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TUESDAY, 11 APRIL

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Tuesday, 11 April 2000

Mr SPEAKER (Mr Neil Andrew) took the chair at 2.00 p.m., and read prayers.

QUESTIONS WITHOUT NOTICE

Goods and Services Tax: Families

Mr CREAN (2.01 p.m.)—My question is to the Prime Minister. I refer to Minister Newman’s press release announcing a top-up mechanism for people who are worse off under the new tax system. Can you confirm that her criteria for assessing whether someone is worse off refer to the combined effects of family assistance, income tax changes and other changes to the social security system but do not mention the impact of the GST? Will you assure the House that the impact of the GST will be included when deciding whether families are worse off?

Mr HOWARD—The answer to the question is yes, I can inform you that it will be included. Senator Newman announced yesterday the arrangement which the Deputy Leader of the Opposition has referred to, which takes account of any circumstance where a family thinks, albeit for very brief transitional period, that it could be worse off. In making an application under that mechanism, people will be able to take into account the impact of the GST. That is to be the arrangement, and it remains the government’s belief that families will be, as we have always said, much better off under the tax reform.

Private Health Insurance: Reforms

Mr ROSS CAMERON (2.02 p.m.)—My question is to the Prime Minister. Would the Prime Minister inform the House of the benefits of the government’s private health insurance reforms?

Mr HOWARD—I do thank the member for Parramatta. The member for Parramatta is certainly representing the interests not only of his constituents but of the millions of Australians who are very grateful that this government has brought private health insurance in this country back to robust good health. I remind the House that in the 1996 election campaign we advocated a tax incentive for taking out private health insurance, and in the tax plan endorsed by the Australian people in 1998 we expanded that to a 30 per cent non-means tested tax rebate. Be it remembered that when this proposal was put before the Australian parliament the Labor Party fought tooth and nail to stop middle Australia getting a tax break for private health insurance. And it was passed through the parliament only due to the assistance of Senator Brian Harradine.

The attitude of the Labor Party towards the private health insurance benefit has been one of fearmongering and obstruction. At no stage did they recognise that a sturdy health system in this country requires people to have an incentive to take out private health insurance. The good news is that the private health insurance rebate and the other policies of the government in relation to health are working. Thousands upon thousands of Australians are rejoining health funds or young Australians are joining health funds for the first time. The long-term benefit of this will be to take some of the strain off the public hospital sector operated by the states. The long-term benefit will be to give greater security to Australian families. The long-term benefit will be to create a better balance between public and private health provision in this country.

Once again on this issue, as on the issues of native title and taxation reform, we have the Australian Labor Party trying to walk both sides of the street. When interviewed on radio 3LO on 22 February this year, the Leader of the Opposition said the 30 per cent private health insurance rebate was ‘a complete and monumental failure’. Those people who are joining private health insurance funds in ever increasing numbers and the private health insurance funds themselves will find that an extraordinary proposition. If you look at the graph which plots what has happened to private health membership as a result of the introduction of the 30 per cent rebate and as a result of the promotion of private health cover, you will see a dramatic response from the Australian public. Far from being a monumental failure, it has been an outstanding success. It is another demonstration of the success of the government’s policies. Rest assured that even though the Labor Party are against something the last thing
they will ever do if they get into office is scrap it, just as the Leader of the Opposition is opposed to the GST but is going to keep it, and just as they are opposed to sections of the Native Title Act but will not undertake to repeal it. Do not ask them to have a backbone. Do not ask them to stand up for what they say they believe in. So it is with private health insurance. They are against it. They say, ‘It’s a failure but don’t worry, Australian public, we’re not going to scrap it.’

This is a typical example of the Labor Party walking both sides of the street, saying one thing to one audience and another thing to another audience. We have proudly supported private health insurance ever since we have been in government, and I am absolutely delighted to say to millions of Australians who have shared that faith and have shared that commitment that private health insurance is well and truly alive. It is a robust part of the Australian health provision, and that is due entirely to the coalition. At every point, the Labor Party have tried to destroy private health insurance. They ran it into the ground in government, and they tried to obstruct our efforts when they went into opposition. They ought to be condemned by the millions of Australians who warmly embrace private health insurance.

Goods and Services Tax: Families

Mr BEAZLEY (2.08 p.m.)—My question is to the Prime Minister. Prime Minister, can you confirm that the extra $12 you say that John and Wendy will get is before they pay the GST? Doesn’t Ann Harding’s analysis show that the GST will cost them an extra $39 a fortnight? Doesn’t that make them GST losers to the tune of $27 a fortnight, in breach of your promise that no-one will be worse off?

Mr HOWARD—Could I point out to the Leader of the Opposition that if you have the arrangement that was announced by Senator Newman and that was the subject of a question by the Deputy Leader of the Opposition, which relates to any transitional situation—

Dr Lawrence—It’s not transitional!

Mr HOWARD—I am sorry, that is not correct. But I will let that go by. If you have that arrangement, and that arrangement allows a person in seeking a response under that mechanism to take into account the impact of the GST, I cannot see how anybody can be a GST loser.

Medicare: Policies

Mr SOMLYAY (2.09 p.m.)—My question is addressed to the Minister for Health and Aged Care. Would the minister inform the House of the government’s commitment to Medicare? Is he aware of any alternative proposals for our health system?

Dr WOOLDRIDGE—I thank the honourable member for Fairfax for his question. The Howard government have very substantially strengthened Medicare. We have strengthened it with more funding to public hospitals, we have strengthened it by focusing on prevention and the involvement of general practitioners in multidisciplinary teams, we have more claiming points, we have more doctors in rural Australia and we have put a floor under the fallout from private health insurance. It is interesting, when we spend almost a billion dollars a year more on Medicare than we did four years ago and when we have introduced new services, that only the member for Jagajaga and the union movement can actually claim that this is somehow part of a plan to undermine Medicare.

Honourable members should be aware of the alternative. All we have seen is one press release from July last year: ‘Macklin outlines health policy themes’. This was nine months ago. In those nine months we have not seen a single idea, proposal, plan, outline, project, proposition or any other matter of substance. The member for Jagajaga said nine months ago that she aimed to:

- create an integrated funding structure ...  
- develop a publicly-funded coordinated care program ...
- overcome the major inequities in our health system with programs targeted at Aboriginal and Torres Strait Islander people ...
- tackle the special needs of mental health ...
- focus on ... early intervention ...
- control the rising cost of medicine..., and
- greater access to information for consumers ...
She said that this would happen within 12 months. Nine months are up, and we have not seen any of this whatsoever. All we have heard is scaremongering, false propositions and a carping, negative, opportunistic approach to just about everything the government does. She criticises the 30 per cent rebate, she criticises Lifetime Health Cover and she even manages to criticise $4.5 billion of extra expenditure in states and territories for public hospitals.

She criticises our commitment to Medicare. Last Friday, as part of the so-called ‘day of action’, the member for Jagajaga spoke at a rally at the Civic Medicare office in Canberra. Unfortunately for her, a staff member of one of my colleagues happened to be walking past at the time. I was informed that the entire rally consisted of half-a-dozen Labor staffers and the five political demonstrators who turned up. The member for Jagajaga should not confuse the children waiting in the queue for the jumping castle over the road with part of the rally. The rally was a complete flop and shows that, no matter how much the member for Jagajaga tries to misrepresent and how much she tries to scare people, she cannot get any enthusiasm. All she can do is have the trade union movement circulate a trashy circular to members that somehow shows there is a growing resentment and a conspiracy to undermine Medicare.

The fact is that this government is the best friend Medicare ever had. Quite frankly, the only threat to Medicare is the Labor Party’s ideologically driven hatred of the mixed private-public system. The government is on about giving the public a choice between two strong systems. Medicare is complemented by the private health system. Some 81 per cent of Australians support that proposition. Labor has never been able to say that it supports both systems, and it never will.

Goods and Services Tax: Families

Mr BEAZLEY (2.13 p.m.)—My question is to the Prime Minister. Prime Minister, I refer to your claim that all GST losers can apply to a special unit in the Department of Family and Community Services for an income top-up. Why does this last for only three months? What happens to people who are worse off after 30 September, such as John and Wendy, who are having a baby in December? Or does your promise that no-one will be worse off have a three-month use-by date?

Mr HOWARD—I have indicated that people who feel they are disadvantaged can make submissions. They can take into account the impact, and there will be a further statement—

Mr Crean interjecting—

Mr HOWARD—The Deputy Leader of the Opposition should not get too excited, because he will find that, when further details of these arrangements are announced by Senator Newman, the excitement that he talks about will be very ill-founded.

The proposition advanced by the Leader of the Opposition—and I think originally by the member for Lilley—derives from the impact in a transitional way of the substitution of a point in time income test with an annual income test. The government will have these arrangements to ensure that people who believe they may be disadvantaged for a short period of time can ask to have taken into account the impact of the GST. As a result, the statements the Treasurer and I have made about people not being worse off as a result of the new tax arrangements will turn out to be absolutely correct. It is a strange notion even in theory that, even if a person were worse off for a brief period of time but were better off for the rest of their life, that person is made worse off by a change. It is a very odd theory indeed, and I think most Australians would see it as odd.

Goods and Services Tax: Fuel Prices

Mr IAN MACFARLANE (2.15 p.m.)—My question is addressed to the Treasurer. Would the Treasurer outline to the House how the government intends to fulfil our commitments on fuel prices under the new tax system?

Mr COSTELLO—I thank the honourable member for Groom for his question and for his interest in this matter. As members of the House will know, under the government’s new tax system the government is cutting $1.9 billion out of excises which are collected in this country. For any person in
business, because business gets the full amount of GST back, the cost of petrol or diesel should fall by around 10 per cent. That includes farmers and small business people— anybody who has a car that they use as part of their business. In addition to that, the government is rebating through grants the cost of diesel for large trucks and for medium sized trucks which are travelling outside the metropolitan regions. That will reduce the excise on that diesel from about 44c a litre to 24c a litre. What a great benefit for people in rural and regional Australia in their transport costs!

Today I can announce a third prong which is designed to help consumers, particularly consumers in regional and remote Australia. Today I announce for the first time that, in addition to reducing excise before the application of GST, the government will be introducing a grants system which will pay grants to retailers of petrol or diesel at a tiered rate, depending on whether they are in regional or remote areas, to ensure that the retailer is put in a position to pass on in full all of the benefits to the consumer. So for people in regional or remote Australia, as a result of tax change, their fuel costs need not rise and regional and remote Australia will be protected in full under the new taxation system. This will be a direct benefit to regional and remote Australia of around $500 million over a four-year period. So, if you are in business in regional and remote Australia, the costs of your petrol or diesel will fall by 10 per cent; if you are in regional or remote Australia, the cost of transport will fall from 44c a litre on your diesel to 24c a litre; and if you happen to be a consumer in regional or remote Australia a grants system will ensure that no petrol price to the consumer need rise, with another $500 million of benefit over a four-year period to regional and remote Australia.

I want to pay tribute to those members of the coalition backbench who have made representations to the government on this matter. Of course, we know the Labor Party policy is to keep GST, but it never came up with a scheme in relation to this or in relation to anything else. I want to make this other point, and that is that the diesel rebate, which brings the cost of diesel on large trucks down from 44c to 24c, could have been made a benefit to all trucks in Australia if it had not been for Labor Party opposition. It was Labor Party opposition which meant that this government had to compromise with the Australian Democrats. There were people in metropolitan Australia who were cut out of the benefit because the Labor Party, which is so opposed to GST that it intends to keep it if it is ever elected, voted up in the Senate against benefits for people in outer suburbs and in metropolitan Australia.

Paul Kelly said in the Australian that a political party campaigning against a tax it wants to keep was political fraud on a grand scale. It is political fraud on a grand scale masterminded by economic pygmies over there—the Leader of the Opposition and the Deputy Leader of the Opposition—who are so opposed to the GST they just cannot wait to get elected and to take advantage of it. It is political fraud on a grand scale under two of the weakest leaders of an opposition ever. We are going to have an MPI debate later on and we will have all of these complaints about the GST from the Deputy Leader of the Opposition. But listen carefully to his speech: will you hear one policy?

**Government members**—No.

Mr COSTELLO—Will you hear one proposal?

**Government members**—No.

Mr COSTELLO—Will you hear one idea? No, no, no. It will be a speech on how terrible the GST is and, therefore, that is why the Labor Party intend to keep it. That is their position—complete fraud.

Mr Crean interjecting—

Mr SPEAKER—The Deputy Leader of the Opposition is denying the member for Jagajaga the call.

**Goods and Services Tax: Families**

Ms MACKLIN (2.21 p.m.)—My question is to the Prime Minister. Why does Minister Newman’s press release cut off the top-up payment provisions under family tax benefit part B on 30 September? Won’t this ensure that the only carers eligible for your payment will be those who have earned more than $10,000 between 30 June and 30 September—an annual salary of $40,000? Isn’t it the case that only 15 per cent of working women
Mr Howard—The answer to that is no. I have already indicated that Senator Newman will be making further information available about this as we get closer to the day. But nothing that the opposition says—either the member for Jagajaga or the Leader of the Opposition—can in any way gainsay the fact that families, both generally and particularly, will be massive beneficiaries under this arrangement. They will be massive beneficiaries.

Mr Crean—Why do you need the top-up then?

Ms Macklin—What is the top-up for?

Mr Speaker—the Deputy Leader of the Opposition and the member for Jagajaga: the Prime Minister has the call.

Mr Howard—The Treasurer has just announced an arrangement in relation to the taxation reform that will be of enormous benefit to individuals and families in rural Australia. The government’s taxation reform will proportionately advantage families in a quite marked and dramatic way. Any suggestion that it is designed—as implied in the member’s question—in some way to disadvantage women is of course absurd.

I would remind the parliament that one of the distinguishing black marks of the Labor Party’s apology for a taxation policy at the 1998 election was the application of penal rates of marginal tax on working women. One of the reasons why that policy of tax credits was so resoundingly rejected by many sections of middle Australia at the last election was that working women saw through it and saw that for extra effort they went into higher marginal tax rates. The point I would make to working women in Australia is that under our tax plan—and the member for Jagajaga gave me the opportunity and reminded me of this when she asked her question when she talked about the wage structures applying to women in the Australian community—

Ms Macklin—How many earn under $40,000?

Mr Howard—Under our tax plan, every person who earns up to $50,000 a year, men and women, will be on a top marginal rate of no more than 30 cents in the dollar. Here she is—

Ms Macklin—What is the top-up for?

Mr Speaker—the member for Jagajaga!

Mr Howard—interjecting in her normally engaging fashion. She is interjecting and saying that they are under a certain level. Here we are and 80 per cent of all Australian taxpayers are earning under $50,000 a year—

Ms Macklin—$40,000.

Mr Howard—Under $50,000, 80 per cent: by your question and your interjection, that obviously includes in your view a very large number of women in the workforce. They will be massively better off as a result of this. They are going to be hugely better off as a result of the introduction of this system. I think that is a cause of very positive response from the women of Australia.

Goods and Services Tax: Consumer Protection

Mrs Vale (2.25 p.m.)—My question is addressed to the Minister for Financial Services and Regulation. Would the minister inform the House what the government is doing to ensure consumers get the full benefits of the new tax system and, specifically, what progress there has been in making sure Australians are protected in the transition to the new system? Is the minister aware of any alternative programs or policies aimed at protecting Australian consumers?

Mr Hockey—I would like to thank the member for Hughes for her question. The coalition government is about putting consumers first. We have done that in relation to the transition to the new tax system by giving the ACCC additional powers and resources to deal particularly with price exploitation by businesses during the transition period to the GST.

Today I can inform the House that the ACCC has issued its first GST price exploitation notice, on Video Ezy Australasia. After
intensive investigations, the ACCC has formed the view that Video Ezy has been exploiting consumers by charging an extra 15 per cent for video rentals and blaming the 10 per cent GST for that impact. Individual executives of Video Ezy may face fines of up to half a million dollars. The Video Ezy company may face a fine of up to $10 million.

This is a strong warning to business: if you try to rip off consumers during the transition to the new GST system, you will pay a very heavy price. Whilst not all Video Ezy stores have been engaging in a rip-off of consumers, consumers themselves should be aware that they have the power to alert the ACCC to price exploitation. I can advise the House of that because, whilst the Labor Party members for Chisholm and Lalor have been asleep at the wheel, it was in fact their constituents that advised the ACCC of the rip-off by Video Ezy. Out of the suburbs of Hawthorn and Altona in Victoria, the consumers advised the ACCC of what was happening in relation to the GST.

Mr Griffin—Hawthorn? That is in Kooyong, you idiot!

Mr SPEAKER—The member for Bruce!

Opposition members interjecting—

Mr Griffin—that is in Kooyong, you moron!

Mr SPEAKER—The member for Bruce! The minister will resume his seat. The member for Bruce is warned.

Mr HOCKEY—The Labor Party can wax and wane all they like, but what they should be aware of is that the member for Hughes asked me about alternative policies in relation to consumer protection and the ACCC. In fact, there are lots of alternative policies coming out of the Labor Party. On the one hand, during the debate recently in the House, the member for Hunter and shadow minister for small business viewed extended misleading conduct powers for the ACCC as ‘having horrendous implications for Australia’s small firms’. He added that ‘it is not good for small business to pass this bill’. Then the member for Hunter went and voted for the bill. On the other hand, the member for Hotham came into the House and wailed about the importance of consumer protection with the GST, and then he sent the misleading conduct bill off to a Senate committee to delay its implementation to protect Australian consumers.

When it comes to ACCC resources, we have the Labor Party Minister for Fair Trading in Queensland saying that the ACCC does not have enough resources to protect consumers from rip-offs, and the Labor Party minister for fair trading in Victoria writing to the ACCC asking it to allocate resources to help out the Victorian government. So, out of all of that, the Labor Party’s policy on consumer protection is confused and contradictory, and the policy of the coalition government is clear: we are putting Australian consumers first.

Goods and Services Tax: Compensation

Ms PLIBERSEK (2.30 p.m.)—My question is addressed to the Prime Minister and it relates to his claim that no Australian will be worse off under the GST. Prime Minister, I refer to your announcement yesterday of a top-up mechanism for GST losers. Exactly how much funding has been allocated to top up the income of people identified as ‘losers’ under the new tax system?

Mr HOWARD—I make no concessions about losers—that is the first thing—none whatsoever. So that is the threshold point. So far as allocations are concerned, if you have a top-up mechanism, you allocate adequate funds for it. Just have a look at the budget.

Goods and Services Tax: Australian Business Number

Mrs MOYLAN (2.31 p.m.)—My question is addressed to the Treasurer. Would the Treasurer provide the House with an update on registrations for Australian business numbers? How many Australian business numbers have been issued to date by the tax office? Treasurer, what should small business be doing to prepare for the new tax system?

Mr COSTELLO—I thank the honourable member for Pearce for her question. I am pleased to announce to the House that last night the number of Australian business numbers issued passed the one million mark. In fact, there have been 1,012,187 Australian business numbers issued to business and other entities. The number of applications for
an Australian business number has also been rising strongly, and the total number of applications received as at today’s date is 1,272,534.

Mr Cox—That is a lot of tax collectors.

Mr COSTELLO—I hear the honourable member for Kingston interject. The last job in his distinguished career was working for the then Treasurer, Mr Willis, who, together with the then Leader of the Opposition, brought down a budget $10.3 billion in deficit which they said was a surplus. Only $10,300 million out. Missed it by that much—$10,300 million.

Mr SPEAKER—The Treasurer will return to the question.

Mr COSTELLO—A great qualification for getting yourself onto the Labor Party backbench—$10,300 million out.

Mr SPEAKER—The Treasurer will return to the question.

Mr COSTELLO—Never trust the Labor Party with money, Mr Speaker, never trust them with money. I also point out that the number of registrations, which has now passed the one million mark, indicates that the applications are kicking up, and I would encourage businesses to lodge their applications as a matter of urgency. The tax office does not guarantee a business an Australian business number for 1 July, unless the application is in by the end of May—31 May. If the application is not in by 31 May and the business does not have its number on 1 July, it will not be in a position to claim input tax credits. The business may also find that, because it does not have a number, other businesses dealing with it are withholding as a consequence.

One of the great things about a goods and services tax or value added tax is that it becomes a self-policing mechanism. People who do not have a number have a withholding applied to them. This means that businesses have an incentive to go into the system and, as a consequence, the government has the ability to crack down on the black economy. That is one of the reasons why the goods and services tax will be good for honest taxpayers—because forcing businesses to register with an Australian business number on pain of not getting their credits back or having withholding means that businesses come into the system. As a consequence, tax is collected at the point of consumption and, as a consequence, decent, honest taxpayers get a tax break—and that is what we stand for on this side of the House.

I can also say that, notwithstanding the Labor Party’s efforts to try to sabotage the new tax system as much as it can, we can report that registrations are going well. I point out to some of the great thinkers of the Labor Party frontbench that, of course, they are committed to the GST. As a consequence, on 1 July, when the clock goes past midnight and Labor comes out on 1 July and says that it is in favour of the GST, the Labor Party will want to have as many businesses as possible in the GST system—because you are committed to making up every last dollar out of the GST to the states and the fewer the number of registered businesses and the lower the GST collections, the higher you will have to drive income taxes to make up the money to the states.

The Labor Party, if it were ever to be elected, would need to get as much as possible out of GST because any shortfall is to be made up by Labor hiking income taxes. It has guaranteed the full revenue. So, as a consequence of that—

Mr Beazley interjecting—

Mr SPEAKER—The Leader of the Opposition.

Mr COSTELLO—the Labor Party has an interest—

Mr Beazley interjecting—

Mr SPEAKER—The Leader of the Opposition is defying the chair.

Mr COSTELLO—in ensuring that the scheme actually works.

Mr Beazley—Haven’t you guaranteed it?

Mr SPEAKER—The Leader of the Opposition is warned.

Mr COSTELLO—The Labor Party would be well advised to cease its efforts to sabotage the new tax system and to join in a system which it would hope to take advantage of, if ever it got into government, and to make sure that it works.
Goods and Services Tax: Education

Mr LEE (2.37 p.m.)—My question without notice is addressed to the Prime Minister, and I refer to his last answer when he stated that he would make ‘no concessions about losers’ under the GST package. Is the Prime Minister aware that many full-time postgraduate students rely on scholarships as their only source of income? Does the Prime Minister admit that people like the PhD student at the University of Western Australia receiving a scholarship from a benevolent trust will not receive any benefit from the income tax cuts and will not receive any increase in social security payment, yet will face all the increases in living expenses associated with the GST? Prime Minister, will postgraduate students such as that young person from Western Australia be eligible for a top-up payment, or do you intend to allow many of Australia’s top research students so vital to our future to be unambiguously worse off under your GST?

Mr HOWARD—As with all hypothetical examples put to me by the opposition, I always have a very careful look at them because they always reveal things that are not disclosed by the opposition.

Indigenous Australians: Employment Strategies

Mr LAWLER (2.38 p.m.)—My question is addressed to the Deputy Prime Minister and Minister for Transport and Regional Services. Will the Deputy Prime Minister inform the House how Aboriginal employment strategies run by cotton growers in Bourke and the Gwydir Valley Cotton Growers Association are improving the relationship between indigenous and non-indigenous people in the Moree and Bourke districts of New South Wales? Will he also indicate how these projects can be used as examples for other communities, such as Lightning Ridge, and how these strategies have been supported by the federal government?

Mr ANDERSON—I thank the honourable member for his question and acknowledge his real interest in this matter. I think it would be fair to say that many will indeed be interested in what I am about to outline. The Aboriginal employment strategy at Moree, which, as the member referred to in his question, is now being picked up by the community at Bourke, is, in my view, a quite outstanding example of what might be called practical reconciliation. It is a truly positive example of a community which, for all of its wealth—and the Moree community is recognised as the most productive agricultural shire in Australia—was riven by racial division and, at times, violence and other problems, but is now increasingly putting that behind it as it works to bridge the gap between indigenous and non-indigenous people.

This strategy has been very strongly supported by Minister Reith, through his department, and the total grant now is some $422,000 from the Department of Employment, Workplace Relations and Small Business. The AES—the Aboriginal employment strategy—currently has around 85 indigenous employees placed in work in the Moree district, of whom about 65 or 70 are now full time. It began in the cotton industry. It has now spread to related industries—farm services industries and what have you—and into town as well where Woolworths has around 15 indigenous employees supported by the strategy.

I well remember a few years ago when the originators of the scheme, Dick Eston and Alice Scott, who are irrigators, and Warren Barnes from the indigenous community, came to see me at the Moree Plains Shire Council office. Since then, they have developed a highly effective strategy team, and that team works with local employers to create jobs on the one hand and to place Aboriginals into advertised employment on the other. They work very hard with Aboriginal employees, mentoring them as they adjust to what might be loosely termed a normal life—some even having to put criminal pasts behind them. Both employees and employers are encouraged to put everything on the table and to properly respect and work with their cultural differences.

I am told that some of the young people employed through the program are now doing apprenticeships. Perhaps most encouragingly of all I am told that in the last 12 months in the local high schools Aboriginal students are now talking about career paths...
and long-term goals for their lives. That has not been the case in the past, and I think it is a very encouraging outcome.

I understand too that almost all of the people on the books are in unsubsidised employment and that a growing number of Aboriginal people in the Moree district have gone through this program and today are part of the mainstream work force. I think that is a very good thing. Dick Eston said to me today on the phone that it can be done. It requires commitment, openness, a willingness to put everything on the table and leadership at the local level. Imposed solutions from on high or from outside do not work.

The strategy team continues to move on, and I have been told today that, in an attempt to resolve more of the social difficulties that still need to be tackled and which perhaps hold back some of those involved in the program, that team is now seeking the involvement of the Moree ministers’ fraternal to build further family and community support for the program. To their great credit, the strategy team is now seeking to encourage other towns, including the city of Dubbo—also in the member for Parkes’ electorate—to implement similar strategies.

In closing, the greatest symbol of the enormous change here is that the town has now designed and is waiting to launch a new flag. The flag features Aboriginal artwork and a slogan—and for anyone who knows Moree, this says it all—‘Moree, leading the way on reconciliation’, and underneath that, in the language of the Kamilaroi people, it says, ‘Welcome.’

Goods and Services Tax: Families

Mr CREAN (2.43 p.m.)—My question is to the Prime Minister. Given that your GST top-up will apply to families claiming to be worse off after the impact of the GST, will these families have to keep all of their shopping dockets, invoices, credit payment records, et cetera, so that their GST loss can be assessed?

Mr HOWARD—I have indicated that, closer to the introduction, the minister will be making an announcement about the details of how this operates.

Mr Crean interjecting—

Mr SPEAKER—Order! The Deputy Leader of the Opposition! The Prime Minister has the call.

Mr HOWARD—The minister will be making a further statement about how this will operate, but I would remind the House—

Mr McMullan—You haven’t got a view.

Mr SPEAKER—Order! The Manager of Opposition Business. The Prime Minister has the call and is entitled to the courtesy of being heard.

