

Economic Regulation Authority
Public Submissions
Inquiry into Microeconomic reform in WA
PO Box 8469
Perth
WA 6849

2 May 2014

Dear Sirs

Public Submission to ERA's Draft Report on Microeconomic reform.

1) Recommendations to privatise power and water agencies (4.3 Divestment of Government Assets) in such a small market as WA is faulty as there is insufficient economy of scale to enable a number of competitors to enter the market and at best only an oligopoly of suppliers could exist which would do nothing for the consumer. Further power and water are too important to society to allow their supply to be in the hands of private enterprise who are motivated by the short term profit margin and would not necessarily ensure adequate ongoing maintenance and updating of the infrastructure. Private enterprise understandably needs to make a profit and newer developments of outlying areas would not necessarily provide those profits so private enterprise might be unwilling to enter these geographical markets meaning the state/taxpayers would still have to maintain an ability to be involved in these industries but would be confined to unprofitable areas so costing taxpayers more. Once a company is privatised it faces the possibility of bankruptcy or being taken over by non-locally based companies who would have a lesser involvement in the state as their main offices and areas of interest would not be based in WA.

While theoretically power and water agencies might be suitable under economic theories for privatisation and meet the ERA's checklist of suitable privatisation targets, both these areas are too important for the citizens of the state to allow to be privatised.

2) The ERA review suggested the elimination of 'inefficient taxes' and the introduction of amongst others a land tax. (Recommendation No 26 per the Overview of Microeconomic reform inquiry) As land tax is already paid on all commercial and rented buildings this is code for a new tax on householders living in their principal place of residence. It also seems that the recommendation involves the introduction of land tax on farmers.

It has become the trend, following the recent Henry review of taxes, to brand any tax an organisation wishes to have done away with as an 'inefficient tax'. It is interesting to see that the 'inefficient taxes' are basically those paid by businesses and the new 'efficient' land taxes would be paid by private individuals living in their principal place of residence. According to the WA budget fact sheets, currently 78.9% (89562) of the taxpayers who pay land tax own land with a valuation up to \$1 million. We can say that these are generally private individuals who have an investment property. The balance of taxpayers, some 20% (22692) have, properties over 1 million and most of these can be said to be owned by Eastern states banks, investment companies, and large superannuation bodies who own large investment portfolios.

According to the 2011 census there were 534961 occupied private dwellings in WA and 231824 rented dwellings.

It is these 534961 owners living in their primary place of residence that ERA suggests should pick up the bill that is too onerous for businesses to pay. One of the taxes that is so called 'inefficient' is transfer tax on property. The expected transfer duty collections income for 2013/14 per the budget papers is \$1,798,600,000. Doing away with transfer duty means that on average a home owner will now have to pay \$3360.00 per annum to make up for the loss to the government of transfer duty income.

This proposed 'broadening of the tax base' that certain bodies like to talk about means some pay less than they do now and others will pay more. This is just what the ERA and the property councils are pushing for, less tax for them and more on the individual taxpayer.

We also know as a fact that any land tax on private owners will not stay at current levels but will increase once politicians have found a new tax. So this figure will only increase and be a growing burden on home owner taxpayers.

Businesses make money from individuals in various ways and business lobbies and the EPA does not seem to realise that removing money from the pockets of individuals only means they have less disposable income to spend on goods and services offered by these businesses. Already retail in WA is complaining about a lack of retail spending by the population. Reduce spending by \$1,798.6 million and business will be shouting for relief.

The large tax payers are basically eastern state headquartered and gain from the householder in WA who buys his goods and services with the income and profit flowing back to eastern states institutions. It is their 'payment' to the people of WA for the provision of a stable and profitable place to do business and should be seen as part of their contribution to the environment provided by the people of WA through their state government.

If the ERA wishes to promote this proposal it should publicise what its intention is, namely reducing the tax on business and putting this reduction on owners of primary places of residence (private home owners).

Your sincerely

Anton Porzig