

The limit of liability applies to business partners and employees of persons covered by a scheme, provided that if such persons are eligible they must be members of the same occupational association. This ensures that all members of the firm are, so far as possible, subject to risk management, complaints and the other consumer protection elements.

As I have noted, the policy behind this legislation accepts that it is preferable to provide some assurance of payment for the vast majority of claimants than to have a system of unlimited liability with no certainty of any payment in many instances. This is achieved in the Bill by relating the limited liability to a requirement that insurance and/or business assets be held to the level of the limit. Persons with a joint interest are to be treated as making a single claim. This would clearly include partners of one firm but would not extend to persons with a common but not joint interest, such as claimants in a grouped proceeding or representative action.

The Bill provides that the members of schemes may be required to hold insurance to an appropriate level and allows each occupational association to require that members hold that insurance. While professional indemnity insurance is thought by some to safeguard only the insured, not their clients or third parties, it is clear that mandatory insurance will create a degree of protection for plaintiffs by ensuring that considerable resources will be available to meet claims in the event of liability being proven. It is also possible that in consequence of the greater risk sharing associated with universal application of indemnity insurance within a particular profession, the members of the profession may obtain suitable cover at more reasonable premiums than would be available under a voluntary insurance system.

The Bill encourages participants to establish, in cooperation with insurers, systems to identify trends in claims which may be addressed through professional education and training.

An essential component of all schemes will be risk management. Risk management is a significant element of consumer protection. Risk management procedures may include, but are not limited to, the following matters: Codes of practice; codes of ethics; quality management; claims monitoring and review; complaints resolution; discipline of members; voluntary mediation service; and continuing educational standards.

Close adherence to risk management will lead to improved practices and a reduction in the cause of claims. Introduction of greater risk management will also be of considerable benefit to the community. The court infrastructure is a cost borne by the community and it is in the public interest to introduce schemes which encourage attention to reducing risk, and thus the number of claims and the level of litigation. In any event, people would much rather never need to make a claim.

The Bill requires that a professional or occupational association which has a scheme in place create a complaints and disciplinary structure. This will provide a more efficient and cost effective system of dealing with consumer concerns rather than resorting to civil litigation; it will also allow professional associations to identify poor practices which may not have led to any loss but which may draw into doubt the competence of the practitioner and warrant disciplinary action being taken.

As I noted earlier, schemes of limited liability will operate through professional or occupational organisations on a voluntary basis. The consequences of membership of the scheme, including greater control through self-regulation, will make participation attractive to many organisations.

Membership of a professional body will also provide an assurance to clients that certain minimum standards have been met and that the professional body has in place proper complaints and disciplinary procedures. There should be considerable benefits to consumers from choosing to deal with a person who is part of a scheme under the legislation.

This is an exciting reform. It is unique in the way in which it combines, in an effective scheme, a range of priorities concerned with the provision of professional and other occupational services. The Bill addresses a significant and growing problem in a unique and positive manner. I commend the Bill to the House.

Debate adjourned, on motion by Mr Cunningham.

ADDRESS-IN-REPLY

Motion

Resumed from 13 March.

MR SULLIVAN (Mitchell) [3.22 pm]: Ten years ago I was at Parliament House working for the then Leader of the Opposition, and a decade later I am back here on the opposition side!

Seriously, Mr Speaker, let me congratulate you on not only your appointment, but also your progressive approach to the position. I offer my thanks to the officers of the Parliament for their assistance and advice in recent time, and to all members who have shown me the courtesy of attending the Chamber to hear this, my maiden speech.

It would be remiss of me not to take the opportunity to place on the public record my sincere gratitude to those people without whose support, trust, advice and assistance I would not be here at all. I single out my all-enduring, ever-forgiving wife, Lee; my parents and, indeed, my whole family, who I am sure are hoping, for the sake of their own offspring, that the madness which prompted me to enter politics is not hereditary.

