premier said also —

Early discussions have begun on a state agreement, and I hope to be able to bring that into this Parliament if not late this year early next year.

In September 2014, the Premier was foreshadowing, in the short term, 40 million tonnes of additional production, and, in the medium term, 350 million tonnes of additional production.

I want to remind the house of the Premier's speech on 13 April 2010 to Rice University, in which he laid out his views of the resource sector in this state. He pointed out that iron ore production in Western Australia was 19 per cent of world production and 37 per cent of the world trade share. The Premier knew back then that although Western Australia was a major player in the seaborne trade, we were certainly not the only one. This is quite important for people to understand. The Premier said also —

The situation is very different from that of the United States, where ownership is more complex and some landowners have mineral ownership rights. The constitutional arrangements in Australia place the ownership of natural resources in the hands of government on behalf of the people. In other words, a private landowner has no rights to the mineral deposits below the surface.

I remember well a discussion some years ago with an American mining executive who had been appointed to head a major mining company. He was somewhat shocked when I pointed out that the state government, not the company, owned the minerals he was mining. He had been in the job for several months.

The Premier in his speech—which I presume was a PowerPoint presentation for the benefit of the audience—listed half a page of iron ore expansion projects. The point I make is that the Premier agreed to all those expansion decisions. I refer in particular to the December 2014–February 2015 edition of *Prospect* magazine, which is put out by the Department of Mines and Petroleum and the Department of State Development. The cover has the interesting title “Looking Forward”. On the first page, under a very attractive photo of the Premier in his capacity as Minister for State Development and the Minister for Mines and Petroleum, there is an interesting editorial. It states in part —

For the 2013–14 financial year, the value of the State's mineral and petroleum industry increased by almost 20 per cent to A\$121.6 billion, a new record.

Production of iron ore and other commodities, including gold, copper, lead, salt and diamonds also increased, and there was substantial growth in the value of petroleum sales.

It states later on—it is a joint editorial, but it starts with the word “I” —

I am pleased to see the progress made to date on the development of the Anketell Port project (story page 27), which will provide a new avenue for iron ore producers in particular to get their product into the market.

So, there we go. In the quarter ending February this year, the Premier was lauding the expansion of the iron ore sector—not today, but earlier this year, in February. Indeed, at page 20 of that edition of *Prospect*, in an article headed “Pilbara Iron Ore is Key to Long Term Growth”, it states —

According to the Bureau of Resources and Energy Economics ..., in 2013–14 Australia's iron ore export volumes increased by 24 per cent to 652 million tonnes.

The rise in exports was supported by record production from Pilbara mines and Rio Tinto, BHP and Fortescue Metals Group all posted record high shipments.

What a shock that there was a large volume of exports. The Premier personally approved all those exports, and they are recorded in that magazine. At page 2 of the same edition of *Prospect*, it states —

Extract from Hansard

[ASSEMBLY — Tuesday, 21 April 2015]

p2458a-2500a

Ms Rita Saffioti; Mr Ben Wyatt; Mr Bill Johnston; Mr Peter Tinley; Dr Tony Buti; Mr Fran Logan; Ms Margaret Quirk; Mr Chris Tallentire; Mr Paul Papalia; Mr David Templeman

Commodity prices remain high by historical levels, but recent price falls and uncertain global economic conditions have caused some mining companies to re-evaluate their investment positions.

The State is competing for capital from other mining jurisdictions, notably the emerging resource countries in Africa, such as South Africa.

However, Western Australia has some notable advantages over its competitors.

The State has stable government, established infrastructure and a more readily available skilled workforce.

That is what we need, Premier. We need stable government. That means that when the state government agrees to something, it does not change that agreement subsequently. As we heard in question time today, both the Minister for Mines and Petroleum and the Minister for Transport outlined that they are part of discussions about reducing the volume of exports by certain companies in this state. They both said that.

Mr C.J. Barnett: They said they were not.

Mr W.J. JOHNSTON: No. Neither of them said that. We asked them to say whether they had or they had not, and they both refused to rule out their involvement in those discussions. If the Premier is saying that there were no discussions before 10 April and it was simply a whimsy by the Premier on radio, then that is emphasising the problem. The Premier cannot expect international investors to undertake long-term investment in Western Australia when he can go on a radio station and change the parameters under which those companies operate, apparently without discussion with any minister. Let me explain. The Premier cannot have it both ways. Either he spoke to those two ministers and they were involved in a collective decision to threaten the exports of this state, or he did it on a whimsy, without discussion. I thought it was bad when those two ministers were involved; but, if they were not involved, what the hell are they doing? Why are they not publicly defending the people who have invested billions of dollars in this state? This Premier is out of control. He is damaging this state's reputation everywhere in the world. It is no wonder the Premier is scurrying out of the chamber. This is a man who is damaging the interests of every single Western Australian. Not only is this Premier terrible at budget management, but also he cannot run development issues in this state. The Premier is incapable of being consistent—the very thing that the Department of Mines and Petroleum and the Department of State Development have said is essential to this state's position as an attractive investment destination. The departments go on to say in that same edition of *Prospect* —

The Department of Mines and Petroleum's (DMP) latest resources statistics at the time of going to press show that iron ore remained the State's highest value commodity, with a record A\$73.7 billion in sales.

Project expansions and continuing strong demand led by China resulted in exports of 631 million tonnes, an increase of 23 per cent on 2012–13.

So, the government is happy to have exports increase, unless there is a price effect. Everybody knew that there would be a price effect. Every commentary from any economic journal anywhere in the world would tell us that the expansion would end when there was a price effect. However, suddenly, the only person in the entire world who knows anything about the resource sector and who was not expecting the price effect was the incompetent Premier of this state.

Sitting suspended from 6.00 to 7.00 pm

Mr W.J. JOHNSTON: I was just examining the way the government has followed this zigzag course in state development in Western Australia that has led us to the point at which we need a bill like the Taxation Legislation Amendment Bill 2015. In particular I am addressing the comments of the minister during his second reading speech that this bill is part of the government's \$3.8 billion response to the *Government Mid-year Financial Projections Statement*. In his second reading speech the minister explains the government's views about the need to have legislation such as this that increases taxes on small and large businesses across the state. The problems that this government complains about are of its own authorship. Again, I draw attention to an article on page 25 of *Prospect* magazine from October–November 2014 in which the minister is reported to have attended a launch —

Launching the A\$70 million rail expansion in July, Mines and Petroleum Minister Bill Marmion praised the company behind the project, Mineral Resources Limited, for its commitment to the State's resources industry.

“By investing in its own fleet of five locomotives and 382 rail wagons, Mineral Resources will be able to build further on its already considerable success,” Mr Marmion said.

The magazine goes on —

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The new trains will service the Carina iron ore mine and the company's future mine developments in the region and will allow it to boost production to 5.4 million tonnes next year, up from this year's record of 4.6 million tonnes.

The government was even encouraging the small miners to expand, not just the large ones. Again, in the December 2013–February 2014 edition of *Prospect* there is a detailed commentary on page 10 under the heading of “Rio Tinto port expansion a boost for Pilbara iron ore”. The Premier officially opened the expansion and the article states —

“Rio Tinto's investment in expanding its iron ore export capacity is excellent news for Western Australia and the Pilbara,” he said.

“Creation of an additional two new berths and supporting infrastructure will enable Cape Lambert's annual export capacity to grow to 140 million tonnes now, on the way to 210 million tonnes.”

Not a word about how this was going to be the biggest disaster for state development in the history of Western Australia, which is what the Premier has said now. I wonder what the Premier expected when he went up there and was photographed shaking hands with Rio Tinto iron ore chief executive Andrew Harding? Did he expect it to be using the facilities or did he think that it would spend all that money and then just leave the facility idle?

[Quorum formed.]

Mr W.J. JOHNSTON: I was just reading a quote about the opening of this expansion. The article states —

Premier Barnett said that the iron ore industry in Western Australia contributed approximately A\$3.65 billion in royalty payments to the State ... which was vital to the State Government's ability to provide schools, hospitals, roads and services across WA.

Overall, iron ore production in WA increased by 12 per cent to 512.6 million tonnes in 2012–13, representing 26 per cent of the world production. Rio Tinto accounted for almost half the State's 2012–13 iron ore production at 239 million tonnes.

The Cape Lambert Port B project was approved under the *Iron Ore (Robe River) Agreement Act 1964*, which is administered by the Department of State Development.

Of course, the Premier is the minister for that department.

[Member's time extended.]

Mr W.J. JOHNSTON: Again, I am sure it was a bit of a shock to the Premier to learn that when he approved the expansion of the project that it would be used by the miner to continue to expand production. In the July–August 2014 edition of *Prospect*, in a report on page 5 under the heading of “Japanese Prime Minister visits the Pilbara”, the Premier is reported as saying —

“Japan remains a very active long term investor in Western Australia, with the Robe River joint venture currently working to expand the capacity of West Angelas from 29 million to 35 million tonnes per year.”

My point is that one of the reasons the Japanese have been such a long-term investor in Western Australia is that they expect—up until the last two weeks—to receive stability of government policy. When the Minister for State Development in the form of the Premier approves an expansion project, the Japanese expect to be allowed to utilise the port expansion and produce more iron; that is the purpose of approving an expansion. The article contains a very fetching photograph of the Premier with some people in the Pilbara including Rio Tinto chief executive Sam Walsh, Prime Minister Tony Abbott, Japanese Prime Minister Shinzo Abe and Rio Tinto iron ore chief executive Andrew Harding. They are all standing together looking very happy and wistfully into the distance, as one does in these types of photos. They are not looking at the camera but off into the future because they want to show stability. However, the Premier is now complaining that Robe River and its Japanese partners have expanded and are exporting more iron ore, which is no surprise! In the same edition of *Prospect*, on page 9, is a report about the Premier's visit as part of Australia Week in China. I will again read a quote in the magazine from the Premier.

Mr W.R. Marmion: Sorry, what month is that report from?

Mr W.J. JOHNSTON: It is in the July–August 2014 edition. It states —

“I was heartened to learn of CITIC Group's interest in taking a lead role in coordinating the Oakajee project at China's end, and I'm optimistic that we may see some progress in the medium-term,” Mr Barnett said.

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Guess what? If this project proceeds, more iron ore will be exported out of that port. The purpose of building a port is to export iron ore. What does the Premier expect to come out of that port? Just like the port at Anketell, a new port has been created at Oakajee to export iron ore. Why is the Premier suddenly surprised that when all these projects have been approved, the volume of iron ore increases? I am not the economist, the Premier is the economist, and every textbook written about supply and demand states that if supply continues to increase, at some point it will exceed demand and the price will fall.

Mr W.R. Marmion: Isn't that the Giffen paradox? The Giffen paradox is the paradox of economic suggestion; if the price of a certain commodity is increased, such as a luxury good like a Rolls Royce, there is an increase in sales. Also, if there is a high demand —

Mr W.J. JOHNSTON: I accept that if one has an elaborately transformed manufacture, there could be different issues raised if they have a branded luxury good, but that is not what we are talking about; we are talking about a commodity, minister. I just want to get on and talk about commodities. I am not interested in talking about irrelevancies such as that. I am just making the case about the fact that everybody in the world who has made any commentary about the export price of a commodity over the last five years has been making the point that at some point supply will exceed demand and the price will fall. The Premier knew that, and he approved every single project. Now he complains that having approved the projects and invited the investment, the projects have come into production. I will get on to the question about the free market, but that is the purpose of investments in free enterprise. The purpose of foreign investors and domestic investors investing in plant and equipment, in ports and rail, and in mines is so that they can produce their product. When they produce it, they sell it; that is the purpose of free enterprise. That is why I was interested in the minister's inaugural speech on 12 November 2008, the day after I gave mine. In talking about previous members for the seat of Nedlands, the minister said —

They were all men of great substance, principle and sound judgement. They were all highly regarded for not only their passionate support of free enterprise, but also their vision for Western Australia and their commitment to the electorate.

He then went on to say —

They were men who believed in free enterprise and who had a vision and were not afraid to step out to create that vision.

Free enterprise! The minister at the table said those former members for Nedlands were men backing free enterprise, yet when we have seen free enterprise operate here in Western Australia in the iron ore sector, suddenly the Premier is rejecting free enterprise—calling for a cartel, calling for the iron ore companies to coordinate their activities. There may be a hundred good reasons to do that, but that is not the system that the Premier agreed to when he agreed to those expansions.

There is an issue with the fact that there has not been withdrawal of production in high-cost jurisdictions such as China. We can read in the press extensive commentary about what is happening in Chinese production and the fact that they have not withdrawn loss-making supply in China. If the federal government wants to help the iron ore sector in Western Australia, the number one thing it could do is include a requirement in the free trade agreement with China for the Chinese mines to operate on a free-market principle. That would mean that for any of those operators in China producing iron ore at a loss, that production would be withdrawn. That would assist in creating a balance of supply and demand in the iron ore sector, because that is what happens. It is a classic story. If you are growing tomatoes and there is one box left over after the auction in the morning, the price is going to fall. Everybody understands that. Sadly, at the moment, we have to cope with this problem in iron ore. I do not know what the future price of iron ore will be. There is plenty of commentary in the professional press stating that there will be some rebound in the price to slightly higher. There is plenty of commentary in the media, including from the federal Treasurer, saying that the price will in fact fall further. I do not know. That has been the problem here in Western Australia. We have had this entire idea that there was never going to be a drop in the iron ore price. Every single budget has been brought to this place on the basis that every red cent of income that the state receives can be spent and there is no problem in the future. That was always a stupid idea. It was stupid every single year and that is why every single year the Labor Party has come into this place and made the same points about these issues. Finally, Western Australians outside this chamber are actually seeing the consequences. That is a terrible situation; it is going to mean bad outcomes for every Western Australian. It is a bad thing. I am not saying it is a good thing; I am making it clear that it is a bad thing. The problem is that it is an inevitable consequence of the behaviour of the Premier. The only reason we are here tonight is that the Premier failed to run this state with the interests of Western Australians at heart.

In the back of the March–May 2015 issue of *Prospect* there is a list of significant resource projects in Western Australia. At the top of the page it states —

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Western Australia continues to lead the way as Australia's premier resources investment destination. There are more than A\$123 billion worth of projects either committed or under consideration for the State during the next few years. These would create more than 27,000 construction jobs and more than 4500 permanent jobs.

Then there is a list that adds up to \$123 734 million. CITIC Pacific Mining at Cape Preston, Roy Hill, Chevron's Wheatstone project and the Gorgon joint venture make up \$106 800 million of that. That leaves just \$16.9 billion of other projects. All those four projects will be complete within a short time. Of that \$16.9 billion of projects left over, \$3.9 billion is for the Perdaman Chemicals and Fertilisers project, which is a highly speculative project by a small shelf company outside Collie. If we exclude that project, because it is highly speculative, that is only \$13 billion of projects in Western Australia. That is a crisis. CITIC has basically demobilised its workforce and when Roy Hill is finished and when the LNG projects involving Chevron finish, what will be next? There is not a single major resource project in Western Australia—none. We have got a few bits and pieces here, all of them very good projects, all worthwhile and leading to significant investment, but as a state that has relied for 15 years on large construction projects, we are in trouble.

