

PARLIAMENT OF VICTORIA

**PARLIAMENTARY DEBATES
(HANSARD)**

LEGISLATIVE COUNCIL

FIFTY-FOURTH PARLIAMENT

FIRST SESSION

4 April 2000

(extract from Book 4)

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By authority of the Victorian Government Printer

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The Lieutenant-Governor

Professor ADRIENNE E. CLARKE, AO

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FIFTY-FOURTH PARLIAMENT — FIRST SESSION

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Tuesday, 4 April 2000

The **PRESIDENT** (Hon. B. A. Chamberlain) took the chair at 2.03 p.m. and read the prayer.

ROYAL ASSENT

Message read advising royal assent to:

Courts and Tribunals Legislation (Amendment) Act
Domestic Building Contracts (Amendment) Act
Hire-Purchase (Amendment) Act
Melbourne City Link (Amendment) Act

FINANCIAL MANAGEMENT (FINANCIAL RESPONSIBILITY) BILL

Introduction and first reading

Received from Assembly.

Read first time on motion of **Hon. C. C. BROAD** (Minister for Energy and Resources).

QUESTIONS WITHOUT NOTICE

Inland ports: Bendigo

Hon. G. R. CRAIGE (Central Highlands) — As the Minister for Ports is a keen advocate both publicly and in this chamber for the establishment of inland ports, especially the establishment of such a facility at the Marong site near Bendigo, why has she personally allowed that important project for Victoria, particularly rural and regional Victoria, to fail?

Hon. C. C. BROAD (Minister for Ports) — Mr Craige is correct that I am a strong proponent of the importance of inland ports. My department is continuing to work with the commonwealth government in obtaining services from the Australian Customs Service and the Australian Quarantine and Inspection Service to ensure the success of such ventures. I will continue to support them. Unfortunately the government cannot guarantee the success or failure of individual initiatives.

Electricity: network inquiry

Hon. E. C. CARBINES (Geelong) — Will the Minister for Energy and Resources inform the house of the government's response to the review of electricity network prices by the Office of the Regulator-General?

Hon. C. C. BROAD (Minister for Energy and Resources) — I thank the honourable member for her continuing interest in reliable electricity services.

Hon. Bill Forwood — I thought the question was about prices?

Hon. C. C. BROAD — And affordable prices. On behalf of the government I was pleased to make a submission to the Regulator-General's review of prices for the electricity distribution network. The submission focuses on two issues that particularly concern the government: the standard and quality of services and the prices customers pay for the distribution network.

On the standard and quality of services, clearly current standards for the distribution network are not fully reflected in performance in all areas. Honourable members know that has caused particular problems in a number of areas, most notably in Geelong. However, there is a long list of service problems that are occurring in other areas, such as the Wimmera, Mildura, Bendigo, Sunshine, St Albans, Ringwood North, Pakenham, Belgrave and Leongatha, to name just a few. The government is proposing a more detailed reporting arrangement to ensure services are fully reported. That will give customers a better opportunity of knowing whether they are getting the services they are paying for. The standard and quality of services is central to the delivery of a reliable electricity service.

In regard to prices, the Regulator-General has already noted in his issues paper that there is considerable potential for efficiencies in the network. If those efficiencies are achieved prices should fall. The government's submission reiterated its election commitment that all electricity users should benefit from price reductions.

Inland ports: Bendigo

Hon. G. R. CRAIGE (Central Highlands) — I direct a further question to the Minister for Ports on inland ports, and importantly refer to her comments in talking up the Bendigo project, when she highlighted some significant issues. The minister said that rezoning was being pursued that negotiations were taking place, particularly with Freight Victoria and Vicroads regarding rail and road access, and that plans were well advanced to provide a rail siding 3 metres wide by 1500 metres long.

In view of that, Minister, will you admit that the Bracks government has failed in the project, and importantly, will you at least accept some responsibility?

Hon. C. C. BROAD (Minister for Ports) — The Bracks government and I, together with other ministers, will continue to take responsibility to ‘talk up’, facilitate and do whatever we can to ensure the success of individual regional development opportunities within Victoria.

I would very much like to be in a position to guarantee the success of each and every development proposal put before me and the government. Members of the opposition will be well aware — —

Opposition members interjecting.

The PRESIDENT — Order! I ask honourable members on my left to desist and to allow the minister to respond to the question.

Hon. C. C. BROAD — As I was saying, the Bracks government and I will continue to act as proponents for regional development in the state, which is a lot more than can be said about the previous Kennett government. I would like to be in a position to guarantee the success of every one of those proposals; unfortunately, as the opposition knows only too well, that is an entirely unrealistic expectation.

Growing Victoria Together

Hon. JENNY MIKAKOS (Jika Jika) — I refer the Minister for Industrial Relations to the recent Growing Victoria Together summit and ask her to tell the house how the summit will contribute to improved industrial relations in Victoria.

Hon. M. M. GOULD (Minister for Industrial Relations) — I thank the honourable member for her question. I am sure all honourable members are aware of the Growing Victoria Together summit that took place in Parliament House last week, which was attended by the Leader of the Opposition and the Leader of the National Party.

The summit brought together community, union, business and government leaders, who, although they represented diverse interests, discussed how they could work together to grow Victoria’s economy and create new investments and job opportunities.

One of the key workshops at the summit was on industrial relations. It was chaired efficiently, effectively and commendably by Mr Dennis Eck, the chief executive officer of Coles Myer.

Hon. Bill Forwood — A good man.

Hon. M. M. GOULD — He is a very good man, who did a very good job as chair of the industrial relations workshop.

Hon. Bill Forwood — Were you there?

Hon. M. M. GOULD — Yes, I was. Other participants in the workshop included representatives from the Australian Council of Trade Unions, the Victorian Trades Hall Council, the Victorian Employers Chamber of Commerce and Industry, the Master Builders Association, the Lutheran Church — —

An honourable member interjected.

Hon. M. M. GOULD — Yes, Brian Walsh was there. There were also representatives from the government. It was encouraging to see all the participants actively involved in constructive discussions on how, in working together, they could best achieve the aims and aspirations of all Victorians.

All the participants in the workshop agreed that if they were to achieve a successful industrial relations system in Victoria it would have to be based firmly on consultation and participation. That approach would be a refreshing change from the way industrial relations currently operates in Victoria under Minister Reith’s federal Workplace Relations Act, which encourages conflict and division.

The summit recommended that the industrial relations framework applying in Victoria be considered by a task force set up to examine the changing workplace in the local and the global context.

The government is giving serious consideration to the establishment of such a task force to build on the goodwill and thoughtful recommendations that came out of the summit.

Honourable members interjecting.

The PRESIDENT — Order! It is most unfair of honourable members to keep talking loudly while the minister is trying to answer the question. I ask them to desist.

Hon. M. M. GOULD — A task force could prove a useful tool for examining industrial relations in Victoria, with input from all the relevant experts and stakeholders. I will inform the house shortly of the decision about the establishment of such a task force.

Growing Victoria Together

Hon. BILL FORWOOD (Templestowe) — I refer the Minister for Small Business to last week's Growing Victoria Together summit. In the *Age* of 20 March a spokesman for the minister is reported as saying that the summit would have equal representation from all sectors of the community. Given that honourable members know that around 25 per cent of participants at the summit were senior trade unionists, I ask the minister precisely how many representatives from small business attended the summit?

Hon. M. R. THOMSON (Minister for Small Business) — I know it comes as a disappointment to members opposite that the previous government did not think of bringing the various sectors of the community together. Approximately 30 representatives from the business community were present at the summit, and that included representatives of the peak bodies. Small business was well and truly represented at the summit.

Growing Victoria Together

Hon. R. F. SMITH (Chelsea) — Will the Minister for Small Business tell the house how last week's Growing Victoria Together summit will assist Victorian small businesses?

Opposition members interjecting.

The PRESIDENT — Order! That type of questioning appears to be asking for an opinion rather than a substantive answer. I ask the minister to respond; however, I ask honourable members to bear in mind the nature of their questions and the answers they invite.

Hon. M. R. THOMSON (Minister for Small Business) — I thank the honourable member for his question. Small business was a very big part of the summit agenda. A number of participants at the summit raised issues relating to small business, which were considered in workshops in a number of areas.

One of the most important tasks ahead for small business is to address the changing economy, including the way businesses will work in the future. Everyone at the summit realised that we are in a changing environment.

Hon. M. A. Birrell — What about the goods and services tax?

Hon. M. R. THOMSON — That was raised, too — and by the business community. The question about whether or not small businesses and their staff and

employees are ready for those changes was discussed at great length at the summit.

One of the things that came out of the summit is the need to encourage small business to take up training options. The government will provide training facilities that small businesses can access. Small business needs to be motivated to take up traineeships and apprenticeships. The government will also ask small business to skill employees for the future. It is an important issue, because if small business is to compete, training is the key.

Commonwealth Games: shooting

Hon. R. A. BEST (North Western) — The former government identified the Wellsford Forest rifle range near Bendigo as part of its bid for the 2006 Commonwealth Games. Will the Minister for Sport and Recreation confirm that the Wellsford Forest rifle range is still the preferred venue for the 2006 Commonwealth Games shooting events?

Hon. J. M. MADDEN (Minister for Sport and Recreation) — I can confirm that the Wellsford Forest rifle range is the preferred venue for the Commonwealth Games shooting events.

Sport: Active Girls Breakfast

Hon. G. D. ROMANES (Melbourne) — Will the Minister for Sport and Recreation advise the house what action his department is taking to improve participation rates of young women in sport?

Hon. J. M. MADDEN (Minister for Sport and Recreation) — On 29 March I was fortunate enough to attend the Active Girls Breakfast at Melbourne Park. The breakfast is an initiative approved by me to implement the government's commitment to women in sport and recreation and to actively encourage female participation in school sport. The government hopes the Active Girls Breakfast will become a regular event in Melbourne and rural Victoria.

The inaugural breakfast was conducted and supported by Sport and Recreation Victoria. More than 600 people attended, and SRV received more than 1700 applications, many of which were from regional Victoria. Approximately 70 sporting role models attended to provide positive examples of career paths for young women in sport.

The breakfast was initiated to provide a forum for schoolgirls to meet and share experiences with positive sport role models and to promote participation in areas where the demographics show high drop-out rates. The

breakfast also aims to encourage a healthy and active lifestyle.

Commonwealth Games: swimming

Hon. M. A. BIRRELL (East Yarra) — I refer the Minister for Sport and Recreation to the 2006 Commonwealth Games to be held in Melbourne and ask him at what venue the swimming competition will be held.

Hon. J. M. MADDEN (Minister for Sport and Recreation) — A number of venues are being considered, one of which is a temporary pool to be established at the Melbourne and Olympic Parks Trust venue. Substantial cost savings would be a benefit, but there would be no long-term sporting legacy. One of the key factors in holding the Commonwealth Games is the opportunity to promote a long-term sporting legacy in Victoria.

Another possible site is the Melbourne Sports and Aquatic Centre, which already has a significant swimming infrastructure. The centre is probably a more acceptable location for the swimming venue, with the potential for a new swimming pool to be added to the existing development. That would provide a long-term sporting legacy for the community of Melbourne and Victoria.

Pawnbroking: regulation

Hon. D. G. HADDEN (Ballarat) — Will the Minister for Consumer Affairs inform the house of what action her department is taking to address alleged abuses in the pawnbroking industry?

Hon. M. R. THOMSON (Minister for Consumer Affairs) — The previous government — —

Hon. Bill Forwood interjected.

Hon. M. R. THOMSON — You can stand up for the ones I am about to denigrate — go right ahead, Bill!

The previous government deregulated the interest rate cap on pawnbrokers, and recent media reports have referred to exorbitant interest rates being charged. Under the legislation pawnbrokers are required to display in their windows the interest rates charged to enable patrons to view them before entering the premises. It appears that that is not happening with many pawnbrokers. The Consumer Credit Fund commissioned Good Shepherd Youth and Family Services to prepare a report on the pawnbroking industry. The government is waiting for a copy of that report, which was funded by the previous government.

There are a couple of areas of concern that will probably not be covered in the report. The most important one is payday advance loans. Under those loans pawnbrokers can retrieve money from people's bank accounts, but what is of real concern to the government is that it seems the loan contracts allow the pawnbrokers to vary the amounts. Apparently that is the practice in the United States, and it is now heading for Victoria.

An Honourable Member — Is it happening?

Hon. M. R. THOMSON — The government believes there is one instance in Victoria, so the matter must be addressed quickly to ensure that we do not have a situation where such loans are not covered by legislation. We need legislation to cover the capacity of a third party to vary the amount in an account without ensuring the protection of the consumer.

The government is also concerned about the pawning of cars. A person can take his or her car to the pawnbrokers, obtain a relatively small amount, and find that if the car is not retrieved within the appropriate time or the necessary payments are not made the pawnbroker can sell the car and keep the money. Significant amounts of money are involved and in some cases the vehicles are worth up to \$12 000. The issue must be addressed.

The government is also concerned that there may be a prevalence of pawnbroking premises located around gaming venues. Vulnerable people are subject to being exploited at a time when they are most vulnerable, and that issue must also be addressed. Some pawnbrokers who offer reasonable interest rates and advertise and try to provide appropriate arrangements have contacted my office because they, too, are concerned about others in the industry who exploit people in vulnerable circumstances.

QUESTIONS ON NOTICE

Answers

Hon. M. M. GOULD (Minister for Industrial Relations) — By leave, I move:

That so much of the standing orders as require answers to questions on notice to be delivered verbally in the house be suspended for the sitting of the Council this day and that the answers enumerated be incorporated in *Hansard*.

The question numbers are: 218–262.

Motion agreed to.

PETITION

Legislative Council: proportional representation

Hon. BILL FORWOOD (Templestowe) presented a petition from certain citizens of Victoria praying that the method of electing members of the Legislative Council be changed to proportional representation so that the proportion of the vote that each party or Independent achieves is represented by their members in the total number of members in the Council (108 signatures).

Laid on table.

AGRICULTURAL AND VETERINARY CHEMICALS (CONTROL OF USE) (AMENDMENT) BILL

Introduction and first reading

Hon. C. C. BROAD (Minister for Energy and Resources), by leave, introduced a bill to amend the Agricultural and Veterinary Chemicals (Control of Use) Act 1992, to provide for the labelling of meal derived from material of animal origin and for other purposes.

Read first time.

SCRUTINY OF ACTS AND REGULATIONS COMMITTEE

Alert Digest No. 4

Hon. M. T. LUCKINS (Waverley) presented *Alert Digest No. 4 of 2000*, together with appendices.

Laid on table.

Ordered to be printed.

PAPERS

Laid on table by Clerk:

Crown Land (Reserves) Act 1978 — Orders under Section 17D and 17DA granting leases at Euroa.

Drugs, Poisons and Controlled Substances Act 1981 — Standard for the Uniform Scheduling of Drugs and Poisons, No. 14, 17 March 2000, Amendment No. 2 and Minister's Notice regarding the amendment, commencement and availability of the Code (two papers).

Interpreting and Translating Services — Minister for Multicultural Affairs report of 20 March 2000 of receipt of the 1998–99 report.

Interpretation of Legislation Act 1984 —

Notice pursuant to section 32(3)(a)(iii) in relation to Statutory Rule No. 143/1999.

Notice pursuant to section 32(4)(a)(iii) in relation to State Environment Protection Policy (Control of Noise from Commerce, Industry and Trade).

Judicial Remuneration Tribunal — Report on Judicial Salary and Allowances, 23 February 2000, together with a statement from the Attorney-General as to reasons for accepting the Tribunal's recommendations, 21 March 2000 (two papers).

Planning and Environment Act 1987 — Notices of Approval of the following amendments to planning schemes:

Casey Planning Scheme — Amendment C2.

Dandenong — Greater Dandenong Planning Scheme — Amendment C8.

Geelong — Greater Geelong Planning Scheme — Amendment R253.

Melton Planning Scheme — Amendment C7.

Moonee Valley Planning Scheme — Amendment C5.

Mornington Peninsula Planning Scheme — Amendment C6 (Part 1).

Port Phillip Planning Scheme — Amendment C18.

Stonnington Planning Scheme — Amendments L38, L72 and L98.

Wyndham Planning Scheme — Amendment C7.

Yarra Ranges Planning Scheme — Amendment L110.

Yarra Ranges Planning Scheme (Healesville Chapter) — Amendment L125.

Statutory Rules under the following Acts of Parliament:

Conservation, Forests and Lands Act 1987 — No. 14

Fisheries Act 1995 — Nos. 15 and 20.

Magistrates Court Act 1989 — No. 22

Subordinate Legislation Act 1994 — Nos. 16 to 19 and 21.

Subordinate Legislation Act 1994 —

Ministers' exception certificates under section 8(4) in respect of Statutory Rules Nos. 16 to 22.

Minister's exemption certificate under section 9(6) in respect of Statutory Rule No. 14.

Wildlife Life Act 1975 — Notice of control of hunting, No. 2/2000, 18 March 2000.

The following proclamation of His Excellency the Governor in Council fixing an operative date in respect of the following Act:

Police Regulation (Amendment) Act 1999 — Whole Act (except section 7) — 2 April 2000 (*Gazette No. G13, 30 March 2000*).

NATIONAL TAXATION REFORM (CONSEQUENTIAL PROVISIONS) BILL

Second reading

**Debate resumed from 21 March; motion of
Hon. C. C. BROAD (Minister for Energy and Resources).**

Hon. R. M. HALLAM (Western) — The National Taxation Reform (Consequential Provisions) Bill represents the implementation of Victoria's basic obligations under the groundbreaking and welcome Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations, which was finally executed by the commonwealth, states and territories in late June last year. A range of specific legislative provisions taking up individual components of the fundamental agreement will follow the bill. I note that the third item listed for debate on today's notice paper is the First Home Owner Grant Bill, which goes to a particular feature of the general agreement.

I am delighted to participate in the debate. The bill represents the culmination of some years of hard work by a number of dedicated people across all tiers of government. It represents enormous political courage on the part of the Howard coalition government, given that it delivers the most far-reaching reform of tax in the history of this nation. It is generational. This bill is the first component of the reform. The bill also signals the end to the belittling process that confronted the states and territories in bargaining for their individual allocations from the commonwealth public purse each year. I will refer to that in detail because on that basis alone it is important legislation.

The opposition's formal position is that it will not oppose the legislation. I make it clear that that should not be construed as lukewarm support for the tax reform package. If the partnership stance were driven by the contents of the bill, I am sure we would have formally supported the legislation. However, the partnership's decision was influenced by the rather churlish and petty attitude of the government in its presentation of the bill and its articulation of the fundamental principles that underpin it. We have made a decision not to oppose, but that decision has more to do with the Bracks government's stance and presentation of the bill rather than the effect of the legislation.

The bill signals the achievement of major tax reform across all tiers of government. On that basis it is not only extremely welcome but also symbolic and significant. Against that background, the minister's second-reading speech is disappointing. It might well be that the Australian Labor Party cannot bring itself to embrace the concept of the goods and services tax (GST). Notwithstanding that it was Paul Keating who first seriously advocated the introduction of a broad-based goods and services tax.

Hon. R. F. Smith interjected.

Hon. R. M. HALLAM — I am happy to have that on the record. Perhaps the Australian Labor Party cannot bring itself to embrace the concept of the GST. However, it must be admitted, even by government members in this chamber, that there was a need for tax reform. Honourable members could reach a consensus on that and on the fact that the main beneficiaries of the changes are the states and territories. Surely there would be general agreement on that.

Surely people would also agree that the pursuit of that agreement between the commonwealth on the one hand and the states and territories on the other hand was a brave political direction for the Prime Minister to take. It is not telling any secrets for me to acknowledge that the political graveyard holds many who had the temerity or bravery to suggest a shift in Australia's tax structure.

History will judge the federal coalition government kindly because the Prime Minister, John Howard, not only pursued the tax reform package but also took the package to a general election. He used the tax reform structure as the central plank of his election platform. To anyone who is prepared to listen I suggest that his action took a great deal of political bravery — and at least that much could be acknowledged across the chamber. The opposition is disappointed that the Minister for Energy and Resources was not prepared to acknowledge those facts when she introduced the bill. The second paragraph of the minister's second-reading speech complains of the state's need to claw back embedded tax savings of about \$100 million a year. In the grand scheme of things and in the context of the enormous amount of work and negotiations that led to the agreement that is the genesis of the bill the minister's comments seem peripheral, if not petty. I shall return to the issue of embedded tax savings.

After months of an enormous amount of work being done by a number of people across Australia the best the Bracks government can say about this groundbreaking legislation is that it will require

embedded tax savings of around \$100 million. I will return to the illogicality of the approach that in the grand scheme of things can only be described as petty.

It is hard to find anybody in Australia who would support the existing tax structure. It is about the one thing one can rely on to provide consensus across partisan lines in politics. If one were to look for agreement on anything one would get it over the existing tax structure: it is a nightmare to administer, and a dog's dinner to comply with. Australia's tax structure has cost the nation dearly for some generations.

When the Prime Minister first suggested the need for major tax reform and the consideration of the concept of a broad-based consumption tax I personally resolved to do something about it notwithstanding that I understand as well as anybody in this place — perhaps better than some — that you step across certain divisions in Australian politics only with advance due consideration and respect. I carry a few scars for having shifted across those boundaries over the years.

However, in this case I decided that partisan politics had to be put aside. The tax issue needed to be addressed in a statesmanlike way. Against that background I conveyed my support to my commonwealth colleagues: some were surprised and others were delighted to receive it. I set about conducting a series of regional seminars to involve communities in the debate that underpinned the breakthrough agreement that represents the basis of the bill.

To anybody who stood still long enough to listen to my pleadings on the tax issue I strongly suggested that now was the last opportunity in a generation to do something real about the tax structure that has bedevilled the nation for years. The least Victoria could do was give support to somebody brave enough to tackle the tax problem. I am not suggesting I talked him into it but it is a matter of record that the former Premier, Jeff Kennett, took a similar stance, although he conducted his campaign at a level much higher than I had access to. History will judge him kindly for it. He was prepared to put partisan and divisional politics to one side and to advocate strenuously the need to reform our tax structure. He became a powerful advocate and he deserves much credit.

I will not bore the house with the detail of the presentation I made on that travelling circus when I conducted regional seminars but I am reminded of some of the key factors upon which I relied. It was generally accepted that Australia's tax structure — that

is, the one that will be changed only after the passage of this legislation and the introduction of the GST to apply from 1 July next — clearly stifles endeavour. I remember that for years people were reporting they were not prepared to chase the additional overtime or job because, they said, 'What is the point given that much of the additional earnings would go directly to the Australian Taxation Office?'. More people were caught up in the creep in marginal rates.

In 1950 the average taxpayer would need to earn about 19 times the average weekly earnings of Australians before he or she would pay the highest tax on part or all of his or her income. Today that multiplier is about 1.2. In other words, the average taxpayer in Australia now has to earn only about 1.2 times the national average of earnings across the nation before some of his or her income falls within the top marginal rate.

It was clear that something had to be done about the tax structure if what I have described as the stifling of personal endeavour was to be overcome. It was clear to anybody who thought it through that the system had become incredibly unfair given its reliance on wholesale tax rates and its coupling with the high rates of income tax.

Given that more Australians were falling into the higher marginal rates the real incentive was to address the definition of what constituted income. A whole new industry was beavering away trying to make sure so far as it could that the earnings in any particular year were minimised on the basis of what constituted income. It became even more unfair when one considered that the rate of tax to be paid by a taxpayer could be determined by how much he or she could afford to spend on the best professional help to arrange affairs and thus to minimise what qualified as income. At the top end example after example showed that high-profile Australians were reputed to be paying little tax. How could the country support a system that at one end was reputedly having that effect while at the other end of the scale an extensive black financial market was ensuring that an increasing amount of income, particularly in some particular professions, was habitually missing the till?