I thank the dedicated members of my campaign committee, especially Greg Mason, Vi Kershaw, Warren Lambert, Bev Custers, Rob McPhee, and my chairman, Liz Eastman. I also thank Peter McNaughton for his encouragement and support, and the 400 or so helpers and supporters whose assistance and hard work combined for a powerful and effective campaign.

I am grateful to all my colleagues in politics for their advice and guidance, but, most importantly, I thank the people of the Mitchell electorate who gave me their trust and support. Let me assure them one and all that I will never forget who placed me in this position, and that I will never lose sight of the fact that I am the people's servant, not their master. It is a tremendous privilege to have been chosen to represent the electorate of Mitchell, and I will do my utmost to fulfil my responsibilities with vigour and a strong sense of purpose.

In business, innovation, greater efficiency and improved customer service are among the hallmarks of success. So too, a good Government is one which strives for improvement at every opportunity and is not afraid to introduce reforms to achieve this goal. Of course, reform can mean different things to different people.

I am reminded of an amusing episode from my formative years, when my family lived in a third-world African nation which recently gained the unfortunate reputation as the world's poorest country. It had not always been so; this nation once boasted a thriving export trade, relative prosperity and a peaceful climate. However, things changed over time and a number of so-called reforms were introduced in that nation, including an interesting decision to change from driving on the left hand side to driving on the right hand side of the road. A great deal of planning went into this reform, and eventually it was decided to adopt a cautious approach - after all, this was to be a serious and far-reaching reform. It was decreed that a trial period would be held during which heavy vehicles, such as buses and trucks, would commence driving on the right hand side of the road, but all other vehicles would continue to use the left hand side! I leave members to imagine for themselves the chaos which ensued.

By comparison, we are fortunate to have a Government which epitomises the notion of responsible public administration; it is also a Government which stands for genuine and workable reform. Indeed, the past four years have seen a number of successful reforms in Western Australian society, and it is encouraging to know that the coalition Government does not rest on its mantle. In four years we have seen reforms in energy supply, budget management, industrial relations, law and order, health care and housing, to name some of the most significant.

During this time, the Mitchell electorate has benefited considerably from these reforms and from sound administration. Only last weekend I attended the foundation stone ceremony for the new South West Health Campus, officiated by my colleague the Minister for Health. The \$68m health campus reflects a major shift in thinking from that of the previous Labor Administration and is part of widespread reform in the Health portfolio which will bring tremendous benefits to the people of Mitchell, and, indeed, to everybody living in the south west.

Another key reform is under way in Carey Park, which is known as a residential area characterised by public housing. However, this situation is being changed and a process of urban revitalisation is under way. More and more Homeswest tenants are being given the opportunity to own their own homes under the right-to-buy scheme. Also, I am confident that the new \$3.5m primary school currently being planned will provide the catalyst for a range of other local improvements.

Mitchell is one of the fastest growing areas in the State, due in no small part to a local labour market situation which has improved significantly in recent years. Not only is the number of unemployed people on the fall, but also anecdotal evidence indicates that the level of "underemployment" in Mitchell reflects the relatively low statewide figures. It is easy to forget that many people in the labour market become discouraged and simply give up looking for work or accept part time employment because they cannot find full time jobs. Including these people in the monthly labour market unemployment statistics gives a measure of the level of underemployment and it is encouraging to know that, according to the latest information from Access Economics, Western Australia is outperforming every other State in this respect. This is despite the fact that Western Australia has consistently shown the highest participation rates in the country. This is a reflection of the confidence in the labour market, which can be expected to place additional pressure on underemployment.

Like the member for Southern River and others, I will always seek the best I can for my electorate, but government members of the last four years certainly have much to be proud of if the progress achieved in Mitchell in that time is anything to go by.

But while the people of Mitchell have benefited greatly from a number of reforms, there is one area of reform which, although urgently needed, requires a major policy shift at the federal level: The future of my electorate and of this great State, and the prosperity of all Western Australians, depends on a whole range of complex economic, social and governmental considerations. One aspect in particular, which has far-reaching implications for us all, is the urgent need for widespread reform of the national taxation system.