The other problem added to that is that the government likes to trumpet its public works program. All those public works projects are already on foot. They are not countercyclical; they are pro-cyclical—for example, my favourite, Elizabeth Quay. It is supposed to be finished within a year and the workforce will be demobilised. It is not as though it will start tomorrow to make up for the losses at the end of these projects. That is not contributing to the long-term job prospects in the construction sector. All these projects are coming to an end and that is the problem. They will not be contributing to any long-term job prospects in Western Australia. We could have saved our money instead of spending it, and then we would have been in the position of being able to spend now in a countercyclical fashion to provide jobs for Western Australians when we actually will need all these projects. I must point out that included in this list of \$13 billion of projects is the TransAlta power station paid for by taxpayers and the Ord Kimberley expansion project, and the Ord scheme is basically complete anyway. We are going to have a crash in Western Australia, and we are going to have that crash—that is not a good thing; it is a bad thing—because of the deep and unrivalled incompetence of the Premier. It is not as though he was not warned. From the first time we dealt with legislation in this chamber, the opposition has made that point.

MR P.C. TINLEY (Willagee) [7.19 pm]: I would like to make some comments on the Taxation Legislation Amendment Bill 2015. The government is aware of the opposition's interest in and position on this bill. The principal point we want to make is that this government is fiscally irresponsible. It has squandered, in large part, the single largest gross intake of revenue in the history of the state, notwithstanding the eight years of the last Labor government, which produced eight surpluses. I think that this bill goes straight to the heart of the relationship between the government, the Liberal Party and business. This is a statement that underscores a lack of vision about where this government is going, and its vision for Western Australia is a retrograde step to produce more taxes. We should never let pass in this state the one undeniable fact that this is a broken promise in line with a long list of broken promises. I highlight for members in the chamber who may not have heard this—I am sure other members who have spoken have also quoted this—an extract from the Liberal government's small business policy. It states —

If re-elected, a Liberal Government will focus on practical measures that will make life easier for small business. These measures will include:

- Further tax payroll relief to business worth \$121million.

It has to give tax relief in a promise but when it came to an actual commitment, it was a completely different story. I wish to quote an extract from an article from WAtoday announcing the WA Liberal Party's election commitment. It states —

WA Treasurer Troy Buswell has promised to begin reforming payroll tax if the Liberals are re-elected at the state election.

That was not that long ago —

At a debate in front of 600 members of Perth's business community on Tuesday morning he said the Liberals would increase the tax free threshold to \$850,000.

We have come a long way since the 2013 election campaign and the heady days of above expectation revenue growth and above expectation general inflows. We spent every single cent of it, imagined and real—so much so that we booked the revenues of a gold royalty scheme in the budget that just did not appear. We had spent them before we even conducted the review. We will look anxiously at the budget that will come down in May to

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discover what has happened with the hole that was left by gold revenues alone, or expected from further taxing gold.

Although on one level this bill looks like it is a reasonable introduction of a change or ramping or a glide path to the full arrangement in which the exemption of \$800 000 to \$7.5 million is removed, it is a challenging issue because, at the heart of it, it talks about payroll tax as part of the base of the revenue that the state must attend to.

I note the Premier's comments in the media about the GST debate. The one thing that no government member, either state or federal, is talking about is the elephant in the room. We keep talking about the idea that we are getting an unfair deal with the GST and the fiscal situation of our relationship with the other states. We on this side do not disagree with it. Thirty cents in the dollar is woeful and it needs to be attended to but we need to attend to it within the fiscal federation. As members have already said, that means that the binding arrangements of the GST itself must be agreed to by all the states, and that will never happen in the current environment because somebody has to take a hit somewhere. That in itself is the elephant in the room. We are sharing the same pot of money. We can all make commentary and recommendations or seek concessions from the government. The government begging bowl that the Premier had out when he went to Canberra came back with, we suspect, somewhere in the order of \$600 million of additional funding. It was just a sop—nothing more than pork at the federal level. The issue is that no government politician, federal or state, has had the courage to say that the issue is not the GST; the issue is the total tax take and what we as a community expect in quality of life paid for by the public purse. We need to have a better quality of debate on tax in this country. We cannot simply have a merry-go-round of finger pointing of who supports Tasmania and who supports the Northern Territory or the distance of a city from a capital city. A 273 000-person threshold constitutes a capital city. Therefore, a place such as Hobart gets to call Melbourne its capital city and a place such as Darwin gets to call Adelaide its capital city. That perverts the formula by which the Commonwealth Grants Commission undertakes its work. The formulas are interesting, intricate and complex at times but inherently unfair at times as well, from a personal perspective. The obvious one that people talk about is that the eastern states have poker machines but do not have to include revenue from gambling, which to me is an unbelievable misstep by whoever constructed the GST arrangements.

The key issue is not how the GST is shared. That could be and should be part of a wider suite of reforms in the fiscal imbalance between all the states and how equalisation occurs. The other issue is that we need to have a very brave, frank conversation with the public of Australia, and certainly for us at a state level with the people of Western Australia, about the total tax take and what ought to be done to improve the revenue base so we do not have these structural deficits as far as the eye can see, regardless of the cost-cutting measures of any federal government.

[Quorum formed.]

Mr P.C. TINLEY: I was going quite well without the audience. I will have to sharpen my rhetoric and maybe throw out a few barbs and see if we cannot keep a few members in the house tonight. That is certainly not my intention.

The clear issue is that the elephant in the room is that the total tax take across the nation, state or federal, is not meeting the obligations and outgoings of the various governments. It is unfortunate that we have had a warped or public debate on the GST without the commentary that is absolutely required to work out how we will address the structural deficit well into the future that will never reach, regardless of the cost cutting, efficiencies, outsourcing, privatisation, public-private partnerships or anything else we would like to mention. That situation will never meet the requirements and expectations of the public in the delivery of public services. That is the key issue that needs to be addressed in any of these discussions or debates on tax. We must attend to the idea that at some point somebody will have to raise revenue via an increase to the base of the tax, widen the base of the tax and the various taxes or look for an increase in tax in real terms. It is as simple as that. We need to look at a tax increase across the board. Measures such as this that remove an exemption and create an impost on employment, if you like, and have a negative impact on the drivers of employment are by my estimation just fiddling at the edges. They reflect a government that is absolutely bankrupt of ideas for how it might attend to the biggest single fiscal mess this state has seen since it became a colony. We do not know how this government intends to dance its way out of its mess in May. We are looking with some anticipation and, indeed, some fascination for the accounting tricks, the obfuscation or the smoke and mirrors that will give the veneer that the government has some sort of glide path to a budget surplus. I will hazard a guess that we will see a deficit not only this year but also next year and probably the third year out. There is no indication to me that this government is really serious about creating efficiencies with its spending in relation to its revenue base.

I come to iron ore. In the seat of Willagee, no matter where I go in my own inner urban Fremantle seat, if we want to call it that, I find fascinating the amount of awareness people have of the iron ore price. Everyone is an

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expert on the price of iron ore. We might as well be talking about the field for the Melbourne Cup when we talk about the iron ore price and long-term sustainable price management. It is very interesting, not because the people have any depth of knowledge about the iron ore price—I do not pretend to; that is why I refrain from too much commentary around it—but it says more about people’s psyche and what is happening in people’s minds in Western Australia. When we say “iron ore price” we are striking a sense of fear in people because it is linked to people’s sense of place and opportunity that does or does not exist in this state. One thing we do know is the historical mean price. The historical mean price for iron ore has been \$70 a tonne. I will take an interjection from those who are statistically minded, but it seems to me that at some point the price of iron ore will come back to \$70 before or after it goes below. It can go as high as \$160 and as low as we like but the historical mean price means that it will run at \$70 a tonne.

Mr W.R. Marmion: The historical mean price will depend on the start date, obviously. The historical mean goes back to 1960, when I would have thought it would have been a lot less than \$70 a tonne.

Mr P.C. TINLEY: I have referred to a figure without a complete dataset and I apologise for that. I will not guess the time range that affects it.

Mr W.R. Marmion: I get your point.

Mr P.C. TINLEY: It is a key point. It should always have been a salutary reminder in the minds of all on the government benches that at some point \$160 a tonne would not last, \$125 would not last and \$100 would not last. We should not be surprised. I am amazed at the level of surprise that seems to be out there that capital investment has peaked. In 2013 and 2014 some forecasters predicted that capital investment in the mining sector would peak in 2017. That has certainly come forward a bit but these are all known facts. Capital investment was always going to peak at some time just as the supply side was always going to produce an imbalance at some point. We cannot nearly double output in the Pilbara to produce iron ore and not expect some sort of supply side influence on it. I make very clear the point that none of us is after the fact saying, “We told you so; it’s going to sub \$50 a tonne.”

Mr W.R. Marmion: Some people are.

Mr P.C. TINLEY: The only thing we claim is that we knew the price would fall and would not be sustained at levels above \$50 a tonne. It is interesting to consider how many mining houses have been caught out and how many boards in the various mining companies are looking at the analysts they pay hundreds of thousands of dollars—all the big projection houses—and wondering why they pay the sorts of fees they pay to those people to get those predictions. A couple of board directors I ran into at a function made the very point to me that they almost sacked on the spot their outsourced analysts, the ones they pay for in the various mining houses, because they knew intuitively that the prices they were predicting—settling back at 105 bucks a tonne as a sustainable price—were never going to happen. The directors knew they were in a balance sheet challenge and that cash would have to run out. Atlas Iron is a very good example. Even though it was sitting on some \$169 million cash, it was never going to keep up with the debt. From what I can read, I am not convinced that, in its current form, Atlas will ever return to the board, if you like. I think it will be a significantly changed operation if it returns in its own right or is consumed by someone else.

[Member’s time extended.]

Mr P.C. TINLEY: The point I want to make is that this is about the government trying to shore up its revenue base by trying to claw back a deficit problem that it cannot manage and has no vision to resolve. We have been hearing from the Premier more commentary about science than we have ever heard in the entire time he has been the Minister for Science. We are now hearing statements about visits and the In the Zone conference and the knowledge economy—type rhetoric and so on. It underscores a real problem we have in this state; that is, a lack of vision about where we sit in the world. The Premier suddenly decided that if he cannot look after us in this case, we will take our business to Asia. I would have thought that would be an ambition regardless of what we were attempting to do with the economy of Western Australia. In global terms it is a small business of 2.57 million people sitting out here in the Indian Ocean—Australia’s sole jurisdictional representation in the Indian Ocean—as we look to a future that will include an Asian-centric view. We are here to not just reflect on the poor fiscal management of this government and its lack of foresight, but also offer some insight or make some suggestions that the government will understand. My comments about Asia are not aimed at the Premier; they are aimed at the backbench and at other cabinet members, and suggest that we have to get serious about a whole-of-government approach to Asia in a unified engagement strategy that is a cogent representation of the ambition of this state to present itself to Asia as open for business and ready to look for new markets and opportunities. It is not to invent new industries but to take advantage of the ones we have developed in the

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skilled services sector and the knowledge economy around the traditional resource industries such as extraction of oil et cetera.

Western Australia represents the leading edge of Australia's geographic presence in the Indian Ocean and provides a critical contribution to South-East Asian economic growth. Asia's recent economic performance has placed it among the central drivers of the global economy. We know this; these are some of the background facts we know. Most economists I read believe that Asia will become the world's largest economic region in gross domestic product terms by 2030, surpassing those of North America and western Europe. By 2018 Asia is expected to account for 30 per cent of the world's gross domestic product, increasing to more than 50 per cent by the mid-century. There are opportunities there. There are challenges and threats but they themselves represent great opportunities, not least of which is urbanisation rates, as we have all talked of in this place. In South-East Asia, urbanisation rates increased from 25 per cent in 1980 to 44 per cent in 2010, while in China they rose from 19 per cent to 49 per cent over the same period. Right across South-East Asia and Asia generally there is massive urbanisation. In fact, it is a global trend, as we know. The overall urban population of East Asia rose by 700 million in the three decades to 2010, of which two-thirds was accounted for by China alone. These are some of the structural drivers for economic growth: progressively advancing industrialisation, urbanisation and deepening regional integration are all ongoing trends. Most analysts expect the region's performance to continue into the foreseeable future. Of course, it is not a smooth glide path. Growth rates below seven per cent for China are not unexpected, but any economy that has sustained growth of seven per cent has serious growing pains, particularly in a world with a global growth rate of about 1.2 per cent. If China's growth rate is removed from the world picture, the world economy is in a fairly sick state in its post-global financial crisis life. Most economists say that a growth rate of above two per cent or thereabouts is needed to improve Third World poverty and to ensure that we have inclusion. Members may think that is an interesting point to make, because poverty has social impacts. One thing that is often reported by analysts on the rise of fundamentalist terrorism is that it comes from economic dispossession and, of course, power vacuums. The folly of things such as the Iraq war is that it created a power vacuum that radical groups like the Islamic State of Iraq and the Levant and so on can exploit, and one of the biggest things they are exploiting, of course, is the economic dispossession of those nations. It is easy to make a connection between global growth and our prosperity and our safety and security. We can never forget the linkage between good economics nationally and internationally to deliver what we need.

One thing that strikes me is that the preservation or advancement of our standard of living over the next 20 years will rely on the agility of our economy to deliver jobs growth. It has always been and only ever will be about jobs—we all know that, despite the decline of additional industries. Through the debates on local content we have had in this house over the last term of government during the growth of the resources sector and the boom in the productive output of our bulk commodities, we have seen that Western Australian businesses have not been able to compete on price in the region. Those that have are those that have innovated, and we need to support them. We need to have a certain conversation in this place about the strategic threshold below which we will not allow our industries to fall. That is because unlike the east coast, we are not part of a network set of industries. If a certain pipe or prefabrication work cannot be constructed in Victoria, there is a very good chance that New South Wales or Queensland could deliver it and the costs of delivery would be minimal. An isolated state like Western Australia has to seriously consider the security of our industrial base to produce the things that are essential for our independence to make sure that we are not completely into the wind, if you like, to South-East Asia, which is something that traditional industries that have now shifted to those jurisdictions would have us accept. We need to be masters of our own destinies on some of these issues and we do not seem to be having that conversation. We need to protect—preserve might be a better word—the strategic threshold for the capacity of our industries to deliver the needs of Western Australia. That is not necessarily a big task. It is about identifying gold-standard businesses—those businesses that make the effort to innovate, modernise and employ Western Australians at the same time. It is about looking at all those efficiencies and making sure we support them.