Mr HOWARD—The families to which the Deputy Leader of the Opposition has referred will be significantly better off as a result of the changes that we have proposed. The Deputy Leader of the Opposition, the Leader of the Opposition, the member for Jagajaga and the Manager of Opposition Business seem to believe that if you provide a mechanism whereby people who believe that they may for a period of time be disadvantaged by something have a right to put their case—

Mr Tanner interjecting—

Mr SPEAKER—The member for Melbourne is warned.

Mr HOWARD—that, in some way, represents an admission that people will not be better off, which is an absolutely absurd proposition. People will be infinitely better off to the tune of $12 billion in personal tax cuts; 80 per cent of people will be on a top marginal rate of no more than 30 cents in the dollar; and there will be $2½ billion of family benefits. I think overall, as I said in the House yesterday, that when the new arrangements come into operation the Australian public will treat with contempt, and remember with contempt, the behaviour of the Labor Party that, at every point, tried to obstruct the introduction of this new plan which will be of enormous benefit to Australian families.

Industrial Relations: Workplace Agreements

Mr GEORGIOU (2.46 p.m.)—My question is addressed to the Minister for Employment, Workplace Relations and Small Business. Would the minister advise the House of any milestone being passed by
Australian workplace agreements? Minister, what barriers exist to the success of Australian workplace agreements continuing?

Mr REITH—I thank the member for Kooyong for his question. The Australian workplace agreement was one of the reforms that the government introduced in its legislation which went through the parliament in 1996. Australian workplace agreements have been an important addition to the options available to employers and employees. The number of Australian workplace agreements is an important indication of their success. I should say, however, that the mere availability of these options has been of real assistance in some key industries—to mention two: the meat processing business and the coal industry. They are both important industries for Australia, and the mere availability of this option has been a factor in encouraging changes and improvements to workplace practices.

I am delighted to inform the House that today the number of approvals of Australian workplace agreements has now passed 100,000—testament to the success of these agreements and their usefulness for employees. These Australian workplace agreements have a number of features, which I have pointed to in this chamber this week. One of these is that they have been a very successful instrument for giving people the chance to better balance their work and family responsibilities.

Sadly, the Labor Party, for ideological reasons, is completely and totally opposed to Australian workplace agreements. It is opposed to them because the unions insist that every agreement that is entered into should either be with a union or allow a union to have a veto, even though in the private sector today less than 20 per cent of workers are in a union. The Labor Party, as usual, is responding to the pressures of the unions and its frontbench. With more than half of its frontbench former trade union officials, including two former ACTU presidents, it is committed to the abolition of workplace agreements, even though that would be against the interests of workers.

Employer associations have made it clear what they want. The ACCI made the point by urging the ALP not to take a backward step on Australian workplace agreements. The AIG, representing the manufacturing industries, say that Labor’s policy would be a retrograde step and, furthermore, went on to say that it would be far preferable for the Labor Party to declare its opposition to industry pattern bargaining and the Victorian unions campaign 2000. The Australian Mines and Metals Association, reflecting the usefulness of these AWAs in that industry, said, ‘The important role of individual agreements in the economy should be recognised and enhanced.’ I want to congratulate the Office of the Employment Advocate for helping over 100,000 employees to enter into arrangements which suit both them and their business.

Goods and Services Tax: Families

Mr ZAHRA (2.50 p.m.)—My question is directed to the Prime Minister. Prime Minister, yesterday you claimed that John and Wendy, a typical Australian family, would get an extra $12 a fortnight from your GST package. Doesn’t your GST advertising claim ‘typical families gain $40 to $50 a week’?

Prime Minister, when are you going to tell the thousands of Australian families, like John and Wendy, that they are not ‘typical’ and therefore will not get anything like the money your ads are promising?

Mr HOWARD—The ads say typical families get that amount and those ads are right.

National Youth Roundtable

Ms GAMBARO (2.51 p.m.)—My question is addressed to the Minister for Education, Training and Youth Affairs. Would the minister advise the House of the government’s consultation with young people? What are the government’s expectations of the current meeting of the National Youth Roundtable?

Dr KEMP—I thank the honourable member for her question. The National Youth Roundtable is meeting in Parliament House today and tomorrow. The roundtable, as members will know, is the government’s principal youth advisory body. The 50 members of the roundtable were selected from some 1,000 high calibre applications from
right across the country. They represent every state and territory and every age between 15 and 24. They come from a diverse range of cultural and community backgrounds. They represent all levels of education, work and study in that age group. There is an even split between male and female members. There are five indigenous young people, young people who had been unemployed, parents, disabled young people and young business people. It is a remarkable cross-section of young Australia today.

The roundtable will spend the next two days meeting with senior government ministers, working on their recommendations to the government to distill the issues that they want to bring to the attention of the government on behalf of young people. The roundtable shows the commitment of the government to listening to young Australians. All members of this House have been advised of the roundtable members from their electorates, and many from both sides of the chamber have already made contact with their local members of the roundtable. I was very pleased to see present at lunch today, with the members of the roundtable, members from the other side of the chamber as well as from this side of the chamber. The roundtable is a non-partisan body. The government has had no knowledge of the memberships or otherwise of members of the Youth Roundtable when they were selected. They are a representative cross-section. They come from every part of Australia. This is an area where I would expect the Labor Party, for once, to be non-partisan; and I am pleased to acknowledge the fact that there are members on the other side of the House who have adopted an appropriate non-partisan position and have talked with members of the roundtable in a quite appropriate way.

I want to express my disappointment with the attitude of Senator Lundy, who has taken an exceedingly partisan position in relation to the roundtable. The only person damaged by that is Senator Lundy, because it creates an impression in the minds of members of the roundtable that, even when the government puts forward a completely non-partisan initiative, the Labor Party is unable to act in a non-partisan way. I hope that Senator Lundy is an isolated example. As far as I know, Senator Lundy is an isolated case because her behaviour is not reflected in the behaviour of other members of the Labor Party or of the Democrats who have attended roundtable functions. I invite all members of the House who have received invitations to attend the presentations by the roundtable and to attend the presentations that are being held between now and tomorrow evening.

When the roundtable was opened this morning, it was concluded by Daniel Hyden, a roundtable member, who summed up the tremendous camaraderie, the team spirit, the passion and commitment of these young people. He said:

The National Youth Roundtable has empowered us with a magnificent tool for representing young people of Australia to those of you here today who make the policies and lead this great country of ours. This tool is impressive, probably the most impressive I have ever seen ... this tool is each other.

Goods and Services Tax: Income Tax Cuts

Mr CREAN (2.55 p.m.)—My question is to the Prime Minister. Prime Minister, last week you were unable to answer my question as to whether the following statement was true:

The average family will receive a tax cut of $47 a week after factoring in the goods and services tax.

Can you now confirm that the $47 a week you quoted is before the goods and services tax is factored in, not after?

Mr HOWARD—There are a range of calculations, including some made by Access Economics, which show that typical or average families get dollar amounts, after the GST, ranging from 39 to the early 60s.

Anzac Veterans

Mrs HULL (2.56 p.m.)—My question is addressed to the Minister for Veterans’ Affairs. Having Kapooka army base in my electorate of Riverina, I know that there is concern for the two remaining Anzac veterans who are now too frail to safely travel to Gallipoli for the Anzac Day services. Minister, what steps is the government taking to ensure that the Anzac legend and the spirit of the Gallipoli veterans are continued?
Mr BRUCE SCOTT—I thank the member for Riverina. As she outlined in her question, her electorate does indeed have the Kapooka army base, which is the home of soldiers as well as having a very important Royal Australian Air Force base. As we approach the 85th anniversary of the landings at Gallipoli, there are only two original Gallipoli veterans left in Australia today. They are Mr Alec Campbell, who lives in Hobart, and Mr Roy Longmore of Melbourne. I am pleased to inform the House that this morning I accompanied the Prime Minister to the Australian War Memorial where Alec Campbell—who I believe we are very lucky to have with us in Canberra today, because his health allows him to be with us; Mr Roy Longmore was not able to travel here because of ill health—symbolically passed the Anzac legend into the hands of a new generation.

At that ceremony this morning Mr Campbell presented an Australian flag to six young service men and women representing the three arms of the Australian Defence Force. These young Australians are some of the finest members of the Australian Defence Force. I would like to refer to them, because I know that they are with us in the Speakers Gallery today. Sublieutenant Rupert Guthrie joined the Royal Australian Navy in March last year and is currently at HMAS Creswell. Seaman Pamela Eadie graduated last year as a combat systems operator and was 'recruit of her intake'. She is currently posted to the Anzac frigate HMAS Arunta. Lieutenant Glenn Mathews joined the Army in 1991 and was part of the Special Air Service Regiment until 1994. Last year he graduated from the Royal Military College where he received the Sword of Honour for outstanding military achievement. Private David Bower was awarded the Skill at Arms prize as the most outstanding student on his recruit course and is noted for leadership. He has just returned from active duty in East Timor.

Flight Lieutenant Richard Rahdon joined the Royal Australian Air Force as an undergraduate medical student, and last year was awarded the Royal Australian Air Force Officer Qualities Award. Aircraft Woman Trina Tonkin joined the Royal Australian Air Force last year and was awarded the 1999 Academic Dux and Personal Qualities Award. Her great-grandfather saw service on the Gallipoli Peninsula and was awarded the Military Medal. I am sure her great-grandfather would be very proud that she will be representing—along with the other five—the young face of the Australian Defence Force today.

They will take an Australian flag to Gallipoli where it will be flown on Anzac Day at the first dawn service to be held at the new commemorative site on the Gallipoli Peninsula which has been developed by our government and also the government of New Zealand with a tremendous amount of support from the people of Turkey and governments at both a local and state level in Turkey. The new site is to be opened by our Prime Minister, together with the Prime Minister of New Zealand, and the Leader of the Opposition has been asked to represent the opposition at that service.

Mr Speaker, the new site has been made necessary because of the increasing numbers of young people wanting to attend the dawn service at Gallipoli. It is no longer possible to hold it where it has been held for a number of years at the Ari Burnu War Cemetery because of the damage the numbers could potentially do to that cemetery. A lot of research has gone into the choosing of the new site which in fact is called the Sphinx site. It is in fact a site named by the Anzacs themselves. If you read the history of the first landing, you will notice that the 3rd Field Ambulance arrived at North Beach, just where this new site is, and included in the 3rd Field Ambulance on that early dawn landing was John Simpson Kirkpatrick. So in many ways it is a very historic site and one that I think is going to continue to be able to cater for the increasing numbers of young Australians and New Zealanders wanting to make the pilgrimage to that site.

We in government—and all of us—have a duty before us to ensure that the Anzac legend never dies and we must make sure that forever this possession, which was given to each of us by people like Alec Campbell and Roy Longmore, never dies and that the younger generations of Australians take that legend with them throughout this new cen-
I know that these six members of the ADF will be representing the young people and new generations of Australians in this new millennium. I am sure you will agree that this gives us the confidence to say that the Anzac legend will never die while it is in the hands of the younger generations of Australians.

Goods and Services Tax: Beer

Mr CREAN (3.02 p.m.)—My question again is to the Prime Minister. Do you recall telling former coalition MP, Eoin Cameron—himself a loser from the GST—on Radio 6PR:

We never represented that the 1.9 per cent GST price increase applied to draft beer across the counter. I certainly didn’t. I was asked. I remember the question.

Why then did Mr Cameron later say:

It wouldn’t be proper for me to reveal what goes on in the government party room back then when I was an MP, but I can tell you what was not said. We were never told that a midi of beer would be affected differently to a stubbie or a can or a carton. We were never told a midi of beer would go up by 9 per cent. When people voted in 1998 they believed beer would not go up by more than 1.9 per cent, and that was the perception the Prime Minister and the government gave them.

That is the end of the quote from a former participant in your party room. Prime Minister, isn’t Eoin Cameron right? Didn’t you mislead the Australian public by pretending that ordinary draft beer would increase by only 1.9 per cent?

Mr HOWARD—Mr Speaker, the Australian public has not been misled.

Work for the Dole: Projects

Mr BILLSON (3.04 p.m.)—My question is addressed to the Minister for Employment Services. Has the minister seen reports in today’s media questioning the benefits of the Work for the Dole scheme for participants? What are the benefits for participants involved in Work for the Dole projects, particularly Work for the Dole projects in schools?

Mr ABBOTT—I note that last Friday the government announced another three Work for the Dole projects for 43 participants in the electorate of Dunkley, and I thank the member for his question. I did note a report in today’s Canberra Times with great interest because it contained the seed of a hint of a glimmer of a suggestion of policy on the part of the Australian Labor Party. The member for Dickson urged Canberrans to reject Work for the Dole in ACT schools because she said they had ‘no prospect of employment after the program and no training’. Instead, she said that we should have something like Labor’s New Work Opportunities program which was, she said, ‘a proper labour market program which put people in real jobs with real training’.

In declaring that Work for the Dole should be boycotted by community groups, and in declaring that it should be replaced by something like New Work Opportunities, the member for Dickson was completely contradicting the former employment spokesman, the member for Batman, who encouraged community groups to participate in Work for the Dole. She completely contradicted the Leader of the Opposition who said of New Work Opportunities type programs:

It’s true that out of a lot of our training programs people didn’t get a job at the end of it, but they weren’t around on the streets bothering everybody else.

She has contradicted the member for Melbourne who said of New Work Opportunities type programs that they ‘led to perverse outcomes with some unemployed people forced to undertake inappropriate and even demoralising training’.

Mr Price—I raise a point of order, Mr Speaker. I hope you will be able to help me. In what way is the minister responsible for the Australian Labor Party?

Mr SPEAKER—I respond to the member for Chifley’s point of order by pointing out that the minister was asked a question referring to an article in today’s media and it was to that article that he was, I believe, referring.

Mr ABBOTT—The problem in the Labor Party is that the left hand does not know what the centre left hand is doing. The fact is that well over 30 per cent of Work for the Dole participants are in employment three months after finishing the program, compared with just over 20 per cent of New Work Opportunities participants who are in employment.
Work for the Dole costs about $6,000 per successful employment outcome; New Work Opportunities cost over $50,000 for successful employment outcomes. So the member for Dickson wants to put in place a policy which costs more and produces less.

On the subject of Work for the Dole in schools, dozens of school principals around the country who have experienced Work for the Dole endorse this. Typical of the comments is this one from a Victorian school principal, who says:

I feel the program provides a service to both the individual and the school.

I have got here a letter from Kylie Browne, who was a participant in Work for the Dole in a Victorian school, and she said:

Almost immediately I loved it. I had found my calling. I know that sounds silly but I truly loved it. I had been concentrating on hospitality type jobs and never gave teaching a second thought until work for the dole.

I now work part-time in the school where I did my work for the dole experience and I have my confidence back which I had started to lose being unemployed for such a long period of time.

This is a great program. These are fine projects. It is utter hypocrisy of the unions and the Labor Party to support New Work Opportunities in schools but reject Work for the Dole in schools. The unions and the Labor Party should stop punishing the job seekers of Australia because of their own old-fashioned, ideological prejudices.

Mr Howard—Mr Speaker, I ask that further questions be placed on the Notice Paper.

Mr REITH (Flinders—Leader of the House)—I receive it that way, Mr Speaker. I can assure you I have spent more than enough time in opposition, thank you very much. It was just my luck to get the tail end of Malcolm!

Papers are tabled as listed in the schedule circulated to honourable members. Details of the papers will be recorded in the Votes and Proceedings.

PERSONAL EXPLANATIONS

Ms BURKE (Chisholm) (3.10 p.m.)—Mr Speaker, I seek leave to make a personal explanation.

Mr Speaker—Does the honourable member believe she has been misrepresented?

Ms BURKE—I do.

Mr Speaker—The member for Chisholm may proceed.

Ms BURKE—During question time today the Minister for Financial Services and Regulation accused me of being asleep at the wheel. Could I suggest that the minister study the electoral boundaries in a Melway before he accuses a member in this place of not looking after their constituents.

Mr Tuckey—Mr Speaker, I raise a point of order. The rules relating to a personal explanation require the member to explain—in fact, to identify—where they were misrepresented and deny it, not carry on with a lengthy speech, as is happening. It is their only hope of ever being funny in this place.

Opposition members interjecting—

Mr Speaker—There seem to be a number of people on my left who believe that they can defy the chair and that the chair will take no action—

Mr Leo McLeay—On the point of order, Mr Speaker—
Mr Speaker—When I am ready I will recognise the Chief Opposition Whip. I call the Chief Opposition Whip.

Mr Leo McLeay—On the point of order, Mr Speaker: surely if a member has been grievously misrepresented in a disgraceful way by a minister she should have the right—

Mr Speaker—The Chief Opposition Whip will resume his seat. The Chief Opposition Whip would have observed that the member for Chisholm was not denied the right to put her point of view, nor was the issue raised by the minister used to chasten the member for Chisholm. That should have been self-evident to everyone in the House.

Opposition members interjecting—

Mr Speaker—I think that members on the front bench might care to examine what the chair just said before becoming all-indignant.

Ms Macklin interjecting—

Mr Speaker—I thank the member for Jagajaga for her reinforcement of that point. I call the member for Chisholm

Ms Burke—Further to the Minister for—

Mr Speaker—No, the member for Chisholm will resume her seat.

Mr Hockey (North Sydney—Minister for Financial Services and Regulation) (3.13 p.m.)—Mr Speaker, I seek leave to make a personal explanation.

Mr Speaker—Does the minister claim to have been misrepresented?

Mr Hockey—I do.

Mr Speaker—Please proceed.

Mr Hockey—I seek to clarify the position—

Mr Griffin interjecting—

Mr Speaker—I have not ruled the tabling out of order. In the noise I was simply unaware that the minister had even sought to do so in the comments that were being made. I see no reason why the document cannot be tabled.

Mr Reith—I therefore table it. Thank you.

Mr Price—Further to the point of order raised by the member for Dobell, the minister at the dispatch box sought to table the document by flinging it at the Clerk some time after you had repeatedly called him to order and denied him the call. How is it therefore possible—with the greatest of respect—that the document can be tabled?
Mr SPEAKER—In fact, I had asked the minister to resume his seat when apparently he was seeking to table the document. It has now been tabled by action of the Leader of the House.

MATTERS OF PUBLIC IMPORTANCE
Goods and Services Tax: Government Promise

Mr SPEAKER—I have received a letter from the Deputy Leader of the Opposition proposing that a definite matter of public importance be submitted to the House for discussion, namely:

The failure of the Government to honour its promise that no Australian would be worse off as a result of its GST package.

I call upon those members who approve of the proposed discussion to rise in their places.

More than the number of members required by the standing orders having risen in their places—

Mr CREAN (Hotham) (3.17 p.m.)—Today we have seen another example of the botched implementation of this GST. We have exposed in the parliament that through its botched implementation people will be losers. We have forced the government to acknowledge that those losers will be held up by some sort of top-up mechanism, but the government is unable to tell us today what that top-up mechanism involves. What hopeless administration from this government that told us it was delivering a simple, new, fair tax, a tax that no-one would be worse off under. What we have demonstrated is that people will be worse off. We have demonstrated that it is not fair, and we have demonstrated that it is far from simple. How could a government get it so wrong? How could a government urge the Australian public to support it on this new tax yet botch its implementation so comprehensively? Of course, what has also been exposed today is John Howard’s credibility yet again. This was the guy who said he would never ever introduce a GST, a person who said that under that GST no-one would be worse off. He has been caught out again today.

Just before I go to the details of the catch-out, let me just go to the point that was raised about what Labor will do. I have spoken in this House on numerous occasions and I spoke a couple of weeks ago at a taxation summit to outline the principles that would guide Labor. I also indicated that we would be announcing the details of that policy closer to the election—hardly a novel position. Indeed, I have a press clipping before me dated Thursday, 9 June 1994 from the Melbourne Age headed ‘Costello holds off on policy details’. The article says:

The Federal Opposition—now the government—will not release details of its policies until close to the next election, which could be by mid-next year or earlier, according to Opposition deputy leader, Mr Costello.

Mr Costello said the coalition would not be acting like a “government in exile” by producing an alternative Budget well before the election. This would leave it “stationary” and unable to respond to “changing circumstances”.

The article also says:

Coalition policies would be released “when we get within the clutches of an election”, Mr Costello said. “We are not going to behave like a government in exile. Essentially, Fightback was an alternative Budget, and more. And in the end, the election was fought on our Budget rather than the Government’s.”

So let us hear none of this hypocrisy from this government, whoever gets up to answer on this MPI on the GST—presumably, another backbencher; hopefully, not the Parliamentary Secretary to the Minister for Finance and Administration, who is at the table, or global Joe up there, so sensitive to being stung as he was on the round-up issue he is now so stung by the member for Chisholm about wrong information in the parliament that he has to produce a map. I tell you what: we are waiting for a few maps over here from your government, the maps that define the conurbations so that the dipstick police can determine where diesel is GST free and where it is not, and now the maps that the Treasurer talks about today in terms of his rebate for petrol excise. This is the Treasurer who ridiculed the member for Werriwa on spatial economics. This is spatial economics in the worst form—and he is off the planet with it! This is a government that cannot deal
with its own GST implementation. Every time we catch the government out it is forced to come in here and make policy on the run. This is why we have such a dog’s breakfast of a tax—a tax it cannot explain, it cannot clarify, it cannot confirm its promises around.

Let us just go to this claim that ‘no-one will be worse off’. This was the promise that the Prime Minister took to the last election, when he said, ‘No-one under our GST, except for tax cheats, will be worse off as a result of it.’ He claimed that there would be no losers at all. We exposed that falsity in the Senate inquiry. Witness after witness contradicted him, but still he promised it. Senator Harradine summed it up on 29 April when he said, ‘The government has been saying there are no losers. But there are in fact losers.’ Senator Harradine had sat through that exercise. The claim that compensation to pensioners would erode to zero after only a few years, even though the GST went on forever, was something that the Prime Minister denied. It was the Treasury that had to admit it.

In April 1999 John Hewson urged his former party to cut the Goebbels chant that there would be no losers and admit that there would be. Against all of this, that has been ignored. The Prime Minister still comes into this House and says, as he did today—when he has been stung by the demonstration by the members for Lilley and Jagajaga and the Leader of the Opposition that there will be losers, that families will be losers, and knowing the only way in which he can sort of cobble together that promise—that there will be a top-up mechanism. A top-up mechanism? It would seem now that Senator Newman has to issue a daily bulletin on how this new top-up is going to apply. I think what we have is ‘Nicola Petroulias’ sitting over there in the Senate issuing a whole set of new private rulings, the basis upon which these people can be guaranteed that they will not be losers. What a joke! How can a minister issue a press statement, ignore the GST in it and then, when the government is asked a question on this in the parliament—as happened in both chambers today—say, ‘Well, we forgot to mention that.’ Forgot to mention the war again. This is a government that has a perversity for not mentioning the GST. Even when it gets into patch-up mode, it wants to leave it out.

Why is it that this top-up mechanism stops on 30 September, after the GST comes in? Is three months the limit of your guarantee of the promise that no-one will be worse off? Are you telling the Australian public that there will be a use-by date of three months? Get some consistency into your position! If you are going to guarantee that people will not be worse off, introduce a mechanism by which we can see transparently how that is going to apply. When asked the question if people, to be able to say whether they were worse off or not, would have to keep all those receipts and do the calculations—even though this is a government that will not allow the receipts to demonstrate what the GST is—we heard that these poor individuals trying to bring up a family would have to sit down and do the paperwork to qualify for this top-up.

This was a Prime Minister who repeated the statement in April last year that ‘no-one will be worse off’. Yesterday, that guarantee became a belief. There he was in the parliament yesterday and when he was asked about this guarantee he said:

... it is the belief of the government that Australians will be better off as a result of our taxation package.

They are now into metaphysics! They want their policy to be determined by that all-encompassing belief that things will happen. This seems to me like another core promise disappearing out the door. But the Prime Minister knows that he is in trouble on this. He knows that they have been caught out. Here we have, with this botch of a tax, this spectacle and prospect in less than 100 days. We will have a botched, confusing tax with thermometers in chooks, national bread recipes, diesel excise police with their dipsticks checking whether or not trucks have crossed the conurbation line, and petrol rebates depending on where you live—in short, a new, complicated, hidden, multirate tax system, to replace what was demonised as an old, complicated, hidden, multirate tax system; a system that it has now been demonstrated will make people worse off. No wonder people are confused.
Today there was the report from KPMG, who have polled people on their perceptions. Effectively they are saying that knowledge of the GST effect has decreased for products where you claim that the prices will fall—in other words, they do not believe you; they do not believe that prices will fall—and what has gone up significantly is the people’s perception and knowledge of what things prices will increase on. In part that was helped by the minister at the table, the member for North Sydney, with that exquisite definition of ‘round-up’. He was so confused that he did not know where he was going with it. Australians have started to understand what the ‘S’ in GST means. It means that every service is going to be taxed by 10 per cent, and most people believe that will go up by the full 10 per cent. This is from a government that said that inflation would go up only 1.9 per cent.

Let us go to the ‘John and Wendy’ ad that we have exposed. Remember the ad on TV—some people in the gallery might have seen it—where the voice from behind comes on and says, ‘Relax, John and Wendy, the government is providing special additional assistance for the cost of raising children.’ The opposition has exposed the government on its parenting payment changes, which ripped off $67 a fortnight from families when they most need it—that is, when a child is born. John and Wendy are worse off; the advertisement is wrong. Yet Australian taxpayers are paying $80 million to screen these television ads, and that is wrong. That is $80 million of taxpayers’ money. Think what that could do for struggling families.

Let us go to the example of John and Wendy. If John earns $30,000 a year and Wendy earns $28,000 and Wendy decides to take at least a year off to look after her two children from December 2000, she will lose $67 a fortnight in parenting payment because her income disqualifies her under the annual income test. Previously she would have qualified almost as soon as she stopped working—and that was by design. It was Labor’s measure designed to help families with the costs they face as soon as babies are born. John Howard has deliberately put it out of reach. John and Wendy are not better off. They are $29 a week worse off, and that is before the GST bites in. After the GST comes in, they will be $63 a week worse off—and this from a government that says there will be no losers. It sounds like a hell of a lot of top-up. It sounds like there will be another big hole in the budget if the government is going to make good on this promise. Confronted with this on Monday, the Prime Minister claimed that John and Wendy would be $12 per fortnight better off; yet he has ads going around the country saying that the typical family will be $40 to $50 better off. Are John and Wendy with two kids not an average family? Are they not a typical family? Tell that to the punters. This is misleading advertising.