Benjamin Franklin was right when he stated that taxation is as certain as death, but the national tax system itself has been slowly killing small business and strangling wage and salary earners for years. Although Australia's federal system of government has many things going in its favour, it has presented a number of serious obstacles to much needed tax reform. Four or five years ago, when the debate on tax reform was getting into top gear, it was driven at the federal level. However, that does not mean that the States, especially Western Australia, cannot or should not have a decisive role in bringing about change.

The present national taxation system, which has developed over the decades, is counterproductive in so many ways. At the very same time that the Premier has promoted the importance of encouraging and fostering value adding export industries, we have a national tax system which contributes in no small measure to reducing the competitiveness of our exports on global markets. We all know that the tax which raises more than any other in this State and which has become a primary income source to all States - payroll tax - is a direct disincentive to some extent on businesses to increase employment, even despite this Government's considerable efforts to reduce its impact. With a judicial system which is about as predictable as a northern cyclone, it is not surprising that there is growing concern over the future of the State's franchise levies. After all, more than 23 per cent of the State's taxation revenue is derived from levies on petrol, tobacco and liquor, so the implications of a successful High Court challenge against these imposts are obvious. Considering that Federal Governments in effect have prevented the States from pursuing the option of an income tax surcharge and that the Constitution rules out a state based consumption tax, without major reform the States are destined to rely on a complicated and often unpredictable process of commonwealth handouts. Although the States account for more than 40 per cent of all governmental expenditure in Australia, they raise only 20 per cent of the nation's taxes. With the trend being towards a shift in certain expenditure obligations to the States, this gap is more likely to widen than to close.

Australia relies on a mishmash of complicated taxes and revenue measures, providing little incentive, some say, to employees and imposing punitive compliance costs on many small business owners. After running a couple of successful small businesses myself, I know from experience just how complicated and frustrating the national tax system has become. My work at the federal level on taxation and small business policy only served to reinforce my commitment to national taxation reform. Unfortunately, all too often it is the smaller businesses which suffer the most. A national report concluded that compliance costs associated with payroll tax, for example, at the national level were 1.6 per cent for large corporations but for the smaller concerns compliance costs were as high as 33.3 per cent - one-third of the taxation burden itself. There can be no doubt that small business stands to benefit significantly from a simpler, fairer national tax system. So too would Australian families.

At present Australians pay one of the highest rates of personal tax in the world. Indeed, a study of tax rates of production employees in 25 countries of the Organisation for Economic Co-operation and Development found that Australians paid the seventh highest rate of income tax. The average personal tax rate for a married couple with two children was found to be more than 27 per cent in Australia, compared with 19 per cent in the United States, 16 per cent in Canada and just 10 per cent in Japan. It is no wonder that tax minimisation has virtually become a requirement for Australian taxpayers, especially small business owners. Yet while PAYE and small business taxpayers fork out high personal tax rates, tax avoidance, especially in the black market, continues to run rampant. The way the present income tax system works means that the only way to clamp down on much of this avoidance is to make the system even more complicated and to rely on a growing army of tax office storm troopers to interrogate and audit shopkeepers and invade the apple orchards and strawberry fields in search of every last tax dollar.

A comprehensive tax on goods and services should not be seen as a panacea for all our problems, but it could well be the catalyst for significant reforms to make our taxation system fairer, simpler and more open and accountable to the community. Importantly, it could provide the basis to reduce the present level of overdependence of the States on revenues raised by the Federal Government and could provide the foundation for a total reassessment of commonwealth-state financial relations. Dare I say it, at a very personal level, a far-reaching reform of the tax system might even enable the States to consider scrapping or reducing their reliance on a range of existing taxes and imposing a simple income tax surcharge instead. Comprehensive national tax reform could be designed to bring

about significantly lower and flatter personal income tax rates. A broad-based consumption tax would tackle the black market head on and in the simplest, most effective way possible.

