

**PAY-ROLL TAX AMENDMENT (DEBT AND DEFICIT REMEDIATION) BILL 2017**  
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*Second Reading — Cognate Debate*

Resumed from an earlier stage of the sitting.

**MR S.K. L'ESTRANGE (Churchlands)** [3.39 pm]: What we have seen today is an example of the absolute con-artistry of the government of Western Australia. Government members are akin to fraudsters with the people of Western Australia. They are prepared to say one thing going into an election. They are prepared to bend the truth when questioned by the opposition during a session of Parliament. They are quite prepared to do anything it takes. In fact, they went into the last election and made sure that they got as many people elected to this place as they could on false pretences. They certainly achieved that, with a number of members elected to this place who would not normally have won an election if it had not been for the number of promises and commitments the Labor opposition at the time—the now Labor government—made prior to 11 March and which it has since reneged on, backflipped on and changed. The people of Western Australia call that broken promises. This government is already proving itself to be high taxing and high spending. This government is all about increasing debt and deficit. This government is not being open, honest and transparent with the people of Western Australia. That is what we are seeing.

This payroll tax increase that the government is bringing in is just one of a litany of examples of deception of the people of Western Australia. It is just one, because the list is continuing to grow. We are essentially now witnessing a Labor government that is going back to the future. Back when Labor was last in government, it did a number of things. It has already achieved a few things in the first eight months, but back when Labor was last in government in 2008 an article was written in the lead-up to the election. The article was in the *Business News* of 4 September 2008, and was titled “The choice: continuity or change?”. I will read a bit of this, because it outlines for everyone why the Labor government of today is going back to the future. It states —

Labor needs to be judged on its track record over the past eight years.

...

A lot of work still needs to be done to address issues such as labour shortages, infrastructure planning, project approvals, taxation levels, energy security, public sector efficiency, and housing affordability.

It goes on to state —

But there is a widely felt frustration in the business community that Labor has not moved faster or more decisively.

WA has become a high-taxing state under Labor, and there is no sign of that changing.

...

Time consuming, costly and uncertain project approvals are still a big source of frustration.

The possibility of Inpex moving its Ichthys gas project to Darwin, because it cannot get a clear answer on a Kimberley site, is a prime example.

It goes on to state —

There have been plenty of policy announcements, not just in this election campaign but over the past eight years, but little substantive change.

That was in 2008. We are now in 2017. We are eight months into this Labor government and we are starting to see it all over again. A government that said it would not increase taxes or introduce any new taxes is doing exactly that. It is a government that, to date, has not committed to any substantial project or change to set the directions for the future of Western Australia, not only over this term of government over the next four years, but also beyond that for the next eight years. I think government ministers are basically doing the cocktail set—they are out there opening things that we set up. They are going to functions and saying that they are the minister, but they are not actually doing anything. They are doing a lot of complaining and a lot of whinging, but they are not actually doing anything. The people of Western Australia are starting to get tired of it already. The people of Western Australia may think it is early days, but we in the opposition have eyes on what the government is doing. We are making our assessments probably a bit ahead of the curve with regard to the rest of the Western Australian population, because they are probably giving it the benefit of the doubt, thinking that it will be getting on with things.

In the first 100 or so days of this McGowan Labor government, the cracks have well and truly appeared. In a very short space of time the government started to do things that we have noticed and which the people of Western Australia are starting to notice also. For instance, the government reneged on its commitment to introduce mandatory minimum sentences for meth dealers and traffickers. It backflipped on a commitment to introduce no

new taxes and no tax increases. The government has increased the cost of living with exorbitant power and water increases, and failed to rule out a new property tax on family homes. That has happened just this year. The government abandoned the wages policy and imposed pay cuts on thousands of frontline service workers to pay for Labor's election commitments. It went on to stack Parliament's Joint Standing Committee on the Corruption and Crime Commission. It failed to adequately consult with the community on its Education Central policy. Do members remember that one? That was a ripper! Do members remember what the government was going to do to Perth Modern School without any consultation? Government ministers double-dipped on car allowances. That gets to the heart of the integrity of the cabinet to have so many ministers—not all of them; some of them did the right thing—who knew perfectly well that they had been given a government car and were paid an allowance at the same time. They knew that was wrong. They were found out. The Premier was found out, but did he tell them to pay it back? Not only did he not tell them to pay it back, but also he said that they were entitled to it. That, in today's political discourse, is called not passing the pub test—straight up. They said, "Here is a government car. Oh, and we have accidentally paid you \$5 300 in additional allowances for a vehicle that you don't need because you've already got a government car." What would a decent cabinet minister do? They would go, "Hang on, this is wrong. I've got a car. I should not be getting both." They would have given it back. It is pretty straightforward. It is not hard. But did the Premier ask them for it back or demand that they give it back? No, he did not. That is the standard of leadership of the Premier of Western Australia that he thinks he can let his cabinet ministers have what other Western Australians could never get. That is outrageous.

**Mr W.R. Marmion:** It is setting a bad example.

**Mr S.K. L'ESTRANGE:** It is a very bad example. He then went on to seek an \$11 billion loan despite claiming that the government had a plan to pay down state debt. The government abandoned the pre-election commitment to a budget surplus in 2020. It also prematurely took possession of Perth Children's Hospital when it has a litany of problems that the government said would be fixed. We debated that yesterday in the chamber. There is a major concern about why on earth the government took practical completion when we know that the Treasurer and the health minister are in disagreement over that. The government still has not been open and transparent with the people of Western Australia about why that was done. We know that nine ministers took holidays after only three months in the job. The last thing anybody would do who had taken on a very responsible new position in any organisation is go on leave three months in. At three months in, they would be working hard on the key performance indicators they had set not only for themselves, but also for their group, collective, cabinet and government to progress the state of Western Australia and, most importantly, to do what they said they were going to do, which was to grow jobs for Western Australians. They were not interested in that. They double-dipped on a car allowance and then they took a holiday. They did not even bring in a jobs bill until sometime later, and that jobs bill is a bit of a joke as well.

**Mr W.R. Marmion:** Except for the Minister for Health; he stayed back.

**Mr S.K. L'ESTRANGE:** We know that a few of them stayed back.

The government has caused confusion in the community. The Minister for Corrective Services was speaking about triaging criminals out of prison and into the community to try to save money. People were thinking, "Hang on, this was a government that was supposed to be hard on crime and then it goes and does that!" The government abandoned plans for other things such as national parks in very important places like the Abrolhos Islands. The government's report card for its first few months is absolutely appalling. Today, we are debating this bill on an increase to payroll tax—another broken promise. The Premier was caught out in this chamber earlier for misleading the Parliament with respect to documents that were handed to the Speaker. When asked the question, he said that he had only one document, when clearly he had two. Later, in his own evidence to this place, he admitted that he had two. *Hansard* will be there for all to read. Everybody will see that he clearly said one thing at one point and then a completely separate thing at another time and made out that that is okay. That is not okay. It cuts to the chase of what this government is about. This government is about covering up the detail. This government is about not being truthful to the people of Western Australia. This government will say one thing to the people before the election and another thing afterwards, when it suits it to say something completely different. The government does not care. It is increasingly becoming an extremely arrogant government.

I will read something else from even further back in Labor's history. I will go back to 2005. Again, it is the theme of going back to the future because the government is starting to repeat itself already. On Friday, 25 February 2005 there was an article in *The Australian Financial Review* titled "Opportunity lost in WA". I will read a bit of that. It states —

... Labor's Geoff Gallop, is in the doghouse with voters because he broke a promise not to raise taxes, and because electricity blackouts have become commonplace in the states' primitive power sector. He's also out of favour with business because he has taken the state's growth for granted and wound back his conservative predecessor's landmark workplace reforms and individual contracts. This has set the clock

back a decade in a state with an egregious history of union abuse and the worst current record of days lost to strikes in the country.

That was in 2005. We are starting to see that type of behaviour creep back into this government in its first eight months. We are seeing it already. The government owes the union movement payback for putting so much into the coffers of its election campaign that the union movement has to be paid off and we can already see it being paid off in the State School Teachers' Union of Western Australia sector. The government is winding back—a very, very cunning and sneaky winding back—the independent public schools program. I know and if members in this place ask their independent public school principals in their local electorates whether they still have the autonomy to hire who they want when they advertise for a position at their schools, they will tell them, “Not any more”! They will say they are now required to take redeployees from the pool and, if they do not, they are heavily counselled to make sure they do.

**Ms J.M. Freeman** interjected.

**Mr S.K. L'ESTRANGE:** I suggest that the member talks to her local principals because I certainly have, and that is what I am hearing.