He goes on to say that if you average their circumstances out—this was his defence today in the parliament—they are $12 a week better off. Mr Howard’s argument is that, as he is not making John and Wendy worse off until halfway through the year on average, they will be okay this year. Somehow we doubt John and Wendy will see it this way when they suddenly have $29 less in the kitty each fortnight to pay for baby bottles, formula and all the rest. Even if you accept that analysis, the Prime Minister’s definition of ‘better off’ applies before people have to cop the extra costs of the GST. On the Prime Minister’s own figures, the impact of the GST on John and Wendy must be less than $6 a week before they can stop being losers. Does anyone seriously believe that the GST is going to cost them less than $6 a week? No-one believes it. People believe that prices are going up now. As I said before, the KPMG survey indicates that people do not believe the government when it comes to prices. No-one believes them, and that is why their promise is in tatters.

The press release yesterday tried to allay fears, but what are the questions that that press release does not answer? We know now that the GST is included—we got that out today; we did not have it yesterday—but why does it stop after 30 September? Why does this promise have only a three-month use-by date? It is a sham, and they have deceived. (Time expired)

Mr HOCKEY (North Sydney—Minister for Financial Services and Regulation) (3.32
p.m.—How droll! The Labor Party are at their old games. The Labor Party come into this House in their traditional ranting and raving way, as the member for Hotham just did, and the member for Hotham decides to say to the Australian people, ‘We’re going to have all sorts of different rates with a GST.’ What about the 12 per cent, 22 per cent, 32 per cent, 37 per cent, 41 per cent and 45 per cent wholesale sales tax system that the member for Hotham seeks to defend? What about the wholesale sales tax system that at every point of people’s lives imposes a punitive measure without any compensation whatsoever? If the Labor Party have the hypocrisy, in their traditional way, to come into this House and talk about the punitive aspects of a taxation system that is actually going to deliver to the Australian people between $5 billion and $6 billion of benefits in the form of lower taxation collection by government, then I say to the member for Hotham: aren’t you being just a touch hypocritical? The member for Hotham and the Leader of the Opposition have the gall to come into this place and talk about the effect of the GST on children. Let us have a look at the effect of the wholesale sales tax on children.

Ms Burke interjecting—

Mr HOCKEY—If I were the member for Chisholm, I would be looking very carefully at the impact on constituents. Let us talk about the 12 per cent wholesale sales tax on a baby bottle. As soon as the baby is born and you stick a bottle in its mouth, you pay 12 per cent Labor Party wholesale sales tax. Baby powder has a 22 per cent wholesale sales tax. Baby bottle. As soon as the baby starts to dribble a bit, we want to wipe ourselves from that dribble, and we pay a 22 per cent Labor Party wholesale sales tax. Then it is time for a swim in the pool, and of course there is a 22 per cent wholesale sales tax on floaties and inflatables. The list goes on. Hair brushes and combs are 22 per cent. Ice-cream is 12 per cent. The Labor Party is doing its best to take candy away from babies. Lollies are 12 per cent under the Labor Party. Of course, who can forget that orange juice and various other soft drinks are 12 per cent, and soap and shampoo are 22 per cent? At each point in the life of the baby the Labor Party is there with its hand out taking 12 per cent or 22 per cent.

That in turn has an impact, because there is absolutely no compensation whatsoever under the Labor Party’s wholesale sales tax for the constituents of Australia, who have to pay the Labor Party’s tax.

Our system, which starts on 1 July, puts in place the most generous taxation cuts in Australian history. We are putting in place taxation cuts that deliver for 80 per cent of Australians a tax rate of no more than 30 cents in the dollar. The Labor Party say that they are going to roll this back, and I quote the member for Hotham, who has left the chamber: There will be a clear choice at the next election ...

He says, ‘If this thing is still there, we’ll roll it back.’ On the other hand, the shadow minister for finance, whose job is to try and make the Labor Party’s policies stack up, is sitting there with all these competing demands. He is saying, ‘Whoa! Wait a second.’ I quote from an article entitled ‘Rollbacks to leave Labor funds short’: Opposition finance spokesman Lindsay Tanner has warned the front bench about committing an ALP government to further rollbacks of the GST, for fear the party would be left short of money to fund its social programs.

On the one hand, we have the Leader of the Opposition saying, ‘We’re going to roll back the GST.’ On the other hand, we have the shadow minister for finance saying, ‘We can’t afford to roll back.’ On one hand, we have the Leader of the Opposition saying to the state premiers, ‘We’re going to guarantee that you are no worse off under a Labor government.’ On the other hand, we have a raft
of clumsy opposition frontbenchers saying, ‘We’re going to spend our way to winning the next election.’ On the one hand, they are rolling back the revenue and, on the other hand, they are making spending promises that they cannot keep. The net effect, with the Leader of the Opposition’s commitment to running surplus budgets, is that someone on the Labor Party side is telling a fib. Someone on the Labor Party side is having a lend of the Australian people.

Time and time again, the Labor Party has come into the House and made pledges that can be described only as hypocritical within the context of its current commitments. We saw it today when the shadow minister for small business came into the House lamooning the government for a bill that gives greater protection to consumers in relation to the GST. He describes it as a nightmare for small business, and then he votes for the bill. We had the member for Hotham saying in the House that, with the introduction of a GST, consumers need to be protected, and then he sends the bill to a Senate committee, delaying its implementation and delaying the protection for Australian consumers. Why is it that the Labor Party continues to walk both sides of the fence when it comes to taxation policy? Why is it that the Labor Party continues to walk both sides of the fence when it comes to the treatment of compensation for individuals? Why is it that the Labor Party continues to walk both sides of the fence when it comes to the economy, saying on the one hand that it is going to be a big spending government and on the other hand that it is not going to collect as much revenue as it would like?

There are certain inconsistencies in the Labor Party’s arguments that can be described only as hypocrisy. I see the member for Farrer in the chamber. He has been around this place for a reasonable period of time, and he would be familiar with the fact that the Labor Party have a tradition more enduring and more powerful than the tradition of their links with the trade union movement, a tradition that is more enduring and powerful than their claim to represent the battlers and a tradition that is more enduring and powerful than the fundamental principle of the Labor Party, which is the promotion and implementation of socialism, and that is the tradition of hypocrisy.

The Labor Party travel the country saying one thing to the punters, to everyday Australians, and they then go to an election hoping that—in the words of the Leader of the Opposition—they can just surf their way into government without ever having to disclose to the Australian people exactly what they will do when they get there. We on this side of the House remember the Labor Party’s taxation policy for the last election. We will never forget it. The cumulative effect of that taxation policy was to increase the tax on Toorak tractors and to apply capital gains tax to the family home. The Labor Party were so convinced about the importance of that policy—it was so fundamental to the taxation reform program in Australia—that, within days of the election, they dumped it.

Mr Pyne—And Gareth with it!

Mr HOCKEY—Rest in peace, former Minister for Foreign Affairs, Gareth Evans. The same is going to happen to the member for Hotham. We are not doing it; the Australian people are burning the shadow treasurers from the Labor Party. They are burning them off, and they going to burn off the leader. They will do that because the Labor Party does not stand for anything. It does not believe in anything. It walks both sides of the fence. The Australian people ask a legitimate question about the Labor Party: what does it believe in? What does it stand for? If the Labor Party really stands for battlers, why is it opposed to the government cutting income tax for 80 per cent of Australians so that they pay no more than 30 cents in the dollar? If the Labor Party really stands for battlers, why is it opposing the significant benefits that we are giving to Australian families as part of the new taxation system? If the Labor Party really stands for battlers, why does it have no comprehensive plan for the reform of the taxation system that continues, under the Labor Party guise, to have a very real negative impact on everyday Australians?

I will tell you why: because the Labor Party does not stand for anything. The Labor Party does not believe in anything. If I have learnt anything in my short time in this
Representatives

Tuesday, 11 April 2000

House it is that you have to stand for something, that you have to be a party that believes in something and that you need strong leadership. Strong leadership is crucial if we are going to take on the hard issues in an ever-changing world. Why is it that the Labor Party, even from opposition where you could give them some latitude, does not have strong leadership today? Because there is no ticker—the Labor Party has no policy, it has no credibility and, most important of all, it has no courage. It does not have the courage of its convictions.

Mr Downer—It doesn’t have any convictions.

Mr Hockey—It does not have the courage to stand up for what is right as opposed to what may be popular. On this side of the House, we do not want to be judged by our words; we want to be judged by our actions. The Australian people have had enough of words; the Australian people have had enough of the scare campaign from the Labor Party. The proof in the pudding is what is delivered. My tabling of the first ACCC report in this place went without a semblance of coverage, but it said that, with the first reduction in wholesale sales tax to come through, consumers were better off than anyone expected. The ACCC modelled that the effect of the reduction in wholesale sales tax would mean between five per cent and seven per cent cheaper goods to consumers. The first round of price monitoring came back and said 7.3 per cent better off, which exceeded expectations.

Mr Downer—Why didn’t you ask questions about that?

Mr Hockey—The Labor Party did not ask a question about that. We had to ask a question about that. The Labor Party continues to run 10 questions a day scare by scare by scare, but when it comes to the facts the Labor Party is sadly missing. This government and the members of this government, all of us, will be judged on how successful it is for families to have the new taxation system. We will deliver for Australian families a better quality of life, we will deliver for Australian families more money in their pockets to give them greater choice and we will deliver for Australian families a fairer taxation system that does not allow the rorts of the Labor Party days in government to proceed any more to the detriment of the Australian people.

Mr Murphy (Lowe) (3.47 p.m.)—After listening to all that humbug from the member for North Sydney, I will tell you what the Labor Party stands for: the Labor Party stands for a fair go. The Prime Minister personally guaranteed before, during and after the last federal election that every Australian would be better off under the GST—other than the tax cheats. He repeated that guarantee yesterday in question time and, in the same breath, announced a top-up mechanism for families who believe they are worse off under the GST, all of which begs the obvious question: if the Prime Minister is to be trusted on his guarantee that no-one will be worse off under the GST, why the need for a top-up mechanism?

The truth is that thousands of Australian families and individuals will be worse off under the GST and that is why the Prime Minister has been forced to establish the top-up mechanism. Families will not be massive beneficiaries under the GST, as the Prime Minister claimed in question time this afternoon. When the GST comes in, every time parents have another child they will move into a higher tax bracket, because when you have children you consume more and the GST is a tax on consumption. When you have a child you consume things which are not subject to the existing wholesale sales tax but which will be hit by the GST. These include baby clothes, shoes, socks and stockings, prams, cots, feeding pads, breast pumps, baby bottles and cleansing equipment, home extensions for the larger family and haircuts.

When the Prime Minister tried to bluff his way through question time yesterday and again today in the House in response to a question about John and Wendy, he claimed they would be better off after having a child. But he forgot those three little letters G-S-T. By the government’s own figuring, John and Wendy are clearly worse off from having a child—by $29 a fortnight. The only way John and Wendy will not be worse off is if they do not buy anything—a pretty hard ask when
you have a new child. Just ask the member for Chisholm, Anna Burke, who sits down here.

Memory loss among government ministers is pretty common when it comes to the GST. It is like the old *Fawlty Towers* episode ‘Don’t mention the war’. The government is trying hard not to mention the GST when it claims everyone will be better off under its tax scheme. Let us start with the Prime Minister. On several occasions now he has claimed that the average family will be $47 a week better off under the new tax scheme. But the $47 a week figure does not include the cost of living increases associated with the GST. The figure comes from a highly misleading government publication which says:

The following tables show the extra money you will receive in your pocket from tax cuts, increased social security payments and family assistance from 1 July 2000.

The tables fail to mention the GST! Then the Prime Minister got carried away with his propaganda when he told the parliament on 15 March this year:

The average family will receive a tax cut of $47 a week after factoring in the goods and services tax.

The Prime Minister’s statements to this parliament are completely untrue. The supposed $47 a week gain is before factoring in the GST. The Prime Minister again failed to come clean in question time today. But the Prime Minister is not alone in making these wildly inaccurate statements. It seems his ministers want to get ahead of him in the exaggeration stakes. The Deputy Prime Minister told parliament on 15 February this year:

A single income couple, with a baby, in Collarenebi on $30,000 a year—a typical new family in that little town—will have an extra $65 a week in their home to spend.

That struggling new family in Collarenebi could be forgiven for believing they will be $65 a week better off under the GST. But, yet again, the Deputy Prime Minister failed to mention those three little letters G-S-T that will take so much out of their pockets as they try to make ends meet.

I am from a town not too far from Collarenebi—a little town called Dunedoo. My colleague the member for Rankin, Craig Emerson, who sits immediately behind me, is from the nearby town of Baradine. Another colleague, the member for Stirling, Jann McFarlane, who sits here in front of me, comes from Narromine. The families of Collarenebi, Dunedoo, Baradine and Narromine are honest people. They will be most unimpressed with the Deputy Prime Minister, who leads them to believe they will be $65 a week better off when the GST comes in.

Not to be outdone, the Minister for Employment, Workplace Relations and Small Business has claimed that a family on $30,000 a year will have $71 more in their pocket. The family will need to keep their money in their pockets and not spend it on anything, because as soon as they spend, they will be slugged by the GST. The minister for workplace relations will be proud of himself. He did not mention the GST, and he thinks he got away with it—but he will not get away with it.

Remember, the government has inflicted the GST on Australian families because it said it wanted to get rid of Labor’s unfair wholesale sales tax and replace it with a fair GST. The government considers it fair to take a 32 per cent wholesale sales tax off a string of cultured pearls and replace it with a GST on school shoes. The government considers it fair to take a 32 per cent wholesale sales tax off diamond rings and replace it with a GST on baby clothes. The government considers it fair to take a 32 per cent wholesale sales tax off fur coats and replace it with a GST on prams. The government considers it fair to take a 32 per cent wholesale sales tax off video cameras and replace it with a GST on cots. The government considers it fair to take a 22 per cent wholesale sales tax off spa baths and replace it with a GST on feeding pads, breast pumps and baby bottles.

The families that benefit from the GST, the families the government really supports, are those who spend their money on pearls, diamonds, fur coats and spa baths. The battling families of Croydon, Burwood, Concord, Rhodes and Enfield in my electorate of Lowe do not spend a lot of money on fur coats, pearls and spa baths, but they do spend a lot on baby clothes, prams and cots, elec-
tricity, and public transport. They are the forgotten families in the government’s tax package.

The other big losers from this tax package are the small business people of suburbs like Five Dock in my electorate as they struggle to come to terms with the enormous complexity of the GST. The shadow Treasurer, the Hon. Simon Crean, who spoke a few moments ago in this debate, met many Five Dock shopkeepers when we did an old style rally, standing on a soap box with a megaphone one Saturday morning in Great North Road, Five Dock. Hundreds turned up to hear the GST news, and it was all bad news, wasn’t it, member for Hotham? Yes. When I take my mobile office out into the shopping centres each Saturday morning and hand out my GST information kit, you should see the anger and the confusion on the faces of the shopkeepers and the shoppers. They hate the GST.

As my colleague the member for Rankin has pointed out, the GST legislation now weighs more than 5.1 kilograms, is thicker than three telephone books and contains more than 1,000 amendments. The burden this nightmare of a tax will place on the shop owners of Five Dock is totally unfair. Why should they be required to become unpaid tax collectors for this government? If they do not pay their GST on time, there will be more than 1,000 GST auditors who have been hired by the government to track them down and penalise them. I wish the government would pursue the wealthy tax cheats of this country with the same vigour that they plan to pursue the small businesses of Five Dock.

The GST is unfair, it is hostile to struggling families, it is a big new burden on small businesses and it is bad for the economy. The only thing the Prime Minister has done for the battlers is to create more battlers. There are battlers in Dunedoo, battlers in Narromine, battlers in Baradine, battlers in my electorate of Lowe and battlers all over Australia.

The GST winners will be those who monopolise the means of production and exchange and some who will successfully evade tax. How can a flat tax be fair? This regressive GST will allow the rich—those who primarily own, control and operate the means of production and exchange—to pay less tax. The ability to pay has been the standard of a fair taxation scheme. The GST will create hardship for mainly the poor and low to medium income earners, pensioners, self-funded retirees, unemployed, and the sick and disabled; they will all be hit very hard under this GST.

The GST is bad tax policy because it is a regressive tax. The GST losers will be those who only have their labour to sell—the very people the Prime Minister promised to look after, the battlers. As I have said in this House before, the only thing the Prime Minister has done for the battlers is to create more battlers. There are battlers in Dunedoo, battlers in Narromine, battlers in Baradine, battlers in my electorate of Lowe and battlers all over Australia.

The GST is bad tax policy because it is a regressive tax. The GST winners will be those who primarily own, control and operate the means of production and exchange and some who will successfully evade tax. How can a flat tax be fair? This regressive GST will allow the rich to pay less tax. The ability to pay has been the standard of a fair taxation scheme. The GST will create hardship for mainly the poor and low to medium income earners, pensioners, self-funded retirees, unemployed, and the sick and disabled; they will all be hit very hard under this GST.

The GST cannot promote economic equality. Economic equality comes only at the expense of economic freedom, for it requires government action to redistribute wealth from the rich to the poor. The Howard government’s claim of redistributing wealth from the rich to the poor via the GST does not make sense because it taxes the poor equally to the rich. If the Prime Minister’s goal is to produce equality of outcome, the GST will not help the poor by reducing their inequalities, and no amount of compensation will ever be enough to remedy this regressive GST tax.

Mr Downer—Why do you want to keep it?

Mr MURPHY—The GST winners are the rich and the GST losers are the poor.

Mr Downer—But you want to keep it.

Mr MURPHY—We are going to make the GST fairer when Mr Beazley becomes the Prime Minister and the member for Hotham becomes the Treasurer.

Mr Downer—How?

Mr MURPHY—Because we will look after the self-funded retirees, we will look after the pensioners, we will look after all those people who are severely affected by the GST.
Mr DEPUTY SPEAKER (Mr Nehl)—
Order! The member for Lowe will ignore the minister at the table.

Mr MURPHY—We are about fairness and equity, not about looking after the rich and powerful, which you mob are always worried about, and they are looking after you because they are making huge donations to the Liberal Party and the National Party. We want to make it fair—and we will.

Mr McARTHUR (Corangamite) (3.57 p.m.)—The member for Lowe calls for a fair go, and all he is going to do is support the GST when it comes in after 1 July. He has made a vigorous speech attacking the GST saying how bad it is, but the member for Lowe and the member for Hotham are going to support the GST after 1 July. They have no alternative.

As for that street meeting that he had with all the shopkeepers when he was out there advocating all the difficulties, what is he going to say after 1 July? He will be agreeing with the tax. He has got no alternative. What is more, what is he going to say to the battlers of Lowe when he puts up their income tax? Because that is what he has in mind—to roll back the GST for the states. So much for the socialist dogma of the rich and the poor from the member for Lowe. That has gone out with history. That is finished. You are going to support it when it comes up.

As for the member for Hotham, he has no alternative. Like the member for Lowe, he is going to support the GST on 1 July. The states are the winners. There will be income tax cuts for 80 per cent of Australians, so they are winners. And families are winners. So the member for Hotham will be supporting the new tax system after 1 July.

As for the John and Wendy ads, can I just say that what the members of the opposition have said is complete fabrication because they have nothing to go on. They have no facts and they move around the edges of some advertising campaign by the government to explain the new revolutionary tax system to all Australians.

Let me go to a Department of Family and Community Services document entitled ‘The new tax system: how families benefit’. Let me get on the public record how the families will benefit from 1 July. There will be an extra $2.4 billion allocated to families—extra. So there will be an extra $140 per year per child. There will be additional assistance of $350 a year per family for single income or sole parent families with a child under the age of five years—again, extra for families. The argument of the opposition has been that families are disadvantaged.

Further, there is extended assistance from 1 October 1999 to families with dependent children aged up to 24 years not receiving youth allowance—again, another family assistance measure where families will be better off. Maximum assistance for child care for lower income families is to be increased. The battlers who live in Lowe will get more money from the government—and the member for Lowe will be happy to support it after 1 July. The level of income at which family assistance begins to be income tested will be increased to $28,000—an increase of $4,000 a year for a family with one child. Here it is, on the public record: $2.4 billion extra for families.

Could we just get an understanding of this whole tax debate from my perspective? The member for Lowe should be aware of what I am about to recount to the chamber, even though he was not in the parliament then. Back in 1985, Hawke and Keating, the Prime Minister and the Treasurer, had a tax summit. They spent days and weeks talking about the tax, and they came up with option C. Even the member for Lowe might recall that if he has read his history. The Treasurer of the day, Mr Keating, drove around Australia with a tax cart. He spent six months saying, ‘Look, we’ve got to support option C’—and that was a GST. And I think in those days the opposition would have gone along with it. However, the Treasurer and the cabinet at that time—with the Leader of the Opposition being a member of that cabinet—agreed with it. The now departed and retired former shadow Treasurer and foreign minister, the former member for Holt, Gareth Evans, also agreed with it in the cabinet. So we had that government agreeing with it.

What happened? The ACTU scuttled the proposal, and the member for Hotham was
part of that. He said, ‘Oh, we won’t do it.’ He is not even here; he cannot even defend his position. But what do we now have? We have the ALP conveniently forgetting that it advocated the GST position—and not just casually, but with that tax cart in which Treasurer Keating, supporting that proposition, tramped up and down the country.

So the members opposite should be aware that on 1 July the GST will be in; it is now law. They should be aware that 150 countries around the world have a GST or a form of it. It will be a 10 per cent GST that, with the use of computers, will be a simple operation to implement. The government has provided $500 million to assist businesses to implement the new GST set of arrangements. So we have this fundamental change to the taxation system where there will be a tax on goods of only 10 per cent, there will be a tax on services which have received no tax up to date and there will be a tax on those people who spend money—all those big spenders about whom the member for Lowe is concerned. When they spend their money, those so-called rich people will be paying a tax to help the battlers of Lowe.

Let us just look at the alternatives of what the member for Lowe and the member for Hotham are advocating. They are advocating the old tax system where taxpayers on average weekly earnings pay 43c in the dollar. They nearly pay 50 cents in the dollar. That is the position the member for Lowe is advocating. In contrast, we are advocating that 80 per cent of taxpayers will be paying 30 cents in the dollar. I am confident that the battlers of Lowe will be delighted to pay 30 cents in the dollar on their earnings. Under the Labor Party, they will have no real increases for pensions and allowances. We are advocating that pensions will go up four per cent. So I am sure the pensioners of Lowe will be very pleased to receive the new tax system on 1 July.

The member for Hotham and the member for Lowe are advocating a wholesale sales tax system of 32 per cent, 22 per cent and 12 per cent. That has been in law, as we know in this House, and that is what they are advocating—and we are the only party in the Western world to advocate a wholesale sales tax. The government, through the Treasurer, has abolished wholesale sales tax and substituted it with a 10 per cent GST—and that is fundamentally much lower than 32, 22 and 12 per cent. Those people involved in the black market now are able to refrain from paying their fair share of tax. However, our proposition is that everyone who spends—including those battlers of Lowe when they spend their money, as well as those rich residents of Lowe—will be paying the 10 per cent tax.

The Labor Party advocates a tax on exports. We will be removing $3.5 billion on exports. For those hardworking Australians from Dunedoo, your home town, we will be reducing the tax that they pay, and that is exactly what you are not going to do. We will reduce the cost of transport. Out there again in Dunedoo, your home town, those transport operators will be paying less in diesel fuel. It will be 24c a litre and will be helping rural and regional Australia. What is your proposition? You make no advocacy of your position on that. Under your set of taxes, you will continue to have 30 forms to fill in to meet tax compliance. That is the current position. We are advocating that small businesses will pay their taxes once a quarter on a simplified tax system—and that is a great thing.

Finally, the GST will be allocated to all state governments. As the Prime Minister has said on many occasions, the state governments could not get their pencils out quick enough to sign up. Because it is a growth tax, it will provide money for all those roads, bridges, hospitals and education so that the states will be in the longer term much better off. What is your alternative? Your alternative is to increase income tax.

I went to New Zealand in 1992 with the then shadow Treasurer, the honourable member for Flinders, Mr Reith. We talked to all the New Zealanders—the rich people, the battlers, the trade unions, and the small business people. What they said was, ‘What’s the argument in Australia? Why don’t you get on with it? Why don’t you institute the GST? It’s working well here in New Zealand and we’ve forgotten about the debate.’ So much for your arguments about the GST not working.
What alternative has the Leader of the Opposition got? He is going to roll back the GST. He is saying that, in a funny sort of a way, ‘Well, we don’t quite like it; we’ll agree with it on 1 July, but we’ll roll it back.’ It was interesting to hear what he said when Laurie Oakes asked him whether Labor would roll back the GST. Laurie Oakes said this on the Sunday program:

But do you absolutely rule out raising income tax cuts [sic] to pay for a GST rollback?

Mr Beazley said:
Well...

Oakes said:
Because this will raise the income tax.

Beazley went on:

All ... what I will say is this, Laurie. What we intend to do we'll tell the people before the election.

That is about how it came out. Laurie Oakes said:

So, you ... but you’re not ruling out an increase in income tax?

Mr Beazley:

We ... look, Peter Costello has come out, raising that particular canard as a diversion from the problems in which he ... which he now confronts.

Later in the interview, Beazley said:

But one thing is, whatever we intend to do on tax, be it related to income tax, be it related to the rollback of the GST or any other matter, people will know before the election.

It is quite clear what the opposition intend to do. They want to maintain the GST. They want to roll some of it back and they want to increase income tax. Are the battlers of Lowe going to be pleased with increases in the income tax? I challenge the member for Lowe to go out on that street corner with his megaphone and say to the battlers of Lowe, ‘If we, by chance, get elected to government, we’ll be putting up income tax.’ (Time expired)

Mr DEPUTY SPEAKER (Mr Jenkins)—Order! The discussion has concluded.

MAIN COMMITTEE

Mr DEPUTY SPEAKER (Mr Jenkins)—I advise the House that the Deputy Speaker has fixed Wednesday, 12 April 2000, at 9.40 a.m., as the time for the next meeting of the Main Committee, unless an alternative day or hour is fixed.

MATTERS REFERRED TO MAIN COMMITTEE

Motion (by Mr Ronaldson)—by leave—agreed to:

That the following bills be referred to the Main Committee for consideration:

Appropriation (Dr Carmen Lawrence’s Legal Costs) Bill 1999-2000

Therapeutic Goods Amendment Bill (No. 2) 2000

Motion (by Mr Ronaldson)—by leave—agreed to:

That the following order of the day, committee and delegation reports, be referred to the Main Committee for debate:

Industry, Science and Resources—Standing Committee—Report on adding value to Australian raw materials—Motion to take note of paper: Resumption of debate.

HEALTH LEGISLATION AMENDMENT (GAP COVER SCHEMES) BILL 2000

Second Reading

Debate resumed from 10 April, on motion by Dr Wooldridge:

That the bill be now read a second time.