How could one support a taxation system that was so open to manipulation? I remember describing the incentives as D words. There were about 30 of them, but the most important were that one could deny the income, delay its recognition, distribute it before the tax fell due and finally decamp before the tax assessor arrived on the doorstep.

The third issue I relied on heavily was that the system was out of date. The wholesale sales tax, which presumably the Australian Labor Party wants to preserve, was born in the 1930s. It introduced a 2.5 per cent tax on a restricted range of goods. Although it may have been appropriate for the relatively unsophisticated economy of the 1930s that was not so in the 1990s when the economy was much more sophisticated and when services had become more prevalent. The rate that began at 2.5 per cent became a standard 22 per cent and peaked at 45 per cent. I am talking now about an animal of a different colour; there was no comparison between the original system and that which Australia ended up with, and the wholesale sales tax on each transaction was undisclosed. The average person in the street did not understand that a consumption tax already applied. It happened to be wholesale sales tax and nobody saw its presence or effect.

I remember talking about the incredible complexity of the taxation structure. I am an accountant by profession but must confess that the system was difficult to understand and even more difficult to administer. There were thousands of pages of technical legislation across three tiers of government. The only people who gained any enjoyment out of the administration of that taxation hierarchy were the tax consultants. They finished up with a degree of specialisation that no-one could have anticipated. People became not only taxation consultants, but specialists in particular areas, such as fringe benefits tax, company tax, sales tax and so on. The structure had become so complex that the tax consultants of the nation had to have almost grown up with it to understand it. The three tiers of government with different ranges and rates of tax made it worse.

To make it more bewildering there were complex sharing arrangements across the tiers of government about the aggregate tax cake. If there were to be a final insult, politicians were able to hide behind that complexity. They could pass the buck and hide behind the fact that few people in the community understood what was taking place. The classic example is road funding where the three tiers of government have separate responsibilities for parts of the road infrastructure and receive funding from different sources. Over generations politicians at all levels have been able to dodge the real responsibility for road maintenance. Because of that complexity it was impossible to maintain the discipline that should have been evident.

It was generally conceded across all parties that something had to be done. This was a golden opportunity for the Prime Minister and the federal Treasurer to take on the major issue of tax reform. They

were prepared to do so in advance of the election and tax reform formed a plank in their platform to the electorate. That would have been a better opening comment for the minister to make than the churlish comment about having to get back embedded tax savings. That is a sad situation.

The real nub of the issue is the relationship between the tiers of government. Mr President, I have not been here as long as you, but in the 15 years I have been here I have taken an interest in public sector administration and the reporting of public sector finances. One matter I have seen consistently over those 15 years has been the complaints from successive treasurers and finance ministers about the annual round-up in Canberra. The state and territory ministers had to go to Canberra with their begging bowls and argue not only against the federal bureaucracy and politicians but also their counterparts across states and territories. They had to line up to argue about a fair distribution of the annual tax cake. Some were good at it. There was some theatre and posturing, some of which I saw at close quarters. However, beyond that it was denigrating and humiliating. It was no way to operate a modern economy and the business of government.

That system has now been effectively replaced with the states and territories being given access to a guaranteed and predictable growth tax. They can now better predict revenue flows, plan for the future and frame annual budgets for the years beyond. If the minister could not bring herself to welcome the goods and services tax and say that the agreement struck between the states and the commonwealth was appropriate, at least she could have commented on the passage of the former commonwealth–state relationship that was such an embarrassment to so many.

This major breakthrough relieves state leaders of the humiliation of heading to Canberra each year to argue not only against their counterparts in the states and territories, the federal Treasurer and the Prime Minister but also the army of bureaucrats whose job it was to make life difficult for those taking part in the round-up.

It is the most welcome change in the operational structure of government that I have seen in my time. On that basis, the bill is welcome. Its schedule sets out in full the intergovernmental agreement hammered out between the commonwealth and the states and territories. I suggest the schedule will be visited in years to come by historians and students because of its importance and symbolism. Beyond that, it is a good read. I commend the architects of the agreement — I presume they were commonwealth bureaucrats. The

legislation is framed in everyday language, and I commend those involved.

It is important to put in context the pettiness of the Bracks government. The agreement has been signed by the commonwealth and all the states and territories. The signatures include the Honourable Robert John Carr, Premier of the state of New South Wales, the Honourable Peter Douglas Beattie, Premier of the state of Queensland and the Honourable James Alexander Bacon, Premier of the state of Tasmania.

Those signatories to the intergovernmental agreement are relevant because they head up Labor administrations. As it happens the list includes other heads of government, particularly the Honourable Jeffrey Gibb Kennett, who was proud to sign the agreement on behalf of the state of Victoria.

The agreement was signed, without duress from any quarter, by all the leaders of the states and territories. If nothing else, that is a commentary on the way it has been addressed in the second-reading speech. I will not go through the intergovernmental agreement in detail, but I note that paragraph (2) on page 32 states:

The Commonwealth, States and Territories are in agreement that the current financial relationship between levels of government must be reformed ...

The agreement is of breathtaking importance because it acknowledges that the relationship between the levels of governments had to be reformed:

... to facilitate a stronger and more productive federal system for the new millennium.

That is the best possible reason for the Bracks government to say, 'This is very good legislation'. Why do we have to be hung up by a by-product of the agreement? Why can the government not say, 'This is an historic outcome for the people of Australia.'?

The agreement goes on to state:

- (3) While a majority of the States and Territories support the introduction of the Goods and Services Tax (GST), the agreement of New South Wales, Queensland and Tasmania to the reform of the commonwealth–state financial relations does not imply their in-principle endorsement of the GST.

That was the out. There was no duress or elbow in the process. It was agreed in advance that the signing of the agreement did not constitute an endorsement by those three states of the GST. The agreement then outlines the timing and the process.

It is important to reflect on the terms of the intergovernmental agreement. On page 33 it is agreed,

among other things, that the objects of the reforms include:

... the elimination of a number of existing inefficient taxes which are impeding economic activity.

We agreed to abolish those taxes that are 'impeding economic activity'.

I make the point again that the agreement is of enormous significance. All the states and territories have agreed to the deletion of a range of taxes. Can honourable members imagine another circumstance in which such an agreement might have been struck? I return to the point that I made by way of introduction — that is, that the agreement represents bravery of the sort that is seldom seen in politics. On that basis alone, the bill is important.

The parties acknowledged the need to pursue the ongoing reform of commonwealth–state financial relations. The document is not the end of it; the heads of government agreed to continue to pursue the best outcome for the people of Australia.

As to the specific issues in the reform agenda, paragraph 5(i) states:

The commonwealth will legislate to provide all of the revenue from the GST to the States and Territories and will legislate to maintain the rate and base of the GST in accordance with this Agreement.

So the first point is that all the income from the GST is to be dedicated to the states. As I said, the Bracks Labor government could at least have acknowledged that. The agreement provides that Victoria now has access to a growth tax that past generations just dreamed about. Now that it is being delivered, the government cannot find a good word to say about it.

The agreement commits the commonwealth to cease from 1 July the application of wholesale sales tax and:

... temporary arrangements for the taxation of petrol, liquor and tobacco under the safety net arrangements —

which are mainly to do with excise. That is understood. It also provides that:

The payment of Financial Assistance Grants will cease on 1 July 2000.

Imagine the states and territories blithely giving up a major component of their income! That is but a part of the most significant agreement one could imagine, which is the point I am trying to make.

The commonwealth agrees also that it:

... will continue to provide Specific Purpose Payments ... and has no intention of cutting aggregate SPPs as part of the reform process set out in this Agreement, consistent with the objective of the State and Territory Governments being financially better off under the new arrangements.

The crunch is that the federal government is prepared to commit to an arrangement that is driven by the notion that the states and territories will be better off, not just this year but under the system that will apply from 1 July onwards. Is that mentioned in the second-reading speech? No! I again make the point that that is a sad treatment of a critically important piece of legislation.

The states and territories agreed on the taxes that would be discontinued, as spelt out in appendix A. They include bed taxes, which will cease to apply from 1 July — as it happens, that does not affect Victoria; financial institutions duty and stamp duty on marketable securities, which will cease from 1 July 2001; and debits tax, which will cease from 1 July 2005. That date is significant — and we have our friends the Democrats to thank for that.

Further, under the terms of the agreement the ministerial council will, by 2005, review the need for retaining stamp duty on other documents such as bills of exchange, cheques, promissory notes and so on. Again, Victoria has a commitment on a major income stream on which it has relied in the past. I make the point again that this is break-through legislation. Paragraph 5(viii) of the agreement provides that:

The States and Territories will adjust their gambling tax arrangements to take account of the impact of the GST on gambling operators.

Just as an aside, that is not a free kick; it simply recognises that it would be a double take if the GST were applied beyond the current high tax on gambling operators.

In paragraph 7 the commonwealth gave the following critically important and clear commitment on the distribution of the revenue derived from the GST:

The Commonwealth will make GST revenue grants to the States and Territories equivalent to the revenue from the GST subject to the arrangements in this Agreement. GST revenue grants will be freely available for use by the States and Territories for any purpose.

The commonwealth has said to the states and territories not only, 'Here is access to this new taxing regime', but also, and importantly, 'There are no strings attached'. Why does that not rate a mention in the second-reading speech? The commonwealth is committed to giving the states access to a growth tax for years beyond this without any strings attached. I again make the point that

that is critical. Paragraph 8 of the agreement provides that:

The Commonwealth will distribute GST revenue grants among the States and Territories in accordance with horizontal fiscal equalisation ...

That is a bit of a mouthful, but it means that there will be some equity across the states and territories. That will be disputed because it is subjective, but it is a formula designed to introduce a degree of equity that would not be there otherwise.

In respect of transitional arrangements — it is a complex shift across the administration of a range of taxing issues — the following points are made in paragraph 10 of the intergovernmental agreement:

In each of the transitional years —

two years are nominated —

following the introduction of the GST, the commonwealth guarantees that the budgetary position of each individual state and territory will be no worse off than it would have been had the reforms set out in this agreement not been implemented.

The commonwealth is prepared to give to the states a black and white commitment that they will be no worse off. Not only was that not mentioned in the second-reading speech, but the minister argued it was unfair that there should be an insistence that embedded tax savings be clawed back. How pathetic and absolutely petty in the grand scheme of things. Paragraph 12 states:

To meet this guarantee, the commonwealth will make transitional assistance payments to each state and territory, as necessary, over this period. These payments will take the form of interest-free loans and grants in July 2000–01 and grants paid quarterly in subsequent years and will be freely available for use by the states and territories for any purpose.

Transitional payments will ensure the states and territories are no worse off, and those payments are made without strings being attached. That is a very good deal, given the background against which it is negotiated.

Hon. C. C. Broad — That is just to stay level.

Hon. R. M. HALLAM — This is a growth tax, Minister. You have not been listening. I am sorry you have not taken this in. It is acknowledged it is a growth tax.

Hon. C. C. Broad — In future, not now.

Hon. R. M. HALLAM — The minister has been given a commitment that the state will be no worse off and will have access to a growth tax in the future, and

she wants to argue about it. She wants to nitpick and make snide comments about the way in which the tax is applied. It is pathetic and it shows that the Bracks government has no soul and no understanding of the historic background of the negotiations; that it is driven by petty partisan politics rather than by an outlook of what is good for Australia. Paragraph 14 states:

After the second year following the introduction of the GST, GST revenue grants will be determined on the basis of HFE principles. That is —

it is the first time I have seen horizontal fiscal equalisation described in that way —

after the first two years, any state or territory which is receiving more than would have been received under the current arrangements will retain that excess.

That is a tricky definition of horizontal fiscal equalisation. Again I make the point that this is a good deal.

The agreement goes on to talk about the first home owners scheme, an important component of the agreement. I will not go into any detail in that area because I have noted that the legislation that arises directly as a result of paragraphs 15 and 16 regarding the first home owner scheme is listed for debate later this day. Paragraph 17 states:

The parties intend that the commonwealth, states, territories and local government . . . will operate as if they were subject to the GST legislation. They will be entitled to register, will pay GST or make voluntary or notional payments where necessary and will be entitled to claim input tax credits in the same way as non-government organisations.

The rules of the game are that each of the tiers of government will operate as though the GST applied to it. There will be a presumption of no windfall gains. Under the Bracks government Victoria will have open and accountable reporting. All the tiers of government will operate as though the GST applied to their field of operation. That is part of the deal struck, yet in the very first page of the minister's second-reading speech it is suggested it is tough to expect embedded tax savings to be clawed back. Further on in the minister's speech it is stated that the attitude on windfall gains depends upon who expects to benefit.

How is that consistent with the notion of openness and accountability? In one breath the government argues for a windfall gain — for someone in Victoria to be protected. Not only is it petty to talk about the clawing back of embedded tax savings; it is absolutely inconsistent with the structure of the agreement. It is those double standards which prompted the opposition to determine that while it might welcome the legislation

it was not prepared to signify support for it — rather, that it would not oppose it. I am trying to get the chamber to understand that the opposition did not adopt that position lightly and the decision was arrived at after considerable discussion of the issues involved.

It is agreed that the GST will not apply to some taxes and compulsory charges and that a list of those deemed to be outside the scope of the GST will be agreed on between the jurisdictions. Even in those circumstances the states and territories were invited to be part of the process, to have a go at the taxes and compulsory charges that would be held to be outside the GST regime. It is important that paragraph 22 states that the list of taxes and compulsory charges outside the scope of the GST will be subject to ongoing review and adjusted as necessary in consultation with the ministerial council. It is the best possible deal that could have been hoped for. In this context just the list of taxes and charges outside the GST is itself to be the subject of ongoing negotiation.

The bill details reciprocal taxation being progressed on a revenue-neutral basis through the negotiation of reciprocal taxation agreements. Those agreements will have the following objectives:

- (i) improving the transparency of tax arrangements between all levels of government;

Not just denying them but improving them — —

- (ii) ensuring tax neutrality; and
- (iii) replacing the statement of policy intent (SOPI) for the taxation treatment of government business enterprises with tax arrangements which are broader in scope.

It is a good deal.

Lest the cynics in local government offer criticisms — which, sadly, I have come to expect in some quarters — I point out that paragraph 25 states:

Local government organisations will be consulted with a view to making the NTER —

that is, the national tax equivalent regime —

for income tax operational for wholly owned local government business enterprises from 1 July 2000 and including local government in the reciprocal tax agreement at a later date.

Local government will be treated as a full partner in the process. It will be invited to be part of the negotiations as well.

The agreement goes on to talk about the monitoring of prices and the responsibility of the Australian Competition and Consumer Commission.

Part 3 of the agreement talks about the management of the GST rate. Again I remind the chamber that the house is talking about an agreement that bears the signatures of the heads of all states and territories as well as of the commonwealth. Part 3 talks about what will happen to the original rate of the GST. Paragraph 31 states:

After the introduction of the GST, a proposal to vary the 10 per cent rate of the GST will require:

- (i) the unanimous support of the state and territory governments;

Any one state or territory can block any proposal to vary the 10 per cent rate — up or down.

This is momentous legislation. All jurisdictions get the chance to be involved in the future. It is certainly a good deal. Amendments to the legislation require the unanimous support of all jurisdictions, including the endorsement of the commonwealth government and the consequent passage of legislation through both houses of the Australian Parliament.

In response to the concerns expressed about the GST being introduced at an initial rate of 10 per cent and then being increased down the track, I point out that the intergovernmental agreement can be subject to variation only with the unanimous support of all jurisdictions. There is little chance of the GST rate being increased and none at all without the agreement of all jurisdictions. Surely that addresses the criticism from various quarters that the tax would be introduced at 10 per cent and then increased by stealth. Under the intergovernmental agreement the states and territories must compensate the commonwealth for the agreed costs incurred by the Australian Taxation Office for the administration of the GST. The deal was that the states and territories would receive the benefits of the GST but in return they must meet the costs of its administration.

I remind honourable members that the intergovernmental agreement was signed for and on behalf of all states and territories and the commonwealth government. Against that background I must say I am saddened that the Victorian government has used the rhetoric it has. The government almost wants us to believe it is introducing the legislation because of its obligation to honour the previous Kennett government's commitments. The minister's second-reading speech states:

The Victorian government is obliged to honour the previous government's commitments which were made under the intergovernmental agreement.

How churlish! The concerns of several generations of Victorians about the reform of the taxation structure have been answered. The legislation answers all the questions asked in this chamber about the lack of discipline resulting from the complexity of the taxation structure; about the lack of fairness of the taxation system because it can be manipulated by individuals; and about the belittling process states and territories have had to go through each year when trying to get a fair share of the national tax cake. The government, through the minister, has been incredibly petty to make the comments to which I have referred.

In case any honourable member is under the misapprehension that the legislation is all one way, I point out that the commonwealth government has agreed to reduce its income tax take by an estimated \$13 billion through the combination of the shift in marginal tax rates and the lifting of the tax free threshold. Whatever else Australians might say about politics, I do not believe anyone could challenge the fact that the combination of those two issues will provide enormous relief at the lower end of the tax scale. I hope there is agreement that that is where relief is most sorely needed. The bill provides that relief and for that reason alone it is welcome.

In addition, the commonwealth has agreed to introduce additional pension entitlements and incentives to encourage Australians to take up private health insurance. My friends and colleagues in country Victoria were delighted about the agreement on fuel excise which, off-road, will be reduced to zero — it will be wiped out completely. That is a massive breakthrough for enterprises in rural and regional Victoria and is a fundamental shift in operational costs across the rural economy. It will benefit not only country Victoria but also country Australia.

Honourable members should be clear about the impact it will have on transport costs. I have had experience in managing a business in country Victoria. I saw what freight costs did to my charges. I knew the extent to which I had to operate at a disadvantage when compared with my metropolitan counterparts. Everything I saw, smelt, touched and heard had a freight component incorporated in it, and a large part of that could be directly traced to the cost of fuel. Under this legislation the commonwealth has agreed to reduce the excise on diesel consumed by heavy transport from the current level of 43 cents to 18 cents a litre.

If I was not convinced by all that, I would be convinced by the abolition of provisional tax. During my travelling roadshow in country Victoria I was repeatedly told that provisional tax hits people the hardest. Provisional tax is designed to make the system fairer between those who pay tax on a weekly basis and those who have their tax assessed annually and pay the tax for one year at some time in the next financial year. Try explaining that to the average taxpayer whose attitude is that he or she has not even earned the income so how can he or she be taxed in advance! It was difficult to explain that the scheme was designed to put those people on the same playing field as those who pay their tax weekly. I am delighted that provisional tax is being abolished completely. As I said earlier, this is momentous legislation.

The projected share for states and territories for the first two years of application beyond the transitional stage is estimated to be \$370 million in 2003–04 and \$1.25 billion in 2004–05. That is not chickenfeed. It is a taxation structure that is anticipated to have a substantial growth factor in line with economic activity. Victoria must be the only state that is sneering at this agreement. It has to be the only state where acceptance is begrudging.

I acknowledge there were some complications because the Australian Democrats insisted that the GST should not apply to a number of items, particularly food and education services. Despite that, it is clear that all jurisdictions will be better off. No-one would argue that we should return to the days we are emerging from and take our chances in the annual round-up in Canberra. It would have been nice for the Bracks government to acknowledge that the commonwealth government has just about got it right — that the system will be better in the future. Why is the government insisting on making the point that it is obliged to honour the promises of the former Kennett government?

Why has so much of the second-reading speech been reduced to that sort of petty point scoring? Are Victorians to assume that the Bracks government is an isolated case in not being able to recognise the problems the nation has had? I do not want to believe it is that bad! Are we to believe that the Bracks government is not convinced that the nation will benefit from the changes? Are we also to believe it is not convinced that the states themselves will benefit? Surely we are not being asked to believe the Bracks government is yet to be convinced that individual taxpayers will be better off under the changes?

Why the hang-up about the clawing back of embedded tax savings, given that the agreement the government

now says it supports explains why the clawing back is consistent with the general tenor of the agreement? The structure is not designed to produce windfall gains. The government goes to great lengths to show the community how open and transparent it is, yet in the next breath it argues that those who receive the windfall gains should be allowed to take advantage of them. Not only is it petty to put that in the second paragraph of the second-reading speech, it is also illogical. More than anything else that has driven the opposition to say it does not oppose the bill rather than saying it actively supports it.

The second-reading speech then refers in some detail to the concept of circular taxation. The opposition has been led to believe that this open and transparent government is opposed to circular taxation — in other words, a tax on a tax. I have great sympathy for that approach, because under the previous tax system the wholesale sales tax was imposed on the landed cost, which included the freight component, which in turn included excise — a tax on a tax. Of all the arguments I could have mounted in opposition to the wholesale sales tax, perhaps the strongest would have been that it was a tax on a tax and met the criteria of circular taxation. However, I was delighted to read in the second-reading speech that there is at least token support for the concept of deleting double taxation.

The second-reading speech says:

While the commonwealth has amended its GST legislation so that the GST will now apply to insurance premiums that are exclusive of the states' stamp duty, thus avoiding an instance of circular taxation, it has not to date been prepared to do so with respect to taxation of rental business.

That is a criticism of the federal government. Why is that significant, apart from the fact that it is cheap and nasty? The next sentence reads:

The state is not able to eliminate stamp duty from some other tax bases on which GST will also apply —

I hope some bureaucrats feel guilty not only for doing that but also for writing about it —

as the abolition of the wholesale sales tax means there could be an overall net loss to state revenue.

That's the justification — circular taxation!

The members of this open and accountable government are saying, 'We are opposed to circular taxation — oops, unless it affects our revenue base'. Talk about double standards! It is a wonder they can sleep at night.

The second-reading speech goes on to say:

Because the wholesale sales tax base on motor vehicles is large, after 1 July 2000 the state would experience a substantial fall in its stamp duty on motor vehicle transfers if it were to apply it to GST-exclusive prices.

The justification is that the impact on revenue would be too great to contemplate, so they say, 'Whoops, we are opposed to circular taxation, but in this case we have changed our minds'. It is not the concept I mind but the double standards. I would have preferred the minister to say, 'The government is opposed to this, but the impact is too high so it will do X, Y and Z'. Victorians are apparently being invited to assume that the legislation will apply forever and a day, that the opposition to circular taxation is applicable only when it is convenient and that the government hopes it will not have too much of an impact on the bottom line. I dismiss those comments: they are frivolous at best and a double standard at worst. The speech continues:

The overall gain to state revenue from the application of stamp duties to GST-inclusive prices has been calculated by the Department of Treasury and Finance to be very small.

If that is the case, why not pass the gain on to the customers, given in particular that on page 1 of the speech the government says it resents having to claw back the tax savings because it thinks they should become windfall gains to those standing in the right place? Talk about double standards!

The government's rhetoric on such marginal and petty issues is disappointing given the real gains to be achieved through the reform agenda.

I remind the chamber that the bill signifies the most courageous and far-reaching reform of the Australian tax system in recorded history. The reform involves the replacement of a taxation system acknowledged by all sides of politics to be archaic, unfair and costly. It would have been appropriate for the Bracks government to have congratulated those who had the courage to pursue the reform agenda and the foresight and tenacity to implement it.

The day in June last year on which the agreement between the jurisdictions was struck will go down in history as a red-letter day for our nation because of the impact the agreement will have on the operation of all tiers of government, resulting in great benefits to Australians at large.