The biggest group of people duded by the McGowan Labor government are those who trusted him. That was the biggest group of people duded because they took his word that he would not increase fees and charges. Premier McGowan let down struggling seniors on fixed incomes. They are the biggest group that he hurt. He did so with huge increases in fees. The most obvious increase was of course the fixed charge electricity cost going up by 10.9 per cent. For poor pensioners who are struggling on fixed incomes in difficult economic circumstances, even if they turn off their power all through winter and try not to freeze to death, they will still be hit with a 10.9 per cent flat charge. That is outrageous! If the government was going to increase charges, which it said it would not do, for goodness sake, would it not want to make it a progressive increase that will impact the people who are more likely to use electricity and could probably afford to pay for more, as opposed to the poor people sitting in their homes in the winter cold who cannot afford these increases? The government has just whacked them, regardless of whether they try to conserve electricity in their houses, with a 10.9 per cent increase. That was absolutely disgraceful. The government has pitched to this place more often than not that it is supposed to be the party that looks after the battlers. If that is how the Labor Party is looking after battlers, I do not think battlers have too many people other than us on this side of the chamber looking after them, because we would not have done that. We would have looked at who is using the most power and made sure, if we were going to increase charges, that the increase was based on usage so that people had the option of trying to use renewables or trying to use less power and putting less cost on the government for producing that power. Members opposite did not do that.

Members opposite also increased charges for vehicle licences by almost six per cent and, of course, increased charges for public transport. Just a standard two-zone fare increased by nine per cent. What about people who live in the outer suburbs, who are more than two zones out from the City of Perth? A lot of the government's backbenchers represent those people. The people who live further from the city in houses on land that is not as valuable as land closer to the city will pay these massively increased prices for public transport. Again, members opposite are hitting the people who put them in power. It is remarkable that they think dollying up some sorts of pork-barrelled commitments to new floodlights at the local oval or a new canteen structure at the local school and handing over a big cheque with their name on it is a way to appease their voters. I can tell them now that the way to look after voters is to reduce their fees and charges, not to hand out \$20 000 cheques pretending they are their own so they can then tell people, “Look what a good job I've done for you.” Poor pensioner grandma or grandpa—whoever—down at the local school will see members hand over cheques and then go back to their freezing cold houses, in the middle of winter, and they are still being slugged with an 11 per cent power rise, which is no fault of their own. That is how members opposite are treating these people who put them in power and I am pretty confident that they have just about had enough of it. They will be waking up to exactly what the government is up to.

The government is whacking the vulnerable with fees and charges and spinning a yarn that it is necessary to fix the budget. We know it is a yarn, we know it is smoke and mirrors, we know the government is not dinkum about it because the *Pre-election Financial Projections Statement* prior to the election stated that the government would take a debt of \$33.2 billion. Fortunately for members opposite, that was not the case; they took less than that. The debt was actually reduced to \$32.5 billion. Everybody in Western Australia thought, “Righto; that was the Liberal's \$32.5 billion” and they threw us out of office off the back of the Labor Party's election campaign that said it was not good enough. But what did members opposite do? They added another \$11.3 billion to it in their budget forward estimates. Where has the surplus gone that they promised? It does not exist. Members opposite deceived the people of Western Australia on their election point, which was that they would reduce debt, get us back to surplus, and keep fees and charges down. It was all smoke and mirrors and the people of Western Australia, particularly the vulnerable, are merely at their whim. They have no capacity to stand up to members opposite and

they are selling them spin out there in their communities as though they are delivering something for them when the fact is that they are worse off under the Labor government. The situation with the budget is not even improving.

[Member's time extended.]

**Mr S.K. L'ESTRANGE:** None of this surprises us on this side of the house because we know members opposite have form with deceptive and misleading commitments. We know that Treasurer Wyatt sold a strategy in the pre-election debt reduction account; he sold a pup. It was an absolute nonsense. He said he would create a debt reduction account with 50 per cent of iron ore royalties when iron ore reached \$85 a tonne and the GST reached 65 cents in the dollar. He knew that would not happen, but members opposite sold it as though it would fix the problem. I think they are kind of hoping it might. They are hoping that the commonwealth GST situation will change and that is the only way they are going to address the books. But that is not good fiscal management and that is why they are increasing debt, because they do not care. They are just going to wait for something like that to happen, which is unlikely. Once the budget came down in budget paper No 1, the plan changed to create an account for unanticipated or windfall revenue. That is unbelievable. That is really showing complete contempt and disregard for the intelligence of the people of Western Australia. It is almost as though they were overtly taking the micky out of the people who trusted them and voted them into office because that is not a plan. To say they will wait for unanticipated or windfall revenue is the most ridiculous thing that could be written into financial statements, as a Treasurer and as a government. It is absolutely ridiculous. Members opposite have no plan. That is akin to just waiting for lotto, and they know it.

In the budget, we know we have the payroll tax to try to help the government pay for stuff, but members opposite said there would be stuff in the budget that is not even there. There is no better example of that than the Ellenbrook rail line. Even the chief economist at the Chamber of Commerce and Industry of Western Australia said —

... the Ellenbrook line and Byford extension remain to be funded, which will be an additional cost on top of the forward estimates.

“Funding these other Stage 1 Metronet commitments will have an impact on the Budget bottom line, and potentially increase state debt further,” Newnham said.

That is no surprise, chief economist of the CCI. He is spot on because, according to my notes, the government's own costings of option 1 for the Ellenbrook line was for \$895 million, all going well. If the government chooses option 2 for the Ellenbrook line, it is \$3.88 billion. None of this appears in the budget papers out to the forward estimates. Debt increased by \$11.3 billion since the Labor Party took power, and between around \$1 billion to \$4 billion is not accounted for in the budget. That is the type of government we are dealing with. It is all about spin and deceiving the Western Australian public into blaming us. It wants the public to keep blaming us saying it is all the Liberal–National government's fault that the government is in this situation but it is not trying to fix the problem. Members opposite are not trying to bring down debt and they are heavily drugged up, saying: “Let's just keep on and spend, spend, spend” and the way they will try to suppress the growth of debt—it is still growing—is by increasing taxes which, of course, they promised they would not do.

How much debt is this government going to add to its growing \$43.8 billion debt? We do not know how much it is going to add but, clearly, that is a broken promise because the Labor Party said it would bring down debt. Is this government going to increase taxes? It said it would not and it has, so either way it did not tell voters the truth. The Labor Party got into government off the back of not telling voters the truth. If we look at payroll tax itself, that too is a whole pile of spin in terms of what the Labor Party told the people of Western Australia. It told them that the people it would hit the most were those who could afford it. Again, it made out it was being Robin Hood: “We're going to tax the rich and we're going to give it to you guys.” No, that is not what it did at all. The Chamber of Commerce and Industry of Western Australia was onto the Labor Party in that regard and it knew that that was not the case. It did an independent study to investigate the impact of this payroll tax. The CCI found that the WA state government's payroll tax increase for large WA employers would result in a loss of between 1 334 and 5 297 jobs, and reduce economic output in the private sector by at least \$510 million. This government is making out to the people that it is just whacking the rich with a bigger tax and that it will not hurt them, when in actual fact it is ripping half a billion dollars out of the Western Australian economy and impacting on up to 5 297 jobs. That is also a broken election promise because the government said before the election that it was going to grow 50 000 jobs. It is going the wrong way. It said it was going to scrap 3 000 public sector jobs plus up to 5 297 jobs here as a result of this increased payroll tax. It is heading towards 10 000 more unemployed people. This government is supposed to be growing jobs, not making more people unemployed. Again, this is spin and shows disrespect for the people of Western Australia on that issue. This is just another example of how this government is showing to all of us that it is a high-taxing, high-spending, debt-increasing and job-killing McGowan Labor government that is going back to the way it was in 2005 to 2008—back to those dark days. That is what this government is doing to the people of Western Australia now.