Mr GEORGIOU (Kooyong) (4.09 p.m.)—The Health Legislation Amendment (Gap Cover Schemes) Bill 2000 continues the government’s reform of the private health insurance system. This reform is important for ensuring that the Australian health care system continues to deliver timely, affordable and high quality health care to all Australians. We in Australia are fortunate to have a health care system that performs extremely well by world standards. It has achieved this in large part because the Australian health care system has sought to strike a balance between the public and private sectors of health care delivery. That balance is fundamental for both those who use and those who deliver health care services in Australia. That balance has come under serious threat, however, because of the massive fall in levels of private health insurance membership since Labor came to power in 1983.
In 1984, 50 per cent of Australians had private health insurance. By 1998, when this government introduced the private health insurance rebate as an important measure designed to reverse this trend, health insurance coverage had fallen to just 30 per cent of Australians. Even more worrying than this staggering drop in numbers, the years of the Hawke-Keating Labor governments saw a dramatic change in the composition of those Australians who took out or maintained private health insurance. Younger, healthier and wealthier Australians dropped out of private health insurance schemes at a great rate. Older, sicker and poorer Australians stayed. The only group of Australians whose participation in private health insurance held ground under Labor were low income Australians, specifically the lowest 20 per cent of income earners. They kept paying for their health insurance, and struggled to do it, while middle and upper income groups stopped paying and chose instead to rely on the public health sector.

What was Labor trying to do to stop this? It abolished tax rebates for private health insurance and phased out the $100 million annual subsidy from government to the reinsurance pool. It removed the subsidy for private hospital beds. It reduced the proportion of the schedule fee paid by Medicare from 85 to 75 per cent. It made it more and more difficult for those Australians who were struggling to keep their private health insurance to do so. The shift away from private health insurance under Labor put extra unwanted and unsustainable strain on the public health sector. It also put extra strain on the private health sector. A drop in that membership threatened the financial viability of the private health insurance industry. This flowed on to affect the financial viability of many private hospitals. It also left a large rise in health insurance premiums which, in turn, reduced the incentive for Australians to take out health insurance.

Completing this vicious circle, more Australians left private health insurance, more strain was placed on the public sector and so on. Something had to be done to break this vicious circle. Something had to be done to give more Australians an incentive to take out private health insurance so that our public health sector did not collapse under the weight of a burden which should continue to be shared between public and private. This is a matter of good public policy and of good commonsense.

This government has bitten the bullet and implemented key reforms needed to attract people back into private health insurance. For instance, in September last year government legislation was passed to introduce the new Lifetime Health Cover scheme, which will start on 1 July 2000. This reform will reward loyalty to, and early joining of, private health insurance schemes. It is designed to encourage younger and healthier people to participate in private health insurance.

Another example of important health care reform introduced by this government is the 30 per cent rebate on health insurance premiums. This measure was designed to improve the attractiveness of private health insurance to consumers, and the measure is working. The tide is turning. Private health insurance membership has risen in each quarter since the measure was introduced—almost 300,000 new members have taken out private health insurance.

What was Labor’s position on this important and successful measure? It opposed the rebate from beginning to end. It opposed it bitterly and it opposed it ideologically. Labor was so ideologically blinkered and so irrationally prejudiced against any strengthening of support of private health insurance participation that it opposed the rebate, even when doing so would have injured tens of thousands of families with private health insurance in Labor’s most marginal seats. I have pointed out Labor’s ideological blind spot on this issue in this House before. I have also pointed out Labor’s record on health care reform, and I will briefly do so again.

There has been a huge gap between Labor’s rhetoric of equality and what it has actually been prepared to deliver to Australians when it had the chance both during its 13 years in government and, more recently, in opposition. That rhetoric has been accompanied by Labor scare campaigns asserting that the government wants to dismantle Medicare and destroy the viability of the public health
Nothing could be further from the truth, as was illustrated in fact by the Minister for Health and Aged Care in the course of question time today. This government is committed to upholding the Medicare system, which provides free public hospital services to all eligible Australians on the basis of clinical need. In order to do this, the viability of the private health sector must be secured. Labor would do well to recall the words of one of its own, Neal Blewett, who introduced Medicare in 1984. I have quoted him before, and I think he will be quoted for a long time to come. Dr Blewett said:

Medicare’s continued success and high popularity is dependent upon the maintenance of a strong, viable private health care sector.

This is a simple but important message: equilibrium must be maintained between the public and private health care sectors. Dr Blewett is not the only one on the Labor side to have said this. It has been a consistent refrain of all responsible Labor ministers. But what has Labor sought to do? It has sought to undermine the viability of the private health care system, not appreciating that this would place intolerable burdens on the public health care system. I suspect that, in its heart of hearts, Labor really did believe that it could keep on doing this without the most vulnerable people in the community ultimately opting out of private health insurance, no matter what the cost. But, as I said, that policy failed, it proved itself deficient, and this government is taking a number of steps to restore the equilibrium between private and public health care systems to the benefit of both.

The Health Legislation Amendment (Gap Cover Schemes) Bill 2000 is a further step towards restoring that equilibrium. The bill will implement another important part of the government’s health insurance reform package. The bill addresses the important matter for private health insurance of the gap. The gap is the difference between fees charged by doctors for in-hospital medical services and the combined Medicare rebate and refund from private health insurance. The gap is currently paid by the health fund member. It is estimated that health fund members pay around $200 million each year in out-of-pocket expenses. Apart from the cost of private health insurance premiums, these out-of-pocket expenses are one of the strongest deterrents to people taking out private health insurance. There are probably three or four factors involved which come through consistently in constituent mail, including the sheer inconvenience of these payments, the fact that they are unplanned for and that they put an additional burden onto people who pay both the Medicare levy and private health insurance.

This bill enables private health insurance funds and health care providers to work together to offer consumers health insurance products which either cover the gap entirely or limit the consumer’s out-of-pocket expenses by insuring for a known gap. Although gap insurance has been possible in Australia for some time, health care providers on the whole have been unwilling to come to arrangements with health insurance funds to limit consumers’ out-of-pocket expenses for medical services. Many members of the medical profession have resisted making such arrangements within what they would consider the unacceptable constraints of the contractual agreements currently provided for in the National Health Act 1953.

At the heart of this resistance, there are concerns about managed care and accompanying fears of intrusion into the doctor-patient relationship. This bill recognises doctors’ concerns about these issues and it responds to them. It allows them to reach agreements about gap insurance without any involvement in the contractual regimes they have criticised so strongly. Significantly, the Australian Medical Association has expressed its support for the measures proposed in this bill. The AMA president, Dr David Brand, has described these measures as ‘a major breakthrough for providers, for the health care funds, for the medical profession and for the quality of care we can provide’.

The government is therefore creating an important opportunity. Once this bill is passed it will then be largely up to doctors, other health care providers and private health insurance funds to work together to offer Australians a better choice of more attractive insurance products. Importantly, this bill
provides that the Minister for Health and Aged Care must approve any gap cover scheme devised under this new legislation before the scheme can come into effect. The minister will be required to assess any scheme according to the criteria provided in the regulations. The minister will be responsible for ensuring that these new gap insurance measures work in the interests of consumers, that they continue the process of restoring Australians’ confidence in the private health insurance industry and that they thereby rebuild a culture of participation in that industry. It is part of an important package of health measures that this government has brought forward since its election and which has created a far stronger and more effective Australian health care system. I commend the bill to the House.

Mr PRICE (Chifley) (4.22 p.m.)—I am pleased to speak on the Health Legislation Amendment (Gap Cover Schemes) Bill 2000. I was very interested in the contribution of the honourable member for Kooyong. This legislation seeks to amend the National Health Care Act 1953 to allow a new type of arrangement between health insurers and doctors which is intended to eliminate or at least make known the gap costs for privately insured patients. I would be surprised if federal members in this House did not support that proposition. Indeed, one of the great difficulties, as the previous speaker and other speakers in this debate have identified, is that unfortunately when people become ill and have private health insurance they believe they are covered for whatever it is they confront and whatever is offered by the medical fraternity as a way of curing their illness. But we know that that is far from the case. What this legislation seeks to do is to have private health insurers and doctors advise patients before operations of exactly what gap exists or indeed if the gap has been eliminated. Without wanting to provide for runaway prices that the medical profession may charge—that is the last thing you want to have—I think that what we really should be doing is seeking to eliminate the gap in those situations.

The previous speaker suggested that we were not genuine about health reform, particularly in opposition. I want to reject that and I want to reject his comments in relation to private health insurance. I have to say that my family does have private health insurance. But it is also true to say that the majority of my constituents depend on Medicare. I believe that those who rely on public health should have access as good as, if not better than, those on private health insurance. In talking about gap insurance I just want to recount a story. When the husband of a pensioner friend of mine was confronted with the need to have a heart operation, he and his wife were berated by the cardiologist about why they did not sell their five acres so that they could afford to go into a private hospital as a private patient and fully pay for the urgent surgery. I was absolutely outraged and incensed about it and got on to the medical superintendent of Westmead Hospital. To his credit, we arranged for that operation. But I do not think pensioners in my electorate should be harassed like that. If you need an operation, whether you have the wherewithal or not, if your health dictates it you should have that operation. We still do not have that.

The government keep on saying, ‘What a marvellous job we have done to shore up the numbers of people taking on private health insurance.’ Bearing in mind that we are currently paying $1.7 billion per annum by way of subsidy to people to take out private health insurance, it seems to me to be fairly clear—although I would love a study to be done—that this subsidy has had a minimal effect in increasing participation rates. What really has had the effect has been community rating—that is, telling people who are relatively young and face the prospect of some years of good health that unless they take out private health insurance now they will be penalised if they take it out later. I think that has been the driver, but I think it would be most interesting if the department or the minister were to undertake a study to see which of the two have been the drivers for change.

In relation to this bill, if health insurance companies do not offer a known-gap or no-gap policy they will be denied access to the direct rebate by their clients. So there is, in a sense, that sanction on them. They have to do it by 1 July this year to get into the scheme. I
understand AXA, Medibank Private and MBF have all developed schemes. But what is unclear to me is how we judge the success of the scheme. Is it a success to have a known gap that is $100 this year and escalates to $200 next year and $1,000 the year after—in other words, there is absolutely no containment of the gap? Are there any provisions in this bill for some sort of sanction to ensure that that does not happen—that we do not simply retrogress? I would be most interested to hear from the next government speaker, who is very public about lots of things, if she could outline to the House what the sanctions are that are going to guarantee success in this area.

I would like to talk about a couple of things about Medicare. Firstly, I thought it was an absolute tragedy that the government singled out the Mount Druitt Medicare office. It was a very robust office with something like 44,000 transactions per year, as I recall. Whilst many other offices with much lower turnover or transaction rates were kept—I would have to say, mostly in government seats—they decided that they would have a go at the Mount Druitt office. In my time in politics in the area, I have never seen a petition so rapidly and enthusiastically signed as the one we did to try and keep it open. But of course, unfortunately, my constituents were talking to a deaf and dumb government: they were really not interested.

Given these changes that are occurring on the private health insurance side of the equation, we ought not to be satisfied with Medicare also remaining in limbo. It is a bit like the universal service obligation that Telecom is responsible for: yes, years ago it was quite good and it was accepted that it would be a plain ordinary black telephone, but these days we want so much more. We want Internet access and a whole variety of things that people should be able to access. For instance, one of the services that a lot of my pensioners need is podiatry—that is, the care of people’s feet. It may seem pretty ho-hum to a lot of people but, of course, physically just being able to bend over to take care of their feet can be quite a challenge. Podiatry is not covered under Medicare. We ought to be looking at how to expand the services under Medicare.

While I am talking about pensioners, there was a great tragedy, I believe, after the then Senator Richardson, as minister for health, had pioneered the pensioner dental health program. In its last year of operation, some 600,000 of our fellow Australians were able to access dental health care. I apologise that I am not aware of the situation in other states but I know that waiting lists now in dental clinics have shot up to something like two years. How can you wait two years to have something done to your teeth? You can say to me, ‘So what? It is just a bit of discomfort and pain.’ I know that you would not feel like that, Mr Acting Deputy Speaker Jenkins, but perhaps there is a deputy speaker who might respond to me in that way. Of course, you can develop life-threatening diseases through poor care of teeth. A lousy $100 million, yet that scheme was axed and 600,000 of our fellow Australians do not get a guernsey now because of the axing of the scheme. If we want to talk boldly about reforming the health scheme, why can’t we talk about bringing this scheme back?

Another area—and there may be other solutions—is speech pathology. I know through a family member in Queensland that access to speech pathology through the public health system is absolutely excellent in that state. However, I would say to the House that one of the saddest conversations I have had was with a primary school principal who said that the requirement for speech pathologists by children attending his school was quite significant and they just could not get enough hours to cover the need. Again, you might say that you just have to put up with that; but his next statement was, I thought, absolutely frightening: there were some children who, if they did not get on to the program quickly, were at extreme risk of becoming mutes. Isn’t there again, when we start considering Medicare, the opportunity to think about what other services we need to put in that bundle so that we can have a far more robust coverage of our people?

I welcome this bill, which seeks to develop new, gap cover schemes that have got two elements; one being that there is no gap or, alternatively, that there is a known gap. We will always have strife with the medical pro-
profession because, even with these schemes where health insurance companies are negotiating with doctors, they see an invasion of their doctor-patient relationship. I am not so sure about that but I can say that generally speaking in this country—and particularly under Labor administrations—we have managed to keep the lid on health costs. Compared with the United States of America, both in terms of costs and insurance costs, our costs are much more modest. I do not think we will always be able to keep a total lid on it but, like any area of activity, whether public or private, there is a responsibility to try to manage it without compromising patient care—and, indeed, without compromising doctor-patient relations—to ensure that we are extracting optimum output from the system.

It is interesting that, as I have always found in the health area, the medical profession believe that they are involved in a unique activity. They are, in terms of the care of people; but the management systems and what have you are essentially no different—although obviously greater conservatism, care and redundancy, in some cases, needs to be applied because we are dealing with humans. The management equations are basically the same, but I do not think they have really always been applied. Whilst I support these changes, we have to see what the practical outcome will be: whether the gaps are going to remain static or be eliminated and, indeed, what sanctions will apply where there is failure on the part of the insurers in terms of the practicality of the schemes that they are offering. I hope that for once the government will not say that the marketplace will decide that issue.

Mrs DE-ANNE KELLY (Dawson) (4.37 p.m.)—The soaring cost of health care in Australia in recent years as our population ages has been one of the most difficult policy problems faced by successive governments. Our public hospitals face enormous burdens, and it is a matter of concern to both Commonwealth and state legislators that the public health system, although staffed by dedicated professionals, is being stretched to near breaking point. The challenge for us is to provide a policy context which ensures an equitable and acceptable national health care system. The public system struggles in many cases to meet the increasing demand. There is a need to provide positive incentives to people to have private health insurance and, therefore, seek their medical and health care requirements from outside the public system.

Just over a year after the election of the federal Labor government in 1984 half of all Australians had private health insurance. However, it did not take time for the rot to set in for private medical insurance; the stampede away from private health insurance started. By June 1988 the coverage was down to 47 per cent of all Australians, by June 1992 it had slumped to 41 per cent and by June 1996, just after the election of the coalition government, it had hit an unbelievable 33.6 per cent. In 13 years the Labor government had managed to ensure that private health insurance had collapsed from covering half of all Australians to barely a third. The challenge for the new government was to address this shameful legacy of the Labor Party, which was born because of a mix of incompetence, neglect and disinterest and, frankly, a faith in outmoded, left-wing, doctrinaire approaches that belong in the past.

As I said earlier, private health insurance had fallen to 33.6 per cent of the population. As the government developed its strategies to reverse this collapse—and, I must say, in the face of the most determined opposition from the Labor Party, who clung to the illusion that throwing yet more money at the public health system was the only way to go—unfortunately the stampede continued, albeit at a trickle. In June 1998 it stood at 30.6 per cent and by June 1999 it was virtually stable at 30.5 per cent. In fact, between June 1998 and June 1999 the private health funds recorded their first numerical increase in overall numbers—up 65,000 from 5.728 million contributors to 5.793 million. As I said, back in June 1984, before the Labor Party went to work on the private health insurance scheme, there were 7.784 million private health fund contributors.

Only today it was revealed that Medibank Private, the largest health insurer, now is attracting more than 8,000 new members a week, with a large proportion of these being
under 40. The Managing Director of Medibank Private, Mr Mark Burrows, was quoted today in the *Sydney Morning Herald* as saying that more than 9,000 new members had joined the fund since the last week of March compared with only 3,000 new members a week joining up last October. What an extraordinary change in a little under six months—9,000 new members now compared with 3,000 in October. He also said that Medibank Private membership had grown by 45,000 since July last year, with one-third of that total being recorded in February alone. He said:

... didn’t expect things to go up as steeply as quickly.

Hear, hear, to that! The *Sydney Morning Herald* also reported today that both HCF and MBF have reported sharp increases in membership in the past 12 months. MBF was quoted as saying its February membership gains were up 91 per cent, while in March the gain was 145 per cent. According to Mr Burrows of Medibank Private, ‘a bit under 20 per cent’ of all his fund’s hospital claims were covered by no-gap schemes. He said that 90 to 95 per cent of those schemes were with doctors who charged the fund for their entire fee. The rest were so-called known-gap charges where the doctor accepted a fee from the fund then charged their patients an extra amount before the hospital stay. Mr Burrows further stated that almost 2,000 of Australia’s 17,000 specialists were participating and that, by the end of this year, half of all Medibank Private’s claims would require no gap contributions.

Since June 1999, the government’s initiatives in health care have shown a clear surge in private health fund coverage. Only last month official figures were released showing private health fund membership jumped by an impressive 294,000 people—the first four-quarter increase since 1976. It was the biggest continuous surge in membership since 1981 when 10 per cent of the population joined health funds in just nine months. The Private Health Insurance Administration Council stated last month that 31.2 per cent of Australians now had private health insurance. What an extraordinary achievement by the government to not just arrest the slide in private health insurance but to reverse it. Of course, for every privately insured Australian, that is one less potential public health care patient and far less stress and pressure on our hardworked public hospitals.

The government is committed to maintaining a sustainable balance between the private and public health care sectors with the goals of providing more choice for consumers, better quality products and innovation and better access to health care for both public and private patients. How have these objectives been achieved so successfully? Firstly, the 30 per cent rebate of private health insurance premiums was a major initiative that contributed massively to this success. Of course, the Labor Party fought against this initiative all the way. On 1 July this year Lifetime Health Cover will come into effect. This long overdue policy will boost the appeal of private health insurance cover by rewarding membership loyalty and early joining. Those taking out hospital cover early in their lives will pay lower premiums. This will encourage younger and healthier people to join. Thus the rising cost of health insurance premiums will be contained, and the objective of community rating will be maintained as well.

The *Health Legislation Amendment (Gap Cover Schemes) Bill 2000* has yet another innovative and practical initiative. One of the most contentious issues with regard to private health insurance that comes to my office—and no doubt the offices of other members of parliament—is gap fees. It is one of the major reasons that people believe that private health insurance is not good value for money. The 1999 annual report of the Private Health Insurance Ombudsman noted that almost one-third of all complaints received concerned benefits and most of the complaints about medical practitioners concerned informed financial consent. Throughout 1999 Medibank Private, HCF, AXA and the Australian Health Service Alliance all announced no-gap cover. By the end of last year the number of patients benefiting from this extended safety net was more than 10 per cent of all hospital stayers, compared with only one per cent at the beginning of last year.
Addressing gap fees is the most difficult problem the government faces in private health insurance. However, there have already been successes by encouraging negotiations and partnerships between doctors, hospitals and health funds. This has been done in two ways: firstly, through the passing of legislation which allows health funds, hospitals and doctors to negotiate to cover the entire medical fee, including any charges above the Medicare benefits scheme and, secondly, by encouraging and promoting simplified billing. While simplified billing does not necessarily ensure that medical gaps are covered, it has underlined the importance of doctors and hospitals providing a better service to patients by giving information relating to the cost of their procedure. Health funds such as AXA, Medibank Private and HCF have developed innovative ways to address the gap, and valuable contributions have come also from hospitals and the AMA.

This bill will allow for the further facilitation of insurance products which cover the gap. It is entirely voluntary and will provide a means for health insurance funds to offer no-gap or known-gap cover without the need for contracts. The government will also amend the existing reinsurance arrangements to establish a medical gap fee pool to further encourage all health funds to offer no-gap products. These new measures prove the government’s strong commitment to eliminate the medical gap as far as possible. It is now up to the health funds, hospitals and doctors to work together to produce arrangements that make private health insurance even more attractive than it is at present.

The government has committed funds to support a number of coordinated care trials in the private health sector so that privately insured people can also benefit from programs which help people stay out of hospital and continue living independently at home. Early discharge trials and hospital in the home programs are in place to test alternative models of providing in-hospital care that will be not only more appropriate but also more cost effective. Trial evaluations are expected to be completed by the middle of this year. The government in conjunction with the Australian Consumers Association is also developing a key features statement to assist consumers to compare and contrast different health fund products and see which suits them best. This will be particularly attractive and a valuable service for lower income people. Legislation has also been passed which will assist private health insurance product innovation by allowing funds to offer discounted premiums that are offset by administration savings and loyalty bonuses based on length of membership.

This bill will not just ensure maximum benefits for consumers but also safeguard their interests—something that has been mentioned by other speakers today. Gap cover schemes will need to be approved by the Minister for Health and Aged Care before they can be operative. Such approval will be by reference to criteria specified in regulations attaching to the bill. While these regulations currently exist in draft form, they have reached that stage only after the most extensive consultation with health funds, the medical profession and private health insurance industry representatives.

The principles in the regulations include a number of important features: the proposed scheme must not have an inflationary impact—that is, it does not provide for open-ended reimbursement of medical fees or increase the total cost borne by the contributor; the scheme must genuinely deliver what it promises; it must require doctors to inform fund contributors of any amount they may be liable to pay for a professional service; it must also provide simplified billing; it must protect the professional freedom of doctors and ensure that is maintained; and it must contain provisions to ensure consumers will not be disadvantaged should the scheme be revoked by the minister. The minister will have the power to revoke schemes which do not deliver better outcomes to patients.

Undeniably, the continued existence of the gap is one of the major causes of complaint about private health insurance, particularly when the requirement to pay is not realised by the patient prior to receipt of the bill. Widespread consumer dissatisfaction with the gap has led to the perception that private health insurance is poor value for money, and this in turn leads to resistance to being a con-
tributor. But the government’s comprehensive and fully integrated health care policy, as we have seen, is winning back contributors to private health insurance and will relieve pressure on public hospitals as well—two very important aims of this government. But these are not just things that the government is saying. Allow me to quote today from others who have had significant praise for the government’s initiatives. In a statement dated 12 May 1999 the Executive Director of the Australian Private Hospitals Association, Mr Ian Chalmers, said:

This Government has now clearly demonstrated it is serious about implementing a process of significant and sustained policy reform in relation to the private health sector.

That was preceded on 11 May 1999 by this statement by the Executive Director of the Australian Catholic Health Care Association, Mr Francis Sullivan:

We applaud the Government for taking a fairer and more practical approach to private health insurance reform than was previously proposed ... ACHCA recognises the need for long term health insurance reform and welcomes this opportunity to make insurance fair as well as attractive.

The National President of the Association of Independent Retirees, Ms Maureen Kingston, has gone on the record praising the government’s health care package and particularly welcoming the introduction of Lifetime Health Cover. The AMA president, Dr David Brand, has welcomed this initiative, saying, ‘There is light at the end of the tunnel.’ In the journal Australian Medicine Dr Brand paid tribute to the government’s integrated health care package and pointed to the increasing take-up of private health insurance, saying, ‘The tide is beginning to turn.’

The importance of a viable private health insurance sector can be no better illustrated than by the fact that it contributes some $3 billion a year to health care. This is money contributed by members to ensure that they receive the very best care. But there is a benefit far beyond that. The budget implications of having to find an additional $3 billion a year for national health care would be an awesome challenge for any government. This of course is now supplied by private health insurance contributors. It is a very high priority of government to ensure that every Australian has access to high quality and affordable health care. Four years ago, the coalition government inherited a rundown, ramshackle national health care system. In 1996 private health insurance was going the way of the dodo and the Keating-Beazley government either could not or would not do anything to stop that decline. For all of the Labor Party’s professed care and interest, they simply did not reverse the trend of declining private health insurance and nor did they provide a system that delivered true and sustainable benefits for all Australians. This government, with its integrated package, has delivered and, I believe, will continue to deliver in one of the most highly focused areas in Australia: health care.

Mr GRIBBIN (Bruce) (4.54 p.m.)—The Health Legislation Amendment (Gap Cover Schemes) Bill 2000 is all about gaps—some will be filled and some will be known—but the one gap I would like to address today is the chasm that exists between what the Minister for Health and Aged Care thinks his bill will do for the consumer and what the doctors believe it will do for their incomes. It has been acknowledged on both sides of the House that one of the potential negative outcomes of this legislation is medical cost inflation. Known outcomes are that the funds agree to pay the difference between the Medicare rebate and the schedule fee and that the consumer pays the difference between the schedule fee and the doctor’s fee—there is no gap. An unknown outcome happens if the doctor jacks up his or her fees—who then pays the difference? Most likely it will be the consumer, either through higher premiums or higher payment to the doctor. How is this going to be controlled? Well, we can all take a deep breath and relax because Dr Wooldridge has told the doctors not to take advantage of the situation to improve their incomes and of course, as history has shown, the doctors always do what Dr Wooldridge tells them. The Minister for Health and Aged Care outlined his cunning plan in an article in the Bulletin last week,
and the medical profession is no doubt shaking in its boots. He said:

I’ve told doctors that the benefits of these new schemes are for the public and the extra dollars that flow have to reduce gaps. If a new scheme is just seen as a way of increasing doctors’ incomes it’s not on and I won’t support it.

That is pretty scary. What I would like to know, given the ACCC ruling on the setting of doctors’ fees, is just how he is going to give his threats any teeth. The AMA can recommend only what a doctor should charge for certain procedures. It is then up to the doctor to make a decision based on free market forces about how much he or she can charge. Given that there are essentially two markets out there—those that can afford extra and those that cannot—one would expect that some doctors would probably aim for the ‘can afford’ market, leaving others to look after the rest.

You might ask, ‘What about competition bringing down fees?’ That is a thought, but unfortunately competition works best in a case where quality is similar and there is sufficient quantity to facilitate it. While I am not in a position to generalise on quality, quantity is another matter. Let us take the profession of dermatology as an example. Australia is still the skin cancer capital of the world and our population of about 20 million has approximately 500 dermatologists to look after it. That is about one dermatologist per 40,000 Australians. For those consumers who need dermatological treatment, with statistics like that who is going to quibble about cost? They are already having to live with a GST on their skin disease products, so what is a few hundred dollars more? But I digress. The other major problem with this idea of shopping around for the best quote from a doctor is that you have to have the luxury of time and the knowledge to do it. An elderly consumer with a broken hip is not going to spend precious time ringing around doctors trying to get the best quote and nor, would I imagine, do many people have a little black book filled with the phone numbers of the top 10 orthopaedic surgeons in their local area. So any assumption that market forces will not only maintain the level of medical fees but also decrease those fees is a bit of a furphy.

