

Legislative Council

Tuesday, 21 September, 1971

Representative of Legislative Council on Council of University of New England—Legislative Council (Return of Writ)—Questions without Notice—Pay-roll Tax Bill (second reading).

The PRESIDENT took the chair at 4.28 p.m.

The Prayer was read.

REPRESENTATIVE OF THE LEGISLATIVE COUNCIL ON THE COUNCIL OF THE UNIVERSITY OF NEW ENGLAND

The PRESIDENT: I have to report the receipt of the following letter from His Excellency the Governor.

Government House, Sydney,
16 September, 1971.

Sir,

I have the honour to acknowledge receipt of your communication of 15th September, 1971, conveying the terms of a Resolution adopted by the Legislative Council of New South Wales that the Honourable Louis Adrian Solomons, B.A., LL.B., be elected as the representative of the Legislative Council on the Council of the University of New England, in pursuance of the provisions of section 10 (2) of the University of New England Act, 1953.

I have the honour to be,

Sir,

Your most obedient servant,

A. R. CUTLER,
Governor.

The Honourable The President
of the Legislative Council of New South
Wales.

LEGISLATIVE COUNCIL

RETURN OF WRIT

The PRESIDENT: I have to report the receipt of the following communication from the Premier:

Premier of New South Wales,
20 September, 1971.

Dear Sir Harry,

I desire to inform you that the Writ issued on 18th August, 1971, for the election of a Member of the Legislative Council to fill the

vacancy caused by the death of the Hon. J. C. McIntosh has been returned to His Excellency the Governor, together with a copy of the Returning Officer's Certificate to the effect that Mr James William Kennedy has been declared elected.

The Writ has been forwarded to me by His Excellency and is attached, together with a copy of the Returning Officer's Certificate.

Yours faithfully,

R. W. ASKIN,
Premier.

The Hon. Sir Harry Budd, M.L.C.,
President of the Legislative Council,
Parliament House, Sydney.

The Hon. J. B. M. Fuller laid upon the table the following papers:

- (a) Copy of Returning Officer's Certificate under the Constitution (Legislative Council Elections) Act, 1932, respecting the election of James William Kennedy, Esq., as a Member of the Legislative Council.
- (b) Supplement to the Government Gazette dated 16th September, 1971, containing a copy of the abovementioned Certificate.

MEMBER SWORN

The Hon. J. W. Kennedy took and subscribed the oath of allegiance and signed the roll.

QUESTIONS WITHOUT NOTICE

LOCAL GOVERNMENT ELECTIONS

The Hon. C. J. CAHILL: I ask the Vice-President of the Executive Council whether an analysis of the municipal and shire elections held throughout New South Wales on Saturday, 18th September, indicate that only from 30 per cent to 40 per cent of people eligible to vote attended the poll. Did this indicate that only those persons who had some genuine interest in the affairs and development of their particular areas accepted the opportunity of casting a vote? In the vicinity of polling booths was there a notable absence of the excited congestion and the flamboyant atmosphere that have characterized many such elections in the past? Were many highly fancied and widely publicized candidates defeated in the ballots? Did the no-compulsion system of voting deprive candidates of the opportunity of organizing,

to their advantage, a mass donkey vote? Will the Government accept the message delivered through the elections and ensure that there will be no return to the disorderly and dramatic atmosphere that has characterized elections at which the public have been induced to attend polling booths merely to escape the threat of a monetary penalty?

The Hon. J. A. WEIR: Ask the people who got downed.

The Hon. J. B. M. FULLER: I do not know what is meant by "downed".

The Hon. J. A. WEIR: It means to get beaten.

The Hon. J. B. M. FULLER: There was a low vote in some local-governing areas. I believe the vote was as low as 25 per cent or 30 per cent in some places. In some of the more enlightened local-government areas the proportion was higher, and I can record one instance in which there was a 60 per cent vote, which is comparable with the situation that obtained when the so-called compulsory system operated. It is true to say that those interested in local government took the opportunity last Saturday of casting a vote for the candidates whom they thought to be suitable types of people to continue the good record that local government has in this State.

When the honourable member asks me whether many highly fancied and widely publicized candidates were defeated, I think that favourites are often beaten, whether it be in local-government elections or on the racecourse. This can happen in any set of circumstances or conditions likely to exist in local-government elections. I have no knowledge of the flamboyant advertising that might have gone on in the metropolitan area on Saturday. I was in a country area, where local-government elections, as far as I could see, were carried off in a reasoned manner without any excess expenditure or undue excitement.

The Minister for Local Government and Minister for Highways made a statement prior to the elections, and I made a similar statement in this House, saying that after the elections last Saturday the Government

would be willing to look at the situation in regard to non-compulsory local-government voting and to see whether we were prepared to alter the system. Cabinet this morning thought fit to appoint a Cabinet subcommittee to advise the Government on this matter and I am fortunate in being a member of that Cabinet subcommittee.

MOREE AMBULANCE SERVICE

The Hon. JAMES CAHILL: I ask the Vice-President of the Executive Council whether earlier this year severe flooding in the town of Moree caused severe damage to the local ambulance station, putting it out of operation for some time. Does the New South Wales Ambulance Transport Service Board have an area of land out of flood reach on which the local committee wishes to build a new ambulance station? Has this area been found to be not large enough to cater for extension and future development of the station? Has the local committee, supported by the council and other bodies, requested the Minister for Lands to acquire additional Crown land adjoining this site, and has the Minister refused this request? During the postponed election in Barwon, did the Premier promise \$60,000 towards the cost of construction of the proposed new station? If these are facts, will the Minister inform the House if and when the committee may have the extension to the present area of land, so that progress can be made with the commencement of the new ambulance station?

The Hon. J. B. M. FULLER: It is true that there was severe flooding in the Moree district earlier this year and that the ambulance station was flooded. At that time, and not for the first time, the suggestion was made that the ambulance station should be relocated. I know through my contact with my colleague the Minister for Lands that there have been some difficulties with regard to the provision of land there, but I will refer the whole question to the Minister for Lands and to the Minister for Health, who has the responsibility for the administration of the ambulance system, and I shall advise the honourable member and the House in due course.

LATE SHOPPING HOURS

The Hon. N. K. WRAN: I ask the Minister for Labour and Industry whether the Retail Traders Association has rejected a Shop Assistants Union proposal for two late shopping nights a week in New South Wales and whether the union has announced its intention to ask the Government to amend the Factories, Shops and Industries Act so as to enable the union to apply to the Industrial Commission for the extension of present shopping hours. If the facts are as stated, could the Minister indicate his department's attitude to the union's request?

The Hon. F. M. HEWITT: I am not quite sure what the honourable member regards as a fact. This morning the newspapers reported that this was said to have happened, but the department has no knowledge whether it has, or not. If representations are made, they will be dealt with in the usual expeditious manner, and with the interests of the people of New South Wales firmly to the fore.

WILLIAM STREET REDEVELOPMENT

The Hon. EDNA S. ROPER: I ask the Minister for Decentralisation and Development and Vice-President of the Executive Council whether he saw television electoral advertisements which showed projected plans for an avenue of high-rise office and similar buildings in William Street, Sydney. Are the first of these buildings already in course of erection? Has a very tall building already been completed at the eastern end of William Street? Has this tall building had the effect of greatly increasing wind velocity in the vicinity on windy days, such as today? Is the increase of wind velocity frequently associated with the development of high-rise building in cities? Will the proposed avenue of high-rise buildings in William Street destroy the pleasant and sunny atmosphere that has always been associated with William Street and convert it into an unpleasant wind-funnel? Will the Government seek the advice of experts in the science of aerodynamics before permitting any local-government body to proceed with this scheme?