One of the biggest things we can do is to understand the export of services and the commitment to innovation within Western Australia. It would be a key plank of any economic priority from this side. It has its tentacles in just about every government sector area, not the least of which is education and training. These things are absolutely fundamental to ensuring that we have an innovative, agile economy that can identify and react. My point about agility is that businesses can react to the opportunities that present themselves in South-East Asia. This is a 20-year view; it is not a term-of-government view. It needs to go to the 20-year or 30-year horizon. We need to identify target markets that will provide the best opportunities. Indonesia, for example, is a relatively strong and growing democracy, unlike the command economy of China. I believe over the longer term it will be a far more sustainable political model, with the sustainability required for inbound investment. There is a real opportunity for us to understand how we can develop what some economists say will be the fourth largest economy in our lifetime. That means 258 million people with a growing middle class with discerning tastes and

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disposable income looking for value-added goods that Western Australia produces. We also need to look at the quality of what we produce, and that is a real challenge for areas such as our education sector. I read a report recently that stated that there are about 300 000 lecturers in universities across Indonesia of whom only 14 per cent hold PhDs. In 2012, the Indonesian government planned to increase that figure to around 30 per cent. Indonesia is increasing the percentage of its 300 000 lecturers who hold a PhD from 14 per cent to 30 per cent, and that is a big number. I was talking to some academics and they believe—this is a very rubbery figure so I would not want to be bound to it—that our tertiary institutions have an in-store capacity to produce in the order of 1 500 to 2 000 PhD candidates. We can make the calculation of PhD students coming from just one country—that is, Indonesia—to Western Australia to undertake quality education. It is not necessarily about the direct inbound investment that occurs as a result of that; it is the direct cultural impact it has on those people who will be extremely well qualified getting a PhD from Western Australian institutions and resuming their careers in Indonesia. It will have a deep and abiding impact on them for the rest of their professional lives. A really good example of that is the US Northwestern University, which has alumni in Indonesia. It has moved on in life and its Indonesian graduates have produced a very good income and created an endowment to ensure that the university can support further students, including PhD students, going to that university. That is an example of long-term impact, not to mention the roles that the people who achieve these qualifications will take up in Indonesian business and the public sector, and all sectors of Indonesian life. That is just one country, one jurisdiction, one sector of education and one opportunity. Does it nest inside a cogent plan from the Western Australian government to engage with Indonesia, South-East Asia or Asia generally in a targeted way, because we only have limited capacity, to get a deliverable result that means jobs for Western Australians? No, it does not. We do not have a whole-of-government approach to engagement.

Mr C.J. Barnett: How do you know that? You've never been in government, so you don't even know how the system of overseas offices operates.

Mr P.C. TINLEY: All I know, Premier, is —

Mr C.J. Barnett: It is not perfect, but you are just dismissing what's in place.

Mr P.C. TINLEY: One minute the Premier is closing the Jakarta office, and the next minute he bows to pressure, and that just tells me that he is flip-flopping around. Why did the government move to close the Jakarta office?

Mr C.J. Barnett: The recommendation was made to me to include it within Austrade. Some Liberal members of Parliament were there, and some businesspeople contacted me and said that they did not believe that that was the right approach. So I listened to them. It was not my idea to include it in Austrade, but that was the recommendation of the department, in good faith.

Mr P.C. TINLEY: If it was not the Premier's idea, why did he accept it?

Mr C.J. Barnett: I accepted it to a point, but I had my hesitations, and then the feedback to me was that it was not a good idea so we didn't go down that path. That's what government is about.

Mr P.C. TINLEY: I have run out of time, Premier, but I would have loved to have had that debate.

DR A.D. BUTI (Armada) [7.51 pm]: I rise to contribute to the debate on the Taxation Legislation Amendment Bill 2015. In reference to the points made by the member for Willagee about university education, of course a great opportunity could present itself to the Western Australian education industry in the form of a thirsty educated class in Asia. However, we need to be careful. I did not see the *Four Corners* documentary last night, but we have to be very careful when trying to attract a large body of students, that the quality of education is not decreased. As somebody who has come from the tertiary education sector, I hold that very dear to my heart. This is not really a state issue; it is really a federal funding issue, but I am concerned about how our universities are being squeezed for money. Of course, they turn to the export market to try to recover some much-needed funds, and that is very sensible, but the quality should not be compromised. We know of the horror stories from various universities where the pressure to pass students is immense, and we are doing a service to neither our own students nor those from other countries if we reduce the quality of education. As we seek to diversify our economy, there is no doubt that education will play a very prominent part.

In the second reading speech for the bill that we are debating tonight, the minister said —

The state's finances are facing very challenging fiscal conditions.

That is probably an understatement. Obviously it is the case, and the government sees this bill as one way of increasing revenue to the state of Western Australia. Further on in the second reading speech, the minister said —

Extract from Hansard

[ASSEMBLY — Tuesday, 21 April 2015]

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In response to these challenges, the government is making the difficult and necessary decisions required to ensure that the state's finances remain sustainable, while at the same time delivering the high quality services and infrastructure required by the Western Australian community.

It is a lot easier for a government to make difficult decisions when it has the trust of the community. As we all very well know, and as was mentioned by the members for West Swan and Victoria Park, during the last election the Liberal government's small business policy stated —

If re-elected, a Liberal Government will focus on practical measures that will make life easier from small business. These measures will include:

- Further tax payroll relief to business worth \$121 million.

Then there was the debate that the then Treasurer, Troy Buswell, had with the Labor Treasury spokesperson, Ben Wyatt, in front of about 600 members of the business community. This is a quote from WAtoday —

WA Treasurer Troy Buswell has promised to begin reforming payroll tax if the Liberals are re-elected at the state election. At a debate in front of 600 members of Perth's business community on Tuesday morning he said the Liberals would increase the threshold to \$850,000.

Labor spokesman for treasury Ben Wyatt, who went head-to-head with Mr Buswell at the breakfast event, said while he understood why the business community wanted reform, the state could not currently afford to be providing tax cuts. "At the moment tax cuts are effectively debt funded," he said.

Now we have this bill before us. Let us leave aside the merits of the bill before us and consider the issue of trust. Obviously if a party goes to an election promising tax cuts and then does the opposite, it would be reasonable to assume that its trust with the community would be tarnished. The next election will determine whether the current government has lost the trust of the public of Western Australia. It is on very shaky ground at the moment. The issue of trust in government is incredibly important in a democracy. Institutional and governmental trust is important for a vibrant democracy. If people are to support the political system and the democratic institutions that we rely on and are privileged to exist under, trust is very important. It is also very important for a government that wants to make difficult decisions. If the public trusts a government, although people may not like the decisions, they will more readily accept those decisions. I am sure the federal Liberal government would like to say that the public has trust in the way it has operated in making hard decisions. There is no doubt that in the early years of the Hawke–Keating government some difficult decisions were made and there was a degree of trust with the public that made it easier for the government to argue its case. We would argue that it is probably unlikely that there is a strong trust relationship between the public of Western Australia and the present government over the promises that were made at the last election and what has transpired since that election. The legislation before us is a case in point.

I will move on to payroll tax. It is an interesting tax. Philosophically, I have always thought it strange that we tax employment in this way. Of course, state governments are thirsty for revenue, and payroll tax is what some would consider an effective, reliable form of taxation. We all know the problems we have under our Federation in which the states have to finance a number of services, but most of the revenue is raised by the commonwealth, so payroll tax is definitely a state tax. Shortly, I will refer to an article in the *Sydney Morning Herald* that criticises payroll tax. Payroll tax has resulted in many interesting legal cases, one of the most famous of which was a High Court case in the early 1970s involving the Church of Scientology. Under the Victorian Pay-roll Tax Act, there was an exemption from paying payroll tax for organisations classified as religions or public benevolent institutions. The Church of Scientology, or the Church of the New Faith, argued that it was a religion, and the issue centred around whether it was in fact a religion. For those who do not know much about the Church of Scientology, it follows the writings of L. Ron Hubbard, an American. The people who follow those ideas are known as Scientologists. Justices Mason and Brennan, of the High Court, stated —

For the purposes of the law, the criteria of religion are twofold: first, belief in a supernatural Being, Thing or Principle; and second, the acceptance of canons of conduct in order to give effect to that belief, though canons of conduct which offend against the ordinary laws are outside the area of any immunity, privilege or right conferred on the grounds of religion.

Justices Wilson and Deane were similar in their judgement. Justice Murphy's determination on religion was interesting. He said —

The categories of religion are not closed, but the following bodies are religious: any body which claims to be religious and whose beliefs or practices are a revival of, or resemble, earlier cults; any body which claims to be religious and to believe in a supernatural Being or Beings, whether physical and visible, a physical invisible God or spirit, or an abstract God or entity; any body which claims to be religious and offers a way to find meaning and purpose in life.

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It is a very wide definition to be classified as a religion and therefore exempt from paying payroll tax.

One could argue that there is a philosophical issue for payroll tax but, of course, it is one of the major taxes that states rely on. An interesting article, written by James Adonis, appeared in *The Sydney Morning Herald* on 16 April 2015. I think it is quite relevant to the debate before us. It is a reasonably brief article, which states —

Of all the taxes in this country, surely payroll tax is the most absurd. It sends a very clear and succinct message to employers: do not hire any additional employees because, if you do, you'll pay the price, literally.

Many are unconcerned about this impost, claiming it's a hit that affects big businesses rather than small ones. But the little guys can be just as impacted.

The tax is calculated by applying a percentage to the cost of wages once an employer reaches a certain threshold. In some states such as Victoria, the threshold is quite low at just \$550,000, which means more firms are caught in the net. Other states or, in this case a territory, are more relaxed. In the ACT, for example, it's set at \$1.85 million.

In his second reading speech, the Minister for Finance mentioned that Western Australia is in line with some other states but we certainly are not in line with all other states. I do not know whether that part of the minister's argument has much merit.

I again refer to the newspaper article —

Based on the average full-time wage, payroll tax captures businesses with as few as seven employees and maybe even fewer if the jobs attract a hefty salary. And the tax to be paid varies from as low as 4.75 per cent in Queensland to as high as 6.85 per cent in the nation's capital. It's quite a blow for businesses that might not have sufficient cash flow, profit or bank balances.

An entrepreneurial friend of mine remarked a few days ago he's preparing to pay it for the first time. He had mixed emotions. On the one hand, he saw it as a great problem to have, since it reflected the growing nature of his successful business. On the other, the tax bill came as an unbudgeted surprise and an unwelcome sting just when he was planning to reinvest surplus funds.

For him, though, it's really not a big deal. He has enough money sitting in an account to easily meet his tax obligations. Others aren't so fortunate.

This was evident in Western Australia last month. In response to the government's decision to defer an increase to the threshold, the Chamber of Commerce and Industry surveyed 600 of its members. Approximately eight in ten said they were now less likely to take on new employees. A similar number were also disinclined to raise wages.

Now, whenever a lobby group releases a catastrophic survey, it's always worth taking the findings with a grain of salt. They clearly have an agenda to push. In this instance, just because hundreds of businesses say they'll hire fewer people doesn't mean they'll actually carry out the threat. If they think recruiting an extra person or two will lift their revenues by more than the subsequent tax implications, they'll probably do it.

That argument should be utilised when people say that reducing the minimum wage will result in more employment. Not necessarily—people will not employ people for the sake of employing people.

The ACTING SPEAKER (Mr P. Abetz): Member, I want to draw your attention to the fact that quotes are supposed to be very brief in second reading debates. I am not sure for how much longer you are going to quote, but I just wanted to remind you of that provision.

Dr A.D. BUTI: That is very interesting, Mr Acting Speaker, because I have never heard you bring that up before. I have not got much longer to go. Can I seek an extension, please?

[Member's time extended.]

Mr D.A. Templeman: Is that an extension to the quote?

Dr A.D. BUTI: Yes; I will have an extension to the quote because I think it is important. The article continues —

But why take the legislative risk? When there are other more logical avenues through which tax can be collected, why gamble with the one that could potentially prevent a rising unemployment rate?

There are only three more paragraphs to go —

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The fact it's an employment disincentive can be seen in the several states that offer payroll tax rebates to employers who hire the unemployed.

In New South Wales, there's a \$1000 rebate available to those who recruit a victim of a mass layoff, while in Tasmania there's a generous rebate given to employers who create new positions. The fresh government in Queensland, too, has plans to introduce a rebate for every apprentice or trainee adopted in the sunshine state.

The minister's second reading speech states that a supporting reason for introducing this legislation will make Western Australia more in line with other states, but he should give us the full picture. That is not the case in many respects because we are falling behind. The government is doing the complete opposite of what it promised during the state election campaign.

I will bring the argument back to the electorate of Armadale. Unfortunately, Armadale has the third highest unemployment rate of all Western Australian electorates, behind the Kimberley and one other metropolitan electorate. Youth unemployment is incredibly high in my electorate and a number of small businesses are struggling. The Forrestdale Business Park is in the Armadale electorate. I am sure the minister and the rest of cabinet would be well aware of it because they visited the Armadale region a couple of weeks ago, which was fantastic. I compliment the cabinet and the Premier for coming out to Armadale, which was good. Unfortunately, the Leader of the National Party did not attend the night-time reception so I did not have a chance to speak with him. I believe he was there in the morning so it was good he was able to make it. Basically, we are part of a rural-regional area. I would argue very strongly that we should be able to benefit from royalties for regions. The Leader of the National Party should consider that.

Mr W.R. Marmion interjected.

Dr A.D. BUTI: The minister is a former inhabitant of the Armadale region.

Mr W.R. Marmion interjected.

Dr A.D. BUTI: Did you visit where you used to live?

Mr W.R. Marmion: I did. I visited my own community.

Dr A.D. BUTI: It is good that the minister was able to visit the good folk of Armadale, who have always been very friendly.

Going back to the bill before us, it can impose a significant impost on small businesses, particularly businesses that employ as few as seven or eight people. The Armadale electorate is unlikely to have major, large employers. Some establishments in the Forrestdale Business Park will have a large workforce but a lot of businesses in my area will be small businesses. I am incredibly concerned about the impact of this bill before us. It is particularly annoying because the Liberal Party went to the election saying something completely different. It basically lied to the electorate. Not only did the government not do X, it has done Y.

If I have time, I will turn back to some of the employment issues in my electorate. I have here a very interesting legal article about the constitutionality of payroll tax. I refer to the High Court case *Ha v NSW* (1997). The majority held that an excise is an inland tax on a step in production, manufacture, sale or distribution of goods. Of course, state governments cannot impose excise duties or taxes. There is an argument that if paying the workers is part of that step in production, manufacture, sale or distribution of goods, and if a tax is imposed on the workers, in effect a tax is being imposed by a payroll tax and that would sink the payroll tax as unconstitutional. I am not saying that that will be a decision that a majority of the High Court, in its current formation, would actually agree to, but it is an issue that has to be considered. It might be dangerous to rely on payroll tax as one of the panaceas for the dire financial situation that six years of the Barnett Liberal-National government has visited upon the Western Australian public. There is no doubt that the Minister for Finance would not have brought the Taxation Legislation Amendment Bill 2015 before the house had his government not created such a financial mess.