On the other hand, the current legislation introduced by a Labor government provides for purchaser-provider agreements that deliver no-gap and known-gap insurance policies, which not only are beginning to grow in popularity but also leave the negotiating process to the insurance companies and the medical profession. Consumers have the buying power of the company behind them doing the hard work rather than having to spend time and energy doing it themselves. Apparently, though, the AMA is not fond of this option. It claims, among other things, that this interferes with the consumer-practitioner relationship and is the first step toward managed care. It is, however, quite fond of this proposed legislation, particularly the known-gap option. As this week’s Bulletin article reported:

The AMA may be coming on board, but it wants funds to emphasise known-gap rather than no-gap cover. The AMA’s logic is that the former lessens the chance of fund interference in the doctor-patient relationship. And, with the patient agreeing to cover the difference, it involves an element of patient responsibility. Critics would say this is just another attempt by the medical profession to ramp up its fees. The danger is that medical inflation would not only blow out costs for patients, but also increase the $2.2 billion a year the federal government is currently paying to attract people into private health insurance. While cynical about the motivations behind the AMA’s warm embrace of the proposed legislation, I would like to reiterate the views that my colleague the member for Jagajaga expressed in her speech during the second reading debate on this subject on 15 March. Federal Labor support measures that will widen the availability of no-gap policies. We do, however, believe that gap charges, as endorsed by the AMA, are a major disincentive for people. For the low income families and singles who have taken advantage of the 30 per cent rebate and entered the private market, gap payments on top of health premiums are just not affordable or acceptable, particularly when there is no mechanism for capping any rise in medical fees. Even the regulations that allow community pharmacists to add a mark-up to the cost of private prescriptions provide for a maximum mark-up of 100 per cent of the drug price. As an
aside, it would be interesting to see, for example, whether market competition has in fact led to low mark-ups or no mark-ups for Viagra or whether the mark-ups sit at the higher end of the spectrum.

I go back to rising costs. Surveys conducted by both the Australian Bureau of Statistics and MBF show that by far the greatest reason for people not taking up private health insurance is the cost. Unless Dr Wooldridge has a more cunning plan up his sleeve than the one revealed in the Bulletin last week to keep medical inflation under control, private insurance is in big trouble. The attempts by this government to prop up the private health insurance industry at considerable cost to the taxpayer will come to nothing. Unless, Dr Wooldridge has a more cunning plan up his sleeve than the one revealed in the Bulletin last week to keep medical inflation under control, private insurance is in big trouble. The attempts by this government to prop up the private health insurance industry at considerable cost to the taxpayer will come to nothing. Unless, Dr Wooldridge has a more cunning plan up his sleeve than the one revealed in the Bulletin last week to keep medical inflation under control, private insurance is in big trouble. The attempts by this government to prop up the private health insurance industry at considerable cost to the taxpayer will come to nothing. Unless, Dr Wooldridge has a more cunning plan up his sleeve than the one revealed in the Bulletin last week to keep medical inflation under control, private insurance is in big trouble. The attempts by this government to prop up the private health insurance industry at considerable cost to the taxpayer will come to nothing. Unless, Dr Wooldridge has a more cunning plan up his sleeve than the one revealed in the Bulletin last week to keep medical inflation under control, private insurance is in big trouble.

Mr NEVILLE (Hinkler) (5.03 p.m.)—I welcome the opportunity to speak today on the Health Legislation Amendment (Gap Cover Schemes) Bill 2000. The importance of private health insurance membership to the Australian health system cannot be underestimated. For every decrease of one per cent in private health insurance membership, the public purse suffers by $83 million. Labor was content to see private health insurance membership fall from two-thirds of all Australians in 1983 to one-third when it left office. Let us consider that. Two-thirds of all Australians essentially looked after their own health care in 1983. By 1996, only one-third did. In other words, one-third moved from private health care to the public system. You do not need to be Sherlock Holmes to work out that was going to place the system under enormous difficulty. This was despite the warnings of experts and of former Labor health minister Graham Richardson, who said in 1993 that if private coverage fell below 40 per cent the entire health system would collapse. This is the man who said, ‘Whatever it takes.’ He knew it would take about 40 per cent for the private health insurance industry to survive. Despite the criticism of the opposition and of some outside the parliament, we have endeavoured to get back to a level around that figure.

While Labor was in power, Australians dropped out of private health insurance at a rate of about two per cent a year and premiums increased by an average of 12 per cent a year. Labor basically concentrated solely on Medicare, virtually ignoring the private health insurance industry. It consistently broke election promises not to increase the Medicare levy, increasing the levy in 1985, in July 1993 and again in 1995. But what made it even harder for the private health insurance industry was that Labor removed the tied day subsidy of $25 for private patients and stopped payment of around $200 million for the reinsurance pool.

The previous speaker, the member for Bruce, Mr Griffin, said that the member for Jagajaga talked in her address about the cost of insurance. Of course insurance is dear and of course there will be cost increases, but this government have done something about
containing those. When we came to power, the cost of pharmaceutical medicines, for example, was increasing at the rate of 14 per cent a year. Coupled with the inflation rate that Labor left us with, that meant that about every five or six years the cost of pharmaceutical medicines would double. In a very short period—and I am not conversant with the current figure—we have reduced that from 14 per cent to nine per cent. She also talked about immunisation. Of course we have had to do a lot of work on immunisation. It was left in an appalling state. I think we were the worst in the OECD in terms of immunisation. Once again, Labor did not leave us with a very commendable health system in this country.

In contrast, the government has been keen to redress the decline in private health insurance membership and to slow down the rate of premium increases. We have introduced a number of reform measures designed to make private health insurance more attractive to consumers, to stabilise the private health insurance participation rate and to take some of the pressure off the public hospital system. Just over a year ago, the coalition introduced the 30 per cent rebate on private health insurance, which has delivered significant benefits to the 7.5 million Australians who choose to take out private cover. The rebate is available to anyone who has a policy provided by a registered fund, whatever their level of cover or type of membership. Since the rebate began, private health fund membership has increased by almost 300,000. The most recent increase in membership from 30.9 per cent in September 1999 to 31.7 per cent in December 1999 was the fourth consecutive rise in a row. The March figures are due out in mid-May, and I think the House will be surprised at the level of increase—not that I have any privileged information; I do not, but one has only to read today's contribution by the health funds in the Sydney Morning Herald to get some feel for where that might be going.

It must be remembered that this turnabout in private health insurance complements the biggest funding increase to states to run public hospitals in the history of the Medicare agreement. The Australian health care agreements are providing $31.3 billion over the five-year period to 2002-03. In Queensland, the state Labor Health Minister constantly tries to pass the buck for her bad management, citing a lack of federal funding as the cause of her problems. Yet the federal government will increase public hospital funding to Queensland by $7.2 billion in the next five years, an increase of more than 30 per cent. Health care and inflation are running at nothing like that figure. We have to ask just how efficiently the money is being spent in Queensland.

The coalition is going further than just increasing funding. Another coalition initiative designed to slow down the rate of premium increases and to make private health insurance more attractive, particularly to younger Australians, is Lifetime Health Cover. This rewards younger Australians who take a long-term approach to private health insurance. People who join early in life will be charged lower premiums throughout their lives compared with people who join later. For example, after 1 July 2000, someone joining at 30 years of age will pay lower premiums throughout their years of membership than someone who first joins at 50 years of age. Australians over 30 years of age have until 1 July 2000 to make a decision about joining a private health fund. Those who already have private health insurance, regardless of their age, will always pay the lowest premium—as long as they do not leave their private hospital cover for more than two years. Grandfathering provisions mean that anyone born before 1 July 1934 will pay only the base premium, irrespective of the year they join a private health fund.

The system, which comes into effect on 1 July this year, will discourage hit-and-run behaviour, where people join up to claim expensive surgery, drain the system and then immediately leave the fund. We have seen much of that: people join medical benefits—MBF, Medibank or one of the other funds—and have an expensive hip operation, eye operation or the like and then immediately drop out of the fund. There is something distinctly un-Australian and exploitative in that behaviour. Returning to today’s Sydney Morning Herald, which I quoted earlier, a report states...
that Medibank Private is now attracting more than 8,000 new members a week, a large proportion of them under 40 years of age, which is a very promising sign. MBF was also quoted as saying that its February gains were up by 91 per cent and its March figures by 145 per cent. I see the Minister for Health and Aged Care has just come into the House. He will be very happy when he sees the figures in mid-May. On the basis of that bit of intelligence, we are going to see quite an increase in the number of people going back to the private system. Remembering that Labor spent 13 years gutting the system by about two per cent a year, it will be good if the government can get to a level where we start reinforcing it by a similar or better figure.

The Health Legislation Amendment (Gap Cover Schemes) Bill 2000 has a further reform measure and addresses one of the more difficult issues relating to private health insurance, the medical gap. The gap is the difference between fees charged by doctors for in-hospital medical services and the combined Medicare rebate and refund from private health insurance funds. Nothing infuriates people who come into my office more than being in private health insurance for 15, 20 or even 30 years—having used the system not extensively but generally as a form of insurance—and then having an operation and finding that they are charged twice or even three times the recommended fee. That, in combination with the increase in the premiums for health insurance, largely brought about by the attitude of the previous government, has meant that a lot of people have dropped out. What purpose was there if, after having been a loyal member of a private health fund for 20 or 30 years, when you went to have the one operation that you really needed you ended up paying three times the recommended fee?

The gap is a major contributor to the perception that private health insurance does not offer value for money. Hospital casemix protocol data in 1997-98 indicates that the average medical gap for an episode in a private hospital was $151. The total value of medical gaps for in-hospital services for the insured was about $200 million in 1997-98. Consumers want and deserve no gap or at least a known gap in return for their insurance premiums. It is a major source of consternation, as I said, particularly when the requirement to pay the gap is not realised by the patient prior to receipt of the bill.

Another factor that excites people quite a bit is when some specious discount is offered in return for the early payment of the bill. I have no argument with doctors giving a discount but when it is of such a gravity that the person is pressured to pay in a very short period, I really doubt whether the charge was justified in the first place. I know some members of the medical profession—they have spoken to me here—have reservations about this and I respect their views. But, as we move through these health insurance reforms, this is the one area that has to be tackled.

The current legislation allows the gap to be covered in circumstances where a hospital or fund based agreement exists with the practitioner providing the service. Under this legislation, doctors, hospitals and health funds will now be able to reach agreements on new no-gap products without the need for formal contractual agreements. However, the patient’s benefit must be clearly demonstrated and should also involve informed financial consent and simplified billing—the very points I was making earlier that they have not existed in the past. No-gap private health products are rapidly expanding, and this legislation will provide more options for the industry and for patients. The number of no-gap private hospital stays is now at more than 10 per cent. Twelve months ago, there was virtually none of this no-gap product around, so it has moved apace. I think that will be a continuing pace after this legislation is passed.

This legislation adds more flexibility to the industry. It is now up to the funds, the hospitals and the doctors to work creatively together to come up with arrangements that make private health insurance more attractive to Australians. However, the regulations will specify criteria for the approval of gap cover schemes. The new system cannot be used in a fee-inflationary way, and the bill provides for ministerial approval of gap cover schemes. I think that answers the member for Jagajaga’s
concerns mentioned in her speech on the second reading. The ability to cover gaps will make private health insurance a better value product for many existing and potential consumers. These reforms will help to stabilise the declining health insurance participation rate and will complement other measures being taken by the government to stabilise the industry, such as the 30 per cent rebate I talked about earlier and the introduction of Lifetime Health Cover. I commend the bill to the House.

Dr WOOLDRIDGE (Casey—Minister for Health and Aged Care) (5.18 p.m.)—in reply—I thank honourable members for their contribution to the debate. The Health Legislation Amendment (Gap Cover Schemes) Bill 2000 will provide an additional means by which private health insurance funds can offer gap cover to contributors. While existing legislation allows funds to provide gap cover under agreements or contracts, there has been very considerable resistance to this approach. When I became minister, virtually no agreements were in place anywhere in Australia. By March 1998, two years after becoming minister, we had still only managed—with a lot of effort—to get 0.5 per cent of hospital admissions in Australia covered by such arrangements. I am pleased to say that, over the last two years, things have changed dramatically and we are now just under 10 per cent of all hospital admissions in Australia and rising fast.

But the resistance has been something that has worked to the disadvantage of consumers. So we are proposing a bill that offers a no contract option that will see more providers willing to participate in gap cover, which will produce obvious benefits to consumers. I have been very pleased with the work of health funds so far to address the issue of gaps using existing legislative frameworks. The efforts have resulted in a dramatic rise in the number of services where patients have received full or near full cost cover. We are keen for the funds to continue their current efforts.

This legislation does not jeopardise agreements already in place. The heightened interest in gap measures generated as a result of the gap cover schemes initiative may provide added impetus to existing fund measures to address the gap. In this way, gap cover schemes will act as a catalyst for more widespread involvement of funds, doctors and hospitals and more widespread availability of gap cover for consumers across the board. The shadow minister expressed concern that the gap agreements currently in place may be resulting in significantly higher prices than that paid for services provided outside the agreement framework. I fear that she has underestimated the business acumen and simple commonsense of health funds. It is in no-one’s interests—not least the health funds—to allow medical costs to spiral.

This brings me to another point that I feel compelled to clarify. The member for Fremantle has suggested the existing agreements to cover the gap favour no-gap arrangements while the new measures favour known-gap arrangements. This is simply incorrect. Neither agreement nor schemes favour one approach over another. The decision whether or not to offer a known-gap product is properly one for health funds and doctors to make, informed by knowledge of the market in which they operate and the needs of their contributors. As a result, some funds currently offer no-gap products; some offer known-gap products; and others offer a combination of the two. This flexibility will continue under the proposed schemes.

No scheme will be approved unless the fund can demonstrate in its application for scheme approval that it will not have an inflationary impact—in this we mean over and above what already exists. In order to ensure the schemes do not produce adverse impacts, safeguards have been built into the legislation. I am permitted to approve a scheme subject to conditions. In addition, funds will have to report annually on the operation of the scheme. Yet another control is that I can periodically review the schemes. The proposed legislation also provides for revocation of a scheme if it is not meeting the required criteria as set out in the regulations.

It is worth noting that this legislation introduces protective mechanisms that do not apply to current arrangements to address the gap. It seems strange that the shadow minister is suggesting that the spectre of inflation...
hangs over this measure. This is especially so when the current measures to address the gap, which were actually introduced by the opposition, do not address the issue of the inflationary effect at all. This measure has been designed very deliberately to ensure that inflationary impacts are not felt through the health system as a result of measures to address the gap. I do not believe that current mechanisms are causing fee inflation, and I do not believe that these changes will do so either. In short, the proposed arrangements are more protective, not less, in ensuring that an inflationary impact is not felt.

Informed financial consent is to be an integral part of gap cover schemes, not just as it is for existing agreements between doctors and funds. Both the shadow minister and the member for Fremantle have made much of the fact that neither the bill nor the regulations contain a definition of ‘informed financial consent’. The approval criteria contained in the draft regulations require informed financial consent in respect of known gap policies. In this respect, the regulations use the same wording as that contained in the act dealing with hospital and medical purchaser-provider agreements legislation, for which the member for Fremantle herself was responsible.

The fact is that we have done more to promote the expansion of informed financial consent than any previous government. We are producing practical measures to inform and empower consumers. For example, we have recently issued a brochure to better inform consumers about the gap and their rights in relation to practitioner charges. This brochure was distributed throughout December 1999 and is available through all Medicare offices. My department is also developing, in conjunction with the Private Health Insurance Ombudsman, a number of strategies to ensure that more consumers reap the benefits of the provision of informed financial consent.

Schemes will also be independently monitored by the Private Health Insurance Administration Council, known as PHIAC. The shadow minister has expressed concern that the schemes may not reduce the out-of-pocket expenses for consumers. The regulations specifically refer to the fact that I will not approve schemes that increase the total cost borne by health fund contributors. As I have just mentioned, the legislation also provides for PHIAC to independently monitor the schemes to ensure that they genuinely reduce or eliminate the cost to consumers of hospital treatment and associated professional attention.

The regulations have been drafted in advance of the bill being passed to provide all parties with the opportunity to comment. The shadow minister has referred to the fact that the bill provides for much of the detail concerning the approval and subsequent supervision of gap cover schemes in the regulations. It is precisely for this reason that I have made draft regulations publicly available in advance of the passage of the enabling legislation so that parliament can consider the package in its entirety. The shadow minister would be aware that the usual practice is for regulations to be made and tabled after the passage of enabling legislation—and, as a sign of goodwill, we have not followed that in this situation.

This measure aims to increase the attractiveness of private health insurance by addressing one of the main consumer complaints about the product, thus encouraging existing members to maintain their cover and removing some of the perceptions that prevent new members taking up private health cover. We have already introduced a number of initiatives designed to increase the participation rate in private health insurance—for example, the 30 per cent rebate and Lifetime Health Cover. This legislation will complement these measures. I will only approve schemes which will clearly benefit patients, offer informed financial consent, provide for simplified billing where appropriate and do not result in increased doctors’ fees nor increase the total costs borne by consumers. I commend the bill to the House.

Question resolved in the affirmative.

Bill read a second time.

Third Reading

Leave granted for third reading to be moved forthwith.
Bill (on motion by Dr Wooldridge) read a third time.

MANDATORY SENTENCING LEGISLATION

Consideration of Senate Message

Message received from the Senate requesting the House to consider immediately the Human Rights (Mandatory Sentencing of Juvenile Offenders) Bill 1999.

POOLED DEVELOPMENT FUNDS AMENDMENT BILL 1999

Second Reading

Debate resumed from 8 December 1999, on motion by Mr Entsch:

Mr McMULLAN (Fraser) (5.26 p.m.)—The Pooled Development Funds Amendment Bill 1999 is a relatively small bill in the great sweep of issues that are under discussion in all modern Western economies about the determining issues of economic growth, particularly the general question of the national innovation system and the role of government in strengthening national innovation systems around the world, identifying areas of weakness and strengthening those areas of weakness and building on areas of strength.

Pooled development funds, which were an initiative of the previous Labor government in 1994, are part of the framework for developing what is now known as the Australian national innovation system. During the nineties, venture capital was seen as the weak link in the national innovation system and was therefore appropriately the focus through the eighties and nineties of a number of initiatives—the managed investment companies scheme, the pooled development fund and a number of tax changes associated with that.

To some extent, the debate about the national innovation system has moved on. Venture capital is still important, but the focus is elsewhere. I would like to look at this bill in that context—to focus on the role of pooled development funds but seek to address the broader question of where this fits in the innovation agenda. As always with bills of this type, what is important is not only what is in the bill but what is not in the bill—the issues that it does not address, the issues on the agenda of the national innovation system that are not being addressed.

The need for continuous innovation in government policy is as important as the ongoing need for innovation in business. The need for government policy to support business in general and those firms in the business of innovation has more and more come to be accepted. Technology improvements have become not just part of the modern economy but a fundamental necessity, a key driver in the quest to stay competitive in the world economy. The government’s commitment to innovation in policy has become increasingly questioned, as has their commitment to the national innovation system and its reform and enhancement.

The Labor Party will be supporting the measures in the Pooled Development Funds Amendment Bill 1999. They are small steps in the right direction, but they do not go far enough. They do not address the fundamental questions about the nature of the national innovation system in Australia and what needs to be done to address its weaknesses and focus the Australian economy, as it goes into the first decade of this new century, on the challenges necessary for its successful management, enhancement and development—those challenges that the development of innovation puts in front of every modern Western economy, including that of Australia.

Let us look at the reforms in this bill. They are modest, but they are worthy of support. They include: amending the objective of the program to better reflect its rationale; permitting widely held complying superannuation funds and similarly regulated overseas pension funds and limited partnerships of such funds to wholly own a PDF; permitting PDFs to buy back their own shares and to return capital to their shareholders, subject to a waiting period of two years for a new or merged PDF; permitting PDFs to make loans to equity investees, subject to a maximum of 20 per cent of the PDF shareholders’ funds. There are some administrative reforms to allow the registration board to approve the acquisition of non-transferable options; to allow the board to approve the mergers of PDFs; to provide the board with the power to
revoke the registration after PDF. None of those is very earth shattering, but the need for constant updating of legislative frameworks and policy is as important a part of the ongoing process of innovation as the need for firms to continually update the efficiency of their processes.

The test, as currently articulated, has provided some administrative problems. So the bill alters the current test of the board having to be satisfied that an applicant for a new PDF can and will take certain action in the future to one where the board must be satisfied that the applicant is reasonably likely to be able to implement the plan it provides. It seems a bit arcane but obviously, when you think about the practical implementation, it puts the board in a much more reasonable position to be able to make balanced decisions. The bill provides for improving the compliance and performance monitoring aspects of the program, and it amends the current definition of the term ‘associate’ in ways that we broadly support.

So that is the essence of the package, and the opposition supports it. The most positive aspect is that the government has agreed to extend the PDF program until 30 June 2003 and that the program will be reviewed again before that date. Why do we welcome and support that? On the face of it, there is one obvious reason, which is correct: it means that the scheme will have had 10 years. I expect, on the analysis to date, that it will extend beyond 2003, but it is fair enough to review it before we make that decision to extend it further.

But this is a sad irony. We have had heated debate in this place and between the House and the Senate about whether other government support schemes should be reviewed before a decision is made about their continuation. When support packages for the TCF and the auto industries came into the House, the opposition supported them but also said, ‘These are support packages of limited life; they expire in 2005.’ We said, ‘Before they are abolished, there should be a review.’ The government thought this was a terrible idea. It said, ‘Let’s go over the precipice in 2005 and then we’ll have a review.’ I have still not worked out the logic of that position, but at least the government has worked out the logic of ours. The government has said, with regard to pooled development funds, ‘Before the program expires, we’ll have a review.’ That is a good idea. We support it.

But why cannot we have the same principle applied to the schemes of support for our two most strongly supported industries, the TCF industry and the automobile industry? Many hundreds of thousands of Australians’ livelihoods, prospects, hopes and aspirations are determined by the nature of government support for those two industries. But when the opposition in this chamber put forward the proposal that before those programs expire there should be a review, the government did more than just reject it. When everybody other than the government parties in the Senate voted for our amendments and those amendments were carried, the government threatened to hold up the entire hundreds of millions of dollars worth of support for those two industries because it thought the idea of having a review before the scheme finished was too horrible to contemplate. In contrast, here we have the government legislating, with our support, to do exactly that for the PDF scheme. Why? Because it is so obvious and logical. How could any rational person suggest that the logical thing to do in this bill would be to allow the scheme to expire and then have a review to see whether it had been a good idea or not? It would be laughed out of court. It is absurd. But that is what the government is doing with TCF and autos.

The balance of amendments in this package will enhance the commercial flexibility for PDFs. Pooled development fund schemes have been successful. It was a very intelligent initiative of the then minister, Senator Button. Even the previous scheme, which eventually was wound up, the MICs—managed investment companies—did a lot of good. I think the then Labor government, of which I was not a part, underestimated—as did, I think, the Australian community—the lead times for success for programs such as this and sought to analyse their success too quickly. I am not saying that we should go back to that scheme; the PDF scheme is better. It was an enhancement. But each of them
contributed to confronting the problem that many Australian companies had, particularly small and medium sized companies, in finding patient equity and venture capital to enable new ideas to be turned into Australian businesses and Australian jobs.

In essence, that is the purpose of government analysis of, and support for, the various links in the chain of the national innovation system. It is to take Australian ideas and turn them into Australian businesses and Australian jobs. That requires assistance to the Australians who are trying to create those ideas—the researchers in the universities, in the research institutions, in the CSIRO and in business—the people who are trying to generate those ideas, the people who are capturing those ideas and trying to give them a commercial perspective, through business expenditure on R&D. You will not be surprised to know that I will come back to that because that is the new crisis in the national innovation system that is just not being addressed.

We have the national scandal that, since 1996, business expenditure on R&D in Australia as a percentage of GDP has been consistently falling from a level that was already too low. After more than a decade of significant growth year after year in business expenditure on R&D, we were still below the OECD average. As the chairman of the Business Council of Australia said at the National Innovation Summit, as a result of that very good policy of 150 per cent R&D tax concession, business expenditure on R&D doubled and then doubled again over that decade. It sounds terrific that it doubled and then doubled again, and it was an outstanding achievement. But the base from which we started in the early 1980s was so low that, after doubling it and then doubling it again, after slightly more than 10 year years of continuous growth not only in absolute terms but as a percentage of GDP, we were still below the OECD average on what is one of the key indicators of the prospects for a modern Western economy—business expenditure on R&D.

It is hard to overstate how important that is. To assess the prospects for economies in the forthcoming decade, people look at two criteria, two key drivers: R&D—both government expenditure and business expenditure on R&D—and investment in education and training, skills development. It is not surprising that that is so. That is what is driving the new industries which are the focus of so much fascination; it is also what is driving the modernisation of traditional industries. That is always an underestimated part of the transformation to the new economy. Whether it is our traditional agricultural industries, our traditional mining industries or our traditional manufacturing industries, it is their transformation by the application of technology that is as fundamental, if not more fundamental, to the future success of our economy as the more obvious, more dramatic emergence of the new industries, the so-called new economy with the dramatic growth evident at least in terms of stock market values but also in terms of real, on the ground economic performance in information technology and the related telecommunications sector—sometimes described as IT&T—and the entertainment and contents sector, which is sometimes described as information, communications and entertainment, or ICE. But those sectors clearly are very important and are driven by research, R&D and skills.

When you look at who is succeeding around the world amongst the Western economies in this area, those are the drivers. If you also look at the emerging biotech industry, it is fundamentally the same. It is where the research is being done and where the ideas are being captured that the jobs are being created, that the wealth is being generated. In San Diego in the United States we see this emerging new biotechnology focus. Is it because people in San Diego are smarter than people in Sydney? Of course it is not, but we are getting the investment in R&D and the investment in education. When you look at the long-term perspective, the 20-year perspective of where the success is now, and project 10 years out where the success will be, you keep coming back again and again to those key elements of the national innovation system of what will be the key determinants of success. Venture capital is a link in that chain and the PDFs have a contribution. They
are not the answer to the challenge about venture capital, but they are an important part.

This bill will complement the capital gains tax changes that have already passed with the support of the Labor Party. This opposition went to the last election with an alternative set of proposals about capital gains tax reform to get particularly overseas pension fund investment into our venture capital industry and to get their skills and know-how in venture capital into the Australian economy. Under the plan we had, PDFs would have had a big role to play. The government chose a slightly different course, but it was to the same end, so we had no difficulty in supporting it. Objectively, had we been successful, we would have gone down a slightly different path, but the plans are very similar and work towards the same goal—that is, using PDFs for strong Australian institutions with a good legislative framework to be participants with international venture capital investors in both getting international venture capital into Australia and developing and enhancing the domestic venture capital industry.

