

ADDRESS-IN-REPLY

Resumed from 11 March 1980 (page 118).

Mr SPEAKER - I would advise honourable members that it is the honourable member's maiden speech and I would ask them to extend the normal courtesy.

Mr HAROS (Denison) - Mr Speaker, I thank you. In speaking to support this motion, may I congratulate you on your elevation to the Chair. As a new member to this House I have discovered that it is an open secret in the corridors that you are well regarded on both sides of the House for your fairness and impartiality and, while much has been said recently, both inside and outside the House, on our conduct - and I use the collective plural - as parliamentarians, the conduct of members inside this House is relative to the strength of the Speaker. I look forward to finding in your Speakership an equal measure of authority, as well as impartiality.

I did not know John Green or Bob Baker as parliamentary colleagues. John however is an acquaintance and a colleague and Bob is a friend. I commiserate with both of them in their demise and to Bob in particular I say that I admired him as a member of Parliament, a straightforward and honest man and a man whose clarity of thought will be missed by this House. To the honourable member for Denison, Dr Sanders, I extend my congratulations on his election to Parliament and on the quality of the speech which he gave in this House last night. I hope that I can equal his effort.

There is only one topic on which I wish to address this House and this is important and significant to me both as a young member and as a parent. That topic is that of the rising number of unemployed in the State. It is of sincere and grave concern to me that in the future my children may face the prospect of not being able to understand or know the concept of a full working week as you and I know it today. This is partly coupled with the plight today of the small businessman in this State - and by small businessman I refer to the sole trader, or the husband and wife who conduct a two-man business. Perhaps it is a cleaning business or a boutique or shop or even somebody who conducts a business which employes as many as 20 or 30 or even 40 people. In any event, my view is that the small businessman of this State has become a forgotten member of the Tasmanian community. It is widely accepted that in Australia approximately 41 per cent of the people employed in the private sector work for small businesses. While in the past he has been the backbone of this economy by working hard, generating employment, saving his money and spending it to create profit for others and paying his taxes, his business today is vulnerable. It is affected by just about everything which affects all of us in the sense that he is affected by strikes and increasing fuel costs. Every time there is an alteration to a transport timetable or price, it affects him; the fluctuations in interest rates affect him; changes in government, government policy, even ministerial shuffling affects the small businessman.

Perhaps the most insidious effect he faces though is the affect of payroll tax on his business. Before I speak about payroll tax let me say that nearly everybody in this House who has talked about the problem of the unemployed has always talked about it from the point of view of the person who is unemployed. Today I want to talk about it from a different point of view and try to put across to the House the point of view of the employer. To do that I have concocted a letter, which although fictitious, perhaps may bring home the point. It is a fictitious letter from a young school leaver writing to me as an employer. The letter might go something like this:

'I left school nearly a year ago when I was 16 and apart from a few casual jobs I have not worked since. If you had employed me when I left school, I would have cost you \$68.30 a week but although I have not really learnt anything, if you want to employ me today, because I am 17, my price is \$83.40 a week. I will work for you for 40 hours a week but, allowing for tea breaks, a bit of lost time after starting work and before knocking off, when you finally add it up I will probably put in about 35 effective hours a week. Each year when I have a birthday you will have to give me a rise. When I am 18 that amount will be

\$106.20 a week; at 19 it will be \$121.40 a week; at 20, \$126.50 a week; and when I am 21 it will increase to \$171.20 - this is assuming that you employ me as part of your clerical staff; the rates differ for different awards. But these rises are only dependent upon my age; they do not depend upon how much I have learnt or whether I have gained anything from being in your employ for the previous year. Perhaps I will not be worth more but I am going to get those rises anyway. On top of all this you will have to increase my pay every quarter in line with whatever the Arbitration Commission decides is the change in the cost of living. Over this you will have no control. The factor of increase might have been caused by the Government raising its bus fares, or the water rates, or by drought, or by the price of coffee going up in Brazil - it could be anything. But as long as the CPI increases so does my wage. If you can increase your prices to cover the increases you have to pay to me, well and good but if you cannot, that is too bad for you.