**Extract from Hansard**

[ASSEMBLY — Thursday, 2 November 2017]

p5388c-5403a

Mr Sean L'Estrange; Mrs Liza Harvey; Mr Tony Krsticevic; Mr Ben Wyatt

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We can see the absolute hypocrisy of how this government is going about introducing these increases to taxes and new taxes because we know that consumer confidence in a market economy is king. If consumer confidence drops, it means that people will not spend money. If people do not spend money, it means that businesses start losing their revenue and things tighten up, people lose jobs and the economy slows and grinds to a halt. What has this government done? It committed to the people of Western Australia prior to the election that it would give a 1.5 per cent pay rise to the public sector. This government said to those very hardworking police, nurses, teachers and workers that they would get a 1.5 per cent pay rise. That would have gone some way, at the very least, to allow them to have some wages growth confidence so that they could feel confident about going out and spending in the economy. Instead, the only message they got from the Premier of Western Australia was that we were in a massive recession that was worse than the Depression, that we would never get out of it or recover and that it is terrible. That is good news for the consumers! That will encourage them to go out and spend money at a cafe! They are going to think, “Crikey! I’m lucky I’ve got a job. The way this Premier is behaving, we’ll all be out of work in a week so I’d better keep whatever money I’ve got.” Those poor pensioners who do not even have jobs will think, “I’d better keep my money in my pocket and I’d better make sure that I’m very careful with it.” But then this government ripped that money off them because it whacked them with that fixed-rate increase for electricity fees and charges. Their lights are all off and the heater is off—everything is off in the house—but they are still losing money out of their pockets and they have not even walked out of the place.

This Labor government thinks that it is going to support and help to move Western Australia forward. It is doing nothing but the opposite. It is increasing taxes, charges, fees and debt. It is increasing all the things that it said it was not going to increase and, at the same time, it is not offering the people of Western Australia what it said they were going to get. That is what we are dealing with and this is just the start. We are only eight months in. We have a track record of Labor government performance, and we still have another three years to go. We could be going into this next election wondering just how much material we will have to show the people of Western Australia that this government abused their trust. This government was not interested in the people and the hypocrisy of that 1.5 per cent pay rise cannot be lost on the fact that Premier McGowan has been incredibly sneaky. We know that he allowed the WA Labor Party to provide a 9.5 per cent pay rise over three years to its employees. Is that not a fascinating thing? When everybody else was told to show wages restraint and even though he was professing as the Labor Premier of Western Australia that we should all tighten our belts and only hold to a maximum pay rise of 1.5 per cent, which this government reneged on, it was okay for Labor organisation members to get a 9.5 per cent pay rise.

There is a great movie and a book called *Animal Farm*. In the movie there is a great scene where they ride up towards a big barnyard sign stating: “All animals are created equal”. It is a great sort of socialist statement in *Animal Farm*—members may remember it. Then, when all the pigs took over, it was crossed out to read “Some animals are more equal than others”. Is it not amazing, and we are starting to see that here. It is almost like it is in the government’s DNA. It professes to be looking after the battler, but once it is in power it does not worry about the battler. It just worries about itself and its mates. We are talking about the mates that put this party into power. This government is more focused on the mates that put it into power. That cuts to the heart of why Premier McGowan allowed those ministers to double dip into that \$5 300. I think he did it because he realised that he did not want to rock the boat with those guys, because many of those ministers have the back of some pretty powerful unions. He knows that he is on thin ice because on 11 March 2017, he was elected as Premier of Western Australia and in March 2016, he was standing in front of a camera on the news looking pretty shaky as there was that attempted coup on his leadership, only a year out from the election.

Some of his key front benchers of today were keen to get rid of him then. They wanted to bring in a former federal minister Stephen Smith to replace him. That is what they thought of Premier McGowan only a year out from the election. They said that he was not up to the job, that he was not good enough and that they did not want him as leader. I can tell members now that he has cabinet ministers who were part of that coup attempt back then, so he knows he is on shaky ground. That is why he will not be able to stand up and show real spine when it comes to making hard decisions against the union movement of Western Australia. He showed no spine whatsoever on getting those ministers who double dipped and took that extra \$5 300 to pay it back. That is a disgrace because my mates tell me that the maximum age pension that a pensioner can get is about \$407 a week. That \$5 300 equates to over 13 weeks of what a battling age pensioner can put in their pocket. The Premier of Western Australia enabled those ministers to pocket the equivalent of 13 weeks of an age pensioner’s pension, while at the time same he whacked them with an almost 11 per cent increase in the fixed charge on their power while they have the lights off and are not using the heaters in the middle of winter. That is what Premier McGowan is about. That cuts to the heart of what he represents. Although he might be happy to black-tie it up and swing around the cocktail set with the fancy people now, I can tell members that the poor battlers who are doing it tough in the suburbs and have to pay massive increases in public transport costs for travelling more than two zones to get to the city or in their power prices, will eventually get to see the result of that in four years and the analogy that I am making with respect to *Animal Farm*.

In conclusion, does Labor have a track record of introducing new taxes and increasing taxes? Of course it does. Does Labor have a track record of breaking promises with the people of Western Australia? Of course it does. Does Labor have a track record of looking after the Labor movement elite? We know it does.

**MRS L.M. HARVEY (Scarborough — Deputy Leader of the Opposition)** [4.10 pm]: I would like to contribute to the debate on the Payroll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017. The title of the bill contains the first mistruth about this legislation. The budget that the government has just handed down does not do anything to help with debt and deficit remediation. All the increases in taxes, royalties, fees and fares that the government has proposed are about trying to find a way in which it can pay for its \$5 billion worth of election commitments, because it has no plan to tackle the funding for those commitments.

I want to go through some figures so that members will understand where I am coming from when I talk about debt and deficit remediation and the absolute spin associated with this legislation. The December *Pre-election Financial Projections Statement* shows a net operating deficit for 2016–17 of \$3.028 billion, and for 2017–18 of \$1.498 billion. In the budget that the government has just handed down, the deficit for 2016–17 is \$3.039 billion. That is an interesting figure, because one month after the budget was handed down, the government released the *2016–17 Annual Report on State Finances*. That report shows that the deficit has reduced even further to \$2.474 billion, which is an improvement of \$565 million on the 2016–17 figures. That is because of the very successful efforts of the previous government in reining in expenditure, particularly in the last year of our term. It is clear when we compare the 2017–18 projections with the *Pre-election Financial Projections Statement* that there has been an addition to the deficit of \$842 million. That shows that the government is not reining in expenditure to the extent required. It has increased the deficit by \$842 million in its first year. The *2016–17 Annual Report on State Finances* shows total expenses at \$29.387 billion, which is an improvement of \$323 million. Notwithstanding that we know that the government had pulled back into the last financial year as much expenditure as it could in order to make those figures look as bad as possible, total expenses still came in at \$323 million better than was anticipated when the budget was handed down, which is certainly an improvement on what was anticipated in the *Pre-election Financial Projections Statement*.

The other interesting figure is net debt. We talk a lot in this place about net debt. The *Pre-election Financial Projections Statement* predicts net debt for 2017–18 at \$37.391 billion, and going out to 2019–20 at \$41.113 billion. The 2016–17 figure is interesting. At the time of the *Pre-election Financial Projections Statement*, it looked as though net debt in 2016–17 would be \$33.246 billion, but it came in at \$536 million lower, at \$31.964 billion. There is an improvement there. I mention that out year of 2019–20 because the budget that the government has just handed down shows that the net debt figure in 2019–20 is \$2.671 billion higher than was anticipated in the PEFPS. That means we are looking at a net debt figure of \$43.784 billion.

The point I want to make is that the title of this bill—Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017—contains a glaring untruth. I suggest that when we go into consideration in detail, we amend the title of the bill to the “Pay-roll Tax Assessment Amendment (Coping with the Government’s Profligate Spending) Bill 2017”. In my view, that is what this bill is about. It is a revenue measure to help the government pay for its \$5 billion worth of unfunded election commitments.

The reason the government has brought in this revenue measure is because of the flimsy plan that the Labor Party put to the community prior to the election. I refer to a media release that was put out by the now Premier, Mark McGowan, on 7 March 2017. The media release states, under the heading, “Plan to pay for our Promises”—

WA Labor has outlined a comprehensive plan to pay for its promises and help put the State Budget back on a sustainable footing, including:

Keep Western Power in public hands, delivering ongoing revenue to the State.

Cutting government advertising by \$20 million each year.

Cutting Senior Executive Service positions, WA’s highest paid bureaucrats, by 20 per cent.

The government has certainly done that. It continues —

Stopping the excessive use of expensive and unnecessary external consultants and contractors.

Reducing the number of government agencies by 20 per cent through the Service Priority Review ...

Introduce the Foreign Buyers Surcharge, for purchases of residential property in WA by foreigners, delivering ongoing revenue to the State.

Free up \$1.7 billion in funding by not proceeding with the flawed Perth Freight Link project.

That did not free up funding, because that funding was reallocated to the \$5 billion worth of unfunded election commitments, so we still have a significant gap in funding. The final point is —

New government land sales.