This bill will complement those capital gains tax changes and other changes in the venture capital area, which I think we are now getting a fairly bipartisan position on. The initiative we took in the nineties about PDFs and the initiatives this government has taken with regard to IIFs are coming together as quite a good package. Over the years they will continue to be refined because the international situation and demands will change, and therefore the structure cannot stay rigid. We need to be as innovative in our governmental structures as we hope our businesses will be in their structures, processes and ideas. It is important that we have that broad bipartisan picture, so that people who come here to invest see that they have a continuing environment in which their investment is welcomed and that the environment in which they are investing is predictable.

I think in that area of venture capital of the national innovation system we are getting a nationally agreed set of programs in place. You could say that it has taken a long time, and it has: in some ways, it has taken almost 20 years of continuing refinement. Certainly, four years has been quite a long time for the government to come up with this relatively modest package of measures of reform to the PDFs. The need for some of these has been starkly apparent for most of that time. Nevertheless, they are welcome and worthy of support.

It highlights how severe the shortage of ideas and action in the other areas of the national innovation system is. This came home to me at the Innovation Summit. The Innovation Summit was a welcome initiative. By the time it took place, it was significantly delayed. The government promised that it would initiate that summit in the early part of 1999, and we saw it in February 2000—that is not very encouraging. But what I found less encouraging was the attitude of the government at that summit. It was a case where nobody was allowed to put in the communique what everybody knew was the most important issue: the R&D tax concession. The communique made it crystal clear that that was the view of the participants. The working group on innovation incentives said one of the major issues was the recognition that the R&D tax concession has been an effective innovation incentive. What did they list second? They listed concern about the erosion of the value of the tax concession, particularly now in the light of the reduction in the company tax rate, which is obviously compounding the problem. They listed third their consensus that the level of assistance provided under the tax concession needs to be increased. They went on with more items. All the major issues were about the declining value of the incentives for innovation.

Not everybody agreed on how that decline should be reversed, and that is a healthy situation; it is important that we have a debate. We should not just lazily go back and pick up the old idea, although it worked very well. It might be that, after the debate, that is where we get back to: that we restore the 150 per cent tax concession that was such a strong incentive through the eighties and nineties. Let us have a debate about how we focus the incentives to achieve our public policy goals. Is there a way we can get more focus? Is there a way we can get more additionality? Successful as the 150 per cent
R&D tax concession was and important as it would be if it were restored now, we know that it did fund quite an amount of expenditure, which would have happened anyway. All tax incentives have that risk.

The benefit of the tax incentive model is its simplicity and certainty. The Innovation Summit was very strong in its argument that any scheme that replaces or enhances the existing scheme must retain those virtues of simplicity and certainty. It established in the minds of all the participants a sense of urgency, which does not seem to have been captured by the government. As a discussion group, it asked about creating a competitive environment to recommend action. The working group at the Innovation Summit said, ‘This question of the R&D tax concession should be addressed immediately’—it said this between 9 and 11 February; this document actually emerged on the last day of the summit, 11 February—’and to have in place a response by 1 July when the corporate tax rate is proposed to change.’ That is, the value of even the modest 125 per cent will fall as it becomes 125 per cent of the 30c rate instead of the 36c rate.

Everybody in Australia can see that problem except Senator Minchin. He thinks there is no problem. We have an emerging problem with the complacent inactivity of the minister. He took 12 months longer than the government’s election commitment to establish the National Innovation Summit. If it had happened in February of 1999, as was implicit in the government’s election commitment, to establish the National Innovation Summit. If it had happened in February of 1999, as was implicit in the government’s election commitment, by now we should be seeing some action. Why didn’t he do that? It is fairly clear that the minister has a cycle different from the innovation cycle in mind; he has the election cycle.

Looking at the Innovation Summit reinforces the view that the Howard government will come to be known as the government of lost opportunities. It is a government that does not seem to be able to use the present as an opportunity to shape the future but rather as an excuse for inactivity or repeating the mistakes of the past. If the Australian Financial Review is to be believed, Australian business leaders see the Howard government as failing to have a long-term plan for Australia and lacking the vision to create such a plan. It is not surprising that people have that view, but it is not a view that describes simply the attitude of the Prime Minister towards, for example, the challenges that the Innovation Summit posed; it lies with the ministry as well and, in particular, the minister for industry. The minister for industry has failed to recognise that the future of Australia is tied to our ability to invest in our future and in our ability to develop innovation based industries and to apply new technology to our traditional industries. The explosion of new technology industries around the world over the last few years has been met with no coordinated approach from the minister for industry; instead there have been policies that hamper investment in research, such as the disastrous policy of cutting the R&D tax concession.

The Innovation Summit, while welcome, could have been an historic opportunity to set an agenda for the next decade. Instead, it was used as another device, as an alternative to taking action—talking about doing something instead of doing something. It created the opportunity for government, industry and the research sector to get together, understand the macro and micro level agenda that should be developed to maximise Australia’s gains from technology innovation. Instead, the minister sat on his hands and said, ‘Let’s have an agenda worked up by the end of this year.’ It is clear that the strategy of the minister is to use any good ideas that others might come up with—for example, from the innovation agenda—as commitments he wants to take to the next election campaign, therefore putting reform policy in relation to innovation right off the agenda for this whole three-year term. The Innovation Summit was late in coming. Now the agenda means that this entire election cycle will have been wasted by the minister for industry. The rapid changes in the economy that require rapid responses by government will have been completely missed during the entire second term of the Howard government. It is little wonder that Australia is regarded internationally as an old economy country when the minister for industry is clearly unable to come up with a strategy to strengthen our new economy industries. This entire second
term of the Howard government will have been a policy wasteland for the minister for industry. This PDF amendment bill deserves support but what it really needs is significant enhancement.

Ms JULIE BISHOP (Curtin) (5.52 p.m.)—As we embark upon the first decade of the 21st century, governments around the world understand that effective governance requires adaptability in the face of changing circumstances and the strength to review and, if necessary, to reform institutions and policies that may well have served their purpose. No matter how useful or even how cherished were the old ways of thinking, the old ideologies, the old formulas, we must be ever changing to fit our thinking into the facts of the present. That includes policies and legislation of government.

A hallmark of the Howard government has been its strength in reforming policies and institutions that have needed to change to meet the changing needs of Australia. Perhaps nowhere is that clearer than in an examination of the government’s approach to tax reform. The Howard government have launched the most comprehensive reform of personal and business taxation in Australia’s history. Be it capital gains tax, wholesale sales tax or attracting venture capital investment, this government have striven to ensure that Australians enjoy the fairest, most productive tax system possible.

The contrast with the opposition is palpable. The opposition have no taste for reform, only for retreat and reaction. Since the 1998 election the government have implemented the introduction of a broad-based tax system in the GST; they have reduced income tax rates, as well as set in place fairer arrangements with regard to superannuation and Medicare. There is a wholesale reform of business taxation and thus the encouragement of venture capital into Australia. In reply, what have the opposition offered? The opposition opinion on the GST is that they hate it so much they will keep it. I do not know what their opinion is on income tax unless we are talking about the l-a-w tax cuts before the 1993 election when they promised tax cuts but then did not deliver. So perhaps they just avoid the topic altogether these days. They do not support the private health insurance rebate, but they promise to keep it.

What are they offering by way of industry policy? While Labor are wishing the days away, the government are moving to make the reforms that matter, reforms that aim for ‘the real prosperity that touches every Australian individual: families, workers and business alike’, to quote from the government’s industry policy statement, Making Industry Stronger. That prosperity is currently being generated by businesses and workers energised by the government’s reforms, including those addressing the five key goals in industry policy: support for innovation; making investment more attractive; capture of new export markets; promotion of the future development of Australia as a financial centre; and ensuring Australia benefits from the global information age.

The Manager of Opposition Business just mentioned the National Innovation Summit held in Melbourne earlier this year. The Minister for Industry, Science and Resources noted at the conclusion of that conference that there had been a shared vision among the delegates which committed the nation to developing a culture that stimulates, nurtures and rewards creativity and entrepreneurship. Increasing globalisation and the rapid rate of change, as the minister observed, have placed Australian firms in a highly competitive environment where new markets and new competitors are constantly on the horizon. A consultative group has been created to work through the recommendations of the summit, and this is just another positive step taken by the government.

The twin goals of supporting innovation and making investment more attractive have generated quite a number of new programs from the government: the Innovation Investment Fund, which provides support to high technology start-ups giving them the opportunities to commercialise their research and development capabilities; the Commercialisation of Emerging Technologies program, which educates emerging companies about investor requirements; the Venture Awareness program; and Invest Australia, to name a few. In fact, recently the government announced the establishment of a permanent
revolving fund for the Innovation Investment Fund program that will make more venture capital available for small innovative Australian businesses—a significant addition to the government’s commitment to innovation.

And, on Monday of this week, the Minister for Communications, Information Technology and the Arts announced another social bonus initiative funded from the second sale of Telstra, which is to establish 10 information technology and communications centres nationwide in the form of incubators, including one in Western Australia. Funding of $10 million was awarded to a consortium known as the Perth Ideas Centre of Technology. That is going to be a major boost for innovative and creative companies in Western Australia. This incubator program known as BITS—Building on Information Technology Strengths—is another demonstration of the government’s support to the IT&C sector.

The venture capital industry—the source of funds for many small IT&C companies—also stands to benefit from the government’s initiatives in ensuring we maintain an edge in these highly competitive industries. The incubators under the BITS program will provide support and information for new and growing firms and stimulate the formation of clusters of innovative IT businesses.

The twin goals of innovation and investment are also supported by pooled development funds, PDFs, which are the commercially operating private sector funds. PDFs, private sector investment companies, were established in 1992—a very useful initiative of the then government—and PDFs were registered to operate under a program whereby they attracted funds from investors to develop a pool of capital available for private equity investment in eligible Australian companies essentially to assist small and medium sized enterprises with less than $50 million in assets to access equity capital.

It was recognised then, as it is now, that small and medium sized enterprises often face difficulties in obtaining equity capital, particularly in the early stages of development.

Inherent in venture capital arrangements is the risk exposure. Such arrangements typically involve a venture capital investor acquiring an agreed proportion of a company in return for the requisite financing, so they are long-term patient investors who look to take returns in the form of capital gains at the time of divestment rather than via a regular dividend stream. And so the investor is at risk of the company failing. They look for investment in companies that have the ability to give higher than average returns to balance the risk involved. The PDF program recognised this and PDFs come from a wide range of industries. I think the latest figures show that in June 1999, 38 per cent were in the service sector, 31 per cent in manufacturing, 25 per cent in mining and six per cent in agriculture.

Investments in registered PDFs received concessions not otherwise available through the general capital market thereby encouraging investment in higher risk, long-term enterprises where there was a longer time frame before the returns on such investments could be realised. The concessions apply to companies and shareholders and include a concessional 15 per cent tax rate for PDF income earned from eligible investments and a 25 per cent concessional rate for income earned by PDFs from unregulated investment income—this was the PDF regime—tax exemption for unfranked dividends received by PDF shareholders; and exemption from capital gains tax on gains made by trading shares in PDF.

In 1997 the Mortimer review of business programs, initiated by the government, examined the PDF scheme as funding for the program was to expire later in 1998. Its recommendations indicated that, while the scheme ought to be retained, there were real deficiencies in its structure and its operations. The perceived problem with the PDF program was that it had been underutilised to that point—a good idea was lying dormant, having failed to be properly implemented by the previous government. The program needed to be made more attractive so that PDFs could operate more like other venture capital funds. SMEs, the small and medium enterprises, were still having difficulty attracting venture capital to commercialise new ideas or to finance expansion. The Mortimer review concluded that the program ought to be more clearly focused on investment in small, high technology firms but, even more importantly, it ought to have greater com-
commercial flexibility. That brings me to the detail of the bill before the House.

The government has sought to address the Mortimer review recommendations in a number of ways, some of which I have mentioned in the form of other innovation programs. But this bill relates only to the issue of revamping the PDF program and not the broader tax issues that are being considered in the context of the government response to the Ralph review. This Pooled Development Funds Amendment Bill 1999, in taking up the recommendations of Mortimer, seeks to amend the PDF scheme to offer participants greater commercial flexibility and make PDFs a more attractive proposition for superannuation funds and other investors. Again, we have an example of the Howard government reforming, revamping or reworking ideas and policies that need to change to meet current circumstances. The changes to the legislation being proposed, which will be applicable to both existing and new PDFs, will provide continuing funding for the PDF scheme for a start and, secondly, amend the objective of the scheme to better reflect its rationale to ‘develop and demonstrate the potential of the market for patient equity capital, including venture capital, for growing small and medium sized enterprises and to provide a more competitive tax regime for patient equity and venture capital investments in SMEs that carry on eligible businesses’.

The changes will also permit complying superannuation funds and overseas pension funds to wholly own PDFs. I think this has enormous significance. If a super fund or similarly regulated overseas pension fund is able to own up to 100 per cent of a PDF rather than be limited to the 30 per cent current restriction, this will make PDFs a far more attractive proposition. The changes will permit PDFs to buy back their own shares and return capital to shareholders, subject to a waiting period of two years for a new or merged PDF, permit PDFs to loan a maximum of 20 per cent of shareholders’ funds to equity investees, allow the PDF Registration Board to approve acquisitions of non-transferable options in investee companies as additional investments and allow the board to approve PDF mergers under certain conditions. They will provide power to the board to revoke a PDF’s registration if they are acting contrary to the act and alter the current test requirements for new PDF applications. These changes will improve the compliance and performance monitoring aspects of the program through more regular and comprehensive reporting requirements—not to make compliance more onerous, but rather for the good governance of all participants—and make amendments to the definition of the term ‘associate’ which is used in the act, avoiding a situation where the term applies if the association did not exist prior to persons becoming shareholders in the PDF.

There was wide-ranging consultation with PDFs, their investors and investee companies, potential investors, including super funds, and advisors to super funds. State government departments and other participants and interested parties in the patient equity and venture capital markets were consulted during the review of the PDF program. The program has been extended until 30 June 2003, before which time the program will again have been reviewed to ensure that it still meets the continuing needs of Australian industry and, of course, the Australian government.

Venture capital has been recognised around the world as playing a major role in the growth and development of small and medium sized companies. This is growth that translates into significant economic benefits in the form of exports, job creation, profit sales and investment in research and development. The government has recognised the contribution of venture capital to the success of Australian industry and innovation. The Australian venture capital industry has a track record in contributing to national economic performance, particularly evident in the development-expansion stage in an investee company life cycle. There needs to be focus on venture capital investments at all stages of company development: seed, start-up, early stage expansion, development expansion and management buyout or buyin.

A survey by PricewaterhouseCoopers entitled ‘The Economic Impact of Venture Capital Survey 1998’, confirmed that venture
capital is a major contributor to national economic growth and that venture backed companies are profitable and contribute to export growth. In fact, 90 per cent of the survey participants, including some 294 investee companies across Australia, regarded venture capital as crucial or important to business growth, and just under 60 per cent of the participants said they could not have existed or survived without venture capital. Venture backed companies are engines of growth for the Australian economy and, I think, increasingly will be so in the years ahead. We need to continue to assess the impact of venture capitalists and revisit the incentives that attract offshore venture capitalists to Australian companies, as well as support our local funds. Recent legislation before this House, the New Business Tax System (Venture Capital Deficit Tax) Bill 1999, has ensured appropriate tax treatment for the receipt by super funds and similar bodies of venture capital gains free of tax through PDFs. The government is aware that the 15 per cent tax rate PDFs were paying on venture capital gains reduced the return to investors and was rendering this type of investment less attractive.

With the Australian economy in such a strong position—the best shape it has been in since the 1960s, with economic growth above four per cent for the 11th consecutive quarter—we now have the opportunity to promote Australia as a place for investment in innovative Australian firms which are seeking to raise new capital, thus making more money available for start-ups and venture capital projects generally. This will promote the new industries in the new economy and encourage Australian inventiveness by providing opportunities for investment, and of course this means more jobs.

I acknowledge the opposition’s support for this bill. We can only hope that by 2003, the extension date for the PDF program, the opposition will have decided to disavow reaction and negativity in favour of considered support, as they have in the case of this bill, for all the important reforms being enacted within our economy by this government. I commend this bill to the House.

Mr FITZGIBBON (Hunter) (6.12 p.m.)—The member for Fraser has, as has been acknowledged by the member for Curtin, indicated that the opposition will be supporting what we believe are appropriate initiatives—initiatives recommended by the Pooled Development Fund Registration Board. There exists no greater opportunity to promote economic and employment growth in this country than that which exists within the small firm sector. There are many things a government of any particular persuasion can do to promote growth in employment in the small firm sector. The first thing a government can do is create an environment of economic growth generally—an environment in which interest rates are low.

The second thing a government can do is promote education within small firms. We have all seen the statistics; some accurate, some not so accurate. But it is true to say that the level of failure within small firms is all too high and too often can be sheeted home to a lack of education within the small firms sector. The third thing governments can do is to continually work towards the reduction of red tape and compliance within both the small and medium firms sector. In addition to that, it is important that the government continually work towards providing information to small firms about both potential markets and access to those markets. The government can also help by simplifying the tax system and by protecting small firms from the often unfair and predatory practices of larger firms.

But as important as all of those points are—if not more important—governments can facilitate the securing of equity investment among small firms. Debt finance is difficult enough for firms to achieve and expensive enough to small firms to achieve, but often debt finance is not appropriate for small firms, or medium firms, particularly those fast growing high risk firms and some firms seeking initial start-up finance. There is no shortage of research demonstrating that access to equity finance—either informal or formal—in this country is far less than that which exists in countries such as the US and the UK. In terms of informal equity, that contrast is highlighted best in a Productivity Commission report on the subject issued in
April 1997. The same can be said of formal investments such as those provided by venture capitalists—for example, that provided by pooled development funds; the issue before the House tonight.

It is in recognition of that that the Keating government within its One Nation statement announced the creation of the Pooled Development Funds Scheme. The opposition accepts that the same ideals are motivating the amendments to the scheme that we have before the House tonight. These changes, as I said, not recommended by the government but by the registration board itself, will provide extra incentives for people with available cash to make investments in both start-up small to medium firms and high growth small to medium firms just at that point when they need that injection of funds but do not want to give up their proprietary interests as an owner in the technology or the business at hand. This is very important. As I said, there is no greater opportunity for us to promote that sort of growth. And, as the member for Curtin quite rightly pointed out, a number of reports, including the Mortimer report and indeed the Kelty report, have highlighted that while the results we have achieved since the introduction of the scheme in 1999 have been improving in recent years they are insufficient to achieve our ideals.

We hear lots of talk about globalisation and the new economy. I have often said that we hear so much about globalisation and so much fear about globalisation that you would swear it was something new. But it is a phenomenon that has been around for a long time, hitherto there being a general level of acceptance that the earlier phase of globalisation—that is, from between the mid-19th century to the Great War—was ground to a halt by the Great War itself. But more recent research—for example, by O’Rourke and Williamson—showed that it was not necessarily the Great War that brought that globalisation process to a halt but the very resistance to change which existed at the time and the reaction of government, which included the reimposition of tariffs and a tightening of immigration laws at the time.

My message to the general community is that particularly in the small firms sector what we should not fear in this country is ongoing change in terms of globalisation and the integration of our markets, but the forces that oppose change. That has been highlighted very strongly in recent years, if not months, by a number of phenomena, including the Hanson debacle, Seattle, the Victorian state election and, more recently, Telstra’s announcement on the shedding of jobs. The message has to be that we are a small trading island that will derive net benefits from the globalisation process if governments handle it well. And how well governments are handling this process is of course the one million dollar question.

But in the small firms sector the opportunities are very great, because as those markets become more integrated, and therefore competition increases from Australian industry generally, it is the small firms sector that is best placed to capitalise on the benefits that can produce; best placed because they are small and flexible and have the ability to make firm decisions very quickly, adapt to technological change very quickly and, therefore, adapt to the changing market very quickly, something that the larger firm is not able to do. It takes a long time to turn the Titanic around. It is much easier to turn around a small and efficient unit.

So the new global economy presents great opportunities for small firms. Again, that is where the bill before us tonight is so important. Again, that is where some of the issues the member for Curtin quite rightly raised, like business incubators and industry collaboration, are other areas in which the government can play such an important role—that is, in encouraging partnerships, devolving power down to regional levels and giving regions more autonomy and, more importantly, giving small firms within those regions the ability to make the most of the opportunities presented by the integration of the world’s markets.

An important aspect of this process will of course be research—something else which lies squarely in the domain of government and that unfortunately, I think, this government is doing too little of. We saw the government’s earlier decision to withdraw funding for the final year of the business longitu-
dinal study, something that was very impor-
tant for small firm growth, for small firms in
their business planning and for small firm
research. A whole range of academics were
relying on the final year’s findings of that
BLS study to continue their research and to
therefore continue playing their role in the
promotion of small firm growth. It is inter-
esting that it appears that within the Office
of Small Business research has simply ground
to a halt. Only today I received an answer
back to a question I placed on notice at a
Senate estimates committee in February. It
was a very simple question, asking how
much research the Office of Small Business
had undertaken in the last financial year. The
answer was nil.

The Office of Small Business in this
country has done no study on the compliance
costs of the GST, no study on the general
impacts on small firms of the GST and cer-
tainly no study on the potential impacts of the
Ralph inquiry changes on small firms. This is
an Office of Small Business doing nothing in
this very important time when international
change makes the flow of information so
critical for small firms. So we welcome these
changes. We recognise them as an improve-
ment on a very important area of public pol-
icy and on a scheme initiated by the former
Labor government in 1992, but we also say
that, standing alone, these changes are not
enough. In the new global economy and in
the face of changes looming out of the
GST—the ANTS package—and the coming
changes as a result of the Ralph inquiry,
small firms will need access to both educa-
tion and research.

In closing, I particularly welcome the as-
pects of these changes that give greater scope
for Australian superannuation funds to invest
in pooled development schemes. This is so
important. I have talked a lot tonight about
access to equity finance and yet we have this
huge bucket of superannuation funds avail-
able and growing in this country. It is a great
tragedy that, while Australian based superan-
nuation funds are investing overseas, the in-
novative ideas of small firms are also shifting
offshore. I would think there would be no
greater opportunity to retain that innovative
work within the nation, and therefore retain
the jobs growth from that activity, than to see
an investment by our super funds, by our
fund managers generally, in the small firm
sector. The opposition certainly welcomes
the changes, and I recommend them to the
House.

Mrs MOYLAN (Pearce) (6.26 p.m.)—I
am always interested to hear what the oppo-
sition has to say about small business. It was
really my anger at what was happening to
small business in this country when Labor
were in government that propelled me out of
my comfortable living-room chair into a
place in this parliament. It moved me to that
because I recognised, as do many of my col-
leagues on this side of the House, that with-
out a strong small business sector to underpin
this economy our quality of life would di-
minish. Small and medium enterprises form
the powerhouse of this nation. Just under one
million small and medium enterprises make
up the small business sector and almost half
our jobs, 51 per cent of employment, come
out of that sector. In addition to that, about 57
per cent of small businesses are owned by
average Australian families.

These businesses contribute wealth to ur-
ban, rural and regional areas. In addition,
most small and medium sized businesses
contribute to the social fabric of their com-
unities. I spent 20 years in business before I
came here and I heard Labor constantly talk-
ing about what they were going to do for
small business. I saw some policies put in
place, such as pooled development funds, but
they were unworkable. This government was
able to make sure, first, that the economy was
stabilised. Small businesspeople told me,
prior to my coming here, that the one thing
they felt government could and should do
was to make sure that we had a stable econ-
omy. That is the greatest gift we can give to
businesspeople. We need to let them get on
with the business of running their businesses
and ourselves get on with the role of running
government and ensuring a stable base econ-
omy. For small and medium businesses, there
are many risks. The risks are quite high. If
government is not getting the economic set-
tings right, this increases the risk factor for
small businesses. They are very vulnerable to
fluctuations in the marketplace and they are
also less able to find capital resources to reinvent themselves, the need for which often happens in the kind of world we live in today, where market conditions change. Small businesses encounter some very serious barriers to raising capital by conventional means, particularly those businesses which are perhaps not well established and long running and that want to do some innovative work.

The small business sector is often also quite fragmented due to the diverse nature of those businesses and this exposes them, both politically and commercially. When you combine some of these factors it is hardly surprising that capital raising for small and medium enterprises is challenging. Capital raising or, more particularly, the lack of it can seriously limit the potential of a small or medium enterprise or, at worst, put it out of business. I was interested in the criticisms of the shadow minister for small business and tourism because, for all of his criticisms, I have noted that he is very rarely on his feet in this place during question time asking questions of the Minister for Employment, Workplace Relations and Small Business about the state of small business.

Sitting suspended from 6.30 p.m. to 8.00 p.m.

Mrs MOYLAN—I was saying just before we broke for dinner that it is a pity the shadow minister is not at the dispatch box at this point, because he was criticising the government’s policy. I thought it was interesting that perhaps one of the measures of this government’s tremendous success in making policies to assist small business is the fact that we rarely see the shadow minister for small business and tourism because, for all of his criticisms, I have noted that he is very rarely on his feet in this place during question time asking questions of the Minister for Employment, Workplace Relations and Small Business about the state of small business.

Mr Truss—who is it?

Mrs MOYLAN—that is a good question. He is certainly not here now. I would like to continue on some of the positive aspects of this bill. It was in the context of some of the elements that I mentioned before we broke for dinner that in 1992 the then Labor government introduced pooled development funds. They were established in recognition of the difficulty often experienced by small and medium businesses, particularly those in the early phases of development. Raising capital by conventional means is difficult due to the lengthy time it sometimes takes to show a return on the capital invested and due to the risks associated with this.

The main aim of the pooled development fund is to demonstrate the potential of the market for patient equity capital for small and medium sized Australian enterprises. It is interesting to note that since 1992 the amount of funds raised by the pooled development fund has steadily risen to what it is today. In 1999, it stood at $328 million. That was from a very modest start in 1993, when $20 million was raised. The number of participating companies also rose from 37 in 1994 to 185 in 1999. In the early days of the scheme, there were a number of criticisms about the tight legislative framework that governed pooled development funds, making it relatively unattractive as a proposition for both investors and borrowers. I think most people’s criticism was that under Labor this legislation was really unworkable. It was not doing the job that it was intended to do. Those who invest in the pooled development funds and registered within the requirements of the Pooled Development Funds Act 1992 are eligible for taxation concessions. This scheme recognises that there are perceived higher risks in small and medium businesses and that there may be difficulty raising funds by conventional means.

In the first year of the operation of the scheme, over half the raised capital in the Pooled Development Funds Scheme was invested in pooled development fund qualified investments. In 1999, that rose to two-thirds. Both the selection criteria and the lack of incentive had some impact on the scheme’s lack of success in its early phase. Some of the money raised does go to management fees and some is invested for short-term gain, but it is clear that the scheme has certainly been more successful since some earlier amendments were made since we came into government, and more companies and more investors are taking advantage of this. Of the money invested in the Pooled Development Funds Scheme up to the end of the last financial year, six per cent went into agriculture, 25 per cent into mining, 31 per cent into manufacturing and 38 per cent into services.
This is of course reflective of the current trends. We have seen the service sector grow very rapidly.