On top of these index rises, from time to time the Conciliation Commission will also review my award and give me other pay increases. These will often be quite substantial and quite likely will be backdated several months, so that I should get a nice little windfall. I realise that you as an employer cannot raise your prices retrospectively but again, that is your problem too.

There are 10 public holidays every year and you have to pay me for all of these, even though I will not be working and on top of that you have to give me half a day to go to the races. Mind you, I have never been to a race meeting before in my life.

I expect to be sick for two weeks every year and you have to pay me for this time also. If I am not sick, I am allowed to accumulate that leave into the following year.

You will have to give me four weeks' holiday every year. I will do no work for you for those four weeks but, for the privilege of allowing me to go on holidays, you can pay me an extra 17.5 per cent loading. On top of all this you will have to give me three months' long service leave after 10 years or you will have to pay me pro rata in cash if I leave earlier. In theory this works out to a little over a week per year, but it will probably cost you about three times as much as that because you are going to pay me at the inflated rate in 10 years' time. In other words, by the time I have built up 10 weeks' long service leave a \$10 rise will add another \$100 to what you owe me for work done previously and all the time you thought you had paid me for that in any event.

In addition to all of this, you will have to give me time off for compassionate leave for various reasons - I mean you could hardly expect me to take any of my holidays - and in a few years' time I will probably get married and have a family. It is just as well I am not a girl because if I were it would cost you another 12 weeks of maternity leave. You will have to insure me against accident or injury while I am working for you, plus all the time while I am travelling to and from work. When I am finally cleared and fit to resume work I do not really have to come back to work unless I want to. If I do not, all I have to do is give you three weeks' notice of my intention not to come back to work and you have to pay me for that as well.

Of course I realise your business is smaller than it used to be and I know that is as much by design as it is by necessity. I know you are more selective in what work you take on and I know that the last seven people who left your employment have been replaced by only four.

But please, Sir, I want a job and if it were really up to me to ask, the only point that I would be stressing is that I really want to work. I want an honest day's pay for an honest day's work and in fact I would be embarrassed to ask for some of the things which you are compelled, by law, to give to me'.

Mr Speaker, that is the fictitious letter and I hope that it has some effect in terms of trying to understand the other side of the coin when we come to look at our ever increasing unemployment problem. Bit by bit, piece by piece, the value of labour to the small businessman in this State is being diminished to the point where it is no longer profitable for him to employ labour.

I mentioned before, in passing, the aspect of payroll tax. This is perhaps the most insidious, incomprehensible factor - on top of all the burdens I have mentioned - affecting this State today. For every \$100 in wages which an employer pays to his employees he has to pay a State tax of \$5. In March 1980 in a submission to the Commonwealth Government for the phased abolition of payroll tax which was prepared jointly by the Confederation of Western Australian Industry and the Perth Chamber of Commerce, it was estimated that, allowing for payroll tax, annual leave plus loading, public holidays, sick pay, long service leave, workers compensation - all the things I mentioned in that letter - the cost of employing labour is now 29 per cent more than the actual wage paid.

Payroll tax itself was introduced in 1941 by the Commonwealth Government as a Commonwealth tax to provide funds for the payment of child endowment. As a secondary factor it was also introduced as a substitute for a general wage increase at the time. In 1971 the Commonwealth handed the State tax area to the States when at the June Premiers' Conference the Commonwealth announced it would transfer payroll tax to the States conditional upon a compensating reduction in financial assistance grants. In Tasmania in 1978-79, payroll tax as a percentage of State taxation amounted to 40 per cent as a total of \$39.4 million. In the current financial year the total revenue to the State from payroll tax is estimated to be \$45.3 million. This is an increase of 14.9 per cent over the fiscal year 1978-79. In comparison, the increase in payroll tax to other States is estimated as follows: NSW 9.2; Victoria 8.8; Queensland 7.97; South Australia 7.83; Western Australia 7.46; Northern Territory 7.87; and the ACT 7.93. Tasmania, I repeat, has an annual expected increase this year of 14.97 per cent. In other words the increase in Tasmania is almost twice the average increase of the other States.

