Speech by

Mr. R. CONNOR

MEMBER FOR NERANG

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APPROPRIATION (PARLIAMENT) BILL
APPROPRIATION BILL

Mr CONNOR (Nerang—LP) (5.13 p.m.): I rise to speak, firstly, about the postponement of the further concessions on stamp duty for refinancing, the postponement of further concessions on land tax and also to introduce a concept to this Parliament called social capabilities. In relation to the postponement of the further concessions on stamp duty, I refer to a speech made on 14 May this year by the then Treasurer, Joan Sheldon, who stated—

> "... a stamp duty exemption will be provided on refinancing of loans and other financial instruments.
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> ...
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> For small businesses, there is an indicative saving of $1,200 on refinancing a $300,000 loan ... implementation date of 1 January 1999."

She went on to state that this initiative would have a cost of $16.5m in a full year.

That initiative was contained in the coalition's Budget. It is not in the Labor Government's Budget. This initiative was extremely important in the current volatile financial environment. Following the South-East Asian currency crisis, the volatility on the world capital markets has spread to Russia and Latin America. Therefore, it is important in this financial environment to have the maximum amount of flexibility to take advantage of the interest rates that are available. It is also important to keep the pressure on financiers to ensure that our capital markets and our interest rates are as competitive as possible.

Unfortunately, refinancing stamp duty acts as a buffer to reducing the competitiveness between different financiers. In giving an example, I will use the example indicated in the then Treasurer's speech of a small business with a loan of $300,000. I will just use indicative interest rates for ease of percentage calculation. Let us say that the interest rates were 10%. A person with a $300,000 loan would be paying $30,000 a year in interest. Suppose an alternative financier is offering a 9% loan. Under normal circumstances, all things being equal, a small businessperson would apply for the lower interest loan to receive a saving of $3,000 a year—from $30,000 to $27,000 a year. However, there is the cost of the writing up of the new contract and the $1,200 cost of stamp duty which are impediments to refinancing. Let us suppose that it costs $1,000 for the writing up of the new contract and a further $1,200 in stamp duty. That makes a saving of about only $800, and that is only after 12 months. It is hardly worth while refinancing. The small businessman or businesswoman would have to consider the feasibility of undertaking that refinancing because, in that 12-month period, interest rates could move again. Therefore, the stamp duty cost is a real impediment to the ability of a small businessperson to refinance and it is an impediment for financial institutions to have proper competition. As I said, in the current volatile economic environment, it is of crucial importance that Australian business is as competitive as possible.

I turn to the postponement of the land tax concession. This is also of crucial importance to the business community. This concession was part of a total phase-out of land tax over a 10-year period. I might add that it was a recommendation of McKinsey & Co, who were consultants to the then Prime Minister, Paul Keating, and that if there was a 10-year phase-out of unpopular or unfeasible taxes on business, Governments should give the maximum amount of indication to business of that phase-out so that business can plan in advance. Of course, the idea was that such a phase-out would have a minimum amount of impact on the Budgets of State Governments—or any Government, for that matter—while at the same time give a clear direction of where we are heading.

The postponement and probably dumping of this land tax concession and eventual phase-out has sent some very unfortunate signals to the business community. It is saying that promises of the long-term phase-out of taxes are pie in the sky and that they cannot be relied upon. Although the postponement of such a phase-out may have only a minimal effect on the bottom line of the Budget, it sends very bad signals to the business community that long-term commitments on tax reform cannot be relied upon. I suppose that is nothing new; but, even so, the phase-out of land tax was a long-term commitment following a recommendation of McKinsey & Co to the then Prime Minister, Paul Keating. It was contained in a consultant's report called "Think Global, Act Global".

As I mentioned earlier, I shall introduce to the Parliament the concept of social capability and its meaning. I will look at it in the Queensland and Australian context, and also from the point of view of the information rich and the information poor. Before I introduce the concept, I give a comparison of two individuals who, let us say, are both on the pension. They are the same age and have the same general circumstances and, according to current ways of measuring poverty, would be considered to be in a similar position. However, suppose one of the two is an alcoholic. That person obviously has a lower level of wellbeing than the person who is not an alcoholic. The alcoholic will obviously spend a great deal of their income on alcohol, will make incorrect decisions and will require a greater amount of welfare and medical services. Obviously, two such people are in very different positions as far as prosperity and poverty is concerned.

I give credit to Mark Latham, the Federal Opposition spokesman for Education, as I first read of this concept through his work. I went on to read the work of a sociopolitical economist, Amartya Sen, who I understand developed this particular measure of poverty. Sen proposes that rather than look at the outcomes of poverty as a measure, one should look at what causes poverty. I commend highly the work that has been done on this issue. I do not necessarily agree with all the outcomes that Mark Latham is proposing, but I certainly agree with a lot of the analytical work that he has done.

In one of his recent journals, Amartya Sen states——

> "Capability ... the person's freedom to lead one type of life or another ... a person's freedom to buy commodity ... The well-being of a person must be thoroughly dependent on the nature of his or her being, i.e. on the functioning achieved .... the freedoms that different people respectively enjoy to achieve well-being."

What really sums that up—and I concur fully with this—is the statement, "how good a 'deal' a person has in the society". Obviously that will vary from society to society. Someone in India who earns a very low income may have quite a fair deal from society. A similar income earned in the United States would be a very poor deal. Poverty needs to be measured in context, bearing in mind the capability within a particular society.

Sen further states—

> "Choosing may itself be a valuable part of living, and a life of genuine choice with serious options may be seen to be—for that reason—richer ... making one's life richer with the opportunity of reflective choice."

He goes on——

> "... the capability approach clearly differs"—

and this is important—

> "crucially from the more traditional approaches to individual and social evaluation, based on such variables as primary goods ... resources ... or real income ... Capability reflects freedom to pursue these ... elements ..."

That is not the actual elements themselves. In summary, by social capability Sen means: a capacity to use resources, the overall freedom to pursue wellbeing, the skills of social and economic participation, the freedom to achieve in society and lifestyle and, of course, we need to bring security into that equation. Skills of economic and social participation are things such as education, a profession or trade, one's ability to articulate, one's credibility and respectability within society, one's mobility and flexibility, one's perceived social acceptability— for instance, one's race, sex, illness or disability. Intelligence and age also will have an impact on one's skills of social and economic participation.

As we move into a globalised society, it is absolutely crucial that we look at measures of wellbeing from a totally different perspective. For example, suppose someone with a great deal of social capability—someone who is intelligent, the right age, well educated with good professional skills and the like—moved into a grass shack because that was the lifestyle that they wanted to lead. According to traditional methods, that person would be measured as being very much in poverty, yet that person has chosen that lifestyle. Should that person be measured in the same way as someone who is forced to be in that position but wants something better in their life? Obviously not. That is the difference.

If we start looking at poverty or prosperity from this perspective, we need to start looking at the way that social benefits are put together—things such as pensions and public housing. Poverty needs to be more accurately measured and benefits need to be targeted according to a real level of poverty that has been measured in a much more appropriate way. Alternative measures of poverty and prosperity need to be pursued. The work of Amartya Sen and Mark Latham should be looked at more closely, because we need to put together policies and outcomes that more properly reflect social capability.