The pooled development funds are private sector investment companies registered to operate the fund, and investors provide a pool of capital for private equity investment in eligible Australian companies. The attraction of the PDF scheme is that a concessional taxation rate applies to income related to pooled development fund business activity. Unfranked dividends are tax exempt, as is income from the sale of shares in a pooled development fund.

The Mortimer review in 1998, which we have heard quite a bit about from our colleagues this evening, found that the program effectively targeted small firms and that raising capital remained difficult for many small and medium sized businesses. Indeed, most pooled development funds reported that it was harder to raise capital than to find investment opportunities, so the demand exceeded the supply. The review recommended that the program be extended, that its objectives be modified and that the operational parameters be enhanced. The review also noted that the scheme had not attracted superannuation funds investment or overseas pension funds investment, and it recommended options for increasing opportunities for these types of investors. It also recommended that the scheme be properly evaluated and the program more rigorously administered.

To this end, changes were made by the government that included allowing regulated superannuation funds, overseas pension funds and partnerships of such organisations to wholly own a pooled development fund. Other changes included allowing the pooled development fund to buy back their own shares and return capital to investors in specified circumstances, making loans to companies in which they have an equity investment to a maximum of 20 per cent of their capital base, allowing mergers of pooled development funds where there is no payment to investors other than as a genuine dividend and giving the board the power to monitor and enforce compliance with the requirements of the principal act increased. Other changes ensured that schemes were not designed to circumvent the investment restrictions applied to a pooled development fund and therefore that they met the objectives of the scheme.

To provide further commercial flexibility and enhanced opportunity for patient equity capital and venture capital raising by small and medium enterprises, the government is now proposing the following changes, which I will briefly run through: a continuation of funding of the Pooled Development Funds Program with a second review to be conducted in 2002-03, and an amendment to the objective of the program to better reflect its rationale. In other words, many of the changes outlined in this bill are taken directly from the Mortimer review.

The changes go further: the objective is to develop and demonstrate the potential of the market for providing patient equity capital, including venture capital, to small and medium Australian enterprises that carry on eligible businesses; to permit widely held complying superannuation funds and similarly regulated overseas pension funds and limited partnerships of such funds to wholly own a pooled development fund; to allow pooled development funds to make loans to equity investees, subject to a maximum of 20 per cent of the pooled development fund shareholders’ funds; and, to allow the Pooled Development Fund Registration Board to approve the acquisition of non-transferable options in investee companies as additional investments.

The board can approve the merger of a pooled development fund, as long as no cash consideration is paid to shareholders as part of that merger other than as a bona fide dividend. The board has the power to revoke registrations of a pooled development fund that does not comply with any part of this act. A new test will apply: where currently the board must be satisfied that an applicant for a new pooled development fund can and will take certain action in the future, the board must now be satisfied that the applicant is reasonably likely to be able to implement the plan that it provides. Compliance and performance monitoring will improve due to more regular and comprehensive reporting.
requirements. Finally, there will be a change to the current definition of the term ‘associate’, stating that it does not apply where the association did not exist prior to the person becoming a shareholder in the pooled development fund.

These arrangements will apply to existing pooled development funds as well as to new entrants in the program, and they will take effect from the commencement of the 1999-2000 income tax year. The coalition in opposition made election promises. In fact, it goes back as far as the election in 1996. I was working with my colleagues to write the policy for small business, and the issue of pooled development funds was one of the issues raised in that policy. But it goes directly to election promises made during the 1998 election. Those promises were to strengthen industry, and these are just some of the measures designed to achieve that. Australia has many progressive and innovative enterprises and a plethora of creative inventors, but it has been to our detriment that in the past many of these inventions and great business initiatives have gone offshore. Countries prepared to financially back the ventures have been the beneficiaries of that creativity, inventiveness and innovation.

If we are to keep innovative, creative enterprise and the expertise that accompanies it at home, we have to continue to seek ways to make patient capital and venture capital available. This is certainly one of the ways in which we can achieve that. By opening up the Pooled Development Funds Scheme to superannuation investors and overseas pension fund investors, we will widen the sources from which the pool can grow and that, in turn, will increase business investment and provide more jobs and greater prosperity for all Australians. It was interesting that the shadow minister for small business and tourism also raised the issue of the use of superannuation funds. That is one of the things that this particular bill does. It gives greater access for those funds to become involved in pooled development fund schemes. It is interesting to note that Australians have now contributed something like $415 billion—probably in excess of that at this time—to superannuation funds. There is ample scope to ensure this scheme is sufficiently attractive to ensure that some of this money will be directed into emerging enterprises.

The taxation concessions are generous. Income from investments in eligible companies is taxed at the rate of 15 per cent, after deductions relating to the earning of that income are taken into account, and capital gains from the disposal of interests in eligible investments are also taxed at 15 per cent. These tax concessions will be further enhanced by the new capital gains tax regime announced recently by the government as part of the Ralph business tax reform. When the recommendations of the review of the business tax task force were announced, the Treasurer stated one of the key changes to business would be: Lowering the company tax rate from 36 per cent to 34 per cent for the 2000-01 income tax year and to 30 per cent thereafter—this will be among the lowest company tax rates in our region.

As a result of the review, small business will benefit from a 50 per cent goodwill exemption from capital gains tax for active assets where net business assets are less than $5 million, and the existing small business rollover and retirement exemption provisions will be significantly expanded and simplified.

These are not the only measures to broaden the scope of pooled development funds and access for small business to those funds; a number of taxation measures will go hand in hand to ensure the greater strength of the small business sector. We will ensure that innovative, creative enterprise is kept here and is properly funded and adds to our economy and our opportunity to provide jobs for young people in particular. The tax benefits in capital gains will also further encourage venture capital investment, and that is very important. Venture capital is recognised all over the world as a very important component of continuing to keep abreast of innovation and to make sure that it is working for us. The government has overseen the best economic conditions for many years, and the government is demonstrating a capacity to keep its finger very much on the pulse of industry activity. It is prepared to make the necessary changes that can only strengthen
industry opportunities. There is no doubt that these changes will be accepted as more commercially attractive than those in the past, and the incentives are a recognition of the risks sometimes accompanying new and innovative ideas.

The main benefit, though, from amendments to this pooled development fund legislation is the growth of the small business sector from making patient investment and venture capital investment more attractive than it has been in the past. This goes a very long way toward meeting our government’s election commitment to make industry stronger. I believe small business is enormously important. It is the biggest provider of jobs in this country, and it is very much the engine room that drives the economy. It is important that we continue to look for innovative ways to ensure continuing success in the small business sector so that our communities can enjoy not only economic prosperity but also the contribution that small business people make to the social fabric of our cities, of our regions and certainly of our country towns.

Ms ROXON (Gellibrand) (8.15 p.m.)—I would like to speak in support of the Pooled Development Funds Amendment Bill 1999 and raise some issues that relate directly to my electorate. The two shadow ministers who have previously spoken on this bill have already made the important point that, whilst we are happy to support this bill, we must not forget where the idea originally came from. Credit needs to go to the previous Labor government which first introduced the pooled development funds in 1992, and the changes proposed in this bill were actually part of Labor’s policy in 1998. I am certainly happy to see that the government has decided to adopt some of those policies. They are sensible and useful for many small to medium sized enterprises in this country. It is important that both the government and those on this side of the House are supporting those small to medium sized enterprises.

Previous speakers have already indicated the purpose of the pooled development fund and how it works. It is clear that it is encouraging investment by offering concessional tax treatment. The focus is not on our large industries but on the smaller to medium sized enterprises that sometimes have difficulty in raising the capital that they may need to support creative and worthwhile ideas, particularly in areas where it might create high employment but it is difficult to obtain initial capital to do so.

The bill is all about private investment being overseen, stimulated and enabled, if you like, by government involvement. There is a registration board that is made up of five industry representatives and representatives from the department and they ensure that organisations that seek to be registered as pooled development funds meet the requirements that are set out under this bill. It is a really good example of how we can be proactive in an industry area without actually going all the way down the track of nationalising industry. We can still play a role in this national parliament in assisting industries in our areas. Industry needs this support.

In my area, the western region of Melbourne, 85 per cent of businesses fall into the category of small to medium sized enterprises. That is a huge percentage, and I am told that that percentage is growing. As far as I have been able to ascertain and on the advice of the local business organisations such as WREDO, the Western Region Economic Development Organisation, no business in the western region of Melbourne has ever been the beneficiary of any PDF funding. We have to ask: why is that so when clearly we have a significant share of the small and medium sized enterprises? We are an industrial centre not just in Melbourne but within Australia. Why has there been a slow or non-existent take-up of this funding in some areas?

I would like to take the opportunity tonight to encourage the government to examine not only why some smaller enterprises have not been able to benefit from this worthwhile initiative but also the way in which the department is distributing information and how effective that information sharing is. Some of the changes proposed in the bill that we are debating tonight make PDFs more attractive to superannuation funds and to overseas investment funds. We need to look at how we make the program more attractive to local
investors and to make sure that people who want to take up those funds and benefit from the PDF funding have access to those programs.

Because the pooled development funds are about supporting industry, I think everyone in this House would agree that we must ensure that adequate information is available about it, and making sure that private industry has access to that information is fairly fundamental. I certainly do not think that members of the government are the only ones in this House who have to take some responsibility for that. I intend to play an active role in making sure that our local businesses know of these changes and of the funding that might be available. Conversely, it is important that investors know what our region has to offer.

However, I feel obliged to say that, in my researching for this speech, once I knew of the existence of the Pooled Development Funds Program, I found that the information is very accessible on the web site, which is very user-friendly and quite informative. Any business that was pointed in the right direction of that web site would be able to find a wealth of information there, and I would encourage businesses to do that.

The debate is also particularly timely because in my electorate on this Friday, 14 April, the WREDO, the Western Region Economic Development Organisation, is hosting a summit called the 'Western Melbourne Opportunity Summit' to be held at the Victoria University’s Sunshine campus. The theme of that summit is 'Making the difference'. It is worth saying that the PDF Program could be important in making a difference to the western region of Melbourne as we embark on setting our economic agenda for the next five to 10 years.

I would like to compliment our WREDO because it has done a fantastic job. To have the opportunity of spending a day with many business leaders discussing what we need in our region for the next five to 10 years is a big step in itself. These are the types of initiatives that we need to be talking about. Identifying our needs for the next decade and working towards the future with some of the knowledge that the businesses will be able to share with each other at Friday’s summit are very important.

The main aim of the opportunity summit is to maximise the business expansion possibilities in my electorate and in the broader region and to encourage business investment in the region. It will be an opportunity to consider and plan for the pursuit of economic growth and prosperity for the benefit of our local community. It is time for us—as is acknowledged by the organisers, WREDO, and many of the participants—to examine and assess where we are going, what our strengths and weaknesses are in the region and what needs to be done for the next decade to make sure that we continue to be the fastest growing business region in all of Melbourne.

I must say that that will be some feat. Many of you in this House who are familiar with the western region of Melbourne will know that, although the region was the strong industrial base of Melbourne in the past, in the seventies and particularly in the eighties there was a dramatic downfall with the closure of many businesses—particularly in the manufacturing areas, and particularly light manufacturing in the metal and textile, clothing and footwear industries. We saw closure after closure of businesses in the western region. For us to be able to now stand up and say that we are actually the fastest growing business region in Melbourne is quite a turnaround in that decade. That has mainly been due to significant infrastructure developments, including the Western Ring Road, which have meant that we can really build on the advantages of the region. Being very close to the CBD of Melbourne without being in it and having the benefits of cheaper property prices and all of those sorts of things, as well as being readily accessible now to the western distributors that take us both north and further west through Victoria, have had a very significant impact on turning around the industry in the area.

I think the PDFs are something that we need to look at when we are trying to make a transition in our region from some of the traditional manufacturing areas into the information technology areas, advanced manufacturing areas and certainly the services
‘Making the difference’ is the theme for the summit; it is the key phrase, as I have already said, and the one that is relevant when we are talking about this sort of investment and growth in the area.

I would like the summit to consider how we could properly access PDF moneys as a region and whether there is some appropriate way for us to set up a regional consortium of businesses that might actually look to register itself as a PDF with a particular local focus. It appears from my research in this area that, provided all of the normal regulations were complied with, there would be nothing to prevent a consortium of local businesses—perhaps some of our more major employers in the area who do continue to invest heavily in our region, such as Toyota, Mobil and George Weston—doing that. There are a number of interested employers in the area who perhaps could be encouraged to look at taking this on and thereby providing a lot of support to all of the small and medium sized enterprises in the area who can really piggyback, if you like, on the success of some of the larger businesses. That has a spin-off benefit for the larger businesses, because they can rely on their local suppliers for the particular needs that they have in their area. Obviously, as I said, this would need to be examined in more detail, but I do think it is the sort of idea and possibility that we need to explore. I think it has great potential for our region. I think it is important that in the western area of Melbourne we do not miss out on the opportunities that are there.

We know that, if you are seeking PDF funding, you need to make sure that each fund that is set up operates independently on a commercial basis and each makes its own investment decisions. Obviously, small to medium sized enterprises have to convince PDFs of their potential commercial value and what their plans are and why they should actually be supported.

The principle of this PDF funding is to back potential high growth businesses, not just good ideas. Obviously, the emphasis then is put back on the small to medium sized enterprises in my electorate, and in the western region of Melbourne generally, to stand up and say, ‘This is what we need. This is what we can do well. These are the high growth areas or the areas with high potential. We just need some funding to be able to do it.’ The small to medium sized enterprises need to be able to provide the PDF with an appropriate business plan, they have to have in place a management team which is committed to the process and the requirements that they must also sign on to, and they must be willing to accept and work with an equity partner.

I think this is something that must be looked at closely. There is no reason that it cannot have a regional focus. When one looks at the businesses that have already been involved in PDF funding, there is a bias, if you like, or there is certainly an overrepresentation or a large number of PDFs that have interests particularly in the mining area and the agribusiness area. It is noticeable that in recent times there are more communications and IT companies and some services interests. Many of these PDFs do not have particular industries that they seek to target, but they obviously just assess proposals to come to them as they arise. It seems to me there is nothing to prevent, as I have said before, an organisation setting itself up with a direct intention and stated objective, if you like, of assisting a particular region for particular purposes, provided that all of the other conditions are met.

I have mentioned briefly the sort of strong industrial history that we have had in the western suburbs of Melbourne and the sharp decline during the closures that occurred in the 1980s. The west is changing, and it is changing very fast, and it is building on its successes of the last decade. This is displayed in the change that we are seeing in the western suburbs of Melbourne to the backbone of the industry, which is manufacturing. Twenty-two per cent—21.9 per cent to be precise—of the people who are employed in my electorate are employed in the manufacturing industry. It is a higher percentage if you look at the manufacturing businesses in the area. Out of a total of 161,000-odd jobs in the western region of Melbourne, manufacturing still accounts for about 38,000, and we hope to be able to build on that. We do not seek to walk away from manufacturing in the electorate. Obviously, the complexion of that
manufacturing is changing, and we need to look at how we can encourage information technology developments, high technology, advanced manufacturing and some further light manufacturing.

We have already set ourselves a challenge in the western suburbs of Melbourne. One of the things that the summit will address is the challenge that has been set for us to establish a strong network of small to medium sized enterprises in the information technology area linked to our education institutions and leading corporations in the area. We have some pretty good advantages that we would like to build on, including housing 12 campuses of the Victoria University in the western region. These campuses are spread across the west of Melbourne and they provide ample educational opportunities for us to ensure that we have a skilled work force, both our young people coming into the work force for the first time and those who are seeking to be retrained.

As I have mentioned before, corporates such as Toyota, Mobil, George Weston and Tenix already have a huge presence in the electorate. Tenix are looking for opportunities to build on their high-tech skills to follow on from the expertise that they have gained in building the Anzac frigates. That happens in my electorate. It has a limited life span, unfortunately, for the people who work there, and we obviously are looking for new opportunities that will support and build upon the skills that those people have.

One of the other natural advantages that we need to build on is our multicultural community. I think we can use ethnic business people much more creatively—and not just in the service sectors, which obviously seem to be where our multicultural community comes to the fore, particularly with interpreting services and a number of tourism related services, but also in assisting us to identify and develop growth markets overseas. In my electorate, I have a Vietnamese population of close to 16 per cent. They have the whole range of specialist skills that all other parts of our community normally have, but they have particular links with their home country and obviously they have a particular understanding of the Asian region. They can, I think, help us in identifying where some of those future markets are that perhaps we should be directing our new manufacturing towards. That is something that in our region I think we can build upon much more.

Local businesses and WREDO obviously need to work together to identify the projects that they would seek support for, and it then would be much easier for us to go and seek this funding. The small to medium sized enterprises in our electorate obviously also need community support. Whilst we see this as an opportunity where the federal government can assist in setting up the structure for pooled development funds, it is essentially private funding that they would be applying for. But we would also, of course, look to community networks and consumers. We need to encourage these businesses and those other businesses they supply to and purchase from to buy locally, to employ locally and to network locally. In that way, we will be able to ensure that any strengths and new developments in our region have a much wider effect in the region—and I think that that is very important. As I have said, big business has a role to play in doing that.

Finally, I think it is worth commenting on the fact that, when talking about industry policy, the debate often centres on: what role should the government play in assisting industries? Arguments put forward range from the extreme position that the government should be totally interventionist; we should own absolutely every type of industry that is possible—and I can see one of the members across the chamber shaking his head; I am merely trying to point out the range of views that people might have—to the total free marketeers—and the member will no doubt start nodding his head now that I am talking about free markets. But we know that there is a big range in between. I think this is an example of an initiative that governments can be involved in, without putting public money into business investments.

The government can provide a structure that provides opportunities for smaller to medium sized businesses, access to which they may not otherwise have. We have a role to play in helping to identify and link the creators of ideas and the people who have the
initiative and the capacity to identify markets with those who have the capital to invest in these ideas and who are prepared to. This, I think, is a good example of where you can talk about a creative role for a federal government, a role which is not overly interventionist but which does help to identify where there are some gaps if you were to have a completely free market.

So I hope that there will be other opportunities for us to look at similar proposals. I know that I am amongst 10 members of this House who are currently involved in the industry committee’s review of value adding in Australia—what sorts of impediments and advantages there are to adding value to our raw materials in Australia. It may be that there are a number of other initiatives that are creative, in the way this one is, which will come from our review of the various industries. I hope that that will be the case.

Obviously, the most important thing about the bill that is before us today, from my perspective, is that its aim is to look at providing jobs. It is for us to be able to grow industry, which obviously can create more jobs, which therefore affects the livelihood of many people in the regions who see the industries develop in their area. That will make the whole economy more sustainable and will help the people who are seeking to be employed in that area.

Employment is pretty central to my concerns in this House. Unfortunately, in Gellibrand, the unemployment rate is currently 11.8 per cent, which is extremely high. We have pockets of unemployment that are up as high as 16 per cent. On the latest figures, which are now a little out of date, we have a youth unemployment rate of 28 per cent. We have some major employers who are hanging in the balance as to the future, particularly as Defence continues to scale down its involvement in my electorate.

So I commend this bill to the House. If it can encourage investment, promote jobs, strengthen our economy and improve livelihoods in the electorate, then it certainly must be worth while.

Mr NAIRN (Eden-Monaro) (8.35 p.m.)—I am pleased also to support the Pooled Development Funds Amendment Bill 1999. I certainly agree with many of the comments the member for Gellibrand made in her contribution. This bill is about making some amendments to the Pooled Development Funds Act that has been in operation since 1992. The PDF program, set up under that act, is designed for small and medium sized enterprises to obtain venture capital.

We probably do not have to say too much about that to members in this House as they know that small and medium sized firms have a lot of difficulty in raising capital at times. I think the venture capital area in Australia is still very young. If we look at comparisons, in the United States of America there is a much greater culture of venture capital firms taking risks and supporting growing and emerging industries, but in Australia I think it is still seen as a very risky business. That is a real shame, because there are so many new and upcoming organisations and firms with great ideas. If only they could get that additional access to capital, they would be taking off at a faster rate.

So that is what the PDF program was really all about—to help those sorts of firms. Although it has not raised huge amounts of money, it has certainly been coming along quite well. Between 1992 and the end of 1999, there were something like 72 PDFs registered; they had raised over $350 million for investment purposes. As at June 1998, in the order of 85 per cent of PDF investments had been in firms with total assets of less than $30 million. So that shows that this program is not targeting the country’s huge businesses.

Most investments made by PDFs—and I think this is an interesting figure—are between half a million dollars and $2 million. So it is down at that smaller end of the equation. About 35 per cent of the PDF investment is at the start-up or early stage of investment, and about 50 per cent is at the expansion stage. It is all very well to have these sorts of funds and programs but, no matter what sort of incentive government provides, you really are not going to get people investing unless the climate is right. I think the fact that we have seen growth in these PDFs over the last couple of years has a lot to do
with the investment climate in Australia, and certainly the investment climate over the last couple of years has been significantly better than in the early 1990s when this particular program started. Sometimes people get bogged down in government incentives, but often they play a small part in the investment decisions of individuals and firms. The climate is far more important.

I remember speaking with the manager of a major international telecommunications product manufacturer a few months ago and I said, 'To what extent do things like R&D tax deductions play an important part in your company’s decision about the research and development that you actually do and the investment that you make in research and development?' He commented that any firm that makes its decisions about research and development based on tax circumstances is going to be left behind. He said that they make decisions about research and development based on staying in front of their market, staying in front of their competitors. He also made the point that investment in research and development is made for those sorts of reasons as well as the general overall economic climate and the potential growth that might be there rather than some government incentive in relation to a tax break. I think that is a very important point.

I did pick up a couple of comments made by the member for Fraser earlier in this debate, and he was going through a speech that I have heard many times before about taxation breaks with regard to research and development. Anybody who thinks that companies put heaps into research and development purely and simply because a certain tax break was provided is probably often dealing with companies that are not all that interested in major research and development but at getting a tax break somewhere for other reasons. The major companies really investing in research and development are doing it to be at the head of the pack.

This particular bill gives me an opportunity also to show an example of the potential use of this program to the benefit of my electorate. I want to refer to a company in Cooma called Smart Radio Systems, which is a family company run by Adrian and Barbara Blake, and it is a very innovative company. They were in fact the first rural Internet service provider in Australia, which is quite an achievement. They have been working over the last few years providing this sort of service using very smart technology, and that is why the company name is Smart Radio Systems. In fact, just recently they received a national award for the best communications and/or information service in a small or medium enterprise. They are looking towards using the pooled development funds to put together the finance that is needed for quite a major and very innovative operation.

They have done a deal with AGL, who are currently reticulating gas around Cooma, to put optical fibre in the same trenches as the gas. They propose to have optical fibre available right around Cooma and then to every house, and in the longer term they propose to expand from that. With that optical fibre, a whole variety of services can be provided. A carrier licence has now been granted to Smart Radio Systems—and I think that is a real first also for a small rural company—which means that the business is entitled to take a larger part in the telecommunications industry. It means that they will be offering public telecommunications services, such as telephony, data transfer as well as other things. They cannot wait to get into competition with Telstra, and it is an example of how the service in some of the rural areas will improve through competition and through companies like Smart Radio Systems.

It ties in very well with a number of other things happening in that region as well. The Cooma Call and Technology Centre has recently been set up and will be working in partnership with the Department of Defence. I announced a week or so ago that the Department of Defence would be establishing their Defence Service Centre in Cooma in partnership with the Cooma Call and Technology Centre, which is in place, and all sorts of future options will come out of that technology centre. The Defence Service Centre alone will employ 150 people, and it will be a $30 million investment over the next couple of years. That is quite an incredible injection into that economy, which has seen very difficult times with its traditional agriculture in-
dustry going through now nearly seven years of drought, and money going out of the economy very quickly as a consequence of the drought.

This is a whole new technology area and a whole new industry. It is something that I have been working on with the local people for about 18 months to provide lots of new opportunities in that region. Smart Radio Systems is looking at financing its project through the pooled development fund program. It is, in fact, looking at doing it on a regional basis. The member for Gellibrand in her contribution just before talked about the possibility of a number of businesses in her region getting together to form a pooled development fund. She was saying that it is something that should be looked at and might work. She is very right. It has actually already been done, and it is exactly what we are looking at doing in the Cooma area. Rather than a pooled development fund being industry based, which most of them have been, it is on a regional basis. It can be a variety of industries that might tap in to that particular fund. I understand that there are already three on that basis: one in Brisbane, one in Ipswich and one in Tasmania. They work on a regional basis rather than an industry basis. The member for Gellibrand might look at some of those examples, which she might be able to apply to her particular area.

The Smart Radio Systems project, the Cooma Call and Technology Centre and the Defence Service Centre all complement many other technology things that have happened in the region. Cooma is also the location for the Snowy Mountains Engineering Corporation, which has always been at the leading edge of technology in its engineering area as well. Many of these organisations are now working together. I see some other interesting things which could occur. Yesterday, the Building IT Strengths program—the BITS program—was announced. In the ACT, the Capital Region Technology Business Centre—made up of the Canberra Business Centre, Anutech, which is the ANU R&D arm, and the CSIRO—was one of the 10 successful applicants under the BITS program, and it got $8 million for a technology incubator. It is looking at it in very much a regional sense, and certainly it is looking at having a node possibly somewhere in the coastal part of my electorate to tie in with what it is doing here.

You can add to all of that projects like South-Tel—as it is commonly called—which is a potential major telecommunications network that could go right down to the South Coast in my electorate, through the mountains, through Canberra and back to Sydney. It is something that has received about $150,000 in funding under the Networking the Nation program to build up its feasibility and business plan. It is now looking at funds as well for investment. When you tie all those sorts of things together, you really start to see some great potential for growth in information technology businesses, which could benefit through funding from programs such as the pooled development funds.

This particular bill basically builds on the original bill and makes a few changes. In effect, it will significantly increase private sector equity funding. It really is all about having more commercial flexibility, I spoke to Adrian Blake from Smart Radio Systems about the particular changes in this bill. His comment was that, on looking at it, it certainly looked as if it would allow much greater flexibility for the operation of PDFs. That is a good thing because if you can have more flexibility you can often use the money a lot more wisely and you can usually encourage a broader range of companies and other investors to put money into it, which is what we are trying to achieve with these particular amendments. PDFs will be much more attractive for Australian superannuation funds, overseas pension funds and other investors, which therefore will increase the supply of venture capital to small and medium enterprises. The proposed amendments allow superannuation funds to own a PDF, allow PDFs to make loans to their investees, and permit PDFs to buy back their own shares. They are all little things that together provide better flexibility in the way they will run. In that way, the bill will certainly encourage more investment.