It is estimated that the total revenue from payroll tax in Australia for this current financial year will be \$1.96 billion. Over the past six years the simple average of the six States suggests a payroll tax growth of 269.5 per cent - that is since 1971 when the States took it over. For purposes of comparison, in the same period the Consumer Price Index has increased 100.8 per cent. While the rate of payroll tax, when initially introduced, was only 2.5 per cent it is now 5 per cent in all States but there are different factors which apply to different States. Some States, apart from Tasmania, offer special considerations for decentralised industries. In South Australia there is a scheme which exempts employers from payroll tax for junior workers employed. That includes anybody who increases the total work-force as well as providing a rebate on the total payroll tax bill for each additional junior employed.

If we examine the States individually, we will find that Tasmania has placed itself in a very invidious position in comparison with the situation which exists in other States. Tasmania imposes payroll tax on a payroll where the total payable per annum is an amount of \$60 000. Beyond that it allows a deduction of \$2 for every \$3 paid up to an amount of \$150 000. In New South Wales the employer does not pay payroll tax until his wages bill amounts to \$72 000. On top of that he is granted an exemption of \$2 for every \$3 up to \$180 000. In Victoria the cut-off point is \$84 000; again, there is a \$2 exemption for every \$3 up to \$153 000 but over \$153 000 an employer gets a general exemption of \$37 800. In other words, that \$37 800 is deducted from his total amount. Perhaps the State with the most significant attitude is Queensland - I suppose I could couple the Northern Territory with Queensland. Both are regarded as being extremely quickly developing States and States which are expanding at a rate which is more rapid than the more southern States. In Queensland the employer does not pay any payroll tax until his bill

amounts to \$150 000. After that, up to \$198 000, he gets an exemption of \$5 for every \$2 he pays. Over \$198 000 the Queensland employer receives the standard deduction of \$50 000. In the Northern Territory the cut-off point is the same as in Queensland - \$150 000 - and there the employer gets a rebate of \$2 for every \$3 up to \$372 000. Thereafter there is no deduction.

Those figures are in comparison with those of Tasmania. Tasmania imposes payroll tax at \$60 000 but the significance of employment to this State is of much more importance than it is to some of the larger States. Payroll tax hits those firms which have to compete on an interstate or an overseas market. It hits them much harder than it does those firms which sell their commodities only within this State. The reason for this is that it creates a high labour component for Tasmania. It discriminates against labour-intensive industries and it discriminates in favour of those who use alternative means of production. It also discriminates among different kinds of industries because those which are labour-intensive pay a much higher proportion of their value-added than firms which are just capital-intensive.

Mr Speaker, we are all aware that tourism is an extremely labour-intensive industry. It is one that will suffer because the burden imposed in this State by payroll tax is one that cannot be supplanted. Let us refer back to the example I recited when demonstrating the payroll tax factor in Queensland. That, too, is a State which is highly dependent upon tourism but there the cut-off point before payroll tax is imposed is more than twice the amount which is allowed in this State and is totally unjustifiable - \$60 000 against \$150 000! How anybody could possibly justify or explain that is beyond me. There is no doubt that payroll tax discriminates against a tourist State.

What if it were withdrawn? And can it be withdrawn? Mr Speaker, if it were withdrawn, a firm which employs 100 people would be able to employ about four more without increasing its labour costs. This would mean a substantial reduction in the work factor for a firm giving consideration to expansion of its activities. Its immediate impact would be to affect a decision of an employer when considering an additional marginal employee. This would have great significance over a long period of time although the short-term effect may not be that apparent. More importantly payroll tax does not relate to the ability to pay. As I said before, capital-intensive industries are not as affected as labour-intensive industries. On top of that, this tax does not relate to profit. The value of production or any measure based on ability to pay is not considered. In fact it would seem to me that the capital-intensive industries would be those industries more able to meet this tax.