Certainly the States need greater autonomy to raise revenue, rather than having to comply with a complicated system which does not adequately reward efficiency or sound financial management. This would enable the decentralisation of a range of public administration from Canberra. For example, we all know just how dependent Western Australia and the other States have become on the Commonwealth for hospital funding. Indeed, the Federal Government hands out over \$4.8b to the States specifically for hospital services, in addition to funding its own very significant health administration and a range of other health care programs. Despite spending a massive \$4.8b on hospitals, the Commonwealth does not actually operate a single hospital. This may seem oversimplistic but it does demonstrate just how financially reliant on Canberra the States have become over the years.

One thing is certain: More and more economic commentators now realise that meaningful national taxation reform will not be achieved without the introduction of a broad-based goods and services tax. Our tax system is already fraught with consumption taxes and although some, like this State's fuel franchise levy, are extremely fair in the way they are levied and in the way the proceeds are spent, other consumption taxes are not so effective. At a time when around 100 countries operate a broad-based consumption tax, Australia languishes as one of just six nations which still rely on a grossly inefficient wholesale sales tax system which is fraught with discrepancies. Just ask the member for Carine what she thinks of sales tax on emergency position indicating safety beacon equipment for recreational boating; or try explaining to someone involved in professional fishing or aquaculture why they pay tax on certain work vehicles but farmers do not; or why non-profit sporting organisations in my electorate must pay tax on sporting equipment. These are just a few of literally hundreds of anomalies in the sales tax system. Furthermore, the system has become so complicated and is altered so often that many tax experts simply cannot keep up with its complexities. Speaking with a friend of mine who manages an accounting firm in the city, I was dismayed to find that they no longer give advice on sales tax because of its complexity, preferring instead to rely on a specialist tax agency.

Other taxes have developed to nightmare proportions, too. In years gone by most people were happy to complete and send in their own income tax returns, but not today. The tax office spends millions of dollars each year on tax packs, the majority of which end up in the rubbish bin because Australians nowadays feel more and more obliged to seek professional advice at tax time. Why? Because the rules are so complicated that the only people who can find their way around the income tax system are the growing numbers of taxation specialists.

Even those taxes which are not consumption based add indirectly to business costs, which are simply passed on in the price of thousands of everyday goods we buy and in the cost structure of many Western Australian exports. That last point is an absolutely vital consideration in my electorate and in the south west because our future depends on being able to mix it with the best across the globe. We need everything in place to be able to compete successfully on world markets, especially if the Western Australian economy is to develop a stronger and more competitive manufacturing and value adding base. A goods and services tax which zero-rates exports offers the potential to boost our competitiveness, along with other reforms being achieved in areas such as industrial relations, energy supply and transport.

A well designed consumption tax certainly will not make taxation popular but it could be designed for simplicity and to bring tax out into the open so that people would know exactly what rate and how much they are paying. Widespread tax reform would also take the pressure off the Commonwealth, which is experiencing revenue difficulties of its own due to an over-reliance on taxes, some of which are highly susceptible to changing economic conditions. For example, a cursory glance at the sales tax revenue base shows just how dependent it is on a narrow range of goods for which consumption is steadily on the decline. Some state Premiers, to their credit, have already moved on tax reform, and this Government has been responsible for a number of significant improvements to a range of tax measures over the past four years, including extending payroll tax thresholds; granting certain stamp duty exemptions, including to the farming community; and ensuring the proceeds from the fuel levy are spent on our roads system. The fact remains that any thorough overhaul of state taxes and of commonwealth-state financial relations depends extensively on taxation reform at the national level. The pressure is on for a fairer, more efficient and more open national taxation system and on behalf of the people of the electorate of Mitchell I am pleased to lend my voice to the call for reform.

Australia does not need a wholesale sales tax, but it certainly does need wholesale tax reform. Thank you, Mr Deputy Speaker.

[Applause.]