Today we are debating the first round of the reforms. Other changes are coming — and as I have mentioned, one is already on the agenda. The bill is not only important but also historic, and the Liberal and National parties wish it a speedy passage.

Hon. JENNY MIKAKOS (Jika Jika) — I support the bill, which gives legislative effect to the Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations that was signed by the previous Premier on 26 June 1999. I note that, as the Honourable Roger Hallam mentioned, the intergovernmental agreement is unique in that it is included as a schedule to the bill. I commend that inclusion and encourage that practice in future legislation.

It is important to note that paragraph (3) in the preamble to the agreement states that New South Wales, Queensland and Tasmania wanted it recorded for posterity that their signing of the intergovernmental agreement did not imply their in-principle endorsement of the goods and services tax (GST). Victoria did not seek to record its opposition to the GST at that time because, as honourable members know and as the Honourable Roger Hallam has reminded the house, the previous coalition government championed the GST and the previous Premier saw himself as its godfather.

The Bracks government does not support the GST, but it is obliged to honour the former government's commitments under the intergovernmental agreement.

The Howard government's GST will mean that Victorians will pay more for a broad range of state government services. In addition, the state government will have to find more than \$100 million each year in departmental savings, in the form of embedded tax savings, which will place extra pressure on government services. The intergovernmental agreement does not allow the embedded tax savings to be passed on to consumers of Victorian government services.

Clause 7 provides for the state to be able to increase by up to 10 per cent all Victorian government fees and charges that are not declared by the commonwealth Treasurer to be GST free. As part of the government's truth-in-pricing policy the GST component on all state government fees and charges will be clearly identified.

The intergovernmental agreement provides for the state itself to become a major taxpayer. For reasons of competitive neutrality clauses 5 and 6 of the bill provide for Victorian public sector entities to pay GST-equivalent amounts to the commonwealth from 1 July 2000. The state is required to withhold amounts equivalent to any unpaid GST from its grants to local government. The intergovernmental agreement also provides for financial assistance grants and revenue replacement payments for the commonwealth to the states to cease from 1 July 2000 and for the states to share in revenue raised by the GST. Further, the

agreement provides a guarantee by the commonwealth that Victoria will not be worse off financially because of the GST. This guarantee is very important, given that the Department of Treasury and Finance estimates that Victoria will not be revenue positive until 2007–08, and the commonwealth will be required to make up the revenue shortfall.

The intergovernmental agreement also provides for an offset of the impact of the GST for first home buyers, and later today the house will consider in a separate bill the establishment of the first home buyer rebate scheme. The bulk of this bill relates to the abolition or reduction of particular state taxes.

I now turn to part 5, which deals with the abolition of the financial institutions duty (FID) from 1 July 2001 and includes certain transitional provisions. I welcome the abolition of the FID, as it is a regressive tax that unfairly penalises all Victorians who operate accounts with financial institutions.

Part 6 ensures that the GST will be excluded from the deemed wages of contractors from 1 July 2000. This is to ensure that contractors and employment agencies are not at a competitive disadvantage. Payroll tax payable by contractors and employment agencies will exclude the GST.

Clause 15 in part 7 provides for the abolition of stamp duty — —

Hon. R. H. Bowden — On a point of order, Mr Deputy President, it is common practice for honourable members to refer to copious notes, but without doubt the honourable member is reading verbatim. I have no objection to copious notes, but I do not think the honourable member is entitled to read her speech.

The DEPUTY PRESIDENT — Order! I have watched and listened very closely while the honourable member has made her contribution. Clearly under the standing orders of the house honourable members are not permitted to read speeches. It is just as clear that they are allowed to refer to copious notes. I suggest to the honourable member that she not read her contribution, but she is able to refer to the notes she obviously has.

Hon. JENNY MIKAKOS — Thank you, Mr Deputy President. I will continue to refer to my copious notes, and anyone who cares to look at my handwriting will understand why I am looking at them so intently.

Part 7 relates to the abolition of stamp duty on listed marketable securities from 1 July 2001. In addition, the liability for stamp duty on the transfer of used cars will move from the dealer to the purchaser so as to put used cars on a par with new cars. Part 7 also seeks to ensure that the GST will be excluded from amounts received on rental agreements and special rental agreements as provided for under the Stamps Act.

Hon. Bill Forwood — Do you support the bill?

Hon. JENNY MIKAKOS — I agree with that aspect of the bill because it is important to ensure there is no circular taxation on businesses that undertake rental business activities. Further provisions in the bill that relate to livestock activities have the same effect.

Part 8 abolishes stamp duty on bookmakers' statements from 3 July 2000, because the revenue take from bookmakers' statements has steadily declined over the years. The imposition of a GST and stamp duty would be a considerable burden to people in that industry.

Part 9 provides for changes to gambling tax as required under the intergovernmental agreement. The provisions in that part of the bill are quite complex, so I do not propose to go through them in great detail. I note the effect of the provisions is to ensure that there will be no net gain to the state, gaming operators or gaming venues from the introduction of the GST. Part 9 also ensures a reduction of state taxes by an amount equivalent to 9.09 per cent for wagering, lotteries and electronic gaming machines, which is the anticipated impact of the GST on those activities.

Part 9 also alters the distribution of proceeds from electronic gaming machines to ensure revenue neutrality where statutory payments from gaming operators to venue operators are subject to the GST.

Part 10 provides — —

Hon. Bill Forwood — How many parts are there?

Hon. JENNY MIKAKOS — There are 10 parts, and I am up to the last one, you will be pleased to know.

Part 10 contains a number of miscellaneous amendments, the most important of which is the cessation of state off-road diesel subsidies from 1 July 2000. They will be taken up by the commonwealth under a 100 per cent rebate system for its petroleum excise and customs duty. Also, part 10 provides for a continuation of the state subsidy for cellar-door and mail-order wine sales, which is currently equivalent to

15 per cent of the wholesale price of cellar-door and mail-order wine.

In conclusion I note that the Honourable Roger Hallam waxed lyrical about the GST in his contribution to the debate. The honourable member purports to speak for small businesses, workers and families in his electorate, who are no doubt bracing themselves against the GST, as are small businesses and consumers in my electorate. Members of the government have on numerous occasions in the house referred to the level of angst and anxiety felt by small businesses across Victoria because of the pending commencement of the GST later this year. The Prime Minister promised much when he campaigned on the need for tax reform before the last federal election. No doubt there is a need for an ongoing review of Australia's tax system, but the GST is not reform — it is inherently regressive and unfair because it seeks to shift the revenue base from income to consumption.

The legislation passed by the Liberal, National and Democrat parties in the federal Parliament has left Victorians with a system we all have to bear. The measures contained in the bill arise from the obligations left behind by the previous Kennett government. It is with a great deal of concern for Victorian consumers and small businesses that the Bracks government has introduced the bill. It seeks to ease the burden on Victorians as much as possible within the parameters set by the previous government in the intergovernmental agreement.

It is with a great deal of reluctance and concern that the government has introduced the bill to give effect to the measures contained in the intergovernmental agreement. I urge support for the bill.

Hon. C. A. STRONG (Higinbotham) — As has been noted by previous speakers, the bill implements major parts of the intergovernmental agreement for the reform of federal–state financial relations consequent on the introduction of the goods and services tax (GST) on 1 July. The bill forms only part of the story because other legislation will be introduced to implement all those changes. Nevertheless, it is a fairly important part.

Although the government uses the GST as part of its federal campaigning posture, history will clearly show that in its previous manifestations it supported such a tax. The Howard government has taken a courageous stance by doing what is right for Australia, rather than running a campaign on what might be perceived to be politically expedient. The introduction of this reform is a major change to the way the Australian economy is managed and will significantly benefit Australians.

Victoria will particularly benefit from the changes brought about by the GST because a large part of its economy is based on the manufacturing industry. Manufacturing will be advantaged by the switch from various wholesale sales taxes to the GST. The GST will significantly reduce taxes on many outputs and redistribute some of that tax burden over the service industry which, unlike most goods produced in Victoria, is not in the traded segment.

Honourable members have mentioned the significant reduction in fuel excise. Victoria produces many manufactured goods, and the fuel excise and transport cost is a major element of the competitive nature of Victorian goods. There are clearly significant freight imposts on Victorian goods that have to be hauled to Queensland, New South Wales, South Australia and Western Australia. The GST will be a positive seminal change to the way Australians are taxed. We should not forget that a tax system unfortunately tends to drive the economy in all sorts of ways that the creators of the tax system may never have appreciated or understood. However, a tax system that reduces costs on the goods we have to sell overseas and does not disadvantage locally produced goods compared with imported goods will be extremely good for Australia.

It is worth detailing why that is so. Australia's tax system is currently structured in a way where all indirect taxes basically fall on things that are produced and manufactured in the traded goods sector. That means they have to compete against goods in the world market when they are exported from Australia, and they have to also compete in Australia with imported goods. If Australian produced goods that compete against both imported goods and on the world stage carry a tax burden that goods from other countries do not, we are adding a significant burden that is not needed.

What does the GST do? Rather than apply all the tax burden to goods in the traded sector, a tax will be applied to the things that are services which do not have to compete with overseas goods. The service sector is semi-protected because many services cannot be exported and do not compete with imported goods; therefore, it makes a lot of sense to apply the taxation burden equally. It could be argued that it also makes sense to apply more of the taxation burden to the services sector rather than to the traded goods sector, but making them equal is important.

The changes to the tax system will provide an important boost to the Australian economy of about \$13 billion a year in direct taxes. That amount will be pumped into things on which people spend money. Businesses and

services will be able to use the extra money so that more funds will be available to the economy.

The rhetoric emanating from the federal Labor opposition, and dutifully mouthed by its colleagues in the Victorian government, mentions only the imposts and not the cuts in taxation. Some tax cuts are set out in the various appendices to the bill — for example, on 1 July wholesale sales tax and bed taxes will be abolished.

On 1 July 2001 Victoria's financial institutions duty and stamp duty on marketable securities will be eliminated. On 1 July 2005 the debits tax will be abolished. In 2005 a major review will be conducted of many other indirect taxes. The aim of the review, with ministerial council agreement, will be to abolish other taxes such as stamp duty on conveyancing transactions on non-residential properties, leases, mortgages, bonds, debentures and other loans, securities, credit arrangements and so on.

The other major part of the arrangements prescribed in the bill is how the new taxation arrangement will flow through into commonwealth–state financial structures. The states will receive what they have been looking for for many years — that is, a tax that will grow. They will receive the full benefit of the GST revenue raised by the commonwealth but because the GST is considered a growth tax it is estimated that for the first couple of years its revenue will not equal what the states now receive. Therefore, the bill contains a guarantee that no state will be disadvantaged. The cynics could argue that state–federal financial arrangements can lead to a state being disadvantaged because the commonwealth holds the purse strings.

When dealing with the federal Treasurer, who has most of the money to divvy out, one must be careful about trying to set in place systems that guarantee the states a fair financial return. A significant part of the agreement dealing with the transitional arrangements to be put in place provides a maximum assurance and safety in those circumstances. The federal government has tried to take politics out of the financial guarantee by making it subject to the advice of heads of Treasury departments; their advice to the ministerial council will ensure the implementation of the guarantee. Neither the federal Treasurer nor state Treasurers will be able to play politics because the Treasury departments of the states and territories will work through an agreed methodology that has already been set out in a document that deals with the methodology of estimating the components of the guaranteed minimum amount. The bill guarantees that the transitional arrangements will be fair and equitable and, so far as is

humanly possible, will fall outside politics. That guarantee is important for a state government that may be trying to deal with the federal government on a money matter.

I refer to some of the positions adopted by the government in its introduction of the bill. Unfortunately it has taken what I call a narrow and short-term political position rather than a longer term position that what is good for Australia is good for Victoria. Comments sprinkled throughout the second-reading speech try to play party politics with what is a major reform to the Australian economy.

Any major change such as that contained in the bill will lead to a little turbulence here and there and will create unexpected problems, but for the benefit of Australia, of which Victoria is a part, it is a pity that some of the nitpicking points made by the Bracks government could not have been put aside.

In specific detail the bill deals with certain issues that arose from the intergovernmental arrangements. Some are worthy of comment. An important issue on how the economy is being run is the way the service sector, particularly the labour service sector, is to be handled under the GST. Many parts of the economy engage labour under various labour service agreements, whether they be in the contracting or, as in many cases, the clerical industries. Many get their labour through various organisations that engage labour and then add a margin to their payrolls to cover their administrative costs. The employment of people in that way would be significantly disadvantaged were the GST to apply to the full costs of those agencies. The government has decided that state payroll tax will apply only to the deemed wages of such employment agents. Rather than payroll tax applying and the GST being then applied, the taxation arrangements for employing labour either directly or through organisations that hire labour will be equalised.

Much has been said by other honourable members about circular taxation. The second-reading speech makes clear that the Bracks government is happy to have circular taxation when it helps Victoria's revenue situation. The government has taken the theoretical position that it does not like circular taxation but it is happy to get its fingers into the cookie barrel when circular taxation helps the bottom line.

Rational decisions have been made in other areas. The administration and collection of bookmakers' duties rendered the tax not worth while, and it is abolished. Opportunities to streamline various charges and duties have been taken in other areas.

Another area of particular importance is the fuel excise, which will have a significant impact as it flows through to the economy. It will be of particular use to Victoria, which sells many of its goods throughout Australia.

The bill goes into detail on how the goods and services tax will roll out throughout the state's economy, how it will impact on the way the state currently collects revenue and how it will change in the future. The bill is of enormous importance because it implements a new taxation system that will benefit the whole of Australia and in particular Victoria. I have pleasure in commending the bill to the house.

Hon. G. W. JENNINGS (Melbourne) — I support the National Taxation Reform (Consequential Provisions) Bill. The contributions in the other place and this place show that the government is not necessarily in love with the legislation but is happy to be a proponent, which places it in contrast with the opposition. Mr Hallam indicated that the opposition loves the reforms, the package and the bill and will not oppose it. That is somewhat out of kilter with what one would normally expect when a government introduces legislation. One would expect an opposition to be somewhat cautious in its approach to the underlying principles and processes that underpin the legislation. The government has to convince it of the worthiness of the legislation. In this case the opposition is saying it is in love with the spirit and intent of the bill.

The legislation is essential for the people of Victoria and the commonwealth to ensure the smooth transition of the new taxation arrangements that will be implemented on 1 July this year. Mr Hallam spoke at length about some aspects of the implementation of the package about which the government is alarmed. In his lengthy and considered contribution he returned time and again to the government's concern about the embedded tax that will have to be extracted from various Victorian commercial enterprises to achieve savings to provide for a cash neutral state position. Mr Hallam would have one believe it was the sole item of the second-reading speech. When the extremely lengthy second-reading speech was delivered in this place the opposition was concerned about the treatment of the various elements of the bill.

The second-reading speech outlines that the bill has been introduced to:

... implement the state's obligations under the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, which was signed by the commonwealth and all states and territories in late June 1999.

The Victorian government is obliged to honour the previous government's commitment made under the agreement. Part 2 of the bill outlines the undertakings the Victorian government has entered into in complying with the spirit and intent of the taxation reform. According to the second-reading speech part 3 of the bill:

... establishes the capacity of the state entities — including local governments — to pay voluntary GST equivalents and for the Treasurer to direct them to do so.

According to the second-reading speech part 4 provides the opportunity for the Victorian government to make regulations by Governor in Council to enable state taxes and charges to be increased by an amount equivalent to the goods and services tax (GST).

The bill also deals with the capacity of the state to claw back those items that are integral to the cost neutrality of the package. However, there may be cases where the state, local government, the community and the private sector have difficulty identifying embedded taxation. The abolition of wholesale sales tax and other taxes that are embedded in the cost structures of certain goods and services will ensure those savings are correctly identified and obtained. That is a significant issue because there is potential for community groups funded by the state government to be caught short in their allocations because of embedded taxes. It is clearly a significant issue and one the government highlighted in the legislation. The opposition has attempted to give the impression that the savings are easily identified and accounted for. In fact, the cost neutrality of the package would be easy to establish.

The government has estimated that embedded tax savings of the order of \$100 million per annum are needed to make the package cost neutral. To ensure the state complies with its obligations under the commonwealth-state package, part 4 gives the government the opportunity of increasing taxes on the provision of state services by the equivalent of 10 per cent.

Part 5 gives the state an opportunity to abolish financial institutions duty. I am sure there will be a spontaneous 'Hear, hear!' from all members of the chamber in response to that.

Hon. M. A. Birrell — It's overwhelming. I'm surprised Hansard can get the debate down for all the 'Hear, hears!'.

Hon. G. W. JENNINGS — The opposition should settle down in expressing its enthusiastic support for the bill! The agreement identifies the opportunity to

remove a number of taxes and other imposts not only on the citizens of Victoria but on commercial activity in the state.

One of the differences between this side of the house and the other side is the government's awareness of the limited scope of the eradication of the taxes and charges. The package allows for the removal of only some 10 per cent of the regressive taxes charged by all state governments. Clearly the current government has a difficulty with reducing the burden of payroll tax. That has been a concern for all Victorian governments given the effect payroll tax has on employment and job growth. Unfortunately the reform package that opposition members have so enthusiastically embraced severely limits the government's capacity to get rid of some of those regressive state taxes and charges in the long term.

That is one of the reasons why the government is less than totally embracing of the tax reforms. Although the government recognises that there may be some benefits in streamlining the taxation arrangements that apply throughout the Australian economy, including the adoption of a more transparent and broad-brush system, it is also aware that many of the regressive and dampening aspects of the current state tax regime will remain.

Part 7 of the bill, which deals with the Stamps Act, will among other things allow the government to alter the current gambling tax arrangements to enable the application of a cost-neutral regime across the gaming industry. However, in introducing the bill the government flagged the need for work to be done on the state taxation credit system — specifically, on the tax that applies to the casino.

I refer to the swings-and-roundabouts effect the GST revenue package will have on the state's financial arrangements. In return for the GST revenue the state will have to give up its financial assistance grants. It will also give up the revenue replacement payments that were made in 1997 after the High Court found that the state business franchise fees on petroleum, tobacco and alcohol were unconstitutional. From 1 July 2000 the financial institutions duty and stamp duty on marketable securities will be removed. Subject to a review by the ministerial council, the debits tax will be removed from 1 July 2005. State gambling taxes will be reduced commensurate with the GST on gambling operators.

Today the government will introduce a bill to provide for a first home owner's scheme, which I hope the house will pass. That will run in parallel with the

undertakings the Victorian government has given on this measure. It will provide a financial package to help first home owners overcome the impost of the GST.

It may be true that the theory was that the implementation of the suite of measures in the package would be cost neutral for the states. The opposition has given the commonwealth government much credit for the reforms, claiming that the implementation of the overall package will be cost neutral. However, the Bracks government is concerned that for at least the first eight years the scheme will not be cost neutral and that instead Victoria will have to rely on top-up payments from the commonwealth. Today the opposition has pointed out that the GST is a growth tax and that it will provide for increases in state revenue. However, it is clear that for a significant period following the introduction of the GST the ledger will have to be artificially balanced by the government to ensure that state revenue does not fall below where it would have been had the package not been introduced.

Hon. Bill Forwood interjected.

Hon. G. W. JENNINGS — Mr Forwood is quibbling about the word artificial. Perhaps mine was not a generous description. However, it has been acknowledged that there will be a requirement to top up the package — —

Hon. Bill Forwood — An undertaking.

Hon. G. W. JENNINGS — There is an undertaking. Nonetheless, there will be a requirement to guarantee a cost-neutral position for the next eight years.

As I said, among the specific changes in the package is the abolition of the financial institutions duty — for which I almost heard a 'Hear, hear!' from the opposition. The FID is clearly an inefficient tax that has no positive role to play in encouraging economic activity. It will be abolished from 1 July 2000 through amendments to the Stamps Act and the Financial Institutions Duty Act. The passage of the bill will reform those acts to ensure that outcome is achieved.

As I have indicated, a subsequent bill will be debated in the house later this day — namely, the First Home Owner Grant Bill. The first home owner scheme runs as a corollary to the bill and will be administered by the State Revenue Office. Some \$7000 in cash or kind will be provided by way of an offset of stamp duty costs, thereby limiting the exposure of first home owners to the imposts introduced by the GST.

One contentious issue is the circular nature of the GST and its relationship with state stamp duties. It has been the intention of the government to try to eliminate the possibility of taxes impacting upon one another, resulting in a spiral with the imposition of taxes on taxes. Because of the variation in the application of stamp duty depending on the circumstances, the suite of measures impacts somewhat differently on different areas of economic activity mentioned in the bill. During the course of his contribution to the debate Mr Hallam indicated that he saw the government as applying a double standard.

It is not a double standard: the government has made it clear that its intention has been to remove the capacity for stamp duties and GST to impact upon one another, but because of the way in which stamp duties are currently applied it has not been possible to guarantee that outcome consistently. For example, there is a difference between the way the stamp duty affects used car dealers and the rental property sector.

It is not the application of double standards by the government but a mere reflection of the way different pieces of stamp duty legislation require that certain matters be dealt with in different ways. It has been the government's intention not to double up and, where possible, to remove the capacity for such doubling up.

I am surprised opposition members have not pointed out that the government will be benefiting and protecting contractors.

Hon. Bill Forwood — I was not here for the whole debate, but I am pretty sure it was mentioned.

Hon. G. W. JENNINGS — In demonstrating that the government is not ideologically driven in this matter — —

Hon. Bill Forwood — 'In this matter' are the important words.

Hon. G. W. JENNINGS — There is nothing wrong with having an ideology.

Hon. Bill Forwood — But yours is a failed ideology — since the wall came down.

Hon. C. C. Broad — I would have thought yours was at the last election.

Hon. Bill Forwood — It is the difference between ideology and the result of actions.

The ACTING PRESIDENT

(**Hon. Jenny Mikakos**) — Order! Members will desist from debating across the chamber.

Hon. G. W. JENNINGS — Hansard may be excused for believing members had shifted from the chamber to somewhere else in the building.

The government has acted to ensure that contractors do not have to pay the GST on wages paid to employees. Contractors will not be disadvantaged vis-a-vis direct employees. In the competitive marketplace wage-earners and those who work for contractors will be on equal footing in the provision of services. The GST will not adversely impact on the contracting of services.

A number of subsidies applied by the state government in certain areas of private sector activity will be removed as part of the package. The state government is concerned to ensure that when those subsidies are removed the equivalent payment structure will continue to exist. The intention of the commonwealth has been to pick up the slack regarding some of those rebates.

The subsidies provided to the wine industry were provided almost on a fifty-fifty basis between the state and commonwealth governments, thereby providing ongoing support for that sector. The state will continue to subsidise cellar-door sales by 15 per cent based on the wholesale price, while the commonwealth will pick up 14 per cent. That subsidy will be limited to small wineries with an annual wholesale value of up to \$300 000. Partial support will extend to wineries with an annual wholesale value of \$580 000. The exposure of the states and the commonwealth is limited by restricting the size of the business concerned, so the commonwealth and states are sharing the responsibility equally.

The state will no longer pay the off-road diesel subsidy, which currently costs Victoria about \$50 million a year. The state government is concerned that protection be provided for users of off-road diesel to ensure they are not disadvantaged by the introduction of the package.

Measures that are to be applied to the gaming industry will see a reduction in state taxes. The tax rate that applies to Tattersalls and Tabcorp will be reduced by some 9 per cent, which the government estimates to be the tax-neutral position for those entities. In the case of the casino industry in Victoria, a proper review of the state tax credit scheme, overseen by the Victorian Casino and Gaming Authority, needs to be conducted. Some work still needs to be done to ensure a cost-neutral situation in the gaming industry.