**Extract from Hansard**

[ASSEMBLY — Thursday, 2 November 2017]

p5388c-5403a

Mr Sean L'Estrange; Mrs Liza Harvey; Mr Tony Krsticevic; Mr Ben Wyatt

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There is nothing in this “Plan to Pay for our Promises” about the initiatives the government has taken. There is nothing about increasing transport charges for everyone who uses our public transport system. There is nothing about imposing a \$120 million Uber tax.

The media release states also —

At the beginning of the final week of the State election campaign, Mr McGowan said Western Australians could not afford to see their power bills go up even further.

That may be so. But the government has increased the supply charge by 11 per cent for every electricity consumer in Western Australia. No-one can avoid that cost, no matter whether they are a pensioner, a student or a family with a lot of kids, because it is a fixed supply charge. There is nothing in the plan about increasing the supply charge by 11 per cent. The now Premier was silent on that during the election campaign. There is nothing in the plan about how the Labor Party would renege on its promise to give police a pay rise of 1.5 per cent to help pay for its election commitments. There is nothing in the plan about increasing the gold royalty to help pay for the government’s election commitments—definitely not. Everyone in the gold sector relied on the words of the now Premier when he said on the steps of Parliament that he was opposed to increasing the gold royalty because it would be detrimental to jobs. There is nothing in the plan about increasing the payroll tax threshold to help pay for the government’s election commitments.

The Labor Party made a number of commitments during the election campaign that would have come at a cost. It said that it would introduce mandatory penalties for drug traffickers. The plan does not mention that the government might not implement that commitment if it would come at too much of a cost. The now Premier put no caveat on that commitment prior to the election. The legislation came to this place, but now there will not be mandatory penalties for drug traffickers in Western Australia. Another broken commitment of this government was that it would give the people of this state a gold standard of transparency. Good Lord! We saw that thrashed today, did we not? The Premier was on his feet and had two bits of paper in his hand. Apparently, the Premier cannot count, because when the Speaker asked him whether he had two documents or one, the Premier said one.

Everybody could see there were two! Even my 18-month-old granddaughter knows the difference between one and two. She could have answered that question truthfully, but the Premier could not—absolutely not! That is because it suited his purposes not to tell the truth. He did not want to adhere to the gold standard transparency that he lectured us ad nauseam about when we occupied those benches for eight and a half years, by tabling the official document he was quoting from. That is the standard we have. The gold standard transparency was trashed after the membership of the Joint Standing Committee on the Corruption and Crime Commission did not include the Leader of the Opposition in the Legislative Assembly. The gold standard of transparency for the opposition in this house was completely trashed. We have no-one on that committee.

There has been interference with the Salaries and Allowances Tribunal process. The government has tried to direct the SAT on wages restraint and whatever. We saw that clumsy piece of legislation come through—good heavens! It missed out all the government trading enterprises, and missed out all the major fat cats with that one. That is certainly interfering with gold standard transparency. There also has been the separation of executive government from the independent review of wages and salaries. It is very important that we do not have political interference in those processes.

Then we had the ministerial double dip. There is no gold standard transparency there, and there is certainly no gold standard. It is \$48 000. We established in the house this week that the additional ministerial car allowance that those ministers have received, which totals around \$48 000, would pay for the public transport fare increases of about 370 Western Australian families. Just pay it back. Ministers are getting \$300 000 a year; pay back the \$5 000 in the interests of maintaining the standard the government loves to lecture people about but not necessarily apply to itself.

These are the disappointments that the Western Australian community is facing. The payroll tax is really interesting, because the government has been incredibly clever with the way it has put it together. It put it together as taxing the rich—only people who hit a very high threshold of payroll of around \$100 million a year will be subject to the increased payroll tax. Nobody in the community has any sympathy for the big corporate companies that have to pay a payroll of \$100 million a year because they employ so many people, but everybody in business generally sees payroll tax as an inhibitor to employment. There will be a consequence to this. We saw an announcement today by the National Australia Bank that there had been record profits, and an announcement that 4 000 jobs will be lost across Australia over the next few years. That is how the big multinational companies operate. If the government puts an additional payroll tax impost onto big banks, big retailers and large organisations, there will be a consequence. The consequence will be job losses for individuals employed by those organisations. They might start to withhold payments to the suppliers to their business and extend payment terms out to people they supply to for an even longer period of time so that they get to bank the money and hold the

interest, and perhaps if the supplier goes belly-up while waiting for payment they can write that one off and pocket the profit from those sorts of transactions. These are the things these large companies do.

We know the companies affected by this payroll tax will be large iron ore miners. They will make the largest contribution. Around 20 per cent of the revenue that the government will receive from this payroll tax will come from the large iron ore miners. The mining, oil and gas industries together will contribute collectively a total of 35 per cent of the revenue the government will get from this payroll tax. The construction industry is expected to contribute a little over 10 per cent. I was talking to one large construction company that said the housing market was so flat at the moment that it will just have to cop the \$600 000 or so that it will need to pay in payroll tax. It is not in a market where it can pass that price on to consumers because the market is too competitive, so that will just come straight out of its pocket.

People probably do not have much sympathy for a company that pays an extra \$600 000 in payroll tax. But when that company employs a large number of apprentices, most people in industry know that hiring apprentices is a labour of love. It is a long-term commitment to an industry and it takes a long time to get a return on investment with apprentices, because they come very green and they can be a liability on site. That said, a large number of employers out there take on apprentices because they understand the importance of training people for the future. Hopefully, we will not see some of these larger companies cut those apprenticeship and traineeship programs as a result of the payroll tax increase. Notwithstanding that those individuals will probably receive an exemption from payroll tax, there is still a cost to employing and training those people. Other industries collectively are expected to contribute less than 10 per cent each. So that is where the spread will be.

We have seen in this state how those large iron ore and mining companies work. When there are slight changes to commodity prices, they need a return on investment to their shareholders and everything else is ancillary damage. The priority is the return on investment to the shareholders.

[Member's time extended.]

**Mrs L.M. HARVEY:** If they are asked to pay more payroll tax, they will cut that from somewhere else.

I do not want to labour the point. It is half past four on a Thursday, and a lot of our regional members want to get home, but —

Several members interjected.

**Mrs L.M. HARVEY:** Indeed. The member for Bunbury is still here—well done!

However, I think it is important that we get these issues on the record. Members, we need to understand that this government is not keeping a lot of the election commitments that had it elected, and some of the commitments it made sounded somewhat like policy on the run. We saw that with the Western Australian Jobs Bill 2017 that included, apparently, local companies in New Zealand and every state of Australia. Potentially, there could be a challenge to some of our trade agreements in restricting the ability of firms to tender for Western Australian jobs. Everybody agrees with the sentiment. Yes, we would love to buy local first and we would love to source and ensure that work is tendered and awarded to Western Australian-based companies; however, legislatively that commitment of the government cannot be kept because a local job and a local company has to be a company based in Western Australia, the Northern Territory, Queensland, New South Wales, Victoria, South Australia, the Australian Capital Territory, Tasmania, or the North and South Islands of New Zealand. That commitment certainly has not been maintained.

In closing, I once again bring back to members' attention that the title of this bill is flawed. It is not about debt and deficit repair; it is about trying to pay for the government's election commitments. It will be interesting to see what the Legislative Council members think of this particular legislation. For my part, I would have liked to have seen some improvement, if you like, for payroll tax concessions for small business; however, I understand the government has flagged that it may be looking at that for the budget. I think that is an appropriate way to consider some of those sorts of initiatives, because generally there is a cost to giving a rebate or lifting, if you like, the cap for the grouping provisions for smaller businesses. That is something the government will need to carefully consider in the context of the rest of its spending if it can afford in the next budget to increase the threshold from around \$850 000 a year for smaller businesses payrolled before they start to pay payroll tax to a higher threshold. Many of those business that are just captured in the payroll tax threshold would welcome that, but very considered work and modelling would need to occur. That is more appropriately done as part of the budget process. It will be interesting to see whether the government's murmurings on this topic will be realised or whether in the context of what has already been some profligate spending—\$584 million more spent than anticipated at the *Pre-election Financial Projections Statement*—there may be a difficulty if the government does anything with those revenue measures it has put in place to pay for its election commitments. I remind members of the comments of the Premier whenever we tried to increase any fees or charges or raise taxes. I have a quote here from 9 May 2014. The Premier said —

“When people have to pay more and more, way above the inflation rate, and when the Premier breaks his electricity promises, it is a Budget that is hurting the people who least afford it,” he said.