Of course, we have all heard about the GST issue and it is a shame the Treasurer is not here, because I have to say that his performance on the GST is all over the place, yet he is trying to blame the Labor Party. I am trying to work out how he can blame the Labor Party. Granted, the former federal Labor Party was not receptive to providing a fairer deal for Western Australia, but we now have a federal conservative government. Yes, there are Labor Premiers, but there are also conservative Premiers. Premiers Baird and Hodgman, and the Chief Minister of the Northern Territory whose name escapes me —

Mr J.H.D. Day: Adam Giles.

Dr A.D. BUTI: Giles; I thank the Leader of the House very much, although next week it might be someone else! It is the same with the Labor Party up there—leaders seem to change quite quickly in the Northern Territory!

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They are all of course opposed to this so-called “special deal” for WA, and what else would we expect? We would argue that, on the basis of equity, we should receive a greater share, and of course we should; there is no doubt about that, But the Treasurer is blaming Labor and asking what our position is on this issue. The Premier went to the Council of Australian Governments last week and there is no doubt that he put his best foot forward to try to persuade the Prime Minister and the Premiers that the formula should be changed or that there should at least be a freeze for a year or two so that we are not further penalised, yet he was unable to convince his fellow Premiers and the Prime Minister, and he is the Premier; so how can the Treasurer expect the state opposition to persuade the Prime Minister? The Premier is of the same political colours as the Prime Minister and he is the Premier; we are the state opposition, of a different political colour, so the Treasurer should not blame us. The Treasurer should sit down and try to work out how he is going to rectify the terrible financial situation we have in Western Australia.

Granted, the GST issue does not help, but we all know that that is a small part of our revenue stream. From what the Treasurer said over the weekend—he jumped the gun a little bit—the federal government will award Western Australia a special one-off compensation, which will be readily welcomed by the public of Western Australia and will, I am sure, assist the government. The Treasurer should just worry about trying to rectify the financial debt that six years of conservative government has incurred in Western Australia, and not try to blame the Western Australian Labor Party.

When the Barnett government came to power the financial situation in Western Australia was quite good, and there was not then any need to introduce the sort of legislation that is before us, which seeks to increase the revenue base of Western Australia by introducing an additional impost on business, and not only big business but also small business. The bill before the house will introduce a gradually diminishing tax-free threshold from 1 July 2015. As we know, under the proposed legislation the benefit of the tax-free threshold will be gradually phased out for employers or groups with annual taxable wages of between \$800 000 and \$7.5 million. It will affect around 70 000 employers. For example, an employer with a payroll of \$1 million will pay an extra \$1 313; an employer with a payroll of \$3 million will pay an extra \$14 448; an employer with a payroll of \$5 million will pay an extra \$27 582; and an employer with a payroll of \$7.5 million will pay an extra \$44 000. These measures should collect an extra \$397 million over the next three years, according to last year’s midyear review, so it is an essential revenue-raiser for the government and the state coffers.

However, I return to the fact that a number of small business operators will be affected as a result of the diminishment of the tax-free threshold. It is interesting that there has always been a bit of a myth that the Liberal Party is a friend of small business; the Liberal Party is definitely a friend of big business, but I am not sure what evidence there is to show that it is a friend of small business, especially in Western Australia. Our increasing debt is certainly not going to assist small business, and the bill before us will not assist small business.

I know of a business operator in Armadale who, in late 2012 or early 2013—before the last state election—was looking at setting up a business and was doing calculations on how much it would cost to employ five or six employees, and they worked it out on the basis of the then current legislative framework they had to operate on. They were not sure what was going to happen at the election, but they heard the then Treasurer talking about payroll relief and they saw that as an incentive and thought that they would be able to afford to set up a business. They set up their business under that promise—not an assumption, but a promise—made during an election campaign by the then second most powerful person in the cabinet; although, the Leader of the House is, of course, the most powerful person in the cabinet, but the Treasurer no doubt also plays a very important role!

Mr J.H.D. Day: If only that were true!

Dr A.D. BUTI: The Leader of the House has held nearly every portfolio! Has he acted as Treasurer at all?

Mr J.H.D. Day: Yes, I believe I have, briefly.

Dr A.D. BUTI: Yes, at one stage.

People acted on the assumption that if the Barnett government were re-elected there would be payroll tax relief. Some cabinet members who attended that Armadale function will know that I mentioned a legal principle called estoppel—I am sure the member for Girrawheen knows all about estoppel—whereby one acts upon a representation made but it ends up being to one’s detriment when that representation is not true or is not followed through, and this is what has happened in this case. People have set up businesses because they thought they were going to get payroll tax relief, but the government has reneged on that promise, and that has been to their detriment. Of course, there would not be a legal case to take to court in that respect, but in reality I am sure that some business owners are now going to suffer.

What about small business operators? As we know, there is a significant downturn in the resources sector and many people are being laid off. A friend of mine who works for a mining company is fortunate in that he still has

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a job, although he now has to fly in and fly out to Darwin. I am only going on what he has told me, but his company—the name of which escapes me—has gone from 6 000 to 2 000 employees in the space of 18 months or even less. We should be trying to create an environment in which small businesses will be able to get established to take up some of the slack that the downturn in the resources sector has created in the Western Australian employment market. Unfortunately, many people are going to suffer. When a bill is presented to the Parliament that is contrary to the 2013 election commitment of the Liberal Party, it becomes more difficult to do business in Western Australia because there is a degree of uncertainty and people are not sure what this government will do next. We know that debt will get worse and that the debt this government has created will take many generations to overcome. The Minister for Environment may be the only person left in this chamber when we manage to write off this debt, because the rest of us will have probably retired by then.

Mr D.A. Templeman: No, I intend to hang around!

Dr A.D. BUTI: The member for Mandurah might still be here.

Mr D.A. Templeman: I want to become the father of the house!

Dr A.D. BUTI: The member for Mandurah has longevity genes.

MR F.M. LOGAN (Cockburn) [8.22 pm]: I would like to take members back a little in history and refer to the payroll tax provisions of the Taxation Legislation Amendment Bill 2015, which are probably among the more important changes being made in the bill. The other two changes to the Duties Act and Land Tax Assessment Act are relatively minor provisions in the bill. I refer members to what occurred with payroll tax a number of years ago. Two members who would remember those events are the Leader of the House and the member for Nedlands, who, although not a member of Parliament at the time, was at the time, I think, an adviser to the then Premier. I refer of course to payroll tax being a thorn in the side of the Liberal Party and the then Court government. I ask both of those members what was the payroll tax election commitment of Hon Richard Court at the 1993 and 1997 elections? Does the Leader of the House remember?

Mr W.R. Marmion: Not me; I was a public servant.

Mr F.M. LOGAN: Does the Leader of the House remember those election commitments?

Mr J.H.D. Day: Back when? Back in 1993, did you say?

Mr F.M. LOGAN: What were the election commitments on payroll tax in both election campaigns won by the Court government in 1993 and 1997?

Mr J.H.D. Day: In 1993 it was dependent on the then federal Liberal Party's so-called Fightback package being put into effect, which would have relieved the state of the need to raise payroll tax, if I remember rightly. Look, we agree: payroll tax is an undesirable tax but, unfortunately, given the expectations of the community to provide services, it needs to be raised at the moment, given the system we currently have.

Mr F.M. LOGAN: It went further than that, Leader of the House. I will remind the house of exactly what was committed to by Hon Richard Court and the Liberal Party in the two elections that the Liberal Party won in the 1990s. On both occasions the party took to the electorate the commitment that it would abolish payroll tax within four years. I refer members to a question by the former member for Cockburn to Richard Court in *Hansard* on 16 October 1996, which states —

Before the last election the Government boasted a plan to abolish payroll tax within two terms. Will the Premier confirm that the commitment remains and that if the coalition wins the next state election payroll tax will be eliminated within four years?

The then Premier, Mr Court, answered in extensive terms but gave no commitment whatsoever and talked around and around the issue until the former member for Fremantle, Hon Jim McGinty, interjected by saying, "Just tell us about payroll tax". Nothing much has changed in this house when it comes to question time, and it appears that nothing seems to change too much when it comes to interjections, member for Cannington. I am talking about 16 October 1996, when the former member for Cockburn, Bill Thomas, was pointing out to Richard Court that the government of the day had promised in the 1993 election to abolish payroll tax within two terms. The Court Liberal government also went to the 1997 election and said it would abolish payroll tax. I was referring to the level of debate and interjections, which has not changed much between 1996 and today, and to some of the interjections. The former member for Fremantle, Jim McGinty, accused Richard Court, the Premier of the day, when he stated, "I said you had broken a promise." Does that not sound like groundhog day!

The Liberal Party had taken to the 1993 election a commitment to get rid of payroll tax within two terms. Remember that it was 16 October 1996 and the next election was just around the corner, hence the reason those questions were being asked. Those questions were being asked also because the member for Cockburn at the

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time had found that the notes tabled in Parliament by the Deputy Premier related to a \$2.9 million support package for Joe White Maltings in Northbridge and stated that the collection of payroll tax of \$100 000 over five years and \$142 000 over seven years had been calculated based on the existing payroll tax increasing at two per cent per annum. That document revealed that not only was Richard Court's government of the day not complying with his election commitment in 1993 to abolish payroll tax, but also that the government was planning to increase the take in payroll tax by an extra two per cent a year.

Later in the debate on the GST bill, the Financial Relations Agreement (Consequential Provisions) Bill, in October 1999, whilst the Treasurer continued to admonish this side of the house and the Labor Party for supposedly not supporting his stand on GST, he was reminded often by the member for Cannington that it was never Labor's policy to support the GST. Why is this government now still asking for support when it introduced a bill that Labor opposed in 1999 and 2000? It is still a bill of its own making.

Mr W.J. Johnston: The problem was we were defeated in the chamber. We were so incompetent that without the numbers we could not defeat the Liberal Party and save Western Australia from the Liberal Party!

Mr F.M. LOGAN: That is correct. Today the Liberal Party is still asking us for our help because of the bad bill that was passed without our support and given the taxation arrangements that are in place that are currently to the detriment of Western Australia. The government of the day is asking us to support a piece of legislation and a taxation arrangement that we never agreed with in the first place, as pointed out by John Kobelke in *Hansard* on Tuesday, 19 October 1999. To the Premier of the day, Richard Court, he said —

The Opposition opposes the GST because it is a regressive tax. It is a bad tax system which causes job losses. If we could scrap the legislation without causing a huge disruption, we would do so.

Let us put it in *Hansard* and make it absolutely clear: Labor has never supported the introduction of the goods and services tax, and nor did most small businesses, I might add. Regardless of how the current government wants to carry on about the impact of the GST on state finances, it is an issue of its own making.

Mr J.H.D. Day: If the member does not support the GST, what system would he prefer? If he does not support having a GST, how should we raise that revenue nationally?

Mr F.M. LOGAN: During that boom period, the government raised lots of money. The member knows exactly how GST works: if a state generates the type of cash that this state generated between 2010 and 2014–15, it will impact directly on the GST because this government signed up to that whole thing. If the money had not been squandered, this government would not be in its current situation.

Mr J.H.D. Day: Tell us what it has been squandered on?

Mr F.M. LOGAN: Significant numbers of infrastructure projects, some of which probably did not need to be built.

Mr J.H.D. Day: Like what?

Mr F.M. LOGAN: Like Elizabeth Quay for one, and Roe Highway stage 8 that will take trucks from the Kwinana Freeway to Stock Road and to which the government committed \$650 million; that is brilliant from a government faced with a \$30 billion debt. No wonder the Premiers in the eastern states are going off their brains at the moment. Saul Eslake likened it to the Premier having crashed the Ferrari and he is now asking the other states to help pay for the repairs. No wonder Saul Eslake made that comment because it is exactly correct.

Mr J.H.D. Day: Roe Highway has not been built or paid for yet, and it will be partially paid for by the federal government.

Mr F.M. LOGAN: It makes no difference; it is on the forward estimates, and it is impacting this government's current deficit and future debt, and the member knows it.

Mr D.T. Redman: How do the forward estimates impact our current deficit?

Mr F.M. LOGAN: What is the member talking about? I will go on about how the world tends to go around and around, particularly when it comes to dealing with the Liberal–National Party and we end up in the same spot with the Liberal Party complaining about the problems it has created for itself. I have referred to the broken promises with payroll tax in 1993 and 1997. That was about not simply amending the payroll tax threshold, but abolishing the payroll tax. Getting rid of payroll tax would have been like music to the ears of businesspeople, who would have said, "The government is getting rid of payroll tax? Fantastic! I am going to vote for that government—brilliant! This will be wonderful for small business. This is the sort of government we want—one that gets rid of that horrible red tape and inefficient tax." Not only did the Liberal Party break its promise to get rid of payroll tax during the 1990s, but also by 1999, which I referred to earlier when John Kobelke —

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[Interruption from the gallery.]

The ACTING SPEAKER (Mr P. Abetz): Excuse me, you are not allowed to take photos in the chamber. Thank you.

Mr F.M. LOGAN: In *Hansard* on 19 October 1999, Hon John Kobelke pointed out Labor's opposition to the GST. Prior to that he said the following about the broken promises —

During the conduct of two elections the Government promised that it would scrap payroll tax, but it is now 50 per cent higher than when the coalition first took office.

Does that not remind members of another government we know? The Barnett Liberal–National government. When it comes to broken promises, this government does not come into this chamber with clean hands. It says anything to get elected, including, “We will get rid of payroll tax.” In the 2013 election, Troy Buswell indicated that his government would lift the threshold for payroll tax to \$850 000; a commitment that was given in front of 800 businesspeople in Perth in 2013. Did the Court government get rid of payroll tax? No it did not. Not only did it not get rid of it; it increased it by 50 per cent from the time it first came to office in 1993 to when it lost office in 2001. We could not get more of an absolute “in your face” broken promise than that. The issue of broken promises appears to be a genetic problem—it is passed down from one generation to the next. Anything is said to attain power. Delivering on those commitments means nothing: they are simply statements that are a means to an end, and the end is getting control of the Treasury bench.

[Member's time extended.]