We also ask ourselves whether this tax is simple and easy to collect and again, Mr Speaker, I must answer in the negative. As with any income, it must be compared against the cost of collection. While it is true to say that it is reasonable and cheap for government to collect this tax, it has the effect of imposing upon Tasmanian companies the duty of maintaining the necessary records and processing and calculating their monthly returns. This is relatively minor when you consider payroll tax alone, but when you consider all the other demands placed upon private enterprise in this State, it becomes one of the multitude of administrative costs imposed upon business by government regulation. We must then ask ourselves whether there is a means of phasing out payroll tax and I would answer that there is. But because of the nature of the tax itself it will require a great deal of understanding between the Commonwealth and the State governments. And I have my doubts whether it is possible in this State after the amount of criticism which has arisen within this House against the Commonwealth Government over the last year or so.

But let us consider a hypothetical situation where perhaps the 5 per cent incidence of payroll tax is reduced annually by the amount of 1 per cent. If the States were fully reimbursed, in my view it would be better than collecting payroll tax because there is a form of double taxing involved. State governments and the Commonwealth Government all pay the tax.

Mr Speaker, I do not think it appropriate that I recite at this time in this House the submissions to the Commonwealth Government calling for the phased abolition of payroll tax which, as I mentioned, were prepared by the Confederation of Western Australian Industry and the Perth Chamber of Commerce. Let it be sufficient for me to say that, in terms of the mathematical formula which is placed in the submission, the annual amount of \$1.96 billion, which I mentioned before, in terms of the advantages that would flow to the economy by the increase in employment, and taxation aligned with that and by the increase in company tax which would also flow as a result of those companies being more profitable

and, secondly, by the loss of the costs of having to collect and administer the taxation, would mean in round terms, if the Commonwealth Government were to come up with somewhere in the vicinity of \$200 or \$250 million per year for the next five years, this iniquitous tax could be withdrawn.

To return to the problem of the small businessman in this State and leave payroll tax aside for one moment, the number of bankruptcies in this State in 1977 was 117. In 1978 that figure increased to 159 and last year, 1979, the number rose to 270 bankruptcies. In the months of January and February of 1980 there have been 59 bankruptcies which suggest that by the end of this current calendar year the bankruptcy factor will increase to well over 300. There are many problems which are causing our companies to face bankruptcy at this time. The report of the Inspector-General on 30 June 1979 which was released in October isolated three different causes of bankruptcy. Among the contributing factors were the economic conditions which affect small business and industry generally, which accounted for 26 per cent of the sequestration orders. Lack of business ability itself accounted for 25.8 per cent which I suggest to you, Mr Speaker, is a highly significant figure. Of the balance of reasons, 20 per cent of failures were contributed to by lack of working capital.

The official receiver is not the person whose role it is to deal with the problems of bankruptcy; his job is simply that of winding up the affairs of the bankrupt person and paying dividends to the various creditors. Mind you, I understand he has been so busy in the last 12 months that very few dividends have been paid. This in turn poses other problems because, as you are no doubt aware, Mr Speaker, bankruptcies follow upon bankruptcies. In other words, if I had a debtor who owed me a lot of money and went bankrupt, he in turn, by not paying me, could force my bankruptcy. At the moment the official receiver's office has been blocked and there is no money coming out of it into the economy to assist in this particular regard and this too is caused by the high number of bankruptcies in this State at the moment.

Mr Speaker, it is apparent to me that in this State, apart from the abolition of payroll tax, we need a complete revision of the awards to enable a rationalisation of wages paid to employees in this State. Too many employees in this State are casual employees and not permanent employees. What this State needs is for people to be able to work weekends, and work when work is available, without being paid exorbitant wages so that in fact we find employers doing the jobs themselves instead of employing people. A tourism State cannot tolerate that kind of situation because the end result is that the man who operates a small shop or a small business gets tired, rundown, cannot look after his business and cannot take care of it. His business diminishes in terms of production and eventually the man finds himself facing financial difficulties.

Debate adjourned.