Indeed, that is what we have seen with the supply charge to electricity increasing by 11 per cent. We have seen the number of people needing to access the hardship utility grant scheme nearly double. That means that those grants will need to be topped up, so potentially additional revenue that comes in from the increase to the supply charge will go back out in the form of a rebate to the people who can no longer afford to pay their power bills. It is a very difficult set of circumstances and a difficult position for the government. I do not envy the Treasurer’s job, because the Treasurer’s job is to find a way to fund over \$5 billion worth of election commitments while paying down debt slowly like a mortgage, without increasing fees and charges, except those that can be increased, because evidently it is not an ironclad guarantee. Those were the musings of the Premier—I call them that, because they once were election commitments, but once they are broken, they are really just conversations the Premier had in which he said he would not increase fees and charges, taxes et cetera.

In closing, I understand that the government has a problem. It needs to raise revenue. It has a big agenda of promises to the community that needs to fulfil, and it needs to be truthful to the community of Western Australia about what the next steps will be to pay for the remaining \$3 billion or so of election commitments that have not been funded from a reprioritisation of existing funding. It is a difficult one, and when a party says or does anything to get elected, it invariably gets into government with an incredible difficulty in being able to keep all those election commitments that gave its members the seats in this house, which give them the salary and the trust of the people. That trust has been broken around eight or nine times so far by this government and we are only seven months into its term. It is a good sign for us for 2021. As a small Liberal team, we expect to be much larger in 2021 if the government continues breaking these commitments.

**MR A. KRSTICEVIC (Carine)** [4.34 pm]: I rise to speak on the Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 and Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017. Just to give the government a beacon of hope, it will be happy to know that I am the last opposition speaker on this bill.

**Mr J.N. Carey** interjected.

**Mr A. KRSTICEVIC:** I am hoping that I will again be able to enlighten the member. It is very interesting. This bill is all about increasing the government’s take from payroll. There are two ways that can be done. The tax rate payable by employers can be increased or a novel approach can be taken of growing the economy, bringing strength back to it and therefore encouraging businesses to employ people and by default pay more payroll tax. Obviously, that is not the decision that the government has taken in this instance. It has decided not to grow the economy; it has decided not to encourage businesses to employ more people. It has decided to try to take more money by increasing the tax rate. Imagine that payroll tax did not exist and someone walked into this house and offered to create a tax for employers who employ people—charge them for it: “Employers give someone a job, they take them off welfare, they take them out of the government pocket, and we will charge them a tax for the pleasure of helping the government and for the pleasure of giving someone a job, and—guess what?—the more people they employ, the more we will tax them.” What an incentive to employ people! It is so ridiculous in 2017, in this state, in this country, to still be debating things like payroll tax, and to believe that we cannot be more innovative and work together across both sides of politics to say this is not a good tax. Stamp duty is not a good tax and land tax is not a good tax. All of these taxes are bad taxes. There is no doubt about that. However, when governments of both persuasions find themselves in difficult times, guess what? They refer to the three taxes in this country and say, “How about we increase them? How about we take more money? How about we shrink the economy a little bit more? How about we make it harder for people?” I think we can be better than that. We need to look at better ways of doing this. I do not think anybody would disagree with that. I do not think anybody agrees that we should have taxes in this country that stop and stifle economic growth, stop private sector investment and stop the economy from growing. Ultimately, I think we are on the same page. I know we sit here and banter across the chamber and we argue about things that we all believe in. I am sure that everybody here believes this tax is bad. I am not sure that anybody in this house thinks it is a great tax. I would be surprised if anybody thought it was a great tax.

**Mr J.N. Carey** interjected.

**Mr A. KRSTICEVIC:** The member for Perth might think that payroll tax is a good tax, but I am sure we can be a lot more innovative.

I had hope in this Treasurer; I really did. I thought he was going to think outside the box. From the day I saw that video in which the Treasurer said we should sell 51 per cent of Western Power, I thought to myself that we had a man with some vision here—a man who knows how debt and deficit can be solved and a man who will come up with some innovative ideas. I thought that when he landed that first budget to try to take this state forward, he might have come up with something different from just more of the same, but that is what we have. For the eight

and a half years that he sat in opposition, he looked at what we were doing and he thought: I can do that, too. I can get in government and I can do that, too. When he got to the treasury bench, he did the same. I could not believe that all he did was listen to the things we were doing and ask, “How can I increase spending? How can I increase debt, rather than reducing it and cutting back on spending? How can I increase taxes and charges?” As has been noted earlier, the Treasurer was a bit smarter than some of his colleagues. He did not say, “We’re not going to do this and we’re not going to do that, because you know what? I have got a little bit of integrity.” He could not lie to the people of Western Australia by looking at their faces through the camera and saying that there will be no new taxes; there will be no new charges. He said, “The Premier might want to go out there and do that, but I’m definitely not going to do that, because I’m a lot smarter than that. As a matter of fact, if the party were smarter, I would’ve been sitting in that job and not the Premier, but so be it; that wasn’t the case.” Now this deception carries on every single day through this Parliament, and today was another perfect example. I wonder why this is happening. The government has a huge majority—41 members—so it does not need to play games. The government can try to raise the bar, but members opposite find it so hard to do that. Obviously, the member for Mandurah tries, and occasionally he is able to raise the bar, but then he slips back into it again, but he does try.

**Mr D.A. Templeman:** Do you want to go into consideration in detail and the third reading today? I am quite happy to do so if that is what you want.

**Mr A. KRSTICEVIC:** I will not make reference to the member for Mandurah trying to raise the bar anymore—I promise. I am sorry for doing that.

We have difficult times. I know we had a debate about what would be the cost of this rise and people talked about jobs being lost. There are obviously a number of factors. Consumers will pay more for products. The \$435 million that this will raise over four years will trickle down in different ways. One way will be that jobs may be lost throughout the economy. The second way is that consumers will pay more for the products that they are consuming, and, thirdly, shareholders may lose out in their dividends. Of course, self-funded retirees rely the most on those dividends. It is another way of hitting self-funded retirees. It is another way of reducing that little bit of income that people get from their shares. It is a way of increasing costs for people who are already struggling and, potentially, it is also about losing jobs. Nobody knows what the combination is between all three of those factors. I know that the Chamber of Commerce and Industry of Western Australia and others throw figures out there, but we all know that no-one can accurately predict down to that level of detail, but at a broader level I think we know that it will have an impact on the economy, and it will cost people one way or the other, whether it be their jobs or their hip pockets.

I think it was mentioned earlier that, hopefully, the Treasurer will raise the threshold for some of those struggling small to medium businesses. I know a young lady who runs a labour hire business, employing people to work up north on the mine sites. She said to me that the only reason she does not grow her business any further is payroll tax. She said that she could not be bothered with the paperwork, the headaches, the dramas and all the issues around it. She said that she could grow her business a lot bigger but she does not want to because of the payroll tax. I am sure there are many small businesses out there that get to a certain point and think that they do not want to go any further; that is as far as they want to go. They could employ a lot more people, but payroll tax, red tape and the issues around that are stifling growth. I am sure that we all get those messages out there in the economy.

There is one glimmer of hope in this, and that is 30 June 2023—the end, supposedly. As we know, things change weekly or even daily in this place, but at this point in time we can presume that this bill will finish on 30 June 2023, but we do not know whether another one will come in, or anything else will happen between now and then. It is obviously difficult to predict. Will it be a debt and deficit reduction and remediation bill? Obviously not. I believe that in the budget the Treasurer may have indicated that about \$3.7 billion of election commitments have been funded, if we can call it funded. Obviously, we know that there were close to \$5 billion worth of election commitments. It is pretty obvious, and it does not take a scientist to work out, that the forward estimates are not really worth the paper that they are written on. All that we can really take with any degree of credibility is the budget itself. Many things are missing in the forward estimates. Many things are overcooked and under baked in the forward estimates, so I do not think we can really take that with a high degree of accuracy. In saying that, the forward estimates still show debt at close to \$43 billion. We know that these figures are not accurate, and we know that it can only go higher. I dread to think what debt will really be at the end of the forward estimates.