The Hon. J. B. M. FULLER: I am pleased to hear that the honourable member has the future development of Sydney at heart and is taking an interest in developments of this nature. Many years ago I used to take an interest in the situation that the honourable member has described, but now that I am getting older I do not take the same interest in windy streets. I have the utmost confidence in the ability of the planners in the State Planning Authority, in conjunction with the Sydney city council, to plan developments of this nature. I did not see the television advertisements, but early today I had the opportunity of looking at some plans that have been drawn of this proposed development. I have no doubt that aerodynamics have been taken into account, but just in case they have not, I shall refer that section of the honourable member's question to my colleague the Minister for Local Government, and ask him whether that aspect has been taken into account in the proposed development of William Street.

LATE SHOPPING HOURS

The Hon. A. A. ALAM: I ask the Minister for Labour and Industry a supplementary question on late shopping hours. Is it a fact that retailers and storekeepers are only too happy to work in with the shop assistants union in regard to late shopping hours? Is it a fact that added cost that might be brought about by penalty rates for overtime or other wage increases would have an effect on the price of goods? Is this the main stumbling block to an agreement being reached on this matter? In the event of this difficulty being overcome, are the merchants and retailers only too happy to work in with the shop assistants union?

The Hon. F. M. HEWITT: In the past the Retail Traders Association and the union have worked in close collaboration on shopping hours and all matters that affect the merchandising of goods. I believe that co-operation still obtains, and I know that the advisory committee on retail trading, on which both are represented, meets regularly. Added costs are a pertinent consideration to anyone who is merchandising goods, especially if the added costs result in higher

prices: this is one of the facts of life when one is merchandising goods. In answer to the honourable member, I should say that unquestionably those matters would be given consideration by the Retail Traders Association.

PAY-ROLL TAX BILL

SECOND READING

Debate resumed (from 15th September, *vide* page 1082) on motion by the Hon. J. B. M. Fuller:

That this bill be now read a second time.

The Hon. L. D. SERISIER [4.48]: On Wednesday of last week the Hon. H. D. Ahern invited the Deputy Leader of the Opposition and other members of the Opposition to declare to this House and to the State of New South Wales the philosophy of the Australian Labor Party on taxation. It is my role in this debate to deal today with the Labor Party's philosophy on taxation—particularly payroll tax. The Labor Party's general philosophy on taxation is that, within the State area of operation, the purpose of taxation is to raise funds to pay for services and activities of the State of New South Wales to the extent of the difference between the receipts from Commonwealth revenue and other sources and the expenditure incurred by the State. Secondly, being a socialist party, the Australian Labor Party believes that the purpose of taxation is to achieve a more equitable distribution of wealth and income. We realize that on each of the general propositions I have put, our view differs from that of honourable members who sit on the Government benches.

Dealing first with the difference between the income of the State from other sources and the cost of State services, we differ greatly with members of the Liberal Party and the Country Party, both in this State and in the Commonwealth sphere. The Australian Labor Party believes that, within the State area, it is the responsibility of the State Government to introduce balanced budgets. In the twenty-four years of the Labor Party's administration in this State, the overwhelming number of balanced bud-

gets that were placed before both Houses emphasized convincingly the philosophy of the Labor Party.

On the other hand, in the six years that this State has had a Liberal-Country party government we have seen, one after another, a succession of deficit budgets. The Labor party believes that the purpose of taxation is to bridge the gap between sources of revenue available to the State and the cost of services, but the Liberal-Country party Government is opposed to this concept. It puts things on the never-never, on the unbalanced basis of deficit budgeting that this State has suffered for too long. In these days the complaint is strongly made that the inflationary tendencies in our economy are becoming graver. However, the most relevant aspect of this Government's deficit budgeting has been its major contribution to the inflationary trend.

On the second point, the difference between my party and the Liberal Party and Country Party is much greater. The Australian Labor Party believes that through taxation there is in part a rectification of the faulty distribution of income under capitalism and that taxation should have reference to equality of sacrifice. The principle the equality of sacrifice is recognized by economists as a progressive factor in taxation measures. On the other hand, the Liberal Party and the Country Party do not believe in the equality of sacrifice as the basis of taxation. They believe in the principle that the rich get richer and the poor get poorer. They believe in introducing regressive forms of taxation that do not establish an equality of sacrifices.

If one assessed any of the budgets that have been brought down in this State in the past six years and projected oneself ahead to the budget that is to be introduced shortly, one would see that just as we have had the tendency towards inflationary budgeting in this State, no regard is paid to the principle of equality of sacrifice in taxation. The bill that is before the House at the moment deals with a State payroll tax. Payroll tax is a tax on outlay. It taxes outlay without any attempt at personal assessment of taxation liability. It is a regressive tax. The payroll tax that we are

dealing with at the present time is indiscriminate in its application. It imposes a 3½ per cent tax with a minimal area of exemption and variation in regard to the subjects of the tax. The bill sets out to impose this flat rate of indiscriminate taxation on salaries that are paid to people throughout this State.

This bill is like the budgeting I referred to earlier as coming from the Liberal Party and the Country Party, in that it is an inflationary measure. It is a tax that is imposed on an outlay. Being imposed on an outlay, it becomes one of the breeder contributors towards the inflationary trend that exists in the community today. In the Minister's introduction of the bill, he said that what the Government is doing here is no more than what the Commonwealth has done in the past: what it is doing is introducing as a State measure a bill to impose payroll tax, instead of having that tax as a *fait accompli*, as a Commonwealth measure. In dealing with it in this way, the Minister overlooks the most important aspect of it. The time had well and truly come, as far as the Commonwealth tax was concerned, when this taxation provision should have been repealed and the sources of revenue for the Commonwealth—just as now for the State—should have done without it.

It is true that there can be circumstances when payroll tax and other taxes on outlays, taxes on capitals, and so on, can be justified. However, in these days, when the major economic complaint in the community is that there is a tendency towards inflation, the time has come to remove payroll tax, which is one of this Government's contributions towards inflation. It is rather interesting to observe that in this House, as well as in another place, a member of the Country Party introduced the payroll tax measure and commended it to members for their support. It is interesting also to remember that in 1941, when the first payroll tax bill was introduced, it was brought forward by an earlier Mr Anthony, who was a member of the Country Party.

It is interesting to see that throughout the history of payroll tax legislation the Country Party, both in the Commonwealth

and in the State spheres, has identified itself closely with the principle of inflationary taxation. It is not just the members of the Liberal Party in this House and in another place, as well as in the Commonwealth, who prefer this form of taxation, but also the members of the Country Party who have identified themselves closely with it.

The Hon. GRAHAM PRATTEN: What about sales tax?

The Hon. L. D. SERISIER: What about it? That is another regressive tax.

The Hon. GRAHAM PRATTEN: That was introduced by Mr Theodore.

The Hon. L. D. SERISIER: It was introduced by Mr Theodore in different times, and in different times different rules obtain. In 1941, when the Country Party introduced payroll tax into the federal Parliament, there were different rules. There was a justification for it at that time because the problem then was not one of inflation. At that time we were engaged in a total war, and at such times there should be total fiscal measures. The situation today is entirely different: there is no total war. Indeed, we are told that soon there will not be even a partial war. The ailment in the community today—inflation—is something that has been brought about by the very nature of the tax that this bill is dealing with. That is one of the bad aspects of the policies that are being pursued in this State. It has been said earlier that this is only a duplication of the type of legislation that is being introduced in other States.