One issue Mr Hallam was passionate about in his contribution to the debate was the application of the package to the private sector and the local government sector, in a sense becoming equal partners. It would be good if local councils saw themselves as equal partners.

The intergovernmental agreement provides for payments to be withheld from local government if it does not comply with the provisions of the agreement. That may be fair and reasonable in theory but the government is concerned that some of the compliance obligations on local government, small businesses and other sections of the community may be onerous. It will ensure that compliance is not onerous by providing support to identify the theoretical embedded tax savings. Although it will have the capacity to withhold payments to local government, the government will not exercise that obligation with any glee and will instead ensure support is provided so local government can comply with its obligations.

It is clear that the Victorian government is cautious about the introduction of this taxation reform. In theory it will deliver a streamlining of future financial relations. I respond to the challenge issued earlier by Mr Hallam and acknowledge that all parties should recognise that the structure of the state's financial relations have been in need of reform for some years.

Hon. Bill Forwood — Since Federation.

Hon. G. W. JENNINGS — Possibly since the states gave up their rights to impose income tax, because that decision led to their ongoing financial vulnerability. The loss of ongoing earnings capacity was compounded by the ideological decision to sell public assets. That decision was made partly on the basis that it would reduce public debt, but it had the consequence of reducing the state's capacity to receive ongoing revenue. These issues are always driven by some form of ideology, but clearly there was and is a need for reform of the commonwealth–state financial arrangements to provide the states with some certainty about their ongoing revenue.

Unfortunately there are limits to the scope of the national taxation reforms and some regressive state taxes will continue. The government will be challenged when looking at ways to reduce that tax burden and there may be further taxation reform in the future. However, the government is cautious about further reform because of the interrelationship between certain stamp duty arrangements and the introduction of the goods and services tax (GST) to ensure as much as possible there are not taxes on taxes. The government is concerned to identify cost savings to ensure cost

neutrality. It is relying on the compliance of the commonwealth government to address its undertakings to top up future state income and to ensure there is no disadvantage because of the introduction of the GST.

It is incumbent on the government to introduce a suite of measures. It is totally appropriate that the government should flag that it is cautious about the introduction of the reform package and pursue the issues I have mentioned with due diligence. I am confident the legislation is well considered and is part of a coherent package of reforms that will address the government's obligations to the intergovernmental agreement and will protect the people of Victoria, including those sections of the Victorian economy that are relied on to provide ongoing, secure jobs.

I have confidence in the work done by the Treasurer, the Minister for Finance and their respective departments in the preparation of the bill. I support the bill.

Hon. R. H. BOWDEN (South Eastern) — The passage of the commonwealth legislation last year was an important landmark. It will be seen in the history of Australia to be a turning point in the ability of the nation to exercise greater control over planning and the costs involved in a modern world economy. The commonwealth, states and territories should be congratulated for the far-sighted and mature way in which they arrived at an intergovernmental agreement that will ensure federal legislation will pass with a consequential requirement for state legislation, such as we are debating today.

Although previous speakers have said that the legislation will give effect to the intergovernmental agreement, never before in the eight years I have been in this place have I seen such a half-hearted and unwilling performance by ministers and the government of the day. I am being generous in describing their performance as half-hearted. The bill is important and valuable because it will benefit all Australians enormously.

Nineteen forty-two was an interesting year, being the year in which I arrived on this earth. It was also the year in which the federal–state taxing arrangements were changed. The states gave up a growth tax, which was important at the time and which would have become more important as time went on. However, 1942 was an extremely difficult time. World War II was raging, and in the national interest the states transferred their income-taxing powers to the commonwealth. It is a simple fact of life that since 1942 federal governments of several persuasions have not treated the states as they

should have to enable them to finance their responsibilities. The bill is a landmark piece of legislation because for the first time the states will have unambiguous access to and control over the funding they need to provide the services that the citizens of a modern state require.

I will not dwell in detail on the 10 parts of the bill, which encompass amendments to a wide range of legislation, including the Gaming Machine Control Act, the Liquor Control Reform Act, the Pay-roll Tax Act and the Stamps Act. Nonetheless, I will highlight the major changes. As I have said, the goods and services tax (GST) is a growth tax. For its part the commonwealth will honour the agreement by providing for a transitional period of seven or eight years, which will ensure that the agreement does not have a negative impact on the states. That is an important part of the bill.

As all Australians know, a goods and services tax of 10 per cent will be introduced from 1 July. Under the agreement all GST revenue will flow back to the states and territories. There is nothing in the agreement to allow the commonwealth to withhold from the states any moneys collected under the GST. The states will have rights to such funds for the first time since 1942, when, as I said, the earlier arrangement was entered into. That is a valuable and necessary part of the bill.

Clause 10 of the agreement contains a guarantee that during the transition years Victoria's budgetary position will be no worse off than it would have been had the reforms not been implemented. A shortfall will occur as the GST is implemented, but that shortfall will be well covered. The new measures are designed to be revenue neutral, so Victoria will not be worse off. Several taxes and charges will be abolished following the implementation of the bill. For example, the financial institutions duty and stamp duty on quotable marketable securities will be abolished from 1 July.

Victoria has been and will continue to be an important financial centre. As a result of the reforms traders of marketable securities will gain substantial relief, and the state will be considerably more attractive to investors. I note that later today the house will be debating the First Home Owner Grant Bill, another of the beneficial aspects of the agreement with the commonwealth.

I refer honourable members to some valuable information I have drawn from a lengthy document prepared by the office of the federal Treasurer, the Honourable Peter Costello, entitled 'Tax Reform — not a new tax, a new tax system'. Under the heading 'How

will the GST apply to state and territory governments?', the document makes three points that will be of interest to honourable members. Firstly, the GST will not apply to most state and territory activities. For example, the GST will not apply to the police force. State and territory taxes such as motor vehicle registration fees will also be unaffected by the GST. Secondly, the states and territories will benefit from the estimated net saving of \$500 million that will result from the removal of the wholesale sales tax structure. Thirdly, the states and territories will benefit from the reduced tax burden on diesel fuel, which will in turn reduce transport costs and cut the cost of running rail networks.

In a country as large as Australia, transport costs are extremely important. I was pleased to see that the document contains detailed Treasury estimates of the benefits to the nation of reducing industry costs. On page 157 under the heading 'The impact on industry costs and consumer prices', the authors of the document estimate that industry costs will fall by an average of 3.2 per cent. I suggest to honourable members that for a trading nation like Australia, which depends a great deal on the quality and quantity of its exports, a reduction in industry costs of 3.2 per cent will be enormously beneficial.

Under the heading 'Impact of tax reform on industry costs and consumer prices — costs in 2000–01 values', table 5.1 on page 158 of the document contains some interesting indicators. Australia prides itself on being a high-quality exporter of agricultural products. In the agricultural sector cost savings are estimated to be \$1.140 billion — that is, \$1140 million! In the mining industry the savings will be much greater — \$2.970 billion, which represents 4.4 per cent of Australia's total mining sales. In the food sector cost savings are estimated to be \$1.910 billion. In the wholesale and retail trade sectors an estimated \$3.510 billion will be saved. When all those figures are added up they result in estimated savings of 3.2 per cent in industry costs. Australians depend on the quality and quantity of their exports, and they can look forward to the benefits those fantastic savings will provide.

Table 5.2 on page 159, headed 'Impact of tax reform on the cost of final demand', refers to an estimated private investment saving of 6.9 per cent and an estimated government business enterprise investment saving of 4.5 per cent. As I said earlier, exports are important, so Australians can look forward to carefully estimated 3.5 per cent savings in final demand costs. That will transfer an enormous benefit to Australia's economy, currency and standard of living.

The performance of the country's manufacturing sector is also important. Under the GST the sales tax on manufacturing will be eliminated and many other taxes and charges will be reduced or eliminated. According to the Treasury estimates the cumulative effect of the reforms will be overall cost savings of 3.2 per cent.

People refer to a figure of 10 per cent, but that is not correct. In the documents, which were credibly prepared and were examined and debated in federal Parliament to ensure confidence in the adoption of this important legislation, the national and state economic impact is estimated to be 3.2 per cent.

I can think of no more important task governments in Australia have than raising and protecting the standard of living of their constituents. That is the fundamental reason for my being here. The commonwealth, state and territory governments understand that, and we will make our contributions as legislators towards improving the standard of living of Victorians by adopting this important legislation. We are fundamentally lowering costs and ensuring that Victoria plays its full part for the benefit of the Australian economy at large. The Victorian economy is an important, integral part of the national economy.

I am pleased that thus far in the debate honourable members have recognised the importance of passing the legislation and making sure the governmental machinery and taxation arrangements are in place so that the benefits will start to flow through to the community on 1 July.

I turn to some important specifics. I believe the continuation of the state subsidy on cellar-door and mail-order wine sales is important, because the continuation of the subsidy will ensure that Victoria's important wine and tourism industries are protected. There is a natural cohesion between the strength, growth and prosperity of wine and tourism activities in Victoria and across Australia. I was therefore pleased to see recognition by commonwealth, state and territory governments of the need to ensure that smaller, high quality wine producers such as we have in Victoria are clearly covered in the legislation.

I am also pleased that rental agreements will not be subject to the GST. For many families a high percentage of income is spent on rent, and I am pleased the bill recognises the importance and cost of housing.

I believe that as legislators all Victorian members of Parliament have a challenge to make the system work and to ensure that we play our collective part in ensuring that the arrangements, provisions and

accommodations for state government agencies and departments and local government bodies operate smoothly. There is no point in being petulant or arguing. The legislation is here, the legislation is clear, and the legislation will become effective on 1 July.

I would like to believe that come 1 July local government bodies, state governments and other instrumentalities and sectors will enthusiastically play their parts to ensure that the new taxation system, which will lower costs and make us stronger as a nation, will flow through to the benefit of all Australians.

Hon. S. M. NGUYEN (Melbourne West) — I congratulate you, Madam Acting President, on your first time in the Chair. I wish you well and I am sure you will do a good job in Parliament.

I wish to contribute to debate on the National Taxation Reform (Consequential Provisions) Bill, which is important to every Victorian, and will be especially important when the goods and services tax (GST) is implemented on 1 July.

There has been much debate on tax reform since the Keating government was in office. The Howard government has worked with the Democrats to introduce its tax reform and get it through the upper house in Canberra.

The federal legislation will impose costs and charges on everything one can think of. The state government has introduced this bill to fill the gaps and ensure the state and the commonwealth reach agreement on taxation issues. The Kennett government signed the intergovernmental agreement with scant regard for the people of Victoria. The role of the state Parliament is to make laws which benefit Victorians when the GST comes into effect on 1 July.

All GST revenue will flow to the states and territories and the commonwealth will cease to apply wholesale sales taxes from 1 July. The federal taxation reform bill, which comes into effect later this year, is a blight on Australia. It implements the GST, which is for all intents and purposes an attack on the people of Victoria, particularly those who are disadvantaged and struggling with low incomes, Australians who do not have family trusts and must line up on Thursday mornings in front of the bank to withdraw their pensions.

I say that because my constituents and the general Australian community have said that publicly.

I refer the house to several newspaper articles about the GST. An article in the *Herald Sun* of 28 February

reports that the effect of the GST on public transport will force fares up 10 per cent. It states:

Train and tram tickets will rise by almost 10 per cent when the GST is introduced on 1 July, according to transport operators.

The price of a yearly zone 1–2–3 ticket will rise by more than \$143 and a daily zone 1–2 ticket by 65 cents.

A zone 1–2–3 ticket will be pushed to more than \$10.

An article in the *Herald Sun* of 17 February reports on the effect of GST on trucks and on country Victorians. When the GST is added to fuel prices, delivery costs to supermarkets will increase. The article also refers to a representative of the Australian Trucking Association telling a Senate inquiry last year that costs should fall by between 5 per cent and 15 per cent. That is not true because everything will go up as a result of the increased cost to trucks.

Another example refers to clothing and supermarkets. A consumer bought clothes from a supermarket to which 10 per cent was added to be applied from 1 July. Many supermarkets — for example, a Big W store — have put 10 per cent on top of every item. They are supposed to take the wholesale tax off before adding the 10 per cent but a lot of stores have added 10 per cent to every item so that goods will cost 10 per cent more. Many people cannot afford to live if everything is increased by 10 per cent. People are frightened because living costs will be more expensive. The government will need to do more to ensure those retailers will not put 10 per cent on top of every item. It will cost Victorians dearly, especially those on low incomes who are not confident with the new tax. The cost of hotel rooms will also increase with 10 per cent added to their prices.

An article in the *Herald Sun* of 24 February reports on the effect of the GST on school extras:

Schools will be hit with GST on hot cross bun stalls, second-hand uniform sales and library books ...

If parents want to send their children to school camps, accommodation will increase by 10 per cent. Computer upgrades will increase by 10 per cent. A school raising funds through a chocolate drive or a sausage sizzle will be hit too. The article further states:

Hire fees for musical instruments, sets of class books, excursion tickets and some first-aid items are also deemed taxable.

The GST will affect schools and school children. GST should not hit education items because we like to encourage parents to buy more educational items to

assist children during their schooling. Extra GST will hit many school kids around Australia.

The bill is important for the future of Victoria. I highlight four key agreements at the heart of the intergovernmental agreement (IGA): firstly, certain state taxes will be abolished or reduced; secondly, states will share in the revenue raised by the GST; thirdly, the financial assistance grants and revenue replacement payments from the commonwealth to the states will cease; and fourthly, a guarantee by the commonwealth that Victoria's finance will not be worse off because of the GST. The IGA requires the state government to extract in excess of \$100 million per annum from the government sector in embedded tax savings and does not allow those savings to be passed on to consumers of government services.

The bill will also provide for the abolition of financial institutions duty; changes to gambling tax arrangements; changes to stamp duty arrangements; an end to the state subsidy for off-road diesel; amendments for continued subsidy of cellar-door and mail-order wine sales; and amendments to protect deemed wages of contract labour.

Hon. B. N. Atkinson — Are those good things?

Hon. S. M. NGUYEN — They are good things.

Hon. B. N. Atkinson — It is a good bill.

Hon. S. M. NGUYEN — It is a good bill.

Hon. B. N. Atkinson — It is good taxation reform.

Hon. S. M. NGUYEN — The government for the first time will become a major taxpayer. GST will apply equally to the public and private sectors.

I refer to the gambling tax arrangements to be put in place following the introduction of the GST. The changes to gaming tax will be revenue neutral and will result in no net gain to the state. The bill provides that the taxation rates applying to wagering, lotteries and electronic gaming will be reduced by the equivalent of 9.09 per cent. Alterations will be made to the distribution of proceeds from electronic gaming machines to ensure revenue neutrality where statutory payments from gaming operators to venue operators are subject to the GST.

The government will also abolish bookmakers' duty. The level of turnover tax is already low. The reduction of the tax to take exact account of the GST would leave a rate of taxation which collects little revenue while imposing an administrative burden on bookmakers.

Hon. B. N. Atkinson — What was abolished from 3 July?

Hon. S. M. NGUYEN — Bookmakers' duty. The Victorian government hopes the bill provides confidence to the Victorian community, especially to those who have to pay taxes and service charges. Recently members of the community have become concerned about the likelihood of the 10 per cent GST being applied to local government service fees. The government is unsure whether the GST will lead to ratepayers paying 10 per cent more for municipal services because, for example, building inspectors will have to pay the 10 per cent. Will the GST be applied to, for example, the hire of car baby capsules or to garbage collections?

Hon. B. N. Atkinson — But there are offsets.

Hon. S. M. NGUYEN — Yes. Ratepayers are asking their members of Parliament whether ratepayers will be hit with increases resulting from the imposition of the GST.

Hon. B. N. Atkinson interjected.

Hon. S. M. NGUYEN — Yes, but from the federal government. There is confusion about the GST applying to services. I hope the federal Treasurer will provide better information to explain to the community which services will attract the GST and which will attract no additional tax. At present the situation is confusing. I strongly support the bill.

Hon. P. A. KATSAMBANIS (Monash) — As has been said by previous speakers, the opposition does not oppose the National Taxation Reform (Consequential Provisions) Bill. It is a pleasure to contribute to debate on the bill which, as other honourable members have said, introduces the necessary measures to enable the government to give effect to the Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations.

On 1 July next Australians will experience the greatest fundamental change to federal taxation policies since uniform taxation was introduced by the federal government in 1942 in what was then regarded as a temporary measure. Other honourable members have highlighted the fact that the so-called temporary measure became permanent. It removed from the states the opportunity to access an appropriate growth tax that would guarantee the states their own revenue streams.

From 1942 until now, and particularly from the early 1970s through the years of the Whitlam, Fraser, Hawke and Keating federal governments, the extent of the

financial imbalance between state governments and the commonwealth government went from a small concern to a huge gulf. State governments are charged with delivering a number of key services, particularly in the fields of health, education, roads, and law and order. To ensure the continuance of the provision of those services the states had to engage in an annual exercise of begging the federal government, whatever its flavour, for additional funds.

Hon. B. N. Atkinson — A charade.

Hon. P. A. KATSAMBANIS — Mr Atkinson calls it a charade, and that was so in many cases. But often the exercise was born out of mutual frustration at the federal and state levels because the system was no longer feasible or smart in the conduct of politics and government service delivery throughout Australia. At the same time globally business and business structures have changed to such an extent that the primary tool for taxing income, whether in the form generally regarded as wage and salary income or in capital growth income in the way we tax capital gains, is not an efficient method of providing the commonwealth or the states with revenue while allowing businesses to compete not only within national borders but internationally.

In the debate not only about the goods and services tax (GST) but about taxation reform generally other honourable members have said in this house and in the community that the system of taxing income in Australia has reached the absurd situation where the operation of a wholesale sales tax negatively impacts on our exporters in a manner not imposed by local taxation systems on exporters of other nations.

Australia has always been a trading nation and has relied on exports. Many years ago Australia rode on the sheeps back. Over time agriculture expanded beyond sheep and into mining. As it enters the new century Australia will continue in part not only to rely on agriculture and mining but also increasingly on export earnings from information technology, intellectual property, growth of the information age and the new economy.

If the existing taxation provisions continue they will hamstring export-earning corporations and deny the government an effective revenue stream. It is essential that the taxation reform introduced on 1 July be supported equally by federal and state governments. It is a win-win situation that gives our export corporations the opportunity to compete globally without the debilitating wholesale sales tax that makes goods uncompetitive. States will have access to an effective growth tax for the first time since uniform taxation was

introduced in 1942. All GST revenue will flow to state governments and none will be kept by the federal government.

Hon. B. N. Atkinson — That is why Carr and Beattie did not complain about it.

Hon. P. A. KATSAMBANIS — Not only that, they queued up to sign the intergovernmental agreement. The new taxation system recognises the absurdity of levelling taxes, in this case wholesale sales tax, on goods at a time when the Australian economy's reliance on goods is declining and the predominance of growth is in the services sector. Focusing on one component of wealth generation in Australia leads to a narrow taxation base. Arguments have been made that broadening the base will provide a fairer taxation system. That will happen on 1 July. As Mr Atkinson pointed out in his interjection, it was not only the Liberal states that queued up to sign the intergovernmental agreement; stories have been recounted many times that when the federal and state governments came together to sign the agreement it was Bob Carr and Peter Beattie, the Labor premiers of New South Wales and Queensland respectively, who beat the other premiers out of the way to ensure they were the first to sign up. They did so because they knew the agreement was not only good for the nation but also for their states and their ability to run governments in their states.

The Victorian government was then represented by the able Kennett coalition. Victoria became a signatory to the intergovernmental agreement because it will provide the best possible opportunity to effect positive taxation reform and provide a taxation regime that allows Australia to grow into the 21st century.

The GST will not only be of benefit to Australia but also to Victoria. All GST revenue will flow to the states and over time will give them a strong ability to control their destinies without having to go begging cap in hand to Canberra every few years for a few scraps to fund essential services such as health, education, police, courts and roads.

Federally the Labor Party has finally embraced the concept of taxation reform. Mr Beazley has said that if he ever becomes Prime Minister he will not repeal the taxation reform that is being introduced on 1 July, and will not repeal the GST. He has suggested there may be some rollbacks but has not specified them. He has left open the other spectre of increasing income taxes. That is what he is about and, by implication, that is what the Bracks government might be about. We will give the Bracks government the opportunity to point out

whether it is in favour of increasing income taxes and whether it will request of Mr Beazley, whenever he comes up with a federal taxation policy, to rule out any income tax increases.

This bill has been introduced to give effect to the agreement Victoria made with the other states on the reform of commonwealth–state financial relations. It is not template legislation that is being introduced uniformly across every state. It contrasts with the First Home Owner Grant Bill which will be debated in this place and which used template legislation based on a standard pro forma first drafted in South Australia before being introduced in all the other states. Only slight differences exist between each state based on administrative provisions that are unique in those states.

However, this bill is unique to Victoria with a range of benefits for Victorians that flow from the introduction of the raft of taxation reform to be introduced on 1 July. The new tax system, including the GST, will ensure that Victoria's financial institutions duty is reduced or repealed. In due course many benefits will be passed on to Victorians. As always, the devil is in the detail. The devil in the bill, from which the government has tried to hide, is a combination of the provisions of the bill and the points made by the minister in the second-reading speech.

It is important when interpreting the way the bill will operate that the government comes clean and assures Victorians that it will adjust state government charges, prices and fees only where it is essential to recoup the costs imposed by the introduction of a goods and services tax. It is essential that this government assures Victorians that it will not use the new taxation system and the GST to arbitrarily increase government fees and charges by 10 per cent and use the GST as an excuse to profiteer on the introduction of the new system.

Hon. B. N. Atkinson — And 10 per cent is not a given.

Hon. P. A. KATSAMBANIS — I will get there, Mr Atkinson. Not only is 10 per cent not a given, but in many cases enormous savings and offsets will result from the introduction of the GST.

I am glad that government members, including Mr Nguyen, have highlighted the concerns of their constituents about profiteering and the effect of the package on people on fixed incomes. Mr Nguyen will be aware that the federal government has ensured that pensioners will be no worse off as a result of the introduction of the GST. It has guaranteed that there will be a minimum pension increase of 4 per cent and

that if prices rise by more than a given amount pensions will be further increased. That will ensure not only that pensioners are no worse off but that they will have 1.5 per cent more net income than they would have had prior to the introduction of the GST.

However, along with other Victorians pensioners are subject to the fees and charges levied by the state government. That is in the government's hands. It cannot blame the federal government, the former Kennett government or the tooth fairy — although it will try to do so. It will have only itself to blame if it increases fees and charges by more than an appropriate amount in an attempt to profiteer from the introduction of the GST.

Clause 7 of part 4 contains the following power:

The Governor in Council, on the recommendation of the Minister, may make regulations providing for a fee or charge set by a statutory rule ... to be increased by an amount or a percentage specified in the regulations.

In layman's terms, the clause gives ministers the opportunity of increasing a fee or a charge set by a statutory rule outside the normal operation of the Subordinate Legislation Act. The process includes a public consultation period, during which the costs and benefits of the increase can be assessed. That is fine if it is exercised judiciously on a one-off basis to offset any necessary increase as a result of the introduction of the GST.

In her second-reading speech the minister said:

The Victorian government has carefully assessed the embedded tax savings which the commonwealth government expects this state to achieve and believes that they are difficult to attain while maintaining key government services. Victoria is expected by the commonwealth to save \$100 million from state entities through embedded tax savings ... The state has been given no choice but to achieve these savings.