Some hard decisions need to be taken, and some spending cuts need to be factored in. When I look at the photographs of members opposite handing out personalised cheques in the community, supposedly courtesy of the Labor Party’s Local Projects, Local Jobs, I think to myself that there seems to be a lot of money floating around. Members are signing checks and giving them out left, right and centre. That is great for the community groups that are getting the money. That is fantastic; I am sure that they need the money and that they will use it wisely. But, have we got the money to give them? Is that the right investment? Should local governments be funding some of these projects? Are we just giving the money out without actually putting it where it really needs to be? I would suggest that this is really a vote-buying exercise, investing in all the projects that could be funded by local

governments, or in other ways. I am sure that all the projects are worthy—there is no doubt about that—but if we have to go overseas and borrow \$2 million to spend over here, and then pay the interest on that, we have to make sure that that money is being wisely spent. I hope that members opposite are making sure that, whatever money they borrow to pay out to community projects, they understand where that money is coming from. It is not sitting in the bank. Is not there as a big credit. There is a debit in the bank, and the government is drawing on that debit and making it a lot bigger. That is really disappointing.

Listening to talk about debt being paid down like a mortgage when it is going up, and talk about no new taxes and charges, nobody will believe that for a second. I cannot believe that the government even ran ads like that, because I do not think anybody in the community actually believed it. I do not think they believed it for a second. This would be the first government in the history of Australia or anywhere that said there would be no increases in taxes or charges in its term of government, over the next four years. Please—there is no reason to say that. What are the increases? Businesses turning over more than \$100 million will go up from 5.5 per cent to six per cent, so businesses under that \$100 million will probably not want to go over that threshold. They might say that they will keep their investment where it is. They are unsure about where this government is heading. It wants to introduce gold taxes and bank levies. It has a scattergun approach, just shooting bullets everywhere to see what target it might hit to skin the cat and get the money in the bank. They might be thinking that they might just keep their money in the bank, and wait a while just to see whether the Treasurer lands on anything more mainstream and comes up with an intelligent strategy to raise the funds.

That is what businesses are hoping for, and they are listening very carefully to the Treasurer out there. They are hoping that he might have some wise words, rather than just the usual, “It’s your fault, you started it all, and we’re not doing anything about it except blaming you for the next four years. If that works for us for the next election, great, and if it doesn’t, well at least we had a story to tell. It may not have been the story we wanted to hear, but it is a story that we made up, and hopefully we can get people to believe it long enough to take us through to the next election.” I hope that is not the only strategy that the Treasurer has in his pocket. I hope that that is not the only target. I hope, like I said before, that the Treasurer does succeed, and tries to make a difference. Obviously, if we look at the commentary, we see that many well-respected individuals out there have been talking about the impacts on jobs that this will have.

I am not going to read all those quotes and refer to all those people because of the time left on the clock; however, I will say that I am pretty sure that the Treasurer respects the opinions of those people in the community and I am pretty sure that he agrees with them, yet he is saying, “You know what, my hands are tied. At the end of the day, we’ve only got a few choices. Rather than coming up with something new and innovative, rather than cutting back on election promises and cutting back on expenditure and getting more efficiency, we’re just going for the easy option. We’re just getting out the sledgehammer and seeing how hard we can hit to see what dust comes off the rock. If there is a bit of dust there, that’s great, and then we’ll take that and we’ll bank it and then we’ll think about how we can scrape a bit more off later.” It is very disappointing. I hope that, if not today, by May next year the Treasurer can come back to this house and say, “Guess what? I’ve got these great ideas. We’re going to change the way we do business in this state. We’re going to grow the economy. We are not going to tax people to death anymore. We’re not just going to take the easy options.” Other governments have done that in the past and it has not worked; it actually strangles the economy in the longer term. We need to think outside the box and we need a different approach.

As I said, other members have made a range of points about gold standard transparency and the lack thereof and other issues that relate to that. I am not going to go through that. All I will say is that I know that the Treasurer is in a tough position. I know this is something that, hopefully, he is reluctant to do. Hopefully, he will acknowledge that it is not a good approach; however, it is one of the few levers that is left, because of the constraints on that side and because of the lack of innovation amongst the Premier and his ministers. They do not want to listen to the Treasurer and try new and innovative ideas. They want the Treasurer to stick to the mainstream, and they are holding him back. I am hoping that is what it is. I am hoping that they are not holding the Treasurer back from making this state great, and the Treasurer is not holding them back by trying to do what needs to be done to grow the economy, to create jobs and, through that mechanism, if we still have to have payroll tax, grow payroll tax, rather than through this very archaic approach.

On that note, I will sit down and allow the Treasurer to, no doubt, share some of his wisdom. He will probably try to argue against everything we have said on this side. It would be novel for the Treasurer to occasionally say, “Guess what? What you’ve said is correct. I agree,” because I know he does. A lot of times he sits there and nods his head and says, “Yes, I agree with exactly what you are saying, but there are reasons I cannot do that.” Out in the business community, people know the truth. There is nothing to be scared about telling them the truth and how it is, because, guess what, that is refreshing. It is refreshing when someone stands up and says, “Guess what? They had it hard; we’ve got it hard. It’s not easy. We blame them; they blame us.” But, in reality, the circumstances are much more complicated than that, and we need to really start working together to help the people of

Western Australia, rather than arguing against each other all the time and sending the wrong message into the community and confusing businesspeople, confusing mums and dads and, most of the time, confusing ourselves.

**MR B.S. WYATT (Victoria Park — Minister for Finance)** [4.53 pm] — in reply: I rise to close the second reading cognate debate on the Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017 and the Pay-roll Tax Assessment Amendment (Debt and Deficit Remediation) Bill 2017. The member for Carine will be pleased to know that I agree! Now, I will spend the next 45 minutes outlining exactly what it is that I agree with and perhaps some areas that I do not agree with the member for Carine. I thank all members for their contributions. I want to make a couple of points about some of the discussion today. I think the members for Warren–Blackwood, Carine and South Perth were the three who raised the issue of the limited levers that we have as a state government. The member for South Perth referred to a panel discussion that I was on last week, which involved myself and four other people, all of whom will, I dare say, be paying this increased payroll tax levy. It was a very interesting public conversation. Kerry Stokes, one of the members on the panel, made the point—as Richard Goyder has made the point, whom I have quoted in here; and Dale Alcock has made the point, whom I have also quoted in here—that nobody likes payroll tax. I am not in dispute with any person who got up today and said that they do not like payroll tax for whatever reason—and a range of reasons were given. But, as the member for Warren–Blackwood said, it is the largest source of tax revenue that we have. That is the reality. That is why, member for Carine, I will continue to try to “think outside the box” and come up with “new and innovative revenue sources” that he could no doubt support in this place, but the reality is we have very few levers. When we looked at the options before us—I am going to make this point because it is worth making in a clear way—we found that the former government in its final term had taxed the property sector a lot. I have referred in this place many times to the three land tax increases in three years. I did not think that there was an opportunity, because ultimately there are limits to where we can go with a particular revenue source, to do that; so we did not.

Some interesting statistics were released today around very strong approvals in apartments in WA, which may be an early sign that perhaps we are starting to see some better recovery in our construction sector, which is a big employer in Western Australia. I say that by way of an aside.

I come back to the point I was trying to make. The member for Warren–Blackwood is going to move an amendment to effectively lift the threshold to \$1 million, from the current threshold of \$850 000. I think he is going to do that—no doubt he is committed to it—to make a point about the Premier’s public statement that we will look at the option of raising the threshold in the next budget process, and we will look at that. I am not committing to it. I think the Deputy Leader of the Opposition said, “If it can be afforded.” I will be frank: it cannot; it is not affordable. We will have to ensure that if we go down the path of reducing our limited own-source revenue, it will have the biggest possible economic impact that it can. The Premier has flagged an issue around threshold, but the conversation I want to have is about what other options are in the tax system—let us make it around payroll tax—that might be of similar value to the business sector; for example, the removal of the grouping provisions. When Eric Ripper was Treasurer in 2008 he introduced their removal—their abolition—to commence from 2009. The member for Carine might recall that the Barnett government delayed that by three years, and then eventually removed it. It was delayed in the teeth of the global financial crisis. There were revenue pressures; hence, a payroll tax cut, in effect, that was introduced by the former Labor government was reversed by the new government. It had its reasons for doing that. Let me be frank, there were probably fairly legitimate reasons around some of the pressures being felt by the government then.

The broader issue of revenue to the state is discussed also at the Council on Federal Financial Relations, which is the meeting of all state and federal Treasurers. I have been to only two of those meetings: the first one in April and the second one just last week. The first time I went, Queensland was still pushing the option that states receive a percentage of income tax revenue. Those who follow this closely may recall that the current Prime Minister, Malcolm Turnbull, raised this option and then abandoned it fairly quickly. I think lost in that was an opportunity to do something to offset the infuriating and ongoing negotiations for national partnership agreements, which are inefficient. They confuse Australians because they blur the lines between who is ultimately responsible for the delivery of a particular service. But I think where the Prime Minister, Mr Turnbull, went wrong is that he was proposing at the time that each state would have its own income tax regime, which I do not support.