The Hon. GRAHAM PRATTEN: Sales tax was not brought in during the war. It was introduced by the Scullin Government.

The Hon. L. D. SERISIER: I was not talking about sales tax: I was talking about the introduction of payroll tax in 1941. I shall accept that it was the Scullin Government that introduced sales tax. Frankly, I do not know whether that is right or not, but I shall accept it. However, I do know that in every federal budget since black Saturday, 10th December, 1949, when the

Commonwealth of Australia lost an enlightened Labor Party government, Commonwealth sales tax has been used constantly as a means of increasing the inflationary tendency in this State. It has been used as a means of imposing an unfair tax burden upon those who are less fortunate in terms of wealth as well as in terms of a share in prosperity. It has long been argued by members of the Labor Party in the Commonwealth sphere that sales tax should be remitted and replaced, and that the proper type of taxation that should be introduced is one that involves this question of equality of sacrifice.

So much for broad principles in regard to this bill or the broad principles of the Australian Labor Party's view with regard to taxation philosophy. As well as the test I have mentioned, the Labor Party applies other tests with regard to taxation. The first of these is whether the tax is practical. Then it applies the test whether or not the tax is just; then whether there is any other source of income from which revenue can be brought to this State. Having applied those three tests and related them to the general philosophy, the Australian Labor Party deals with the taxation measure as a whole. It is not concerned only with taking money from the community—it is concerned with taking money from the community in a way that will allow it still to function in an efficient manner, in a practical, progressive way, and in such a way that the imposition of the tax itself is just.

This tax is far from practical. It is a tax on only one aspect of outlay—payroll. Because it is a tax on payroll, it adds directly to the cost of production. In the long term, after passing through various phases, it is a tax that increases the cost of living: it induces the inflationary trend about which everyone talks. This illustrates the impractical nature of the tax. It is an impractical tax because it is a tax on labour alone. That being so, even in the long term—in the plural of the tax and ultimate effects—it induces a situation that restricts employment. In these days, when for the first time for many years unemployment figures are real, particularly in country

The Hon. L. D. Serisier]

areas, taxes likely to restrict employment are impractical. On those grounds alone the House should reject the bill.

I appreciate that justice is something more than a point of view; it is an over-all objective standard that must be maintained. The Government should observe that standard. On the test of justice, the payroll tax is bad, for it is not related in any way to the taxpayer's ability to pay. For this reason, it offends the principle of just taxation. It is unjust, in the first instance, at the level at which it is applied, and in the second instance where it ends up. The tax is applied first to the employer. For a period of up to twelve months, he has to bear the impost. The money comes out of his pocket and he must bear it until it is paid back to him after he has marketed his goods or services and got his mark-up price. Then he gets back into his pocket the money outlaid by him in tax. This is unjust. It imposes on him, in the first instance, a burden that is not then imposed on the rest of the community. More important, the tax is unjust because eventually it imposes a burden on the consumer.

In the ultimate, the consumer pays the tax. Because consumers are individual persons, individuals on a head count or poll tax basis will pay this tax. It is unjust that pensioners, farmers who do not earn anything like the basic wage today, workers on the basic wage and others who earn considerably less than the average wage, should have to pay the same measure of payroll tax as people earning the greatest incomes. The tax is unjust and impractical, and for those reasons it should be rejected.

I can anticipate what the Minister will say in reply to criticisms of the tax. He will ask what is the alternative to raising revenue by this means in New South Wales. There is an alternative. Eighteen months ago the Government introduced this alternative in part when it legislated for a tax on land developers within the County of Cumberland. The Government introduced a capital gains tax, though in an unjust and sectional way. It gave an indication of a source of revenue available to replace payroll tax—a full capital gains

tax. For many years the Labor Party has advocated a capital gains tax with a proper rate of exemption. In these times of galloping inflation there will need to be an annually adjusted rate of exemption. It is a practical, mathematical possibility to do this.

Under a capital gains tax the homeowner must be given his proper rate of exemption, protecting him again inflationary measures introduced in their budgets by Liberal-Country party governments in both the State and the Commonwealth. The capital gains tax is a source of finance available to all the States. If members do not believe the Australian Labor Party on this, let them ask Sir Cecil Looker, chairman of the Melbourne Stock Exchange, the senior stock exchange man in the Commonwealth, who only the week before last said the time was long overdue for the imposition of a capital gains tax.

Colonel the Hon. Sir HECTOR CLAYTON: He limited his remark to stock exchange transactions.

The Hon. L. D. SERISIER: If he did that, then the Australian Labor Party would be a little more enlightened than he. We should carry it a little further. We think that with proper exemptions, people should pay tax on increases of their capital while they are living, just as the Government of New South Wales imposes a tax on people's capital when they die. The principle of a capital gains tax is right provided it is applied at the end of the progression instead of at the beginning, and provided proper exemptions make it practical. We on this side of the House have twenty-six votes and members on the Government benches with those who assist them have thirty-four, so unless members sitting on the cross-benches recognize the inflationary effects of this measure and vote with us for a change, it will become law. I accept the Minister's statement that although the bill has no provision for special exemptions for export business, export concessions are to be met by the Commonwealth through another source. I know he would not say that if it were not true.

In this situation it amazes me to come into this House where the Department of Decentralisation and Development is represented, when there are so many members of the Country Party on the Government benches who talk so loudly about decentralization, to find in the bill no exemption for salaries paid in decentralized industries. When we get a practical fiscal measure such as this I am amazed to hear all the mealy-mouthed talk about how the Askin-Cutler Government has done so much for decentralization. Incidentally, all it has done is to keep up with the inflationary trend with regard to the Labor Party policies, previously introduced, on payments. This Government has introduced nothing new and has not faced up to the reality that this State can be decentralized only in regions and with a mammoth injection of funds. All I can say is that the proof of the pudding is in the eating. For the policies of the Askin-Cutler Government, the proof of the pudding is that it has omitted to give to New South Wales decentralized industries what the Commonwealth Government is willing to give Australian export industries—that is, proper and practical exemptions from payroll tax to encourage development.

Many aspects of this bill warrant criticism and they have been criticized in another place. Many of us have fears about this measure. What is today a 3½ per cent flat tax, imposed indiscriminately, in another year will become 4½ per cent, then 5½ per cent, and then a 6½ per cent flat rate tax, still imposed indiscriminately. In those days it will be a tax that will impose an inflationary trend just as much as it does in 1971.

Then Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [5.13], in reply: Principal criticism of this measure flows along the lines that it is a bad tax and that the Commonwealth and the States should have come up with a more acceptable type of tax, and, preferably, a tax that would have some association with national growth, which would enable the States for the first time to participate in a growth tax. The Deputy Leader of the Opposition suggested that the States should

get together and compel the Commonwealth to give greater financial assistance to the States. There is nothing new about that suggestion. I would not suggest to the Deputy Leader of the Opposition that he bore himself by reading my maiden speech in this House in 1961, when I made the suggestion. Many other members have made similar suggestions about what should be done with regard to getting the States and the Commonwealth together.

The Hon. N. K. WRAN: I will accept the implied compliment.