It might be difficult to calculate those savings but it is not impossible. It might require a few exercises in calculation but I am sure that Treasury is able to make those calculations.

Further in her second-reading speech the minister said:

This provision of the intergovernmental agreement restricts the capacity of the state to pass the embedded tax savings on to consumers of general government goods and services which are subject to GST, and as a result many fees and charges will be likely to increase by the full GST amount of 10 per cent.

When you get rid of the gobbledygook and turn that statement into the English used by people in the street, you discover the government is saying, 'Yes, there are embedded tax savings, which we will achieve because

we are bound to, but we will not pass on those savings to the consumers of government goods and services. Instead, we will increase fees and charges by the full amount of 10 per cent'. In other words, the government is saying it will achieve the embedded tax savings because it has to, but it is not prepared to pass them on. It is all too hard because it will take a couple of hours of calculations to work out! It is a blatant attempt at a tax grab.

Hon. C. C. Broad — It is a misreading of what it says.

Hon. P. A. KATSAMBANIS — The minister will have the opportunity to respond. I hope it is a misreading and that it is not the intention. If it is the intention, I assure her that the opposition will highlight any blatant tax grab.

The embedded tax savings have been agreed to by the states and territories as part of the intergovernmental agreement. But no account is taken of the savings to be achieved by government business enterprises as a result of the introduction of the GST as well as the removal of the wholesale sales tax and the raft of other taxes that will follow. It is the opinion of not only the federal government but many commentators in the area that the estimates of the tax savings are conservative and there will be no need to increase fees and charges for government goods and services by the full 10 per cent.

Whichever way it is looked at, any claim by the Bracks Labor government that state fees and charges are likely to increase by the full amount of the GST is clearly an attempt to cheat the people of Victoria and to featherbed the government's coffers with money it is not entitled to. The government will keep any GST revenue and any cost savings beyond the acknowledged claw back, but it still proposes to increase fees and charges by the full 10 per cent.

We already know the federal Treasurer has exempted a long list of state fees and charges from the GST, and there are embedded tax savings to be made on other fees and charges. It is incumbent on the government to tell the people of Victoria which fees and charges it will be increasing and by what amount. It is also incumbent on the government to provide the details on why the fees and charges will be increased. It cannot just increase them willy-nilly by 10 per cent; it must justify the increases before it imposes them. If it cannot, the people of Victoria will know the government is cheating them.

I call on the minister to give this place and the people of Victoria an assurance that part 4 will not be used for a

blatant tax grab. I ask her to guarantee that any rise in fees and charges will be fully justified by Treasury figures that detail the cost increases, cost reductions and embedded tax savings resulting from the introduction of the GST.

I call on the minister to immediately give that assurance to the house. If the minister and the government cannot give that assurance, perhaps the people of Victoria can take it for granted that that stalking-horse provision in the bill will be used as a blatant 10 per cent tax grab on every fee and charge that has not been specifically exempted by the federal minister. This is the minister's opportunity to give the house and the people of Victoria that assurance.

I draw attention to part 7 of the bill, which concerns stamp duty savings and provisions in the context of the operation of the GST. Much has been said about circular taxation. It is agreed by everyone that circular taxation is not exactly a good thing. The stamp duty on quoted marketable securities is abolished. Also the GST is excluded from stamp duty on rental agreements and cattle sales.

The Bracks government has chosen to apply stamp duty on all other applicable grounds on a GST basis. It is acknowledged there is likely to be an overall gain to state revenue as a result. The gain is said to be very small, but is it? The government is introducing circular taxation — taxation on taxation — and telling us that the government will benefit as a result, meaning that the taxpayer will lose. How much is that gain, why is the government not prepared to tell us what the gain will be, and how will that gain be returned to the people of Victoria? Will it be returned through reductions in the rate of stamp duty?

If as a result of the introduction of the GST there will be an increase in stamp duty overall, it is incumbent on the government to reduce the rate of stamp duty applied so the people of Victoria are not cheated and there is not another blatant tax grab by the state government as a result of the introduction of GST. The introduction of federal taxation reform should not give rise to an increase in taxation but should be targeted to ensure revenue neutrality and to ensure that the people of Victoria do not lose out.

Mr Nguyen mentioned his concern that the people in his electorate not be disadvantaged by the government's misusing the introduction of national taxation reform to have another crack at increasing taxation in Victoria. All members justifiably have the same concerns about the effect of the changes on people in our electorates.

It is not just the opposition that suggests the operation of part 7 of the bill and the imposition of circular taxation on stamp duty arising from the introduction of the GST are likely to result in an increase in stamp duty revenue for the states. The New South Wales Treasurer, Michael Egan, also made the point that the states are likely to get a windfall as a result of taxation upon taxation.

I call on the government again, through the Minister for Energy and Resources, who is in the chamber, to ensure that if windfall gains are made the government will act immediately to reduce the rate of stamp duty, hence returning the windfall to the pockets of Victorians instead of using it to pay for a state government spending spree for the benefit of its mates.

I put on record the opposition's support of the bill. I also put on record my support of national taxation reform, which will be of great benefit to Australians in the years to come. In a decade or even five years this essential taxation reform will be seen as crucial to the continuing prosperity of Australia and to a growth in opportunities and standard of living.

I also place on record my opposition to the government's using the introduction of the goods and services tax as a cloak for having another dip at increasing state government taxation. I call on the Minister for Energy and Resources at the table to assure that the introduction of the GST will not lead to an across-the-board 10 per cent increase in fees and charges other than those exempted by the federal government. The minister must ensure that any increase in fees and charges will be fully justified, with Treasury figures indicating the full impact of the GST. Both the costs and benefits of embedded tax savings must be revealed before any fee is increased. Any windfall gains from stamp duty arising as a result of the introduction of the GST must be returned to Victorians and not kept by the government and used as another way of increasing the tax paid by the people of Victoria.

Debate adjourned on motion of Hon. B. W. BISHOP (North Western).

Debate adjourned until later this day.

BUSINESS OF THE HOUSE

Sessional orders

Hon. C. C. BROAD (Minister for Energy and Resources) — I move:

That so much of the sessional orders be suspended as would prevent new business being taken after 8 p.m. during the sitting of the Council this day.

Motion agreed to.

NATIONAL TAXATION REFORM (CONSEQUENTIAL PROVISIONS) BILL

Second reading

**Debate resumed from earlier this day; motion of
Hon. C. C. BROAD (Minister for Energy and Resources).**

Hon. W. I. SMITH (Silvan) — I am pleased to join the debate on the National Taxation Reform (Consequential Provisions) Bill. I support the bill and am deeply interested in the impact the reform will have on the economy of Victoria and in particular the business sector. The legislation will enable the most substantial reform in this century's history of Australian taxation. It is important that the bill have bipartisan support.

Speakers before me have outlined in great detail what the impact of the legislation will be. The most important element of the bill is that it will enable national taxation reform to occur in Victoria, meeting Victoria's obligations under the Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations signed in June 1999.

The 10 per cent goods and services tax will become law on 1 July 2000. All GST revenue will flow to the states and territories. The tax reform is extremely important and has been asked for by the states and territories for many years. For the first time the states and territories will have proper taxation reform that will enable them to budget under their own auspices.

Wholesale sales tax will be abolished from 1 July 2000. Commonwealth financial assistance by way of grants and revenue replacement payments will no longer be provided. The financial institutions duty and stamp duties on quoted marketable securities will be abolished from 1 July 2001. The off-road diesel subsidy will end on 1 July 2000.

A first home owners grant will offset the impact of the GST on first home buyers. My only concern with that aspect of the legislation is that the federal government has not given finances to the state government to enable the scheme to be put in place. The state government will carry the cost and has not been reimbursed for the implementation of the first home owners scheme.

It is expected that state and territory governments will save around \$500 million per year as a result of the removal of the embedded taxes on goods and services. State and territory governments will also benefit from the reduced tax burden on diesel fuel.

This will reduce transport costs and cut the cost of state and territory rail networks. Importantly for businesses throughout Australia, industries will benefit from large cost reductions and some will benefit more than others — for example, the road transport industry will benefit by some 6.7 per cent due to the removal of wholesale sales tax and the diesel excise reforms. The banking and financial services sector expects costs to fall.

The introduction of the goods and services tax is aimed at broadening the tax base. Despite the issues I have just mentioned, the GST will reduce tax avoidance and, I hope, the black economy. More importantly, the reduction of business and personal taxes will increase the number of jobs. I note there is a predicted \$7 billion to \$8 billion of savings for business.

Taxation is a global issue. All countries want to reduce the impact of taxation as an impediment to business and economic growth. Canada is not dissimilar to Australia in many ways. The Canadian Business Council on National Issues, comprising the chief executive officers of major companies, reviewed taxation issues in Canada and the way they affected the growth of businesses into the next millennium. The council listed five areas of concern: financial capital; human capital; ideas; global market share and influence; and leading-edge governance. Two of the most important areas it put on the agenda for review were corporate and personal taxes. The council looked at what aspects of corporate taxation were doing the most damage to investment in job growth and how it could improve the personal tax system to increase the incentives to work and invest and to help companies find and keep the skilled people they need to succeed in the global economy.

The chairman of Canadian Pacific Ltd, David O'Brien, in an address to the Canadian Chamber of Commerce on 27 September last year refers to taxation and the effect of national taxation on the economy. He says that if Canada is to survive and prosper in the 21st century:

The first winning condition is lower taxes. Lower taxes are not a cure-all, but they are necessary for a more creative and productive society. Our high personal income taxes are sapping the strength of our economy. Lower corporate taxes are needed to encourage investment in new machinery and equipment which in turn will drive productivity improvements. And we need more venture capital to create jobs in the new economy.

He then refers to an anecdote. I do not think things have changed much over the centuries:

Jean-Baptiste Colbert, Louis XIV's financial controller, likened the art of taxation to plucking the goose so as to obtain the largest amount of feathers with the smallest amount of hissing.

Mr O'Brien continues:

I believe that lowering taxes in a really meaningful way will spur economic activity, promote innovation, create new job opportunities and lead to a higher standard of living.

Last Sunday I had a chat with one of Victoria's main tulip growers who gave me a lecture on taxation reform. He reminded me that in the 16th century many of the textile industries established in Spain went to England because Spain did not lower its taxation base. As a result England became far more competitive. It is interesting to note that Spain has never recovered and that England still has high numbers of textile companies.

What will happen as a result of the restructuring of Australia's taxation system? An article in the *BRW* of 24 March reports on the effects of the GST on the Australian economy:

Australia's economy is said to maintain strong growth but economists find it difficult to predict the effect of the goods and services tax (GST) ...

The survey average forecast for 2000–01 gross domestic product (GDP) is 3.9 per cent, less than the 4.2 per cent tipped for 1999–2000 but indicative of a robust economy. The average jobless rate predicted for 2000–01 is 6.2 per cent and, with a tight labour market, average weekly earnings are expected to rise 4 per cent. The headline CPI is forecast around 5.45 per cent.

Bruce Hockman, senior economist at Deutsche Bank, is the most optimistic. His confidence in stronger global activity is the basis of his 4.5 per cent growth projection. He says stronger export recovery will bring the current account deficit down to \$25.9 billion.

The Deutsche Bank does not believe there will be any weakness in the Australian dollar. Mr Hockman is reported as saying:

... foreign exchange markets that regard Australia as 'old economy' have got it wrong and that it will not be long before investors recognise its strong fundamentals.

Those comments are encouraging and we hope they are correct. The Ralph report and proposals referred to the reduction in capital gains taxes. An article in the *BRW* of 12 November 1999 examined those potential changes. I remind honourable members that the implementation of the GST plus the reduction in capital

gains taxes (CGT) will enable Australia to compete in the world global market. The *BRW* article states:

'The US, with low CGT, has managed ... to post stunning growth and tax-revenue outcomes' ... 'The UK's Blair Labor government reduced CGT to encourage entrepreneurship ...

The article suggests that the problem in Australia is that many of the industries that are most important for our future prosperity — information technology, biotechnology and e-commerce — can easily relocate offshore. The issue is not whether Australia should reduce the CGT but whether it can afford not to make the change. The article concludes by saying:

The Ralph review's proposals on capital gains tax are modelled on the US rules and have the potential to radically enhance the entrepreneurship of Australians, the willingness of Australians to engage in business. This could significantly ratchet up growth in Australia.

The introduction of the GST in July will enable Australia to move forward. Business still has a large payroll tax impost. The former Kennett government reduced the rate of payroll tax on two occasions and I note with interest that the Bracks government, after the economic summit, signalled some possible future reform of payroll tax, although it was not an issue at the summit. I look forward to the government's next budget reducing the rate of payroll tax. A significant reduction in the rate of payroll tax, together with the introduction of the GST and a reduced capital gains tax, will assist business and increase job growth. I commend the bill to the house.

Hon. B. W. BISHOP (North Western) — It is with pleasure that I join the debate on the National Taxation Reform (Consequential Provisions) Bill. I commend honourable members who have contributed to the debate. Financial bills are often regarded as dry subjects and many people have difficulty in understanding the issues referred to. I am sure if people read the *Hansard* report of this debate they will be enlightened by the comments of honourable members. I was in the Chair when Mr Hallam spoke and, without doubt, his expertise and understanding of the disciplines was to the fore as he stepped through each of the issues and, more importantly, explained what negotiations had taken place before agreement was reached.

I have been disappointed, as have a number of opposition members, by the negative approach to the taxation reform taken by government members. That negative approach, including the slant that is apparent in the second-reading speech, concerns me. I see the bill not in a technical way but as part of an ongoing process in Australian tax reform. The system will move on over the years as it adjusts, making Australia more

competitive in the global world in which it must compete.

Australians need to face up to the fact that on 1 July they will have a new tax system. The cooperative discussions among the state, territory and commonwealth governments will lead to an appreciation of the commonwealth government's landmark decision. It might seem glib to call the tax reform a landmark decision, but that is what it is. I urge the Victorian government — I am sure all opposition members support me in this — to get on with the job and mirror the positive attitude taken by the commonwealth government.

It would have been easy for the commonwealth government not to take the course it has and not to show the political courage that was very much to the fore when it made its landmark decision to reform the country's tax regime. It is obvious that a new tax system of this magnitude, which we will be welcoming in the middle of the year, will take some bedding down. Those of us who have stepped back and taken an unbiased view of the proposed taxation system find it frustrating that only the negative side of it seems to come through in the media and among the people we talk to. It is a pity our country cannot see the landmark decision in a positive way. In public forums and in newspaper reports there has been very little talk about the reduction in taxation. We have not heard much about the removal of a mishmash of wholesale sales taxes or the abolition of a bandaid tax system that was patched up for too many years because former governments lacked the political courage to take the landmark decision to reform it.

As I move around my electorate I hear the concerns expressed by small business people and others who are interested in the way the new tax system will settle down. It is a great pity that the clarity of the initial proposal has been blurred by the Democrats, whose negotiations complicated the path of the legislation through both houses of the federal Parliament. That negotiating process is now finished; however, it would have been far better to have addressed the concerns of those sectors of the community that required assistance and to have overturned some of the offsets introduced in the run-up to the negotiations on the change. The negotiations that occurred as the legislation wended its way through the two houses of the federal Parliament have caused a great deal of confusion.

As I said, I have had the opportunity to note the concerns of small business people across my electorate. I have enjoyed attending some of the goods and services tax (GST) seminars that have been conducted

by a range of people, including local accountancy firms. Those firms have picked up their responsibility to inform the community about the GST by taking a positive message to small country towns. One of the leading accountancy firms in the Sunraysia held a GST seminar in Ouyen the other night. The seminar was well run and well attended. Obviously some benefit will accrue to the firm as a result, but that does not alter the fact that it has picked up its responsibility and run with it. Another organisation that is doing a good job is the Victorian Farmers Federation. I understand that the commonwealth government has supplied it with the resources to move around the state conducting seminars and computer update courses on what is required in the specialised commercial area of agriculture. I note that at a recent well-attended Victorian Farmers Federation dinner at Ultima one of the competition prizes was a consignment book on how to manage the GST. Most people in the VFF have their eyes on the ball.

Some of the farmers and small business people I talk to raise concerns about the extra bookwork they will be required to do to comply with the GST regime. However, many others believe the compliance work involved will be no greater than what is already necessary to run a small business or farm efficiently. Given the high costs and slim margins they already face, people in agriculture who do not have the necessary documentation in place will find that things will quickly get away from them.

I have already referred to the Honourable Roger Hallam's fine grasp of this complicated subject and of the passion he showed when speaking about the bill. Among other things he talked about the abolition of provisional tax. As a farmer I hated provisional tax because it delivered a double whammy to people on farms. It was introduced to create some equity between people who receive once-a-year payments and those who get paid every week, fortnight or month. I cannot judge whether it achieved that aim or not, but I know provisional taxation made it very difficult for people working in agriculture. Farmers with volatile incomes had to be careful to ensure that they could manage their way through the requirement to pay the tax. Most were able to do it, but it took a lot of care and caution — and even then it was easy to get caught.

I understand that a certain amount of rebalancing will be required given the move to monthly and quarterly catch-up accounts, which the GST will introduce in the agricultural sector. I know that accountancy firms are working with farmers to ensure they carefully plan their reporting and payment processes and manage their cash flows in the best possible way. With provisional tax, farmers' cash flows would be pretty good for a while

and then all of a sudden they would get this double whammy and they would have no choice but to find the money and find it quickly. It was particularly difficult for those whose incomes were volatile.

The wine industry is another important part of the agricultural sector. There has always been a rebate — I object to the word ‘subsidy’, which is used in the second-reading speech — for cellar-door and mail-order sales in the wine industry. The difference between the words ‘rebate’ and ‘subsidy’ is clearly seen in the second-reading speech.

I have an obvious interest in the bill because my electorate runs alongside the Murray River. The many wineries located in the area are an important part of the tourism industry, and both industries continue to grow at quite a strong pace.

Last week my colleague the honourable member for Swan Hill in another place, who is the shadow Minister for Agriculture, and I visited some local wineries. It was interesting to see the high level of quality control and to learn how the quality of the product is pushed to the nth degree to ensure that our wines meet the challenge from competitors, especially in the export market. The quality control extends not only to the winery but to the vineyard where the grapes are produced and beyond the vineyard to the transport of the product. There are many links in the chain of the quality assurance program.

Quality assurance is important not only to produce wine of world class but because winery customers are now showing a preference for purchasing from producers who have quality assurance programs in place.

The vigneron rebate for cellar-door and mail-order sales has had a bumpy ride. Over the years pressure has been applied to remove the winery and tourism industry rebate system. It is great to see that pressure has been resisted by all governments, regardless of political persuasion. The rebate remained even through the hubbub of the 1997 High Court decision declaring invalid the collection by the states of franchise and licensing fees on items such as petrol, tobacco and liquor. Cooperation between the federal and state governments saw the problem overcome. I believe the rebate at that time was 15 per cent.

The links between wineries and tourism go hand in hand with the expansion of those industries. It does not matter where one travels in Victoria, whether it is to the Yarra Valley, north-east Victoria, north-west Victoria or central Victoria, the winery and tourism industries link together very well.

Many great Victorian wine producers appreciate the rebate that enables them to have great cellar-door sales and wonderful attractions that preserve the history of the wine industry. I have seen some superb displays throughout Victoria in well-appointed cellar-door sales areas. I well remember seeing — I have not seen them much lately — pamphlets and brochures identifying Victoria’s attributes and linking the wine and tourism industries. I am delighted that the rebate is maintained for cellar-door and mail-order sales. I served on the Public Bodies Review Committee that inquired into the structure of Victoria’s liquor laws and agreed unanimously on rebates for cellar-door and mail-order sales for Victorian wineries.

The last issue I turn to in the bill is the removal of the state rebate for off-road diesel use. The rebate has been removed because the commonwealth is removing the customs duty and excise on off-road diesel products. That is an excellent move. It tidies up the issue in both state and commonwealth areas and means a great deal to those of us who live in regional and rural Victoria. Mr Hallam stated, and I remember it clearly, that when you live in a country area you have to freight the inputs up and freight the products back, so you are exposed to freight costs that cannot be avoided.

The reduction of 43 cents a litre for off-road diesel products will be directly applied to Victoria’s rail passenger and freight transport. The competitiveness of rail transport will improve greatly. It does not matter where you go in regional and rural Victoria, the rail and road systems are integral to the survival of business, and they must be competitive and of world class — and they certainly are. However, the removal of the off-road customs duty and excise on off-road diesel products will help enormously in that area.

A different process is involved with road transport, where the rebate is not as high, but the removal of the federal taxes will have an enormous effect on the efficiency and reliability of Victoria’s transport systems, on which rural and regional Victoria rely so much.

The debate has been interesting and informative. Anyone interested enough to read *Hansard*, particularly the contribution made by the Honourable Roger Hallam, will have a much better understanding of how the negotiations between the commonwealth, state and territory governments came to fruition and how the landmark decision on Australian taxation reform was put into place.

I understand things will be a bit prickly as the legislation is bedded down, and I know some people

might have some difficulty with it, but change is always difficult, and this is one of the best decisions this country will ever make. It will give Australia a competitive edge that is really needed in the global society in which we live and work, particularly for a nation that has a small population relative to the rest of the world and is highly reliant on export markets to bring new dollars into the country. I commend the bill to the house.

Motion agreed to.

Read second time.

Third reading

Hon. C. C. BROAD (Minister for Energy and Resources) — By leave, I move:

That this bill be now read a third time.

I firstly thank all honourable members on both sides of the house who have contributed to the debate. I reiterate the comment that the bill honours commitments made by the previous government.

Many issues were raised during the debate, and the first matter I shall address is circular taxation, which was raised by many speakers. In particular I reject the assertion by many opposition speakers that in the bill the government is not fully avoiding sources of circular taxation. In fact, measures in the bill ensure that all identified instances of circular taxation are avoided. The situation to which opposition speakers referred in support of their argument — that is, stamp duty applying to prices that include the goods and services tax (GST) — is of course an instance of tax on tax, not circular taxation, and taxes on taxes have existed for a long time.

The government has rejected the notion of applying stamp duty only to GST-exclusive prices because of the cost to state revenue, which is estimated to be in excess of \$100 million per annum. Just to be clear, that sum is on top of the \$100 million per annum in embedded tax savings the government is required to find, a sum which the government has indicated will be difficult to attain while maintaining services.

A further matter raised in the debate is the ministerial recommendation to the Governor in Council to make regulations to increase fees up to the amount of the GST. In debate in the Legislative Assembly the honourable member for Brighton also referred to this issue and said that the opposition was guided by the Scrutiny of Acts and Regulations Committee, which examined the matter and stated:

Given the nature of the new tax arrangements introduced by the acts giving effect to the new tax system the committee accepts the necessity of such a regulation-making power.

On the issue of embedded tax savings, in particular the suggestion that the government is profiteering by refusing to pass on the benefit of embedded tax savings to consumers of government goods and services subject to the GST, the government quite simply was prevented from passing on any savings by virtue of the fact that the commonwealth is providing Victoria with \$100 million less in compensation for taxes that have been scrapped — in other words, these savings are required to make up the gap in state revenues that has been created by the arrangement.

I again commend the bill to the house.

Motion agreed to.

Read third time.

Remaining stages

Passed remaining stages.

Sitting suspended 6.32 p.m. until 8.06 p.m.

FINANCIAL MANAGEMENT (FINANCIAL RESPONSIBILITY) BILL

Second reading

Hon. C. C. BROAD (Minister for Energy and Resources) — I move:

That this bill be now read a second time.