Mr F.M. LOGAN: I come to the issue of the payroll tax threshold that we are dealing with in the bill, and again there are broken promises. Earlier I referred to the former disgraced Treasurer Troy Buswell giving the commitment to a meeting of 600—I said 800 before, I meant 600—members of Perth's business community in February 2013. He indicated then that the Liberals would increase the threshold of payroll tax to \$850 000 over a period of years from the threshold of \$750 000 as it was at the time. The house has already heard the statement made by the current shadow Treasurer Ben Wyatt who, in going head-to-head with Mr Buswell at breakfast, did not commit to providing that tax reform on the basis that the state could not afford to provide those tax cuts. However, it is interesting to compare the response from small business in 2013 with its response in 1993. In 1993, the response from small business to the scrapping of payroll tax was, “Whoopie! Fantastic! Great! This is the sort of Liberal Party we want.” The response from small business to the statements by Troy Buswell that his government would lift the payroll tax threshold from \$750 000 to \$850 000 was very different; one unnamed local small business person who commented on the Liberal's proposal said that if it was reform, it was a small one and equated to about one extra employee. He certainly did not win any accolades from the small business community with that minor lift in the payroll tax threshold in 2013. Nevertheless, member for Nedlands, the Liberal and National Parties won the election convincingly, but it had nothing to do with the payroll tax threshold, nor, I would add, the government's competency. It had virtually everything to do with the federal politics of the day—we all know that.

I come then to the Taxation Legislation Amendment Bill before the house, which provides that the tax-free threshold will be gradually diminished, to be phased out, from 1 July this year from \$800 000 to an employer with a payroll of \$7.5 million.

[Quorum formed.]

Mr F.M. LOGAN: In referring to broken promises, I was pointing out the commitments made in the 2013 election compared with those of the 1993 election. I was taking everyone in the house down memory lane about commitments made on payroll tax. It is a bit of a sensitive issue. I remind the Premier of those commitments made in 1993 and 1997 to scrap payroll tax. Not only were those election commitments not honoured, but by the time the Premier left office in 2001, payroll tax was 50 per cent higher than it had been in 1993.

Mr C.J. Barnett: And the Labor government put it up again.

Mr F.M. LOGAN: Since the Premier has been back in the chamber, I could not help taking him down memory lane. Those were the days! Debt was a lot smaller, but we were never going to deliver on those promises. That brings me to the 2013 election commitment in which the former disgraced Treasurer, Troy Buswell, made a commitment to lift the tax-free threshold to \$850 000. That was never implemented and now, of course, we are going to whack everyone else with a payroll of between \$800 000 and \$7.5 million for, effectively, revenue of \$397 million over the next three years. As I pointed out, breaking promises is in the Liberal and National Parties' DNA. They just cannot stop it. It was done in 1993 over payroll tax. You will notice, Mr Acting Speaker (Mr P. Abetz), that I am sticking directly to payroll tax. I could speak on anything I like when it comes to broken promises, but I am sticking purely to payroll tax for your benefit, Mr Acting Speaker, and the order and control

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of the house. There was a broken promise in 1993, in 1997 and in 2013, all related to the one issue we are dealing with here tonight—that is, commitments to reduce payroll tax.

Before I finish I want to touch on the need for the payroll tax changes as pointed out by the government and that is that, effectively, the diminishing of the tax-free threshold on those payroll taxes would collect \$397 million over three years. As the government has indicated to the house, that is part of a budgetary need because of the financial situation the government finds itself in. By the way, one of the reasons the abolition of the payroll tax was never met by the Court governments in 1993 and 1997 was related to the problems with government expenditure and its increasing debt. Nothing really changes. The election commitment around payroll tax not being met was on the basis that the government could not afford to do it because of the deficits it faced and its increasing debt. Here we are again, with part of the election commitment given in 2013 not being implemented; not only that, we are getting rid of the tax-free threshold for businesses with payrolls worth between \$800 000 and \$7.5 million. That was not announced in the 2013 election or the 2008 election. The reasons for the broken promises are exactly the same as they were for the broken promises in the 1990s. The government has once again got itself into significant financial difficulties because of its failure to rein in its own budgets and increasing debt due to its expenditure programs.

Of course, related to that is the government's crying about the GST. I touched on that earlier tonight and the Treasurer's behaviour in asking the Labor opposition for some form of support for a tax that we never supported in the first place. Given we have been down memory lane once, member for Nedlands, it is worthwhile going down there again because it is amazing what we find when we have a trawl down memory lane.

Mr D.A. Templeman: You're a good trawler.

Mr F.M. LOGAN: I am a good trawler down memory lane, particularly when dealing with a Treasurer who has a history with, for instance, the Institute of Public Affairs. He wrote an awful lot for the Institute of Public Affairs.

Mr D.A. Templeman: Who's this? Which one are you talking about? There have been a number of them in the past number of years.

Mr F.M. LOGAN: I am talking about Hon Mike Nahan, the current Treasurer, who keeps asking us for support on the GST. The funny guy that he is, this is the *IPA Review* of July 2006, headed "The GST: Good try, but no banana". That, of course, is in keeping with the funny guy that he is.

Mr D.A. Templeman: The Jerry Lewis of Parliament.

Mr F.M. LOGAN: Yes, he is. I would not recommend anyone read this *IPA Review* article by Mike Nahan. It is a miserable paper and poorly written. It is a miserable read. People would probably want to have a large glass of red wine after reading it.

Mr W.R. Marmion: Can you read it all?

Mr F.M. LOGAN: It is only a very short paper, member for Nedlands; it does not take too long to read this thing, and I tell you what, it is a rotten read anyway. Effectively, what the Treasurer, Mike Nahan, said in his former employment as the executive director of the Institute of Public Affairs in this overview of the GST in July 2006 is that the states had squandered the windfall that the GST had brought to them. At that point in time, as members remember, there was a Liberal Howard government in place in Canberra. Things were quite different economically for that government and certainly they were very different for Western Australia. Members will remember that in 2006 we had unemployment down at nearly 2.6 per cent, we had very little overall government debt and were reducing overall government debt and, of course, we had an ongoing surplus.

Mr D.A. Templeman interjected.

The ACTING SPEAKER: Member for Mandurah!

Mr F.M. LOGAN: As a result of the economic activity, we had a significant windfall gain in GST during that period. Of course, we did not have the iron ore price at \$120 a tonne and nor was it miscalculated by Treasury at a rate that virtually led to some of the GST problems in Western Australia. Mike Nahan, being the partisan person that he was, and still is, at the time for the IPA, could not help having a little attack at the states, because the states were Labor governments and the federal government was a Liberal government. He just could not help himself. Even though we had a significant amount of money coming in from GST, he asked what we did with it. The paper states —

One thing is clear: they did not use it to reform their remaining tax systems, or cut taxes in a meaningful manner, or begin a new round of economic reform.

...

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No State has undertaken a systemic reform of its tax system, despite the urgent need to do so.

That is from the man who is now the Treasurer! What is he doing and overseeing with the Minister for Finance? It is not tax reform; it is basically an increase in taxation for small business. That is what he is doing. If he was still at the IPA, I wonder what he would say.

The ACTING SPEAKER: The member's time has expired, the question is the bill be read a second time.

Mr F.M. Logan interjected.

The ACTING SPEAKER: Member, you will resume your seat.

Mr D.A. Templeman interjected.

The ACTING SPEAKER: Member for Mandurah, I call you to order.

MS M.M. QUIRK (Girrawheen) [8.53 pm]: The Taxation Legislation Amendment Bill 2015 amends the Duties Act 2008, the Land Tax Assessment Act 2002 and the Pay-roll Tax Assessment Act 2002. Although the changes to the Land Tax Assessment Act and the Duties Act are minor, this legislation, as we have already heard this evening, represents a significant change to payroll tax in Western Australia. This bill will introduce a gradual diminishing tax-free threshold from 1 July 2015. Under the proposal, the benefit of the tax-free threshold will gradually phase out for employers or groups with annual taxable wages in Australia between \$800 000 and \$7.5 million. Around 17 000 employers will be affected by these amendments.

This bill explodes three myths. The first is that the Liberal Party is more sympathetic to small and medium business enterprises; the second is that the Liberal Party keeps and honours its election promises; and the third is that the Liberal Party is a better manager of the state's finances than WA Labor. On the latter, we know that late last year the state lost its AAA credit rating. We also know that in September 2014, Standard and Poor's lowered WA's rating from AAA to AA+, citing—wait for it!—the government's limited political will to cut spending. It is the first time since 2003 that Western Australia has not had a AAA credit rating, which limits the cost of the state's borrowings. In late December last year when the midyear review was released, the Premier and Treasurer issued a joint press release and noted the parlous state of the finances. That necessitated changes to the payroll tax scale from 1 July 2015, which was estimated to generate additional revenue of \$418 million to 2017–18. That press release goes on to state that the changes to payroll tax included a 12-month deferral in the scheduled increase in the payroll tax exemption threshold from \$800 000 to \$850 000 from July 2016–17.

At the time of the midyear review there was a \$5 billion writedown in general government revenue projections since 2014–15, including a downward revision of \$1.6 billion in the current financial year. In my view, this government is single-mindedly focused on revenue, and lacks the will to look at the expenditure side of the equation. The Taxation Legislation Amendment Bill seeks to enshrine this midyear about-face on payroll tax. Not surprisingly, this payroll tax hike was not welcomed by business, and it was not welcomed on two bases. Firstly, because it was an additional impost on small and medium business enterprises; and, secondly, because it was a breach of an election promise made early in 2013. In the context of the 2013 election promise, that was met with a lukewarm response at the time in any event.

On 26 February 2013, which is the same day then Treasurer Buswell announced his election commitment, the Chamber of Commerce and Industry of Western Australia issued a media statement entitled "Liberal's payroll tax plan doesn't go far enough". It states —

While this is an acknowledgement that small business is facing real cost pressures, it doesn't go nearly far enough to remove legitimate small businesses from the payroll tax net.

Today's announcement is likely to mean many small businesses will not look to hire additional employees as wage increases over that time would swallow up this increase to the threshold.

Further in the press release it goes on to state —

We need the next State Government to make a genuine commitment to reforming and reviewing public expenditure. Implementing the Economic Audit Committee report's findings will help deliver this.

Business, in particular small business, is the engine room of the economy. The economy won't grow if government doesn't help ease the high cost of doing business across the state.

In making his promise, then Treasurer Buswell remarked at a business forum on that day that the state's booming debt meant the government could provide only limited relief. He stated —

"The timing reflects the fiscal or financial challenges we face and indeed how tight things are in terms of managing competing interests," ...

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At the time Treasurer Buswell made that commitment he was quite aware of the precarious situation of the budget and he made that commitment with a high level of cynicism—one suspects with his fingers crossed behind his back. Interestingly, at that same forum, shadow Treasurer Ben Wyatt was asked whether Labor would match the Treasurer’s election commitment. An article in *The Australian Financial Review* entitled “Buswell’s WA payroll tax pledge falls flat” states —

Labor will not be matching Mr Buswell’s promise and Mr Wyatt said it was irresponsible to use debt to fund tax cuts.

“The reason why I haven’t matched that commitment is simply that we have a situation with high debt and high demand for infrastructure.”

That was the situation when the promise was made. It was clear, even at that stage, to those with a modicum of commonsense and prudence that that commitment was rash in any event.

The other criticism levelled at the election commitment was by small business itself. In an article in PerthNow, the Small Business Enterprise Network chair, Nicole Jenkins, described the announcement as having no impact on small businesses. The article stated —

“Unfortunately there is a lack of understanding of the pressures small businesses are facing,” she said.

“I think we tend to forget that business is made up of people and people drive this economy. If you’re being truly serious about small business and effect that small business has in WA employing 47 per cent of all jobs then we need to get serious about this.

“It’s a slap in the face for me as a small business owner because that shows to me a lack of understanding.”

Later in the article, Ms Jenkins responded to a statement by the Treasurer that this was an important first step in payroll tax reform —

But Ms Jenkins said it meant nothing with the treasurer unable to explain the next step.

“If you’re talking steps then you need to be talking about more than one thing at a time,” she said.

“That provides no confidence for small business in being able to plan. If there are steps I’d love to know what the others are because right now this first step is not a step—it doesn’t help anyway.”

That was the reaction of a spokesperson for small business. The other valid criticism in response to that announcement—the member for Armadale has already talked about this—is that small businesses need certainty. They need to plan, and for a commitment made early in 2013 to be off the agenda by the end of 2014 is not helpful for small business establishing the level of certainty it needs to operate in this environment. That lack of understanding of small business is reflected in the little or no attention paid to small business by the Barnett government. I just did a quick survey of government media statements. I was able to find eight media statements during the term of the Barnett government relating to small business. That compares with 138 on heritage, 355 on culture and the arts and 30 on science. We have to say that small business has been taken for granted. It is seen as the natural constituency of the Liberal Party and yet it is very much ignored.

The promise of the Treasurer was also outlined, as we have already heard, in the Liberal Party’s small business policy. A number of commitments were made on payroll tax. The section headed “Tax Relief for Small Business” makes the commitment that we have already heard about, and goes on to state —

The Liberals are committed to lifting the tax burden on Western Australian businesses to free up funds that can be better used to invest, expand, employ and innovate.

Building on the Liberals’ 2008 election commitment to provide \$250 million in tax relief to small and medium business, the Liberals will provide further support for Western Australian businesses by raising the payroll tax threshold from the current \$750,000 to \$850,000 during the next term of Government.

This action represents the first step in reform of the payroll tax system ...

As we have heard earlier, we were never told what the subsequent steps were to be. On this commitment, the section finishes off by stating —

A Liberal Government will continue to grow the State’s economy for the benefit of all Western Australians and the reduction in the payroll tax threshold is an important measure in ensuring Western Australia remains the most attractive State for business.

That commitment lasted a whole 18 months. At the end of 2012, the Chamber of Commerce and Industry of Western Australia put out a WA government scorecard. In the area of tax competitiveness, the scorecard gives

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the government six out of 10 in 2012, three out of 10 in 2011, four out of 10 in 2010 and seven out of 10 in 2009. The comments are —

The Government fulfilled its election commitment and provided some temporary payroll tax relief in the form of a one-off rebate for small businesses. However, this falls well short of what is required. Permanent tax relief is still needed to help address the rising cost of doing business, notwithstanding that the projected decline in the State's share of GST revenue is a constraint.

Even acknowledging that goods and services tax receipts may be a constraint, the CCI thought that there was still room to make a greater attempt to reform the payroll tax system. Finally, in relation to other statements about the state of affairs with payroll tax, the CCI conducted a survey of its members and issued a press release on 30 March this year about the results of this survey about the payroll tax burden. It states —

The State Government's decision to increase the payroll tax burden has further added to costs and caused businesses to scale back hiring workers, according to a survey of Western Australian businesses.

The Chamber of Commerce and Industry Western Australia (CCIWA) surveyed 606 of its members about the impact of the State Government's decision to increase the payroll tax burden by \$418 million over the next three years.

The Government will do this by deferring the planned increase to the exemption threshold and introducing a clawback policy which would see the exemption threshold reduced as a business' payroll grows in size.

The clear majority of businesses surveyed said the payroll tax hikes would hurt profitability, curtail new employment, lead to lower pay rises for staff and hit new capital investment.

Because of the clawback policy:

- 84 per cent of businesses expected to be less profitable
- 82 per cent were less likely to increase staff wages
- 81 per cent of businesses expected to hire fewer new employees.