The Hon. J. B. M. FULLER: I am not suggesting that the Hon. N. K. Wran go back too far, for often by doing so one can get completely out of touch with the realities of life. I have been noticing this tendency in the discussions going on this afternoon. The Deputy Leader of the Opposition referred to the constitutional conference proposed by Victoria. I can say that this has been agreed to in principle by the Premier of New South Wales, but, of course, this is not a constitutional conference aimed solely at the financial problems facing the States at present. Rather will it take into account the problem of the Commonwealth Constitution in the light of the great uncertainty that has arisen in the past few months, and possibly slightly more recently, as to the powers residing in the States, following recent decisions of the High Court of Australia. The proposed conference would go beyond financial relations, though clearly financial relations would be one of the principal items to be discussed.

On this occasion it is worth while looking back at the situation generally. Our problem stems from the fact that during World War II, because of difficulties during that time and the state of emergency, the Commonwealth temporarily took over the income-taxing powers of the States, agreeing upon reimbursement grants on an approved formula. It is understandable that in the immediate post-war period the arrangement should have been extended for a time, though it is interesting to look back and realize that the formula was never really re-endorsed but became a system of additional grants on top of the old system

of tax grants that operated during World War II. It was here that our trouble started. The Commonwealth was loath to lose the power and economic strength that became associated with this arrangement and the States were split because some were mendicant States and felt that they could do better under the existing Commonwealth system than they could with their own taxing powers and a somewhat doubtful hand-out from the more populous States.

The Leader of the Opposition in this Chamber has often referred to the discussions that took place between the Commonwealth and the States about the time when the Prime Minister of the day offered to return income taxing powers to the States under certain conditions. It is interesting to look back and realize that the Right Hon. Robert Menzies, said to the State Premiers, "We are prepared to go into this matter and organize with you the return of taxing powers." He referred to the technical problems that the officers had raised and then simply invited the views of the Premiers. At that stage the Premier of New South Wales, the Hon. J. J. Cahill, put forward specific proposals for the return of taxing powers to the States, but the other Premiers did not agree. In the end, the proposals fell down because the Commonwealth and the States between themselves were not prepared to accept any situation and there was a great difference of opinion on the extent of the income tax powers that should or could be returned to the States.

I think it can be said that between 1951 and 1959 suggestions were made that this issue could be handled by discussions between the States and the Commonwealth, but by 1959 it looked as though we would not get much further ahead. From 1959 until the February and June conferences in 1970, the position of the States became progressively worse. From 1959 onwards it became evident that it was necessary for the Commonwealth almost all the time to hand out supplementary grants to the States because the formula system was simply not good enough. It is interesting to realize that our thinking was very much against the system. It was still very hard for the States and the Commonwealth to get together on

a common basis. In his speech the Deputy Leader of the Opposition overlooked the fact that in Premiers' conferences in February and June, 1970, the Premiers, for the first time, got a marked improvement in the tax grant arrangements.

The new arrangement has involved adjustments to the *per capita* payments to New South Wales and Victoria. Furthermore, the Commonwealth undertook to take over \$1,000 million of State debts over a five-year period, and to replace part of the State loan raisings with interest-free capital grants amounting initially to \$200,000,000 per annum. These arrangements were estimated to increase the financial assistance to the States from the Commonwealth by something like \$800,000,000 over five years from 1970; that is, \$800,000,000 more than would have been the case under the formula and the system prior to 1970.

Although these adjustments were a significant improvement in the tax reimbursement arrangements, the Premier of New South Wales, supported by the other Premiers, made it clear that the new arrangements did not go far enough to place the States on a sound financial basis. That fear has been borne out by the extraordinary series of wage increases in 1970-71 which have not been accounted for in the system as it exists at present. The new awards that have been brought down for school teachers, nurses, police and other government employees amounted to more than \$100,000,000 per annum in 1970-1971. These have not been caught up in the system.

The Hon. L. D. SERISIERS: But there are special assistance grants?

The Hon. J. B. M. FULLER: Yes, but it is still impossible for the State to budget, for when it budgets it cannot make provision for a situation of this sort. The Commonwealth offer of payroll tax, which is under so much criticism from the other side of the House, is the growth tax that has been brought up by the Commonwealth as some sort of an answer to the Premiers' pressures in the two Premiers' Conferences in 1970.

The Hon. J. A. WEIR: What does the Minister mean by a growth tax?

The Hon. J. B. M. FULLER: A tax that grows with the growth of the economy and the community, such as income tax.

The Hon. J. A. WEIR: But it grows both ways.

The Hon. J. B. M. FULLER: In this case, it has grown from a rate of 2½ per cent to 3½ per cent. I shall tell the honourable member why in a minute. The New South Wales Government and the governments of the five other States have to find the money to pay their way. When this proposal was put to the Premiers, they pointed out to the Commonwealth the weaknesses of payroll taxation, but the States unanimously agreed—and remember that two States at the present time unfortunately have a Labor government—

The Hon. N. K. WRAN: They do not seem to think that it is unfortunate, for those governments were elected with strong resistance in one State, and by a handsome majority in the other.

The Hon. J. B. M. FULLER: I shall be interested to see the results of the next State elections in Western Australia and South Australia. I hope that those honourable members opposite who live in supreme hope continue to hope. All the States agreed that this offer from the Commonwealth was a weak, inefficient, undesirable type of tax, but the Commonwealth was unwilling to give the States access to income tax. If the Commonwealth had offered income tax, it is possible that a position somewhat similar to the one that existed in the 1950's would have arisen. In those days the States could not agree on the extent to which the Commonwealth should vacate the income tax field, and the Commonwealth was in a position to play the States off against each other. Agreement in this regard is not easy. In effect, all States accepted the offer of payroll tax; they had to do so. They agreed that it was an unsatisfactory form of tax, and they wanted a better share of income tax. In effect, that is just what the Premier said when he came back from the conference in Canberra.

Probably honourable members opposite who condemn this payroll tax do not like it any more than we do, but they must suggest some alternative method of raising the necessary revenue to carry on the affairs of State. Not many practical alternatives have been suggested by the two honourable members who have spoken from the Opposition side of the House. The Hon. L. D. Serisier suggested a capital gains tax. If it were introduced in this State and not in other States, I hesitate to think of the movement of business and commercial interests that might take place from New South Wales to neighbouring States. It would have to be a tax implemented generally throughout the Commonwealth.

The Hon. L. D. SERISIER: Why could it not be implemented by the Commonwealth? That would be a lot cheaper than six States applying payroll tax.

The Hon. J. B. M. FULLER: I suggest that the Hon. L. D. Serisier should get in touch with the governments in South Australia and Western Australia and suggest to them that they should bring forward suggestions of this kind. Many people are suggesting that a capital gains tax would have all sorts of advantages. Personally, I do not think it has. I have seen a capital gains tax operating in some other parts of the world, and I appreciate that it has some advantages.

The Hon. L. D. SERISIER: Your Government brought it in here in March, 1970.

The Hon. J. B. M. FULLER: The Hon. L. D. Serisier stated that Sir Cecil Looker suggested that a capital gains tax should be introduced universally. My understanding was that Sir Cecil was referring only to dealings on the stock exchange, to get away from the different interpretations that existed between people who were dealing in shares for profit and people who happened to make a good investment and liked to sell on occasions in order to make a profit. They are not born dealers in shares on the stock exchange. However, I do not want to be sidetracked. That was the only suggestion brought forward as an alternative for the Government to take at the present time.