This government was elected with a vision for a prosperous Victoria — a Victoria in which the rewards of prosperity are shared across the whole state.

This vision is founded on a platform of sound economic management. The government's agenda is unashamedly pro-growth, pro-business, and pro-jobs.

The government's key priority is to maintain a substantial budget surplus. We aim to be socially progressive but financially conservative.

To achieve this we have set ourselves four important goals.

The first is to maintain and enhance the state's financial position. Obviously a surplus cannot be maintained without a commitment to financial responsibility.

Secondly, we want to grow the whole state — making sure the rewards of Victoria's prosperity are spread

across all sectors of the Victorian community, including rural and regional areas.

Another priority is to restore democracy, transparency and accountability in Victoria.

And finally, we will deliver improved services to the community, particularly in key areas of health, education and law and order.

The financial responsibility legislation that the government is introducing today is primarily aimed at meeting the first of these goals. It will also increase the transparency and accountability of our financial management. Meeting these goals of financial strength and accountability are the keys to achieving our other two goals — reaping the benefits of unprecedented world economic growth for all Victorians.

Adhering to sound financial management underpins every other goal of my government. Our success — Victoria's success — rests on sound financial management.

This government is not afraid of exposing its financial operations to scrutiny.

Our election commitments were independently costed by Access Economics.

Since coming to government, we have been able to demonstrate that our commitments are achievable, and there will still be a substantial operating surplus.

In the first few weeks of office the Treasurer spoke at length with rating agencies Moody's and Standard and Poor's. He explained our policies and showed the rigorous costings of our election platform. He showed them our agenda.

Both rating agencies understand our commitment to strong financial management. A few weeks ago Moody's rating agency decided to upgrade Victoria's credit rating to AAA. Only three jurisdictions have ever regained a lost AAA rating from Moody's — Ontario in the 1970s and, more recently, Western Australia and Norway. Standard and Poor's also announced back in December that they will maintain our AAA rating.

The ratings are important because they send a clear signal to investors that Victoria has got its fundamentals right — that Victoria is a good place to invest.

The mid-year budget review, released on 7 January, was our first chance to demonstrate our commitment to open and accountable reporting of the state's finances.

The Financial Management (Financial Responsibility) Bill establishes a legislative framework for that commitment. The bill has as its objective improved scrutiny of Victoria's financial operations. It is the first legislation of its type in Australia and it contains world-first provisions.

One of my government's first acts was to restore the powers of the Auditor-General to act as an effective watchdog over state financial affairs on behalf of the Parliament. This bill will build on that reform.

The Auditor-General will be given additional powers to conduct a review of the financial fundamentals of the state budget. The Auditor-General's principal role will be to review the integrity of the economic assumptions and estimated financial statements incorporated in the budget — in private sector terms he will conduct a prospectus audit — and he will do that on budget day.

Honourable members will appreciate the important role financial reporting has for the state of Victoria. One of the objectives of prudential supervision of private enterprise is to regulate for maximum availability and flow of information. For this purpose there are numerous regulatory mechanisms aimed at informing the market through the Australian Securities and Insurance Commission and the Australian Stock Exchange.

In government, similar mechanisms generally have not existed, and that creates uncertainty. The Financial Management (Financial Responsibility) Bill will provide a framework to allow for the freest possible flow of information.

The government's commitment to substantial budget surpluses during this term and beyond will be open to external assessment against standard accounting criteria, not simply the internal scrutiny of the public servants. The acknowledged high quality of their work and expertise is not the issue; what is fundamental is that true accountability can only come through independent and open scrutiny.

This bill will do the following:

First, it enshrines in legislation the basic principles of sound financial management that the government adheres to, including:

- managing financial risks, including the levels of debt and other liabilities, in a prudent manner;

- pursuing tax and spending policies that are consistent with stability and predictability in the level of the tax burden;

maintaining the integrity of the tax system;

considering the financial effects of today's decisions on future generations; and

providing full, accurate and timely disclosure of financial information.

Second, the legislation will require government to produce twice yearly a statement of financial policy objectives and strategies, and to disclose the reasons for changes in these objectives and strategies. The statement of financial policy objectives and strategies will encompass both the long-term policy framework within which the state will be managed and the shorter term policies and objectives governing the preparation of the annual budget and forward estimates.

Included in this statement will be a set of specified financial measures, with the numerical results that the government expects to achieve. These are the key measures that the government has identified as being important, and against which the success of its financial policy will be assessed.

The government's financial policy objectives and strategies will be required to relate to the principles of sound financial management set out in the bill.

Third, the bill requires the government to state the economic and other assumptions and risk assessments on which the budget is based. The bill also requires the government to publish details of the sensitivity of the budget financial statements to changes in these underlying assumptions.

And for the first time in Victoria, the government is required to provide estimates of tax expenditures — that is, the revenue that the government has forgone through exemptions and concessions included in tax legislation. These requirements will enable more informed debate and discussion on Victorian financial policy options and priorities.

Fourth, the bill incorporates a detailed and consistent reporting regime. For the first time, this legislation will require the publication of quarterly budget sector financial reports and half-yearly budget updates midway through the annual budget cycle.

The bill also requires the government to produce whole-of-government financial statements covering the first six months of each financial year.

The bill also extends the range of information required to be reported in the annual financial report. From 2000–01 onwards the government will be required by

law to publish details of payments made from the advance to the Treasurer, and payments made or money recovered under any guarantee or indemnity issued by the government.

While it is true that some of the additional information required by this bill has been published in previous years, this was not obligatory. The fundamental change introduced by the bill is to place these discretionary disclosures in legislation, so that the range of information that any future government must by law provide to the people of Victoria is greater than ever before.

The bill also makes provision for publication of whole-of-government and budget sector financial reports when Parliament is not sitting. The bill provides that if a report has not been laid before either house on or before a specified release date, and Parliament is not sitting on the release date, the report must be given to the Clerk of each house. The Clerks must then arrange for each member to receive a copy of the report and to table it when each house next sits. The bill also ensures that normal parliamentary protections apply to reports published in this way.

These provisions follow from the government's acceptance of a recommendation to this effect made by the Public Accounts and Estimates Committee in their 1999 report on annual reporting in the Victorian public sector.

Fifth, the bill will require the Secretary of the Department of Treasury and Finance (DTF) to publish a pre-election budget update once a general election has been called. This means that the true current financial position of the state government must be revealed to the people of Victoria before they cast their votes. No longer can governments, or oppositions, hide behind the excuse that they cannot be specific on policies because they do not know the financial position of the state at the time of an election.

Sixth and most significantly, for the first time the most important document of a government — the state budget — will be required to be based on conventional accounting principles and will be subject to professional review by the Auditor-General.

Under this legislation, the Auditor-General will review the budget as it is developed and will report to the Parliament on budget day whether it appears that:

the budget financial statements have been prepared consistent with the stated accounting principles;

the estimated statements are consistent with the targets for the government's key financial measures;

the statements have been properly prepared on the basis of the assumptions that underlie them; and

the methodologies used to determine the assumptions are reasonable.

These requirements will enable readers of the budget to have confidence that the budget has been independently scrutinised to ensure that it properly represents the projected financial performance of the budget sector.

It is important to appreciate that these provisions do not purport to require the Auditor-General to express an opinion on whether the projected budget results will be achieved. The responsibility for delivering the budget result remains with the government, where it belongs. It is the government's role to monitor the budget performance during the financial year and, if necessary, adjust its policies and priorities to cope with the inevitable changes in circumstances that occur in human affairs. With the passage of this bill it will also properly be the government's responsibility to report publicly and promptly those changes in circumstances and any consequent changes in policies or priorities.

The Auditor-General has been extensively consulted from the beginning of preparation of this legislation. He has expressed the view that the bill will strengthen the accountability of the executive government to Parliament and the public, and will enhance transparency over Victorian public finances. He has advised the government that his office will be in a position to fulfil its new responsibilities under the legislation.

The Financial Management (Financial Responsibility) Bill is about making sure that the best information is available on the state's financial position so that the public and investors have a clear picture of the state's finances at all times.

As I stated earlier, our agenda is unashamedly pro-growth, pro-business, and pro-jobs. Sending the right signals to investors is a key element of continuing Victoria's solid economic performance. We are all familiar with the observation that international investment is attracted to those economies with minimum sovereign risk and an open, robust political system.

The same holds for regional or state economies. There is a clear competitive advantage to be had in establishing an open, accountable and transparent financial management regime in Victoria that will allow

potential investors to determine for themselves, against objective criteria, the financial environment in which their investment is to be made.

The government is committed to pressing on with the next waves of establishing excellence within government. For example, we have not yet garnered the full benefits of accrual accounting, reporting and management. The government will be introducing other legislation to implement further reforms in financial management.

Victoria's ongoing economic prosperity gives us the opportunity to achieve a higher standard of living and a better quality of life. Prudent financial management leads to better social outcomes. It is the foundation on which we will deliver our commitments to restore essential services in areas such as health, education and law and order and reinvigorate the whole of Victoria.

This bill is another important step in entrenching prudent financial management within the Victorian government.

I commend the bill to the house.

Debate adjourned on motion of Hon. R. M. HALLAM (Western).

Debate adjourned until next day.

FIRST HOME OWNER GRANT BILL

Second reading

Debate resumed from 22 March; motion of Hon. C. C. BROAD (Minister for Energy and Resources).

Hon. J. W. G. ROSS (Higinbotham) — It gives me pleasure to speak on the First Home Owner Grant Bill, which the opposition supports. The legislation implements the first home owner grant scheme, as outlined in the Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations, otherwise known as the commonwealth–state taxation arrangements. As honourable members would be aware, the taxation arrangements were signed off by the previous Kennett government and premiers and chief ministers of the states and territories.

The bill is an attempt to fulfil the cherished ambition of most Australians to own their own homes and to facilitate that process within the environment of the new taxation system. It is a successor to many previous first home owner schemes and, as such, seeks to fulfil a dream of most Australians. I emphasise that the bill is consequential to the new taxation system and will be

administered by the states and territories in accordance with the commonwealth–state taxation agreement.

The federal Treasurer, Peter Costello, has reiterated on a number of occasions the circumstances at the signing of the agreement. He was nearly mowed down in the rush as those in state jurisdictions signed up to participate in the process. Why would they not wish to participate? On the Labor side there should be a high level of validity for the new taxation system inasmuch as it was originally floated by none other than Paul Keating when he was federal Treasurer — that was until he was chopped off at the socks by the then Prime Minister and the federal Labor caucus. That proposal I might add was advanced in isolation from the plethora of benefits that are envisaged by the current Howard government's new taxation system.

The new taxation system is of extreme importance and significance to all Australians. Australia sits within the Pacific Basin and competes economically with America and Canada. The rest of the world is out there doing its best to eat our lunch. The current taxation system is fundamentally flawed. We have a top marginal income tax rate of 48.5 per cent compared with the United States of America which has a standard rate of about 20 per cent. The top marginal rate for capital gains tax is 48.5 per cent. The tax system is fatally flawed and is in need of reform.

At the commonwealth level the new tax system will immediately abolish the wholesale sales tax from 1 July 2000. Income tax will be cut by \$12 billion, and the temporary arrangements for the taxation of petrol, alcohol and tobacco will also cease on 1 July 2000.

Notwithstanding those initiatives, specific purpose payments to the states and territories will continue. At the state and territory level a number of benefits will flow directly from the new tax system. Financial institutions duty levied on receipts at banks and other financial institutions and on the short-term money market will cease from 1 July 2001. Stamp duties levied on the sale of stocks and shares will also be abolished from that date. Debit tax on withdrawals from bank accounts with a cheque-drawing facility will be abolished from 1 July 2005, although that will be subject to review by a ministerial council comprising commonwealth, state and territory treasurers. That ministerial council will also review the need for a range of business stamp duties by 2005, which includes stamp duties on mortgages and a variety of other financial arrangements that are of particular consequence to home purchasers, in particular new home purchasers.

Most significant of all, every state and territory will benefit because all the revenue received from the goods and services tax (GST) applying from 1 July 2000 will go to those jurisdictions. It will ensure that they have a solid growth tax in perpetuity that will enable them to underpin a high standard of community services. Further, the commonwealth guarantees the budgets of the states and territories will be no worse off as a result of the new tax system. Within that context, and within the importance of its position vis-a-vis Australia and the rest of the world, there is the advent of the first home owner scheme. The GST will not apply to the sale of existing homes. However, it will apply to the construction and sale of new homes and repairs and renovations to existing homes. That will obviously impact through market forces on the price of existing homes.

The federal Treasury has estimated that the current hidden tax imposed by wholesale sales tax is approximately 5.3 per cent of the cost of building a new home. In other words, if no action were taken after the introduction of the new tax system new housing prices would rise by 4.7 per cent — that is, 10 per cent less the 5.3 per cent embedded wholesale sales tax. However, the estimates clearly depend on a variety of assumptions. An estimate circularised by the industry association, which I happened to pick up through Macrae Fallon, a local estate agent, predicts that after 1 July prices will rise by between 6 and 7 per cent.

The scheme will be administered by the State Revenue Office and will provide first home owners with a flat rate grant up to \$7000 to purchase or build a home after 1 July 2000. The states and the commonwealth have agreed to the scheme as part of the GST compensation package. Accordingly, it will provide some compensation for and an incentive to first home buyers to achieve the Australian dream of home ownership. Even on the most pessimistic assumptions about the impact of the GST on home ownership, the \$7000 first home owner grant, together with reductions in income tax, will certainly compensate first home buyers for the impact of the GST.

The bill is a mirror of the template legislation introduced in South Australia, and there are regional variations in other jurisdictions around the country. Suffice it to say that the central theme of the commonwealth–state taxation agreement is uniformity.

I applaud the flexibility of the grant. I am pleased to note that the Commissioner of State Revenue has been given the discretion to provide the grant up front at the time of the contract being signed, if in his view that is the appropriate way to handle the arrangement, or

certainly early on in the process of the person moving into his or her home. To that extent the grant differs from those available under previous schemes. Then when purchasing a home one had to go through all the transactions and virtually move in or obtain a certificate of occupancy before one got any money. Indeed the previous arrangements were colloquially known as furnishing grants rather than home owner incentive schemes.

Again, as a result of the introduction of the new tax system even the cost of furnishing a home will probably be less onerous than it has been hitherto. For example, the tax on kitchen appliances is currently set at 12 per cent. Ducted heating, in-built vacuum-cleaning systems, airconditioning, light fittings, carpets and permanent mirrors will all fall in price as a result of the introduction of the new tax system.

The first home owner grant scheme is not like the former so-called furnishing grant. Clause 19 specifically provides for the payment of the grant to offset all or part of any stamp duty that is associated with the purchase of the property. The ability to obtain a \$7000 up-front contribution to the purchase of a first home has some relevance to the amount of the deposit, particularly for young people starting out in life, as well as people in other situations. I point out categorically that the objective of the bill is not to introduce any sort of embellishment of the deposit; rather, it is a compensation package for the GST.

Nevertheless, one of the major barriers, particularly for young people, is saving to assemble the deposit for a first house. I recall my frustration as a young married person in being unable to save at the rate at which housing prices were escalating. I say this for no reason other than that it happens to be relevant, but my winning the Merck, Sharpe and Dohme prize for topping pharmacology in my final year at university gave us the small amount of money — \$500 or so — we needed to enable us to move into the ranks of home owners sooner rather than later. I do not mean to trivialise the grant in noting its relevance to the deposit, but any amount of cash up front can help those in need.

The grant will not be means tested. It clearly has the potential to significantly benefit low-income earners who seek to get a start in life by purchasing at the bottom end of the housing market. The same is true of many in regional Victoria, where the \$7000 may be a significant proportion of the total cost of a home. In that vein, I point out that the government has estimated that first home owners will receive \$193 million. That represents an opportunity for tens of thousands of Victorians, who will be able to enter the home

ownership market because the grant will provide some compensation for the impact of the GST.

I touch briefly on what has been referred to as circular taxation, double taxation or tax on a tax. Whatever name it is given, the principle is absolutely clear. The government's decision that stamp duty will be levied on property transactions inclusive of the GST is to some extent unfortunate because it will erode the value of the first home owner grants. The Minister for Finance said he has a duty to protect the state's revenue base. I understand the government has calculated that if stamp duty is applied to the GST-exclusive price it could cost the state in excess of \$1 million per annum. Consequently the government has determined to levy stamp duty on the GST-inclusive tax on home purchases.

The truth of the matter is that, given the simple arithmetic involved, the government could have adjusted stamp duty to maintain revenue neutrality while passing on the maximum benefit envisaged by the first home owner grant scheme. It is obvious that the government has settled on a combination of temerity and avarice to get the best cut from the transitional arrangements.

The pessimism inherent in that action is also unfortunate. I have already alluded to the need to assist prospective home owners to enter the market and to the intention of the commonwealth-state arrangements to fully compensate first home owners for the imposition of the GST, but the truth of the matter is that the housing market is booming.

The most recent Reserve Bank bulletin shows that the number of monthly home loan approvals in the three months to November 1999 was 29 per cent higher than a year ago and the value of loan approvals was 45 per cent higher over the same period and represented an average increase of nearly \$15 000. Those figures relate to Australia as a whole.

In Victoria the housing boom is nothing short of spectacular. In Melbourne median house prices increased by a massive 20.7 per cent compared with the national average of 10.3 per cent. The Reserve Bank has equated that with the decline in net emigration from Victoria which was the hallmark of the Cain and Kirner years. The simple truth is that the housing sector economy is expanding at such a rate that increasing revenues from stamp duty are entirely compatible with stamp duty being applied to the GST-exclusive price of housing.

It may be that the government anticipates the housing economy shrinking under its jurisdiction. There are predictions that that may be the case. Nevertheless, if there were a spirit of optimism rather than pessimism the government would not be seeking a windfall in stamp duty made possible by the introduction of the GST.

Having made those observations, I emphasise that the first home owner grant has a desirable level of flexibility. It is not means tested. With a flat rate grant of \$7000 where the purchase price exceeds the set amount, the grant is particularly beneficial to low-income groups. The grant will have its maximum impact on cheaper types of housing and will be especially effective in assisting regional and rural Victorians in the purchase of their first homes.

A number of eligibility criteria must be met. To participate in the process an applicant must be a natural person — that is, the scheme is not amenable to transactions involving companies or trusts. The scheme applies only to Australian citizens or permanent residents. Persons who have previously participated in the scheme are clearly unable to re-enter it. Applicants for the scheme must not have had any interest in residential property prior to 1 July 2000. That provision also requires that individuals have not had the opportunity to purchase properties prior to 1 July.

Having received grants and obtained their first homes, applicants are required to occupy their new homes within 12 months except in extenuating circumstances that the Commissioner of State Revenue may be willing to entertain. It is a balanced and fair arrangement, with a number of safeguards. I am pleased to note the special provisions in the bill for disadvantaged individuals. Guardians of disadvantaged individuals are able to make application on their behalf. As one who has worked with people with disabilities of a variety of types, I know one of the great fears parents entertain is that their dependent children will have nowhere to live when the parents move on. The facility enabling guardians to assist the entry of their dependent children into the housing market is particularly worth while.

With those few words, I commend the federal government for the totality of the initiative, which will place Victoria and Australia in a better place vis-a-vis the rest of the world. I commend the bill to the house.

Hon. D. G. HADDEN (Ballarat) — I support the First Home Owner Grant Bill, the purpose of which is to encourage and assist home ownership and to offset the effect of the goods and services tax on home

ownership by providing a one-off grant of \$7000 on or after 1 July 2000.

While it does not support the introduction of the goods and services tax to be introduced by the federal government on 1 July 2000, the Bracks Labor government is obliged to honour the previous government's commitments under the Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations. As part of the intergovernmental agreement the states and territories agreed to assist first home buyers through the funding of a uniform first home owner grant to offset the impact of the goods and services tax on the purchase of a house or the entering into of a contract to build a house, thereby enabling the significant benefit of a \$7000 grant or payment to first home buyers. That will go some way towards making home ownership affordable, especially to those on low incomes.

Each state and territory will implement separate but consistent legislation. The eligibility criteria for the grant will be jointly developed in line with intergovernmental agreement principles. The bill has a number of important aspects. Firstly, eligible applicants will be entitled to a non-means-tested, one-off \$7000 payment or grant, which can be used to offset the stamp duty payable on the purchase contract. Secondly, eligible applicants must be natural persons and Australian citizens or permanent residents purchasing or building their first home in Australia.

The first home buyers scheme will be administered by the State Revenue Office, which also administers the means-tested stamp duty exemption scheme for pensioners, health card holders and low-income earners with dependants. The Victorian government expects to provide substantial grant assistance of an estimated \$193 million in the first year of the operation of the scheme to assist first home owners.

Division 2 of the bill deals specifically with entitlement and eligibility criteria. Clause 5(1) states:

A person is an owner of a home or a home owner if the person has a relevant interest in land on which a home is built.

Clause 5(2) contains a non-exclusive definition of a relevant interest in land, subject to the exceptions in subclause (3). Exceptions in subclause (3) include the holder of the interest not having a right to immediate occupation of the land within 12 months; the person who holds the interest being subject to a trust; and an equitable interest being excluded.

The eligibility criteria for spouses are detailed in clause 6 and include legally married persons or de facto spouses — I note, defined in clause 3 as being of the opposite sex. The Commissioner of State Revenue must be satisfied the applicant is cohabiting at the time of the application.

The eligibility criteria of applicants are defined in clauses 8 to 12 of division 2. Clause 8 deals with the fact that the applicant must be a natural person and not a company or trust. Clause 9 states that an applicant must be an Australian citizen or permanent resident. Under clause 10 the applicant or his or her spouse must not have been entitled to an earlier grant under the act or a corresponding law. Under clause 11 the applicant or applicant's spouse must not have had a relevant interest in residential property in Victoria or another state or territory before 1 July 2000. Clause 12 requires that the applicant must occupy the home to which the application relates as the applicant's principal place of residence within 12 months after completion of the relevant transaction.

This provision protects the scheme for genuine first home owners and not those buying and selling houses for capital gain. The first home scheme will be in addition to the current 100 per cent stamp duty concession for first home owners with houses valued between \$115 000 and \$165 000, tapering off after \$135 000. Both measures will be a substantial and positive boost to the house building industry and to low-income earners and first home owners.

Clause 13 details what is an eligible transaction and sets out the completion date. In essence it is a contract made on or after 1 July 2000 for the purchase of a home in Victoria or a comprehensive home building contract made on or after 1 July 2000.

Clause 14 in division 4 contains criteria for the grant applications to be made to the Commissioner of State Revenue. Subclauses (5) and (6) require applications to be made in the period starting on the commencement date of the eligible transaction and ending 12 months after its completion, but with discretion for the commissioner to extend that period.

Clause 16 is important because it allows a guardian to make an application on behalf of a person under a legal disability, who is regarded as the applicant for the purposes of the eligibility criteria. The amount of the grant is defined in clause 18 as \$7000 or the consideration for the eligible transaction where the value is less than \$7000.

Clause 19 provides that the grant payment can be effected by the commissioner at the time of settlement or after the completion of the eligible transaction, including payment to a nominated person or institution such as a vendor, the builder or a financial institution, and even to offset stamp duty liability. The bill properly provides for repayment of the grant in certain circumstances. Clauses 26 to 34 in division 6 set out the objections and review procedures.

Clause 50 imposes a duty of confidentiality relating to the administration of the act. The penalty for breach of that confidentiality is 60 penalty units or \$6000. A person is prevented from disclosing protected information about the applicant or the applicant's spouse unless with the consent of or at the request of the person to whom the information relates. Clause 50(4) sets out when protected information may be disclosed. Clause 50(5) defines protected information as information of a kind described in section 38 of the Freedom of Information Act, which covers documents to which secrecy provisions apply.