If we go down this path, I think there is still an opportunity for the federal government to raise revenue so that we have one scheme—the rates would be consistent and it is more efficient for business. Queensland has been pushing that and other states are still keen to have that conversation. I should be clear: Scott Morrison is absolutely not interested in it. This is all theoretical, but I wanted to highlight that conversation. It could potentially take a percentage of the income tax collected by the federal government—say, 20 per cent—and return it on a per capita basis to the states, effectively getting rid of a lot of the national partnership process, which actually would be incredibly useful for every state government’s budgeting process. We are currently in a nightmare scenario with our various national partnerships because the federal government is now seeking to impose all sorts of conditions

upon its funding—usually minority funding—for various services. They are a real threat to the budget. I say that because the conversation around the limited revenue levers that we have means that I agree; we end up with these taxes that could potentially be efficient but, for various reasons, decisions have been made by state governments to make them inefficient and people do not like them. Since we announced the budget, the member for Carine highlighted the payroll tax short-term levy's 2023 expiry. It will expire; it does not require legislation to make it expire. It will simply expire, which I think is an important part. Once it is locked in there forever, let us be frank: it ain't going to come out any time soon. I have spoken to a lot of senior businesspeople who represent companies that will be paying this levy and they have been very good in the conversations. I am not saying that they like it, love it or embrace it, but they understand it and they will deal with it. The levy can be dealt with in a range of ways. It can flow through to the consumer. The Deputy Leader of the Opposition made the point that she had a conversation I think with somebody in the construction industry who said they could not do that, so it would come off that organisation's profits. Will it flow on to employment activity by businesses? To be frank, it is hard to say.

The Chamber of Commerce and Industry of Western Australia has put out some information. We do not have all the assumptions behind it but the CCI, for its purposes, has assumed that all that cost will be passed on to employees. I do not think that is a credible model, to be frank—I just do not. There are many other ways, as the Deputy Leader of the Opposition and the member for Carine have said. How organisations react to this will be so diverse but I accept fully that this will have some form of distortion; all taxes do, but in particular because of its finite period, I think it is one that will have limited, if any, impact on companies or businesses making decisions around who they employ, how they employ people and the numbers they employ, to be frank. I am fairly confident that is the case.

I want to go through a couple of things. Members will all be delighted to know I will not take all my time, but I want to respond to a couple of things that were raised.

**Mr W.J. Johnston** interjected.

**Mr B.S. WYATT:** I might go a couple of minutes short, the member for Cannington will be pleased to know.

A few issues were raised. Firstly, I will deal with some issues raised by the shadow Treasurer. He has raised the issue a few times around this myth that our revenue writedowns are not real, that they have been concocted somehow and that it is a conspiracy theory with some sort of evil intent. I want to clarify this again, and the Leader of the Opposition knows this; revenue assessments are done by Treasury. Yes, we changed the methodology by which we assume iron ore prices, which actually happens quite a lot. I want to go through a couple that were done by the former government. In the 2012–13 midyear review—I was particularly suspicious of this one at the time because it was three months before the 2013 state election—the state government changed its iron ore forecasting methodology. It assumed an extra \$1.1 billion in revenue across the forward estimates. Not long thereafter in 2013–14, the government changed it again, which revised down its assumed iron ore royalties by \$1.5 billion. Again in the 2015–16 budget, which the Leader of the Opposition referred to today, I think he said it had a total revision of around \$15 billion in revenue writedowns; \$6.1 billion of that was assumptions around iron ore. Were they fake? No, of course not. The problem with the shadow Treasurer's argument is that the only way we can resolve this situation to the member for Bateman's satisfaction is if we remove reporting on forward estimates—if we have no forward estimates at all.

**Mr W.J. Johnston** interjected.

**Mr B.S. WYATT:** I have to say I am quite happy to do that, Minister for Mines and Petroleum. I am happy if that is all members opposite want in the budget year—bang; that is all it is. The reality is that everything outside today is an assumption.

**Mr W.J. Johnston:** Don't you remember that the forward estimates never arrive?

**Mr B.S. WYATT:** I remember the member for Cottesloe making the point time and again on this side of the house that the forward estimates never arrive. There is no grand conspiracy against the member for Bateman. The \$5 billion revenue writedowns are real, whether they be property-related impacts or iron ore-related impacts. Interestingly, I noticed it was not quoted but I have waved around a bit S&P Global's ratings from earlier this week. Even though we have taken a decision to take a very, very, very conservative estimate of our iron ore revenue, this is what S&P Global said about it. I quote —

Our forecasts are also weaker than those in the state's own budget forecasts, mainly because we are more pessimistic about iron ore prices.

The credit rating agency says we are being too aggressive in iron ore price assumptions in our forward estimates. The shadow Treasurer, the member for Bateman, is saying that I am cooking the books somehow, and I am not sure whether I am cooking them by bringing them down too far or up too high. Either way, he is absolutely convinced that the revenue forecasts have somehow been cooked and it is all fictitious, which is, of course, rubbish.

**Mr A. Krsticevic:** Something's cooking.

**Mr B.S. WYATT:** Something is cooking.

The GST top-up is another issue under the member for Bateman's skin. We did get a GST top-up. The member for Bateman said there was no impact on writedowns of GST in our forward estimates—none—because we got the top-up. I have tried to explain to him in this place that the top-up we got was paid in 2016–17 for one year. The top-up did not flow through the forward estimates. It was a one-year payment in 2016–17 to ensure that we kept to the quasi-floor for GST of about 0.37 from memory. That is when it was paid. The shadow Treasurer does not understand that it had nothing to do with the Commonwealth Grants Commission and its relativity assumptions across the forward estimates that flow through. He also failed to even acknowledge that the late census data that we received took nearly \$2 billion out of our forward estimates. We got no top-up money from the commonwealth government for that. The reality is that we did cop revenue writedowns; I am not making this up. There have been significant revenue writedowns. We have responded to them. We have not been able to match them all because, ultimately, that was too much to ask, but that is why members have seen, obviously in 2017–18 in particular but also flowing through to 2018–19, the operating deficits increase. They increased quite dramatically, actually, since the *Pre-election Financial Projections Statement* because if revenue is lost, that is what happens if we are already in a deficit position. For every dollar lost, it falls to the deficit position.

Finally, I have said this before, but I need to get it on the record again because the member for Bateman refuses to listen, or understand, or what—I am not sure—but he is a little bit obsessed by our slippage provision. He suggested that it is against all accounting standards. It is new. It is something that has not been done before. Again, I want to confirm this for the member for Bateman's benefit. A provision for asset investment plan—capital works—slippages have been part of the budget for years. It is often called different things, but it is exactly the same accounting treatment. The member for Bateman's last budget of 2016–17 had a \$1.25 billion provision for underspend. From memory, that was increased by around \$500 million at PFPS time from the midyear review. The PFPS also included a billion-dollar provision for infrastructure underspend. Our slippage provision is \$500 million, so we have taken a bit more of a risk with the slippage underspend provision. It is standard stuff. The best example has been the outcome for 2016–17; it is \$500 million better than we thought it would be at budget cut-off time. Why is that? It is because agencies do not often spend in that particular financial year. Whether they are genuine savings or whether they rollover and it is simply spent in the next financial year, we are not yet sure. However, Treasury is now working out whether they are legitimate savings or whether projects have been delayed from financial year to financial year, so that the cash going out the door moves. Members will probably see that reflected in the *Government Mid-year Financial Projections Statement* around the timing of payments from the commonwealth to us for our national partnerships, which have become, again, problematic. When we account for those payments and the commonwealth provides them when they go out the door, this impacts on our revenue estimates. In a budget of \$30 billion there are lots of moving bits that contribute ultimately to where we land. I just wanted to make that point for the member for Bateman that it has been fairly standard to have an underspend. It is less now because the capital spend as a percentage of total revenues or a percentage of the economy or whatever we want to make it, is smaller than it was a number of years ago. The size of the slippage or underspend provision has therefore shrunk as well because we do not need to hold back so much money in the budget to account for that. Interestingly, the member for Bateman was very interested in the Premier's pension. He was almost obsessed with the pensions of those members of Parliament who were elected prior to 2001. I have a suspicion that the shadow Treasurer would like to reintroduce those pensions, going by his obsession. A few of those members are left in this place. The member for Cottesloe in particular is a big liability on my books. When he goes I hope that he takes the pension and not the lump sum, let me tell you, because I will heading up to Japan to make a special bond issue to pay that one out. However, there are not many of those members left. A few members of Parliament are on the old pension, and yes, those of us who are not on it look at them out of the corner of our eye but, member for Bateman, that is the way it is and we all got elected knowing full well the terms and conditions of our employment. I appreciate the member for Bateman's frustration but there is nothing we can do about that.