Three quarters of businesses also said they were more unlikely to increase wages because of the deferral of a planned increase in the payroll tax exemption.

CCIWA Chief Executive Officer Deidre Willmott said increasing the payroll tax burden was not the right move to address the State's budget challenges.

“Our survey found the payroll tax increases would hurt businesses, workers and the unemployed at a time when confidence was already low and the Government should be doing everything in its power to encourage investment and jobs growth,” Ms Willmott said.

“Instead of increasing taxes on business, the government must focus on scaling back its spending and making the public sector more efficient to bring the budget back under control.

“The payroll tax hike should be scrapped as soon as possible so people have the confidence to invest in their business, put on new workers and get this State working again.”

Finally, I want to talk about another payroll tax impost that has resulted from the federal budget last year—removing the aged-care payroll tax supplementation, which has existed for decades. The effect is that the aged-care sector will be very disadvantaged. That supplementation measure had been in for some years to ensure that aged-care facilities would not need to scrimp on staff. The federal budget made a \$653 million cut, and it was done without consultation with the industry and, according to the industry, will have the effect of eroding the viability of the sector, which is already struggling with running costs, retaining staff and complying with legislation. That supplement was subsidised in recognition of the critical work undertaken by staff from the aged-care sector.

As a result, state governments were approached with a view to granting a payroll tax exemption to aged-care providers following the federal government's decision. Premier Barnett was written to. Although he acknowledged the financial implications for effective aged-care providers, he said that any exemption would be a costly precedent in this state. He further added to representations that there was little financial capacity to provide a payroll tax exemption to compensate for the federal government's budget decision. He was quoted in an article in the *Australian Ageing Agenda*, which stated —

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“To do so could also set a costly precedent to do the same for other commercial businesses, particularly for those that compete with the not-for-profit sector,” Mr Barnett said.

The situation is that the government has broken its promise generally on payroll tax thresholds. In addition to that, the aged-care sector is suffering further imposts by virtue of the federal government’s decision to remove the payroll tax supplementation it has had for a number of decades. Representations at a state government level have not been met with any sympathy. Businesses that are struggling because of general costs in the state are further disadvantaged by this government’s poor financial management.

MR C.J. TALLENTIRE (Gosnells) [9.12 pm]: I rise to speak to the Taxation Legislation Amendment Bill 2015. I begin by saying straight out that I will be voting against this bill because it represents a betrayal of a promise that the government made to the people of Western Australia. It is a betrayal of a promise that was made very clearly by the then Treasurer and the Premier. A commitment was made to the business community to reduce or eliminate this payroll tax. I acknowledge that there is also a land tax component to this legislation, which I will come to in due course. The business community has long argued against payroll tax. It feels very strongly about it. It sees it as a great impost on its profitability, its capacity to expand businesses, its ability to recruit and train new employees and to pay employees better. Payroll tax is seen as one of the most damaging taxes that it has to face. It does not see payroll tax as a useful and productive means of contributing to state revenues.

This argument is encapsulated in statements made by the Chamber of Commerce and Industry of Western Australia. I do not often find myself quoting from media releases put out by the CCI but on this occasion it is clearly on our side. The CCI has a very strong relationship with the government. It generally supports everything that the government does, but on this occasion it is quite clearly very annoyed with the government’s position. I will quote from a media release as recently as 30 March 2015. The chief executive of the CCI, Deidre Willmott, puts the case very plainly. She refers to a survey that the CCI conducted. The media release begins by stating —

The State Government’s decision to increase the payroll tax burden has further added to costs and caused businesses to scale back hiring workers, according to a survey of Western Australian businesses.

I emphasise “scale back hiring workers”. When we have this very definite slowing in the activity level of our resources sector, when so many resources projects are switching from a more labour intensive capital expenditure phase to a far less labour intensive operational expenditure phase, we really do have to look at where we are going to put all the labour capacity we have in the state. Where will that go? Where is that energy? Where will that labour be focused? It would have made perfect sense for us to have had a logical policy of switching from big resource companies to some form of stimulus in the small business sector to encourage them to help us pick up that slack; that energy we are seeing remobilised from the resources sector into other areas. Let us channel elsewhere that capacity that has become available. Let us have the policies available to do that. This decision around payroll tax is the perfect disincentive. This is backed up by the statement from the Chamber of Commerce and Industry of Western Australia—it is the perfect disincentive for small business to recruit and pick up that emerging excess capacity. That is very disappointing. It is a matter of not only betraying voters through the comments made in the lead-up to the last state election around the future of a payroll tax—it is not just a matter of deceit—but also poor economic policy.

In all the time that I have been observing Australian politics since I have been back in Australia, I recall in the 1993 federal election, the then leader of the federal Liberal Party, John Hewson, promoting his Fightback policies. I remember him sitting in front of what was then a very modern computer screen.

[Quorum formed.]

Mr C.J. TALLENTIRE: I was recalling then leader of the federal Liberal opposition in 1993, John Hewson, making the comment that small business is the lifeblood of the Australian economy. What we have before us is a policy decision made by the current Liberal–National government that will discourage small business from employing more people. That is made very plain in the media release from the Chamber of Commerce and Industry. The government had committed to a plan to increase the exemption threshold. I will come to the exact reference in a moment. That commitment was made in the lead-up to the last state election. It was the understanding of the business community that there would be a raising of that exemption threshold. What we are seeing here is something quite different; the opposite, in fact.

I quote again from the Chamber of Commerce and Industry of Western Australia’s media statement of 30 March —

The Chamber of Commerce and Industry Western Australia (CCIWA) surveyed 606 of its members about the impact of the State Government’s decision to increase the payroll tax burden by \$418 million over the next three years.

Extract from Hansard

[ASSEMBLY — Tuesday, 21 April 2015]

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Ms Rita Saffioti; Mr Ben Wyatt; Mr Bill Johnston; Mr Peter Tinley; Dr Tony Buti; Mr Fran Logan; Ms Margaret Quirk; Mr Chris Tallentire; Mr Paul Papalia; Mr David Templeman

The Government will do this by deferring the planned increase to the exemption threshold and introducing a clawback policy which would see the exemption threshold reduced as a business' payroll grows in size

I have talked to some of the businesses in my electorate about this, and a number of them are employing seven or eight, nine or 10 people, so they are just within that threshold category—around the \$800 000 annual wage bill mark. They would have really appreciated some assistance with payroll tax; it would have been the incentive they needed to go out and hire a couple more people, to have done that little extra recruitment, and we would have seen that replicated right across the Western Australian business community to pick up the growing capacity that is moving out of the resources sector. It has, to some extent, transitioned through to the building and construction industry; for the time being, perhaps, a fair amount of energy is being absorbed there, but we have to be ready for when there is, perhaps, a slowdown in that sector also, so we need to have other areas.

I can cite an example in my electorate: a Chinese restaurant and food store business called Lok's Kitchen. It is a very good Chinese restaurant; I sometimes go there for lunch. The business owner also has a fruit and veg stall. All up, that business enterprise employs around the number of people that will result in it suffering because of this threshold change. It is a real shame, because that business could well have hired extra people, but it will now be dissuaded from doing that.

When I walk around the Gosnells town centre I hear people telling me about other promises that were made by the Liberal–National government that have not been kept, such as promises for CCTV systems. But they also come back to other issues that are hitting small businesses, and payroll tax is one of them. They say to me, “Chris, what's gone wrong? We thought that tackling crime was a promise of this Liberal government, but they have not kept their promises about closed-circuit television systems, and now we find they've gone back on their promise regarding payroll tax. What's going on?” I just have to tell them that, unfortunately, they have been deceived. Many of these people have held onto the election material they received that talked about these very issues and that promoted things such as payroll tax elimination and CCTV cameras to control crime and other things. They have all that information; they are aware of it. There is a real sense of deception going on.

I suppose I could stand here and say, “Oh well, that's all well and good because it tarnishes the Liberal–National brand and makes the Labor brand look good”, but I am actually concerned that it really tarnishes the whole political process and, as a consequence, this Parliament. The general public does not get into distinguishing between political process and parliamentary process; in fact, these days they do not really getting into distinguishing that much between the various political parties. They just see these sorts of deceptions as a sign of a system that is deceiving them, and that is a great shame. I am very upset by this deception, and that is why I will be voting against the Taxation Legislation Amendment Bill 2015. It is just not on for any side of politics to deceive the people in this way. It is a gross deception.

I said that I was going to reference the time during the election campaign when this became such a topical point; the Liberal Party's small business policy was very clear. Its policy was that, if re-elected, it would focus on practical measures that would make life easier for small business. Those measures were to include further payroll tax relief to businesses worth \$121 million.

That issue was promoted quite widely and communicated via various means—direct mail, in many cases. Liberal Party candidates, in particular, had the capacity to direct-mail people on a huge scale. They had the financial backing to enable them to mount one of the most expensive types of campaign—direct mail—on this very subject. I do not have any copies with me at the moment, but I know letters were sent to businesses saying that this part of the Liberal Party's small business policy was something that any small business owner in Western Australia should consider and vote accordingly. It was clearly there on the Liberal Party website, and any small business owner who went to that website would have seen that commitment.

There was also an article by Aleisha Orr that appeared on WAtoday on 26 February 2013 in respect of that Liberal Party election commitment. It reads —

WA Treasurer Troy Buswell has promised to begin reforming payroll tax if the Liberals are re-elected at the state election.

At a debate in front of 600 members of Perth's business community on Tuesday morning he said the Liberals would increase the threshold to \$850,000.

...

Labor spokesman for treasury Ben Wyatt, who went head-to-head with Mr Buswell at the breakfast event, said while he understood why the business community wanted reform, the state could not currently afford to be providing tax cuts.

Extract from Hansard

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“At the moment tax cuts are effectively debt funded,” he said.

There we have it: honesty and clarity from the Labor Party in the lead-up to the last state election and a broken promise from the government. I am sure that the general public will judge the Liberal Party accordingly, but I do fear that, in fact, all politicians are judged badly through this kind of deceit, and that is a great shame.

I turn again to the Chamber of Commerce and Industry’s media statement and its survey of 606 of its members. The statement talked about the prospect of this change in payroll tax conditions. It reads —

The clear majority of businesses surveyed said the payroll tax hikes would hurt profitability, curtail new employment, lead to lower pay rises for staff and hit new capital investment.

I think I have touched on all those points except for the issue of new capital investment. After all, that is probably the one that we most need; we need our small businesses to invest in new plant and equipment to ensure that they have the very latest, most efficient equipment, which will mean that their businesses can expand so that they can then become real players on the national stage and expand their activities. That is the sort of thing we should be rewarding, but unfortunately, according to 606 members of the CCI, the change is going to really hit them. The media statement continues —

Because of the clawback policy:

- 84 per cent of businesses expected to be less profitable

So it is not just a marginal percentage who are saying that this is going to hurt them; 84 per cent of businesses expected to be less profitable. The statement continues —

- 82 per cent were less likely to increase staff wages
- 81 per cent of businesses expected to hire fewer new employees.

The statement continues —

Three quarters of businesses also said they were more unlikely to increase wages because of the deferral of a planned increase in the payroll tax exemption.

It is really telling when we have a very strong ally of the government putting the case in that way.

[Member’s time extended.]

Mr C.J. TALLENTIRE: I am interested in other aspects of the media statement of the Chamber of Commerce and Industry of Western Australia, which continues —

The payroll tax hike should be scrapped as soon as possible so people have the confidence to invest in their business, put on new workers and get this State working again.

I am intrigued by the statement “get this state working again”. When we look at WA’s unemployment figures, I think Western Australia is still doing reasonably well. Obviously the CCI is foreshadowing something else, and is perhaps onto the issue I mentioned before—that is, the progression of the workforce from the resources sector to the construction sector, and then looking for somewhere else to go. That is something we have to tackle. The ideal opportunity existed for us to harness the energy of the small business sector to find employment opportunities for people.

I want to look at the issue of land tax, because it is also part of this bill, and at the implications to land tax. I hope that the Minister for Finance’s second reading reply will go into that in some detail. I note that the explanatory memorandum states —

The Land Tax Assessment Act has for some time included clawback provisions that apply when land that has been subject to a residential, primary production business or dwelling park exemption is subdivided. The clawback of tax applies for a period of five years, including the year the land was subdivided.

The Act currently provides an exclusion from the clawback provisions for primary production business or dwelling park land that is compulsorily acquired. The Bill contains amendments to exclude private residential property that was subdivided as a result of a compulsory acquisition, bringing it into line with the existing provisions.

We need more detail on this, and I have no doubt that we will get into that during the consideration in detail stage, but I note that land tax is imposed on most property that is not a person’s primary residence. Land tax is a huge tax, and we need greater clarity on the changes around these clawback provisions and the relationship to subdivisions and compulsory acquisition. I also note the link between land tax to the metropolitan region improvement tax and that there has been a lot of discussion on that subject. There also has been talk about the

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\$200 million sitting in the metropolitan region improvement fund. That money is there for a purpose, but people are saying that it is waiting for the strategic assessment to be concluded. We need clarity about when that money will be used and what is going on with it. I hope the Minister for Finance has had an opportunity to talk to the Minister for Planning and the Western Australian Planning Commission about this matter, because this is a crossover area.

Mr W.R. Marmion: It is not part of this bill.

Mr C.J. TALLENTIRE: I welcome the minister's interjection, because he might be able to clarify this matter. We are talking about land tax, and when we talk about land tax, are we automatically talking about the MRIT as well?

Mr W.R. Marmion: This is a very minor amendment so that we can actually exempt residential land and give relief for a residential property that has been compulsorily acquired. It does not get captured, so it is making it a bit of a relief—and it is actually spelt out quite clearly. How you read it out is exactly how it works.

Mr C.J. TALLENTIRE: Does this land tax provision provide for some relief from the MRIT?

Mr W.R. Marmion: It has nothing to do with the MRIT.

Mr C.J. TALLENTIRE: Normally land tax and MRIT go together; is that not the case?

Mrs G.J. Godfrey interjected.

Mr C.J. TALLENTIRE: Thank you, member for Belmont!

Mr W.R. Marmion: That has nothing to do with the bill. This particular bill that we are putting through now will fix one aspect of land tax in terms of land. If land has been resumed, the commissioner will not clawback the five years and then apply land tax, so it is a benefit.

Mr C.J. TALLENTIRE: I am still unclear, though.

Mr W.R. Marmion: You can ask me a question in consideration in detail.

Mr C.J. TALLENTIRE: We will get to that. We need to be absolutely sure about what is happening with the metropolitan region improvement tax, because, as the member for Belmont, who has just left the chamber, pointed out, when a person receives a land tax assessment notice, they also get the MRIT. Between us, we will work that one out as we proceed through the consideration in detail stage of the bill.