Having been a recipient of a first home buyers grant in the early 1970s I know the huge difference it made to me when purchasing my first home. I commend the bill to the house.

Hon. R. M. HALLAM (Western) — Earlier today the house debated the National Taxation Reform (Consequential Provisions) Bill, and during that debate I commented that the bill had delivered the general provisions of the agreement achieved between the commonwealth on the one hand and the states and territories on the other, which led to what I described as a groundbreaking agreement. I was delighted to be part of the debate. I made the point that further legislation would come before the chamber that was designed to take up individual components of the general agreement, and I instanced the first home owners scheme.

It is relevant to refer to the schedule attached to the National Taxation Reform (Consequential Provisions) Bill, and in particular to clauses 15 and 16 of that schedule, which indicate that there has been agreement to offset the impact of the goods and services tax (GST) by states and territories through the funding and administration of a new uniform first home owner scheme. Clause 16 states:

This assistance will be provided to first home owners consistent with Appendix D to this agreement.

The appendix is attached to the bill, and in advising the house of the position taken by conservative parties it is relevant to go to that appendix.

The principles are set out at page 52 under the heading 'First home owners scheme'. They state in part that the states and territories will undertake to make legislative provisions for the scheme from 1 July 2000, which will incorporate program criteria consistent with certain principles that are set out. They include that eligible applicants will be entitled to \$7000 assistance on application on eligible homes under the scheme and that assistance will be available directly as a one-off payment. If the recipient expressly consents it may be available as an offset against statutory levies and charges or some combination of these. Stamp duty would be a most obvious example.

Further principles stipulate that the applicants must be natural persons who are Australian citizens of permanent residence who are buying or building their first home in Australia, and that an applicant's spouse or de facto must be included on the application. The principles specify that to qualify for assistance neither the applicant nor the applicant's spouse or de facto must have previously owned a home jointly, separately or with some other person. It specifies that the entering into a binding contract, or commencement of the building in the case of owner builders, must occur on or after 1 July 2000 and that an eligible home will be a new or established house, a home unit, flat or other type of self-contained fixed dwelling that meets local planning standards.

It makes the point that it was agreed that an eligible home must be a principal place of residence and occupied within a reasonable period. It stipulates that the assistance will not be means tested, an important component of the agreement. In addition, parties are committed to legislation to make sure that an adequate administrative review and appeal mechanism with provisions to prevent abuse of the system is re put in place. The states and territories undertook to exchange information to identify eligible first home buyers.

The principles make some important points. For example, they ensure that the funding of grants under the first home owners scheme cannot be drawn from home purchase assistance funds provided through the commonwealth-state housing agreement, so there is not any smart way of dodging responsibility or bending the rules.

In addition, the parties to the contract agreed that, consistent with the principles spelt out in the agreement, further details concerning the eligibility criteria would be worked out between the commonwealth and each state and territory. Finally, the states and territories agreed that they would not introduce or vary any taxes or charges associated with home purchases with the

intention of offsetting the benefits of the scheme to recipients.

A clear commitment was given, which was an important part of the general agreement discussed earlier, of which the bill is a product. The opposition has looked carefully at that aspect of the agreement and agrees that the bill meets the commitment.

The opposition notes that in the first year of the scheme the government expects to provide \$193 million to first home owners. The opposition also acknowledges that the commitment to exempt extenuating circumstances from the residence criteria for joint applicants has also been addressed.

On its reading of the bill, and given that it goes into detail about objections and appeal processes, the opposition acknowledges that the Bracks government has faithfully met the commitment given under the general agreement on the grants to be made available to first home owners. On that basis, the opposition is delighted to support the bill.

Hon. S. M. NGUYEN (Melbourne West) — I am delighted to speak on the First Home Owner Grant Bill. Before doing so, I congratulate you, Mr Acting President, on your first time in the chair and wish you well.

The purpose of the bill is to assist first home owners by providing each of them with a \$7000 grant to buy their first home after 1 July 2000. The bill has been introduced as a result of an agreement between the commonwealth, state and territory governments. Earlier today the house debated the National Taxation Reform (Consequential Provision) Bill, which also resulted from the intergovernmental agreement.

The First Home Owner Grant Bill is designed to assist first home buyers by offsetting the impact on them of the goods and services tax (GST). The framework principles on which the first home owner grant scheme is based are set out in the intergovernmental agreement. The scheme will commence on 1 July 2000 and will apply to a person who enters into a contract to purchase or build a home on or after that date.

In Victoria the scheme will be administered by the State Revenue Office, which also administers a means-tested stamp duty exemption scheme, which will continue to operate. The government estimates that more than 27 000 applications for the grant will be approved in Victoria in the first year, 2000–01, during which it will provide \$193 million in grants to Victorian first home owners.

The first home owner grant criteria have been developed in line with the intergovernmental agreement. The scheme will provide one-off grants of \$7000 to eligible persons who are buying or building their first homes. Applicants for the grant will not be means tested. Owner builders will be eligible for the grant if construction on their homes commences on or after 1 July 2000. Commencement is taken to occur when the builder lays the foundation for the home. The home has to be a fixed dwelling, and the applicant must have a title to the land or other acceptable security of tenure.

To be eligible to receive the grant, the applicant must be a natural person and an Australian citizen or permanent resident. The applicant must not have previously held a relevant interest in a residential property prior to 1 July 2000. The applicant must live in the house within 12 months of purchase. The scheme does not apply to investment properties or to a person who buys a house and rents it out to someone else.

The bill will help the housing industry move ahead. The government estimates that the scheme will create approximately 6000 jobs for tradesmen and builders. Many people are talking negatively about the GST, and many home buyers are thinking they will not buy or build a house after 1 July because they will have to pay an extra 10 per cent on the price. The bill is designed to help first home buyers and enable the industry to grow stronger after the introduction of the GST on 1 July.

Suburbs in the inner west such as Footscray, Yarraville and Williamstown are becoming some of the most expensive places in Victoria to live. Prices have greatly increased in those areas. Last Saturday's property guide in the *Age* refers to the fact that some houses in Footscray are worth up to \$500 000. Many people in my electorate used to live in or rent houses in the Footscray area, but they cannot afford to live there any more. They have moved out to the west because houses have become too expensive in that area. People have moved to Ardeer, Hoppers Crossing, St Albans, Deer Park, Sunshine West and some parts of Melton. There is a great deal of land for sale, so this scheme is important for people who are renting and want to buy new houses at affordable prices. The scheme will assist people who are having difficulty buying their first homes.

The applicant is required to repay the grant if he or she does not occupy the home within 12 months of completing the transaction. That provision prevents people from abusing the system by obtaining the grant when they have no intention of living in the home they purchase.

In the past few months many people have contacted real estate agents and financial advisers and written letters to newspapers seeking advice on whether they should buy a home before or after 1 July. After 1 July a purchaser will have to pay an extra 10 per cent on services but will be eligible for the \$7000 grant. The question is whether it is better to buy the house before the 10 per cent increase but without receiving the \$7000 or to wait until after 1 July. Many people are waiting to see what will happen on 1 July.

The bill is designed to offset the negative effects of the introduction of the goods and services tax on 1 July this year. It is important that the legislation is passed because it will assist Victorians struggling to buy their first homes and will benefit the housing industry.

Hon. R. H. BOWDEN (South Eastern) — I support the bill because Australia has a proud record in home ownership. By world standards the level of home ownership in Australia is high and has consistently been high. It is an interesting and positive characteristic of Australians that we aspire to own our own homes. That aspiration should continue to be encouraged in every practicable way.

In many ways the bill is consequential to the important and fundamental goods and services tax (GST) legislation that was debated earlier today. The GST legislation will have an impact on the cost of new dwellings and the bill is therefore an important and valuable consideration in maintaining home affordability for people acquiring their first homes.

In the electorate I have the honour to represent there is a great deal of domestic home construction in Cranbourne and parts of Mornington. Right across South Eastern Province a considerable number of dwellings that one would logically expect to be purchased by first home buyers are being constructed.

I am pleased that is the case because I am a strong believer in encouraging the formation and maintenance of families. Home affordability makes an enormous positive contribution to that desirable social result.

An outstanding feature of the legislation is that \$7000 is to be made available on or after 1 July for first home owner applicants who are able to qualify for the purchase of a new home or for a contract that is entered into on or after 1 July or, in the case of owner-builders, where construction commences on or after 1 July.

The bill has been well crafted because it ensures that people who are intended to be assisted are assisted while at the same time ensuring through various

provisions that the people who do not qualify are able clearly to understand why they do not qualify.

The bill has some good aspects. The fact that the grant is not subject to a means test is an admirable feature. The consistent approach taken is that states and territories will not introduce offset taxes and charges to reduce the benefits, which is very important. It is not a case of giving with one hand and taking away with the other. The grant is intended to be a benefit to persons who qualify, and it is not to be offset with other taxes and charges. That approach is extremely important to maintain community confidence in the GST legislation, to fulfil community expectations and to meet the moral commitment to the community.

It has been estimated that the legislation will cost \$193 million in the first year, so it is a substantial commitment. On the other hand it is a good investment in the community and provides assistance to families who are acquiring their first homes, and that is an excellent goal.

I shall take the time to highlight some features of clauses 8 to 12, which are extremely important. The applicant must be a natural person. The grant will not be available for home purchases by trusts, companies or investors. The grant is available only to natural persons who wish to acquire their first homes.

The grants are only available to Australian citizens or permanent residents. The bill clearly specifies citizenship and residential qualifications so that confusion, disappointment and ambiguity will be avoided. It is clear who is and who is not eligible. The bill provides that the applicant or the applicant's spouse must not have previously received a grant under the scheme. Therefore, it is not possible to receive multiple grants over a period. Through the sentiment of the legislation the genuine applicants have been carefully targeted as those people to assist.

Clause 16 will allow a guardian to make an application on behalf of a person under a legal disability. It is a positive contribution to the desire of the legislature to assist people in the community with genuine disabilities. The bill also provides that people with other types of disabilities can be considered for grants of \$7000 in the appropriate circumstances. That is good and means that someone who requires assistance through a guardian is not disadvantaged and has access to the \$7000.

Payment to a third party is facilitated through clause 19 and through various contracts, arrangements and agreements, which are sometimes complex. The bill

allows for that payment to be made to the applicant or, at his or her direction, to a third party, on a clear contractual basis so that there is adequate tracking and recording of the payment and that proper supervision occurs. That is fair and reasonable and is what the community would expect.

The State Revenue Office will administer the scheme in Victoria. The office has a good track record and is a respected organisation within the government sphere. It is certainly an appropriate office to assist with supervision of the scheme. The State Revenue Office has the ability to also supervise the imposition of stamp duty and other duties, so if various adjustments need to be made from time to time they can all be made within the State Revenue Office. Administratively, that is a good feature of the bill.

Clause 13 is a helpful clause because it clearly defines an eligible transaction. Clause 14 sets out the requirements for a grant application. Clause 38 is important. It allows the Commissioner of State Revenue to enter into agreements with the finance industry connected to contracts with which the purchasers or the builders may be associated. That allows for the acquisition of the home, or the dwelling, and it allows the paperwork to be done. Interestingly, a desirable feature of the bill is its trying to accommodate as many combinations of practical and real world situations as one could reasonably suggest.

Clause 50 is extremely important because it relates to confidentiality. Acquiring one's first home is an exciting time. It is also a stressful time. It has been said that the purchase of a home and a car are the two main purchases one may expect to make in one's lifetime. Confidentiality is extremely important. The confidentiality provisions contained in clause 50 are helpful in maintaining confidence in the intent of the legislation. I am pleased to have been able to make my positive comments and I wish recipients of the loans all the best in the acquisition of their first homes.

Hon. JENNY MIKAKOS (Jika Jika) — I support the First Home Owner Grant Bill. As I mentioned earlier today during the debate on the national taxation bill, the intergovernmental agreement entered into by the previous government commits the Bracks government to the introduction of various measures related to the introduction of the goods and services tax (GST). One of those measures relates to the first home owner grant scheme. I am particularly pleased to support the introduction of the scheme because my experience is, after discussions with numerous constituents, that home ownership in this country is becoming more difficult to achieve, particularly in my

electorate where a large proportion of people are still in the rental market. The great Australian dream of home ownership remains unattainable for many.

The introduction of the GST will have a significant impact in my electorate because building industry and trades people constitute the second largest industry grouping in the electorate. I will follow the impact of the GST on the Victorian construction industry and on trades people in my electorate with interest.

As I said at the outset, home ownership is becoming an unattainable goal for many, particularly young people. The introduction of superannuation is a commendable outcome for young people, but increasingly superannuation and other commitments are not allowing young people to collect the necessary deposit to buy their first homes. The introduction of the scheme will not affect the current concession available to first home owners in Victoria, which is means tested and is limited to homes under a particular value. The terms of the intergovernmental agreement essentially set the specific parameters under which the scheme is introduced. I note that the intergovernmental agreement provides that assistance under the first home owner grant scheme is not to be means tested. My personal view is that such financial assistance should be means tested. However, we are constrained by the model legislation which I understand was drafted in South Australia and introduced in this state under the terms of the intergovernmental agreement.

I turn to the specifics of the bill, although they have been adequately addressed by a number of honourable members, including the Honourable Sang Nguyen and the Honourable Dianne Hadden. Eligibility for the grant will not be subjected to any means testing, but the bill includes a number of eligibility criteria. The key requirements relate to Australian citizenship or permanent residency, a requirement that a person not have obtained a grant previously or been eligible to have obtained such a grant, and that an applicant be a natural person. A particular aspect of the bill that I support is that the grant is not available to properties held by trusts.

The bill contains requirements that cause some concern, in particular the requirement that a person obtaining a grant be required to reside in a property within 12 months of the eligible transaction. There is no requirement that the person continue to reside in that property for a specific duration. I will watch with interest to see how negative gearing impacts on the take-up of the scheme, particularly as it will be possible, for example, for an applicant to reside in a

house for one week, move out and then negatively gear the property.

The bill has many provisions, the details of which have been covered by other honourable members. I thank the Minister for Finance for introducing in the other place a number of amendments that related to self-incrimination and other issues that were reported on by the Scrutiny of Acts and Regulations Committee, of which I am a member, in its *Alert Digest* No. 3 of 2000.

In conclusion, it is important to note that in the first year of operation of the scheme an estimated 27 500 applications will be lodged and \$193 million will be paid to the applicants. The take-up of such a scheme demonstrates the strong desire by Victorians to achieve home ownership and exemplifies the difficulties they now face in gaining it. The fact that the grant will be available only to a person who purchases a house, the contract of sale having been entered into on or after 1 July next or, in the case of builders, where construction commences after that date, as the Honourable Sang Nguyen has pointed out, will have a skewed effect encouraging people to delay home purchase or building during the final few months of this financial year until the next financial year so as to obtain the benefit of the grant. Nevertheless, as is apparent from the huge construction boom being experienced in Victoria at present, most people are trying to avoid the impost of the GST by getting in early to buy or complete construction of their homes before 1 July.

I support the bill. As has been said by other government members, the scheme has been introduced as a total package because of the GST, but this aspect has my wholehearted support.

Hon. R. A. BEST (North Western) — It gives me pleasure to support the First Home Owner Grant Bill. As all honourable members will be aware, as of 1 July next the construction or sale of new homes and their repair or renovation will be subject to the goods and services tax (GST). Undoubtedly that will lead to higher prices for established houses and to increased costs to construct new houses. The federal Treasurer has forecast a hidden tax burden of about 5.3 per cent to construct new houses and about a 4.7 per cent increase in the prices of existing houses. The sale of existing houses may attract higher prices, but the consequence is that first home buyers who are trying to enter the market will be met with higher purchase prices.

The agreement struck by the federal government, all states and territories aims to implement a uniform first

home owner grant scheme. I commend that aim because the great Australian dream still is to own your own home. The grant that is the subject of the bill will apply to all contracts entered into after 1 July 2000. The \$7000 grant per successful application will assist in making some houses more affordable, particularly for low-income purchasers. Eligibility for a grant will not include a means test but the \$7000 will benefit purchasers of lower valued homes.

That component of the scheme interests me because before the change of government at the last election I had been chairman of the Long Gully Redevelopment Committee. Long Gully, a suburb of Bendigo, is an example of the traditional public housing estates that are scattered throughout Victoria. Unfortunately, such areas bring with them a range of other problems aside from the physical infrastructure and estate designs. The Long Gully estate has approximately 309 dwellings: 30 per cent are privately owned and the remaining 70 per cent are public housing stock. The estate is not representative of the percentage of home ownership and private home tenancy in other Bendigo suburbs. The committee tried to address the social problems that came with the density of public housing in a particular location.

The former Minister for Housing, Ann Henderson, asked me to chair the committee. I set out to get as wide a cross-section of the community as possible on the committee. I approached and received the cooperation of ministers representing Bendigo churches, and obtained representation on the committee from the City of Greater Bendigo.

The committee comprised tenant agencies, groups and tenants from Long Gully estate. I put on record the role played by a local tenant, Ms Hunt, who not only contributed to the outcome of representations but also disseminated information as the committee went through the various stages towards its final report. The committee also comprised representatives of the Real Estate Institute of Victoria, the police and the Department of Human Services. Not only did it examine the physical nature of the stock it also addressed the social problems of the estate because of the density of the public housing.

One of the problems was that there were too many three-bedroom units on the estate and that did not match the needs of those on the waiting list. Many people required one or two-bedroom units. However, in many cases the three-bedroom units had either a single person or a married couple living in them so their use was not maximised. The committee also wanted to change the mix of public and private ownership within

the estate. Currently it has 30 per cent private ownership and 70 per cent public. The committee's recommendation to the government — I am delighted that it has been accepted by the current minister — is to reverse that and provide 70 per cent private ownership and 30 per cent public ownership. That will diminish the social problems and assist not only with getting older people but also young first home buyers into the estate to change the social mix.

The committee also made a number of recommendations about converting the current three-bedroom houses into one and two-bedroom accommodation. It also suggested there should be some demolition of the fibro-cement homes to release land to private investors to construct and sell one and two-bedroom units to get a greater influx of private ownership into the estate.

The committee also looked at selling some of the houses within the estate to long-term residents. It is that component of the grant scheme that is of importance to me. Although the committee did not want to reduce the number of public housing units it wanted to look at the way in which it could assist more home owners to occupy accommodation within the estate. Currently homes are not expensive. Valuer-General valuations range between \$55 000 and \$65 000. The first home owner grant of \$7000 gives people the opportunity to obtain commercial home loans to purchase accommodation. The current qualifying period is about seven or eight years. In future many who are currently renting properties will have the opportunity of purchasing them. That will assist in changing the mix of private and public residents in line with other suburbs in the Bendigo area. A grant of \$7000 is a significant amount of money for a first home buyer and provides an opportunity to purchase a home.

On 8 March I received a letter from John Gaffney, director of the Housing Industry Association (HIA), about the association's attitude to the scheme. He states:

I can say that the only major concern that the HIA has is that the \$7000 is included as an early payment in respect to the contract for construction of a new home. At the very least, the \$7000 must be included in the equation to establish the eligibility for approval with a home finance lending authority. If this is not the case, then the \$7000 would merely become a 'bonus' payment at the end of a construction project and be frittered away on a holiday or soft furnishings. The original intent of the \$7000 was to assist in bridging the deposit gap which has widened significantly with a GST impost on housing. (HIA figures indicated that the new homes will increase by 8 per cent as a direct result of the GST.)

That reaffirms the HIA view that the \$7000 grant should be a component of the deposit required to enter the home ownership market.

I put on record my disappointment that although this is a federal–state government initiative entered into by all states, it was recognised in the lead-up to the introduction of the goods and services tax that Labor Party policy at the last election did not point to any stimulation of the housing market beyond 2000. That is of concern to the construction industry.

The bill highlights the importance of public tenancy, which I support. My mother and father moved to West Heidelberg to purchase a ministry home in 1947. My mother, who still lives there, owns the home. I am aware of the term, ‘Your home is your castle’. In reality, there is nothing in Labor Party policy that will stimulate the construction industry beyond 2000. I am fearful that a policy vacuum exists. The Labor Party should encourage home ownership because it is the Australian dream and the aspiration of many young people. Although I support the bill, I put the government on notice that it has a responsibility to implement policies that will meet the aspirations of every young Victorian to gain home ownership.

Motion agreed to.

Read second time.

Third reading

Hon. C. C. BROAD (Minister for Energy and Resources) — By leave, I move:

That this bill be now read a third time.

I thank honourable members on both sides of the house who contributed to the debate on the bill, which establishes a new uniform first home owner grant as a result of the impact of the goods and services tax on home purchases.

Motion agreed to.

Read third time.

Remaining stages

Passed remaining stages.

ADJOURNMENT

Hon. M. M. GOULD (Minister for Industrial Relations) — I move:

That the house do now adjourn.

Quantum Community Care

Hon. P. R. HALL (Gippsland) — I raise for the attention of the Minister for Small Business in her capacity as the representative of the Minister for Community Services in another place a decision by the minister to terminate Quantum Community Care’s contract for the provision of residential services for people with intellectual disability in the Gippsland region and instead award the contract to the Yooralla Society of Victoria. I make it clear that I am not questioning the quality of service that Yooralla may provide. But I join with many of my constituents in expressing disappointment with the decision to terminate Quantum’s contract.

Quantum is a local organisation with an excellent record in providing welfare, residential and youth services in Gippsland. Since 1996 it has been delivering residential care services in group houses in Wonthaggi, Sale and Lucknow under contract to the Department of Human Services.

The decision is puzzling, given that the department has raised no concerns about the quality of the service Quantum has delivered. Indeed, the residents and their families have expressed great satisfaction with the service. The decision is of concern because of the unsettling effect that a change in carer invariably has on people with intellectual disabilities. Also, there has been no consultation with the residents, which I believe is required under the disability services standards.

I am also concerned about the potential loss of employment for Quantum’s 26 full-time, part-time and casual employees. There is no guarantee that they will have ongoing employment with the new care provider. The loss of the services also threatens Quantum’s ongoing viability because the contract represents nearly half the services it delivers in the Gippsland community. Finally, the decision is contrary to the government’s claim to support locally based, regional employers.

I ask the minister whether the decision to terminate Quantum’s contract can be reconsidered given the excellent record Quantum has in delivering services over the past three and a half years.

Housing: Ballarat

Hon. D. G. HADDEN (Ballarat) — I raise with the Minister for Small Business, who represents the Minister for Housing in the other place, an urgent matter that concerns two constituents, a husband and his wife, who live in Creswick and who have applied

for a transfer from a public housing home in Creswick to one in Wendouree West, Ballarat. The application was made last September on the grounds of the intellectual and physical disabilities of both constituents. They were led to believe that their application had been successful, but now they have been informed that they will be on a waiting list until 2004.

The reason for their applying for the transfer to Wendouree West, an area that has an abundance of vacant public housing, is that the husband requires regular visits to hospital for injections for a chronic condition. They rely on the bus to travel to hospital in Ballarat, which is exacerbating the husband's condition. Now they have been informed that if they want to have their application reviewed before 2004 they must lodge an appeal application. Because of their disabilities they do not understand how to go about it.

I ask the minister whether their application for a transfer can be reviewed by the appropriate office in Ballarat on the grounds of their physical and intellectual disabilities and their extreme and special health and welfare needs.