I have dealt with the Chamber of Commerce and Industry of Western Australia's comments about its modelling. I accept that it will have an impact, but I do not accept it will have the sort of impact that the CCI says it will have. Similar arguments were raised by the property sector when the former government introduced those three increases in land tax. The former government barely blinked when it did that. The Premier and I have made the commitment in respect of the payroll tax threshold increase but, as I said, I would like to have a broader conversation around that that might bring some better efficiencies around payroll tax, in particular.

The member for Warren–Blackwood has an amendment to bring to the table and we will have the conversation around how we intend to perhaps lift the threshold or do some reform in that tax base. I am quite looking forward to that conversation. The member for South Perth highlighted this next point. I am not sure if I wrote down his quote, because I thought it was very good. He noted that 35 per cent of this payroll tax increase will be paid by the mining and oil and gas sector. He said words to the effect that “I am sure that my friends in the National Party would be happy with that.” I would have thought so too, but the National Party is going to oppose this legislation despite the fact that it is doing exactly what I have been harangued about over the last seven months to do, mainly by the Leader of the National Party; that is, to look to our large iron ore miners to pay more tax. But the National

Party has its own reasons to explain that. The member for Warren–Blackwood also said words to the effect that it was not an impulse that we signalled prior to the election. He is right, we did not signal that. But again I highlight the \$5 million revenue writedown that governments need to react to, like the member for Warren–Blackwood did when he supported those three increases in land tax and getting rid of the diminishing reduction of the payroll tax threshold that was not signalled by the former government prior to the 2008 or the 2013 election, but in any event did it. Ultimately, governments need to react to the circumstances that confront them over time. I enjoyed the contribution of the member for North West Central. I was in my office for most of it but he said a bit that I quite enjoyed, and I wrote it down. He said that he understands why there is disillusionment in politicians who say one thing before the election, and another afterwards. The member for North West Central has no shame, Madam Acting Speaker. He can make a comment like that without any personal reflection on his own history in this place.

**Mr A. Krsticevic** interjected.

**Mr B.S. WYATT:** Can I just say, Madam Acting Speaker, that I am going through all the issues raised by the opposition because they are keen for me to respond. The Leader of the Opposition made a general complaint that in the lower house, Labor opposed all the revenue attempts that he made as Treasurer. He is right, but we did not oppose them in the upper house. We do not look to block in the upper house. He also spoke around iron ore prices. Again, I make the point to the Leader of the Opposition that despite our very conservative view now, Standard and Poor's Global put to me when I met with it that it was of the view that we are slightly too aggressive on our iron ore assumptions. I have to tell members that I hope it is wrong. The Leader of the Opposition also made the point that we do not have the money for so many things, and he is right. We do not have the money because, ultimately, we have to deal with the legacy that Mr Nahan left us. The member for Kalgoorlie talked about similar issues that were raised previously. I will not deal with them specifically. The only thing I will say about the member for Churchlands' contribution was that it was a sort of state-of-the-nation spleen vent about the government. It did not really speak to the bill, except in one or two places. I want to deal with one in particular, and I wrote it down because I agree with the member for Churchlands completely. He said that “consumer confidence is king”, and that without consumer confidence, consumers do not spend and buy and stimulate the economy and do all the things we want them to do—borrowing and investing. He said time and again that consumer confidence is king, and he is right, which was why I was delighted to see the Chamber of Commerce and Industry of Western Australia's consumer confidence report on 22 October—just last week—make this point in its most recent update. I will quote from its media statement, which states —

Consumer confidence in Western Australia is continuing its upward streak, reaching a three-year high in the September quarter—an encouraging sign of economic activity and growth to come in WA.

It is quite a long media statement, but it went on to make this point —

“Around 65 per cent of consumers also stated that homegrown political news influenced their thoughts about the economy, which is to be expected in the wake of electing a new State Government and anticipation of their first budget being handed down after this period.”

Exactly! These are the decisions of this government that Standard and Poor's Global has made the point is keen to fix the finances, but understands that we cannot do that by simply burning down the house. We still have to provide services and have capital spend to provide that under-support. However, consumer confidence is at a three-year high, and that is good news for the government and for Western Australians in particular. I agree wholeheartedly with the member for Churchlands' comments that consumer confidence is king.

The Deputy Leader of the Opposition simply made some points. Again, it was a general spleen vent but points were raised that I have already dealt with. I want to highlight one point in particular that was raised by the Deputy Leader of the Opposition. Obviously, she had spoken to somebody in the building industry who made the point he will have to “cop that” in respect of the payroll tax increase. The point I want to make about this in trying to respond to some of the comments made by my colleagues here today and also the Chamber of Commerce and Industry of Western Australia, is that the incidence of any increase in payroll tax does not always fall simply on decisions around employment. It is dealt with in a range of different ways. That is probably the fatal flaw in the chamber of commerce's modelling, from what I can gather—I have not seen it all. The fact that the payroll tax then expires in 2023, combined with the fact that consumer confidence is increasing, which is a lead indicator into more economic activity, and that we are now seeing contract escalation and unemployment trending the right way over the last 10 months, large corporations are not going to lay off employees in that environment because they need them. All the early signs now are very encouraging. I accept the critique around it and also the levels that we now have compared with other states, but I do not accept that there will simply be a reaction from employers of laying off equivalent numbers of employees.

The member for Carine, I think, provided perhaps the best quote of the debate, when he said, and I will quote him again—referring to me, disappointed perhaps in my performance as Treasurer —

**Extract from Hansard**

[ASSEMBLY — Thursday, 2 November 2017]

p5388c-5403a

Mr Sean L'Estrange; Mrs Liza Harvey; Mr Tony Krsticevic; Mr Ben Wyatt

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For the eight and a half years that he sat in opposition, he looked at what we were doing and he thought: "I can do that, too ..."

I enjoyed that, member for Carine. On the issue of nobody believing there would be no new taxes and charges, although nobody believed it, they still elected a Labor government in record numbers, which I think is a good thing, despite the fact, according to the member for Carine, they did not believe, apparently, what we said around taxes in particular.

I thank again all members who contributed to this debate. As I said, a Treasurer in a state government does not want to come in with a firm desire to increase taxes, fees and charges on Western Australians or businesses, but we have tried with our budget to be as strategic as we possibly can to target places that I think needed reform—for example, the gold royalty or that area of our economy that can afford to pay a little more. That was exactly the argument the Liberal Party made when it effectively expired the payroll tax threshold for companies progressively up to a payroll of \$7.5 million. That had an impact on a lot more businesses than the payroll tax increase we are debating tonight will ever have. The member for Nedlands argued that when he was finance minister, it applied to mainly big business—he was right—but I am describing big business at \$100 million plus payroll. Members opposite described it as \$7.5 million plus, to give members an idea of where the Liberal Party wanted to focus its increases in payroll tax.

**Mr A. Krsticevic:** They had aspirations to grow.

**Mr B.S. WYATT:** There will still be aspirations to grow. I think the real impact is more where payroll tax starts as opposed to once you are in the threshold level. I want to thank members of the Liberal Party. I get that they do not support the legislation, but I am glad they are not opposing it. They are now perhaps aware of the repercussions of their decisions around the gold royalty and are therefore taking a more sensible position.

The final point I want to make, which I have made time and again is about this increase doing nothing for debt and deficit, so why have I called it debt and deficit? I keep telling members opposite that it does. In a large operating deficit such as the one we have inherited, if this did not pass, our debt and deficit would be bigger by \$435 million. That is the reality of the finances we face. I know the Liberal Party does not want to accept that but that is the reality. I do not accept that the argument continually being put to me by the opposition—"It is not big enough; we have to do more; and it does not have an impact"—is a reasonable position to take. The days are over of \$200 million here, \$400 million there and \$300 million not meaning anything. The days of finding easy savings are over, so we have to eke out these small ones either on the revenue or the expense side. I look forward in due course to getting through consideration in detail and I thank all members for their contribution.

Question put and passed.

Bill (Pay-roll Tax Amendment (Debt and Deficit Remediation) Bill 2017) read a second time.

Leave denied to proceed forthwith to third reading.

*House adjourned at 5.24 pm*

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