A difficult situation exists in the field of State and Commonwealth financial arrangements, and I hope that the conference that has been called by the Premier of Victoria, and fully supported by the Premier of New South Wales, will achieve something in this regard. I must tell those honourable members who are so critical of the Government today that far greater improvements have been achieved in Commonwealth-State financial relations in the past six years in this State than were achieved in the previous twenty-four years.

The Hon. N. K. WRAN: But there is a collapse of State finances. You have more State debts owing.

The Hon. J. B. M. FULLER: Honourable members opposite always have ifs and buts. It reminds me of a good story that I cannot use in this House, about the difference between male and female, and ends up with the observation that, if something else had happened, my aunt would have been my uncle. That is the sort of argument we get here, and there are always ifs and buts. I made a firm statement that Commonwealth-State financial relations have improved more in the past six years than in the previous twenty-four years. I say that with no ifs or buts; it is a statement of fact.

During this debate exemptions and the increase in the rate of tax have been mentioned. The Premiers of all States accepted payroll tax, and the Commonwealth said, in effect, "We will take from your tax reimbursement grants the value of the payroll tax at 2½ per cent." That meant that if the States did not increase payroll tax they would have been no better off. Therefore, implicit in the Commonwealth's offer was that the payroll tax must be increased. Otherwise there was no point in going through the exercise.

The Hon. N. K. WRAN: Otherwise you would have gone backwards?

The Hon. J. B. M. FULLER: That is correct. The Government had to increase it. All State Premiers agreed to increase the rate of tax to 3½ per cent. With regard to exemptions, we have taken them as they exist in the Commonwealth Act. The Hon.

L. D. Serisier has been critical of the fact that the Government has not used this occasion to make some concession to country employers. I should very much like to see the Government in a position to make that concession at the present time, and I hope that in the future when the Government's financial arrangements are settled to a better extent with the introduction of payroll tax in this State, some concession can be made in this regard. However, it ill behoves the Hon. L. D. Serisier to stand in this Chamber and criticize the efforts of the Government in regard to decentralization in New South Wales. If he looked at what was done by Labor Governments during their term of office, he would find that next to nothing was done in this State. Not enough has been done in the past six years, but some measure of progress has been achieved for the first time in the history of this State. Next time the honourable member is looking for the opportunity to criticize something, he should have a look at some of the statistics and see what was left undone by Labor governments when they had the same opportunity as this Government has had over the past six years.

I expect that aspects of the bill in regard to departmental exemptions will be dealt with in detail when proposed amendments are being discussed in Committee. After considerable discussion the Government decided that all government departments would be subjected to payroll tax. If government departments that were trading bodies were exempted—and this even gets to the stage of a department selling books and pamphlets—the money would be deducted from our payroll tax equivalent in the tax reimbursement allocation from the federal Government. It was decided that it would be much easier, since no extra staff would be involved, to follow the system through as it applies at the present time in regard to all government departments and to leave them in exactly the same situation as local government.

The Commonwealth said that it would be prepared to meet local-government exemptions for 1970–1971 on the basis of a rate of 2½ per cent, and the Government

accepted that. However, that was done on the arrangement that no business or trading undertakings of local government would be covered in the exemptions. Local-government operations as such are exempt. When one looks at the business undertakings of local government, one sees that in many cases they are in competition with private industry. It would be most unfair if private industry were compelled to pay payroll tax and government departments or local-government bodies that are in direct competition with private industry were not required to pay it. The Labor Party followed the same course in 1964.

I draw the attention of members of the Opposition to the exceptions from the exemptions in the stamp duty tax that was legislated for by the Labor Government in 1964. The exceptions related to activities in connection with or arising from the establishment, acquisition and operation of any trading undertaking within the meaning of the Local Government Act. These were specifically excluded from the concessions relating to charges such as stamp duty on cheques and duty generally on any documents that were being transferred or registered. Therefore the Labor Government in 1964 took the same approach to the exclusion of local-government business undertakings as this Government is taking at the present time. Of course, with the accord of the Commonwealth, there will be a return of what the Commonwealth would have got in relation to the normal operations of payroll tax upon local government in the year 1970–71. Finally, I reiterate that the Government does not like this tax. However, if someone can produce a better method of raising the revenues of this State, which is as easily implemented and will have the general accord of the other States of the Commonwealth, I should like to hear of it. In the circumstances, I seek the support of all honourable members for this measure.

Motion agreed to.

Bill read a second time.

IN COMMITTEE

The CHAIRMAN: Order! Honourable members will notice that there are fifty-one clauses in the bill. This being so, and if

there is no objection, I propose to put it to the Committee by parts, citing for each part the clauses therein and reserving the right of honourable members to debate any clause therein. Are there any objections? As there are none, I shall take the bill by parts.

Part I (clauses 1 to 3)

Clause 3

Page 3

20 (c) an urban committee established under section five hundred and forty-eight of that Act;

"employer" means any person who pays or is liable to pay any wages and includes the Crown in right of the State of New South Wales;

The Hon. N. K. WRAN (Deputy Leader of the Opposition) [5.37]: I move:

That at page 3, line 23, the word "includes" be omitted and there be inserted in lieu thereof the word "excludes".

Honourable members will observe that the part of clause 3 to which I refer contains a definition of employer. Employer is defined in the bill as:

... any person who pays or is liable to pay any wages and includes the Crown in right of the State of New South Wales.

The amendment would provide that the Crown in right of the State of New South Wales would not be liable for payroll tax. I adverted to this matter in my remarks at the second-reading stage. The Minister was kind enough to indicate in his reply the basis upon which the Government insists upon the inclusion of the definition in its present form. I repeat that I am unable to understand the necessity for the inclusion of the Crown in right of the State of New South Wales in the employers liable to pay this tax. The Minister has said today that if the State departments are excluded from the incidence of payroll tax, it might mean some deduction in the State's tax reimbursement grant. I just do not follow how that would come about. We have not been given any figures to demonstrate how this would result. No arithmetical exercise has been done. For our part, we see no loss to the State by excluding State departments from the incidence of the tax. After all, this tax has been imposed by virtue of an arrangement whereby there is a corresponding reduction in the State's grant. We think that

this provision in the bill amounts to the State taking money from one pocket and putting it in another.

What possible justification could there be for insisting upon payment by the Department of Education of \$7,000,000 payroll tax and referring in the departmental accounts to that item as expenditure of the department, whereas in fact that money will find its way, I assume, into consolidated revenue? We want to know precisely how the Government will be disadvantaged if it does not impose the tax on government departments. Will the disadvantage be equal to cost of collection of the tax, including cost of administration and payment of the officials who will be tax gatherers? This is particularly important as it concerns departments that have no trading operations, such as the Department of Education.

With this rate of 3½ per cent, the payroll tax bill of the Department of Railways will be more than \$6,000,000. The Minister, to give him his due, is quite in accord with a practical demonstration by the Government of some concessions to rural employers. Would it not be a practical demonstration of the bona fides of the Government in relation to rural employers if this terrific impost of \$6,000,000 payroll tax on the Department of Railways was removed? In the result, fares and freights could be adjusted, and people in rural areas in particular would receive the benefits.

We apprehend that the Government is imposing this tax upon itself, so to speak, so that the accounts of the various departments will show increased expenditures—expenditures directly referable to imposition of payroll tax. We are told that in some way governments can, by their accounting processes, gain some advantage in their accounts by doing this. However, with due respect to what the Minister has said, we are not at all satisfied that some deduction in the tax reimbursement grant would follow if those departments were excluded from payment of the tax. As one of my colleagues said the other night, it looks to be very much a matter of robbing Peter to pay Paul.

The Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [5.45]: This is a contentious issue. It is correct to say with regard to some proposals that it is a matter of robbing Peter to pay Paul. The situation in respect of government business undertakings is that unless this method is adopted, the State would lose by way of a deduction from its tax grants. The difficulty is in determining what is a State government business undertaking. We have a big problem. Do we single out business undertakings in the Budget for special treatment? How can a distinction be drawn between the Department of Railways and the Electricity Commission, between the Electricity Commission and the electricity undertakings of council, and between local gas undertakings and the Australian Gas Light Company?

If we do not impose payroll tax on any government department that has business undertakings, the Commonwealth will reduce our taxation reimbursements accordingly. It is a matter of measuring the extent of business undertakings in each government department. Members will appreciate that this is a very difficult operation. The decision that State business undertakings should continue to pay the tax conforms first of all with the spirit of the Commonwealth offer, in which the business activities of local government must be taxed. I again emphasize that the other important aspect is the deduction to be made from the State tax reimbursement grants of the tax now paid by these undertakings. It may seem to members to be a laborious process, but in doing this we are making certain that we do not lose the benefit of any of the State's taxation reimbursement grants.

When it comes to robbing Peter to pay Paul, let me say that because of the operation of Commonwealth payroll tax, there is already machinery within the Treasury and other State government departments and instrumentalities for this transfer to be made. I have been assured by Treasury officers that no additional staff will be needed to administer the tax. In many cases it will mean merely a book transfer: this will happen in the case of the Department

of Education. We must first make certain that we do not lose anything by way of tax reimbursements, and second, we must put all government business undertakings in the same situation as the private sector.

For those interested in statistics, let me say also that the Commonwealth Statistician will find that everyone is operating on the same basis, and he will not need to make particular adjustments when it comes to wages and matters of that nature. I hope that is a satisfactory explanation to members on the other side. I realize their worries in this regard, but the States generally, with the exception of South Australia, which is in a somewhat different position, have accepted this method as the best way out of the situation. I understand that South Australia has now decided to impose the tax on its roads department; apparently it operates in such a way that otherwise it would lose quite a lot in Commonwealth grants. I understand the other States will follow the example set by New South Wales, along the lines discussed at the Premiers' conference.

The Hon. N. K. WRAN (Deputy Leader of the Opposition) [5.48]: I regret we are not persuaded by the arguments advanced in support of the clause by the Minister, who mentioned statistics. He gave the possible loss of tax reimbursement grants as one of the reasons for non-exemption of government departments. I do not think this was the primary reason advanced in the other place; it was about the third reason. The other two were that this method of imposition would provide statistical information for the Commonwealth, giving the Commonwealth Statistician a basis for assessment or actual calculation of the average earnings of workers throughout the Commonwealth. The Minister seems to have conceded that the Government is engaged in a Tweedledum and Tweedledee operation, at least in relation to non-trading departments. It is our educated guess that in the result, this Tweedledum-Tweedledee transfer in the accounts will confuse the picture of government department expenditure and produce a record that is not entirely accurate. I do not suggest there is anything sinister about it, but there will be an inaccurate

picture of departmental expenditure. For instance, the Department of Education will appear to have paid \$7,000,000 payroll tax, but somehow or other, because it is a book transfer, it will not have actually done so. We oppose the clause in its present form and press the amendment.

Question—That the word proposed to be omitted stand—put. The Committee divided:

AYES, 27

Mr Ahern	Mr Manyweathers
Dr de Bryon-Faes	Mr O'Connell
Mr C. J. Cahill	Mr Packer
Mr Calabro	Mr Pratten
Sir Hector Clayton	Mrs Press
Mr Connellan	Mr Riley
Mrs Davis	Mr Solomons
Mrs Furley	Mr Spicer
Mr Gardiner	Mr Sullivan
Mr Gleeson	Sir Edward Warren
Mr Hewitt	Mr Willis
Sir Asher Joel	<i>Tellers,</i>
Mr Keighley	Mr T. R. Erskine
Mr Kennedy	Mr Evans

NOES, 22

Mr Alam	Mr Peters
Mrs Barron	Mrs Roper
Mr Bowen	Mrs Rygate
Mr C. A. F. Cahill	Mr Serisier
Mr Cockerill	Mr Thom
Mr Colborne	Mr Weir
Mr Coulter	Mr Wran
Mr Healey	Mr Wright
Mr McPherson	<i>Tellers,</i>
Mr Maloney	Mr Geraghty
Mr Marsh	Mr Gordon
Mr Murray	

Question so resolved in the affirmative.

Amendment negatived.

Part 1 (clauses 1 to 3) agreed to.

Part III (clauses 6 to 11).

Clause 7

The Hon. J. A. WEIR [5.58]: I wish to ask the Minister a question which relates to the substantial increase in the tax revenue that would have taken place even if the rate had remained at 2½ per cent. Without the increase, some industries would have been paying 20 per cent more payroll tax; others would have been paying 13 per cent and 15 per cent more this year in this State. In view of this substantial increase

I ask the Minister why the Government is now increasing the rate of tax from 2½ per cent to 3½ per cent.

The Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [6.0]: I thought that I had explained this increase. The Commonwealth said that it would hand over payroll tax to the States on the basis of 2½ per cent, and that it would then take from the States' tax reimbursement grants an amount equal to payroll tax collections on that basis. If the rate of tax were left at 2½ per cent, the States would have been in exactly the same position as before they received this tax. It was implicit in the Commonwealth's offer that the States would have to increase the rate of the tax. Otherwise, there would have been no point in the State's taking it over. The States then decided unanimously to increase payroll tax from 2½ per cent to 3½ per cent. This gave them 1 per cent extra, provided they did not embark on a series of exemptions, which would give them less than 1 per cent. Any exemption in excess of what had hitherto been a Commonwealth exemption would have been taken away from the tax reimbursement grant. We had to increase the rate from 2½ per cent to 3½ per cent. So far as I can see the incidence naturally falls on industries proportionately on the same basis as when it was 2½ per cent.

Clause 10

Page 14

10. The wages liable to pay-roll tax under this Act do not include wages paid or payable—

- (a) by the Governor of a State;
- (b) by a religious or public benevolent institution, or a public hospital;
- (c) by a hospital which is carried on by a society or association otherwise than for the purpose of profit or gain to the individual members of the society or association;
- (d) by a school or college (other than a technical school or a technical college) which—
 - (i) is carried on by a body corporate, society or association otherwise than for the purpose of profit or gain to the individual members of the body corporate, society or association and is not carried on by or on behalf of the State of New South Wales; and
 - (ii) provides education at or below, but not above, the secondary level of education;

The Hon. N. K. WRAN (Deputy Leader of the Opposition) [6.2]: I move:

That at page 14, all words on lines 10 to 17 inclusive be omitted and there be inserted in lieu thereof the words "(d) by a school or college which (i) is carried on otherwise than for the purpose of profit or gain;"

Clause 10 provides exemptions from payroll tax. I refer particularly to the exemption for private schools and colleges. In previous discussion it has been urged that public schools and colleges should be included in this exemption, for apparently they are liable to pay the tax. Despite the fact that the Minister claims that some form of book entry will lead to an adjustment being made, and that whatever is paid by the Department of Education will go into consolidated revenue and no harm will be done, I immediately make the point that our objection to the clause is not an objection to the fact that this is an exemption in favour of private schools. Those schools are having their difficulties in the same way as the schools in the general education system.