Police: Eltham station

Hon. C. A. FURLETTI (Templestowe) — I ask the Minister for Sport and Recreation to take up with the Minister for Police and Emergency Services in the other place an issue concerning the proposed new Eltham police station. In May last year, the then Kennett government allocated \$600 000 in its 1999–2000 budget for planning and feasibility studies for a new police station at Eltham. The then government committed \$4.2 million in construction funding, which was to have been allocated in next month's 2000–01 budget. On 21 June last year, together with Wayne Phillips, the honourable member for Eltham in the other place, and the Nillumbik shire president, Cr Bill Penrose, I met with the then Minister for Police and Emergency Services, the Honourable Bill McGrath, to confer on an appropriate site for the facility. At that meeting the indication was that a site for the new police station would be chosen by the end of September.

Extensive consultations have taken and continue to take place between the Department of Justice, police command and the local police on the most appropriate site that satisfies police requirements. At one stage it was pointed out that it is for police command to choose the site that best suits the police force.

As recently as 7 February I had the opportunity, together with the honourable member for Eltham in the other place and the Leader of the Opposition, to inspect the appalling conditions at the current Eltham police station and to discuss with the police officers the sites which they prefer and on which they had consulted with police command. Nillumbik council has consistently had an aversion to making available not only its old shire office site but an adjoining area in Main Road, Eltham, which coincidentally happens to be police command's preferred site for the proposed new facility. When that was raised in consultations last year, the shire president strenuously rejected any prospect of agreeing to what police command considered to be an appropriate site for a new station. At its last meeting as recently as 29 March — that is, last week — the council rejected not one but two proposed sites that the police sought — namely, the old shire council site and the adjoining site.

Given that the Minister for Police and Emergency Services is on record while in opposition as saying that the construction of a new Eltham police station is a priority, I ask him to support the use of the sites preferred by police command, which have been chosen after more than 12 months consultation and evaluation. I ask him to use his influence to convince the Nillumbik Shire Council to cooperate with the government and police command in the best interests of public safety and the community, rather than pursuing, at extravagant expense, ineffective and egoistic projects.

With all that in mind, will the Minister for Police and Emergency Services assure the residents of Nillumbik and the north-eastern suburbs that the funding allocated by the former government to establish a new police station in Eltham will remain available, notwithstanding the delay caused by the Nillumbik council? Will he guarantee that the funding allocated for a new police station at Eltham will not be used for his pre-election promise to build a police station in Diamond Creek?

Roads: speed limits

Hon. S. M. NGUYEN (Melbourne West) — I raise a matter with the Minister for Energy and Resources, representing the Minister for Transport in another place. As all honourable members are aware, deaths on our roads have long-term consequences and emotional effects. The City of Maribyrnong has recommended that the speed limit be reduced for roads that have been identified as accident black spots at the local level. I ask the minister to advise on the effect of reducing the speed limit on local roads in assisting in the reduction of the road toll.

St Kilda: street prostitution

Hon. P. A. KATSAMBANIS (Monash) — I raise with the Minister for Small Business, representing the Attorney-General in the other place, street prostitution in my electorate and especially in the area around St Kilda. Street prostitution occurs almost around the clock in St Kilda, and that is an important issue to residents.

Honourable members may not be aware of the situation that has developed over the past few years. In some residential streets in St Kilda there is so much street prostitution that residential roads are almost like freeways, especially at night. That may be a laughing matter for some members, but it is not for residents of St Kilda, particularly women.

My electorate of Monash Province has the highest proportion of single women living alone. Women living in St Kilda and going about their ordinary business can on almost any day be accosted by men soliciting people for the purposes of prostitution. Members opposite should not laugh when such an important issue is raised in this place.

Honourable members may not be aware of the issue because it is not publicised, but street prostitution is of great concern to many people in my electorate, particularly women. They feel unsafe when simply going about their lives — working, trying to catch a tram or carrying out their daily business — because they are often accosted by men soliciting them for prostitution services.

Street prostitution is not a new issue, but unfortunately the trade seems to have moved from the main streets and commercial or industrial precincts to largely residential areas, which to a great extent affects residents and their right to enjoy their property and lifestyle.

A number of possible solutions have been proposed recently. I seek urgent clarification from the minister of the government's position regarding a solution for those people who believe the conduct of street sex work in residential areas is not appropriate.

Victalent

Hon. E. C. CARBINES (Geelong) — I refer the Minister for Youth Affairs and Minister for Sport and Recreation to the funding guidelines for the popular Victalent program. Athletes who live on the Bellarine Peninsula in towns such as Queenscliff, Marcus Hill, Drysdale, Clifton Springs, Indented Head and St Leonards have been ruled ineligible for funding

because Victalent guidelines specify that applicants residing further than 60 kilometres from the Melbourne General Post Office are ineligible to apply. Could the minister clarify that important issue for the many talented athletes who live in my electorate of Geelong Province?

Roads: rural maintenance

Hon. B. W. BISHOP (North Western) — I raise a matter with the Minister for Energy and Resources, representing the Minister for Transport in another place. For some years developments in rural Victoria have outstripped the capacity of local roads and bridges. There are many examples of the development that is taking place throughout the state — tomato growing in Boort, various industries in the Shire of Buloke and a big expansion of irrigated horticulture. Dust on vegetables is a real problem.

The road to the gypsum pits in the Hopetoun area in the Shire of Yarriambiack was featured in the *Weekly Times*. It is running a series called 'Road to ruin' on the worst local roads in Victoria. The average delivery distance of gypsum from the pit is about 100 kilometres. In 1996–97 when the last survey was undertaken, some 364 000 tonnes were taken from the pit. Gypsum is used to improve soils in agricultural areas.

It is interesting to note that during that year the fuel excise and sales tax paid to the federal government was over \$700 000. The state tax was over \$300 000, of which the royalty on the gypsum was more than \$100 000. Some \$300 000 was allocated under the Better Roads program for the construction of a bypass to improve the safety of the area. The local contribution from the people who own the pit is 20 cents for each tonne of gypsum that is transported on that road. The Yarriambiack Shire Council has made it a planning permit requirement that local users contribute to the upkeep of the road.

Developments in rural and regional Victoria are outstripping the capacity of the roads and bridges to cope. Can the minister urgently develop a program so those worthwhile developments can proceed immediately?

St Kilda: parking

Hon. ANDREA COOTE (Monash) — I raise a matter with the Minister for Sport and Recreation, representing the Minister for Planning in another place. Much has been said recently about parking in St Kilda. I draw to the attention of honourable members the

possibility that up to \$1000 will be charged for a parking permit for a third car in St Kilda. Parking in the area is a huge problem for residents, traders and tourists at weekends. It has been suggested that to ease the traffic situation at weekends people park their cars on St Kilda Road and catch trams to St Kilda.

Local newspaper articles have suggested that the government is discussing the issue with representatives of the tramways. I would like to know whether the position of residents and businesses is being discussed with the tram companies and whether a decision will be made. I ask the minister whether he can assure local businesses and residents of St Kilda that such a plan will be implemented and, if so, when that will happen.

Goulburn Valley Highway: Shepparton bypass

Hon. E. J. POWELL (North Eastern) — I raise with the Minister for Sport and Recreation, representing the Minister for Planning in another place, the matter of planning for the Goulburn Valley Highway bypass at Greater Shepparton. The bypass is a federally funded road but the planning for it has been a state government responsibility. The road is vital to people in country Victoria and has a high volume of traffic. Transport companies, of which there are many in my area, have vehicles that travel regularly to and from the Melbourne market and the port of Melbourne. That includes petrol and milk tankers as well as trucks transporting fruit, food and livestock.

I was a member of the environment effects statement consultative committee, which in 1994 examined the various routes to bypass Shepparton. At that stage seven routes were identified and examined thoroughly. Three routes were chosen — the east, the west and the central routes — for further examination in conjunction with the consultants, Ove Arup and Partners, which worked with the committee for many years.

The former coalition government supported the western bypass route, although it had to be modified to take in environmental issues concerned with the bypass. That route was also supported by the City of Greater Shepparton and the three local members of Parliament — the honourable member for Shepparton in the other place, Don Kilgour, Mr Baxter and me. The decision on the preferred route was put on hold during the election period and with the change of government further delays are to be expected. The new government supports the western alignment, but with some modifications. Many of my constituents have had their lives and businesses on hold for long enough and are now saying a decision is needed.

I ask the minister to treat the matter with the utmost urgency and decide on the preferred bypass route so that people living along the route can make decisions about the future and get on with their lives.

Police: Olinda station

Hon. W. I. SMITH (Silvan) — I raise with the Minister for Sport and Recreation, who represents the Minister for Police and Emergency Services in the other place, an issue I raised on 24 November last year regarding the Olinda police station. I have not yet received a reply and I ask the minister to pursue the matter so that I do.

Monash: councillor eligibility

Hon. ANDREW BRIDESON (Waverley) — I raise with the Minister for Energy and Resources, who is the representative in this house of the Minister for Local Government, the eligibility of a successful candidate at the City of Monash council elections. One of the successful candidates appears to be enrolled on three voter lists and, accordingly, appears ineligible to be a member of the council.

Mr Paul Klisaris, a Labor Party member, has publicly stated that he lives at Sycamore Street, East Malvern. He is enrolled to vote at federal, state and local government elections at 13 Warrigal Road, Oakleigh, a day child-care centre. Mr Klisaris is a director of the company the registered address of which is not 13 Warrigal Road Oakleigh, but unit 11/1761 Dandenong Road, Oakleigh. The property is owned by Vicroads, so Mr Klisaris is not even the owner of the property, but is leasing it. Clearly he is not an occupier because he does not live or sleep at the day care centre. I ask the minister to investigate the eligibility of Mr Klisaris to sit as an elected member of the Monash City Council.

In the Oakleigh–Springvale *Times* of 8 March an article states that the Labor Party is so concerned about the issue that it is conducting an internal inquiry into the bona fides of Mr Klisaris's address. It raises a further issue of whether he is eligible to vote in state or federal elections because obviously he has given an incorrect address.

Gas: Colac supply

Hon. PHILIP DAVIS (Gippsland) — I raise for the attention of the Minister for Energy and Resources an issue relating to natural gas at Colac. An honourable member for Western Province, Mr Roger Hallam, raised the same issue on 24 November last year when he sought advice from the minister about contracts that

were established with the sale and privatisation of the gas system and a specific contract in relation to Westar and TXU Ltd that requires the Colac township to be connected to the natural gas main link by June 2001.

The minister responded in part that she would examine the contracts, and I am sure she would have done that. Subsequent to that the Colac-Otway Shire Council wrote to the minister on 22 December last year. The letter states, in part:

... a contract of sale condition between Westar and TXU Ltd was proposed that would require that firm to connect the Colac township to the south-west natural gas main by June 2001. We seek your confirmation that this contract condition was included.

... we would seek a review of the timing of implementation of this critical infrastructure development ...

We would be willing to meet with you at any time to talk further to this request, should you be prepared to accept a council deputation.

I understand there has been no response to that letter today. I raised this matter on 22 March, when I said in part, as reported in *Hansard*:

Will the minister confirm that Colac will be connected to the gas by grid by 2001 ...

The minister's response was, in part:

I am willing to examine the contracts signed by the previous government and to see what can be done about ensuring they are fully complied with.

Will the minister confirm that she has reviewed the contracts and can therefore advise the status of the natural gas connection to Colac? I ask that the implementation of the timing be expedited.

ECHO

Hon. N. B. LUCAS (Eumemmerring) — I raise for the attention of the Minister for Sport and Recreation a youth ministry, ECHO, initiated by and operating under the auspices of St Mark's, Emerald, under the leadership of the Reverend Peter Crawford. The ECHO organisation is the second-largest Anglican agency in Victoria working with teenagers and is very ably headed by Wayne Collins, Rhiannon Dowding and Alan Ashmore, the administrator. It undertakes a range of programs with young people, including camping programs, crisis intervention visitation work, life skills programs, counselling without waiting lists, placing teens in full-time and part-time work, peer support programs, Friday night youth outreach events, young leaders training to reach their peers, and weekly contemporary church services for teenagers. ECHO is

also involved in the provision of emergency respite accommodation for young people in need.

The outcomes of the programs have resulted in improved family relationships, improved confidence among young people and an increased sense of self-worth. ECHO is also involved in parent-specific programs such as counselling support groups for parents of teenagers in crisis, family mediation and education, including the program on how to drug proof your kids.

I note in the annual report that the young people coming to this group come from a wide area across the hills, stretching from Emerald to Cockatoo, Gembrook and beyond. The organisation relies on grants from the government. An important part of its work is in ensuring that it gains sufficient funding to continue its excellent programs.

I am obviously impressed with the group, representatives of which have in recent years appeared before a Senate standing committee on youth activities. In layman's terms it is seen as a group that knows what it is doing. Its members come from a Christian background and believe in the idea that God can help teenagers build solid lives and solid futures.

Having said all that, I ask the minister to undertake to familiarise himself with the excellent work of ECHO prior to visiting Emerald in the next month or so to view first hand the activities of this successful youth organisation.

Australasian Public Sector Games

Hon. B. C. BOARDMAN (Chelsea) — It is with a great deal of disappointment that I refer to the Minister for Sport and Recreation a matter that demonstrates yet again the government's lack of commitment to following through on any policy challenge that comes its way. It concerns the challenge I issued in the house on 22 March, when in response to his consistent and ongoing publicising of the Australasian Public Sector Games I invited the minister to participate in a swimming relay race.

I inform the minister that 13 days have passed since I issued the challenge. During that time the matter has been mentioned in at least three major articles in the mainstream newspapers as well as on radio, and it has attracted substantial interest from other journalistic outlets. The matter was even raised at the Liberal Party's state council meeting, of which I am sure the minister will be aware.

In case the minister has forgotten what transpired on 22 March, I will refresh his memory. He said that he is always happy to take up a challenge but that he needed to consult with his colleagues, which is fine. However, I asked him whether he would try to form a team, and his response was yes, that he would try to do so.

I inform the minister that members of the Liberal–National Party team have been training hard over the past 13 days and are ready to take up the challenge. However, we are utterly disgusted by the silence of the minister and the government on the matter. Will the minister tell us tonight whether he will stand by his words of 22 March and come good on his promise to provide a team for the challenge relay, to be held as a demonstration event at the Australasian Public Sector Games?

Growing Victoria Together

Hon. BILL FORWOOD (Templestowe) — I refer the Minister for Small Business to an issue I raised with her in question time today, when I asked her how many representatives of small business attended last week's Growing Victoria Together summit. While the response to my question may have been apposite, it was hardly precise, so I will approach the issue from a different direction. Would the minister care to name the representatives she believes represented small business at last week's summit?

Sport and recreation industry awards

Hon. A. P. OLEXANDER (Silvan) — I refer the Minister for Sport and Recreation to the sport and recreation industry awards, which I am sure the minister is aware have been successfully run in May every year since 1997. They encourage, recognise and reward achievement across the Victorian sport and recreation sector. The awards are specifically designed to encourage innovation, the adoption of effective and efficient practices and improvements in the quality of the services the sector offers.

A sporting body in my electorate alerted me to the situation when it came to me with concerns that this year's awards had been cancelled. The body had intended nominating itself in one of the categories. As a result of inquiries my office made of Sport and Recreation Victoria I have ascertained that the awards have not been cancelled but have been postponed for three months until 17 August.

I ask the minister to clarify the reasons for the delay and to assure the house that none of the corporate sponsors that participated in last year's event and contributed

financially to it has pulled out. Will the minister advise what steps he has taken to secure corporate sponsorship for these important awards this year and in future years?

Electricity: Yallourn dispute

Hon. D. McL. DAVIS (East Yarra) — Will the Minister for Small Business confirm that her department undertook estimates of the economic impact of the recent electricity dispute on small business, and will she reveal the economic cost of the dispute to Victorian small businesses?

Commonwealth Games: swimming

Hon. M. A. BIRRELL (East Yarra) — During question time today I asked the Minister for Sport and Recreation about the site for the swimming competition in the 2006 Commonwealth Games. The minister said two sites were under consideration, one being what I believe is a temporary infill pool at the National Tennis Centre at Melbourne Park and the other being the Melbourne Sports and Aquatic Centre, with temporary seating. As I understood it, the government is also considering a third alternative site. I seek the minister's advice as to whether other sites are being considered apart from the two he mentioned in question time.

Responses

Hon. C. C. BROAD (Minister for Energy and Resources) — The Honourable Sang Nguyen raised a matter for the attention of the Minister for Transport in the other place regarding the road fatality rate in the City of Maribyrnong. He requested that the minister advise him of his response to recommendations from the City of Maribyrnong on reducing speed limits on some local roads that have been identified as having high accident rates. I will refer that matter to the Minister for Transport.

The Honourable Barry Bishop raised for the attention of the Minister for Transport in the other place the capacity of rural roads and bridges. He requested the minister to urgently develop a program to improve roads such as the one he described at Hopetoun. I will refer the matter to the Minister for Transport.

The Honourable Andrew Brideson raised for the attention of the Minister for Local Government in the other place the eligibility of a candidate, Mr Klisaris, to stand for election to the Monash City Council at the recent local government elections. He requested the minister to investigate the candidate's eligibility. I will refer that matter to the Minister for Local Government.

The Honourable Philip Davis raised a matter regarding natural gas connections at Colac, which he said had been raised previously. Unfortunately I have not received advice on that matter from the Department of Treasury and Finance, but it is one I will be urgently pursuing.

I am aware of general advice on the contracts and of the government's view that regardless of whether they may since have been on-sold as a result of changed ownership arrangements where contracts clearly include those sorts of commitments, as quite a number did, they should be honoured. Although legally speaking they are matters for the parties to sort out, including through court proceedings if necessary, the government will want to make clear its view that the contracts should be honoured. The government will investigate whether there is anything it can do to support that view. The issue of whether the timing under the contracts can be expedited was also raised. I will also pursue that issue as a matter of urgency.

Hon. M. R. THOMSON (Minister for Small Business) — The Honourable Peter Hall raised for the Minister for Community Services the termination of the contract for Quantum Community Care, which operates residential care services for the intellectually disabled in the Gippsland region. As I understand the situation the contract for the service has now being given to Yooralla. Mr Hall referred to the unsettling effect on the residents of a change in the people running their care and asked what will happen to the 26 full-time, part-time and casual positions at the centre. Mr Hall also mentioned that he understood that Quantum Community Care provided a reliable service. He could not understand why the contract had not been renewed and asked the minister in the other place to reconsider the matter. I will pass the issue on to the minister.

The Honourable Dianne Hadden raised for the attention of the Minister for Housing the matter of two constituents in Creswick, who because of physical and intellectual disabilities seek to transfer from public housing in Creswick to public housing in Wendouree West. The constituents have been informed that they will be on the waiting list for placements until 2004. The husband must travel to hospital regularly for injections and medical treatment, and he suffers greatly as a result of the travel. Because of their special circumstances they ask that the situation be reviewed. I will certainly pass the matter on to the Minister for Housing.

The Honourable Peter Katsambanis raised the question of street prostitution. Many ministers have responsibility in that area. I have some responsibility

for the licensing of brothels and those who register as escorts. I thought, with leave, that I might try to answer the question in part, and if Mr Katsambanis needs more information I will refer the matter on.

There has been a meeting with representatives of the Port Phillip council and officers of various departments to examine the issue, which is complex and must be taken seriously. Mr Katsambanis mentioned that activities associated with prostitution in residential streets have been a problem for many years in St Kilda. The problem is not easy to resolve, and the previous government could not resolve it. The departments and the council are trying to find ways to provide assistance on the issue.

Hon. P. A. Katsambanis — Can you refer the matter to the Attorney-General?

Hon. M. R. THOMSON — Yes, I will.

The Honourable Bill Forwood again raised an issue he raised in question time today, when he asked precisely how many representatives of small business attended last week's small business summit. I know it annoys opposition members that the summit dealt with issues of concern to small business, which honourable members opposite believed it would not do. Not only were peak council representatives present talking on behalf of small business but small business operators from the retail, service and manufacturing sectors were present, and the summit was successful in looking at small business needs. Mr David Purchase, the chief executive officer of the Victorian Automobile Chamber of Commerce, praised the fact that the summit addressed the needs of small business.

The Honourable David Davis raised the question of the cost to business of the recent electricity dispute. I have not seen any costings on the subject.

Honourable members interjecting.

The PRESIDENT — Order! I ask honourable members to keep quiet. Hansard staff cannot record the ministers' responses if members opposite keep up that level of chatter. Please desist.

Hon. J. M. MADDEN (Minister for Sport and Recreation) — The Honourable Carlo Furlletti asked about the new Eltham police station site and referred to the Nillumbik council. I will refer the matter to the Minister for Police and Emergency Services in the other place.

The Honourable Elaine Carbines asked about the Victalent program. Some members of the house may

not be aware that one of the qualifying criteria is that applicants need to live 60 kilometres away as the crow flies. That causes problems for people in the peninsula areas surrounding Port Phillip Bay, who may live 60 kilometres away from Melbourne but not 60 kilometres as the crow flies, and therefore have to travel more than 60 kilometres by road.

I am informed that the guidelines were introduced by the previous government, but I have asked Sport and Recreation Victoria to review them. I have been informed that approximately six athletes close to the 60-kilometre margin have received grants, and I have also reinforced with my department the view that in such circumstances commonsense should prevail.

The Honourable Andrea Coote referred to parking permit problems in St Kilda. I will raise the issue with the Minister for Planning in the other place.

The Honourable Jeanette Powell referred to the need for urgent confirmation of the western bypass for the Goulburn Valley Highway. I will refer the matter to the Minister for Planning in the other place.

The Honourable Wendy Smith sought a reply on the issue of the Olinda police station. I will refer the matter to the Minister for Police and Emergency Services in the other place and prompt him on the issue.

The Honourable Neil Lucas referred to the ECHO agency associated with the St Mark's Church Emerald Youth Agency. I certainly endorse the service providers in those areas and the great role they play in facilitating social cohesion within families and in reinforcing the identity and self-esteem of young people. I would be happy to meet representatives of ECHO at the earliest opportunity.

The Honourable Cameron Boardman indicated that he had a 13-day advantage in relation to training for the upcoming swimming relay race. I have informally discussed the issue with my colleagues and I am trying to drag them away from their hectic schedules. I look forward to taking up the challenge when and if I can convince them that they should commit themselves to the event.

The Honourable Andrew Olexander raised the issue of the sport and industry awards. I have been informed that the event was not postponed as such but the dates were changed. One of my roles as Minister for Sport and Recreation is to endorse and enhance the role of good corporate citizens by facilitating corporate support of sports at all levels. I will continue to maintain that endorsement and look towards enhancing corporate support for the event.

The Honourable Mark Birrell asked about possible venues for the Commonwealth Games swimming events. I have been informed of two potential venues, as I mentioned earlier today. One is Melbourne Park, which is administered by the Melbourne and Olympic Parks Trust. I shall clarify the situation for Mr Birrell. It was not about temporary seating but about the potential location of a temporary pool in the centre of the venue.

The other alternative is the Melbourne Sports and Aquatic Centre, which would require an outside pool to be built to cater for the substantial seating that it is anticipated will be required over and above the current seating at the centre. Honourable members may not be aware that one of the difficulties in establishing a pool for this sort of event is that the competitors require a fairly substantial warm-up pool. That is why it is difficult for any pool to be a viable venue for the Commonwealth Games.

A potential site in the western suburbs was flagged as a possible option. However, the councils in the area have had difficulty coming up with a strategic solution for the location of a major aquatic centre and that is not considered a viable option at this time.

Motion agreed to.

House adjourned 10.43 p.m.