I want to point out some other factors that we should bear in mind whenever we talk about taxation and are looking at entrenching a tax such as a payroll tax. I note the comments of the former Treasurer Wayne Swan on the radio this morning about the unfortunate situation the current federal government now faces because it has allowed its policy direction to be led by a radical right-wing agenda, which is how Wayne Swan described it. He pointed out that it was thanks to our commitment to good fiscal policy and not monetary policy that kept us travelling along reasonably well during the global financial crisis. It is important that we acknowledge that that was a tremendous effort on the part of the then federal Labor government.

Wayne Swan heads a think tank known as the Commission on Inclusive Prosperity. I also have read some of the comments that came out of the February 2015 World Economic Forum, which is held in Davos, Switzerland, every year. There is still an extreme situation of wealth disparity when one per cent of the world's population has more wealth than the other 99 per cent. A year ago, Christine Lagarde, the managing director of the International Monetary Fund, pointed out that the 85 richest people on the planet have the same wealth as the poorest 50 per cent. Oxfam has continued a study of that situation, and pointed out in February this year that 80 people own the same wealth as that owned by more than 37.5 billion people. That is an incredibly sad indictment on our system of wealth distribution. It is interesting when we look at it and relate those very international and very high level comments to this bill on a payroll tax. Some of the recommendations of the seven-point plan, which I will go through later, of Oxfam—the co-chair at the Davos conference—include a proposal to share the tax burden fairly so that taxation can be shifted from labour and consumption towards capital and wealth. The seven-point plan of Oxfam is very topical. Other proposals of the Oxfam seven-point plan include the clamping down on tax dodging by corporations and rich individuals; investing in universal, free public services such as health and education; introducing minimum wages and moving towards a living wage for workers; introducing equal pay legislation and promoting economic policies to give women a fair deal; ensuring adequate safety nets for the poorest, including a minimum income guarantee; and agreeing on a global goal to tackle inequality. When we are considering any piece of tax policy in this place, we need to address our minds to the issue of the inequalities in Australia.

When we look at the exceptional wealth levels of some individuals and ways in which we can redistribute that wealth, it provides a very strong role for small business. Small business can enrich the broader community in a

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very efficient way. If a large number of people are employed by small business, they are involved in that business and their personal wealth increases, and we need the necessary safety nets and industrial relations laws that are all spelt out in that seven-point plan that the Oxfam co-chair put to the World Economic Forum. It is essential that we have those sorts of points in mind when we consider legislation such as this. We have to make the connections between the high-level policy settings and the detail of something such as a payroll tax, making sure that the right policy settings are in place.

The small business community does not want this legislation. The Liberal Party promised not to force it upon the small business sector. Labor was entirely honest about it when we went to the last election. Now we have this sad situation with the general public yet again feeling as though it has been taken for a ride and duded on an issue when it thought it understood where the government of the day was headed on the matter. This will only damage the reputation of the Liberal Party and parliamentarians in general. It is a missed opportunity for a policy setting that could have been seen to encourage employment in the small business sector at a time when it was needed. We need that sector to be a strong, growing sector that provides more and more jobs. Unfortunately, if this government puts on a payroll tax, it will discourage small businesses from taking on more people.

MR P. PAPALIA (Warnbro) [9.43 pm]: I, too, rise to address the Taxation Legislation Amendment Bill 2015. At the outset, I have to say that I feel for everyone in the state with respect to this legislation, particularly small businesses. The \$800 000 threshold referred to in this legislation does not indicate a large businesses; a business with that type of payroll does not have to be very big, so it will hurt a lot of small to medium-sized businesses around the state, and I feel for those people. However, I feel most of all for the ministerial advisers for having to sit through what is probably a very repetitive debate. No doubt, they were entertained at the time of the shadow Treasurer's contribution and the earlier part of the debate from this side of the Parliament when members were saying things for the first time. However, by this time of the evening we can pretty much say that the depths have been plumbed with respect to some of the material used. The member for —

Mr C.J. Tallentire: The member for Gosnells.

Mr P. PAPALIA: Sorry, I had a minor mind blank there for a moment. The reference by the member for Gosnells to the Chamber of Commerce and Industry of Western Australia's media release is exactly the reference that I was going to quote from, and he did it so comprehensively that I do not think I can inflict it upon the advisers at the back of the chamber again, other than to say that I, too, was taken by the unusual fact that I was so completely in accord with the thoughts of the CCI of Western Australia. It does not happen that often, but so in tune was I that earlier on today when I listened to question time, I tweeted something about how angry the CCI's chief executive officer Deidre Willmott would be. Almost instantaneously she tweeted back and concurred that on behalf of the business community she had been angry for some time since this broken promise was first announced. I took great pleasure in retweeting and "favouriting" that comment because it would not happen too often.

Increasingly, and very sadly over the next couple of years, more and more people in Western Australia will reach an accord on their view of the Barnett government's trashing of the state budget. I have met an overwhelming number of people in the business community who have formed the view that this is an irresponsible and dangerous government for the state generally, but also for their own interests in the conduct of business. I was at a breakfast this morning at which the shadow Treasurer and the shadow Minister for Finance were addressing people from the business community, and it is a universal assumption that things will get very bad for the next couple of years, if not longer. Sadly, I heard the shadow Treasurer indicate—and I think he is right—that it will not be the next government that confronts this problem alone, nor the next two governments after that, but that it could possibly be the third following government that is still dealing with the extent of damage done by the Barnett years in office, which is sad and very frightening. Multigenerational debt and the challenges associated with it for governments that must inherit that problem is damaging. We can see the extent of the damage to morale and confidence in the business community as indicated by the CCI but also as reflected in infrequent polling now. Increasingly, business communities right across the country are a bit wary, but we can see far more optimism in the eastern states than here in Western Australia. It is horrifying to watch what has happened to Atlas Iron, but it is even more frightening to consider what might well happen to other mid-sized junior miners and the workforce and the people who rely on those companies. Beyond the miners are all the companies that support them and all their employees, and at the moment none of them have any optimism. Western Australia is confronting a frightening future of low iron ore prices with no end in sight to the challenge that that reflects. This government has just gone through one of the best booms in history with the greatest revenue growth in living memory. It should have accumulated a buffer to accommodate the shock of a drop in iron ore price—although it should not be any great shock—and the extent of the drop in iron ore price and the impact it has had on the budget. This government should have put its shoulder to the wheel and sought to broaden the economy and diversify the revenue streams available to it in the good times. It should have supported manufacturing and done

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something to build tourism, and it could have also done a lot more in the science sector—it is laughable what the Premier did today. During the election campaign, the Premier's entire approach was effectively focused on calling himself the science minister, getting on the front page of the papers and making announcements, none of which have been realised post the election. He has now produced a glossy in the form of a science statement at a time when the whole population of Western Australia is relying on this government to have done its job, to be efficient and responsible, and to have accumulated the capacity to deal with this challenge. However, we find that even though this government has experienced a phenomenal revenue growth of 40 per cent, it has managed to exceed that by its expenditure.

Instead of being in a position in which it can respond and assist these tens of thousands of Western Australians who will lose their jobs in coming years—those who have lost their job as unemployment grows; the number one concern in the community—the Liberal–National government has contributed to our being in the worst possible position. We are more vulnerable than we have been in generations. As the shadow Treasurer indicated, since 2001 into the out years to the next election, as projected, revenue available per capita in Western Australia exceeds that of every other state. We have been told we were pipped slightly by Queensland in the early 2000s but every other year, even after today through to 2017, Western Australia has had more revenue per capita than any other state by a long shot. The problem is not revenue and it is not the GST, which is entirely predictable, which should have been predicted, which was known about and which was planned for. It is nothing to do with that; that is a mere diversion. Our problem is irresponsible mismanagement on behalf of the Liberal and National Parties of Western Australia. They have trashed the state books—the best set of books in the history of the state, handed over in September 2008 and turned into an appalling disaster. Do any backbenchers in this government think that this will just float over the heads of the people of Western Australia; that they will not notice; and that they will buy this rubbish about GST? We all know the GST deal is rotten; that it was the worst deal that could have been done at the time because Colin Barnett signed it. He was told by Eric Ripper and the Labor Party to set a floor GST rate, but he did not do it; he missed the opportunity. He signed it and told people that it was the best deal they could get and now we are suffering. Members opposite should not tell us now that the GST is the problem. We know that is rubbish. We know that is not the reason. We know we did not get a good deal because the Liberal Party did a bad deal but it is not an excuse. I think the people of Western Australia will see through it. Small business people, the people who were expected to vote Liberal at the last state election—many would have done in all good conscience, thinking they were voting for the side that would support them—have subsequently suffered a 22.5 per cent increase in land tax. As a former small businessman I know and everyone here who has been in small business knows that they cop it. The landlord does not pay the increase, the small businessman pays it. They have had a small increase passed on to them, thanks very much to members opposite. They have also been paying enormous increases in electricity prices, which they have had to cop despite the promises made at the last election by the Premier. The Liberal and National Parties promised they would keep electricity price increases to inflation and they have not done that; they have doubled them.

I am not the only person worried about this. I hate to think what this budget will bring. The Premier has already conceded that he will nowhere near keep his promise. He has broken that one already, so he figures that people might forget that broken promise and that we can move onto the next one. What was his claim? Election promises are only for the first year, so that electricity was for only the first year after the election. No-one bought that. All the Premier did by making that stupid statement was erode what little credibility he may have retained in the field of the debate on electricity. It was extraordinary to watch him do it. In the first four and a half years—members may recall that he had that time in the first term of government, of which I remember every single day—the Premier had time to consider whether after one day saying one thing, he should be consistent and say the same thing the next day, but he did not. He demonstrated an extraordinary capacity. The Premier's greatest strength is an ability to look down the barrel of a camera and say something that completely contradicts what he said the previous day, and look as though he believes it. He can look into the face of the journalists, who are open mouthed and incredulous when in response to them he says, “No; I didn't say that”, just as he does in Parliament. He treats the Parliament with contempt and misleads it on a regular basis. He never corrects the record. He comes in here and says one thing one day and even though it is printed in *Hansard* and he is confronted with the accurate, absolute word-for-word version of what he said the day before, he will contradict and deny it because he is incredibly arrogant. He became so complacent and so used to getting away with it in his first four and a half year term that he thought he could keep on doing it. It is habitual. He is not capable of correcting himself. He is not capable of changing. He is arrogant and irresponsible. He is not singularly responsible for the dire straits that we find ourselves in because he could only have done it with the support of members of the Liberal and National Parties of Western Australia. They have been complicit, cowardly and incapable of confronting his ego. They have not been able to stand up to him. There is not a member of cabinet who is capable of telling him that he is wrong. They are all yes-men and women, as demonstrated by what has

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happened to the budget, the squandering of the greatest boom in memory and the trashing of the best state books that have been handed over by any government in Western Australia.

One of the few questions that remain about the behaviour of the Premier is whether he will stay and face the music. I do not think he will. This is just another of the broken promises that he has accumulated. As we close on the election, as the desperation builds on the backbench of the Liberal Party, particularly in the metropolitan area but also out there in some of the regional seats too, I think the disgruntlement, anxiety and anger within the party room might result in the Premier just one day tipping over the edge a bit more, being affronted and outraged at the lack of gratitude from those people he dragged into government in 2008. What did he call them? He made some pretty derisive observations about his own side prior to the 2008 election. I think he said that they were scoundrels —

A member interjected.

Mr P. PAPALIA: He said they were small-time crooks and non-achievers. I can always rely on the member for West Swan to remember that detail. Small-time crooks and non-achievers is how the Premier described his own party room in 2008, just before he took over the leadership again. I reckon he still thinks of his members that way. At the moment he views them as a mob to be tolerated until he cannot be bothered. It is getting close. It is extraordinary. The last few times we have gone into question time, there has not even been a pretence of interest in doing his job. He is almost as detached and disinterested as the Deputy Premier, and that is saying something. That guy is more than in the departure lounge; he is on the way out the door with his bags packed and getting a taxi. There were plenty of taxis here today; he would not have had to go very far to get one. That is where he is. I do not know why the member for Swan Hills is sitting on the back bench without a job. He should ask if he can be the health minister because the Deputy Premier is not doing it.

The ACTING SPEAKER (Mr N.W. Morton): Member for Warnbro, the Deputy Premier's travel plans probably are not relevant to the bill before the house. I draw you back to the bill, if I can, member.

Mr P. PAPALIA: Thank you, Mr Acting Speaker. I concede that I strayed a little from the focus of the bill.

This is a broken promise that has resulted in a \$397 million tax imposition on the businesses of Western Australia, just at a time when we are desperate for them to build their businesses and drive opportunities for people coming out of the resources industry as that transition goes on but also as the iron ore price collapses. There is all manner of destruction and disappointment in people's lives around the state. At a time when we obviously require businesses to step up and provide alternative opportunities, the government will hit them with a tax.

That is fine; the Liberal–National government is comfortable with breaking that promise. It was comfortable with looking the businesspeople of Western Australia in the eye at the last election. On the government's behalf, the fifth Treasurer of this government at the time—I think he was the fifth of seven—went into a room full of businesspeople, looked them in the eye and said that the government would give them a tax break. The shadow Treasurer pointed out that that would have been fully funded by debt and he was not going to match it, but the Liberal and National Parties of Western Australia went ahead anyway and we are seeing the consequences. It is distressing that a once proud party, the Liberal Party, established by Menzies, with some pretty good principles, has come to this. It is a disgrace. I know many Liberals supporters in this state are disowning this government right now. I have been to public meetings at which people have been quite happy to tell me that they are not normally Labor voters, but I tell government members what—they are leaping off the government in droves. They are going. Government members can keep telling themselves that the Premier is doing fine, that people like him, that what the polls are saying is not really true and that people buy this rubbish about the government standing up for Western Australia. If the government had stood up for Western Australia, it would have done its job. The government would have been responsible and we would not be in the situation we are in. We would be ready. We would have capacity within government to support the growth of jobs at a time when we desperately need to and to support the services that this government will cut because of its bad mismanagement. Instead, we are in the worst possible situation and it is entirely down to the Barnett Liberal–National government. Every one of the people sitting on the other side of the chamber, when they bother coming in here, shares the responsibility because they have not stood up to the worst financial manager in the state's history. This Premier will be forever known as the man who squandered the greatest opportunity in living memory and people for generations will remember him. It will not be for what he thinks. It will not be for the football stadium; it will be for the next four or five governments having to pay off his disaster.

MR D.A. TEMPLEMAN (Mandurah) [10.03 pm]: I understand that I will probably be the final speaker tonight on the Taxation Legislation Amendment Bill 2015 on this balmy evening as we enter the period of discontent. And what a lot of discontent there is in the state. It is sad that we have come to the situation of a bill such as this, which of course represents a broken promise. As members on my side would be very well aware, I

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am considered something of an expert on tax and all things fiscal. I am a picture of fiscal restraint in many respects. In fact, *The West Australian* recognised that a couple of years ago when it invited me to be part of a round table on what I thought would be red tape. On arrival at *The West Australian* boardroom some very eminent people were gathered—I did not know any of them—and I suddenly discovered that we were talking about the GST. After I gathered my composure and thought of a few clichés I could throw out there when necessary, I was able to participate in a very interesting debate and discussion, and, of course, I had absolutely no idea what I was talking about. Anyway, I espoused a whole range of things that day including a massive increase in GST. I think at one stage I was arguing for a 20 per cent GST or something of that nature and I could tell that the convener was not taking me very seriously, as he should not have. Thankfully, I was not quoted extensively in the newspaper report that was printed a week or so later. However, I have diverted from what we are debating today.