We appreciate that a similar exemption was provided in the Commonwealth legislation for private schools and colleges. However, especially since the Minister has conceded that the Department of Education is a non-trading department and will, in the event, pay no payroll tax, we assert that the appropriate provision should be that all schools and colleges not carried on for profit or gain should be exempt from payroll tax. There will be a curious conflict in the minds of citizens when they find that payroll tax will be levied on public but not private schools. This seems to be an unnecessary finessing, and the Opposition puts forward in this amendment a provision whereby schools and colleges that are not conducted for profit or gain shall be exempt from payment of this tax; this would embrace private schools and schools in the public system.

The Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [6.5]: As I said earlier when a similar amendment was proposed, the Government is unwilling to accept an amendment of this kind. In continuing to charge payroll tax on salaries in all government departments, in-

cluding those where the salaries are met from within the consolidated revenue fund, the general objective is to ensure the least possible disturbance of the established procedures that operated under Commonwealth legislation. Of course, it has the advantage of involving no additional administrative effort, as the work will continue to be carried out, as in the past, within the Treasury. This is one instance where it is not correct to say that the education vote is meeting the tax. It is simply being brought to account on the Treasury estimates in the total wages and salaries bill paid by the Crown from consolidated revenue, and it is a convenient way of continuing to furnish the necessary information statistically and to the Commonwealth on general matters relating to the operations within the State. No additional staff will be involved.

Once a government department is exempt, where would exemptions stop? Problems would arise with business undertakings within departments. The Government has accepted the proposition that no government department should be exempt, and I see no point in the Deputy Leader of the Opposition pushing an amendment of this kind when, in effect, he is only trying to achieve the exemption of a contra entry in the accounts of the Treasury. If this is done with one department, pressure would come for other departments to be treated in the same manner, and it would get to the stage of the business undertakings coming into it, and the State would start to lose money. The Government has fixed the only clear cut-off, and I believe that in the long run any State that does not take this view will regret it.

The Hon. C. A. F. CAHILL [6.7]: It would appear from clauses 7, 8 and 9 of the bill that the employer who pays less than \$1,733.33 a month will not be liable to payroll tax, but it is not clear whether such an employer has to submit a return, though that is there by inference.

The Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [6.8]: Possibly the honourable member and I looked at the bill at the same time some

time ago, for we both had the same query. I have been informed that this is the same provision as the one contained in the Commonwealth Act, under which employers with payrolls of less than \$20,800 per annum, or less than \$400 a week, are not required to register; or if they are registered, they may be granted exemptions from furnishing monthly returns. Clause 12 contains the provision relating to the \$400 a week exemption, and clause 14 relates to the exemption from furnishing monthly returns. There is also a provision that, if an employer who comes within the exemption pays any payroll tax, he is eligible for a full refund. So far as I am aware, the bill is almost a complete replica of the provisions in the Commonwealth Act.

The Hon. N. K. WRAN (Deputy Leader of the Opposition) [6.9]: Coming back to the exemption that covers schools and to my amendment, it has been brought to my notice that paragraph (b) of clause 10 provides an exemption for public hospitals. This is a proper exemption. Public hospitals are conducted by the Hospitals Commission, under the umbrella of a ministry and an Act of Parliament. If the Minister's argument is tenable, when he says it is necessary to impose this tax in regard to the Department of Education, lest the States may be disadvantaged in relation to some trading operation, then it is difficult to understand the position in relation to public hospitals. It is confusing that public hospitals are exempt and public schools are not.

The Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [6.11]: It should not be confusing to the Deputy Leader of the Opposition. I have said once or twice already during this debate that the Government agreed to transfer existing exemptions from the Commonwealth. The only alteration made was that the Commonwealth guaranteed to pay from its own sources rebates allowed to secondary industries in relation to their exports. Otherwise, we have accepted the Commonwealth's exemptions in total.

Amendment negatived.

Page 14

(e) by a council, except to the extent that those wages are paid or payable—

(i) for or in connection with; or

25 (ii) for or in connection with the construction of any buildings or the construction of any works or the installation of plant, machinery or equipment for use in or in connection with,

30 the supply of electricity or gas, water supply, sewerage, the conduct of abattoirs, of public food markets, of parking stations, of cemeteries, of crematoriums or of hostels or of any other activity that is a trading undertaking within the meaning of Part XVII of the Local Government Act, 1919,

35 or is a prescribed activity;

The Hon. N. K. WRAN (Deputy Leader of the Opposition) [6.12]: I move:

That at page 14, all words on lines 21 to 35 be omitted and there be inserted in lieu thereof the words "(e) by a council;"

The purpose of the amendment is that all council undertakings shall be exempt from liability for payroll tax, whether they are trading undertakings or non-trading undertakings. The Minister has indicated the total acceptance of pre-existing Commonwealth exemptions from the Commonwealth Payroll Tax Assessment Act and the inclusion willy-nilly of those exemptions in this Act. Whether they are based on reason or logic apparently does not matter at all. Apparently that was part of the deal and that is why the bill is presented in its present form.

However, the Minister has given an additional reason why trading undertakings of a council should not be exempted. He said that in certain cases they are in competition with private business and that it would be unfair if private business had to operate with the imposition of payroll tax while councils with trading undertakings were exempt from the tax. Members will see the sort of trading undertakings that councils engage in. Some of them are specified in paragraph (e) of clause 10, and they include:

. . . the supply of electricity or gas, water supply, sewerage . . .

If one stops there, it is difficult to imagine any private undertaking that would be in conflict with those activities of a council.

The Hon. L. P. CONNELLAN: The installation of sewerage is one.

The Hon. N. K. WRAN: I suppose that is true. Certainly electricity is not one.

The Hon. J. B. M. FULLER: There could be a private installation of sewage treatment works in a big village development.

The Hon. N. K. WRAN: I am indebted to the Minister. Electricity, gas, water supply, the conduct of abattoirs are not in that category. Public food markets are, but cemeteries or crematoriums would not be. The paragraph goes on to say:

... or of any other activity that is a trading undertaking within the meaning of Part XVII of the Local Government Act, 1919, or is a prescribed activity.

A trading undertaking is defined by section 418 of the Local Government Act, and members no doubt are more aware than I am that by section 419 the principles of trading by councils are defined in this way:

... the council shall endeavour so to conduct each trading undertakings that without any loss being incurred the service, product, or commodity of the undertaking may be supplied to the consumer as cheaply as possible.

We take the view that trading undertakings of councils operate for the benefit of the community in which the council operates. It provides a service for the community, whether by way of roads, garbage removal or the supply of water, electricity or gas. It is common knowledge to all of us who are involved with local councils or if we have a peripheral involvement with local councils that they carry a severe financial burden. Many of them are having difficulty in meeting their capital works programmes. Their deficits and debts are steadily increasing.

The imposition of payroll tax alone in regard to the supply of electricity to the rural areas of New South Wales by county councils will, I am told, mean a further imposition of \$2,000,000. If the Government is really sincere in what it says it would like to do for the man on the land, here is an opportunity for it to do so. Apparently this blanket takeover of Commonwealth exemptions and non-exemptions means that the Government

prefers to impose these heavy charges upon county councils and the undertakings of ordinary councils irrespective of the services provided.

A local ferry service provided by a council is a necessary service to the surrounding community and one that private business would not provide. If one looks at the real purpose of local government, one sees that it is to provide a community service. Therefore it is wrong, notwithstanding the differential treatment under the second schedule of the Stamp Duties Act, for local councils, whether in their ordinary undertakings or their trading undertakings, to have to bear the impost of a payroll tax of this kind. It will increase the burden that must inevitably be passed on to the consumer for whose benefit the services are created.