DISTINGUISHED VISITOR

Mr BATT (Denison - Deputy Premier) - Mr Speaker, I thank the honourable member for being considerate enough to move the adjournment of the debate to allow me to make some comment because I want to recognise formally the presence in the House of Cardinal Rubin and, in doing so, may I indicate that Cardinal Rubin is particularly distinguished for two reasons. One is that he is a special aide to Pope John Paul II and he has held the position of Secretary-General of the Synod of Bishops appointed by the Pope in 1967 and that his role in this capacity is to service the Assembly of Bishops throughout the world which organisation came into being as a result of Vatican II. In addition Cardinal Rubin is particularly distinguished because from 1964 he was entrusted with the responsibility for the care of Poles abroad and in this role he has the responsibility for the wide-ranging pastoral care of millions of Poles, to ensure their spiritual care and to ensure the upkeep of the Catholic spirit and of Polish culture, and he maintains constant personal contact with these communities.

I thought I ought to take the opportunity, Mr Speaker, of acknowledging the presence in the House of this distinguished Catholic clergyman and to indicate that shortly I will be inviting you, Sir, to join with the Cardinal and with His Grace the Archbishop to have

afternoon tea with them. I want to say to the House that I will be taking the opportunity on behalf of the Government on that occasion of delivering a letter to the Cardinal asking him to request the Pope to visit Tasmania. Members may not be aware that the Pope, when he was a cardinal, did visit Tasmania and I am sure that I would have the support of all members of the House in saying that we are delighted that the Cardinal is visiting us this afternoon. We hope he will convey that invitation, not only on behalf of the Government but on behalf of the whole House, because I am sure we would be honoured and blessed if the Pope were to visit us in this State.

Mr PEARSALL (Franklin - Leader of the Opposition) - Mr Speaker, I want to join with the honourable acting Premier in recognising the presence of this very distinguished visitor, Cardinal Rubin. It is always a particular pleasure to welcome distinguished visitors to Tasmania and I think today it is also a particular pleasure to welcome Cardinal Rubin to the precincts of this Parliament. I join with the Government in extending that welcome.

Members - Hear, hear!

ADDRESS-IN-REPLY

Resumed (page 143).

Mr HAROS (Denison) - Mr Speaker, at the time of the adjournment of the debate, I was explaining to the House the difficulties which are faced by the small businessmen of this State at this time. I do not have much more to say. Suffice for me to say that at this time in this State our businesses are faced with problems which they have never been faced with before. A lot of the problems are caused by the fact that they do not know where the economy is heading. They have no contracts which, in fact, are fixed to allow them to be able to plan economically for the future. I ask each member of this House to commit himself and to involve himself in examining every aspect of trying to overcome the problem with which we are faced at the moment with unemployment. It is not just a question of being involved, Mr Speaker, or a question of participating. It is a question of every member of this House giving his earnest consideration to the problem which faces our young people.

I also ask for an inquiry into the establishment of a small business registry to provide professional assistance and guidance to people in business. It seems to me, Madam Deputy Speaker, that in this time of trouble the small businessman has really no one to help him before he gets into trouble - and I am talking about the small shopkeeper, perhaps the person with a business on the Bass Highway or the Midlands Highway in one of the townships which has been circumvented by a new main road where I understand many businesses are for sale and where shopkeepers and business proprietors are in grave difficulties.

I also repeat my request for an examination of the present awards which govern the payment of employees in this State and for those awards to be rationalised to make sure that the people who do work are receiving proper payment for their services and to make sure that as many people as possible can be employed in the kinds of industries we have in this State.

In conclusion, Madam Deputy Speaker, may I, at risk perhaps, relate a humorous anecdote to members of the House in saying that, in terms of deciding whether or not they are participating or whether or not they are involved, I give them the example of a very happy farmyard where the animals were very pleased with the consideration they had from their farmer. So they elected a subcommittee which comprised a pig and a chicken to get together to decide what gift they would give the farmer. They got into committee and they decided that, because the farmer had been so kind and considerate to his farmyard animals, they would in fact give him a gift every morning of ham and eggs for breakfast. While they were discussing it in committee the pig turned to the chicken and said: 'Listen chicken, I am not so sure that this idea of ours is a very good idea because where you, as a hen, are participating I, as a pig, am involved'. With that, Madam Deputy Speaker I commend the motion.