We are debating, of course, a broken promise but also, tragically, yet another example on this journey of poor stewardship of the state's economy. In fact, the debris from the appalling stewardship of the economy that has been left by this Premier and his government since its election in 2008 is strewn everywhere, whether it is the loss of our AAA credit rating, whether it is an expected \$2 billion deficit—the biggest deficit in the state's history, which is expected to be announced in the next two weeks or so—whether it is the growing concern and uncertainty by families throughout Western Australia about their job security, their economic future and their capacity to pay the bills, whether it is the shouldering by Western Australians of the massive cost increases, or whether it is the increasingly desperate sense of gloom about the future of the state.

As the member for Warnbro very eloquently put in his contribution, we now find ourselves in a financial situation in which it will take a few decades before the state's finances are in order again. Those of us who have, as I do, very young children, who will be the taxpayers of the future, know that they will of course be forced to bear the burden of the drunken-sailor approach to this government's stewardship of the state's economy. We know that the Premier has been able to achieve these remarkable outcomes without any word of protest from those on his side of the chamber. I remember vividly the inaugural speeches of some of those members on the other side of the chamber. They talked about their commitment to transparency and their commitment to not toe the party line but to question things and be independent thinkers, yet none of them has done that, except for perhaps the member for Hillarys, who has probably been a lone voice on the government side in highlighting the perilous state that the economy is in under the stewardship of Premier Barnett. It has been only the member for Hillarys, and we need to go back only two budgets when he warned about debt levels, the over-reliance on the mining sector to deliver money into the state's coffers and, of course, the drunken-sailor approach to spending that has resulted in the debt that we have currently and is projected into the future. I am sorry, but members of the National Party have been the dumb cousins on this matter. They have been led down the garden path by the Premier. They have not said a thing and have not protested as they should have to represent the people in regional Western Australia. They have done none of that.

As has been mentioned on this side by numerous speakers, who told the truth on that infamous day of 26 February 2013, in the lead-up to the state election, which was at that time less than two weeks away, when the then Treasurer, the former member for Vasse, and the member for Victoria Park, as the alternative Treasurer representing the Labor view, were there in front of those businesspeople? Only one person told the truth that day—the member for Victoria Park. The other told the biggest fib, which was to be part of a number of fibs by this government. I have dug out a few interesting pieces of heritage—a few historical documents of 26 February. I am sure that as soon as the then Treasurer, the member for Vasse, Troy Buswell, announced this measure at this gathering, the Liberal Party campaign team was ready with a missive to every Liberal sitting member and candidate to get this press release out, because this is pandering to what is seen as their traditional support base, small business. I found this little gem from the member for Geraldton, Ian Blayney, MLA, dated 26 February. I think it is still on his website. It is put out under the Liberal banner, and states —

A Liberal Government, if re-elected, will raise the payroll tax threshold to \$800,000 in 2014-15 and then \$850,000 in 2016-17.

Treasurer Troy Buswell said more than 16,000 employers would save \$121million through this tax relief measure, building on the \$250million in tax relief provided over the last four years.

“In that time, more than 130,000 jobs have been created in WA, many of them in small to medium-size businesses,” he said.

...

Geraldton MLA and Liberal-candidate Ian Blayney said a Liberal Government will continue to grow the State's economy for the benefit of all Western Australians and the reduction in the payroll tax threshold is an important measure in ensuring Western Australia remains the most attractive State for business.

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Look at these beautiful gems that are coming out here. The press release continues —

“This change to the payroll tax threshold comes on top of the payroll tax rebate we announced in the last State Budget ... Additionally, it also partially offsets the 2012-13 payroll tax liabilities ...

“As a result, more than half of all Western Australian businesses will either pay no payroll tax or have their payroll tax liability substantially reduced ...

Mr Blayney said these businesses will not pay any payroll tax for that person for the first two years of their employment.

Here is the gem —

“A Liberal Government will provide certainty and direction to the Western Australian economy, and we will continue to support the State’s entrepreneurs.”

What a marvellous piece of work that is! What a gem, and it is still on the website! Then I went fishing, and I went to a couple of other members’ statements from the same period—the same day. I went to the websites of a number of members, and I even looked at that of the member for Swan Hills. He put out the same press release, because the missive came to him and he said to his team in Swan Hills: “Whip this one out quickly, because then the people of Ellenbrook will forget about what we said about their railway line.” That was picked up as an absolute commitment to people in small business in Western Australia, including the electorate of Swan Hills. The member for Geraldton used exactly the same words.

Mr W.R. Marmion: What were the words again?

Mr D.A. TEMPLEMAN: I could not possibly go through them all. The member included the same line at the end: a Liberal government will provide certainty and direction to the Western Australian economy and will continue to support the state’s entrepreneurs. Let us look at that line: a Liberal government will provide certainty. It failed dismally on that. We are now in the most uncertain times in our economy than we have had in decades. If the member talks to fly in, fly out workers or small business people in my electorate or in his electorate, they are concerned about their job security. Has this government provided certainty and direction to those people? No, the government has not, member for Geraldton. The government has failed dismally, but the member for Geraldton has never stood in this place and questioned the direction that the Premier has been steering him down. Mate, you have never stood up to him; none of the members opposite have, except for one fellow—the member for Hillarys. He is the only one who has stood in this place to do that, and during his contributions to budget debates in 2011–12, 2012–13 and 2013–14, the member for Hillarys said very clearly that this was not good and was not where the state should be going. He told the Premier that he was not steering and showing good stewardship of the economy. Only one of 31 government members in this place did that.

The Premier has been out spending like a drunken sailor and making promises and commitments to the people of Ellenbrook, North Perth and other communities about the Metro Area Express light rail. One of his comments earlier this year on radio was that those commitments were made during an election campaign and that no-one takes any notice of what politicians say during an election campaign. What a lot of rubbish! Of course they do; they take us on trust. They took the member for Geraldton on trust when he put out a press release in February 2013 and said that a Liberal government would provide certainty and direction to the Western Australian economy. He has not done that for the people of Geraldton. The member talks about the people in Geraldton, but in Geraldton crime is out of control and the people of Geraldton cannot find the member; in fact, I hear that people in Geraldton walk past him and do not even know who he is! They say, “Who is that lost man from Geraldton? Who is that masked man who walked past me who does not stand up for the community that I live in? Who is he? Who? Who? Who?”

Mr I.C. Blayney interjected.

Mr D.A. TEMPLEMAN: The member should get up and defend his government’s backstabbing attempt in Geraldton, but he will not because he has been told to shut up.

The DEPUTY SPEAKER: Order! Member for Mandurah, can you please direct your remarks to the bill.

Mr D.A. TEMPLEMAN: Absolutely, because this bill is about a promise that was made but has now been broken. The member for Geraldton is guilty as charged because he does nothing to defend small business in Geraldton or to make sure that he comes to this place and says to the Premier, “Hey, listen, I am concerned about the economy.” The member for Geraldton is not concerned about the economy. He thinks it is sailing along beautifully. That is what the member for Geraldton is saying because he has never come into this place and said, “Hey, wait a second, I’m a bit uneasy about the economy and I have some concerns about the way the state’s economy has been travelling under the stewardship of this government and I need to raise a few issues.” But he never says that publicly. All the member for Geraldton says are things such as, “A Liberal government will provide certainty and direction to the Western Australian economy.” It has failed! How many indicators do we

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have to go through to highlight that things ain't great in this great state? They ain't great, mate! The member for Geraldton seems to be blindly following the Premier, but he is not alone. The member and most of his colleagues, except for one, do not have the guts to stand and say, "Hey, I don't like it." I have seen the member for Hillarys stand in this place and, as soon as he starts to speak, the Premier and the Deputy Premier, and some others, roll their eyes to say, "Here he goes!" Has the member ever listened to what he says and looked at what he predicted two or three years back? Read some of his speeches—they are actually fairly spot-on. The member for Geraldton follows the Premier. The member may think he is in line for a ministerial position, that is fine, but for goodness sake the member was not put here—as most Liberal members said during their inaugural speeches—by the Premier, although many of them almost knelt down and paid homage to him in their speeches, saying, "What a wonderful Premier; what a wonderful leader!" Sometimes leaders need to be checked. But no-one has done it because no-one has had the guts to do it. No-one has, except one!

[Member's time extended.]

Mr D.A. TEMPLEMAN: Members opposite need to say, "Hey, things aren't good." A number of projects in the member for Geraldton's electorate are suffering. Does the member know what he should do? Where is his grievance application to come in here and grieve to the Minister for Mines and Petroleum? Where are the member's grievances? He should be coming into this place to represent the people of Geraldton. What is the unemployment rate in Geraldton?

Mr I.C. Blayney: Slightly higher than the state average.

Mr D.A. TEMPLEMAN: What is the youth unemployment rate in Geraldton? I bet it is higher than the state and federal average. It would be. What is the member for Geraldton doing about it? The member is following his patsy, who is the Premier. The member is following him without representing the community. The member does not have to bag the Premier, but he can actually come to this place and say, "The economy of Geraldton or the midwest has a range of pressures at the moment." There are agricultural and mining interests there. A whole range of service-related jobs are delivered in the midwest. That beautiful part of the state has the potential to deliver tourism opportunities. Things are not good and his leader is steering the state down a trajectory, but the member says nothing. We listed all the indicators during previous debates as well as tonight and earlier today, but the member for Geraldton says nothing; he stays silent. When a lot of this government's expenditure has been city-centric, government members have not been there for regional members. That is the problem—they have not been there. One of the challenges, as we head towards the 2017 state election, is trust. The member for Geraldton's electorate will not trust him anymore. He cannot keep telling people, such as small business people, that the government is going to do this with regard to payroll tax and then he says, "Now we're not doing it. I can't do it now", even if it was based upon funding it via the debt. People in the northern suburbs of Perth were told that the government would commit to Metro Area Express light rail and the Liberal Party's own members in the northern suburbs printed press releases and glossy blue and yellow photographs of Liberal members of Parliament or candidates standing on Beaufort Street promising things. The government cannot put out statements and put up signs saying it will build a railway line to Ellenbrook and then simply say that the government will not do it. The government tells people not to worry because it is said only during an election campaign and no-one really takes any notice of what is said because it is said in the heat of the moment. That is an absolute abrogation of responsibility to many members opposite who pledged in their inaugural speeches after they were elected that they would be transparent and think independently and would represent their communities, and that the member for Geraldton would represent Geraldton. He has folded in behind the emperor. It is not only political people raising these types of concerns, but also third parties who are saying that what the government is doing is not right and is putting Western Australia in a parlous state. They are saying that the government needs to be checked, and the people who are best placed to check their leader are those who are on the same team, but they have been found wanting, which is sad.

Members opposite then put out rubbish that still exists—I am happy to table this historical document—that was repeated by not only the member for Geraldton, but also his mates in other parts of regional WA and the metropolitan area. It seems that they all put out this press release and that they all stand by the last comment in it, which is that a Liberal government will provide certainty and direction to the Western Australian economy. I have to tell members that if they think this government has provided certainty and direction to the Western Australian economy and is continuing to do so, they are part of a diminishing minority. An increasing number of people from the Liberal Party's own political persuasion who are traditional Liberal Party supporters, in my electorate and others, are sick of the arrogance of the man leading the Liberal Party. The member for Geraldton knows that because that is what the polling is telling him. He has had the briefings and knows that those people do not like him. Why do they not like him? It is because he disregards people's aspirations and his own promises and commitments. He relies on throwaway lines and does not see the hypocrisy in his comments or acknowledge that he has broken his promises. If and when he is cornered, he will simply use another throwaway line, which he did earlier this year on radio when he said that it was only said during an election

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campaign and that no-one takes any notice of that or really believes us and takes too much notice of any promises that are made. What a load of rubbish! That is absolute bunkum. If that is how the government wishes to continue, that is fine; I am happy for it to do that and I am encouraging it to keep doing it because the government will find that its support will continue to diminish. The government will get to the stage—I believe it is there already—at which the people will not believe what the government says at the next election. The government might come out with fairy statements like the last line in the press release to which I referred in the lead-up to the 2008 election, but the people will not believe it. They will look at the debris left behind in broken promises and commitments that were made but not delivered and on which the government has backtracked. The government now says that those commitments have very clear provisos on them, such as the government did not mean exactly that; it meant this. Mate, they will not believe you. Do not think that the voters are so stupid that they will be caught out again, because they will not be caught out again by false promises and promises that have been deliberately broken. The sad thing is that if the Premier hangs around until the next election, he will not have much to lose. Even if he takes the government to defeat, he will be well looked after when he leaves this place and he will not take responsibility, or actively pay for, the number of disasters for which he will be held responsible. The member will find that he and some of his colleagues —

Mr I.C. Blayney: What disasters?

Mr D.A. TEMPLEMAN: Do I have to go through them again? We have already gone through them. In a couple of weeks' time we are going to have a \$2 billion deficit—the biggest in Western Australia's history. The government has lost the state its AAA rating; again, as I understand it, the last time that happened was during the previous Liberal government. But they are not disasters; that is fine. No, that is fine, even though Standard and Poor's has put the state on AA rating watch. But no, that is not a disaster, that is not a bad thing; that is fine! The member for Geraldton can tell the people of Geraldton that he thinks that losing the AAA rating is no big deal or that having the biggest deficit in the state's history is no big deal. That is fine. Being city-centric in terms of key spending is just fine, and the fact that the Premier does not think that election promises mean anything is also fine. If that is the member for Geraldton's view, then that is fine, because he has obviously swallowed it hook, line and sinker. It is so far down his neck that he will never be able to retrieve it; he has been well and truly caught. If that is his view, that is fine, but he should get some guts, like the member for Hillarys, and at least question some things that he knows are not right. We need more people speaking out about the direction in which the Premier has steered the WA economy.

I remind members again about the Liberal Party's election commitment. It said that if it were to be re-elected, it would focus on practical measures that would make life easier for small business. These measures were to include further payroll tax relief to businesses worth \$121 million. The government has failed on that; it has broken the promise it made in black and white. That is what the Taxation Legislation Amendment Bill 2015 proposes to do, and the member for Geraldton is going to support it, which means that he does not give a bunkum about promises, just like his Premier. He is stained by the Premier, and the sooner the people of Geraldton know he is ineffectual—many of them already do—the better for them.

Debate adjourned, on motion by **Mr J.H.D. Day (Leader of the House)**.