The Hon. L. P. CONNELLAN [6.14]: The Hon. N. K. Wran is confused about the imposition of charges. What is intended under the bill is that the Government will relieve local-government bodies of a considerable burden. This measure has been welcomed by local-government bodies. I do not deny the fact that they would like to get more relief, particularly in relation to water supply and sewerage. However, that is something for another day. By this bill something like \$3,000,000 is being given by way of exemptions to local bodies. These amounts, which have not been mentioned here by the Hon. N. K. Wran and the Hon. L. D. Serisier relate to road works, which are of considerable magnitude. These are major undertakings by shire councils. Something like \$35,000,000 is spent each year in this regard throughout New South Wales. A lot of that money is represented by wages and salaries. Many of the trading undertakings carried on by some councils are in competition with local business people, for instance the sale of refrigerators and electrical equipment.

Perhaps a case can be made out for exempting those activities of a council. However, many people feel that local government should not be given an advantage over private enterprise, considering that this is not in the interests of small country towns. I suggest the Government look at

this matter. I say once again that the Opposition has overlooked the fact that for the first time local government will get a considerable saving in payroll tax—something of the order of \$3,000,000 altogether, though this is a calculated guess. Out of the \$150,000,000 general rates collected by councils in this State, the major expenditure is wages, which will be exempt under this bill.

The Hon. N. K. WRAN: Are they not exempt under the Commonwealth scheme?

The Hon. L. P. CONNELLAN: No, under this new scheme.

The Hon. N. K. WRAN (Deputy Leader of the Opposition) [6.21]: I did not overlook the concession made by the Commonwealth as part of the arrangement for taking over by the States of payroll tax but I am indebted to the Hon. L. P. Connellan for making all honourable members aware of it. The honourable member does not disagree with our contention that the concession does not go far enough. There is a case for exempting councils engaged in trading activities. Without this exemption, consumers will be burdened by the higher rate of payroll tax.

The Hon. J. B. M. FULLER (Minister for Decentralisation and Development and Vice-President of the Executive Council) [6.22]: I am pleased to get the support of the Hon. L. P. Connellan, who, having spent so much of his life in making a practical contribution to local government, understands the position. He was right in saying that exemption from payroll tax of the non-business activities of councils will save them about \$3,000,000 per annum. The Treasury estimates that sum as the direct benefit. Apparently honourable members opposite feel that not enough help is being given to local government. I shall list some of the other assistance to it in a moment.

If the State were to extend the exemption to the business activities of local authorities, it would have to subsidize them by a further \$2,500,000 per annum on the basis of $2\frac{1}{2}$ per cent payroll tax. This would have to be done entirely at the expense of the State, for the amount of the exemption

would be deducted this year from our tax reimbursement grants. In addition, the State would have to forego the extra 1 per cent imposed on payroll tax, which will be paid by everyone else. Local government is getting assistance through the Local Government Assistance Fund. We are giving other substantial assistance to local government by taking over responsibility for trunk and main roads and providing other benefits, which are estimated to cost \$20,000,000 this financial year. These concessions will give substantial benefits to local government.

The Hon. N. K. WRAN: The benefit of the Local Government Assistance Fund will be cancelled out exactly by payroll tax.

The Hon. J. B. M. FULLER: What about \$20,000,000 for trunk and main roads?

The Hon. N. K. WRAN: That is a different matter.

The Hon. J. B. M. FULLER: The honourable member is coming back to the ifs and buts.

The Hon. N. K. WRAN: I can take only one at a time.

The Hon. J. B. M. FULLER: Some local-government activities are in direct competition with private employers. Abattoirs are a good example. A regional abattoir in the Central-west operates within a few miles of a privately owned abattoir. Does the honourable member suggest that the local-government abattoir should get the benefit of exemption from $2\frac{1}{2}$ per cent or $3\frac{1}{2}$ per cent payroll tax while the private concern operating three or four miles away does not? One gets into trouble in fields of exemption. There would be a similar problem with local gas undertakings and the Australian Gas Light Company and the North Shore Gas Company. What would the metropolitan companies say if, for instance, the Blue Mountains city council's gas undertaking were exempted from payroll tax? The final point made by the Hon. N. K. Wran in relation to discussions with the Commonwealth was exactly right. The exemptions, which are listed in

clause 10 (e) are part of the understanding reached with the Commonwealth. The intention was to relieve from payroll tax local government in its normal operations, but not in its business undertakings. The Government must stick to its proposal for government departments, otherwise there will be a great deal of doubt and confusion and the State will lose a considerable sum by way of tax reimbursements.

Amendment negated.

Part III (clauses 6 to 11) agreed to.

ADOPTION OF REPORT

Bill reported from Committee without amendment, and report adopted, on motions by the Hon. J. B. M. Fuller.

House adjourned, on motion by the Hon. J. B. M. Fuller, at 6.29 p.m.

Legislative Assembly

Tuesday, 21 September, 1971

Printed Questions and Answers—Petitions—Questions without Notice—Kelly's Bush: Rezoning of Open Space (Urgency)—Printing Committee (Sixth Report)—State Planning Authority—Public Accounts Committee (First Report)—States Grants (Rural Reconstruction) Agreement Ratification Bill (second reading)—Companies (Amendment) Bill (second reading)—Adjournment (Eviction of Mr and Mrs Dee at Fairfield).

Mr SPEAKER (THE HON. SIR KEVIN ELLIS) took the chair at 2.30 p.m.

Mr SPEAKER offered the Prayer.

PRINTED QUESTIONS AND ANSWERS

MORTDALE TRAIN SERVICE

Mr F. J. WALKER asked the MINISTER FOR TRANSPORT—(1) On how many occasions since January, 1971, has the 8.12 a.m. train from Mortdale to the city arrived on time? (2) Has the train frequently been more than ten minutes late on arrival at Central station? (3) If so—(a) what are the reasons for the delays; (b) are any steps

being taken to minimize delays and maintain the scheduled running of the 8.12 a.m. train from Mortdale?

Answer—(1) and (2) Period from 4th January to 23rd August (inclusive):

Train ran	161 occasions
Arrival on time ..	54 occasions
From one to ten minutes late ..	94 occasions
More than ten minutes late	13 occasions
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(3) (a) The morning peak period trains from the Illawarra line stop at Nos 20 and 21 platforms at Central and then proceed to the single city circle line. On many occasions, due to the large volume of passengers detraining at Central and city stations, together with those joining at Central off connecting services, delays occur to trains which react on the following services. Some disruption is therefore caused to trains traversing the city circle. Moreover, any disorganization of services due to mechanical failures and other unforeseeable causes contributes to the blocking-back which occurs when these trains converge on the single underground track. This was the main cause of the minor delays experienced during the period referred to above. The extended delays, those in excess of ten minutes, were caused by such factors as: power failure; signal failure; broken rail; the derailment of a goods train; a stoppage by guards and the fact that, on one occasion, a passenger fell from a preceding train.

(b) The necessity to run seven-car sets during the busy periods has also had some effect on running times for not only do passengers take longer to join and alight from trains, but the missing carriage is almost invariably a motorized car. Speeds are therefore restricted in many cases. This position will be alleviated when the fifty-three double-deck motor cars now on order are received from the contractor and placed in service, the first being due for delivery early next year. Tenders are also being