Investment is gradually getting there. I said before that it has been increasing. I think
the sort of climate this government has provided over the last couple of years, with very low interest rates, is probably the key to all of these investments. I know when I look back to the days when I had my own business before I was in parliament—it was only a very small business—I was always looking for any spare money that I could invest in other ways to grow my business. When interest rates are bobbing around and jumping up and you do not know where they are going, the psychological effect is: be cautious; do not go and buy that extra vehicle or that extra piece of equipment that might enable you to go after an additional contract. You sit back and wait and see. When interest rates started to plummet in the early years of this government, there was some criticism that investment was not happening and that small businesses were not taking the benefit of it. My reaction was, ‘That’s natural.’ They had just lived through a climate where interest rates for businesses went to something like 21 per cent or 22 per cent. I remember paying 21.75 per cent on the overdraft in my business—those were horrendous days; they are my nightmare days in business. It was not unusual for people to sit back and ask, ‘They are going down, but are they going to stay down and, if so, how long are they going to stay down?’ Small businesses, particularly, would give interest rates quite some time, probably 18 months at least, to stabilise and, if they stayed down and small businesses were confident they were going to stay down, then they would invest.

So the climate that we have provided has allowed that. If you look at the growth in these areas, as I was saying, in 1995 the cumulative capital raised was about $61 million; in 1999 that had gone to $328 million. The cumulative amount invested in PDF investments in 1995 was only $35 million; that was $215 million in 1999. The cumulative number of PDF investee companies in 1995 was 59, and it was 185 in 1999. So you can see that there has certainly been some growth in that area over the last few years. That is great because, if that is happening, it means that many more small and medium enterprises are going to be benefiting from it and can start to grow their businesses and employ people. That is what it is about. That is why I see that the amendment to this bill creating better flexibility will be good for the many businesses around my electorate—companies like Smart Radio Systems, who are certainly talking with a number of allied businesses to put together this PDF so that they can raise that capital, get into and expand the technology areas they already are in, do innovative things and compete with the likes of Telstra in a rural town. That will be a first, and I look forward to that.

That will grow the whole technology area and build on the jobs that are already now starting to flow. The Defence Service Centre is a prime example. The 150 jobs created there will more than replace the 60 or 70 jobs lost when the state government closed the gaol in Cooma a couple of years ago—that was pretty devastating to the town. There has been a reduction in numbers because of electricity changes that were made as well, with merging of various electricity companies. So these 150 jobs which will be in place by the middle of next year will certainly be a huge boost. I see that that whole technology area will just grow and grow, and we will have a whole new industry base for a region which has traditionally relied on agriculture. Agriculture will still be very important, but this will give a much more stabilising effect to the economy as well. I strongly support the bill. It is good legislation. I am pleased to see that the opposition will also be strongly supporting this piece of legislation.

Mr SERCOMBE (Maribyrnong) (8.54 p.m.)—It is not at all surprising that the opposition substantially supports this Pooled Development Funds Amendment Bill 1999 because, after all, it was the Keating government that established the Pooled Development Funds Scheme back in 1992 with the aim of assisting small and medium enterprises to gain access to venture capital funds as part of the necessity in our economy for investment in creative and innovative activity. It is because this program is substantially a legacy of the former government that we support measures designed to further improve its operation and make its operation more relevant to the immediate circumstances that we face.
The bill allows PDFs to reduce their share capital and make a return to shareholders. It allows PDFs to acquire non-transferable share options in, or make loans to, a company in which the PDF has an investment. It requires companies in which PDFs have invested to follow the same investment rules that apply to PDFs. It exempts widely held superannuation funds from ownership restrictions and allows PDFs to merge all reasonable proposals in the current climate to ensure the sort of flexibility and the updating of the scheme for the current circumstances.

As other speakers have indicated, the bill allows some discussion about the context in which venture capital is important. The bill deals with capital markets, the venture capital components of which are very much a crucial component—a crucial ingredient in Australia’s capacity to be a substantial player in the emerging world that is often referred to, perhaps with a bit of journalistic licence, as ‘the new economy’—the economy of information technology companies, biotechnology companies and other companies aligned with the emerging needs of the 21st century.

The stakes, indeed, are very high for Australia as a modern economy in ensuring that we get our fair share of this emerging new economy, with its highly skilled people and higher incomes. The effects of the perceptions of change within the economy and the far-reaching implications are illustrated by an article in today’s Melbourne Age. In the business section, an article headed ‘Technology key to depressed $A, says US analyst’ says:

Influential US economist David Hale believes the dollar is suffering because Australia is being judged as an ‘old economy’ by international investors ...

Once again, allowing for all the hyperbole and the simplification of the circumstances of Australia in the context of a globalised economy that that sort of comment reflects, nonetheless I guess it does indicate the far-reaching implications of needing to ensure that Australia is well placed. Another example of the importance of the new economy, to use that cliche, is the fact that—and I do not know whether stock market fluctuations have affected these figures or not; perhaps they have in the short term—in the US two new economy companies, Intel and Microsoft, have a capitalisation higher than that of the combined capitalisation, in a market sense, of General Motors, Ford, Boeing, Kodak, Sears Roebuck, Caterpillar and Kellog combined. That just shows the scale and the significance to our emerging globalised economy of these information technology and related companies and why Australia and our capital markets need to be structured in a way that reacts to that. Even in small economies such as Israel’s, for example, we see the phenomenally successful building, over the last four or five years, of an indigenous information technology base. Those are the sorts of models and the sorts of examples that Australia—if it is to be successful, competitive, and have the high incomes that our position comparatively in the world requires—needs to emulate.

Australia has a most successful base for this sort of future. We are regarded—and I think correctly—as one of the most sophisticated users of technology in the world. Australians have indicated traditionally a willingness to pick up new and innovative technology quickly and adapt to it. Another statistic: Australia with about 0.3 per cent of the world’s population nonetheless generates 2½ per cent of the world’s research. So the base is there—in terms of the attitudes of our community and in terms of the research output of Australians—to be a successful economy in the new paradigm in which we find ourselves. But we need focus. We need government leadership to provide that sort of community focus. The position there is, frankly, not as optimistic as some of the earlier facts I have indicated. The Goldsworthy report, which this government commissioned, and a recent report by the Australian Academy of Technological Sciences and Engineering for the Australian Research Council make the claim that ‘Australia’s information technology research capacity is declining’. That I think is a most alarming assessment by two reputable inquiries.

A recent article in the Quarterly Perspective put out by the Australian Stock Exchange and written by Trevor Cole, a professor of electrical engineering at Sydney University, asks whether Australia can ever produce its
own Cisco Systems. An interesting little anecdote is told in that article about a Perth based organisation, the Broadband Telecommunications Cooperative Research Centre. The founders of that company left to create and join the Californian based start-up company Atmosphere Networks. This new technology based firm raised $US17 million in its first year to commercialise the Australian cooperative research centre research. The article says:

But surely the challenge is to create an environment in which the future research can be funded and then exploited locally with all the flow-on benefits that will produce. This will only ever occur if Australia spawns a myriad of start-up ventures from which the few major successes can grow—and behind every start-up venture there must be the suitably motivated, skilled and rewarded entrepreneur.

The point of that anecdote is that too often the story of Australia’s outstanding research effort is that it is commercialised offshore. We need to ensure that the context is provided within Australia to ensure that that is not repeated as frequently as it is.

In the last year or so in the biotechnology area, for example, there was a venture capital forum held. The comments in that forum were also interesting. Speakers made the point that the imbalance between capital supply and demand forces companies to move offshore prematurely, forces them to public markets prematurely and may also force them to accept lower market valuations. Clearly there is an important role for government in ensuring that these sorts of issues are more adequately addressed in the context of the Australian capital market.

In the 10 March edition of the Business Review Weekly there is a story produced with perhaps, once again, journalistic licence, perhaps a trifle overstated. The story is entitled ‘How we missed the new economy’ and it is subtitled ‘The reasons for Australia’s failure to invest in the new economy lie deep within its style of capitalism’. The article in the BRW has a number of quotable quotes, but one is:

The Australian venture-capital market is relatively small. Sam Armstrong, an analyst at Macquarie Bank, says venture capital in 1997 was only 0.62% of gross domestic product (GDP), compared with 4.88% of GDP in Britain and 2.69% in the US. By 1999, the figure had risen to 0.99% of GDP in Australia but it is still low. In 1998, 78% of the funds came from local pension funds, compared with ... 10% in Britain and 38% in the US.

I referred to the journal that the Australian Stock Exchange puts out. In the same edition I referred to a moment ago there is another article entitled ‘How Australia can build high-technology companies’, which is an interview with Roger Allen, who is a co-principal of the high-technology fund manager Allen and Buckeridge. Amongst other things, Mr Allen says in this article:

The primary source for Australian venture capital has to be Australian institutions. Australia has a huge build-up of superannuation fund money, with the compulsory fund contribution at 7 per cent of wages and salaries and escalating. There is $350 billion in funds now under management and growing to $600 billion in the early part of the new millennium. Unfortunately, very few superannuation funds have an asset allocation from their trustees to the category of private equities (in the U.S.A. it is called “alternative asset class”). Venture capital is just one sub-set of that asset class. In the U.S.A., it is quite typical for funds, or pension plans and endowments, to put 5 per cent of their total funds under management into private equities, and some of the funds go to double digits ...

He continues:

In Australia, the vast majority of superannuation funds don’t put any money into private equity, and those that do so put up only small sums, less than 2 per cent of their funds under management. On average, we are well under 1 per cent (more like 0.3 per cent).

So the situation is that the Australian capital markets, frankly, need the sort of focus that at the end of the day only the national government can give them to ensure that as an economy we position ourselves for the extraordinary and exciting prospects that are offered by the ‘new economy’—information technology, biotechnology and related industries.

Against this background, what do we need to focus on? What should the government be doing? Initially we should be saying that the government should not be doing the sorts of things it is presently doing. In terms of research and development, the decision to re-
duce the concession from 150 per cent to 125 per cent has, frankly, been disastrous from the point of view of the sorts of investments in the sectors I have been referring to that the Australian economy requires.

Before the current government the level of business expenditure on research and development in 1995-96 was $4,343 million. By 1997-98 the level had fallen to $4,043 million, and in 1998-99 the level was expected to fall again to $3,650 million. This is, frankly, disastrous in terms of Australia’s positioning to take advantage of the sorts of opportunities that a number of speakers have spoken about. Not happy with effectively cutting business expenditure on research and development by over a billion dollars per year, the government is planning to cause more damage by devaluing the R&D tax concession by failing to respond to the impact of cutting the corporate tax rate from 36 cents to 30 cents in the dollar. That further depreciates the value for businesses in making the decisions they need to make in allocating funds for these purposes.

If, for a moment, we move away from the private sector and look at the public sector, the position is similar. The Commonwealth has, under this government, been dramatically cutting back the outlays in the budget on the investments in science and technology that are required to sustain this sector in the Australian economy. In its first budget the Howard government cut $300 million from total Commonwealth support for science and innovation, which at that time was $3.9 billion. The government’s current expenditure on R&D is not even back to the level it was at under the former Labor government. So the position is that both in the private sector and in the public sector the investments required for our future are not being made at the sorts of levels that comparable countries make them. We see other initiatives of the government that impact on our capacity to operate a successful new economy. The introduction of differential Higher Education Contribution Scheme payments for science and engineering courses at university is an example of a government initiative that will, frankly, negatively impact on this country’s capacity to have the resources to pour into the vital areas of the economy to which I have referred. The lack of investment in telecommunications infrastructure to ensure that all Australians have the opportunity to be online and participate in e-commerce is another one. The government’s priorities are, frankly, not appropriate and do not address the needs that are there.

One ought to contrast this with, for example, the experience in Britain where the national government has the vision that this country needs. The article I referred to in the ASX journal—‘Will There Ever Be an Australian Cisco Systems?’—talks in glowing terms about the sort of vision that the British government is offering. The article says:

There is a vision for Britain, as enunciated by the prime minister, as an entrepreneurial society based on software, multimedia and biotechnology. The capacity of this vision to pervade government thinking is nowhere more clearly evident than in the 1998 Financial Statement and Budget Report of Her Majesty’s Treasury itself. Its chapter 4 is entitled “Promoting Enterprise” and identifies that

The UK also needs to create—and sustain—more dynamic and innovative firms which can exploit technology, be at the forefront of design, and generate highly-skilled jobs which are the key to long-term prosperity. The UK has the raw material: a high quality science and engineering base, a record of creativity and innovation, and the proven record of many world class entrepreneurs. However, it does not produce such businesses in sufficient numbers or on a sufficient scale, and not enough grow to be global companies.

Having identified a problem unsettlingly close to Australia, the budget papers recognise that

The Government cannot itself improve the performance of industry or create dynamic new companies. But, in partnership with business, it can create the right framework for enterprise and investment. The Government is committed to removing the barriers that hold back investment and that discourage enterprising individuals from starting dynamic businesses that would allow British products and services to lead the world in the 21st Century.

At least the British government has identified the issues and is demonstrating the vision and the leadership required to place British industry in the forefront of the new economy. This government’s vision is, frankly, not on the same scale. It is not there. The same article—‘Will There Ever Be an Australian
Cisco Systems?—talks about the importance, in the British context, of recognising the linkages between universities and new technology based businesses. It refers to the creation of a £50 million sterling fund to help bridge the funding gap between good research and the sort of business that can then attract funds from existing venture capital and private sources; the sort of need that was illustrated by the move of a Perth based venture which had to go offshore, to California. In Britain, the sort of context, the sort of vision, required for Australian businesses of a similar sort is in place. Sadly, in Australia the government is failing to show the leadership required to ensure the long-term sustainable future of this country as a world-class, modern, global 21st century economy.

The Pooled Development Funds Scheme initiated by the Keating government was a small step towards ensuring that that sort of climate, that sort of context, was created. Whilst we welcome the modest and necessary flexibilities introduced in that scheme via the proposal in this bill, the Pooled Development Funds Amendment Bill 1999, nonetheless they do not go far enough. We need a sense of vision and a sense of commitment. We need a sense of leadership from the national government and a sense of partnership with the private sector to ensure that the settings are right. This government is singularly failing in that task.

Mr ALLAN MORRIS (Newcastle) (9.13 p.m.)—I rise to speak on the Pooled Development Funds Amendment Bill 1999, and indicate that I will be supporting these amendments in the parliament. These are amendments to legislation introduced originally in 1992 by the then Labor government. Pooled development funds were an attempt to create a change in the venture capital markets in this country in a particular kind of way, that is, to try to create a capacity for patient capital. These were partly in response to the parliamentary inquiry into small business in 1989, and a number of other inputs leading up to that 1992 decision. The fact was that small businesses that had a capacity to grow found it very difficult to raise capital. The bank lending system basically took people’s equity—their houses or their assets—and loaned a proportion of those at a much higher rate than a housing loan. So, basically, we saw small business being held captive by the banking industry in an extremely nonproductive way.

The alternative venture capitals were in fact speculative and high interest and not patient. The point was that they were not patient. People were looking for a quick fix. In fact, this all goes back to some degree to the mentality in Australia pre 1985. Before the tax change in 1985 we had a system where speculation was not taxed at all but production was taxed twice. In other words, people invested in a productive company, the company paid company tax and the person paid personal tax on their after company tax income. Why would you invest in production when if you invested in capital gain, in speculation, there was no tax at all? So the whole investment market was heavily tilted towards speculation and towards capital gain. The capital gains tax was an attempt to address that.

There was the introduction of franked dividends where if a company paid company tax it was then credited to the people who received dividends, so tax was only paid once by an enterprise and its shareholders, not twice. The attempt to change the culture was quite obvious, even back in the early eighties. One of the reasons we were being left behind in world terms despite our skills and our inventive capacity was that we did not have the capital market to match the need for company growth, because what we were seeing in the world was the growth of small companies to become quite large companies in a relatively short period.

The country most successful at that, America, had an incredibly strong venture capital market. It still does. Many people argued, and still do, that America’s growth had more to do with its venture capital market than anything else. It had people no more clever than those in many other countries and with no more capacity or endeavour, but it had something that most did not have, which was a venture capital market that actually supported small companies growing. If one goes back and looks at Microsoft and Cisco and all of the others that are now quite large
world companies, most of them started with one or two people virtually working by themselves, in many cases in garages. And they were able to access capital to grow through those critical early stages.

The objective of the pooled development funds was to try to have investors look much more closely at a company’s capacity to grow, not to generate profits instantly or quickly but, rather, to generate their profit by, first of all, their growth as an organisation, with the dividends coming downstream at some time delayed. Tax concessions were implicit in the pooled development funds. This scheme was modified a couple of years before the end of the previous government, but it is worth keeping in mind that at the moment companies registered as pooled development funds have a concessional 15 per cent tax rate for PDF income earned from eligible small to medium enterprise investments. Other income, such as income from unregulated investments, is taxed at a concessional rate of 25 per cent. For shareholders, unfranked PDF dividends are also tax exempt in the hands of the investor, unless an investor elects to be taxed where they can offset that against some other income. Further gains made by investors as a result of trading shares in PDFs are exempt from capital gains tax.

So the whole thrust is about looking at capital growth, at making your profits in a company grow and eventually getting a dividend stream as well but then being able to pass on the shares and hopefully reinvest that capital in another company that requires patient capital. The key was patient capital, where the investor was going to sit quietly and let the company build. But it meant the company evaluations were quite different from what had ever happened before. Historically, the banks looked at companies simply in terms of how many assets you had and how much your house was worth, and they would lend accordingly. Other investors looked at how much you could make in the next year or next two years. If you could not return an extra profit over and above their interest requirements, they would not be all that interested. So we had not had a situation in the country previously where capital was encouraged to be patient. This encouragement in the form of tax concessions, particularly in capital gains tax, is quite a critical component.

The fact is that PDFs did not get off to a flying start. People found them difficult to understand. The investment industry was reluctant to engage with them. We made some changes back in about 1994 to try to adjust to what we were picking up from the market. But in more recent years there has been more growth. In fact, at the moment I think there is something like $350 million invested in pooled development funds across the country. It is quite clear that this device, this particular vehicle, is now starting to become more effective. The figure of $350 million is an absolutely minuscule amount of the investment funds that are available, but it is difficult to persuade the large superannuation organisations, large companies and large investors to invest in areas of this nature, in high technology small companies that have great capacity for a future if they can get some capital that will bear with them while they go through their growing stage. It is very hard to pay dividends and grow at the same time. That absurd expectation of so many investors has been the downfall of so many Australian companies.

These changes before the parliament are basically finetuning. They are adjusting again to another set of market parameters. These proposals came out of the Mortimer review. One of the difficulties of these amendments is the lack of emphasis. Many people, me included, see pooled development funds as a critical area—not just the funds themselves as a particular vehicle, but the notion of patient capital and patient equity for small companies to grow with and the need to encourage that. There may be other vehicles that need to be generated, but the whole concept of that is just so critical to our growth as a country.

The Mortimer report came out in June 1997. It is now April 2000. By the time these changes finally hit the market it is going to be three years after they were announced, after the Mortimer report came down. You may recall that the Mortimer report touched on
some other issues. It touched on R&D. Members will recall that back in 1996 the government announced the reduction of the research and development tax write-off from 150 per cent to 125 per cent. Mortimer had a bit to say about that as well, and in fact encouraged the government to rethink some of its tax investment in R&D.

The government ignored that advice. It sat on this stuff for almost three years. So we are finally getting it into action three years after it was put forward. That is not all that good a sign for the market. If you turn to the other side of the coin and look at the Ralph report of last year, the matters that the report dealt with went from a report to legislation in seven or eight months, with the Treasurer trumpeting every day of the week the wonderful system of improved capital gains tax—the halving of the capital gains tax, if one held the asset for more than 12 months. Mind you, he did not talk so loudly about the loss of indexation, which may become quite a critical issue in the next year or two with the GST impact on the CPI. The fact is that he was doing the opposite of what this legislation is about. He was actually talking up the market investment in quick capital gain. That action, tied in with what is happening in the stock market right now, gave all the wrong signals about this country. They are all the wrong way around.

We know what a capital market is like; we know how difficult it was for our companies before 1985, when capital gains were encouraged over and above productive investment. But we are now seeing a government actively encouraging people to look for quick capital growth. They are saying, ‘Look for your money that way. We will tax it less; we will actually encourage this activity. We will give you an incentive to invest and we will do you an assessment on a company’s capacity to generate a quick capital turnover and a quick capital growth—that is, not an assessment on a company’s long-term growth or dividend earning potential or its capacity to do a range of other things but an assessment simply on how quickly the shares will go up and you can flog them.’ Tie that to the current stock market boom and you will see signs that I think are really quite inconsistent with Australia’s future.

This matter was also flagged in the Prime Minister’s statement ‘Investing for Growth’ in December 1999, which was another of the government’s supposed landmark statements. Again, 2½ years later, we are just getting to it. That is not surprising in another way, because that same document incorporated something else, a thing called Manufacturing in Bond. That was touted then as being one of the government’s initiatives to help encourage growth. Mind you, the Leader of the Opposition had already spoken in support of that initiative back in October 1997 and endorsed it from the Labor Party’s point of view as a way to progress manufacturing in this country. The Prime Minister endorsed it in December 1997. But we find that this matter is still caught up with the government’s current amendments, which are quite nonsensical, and with the government’s peculiar position in the Senate, where in fact the minister admits that what they are doing is wrong and that it will mean imported goods have an advantage over locally manufactured goods.

In other words, the minister admitted in a letter to the editor in the Bulletin a few weeks back that the duty on a computer made in Australia will be higher—it will have duty paid on the components—but that, if you import a computer from overseas, there is no duty. The minister admitted that that was the case. The current government amendments do not correct this situation; they just maintain it. Amendments are being put forward by us and the Democrats to try to find a more flexible way to allow this matter to be addressed in some form or another—under the government’s control absolutely. The government is objecting to these amendments and in fact, in a peculiar kind of way, is saying, ‘We will take our bat and ball and go home.’ So something mooted and pushed forward quite strongly in December 1997 is now being dropped altogether or flicked off the agenda by a petulant government and a petulant minister. You start to question how serious they are.

These amendments have taken three years from the report—the Mortimer report—to
implementation. We are still waiting on the MiB amendments; we do not know when they will finally come to a form that is workable. The fact is that Manufacturing in Bond, announced in December 1997, still does not exist in the country. We do not have any. Nobody is manufacturing and helping this country to grow in the form that the government heralded so strongly in the Prime Minister’s statement in December 1997.

The legislation and now these amendments that have come forward address a number of relatively small issues. This scheme is a cheap scheme. Let us look at the costs. The total projected cost to revenue put forward by the Department of Finance and Administration for 1999-2000, with no change, for this whole scheme is $3 million, plus a few hundred thousand dollars for administration. In 2000-01, it will cost $3 million with no change. With these changes going through in a full year, we are talking about an extra cost of $2 million. We are talking about a $5 million scheme. That is how much the Prime Minister gave to the Northern Territory to buy himself out of a spot the other day, out of an embarrassment of his own making. The government would be making a contribution of $5 million towards a critical area of economic growth—that is, the development of high-tech, small to medium enterprises—businesses worth under $50 million and businesses with a capacity to grow—and encouraging people to invest their money in a patient way.

The pooled development funds are just one vehicle, but they are an important one. What is important is the way that the government treats this initiative and the way that it puts weight on it. Manufacturing in Bond is an innovative and clever way of improving our manufacturing world competitiveness and the pooled development fund amendments are again a way to get businesses to grow. These two very valuable, albeit relatively small schemes, have been marginalised and sidelined for years with no action. They were announced with a hoo-ha and then dropped. In the meantime the Treasurer is heralding capital gains tax up hill and down dale. That is the problem. The government is marginalising the changes which are potentially the most important. The capital gains tax that has now become law and will become operational, I think, from July onwards will actually set back this kind of investment because it actually reduces the benefit.

I mentioned the R&D tax write-off earlier. We tabled a report in parliament just a few months ago from the House of Representatives Standing Committee on Industry, Science and Resources, which made it very clear that the business community in this country is convinced that investment in R&D will not grow while the R&D tax write-off is at 125 per cent. The 125 per cent is a notional figure. With the introduction of reduced company tax in July, the effective rate of that R&D write-off will be about 117 per cent. In other words, the business community will be out of pocket because the cost of compliance and putting in the forms and so on, along with all the other provisions that are involved, will more than erode the 17 per cent.

Between 1996 and now, incentives for companies to invest in research and development have actually gone backwards. Post July, they will actually be negative. Companies will be more out of pocket. I think the message to business on PDFs, on patient capital, on manufacturing and bond and on research and development is very negative. The big message coming from the Treasurer is, ‘Go for capital gains. Go for a quick buck.’ That is a tragedy. It is the wrong message; it is the wrong thing to be saying and it is the wrong policy direction. If the community were getting the same amount of attention from the government for these issues and the issues were given the same amount of weight and pressure, we would see other schemes being developed as well.

Remember, we started PDFs as an experiment. We had learnt a lot from them by 1994-95. There is scope now for other schemes in other investment areas that also call for patient capital. We need to get our business community to help evaluate and assess organisations and businesses. It is so critical, and yet it is not being done. The government should be out there investing in ways to better evaluate so that people investing in these operations have better assessment instruments to evaluate organisa-
tions, their investment worth and their security. PDFs are simply one way of encouraging patient capital. There are a number of other forms that we should be developing.

The fact is that encouraging quick capital gains as a so-called major business reform will not help this country grow its production. Production requires investment in the long term, not investment for a quick buck. I think the government’s actions and rhetoric do not match at all. They say that they are there for the small business person, and yet for this small business scheme it has taken three years for the report to become legislation. We are supporting it. This is not because it has been blocked in the Senate. They cannot make excuses about obstinacy or obstruction on this one. This is just laziness. This is lack of emphasis, lack of attention and lack of concern. They made announcements and made a noise back in 1997, but it has taken 2½ years to get it to the parliament and three years for it to become law.

The country not only needs better; it deserves better. We need better systems for changing our capital and investment markets. We all know that. This is no secret. This is not me saying something original. It has been talked about for 15 to 20 years now. It has been recognised since the early 1980s. The previous government tried a number of different initiatives. This government has done the opposite. It has actually cut back on incentives. It has done some finetuning on this scheme three years late. It has downgraded the investment schemes because of the capital gain. I think in years to come those opposite will come to regret the Ralph report’s emphasis on capital gains as a major issue and regret that more effort was not put into developing schemes and more vehicles to encourage patient equity, patient capital and investment in productive growth. I support the amendments in the bill. It is a useful contribution. I trust that the community at large understands it and starts to work more closely on it. I commend the bill to the House.

Mr HORNE (Paterson) (9.33 p.m.)—I also rise to support the Pooled Development Funds Amendment Bill 1999. It is interesting to participate in this bipartisan debate this evening. The interesting thing I have noted about the debate while I have listened to some of the speakers, particularly from the government side, is the way that the government claim ownership of small business. They claim to be the friends of small business. They claim to be the party that small business owes so much to. Let us from the outset point out that this legislation is an amendment to a bill that was passed in 1992 by the Keating government. It was innovative then, and we support the upgrade of it. As the previous speaker, the member for Newcastle, has indicated, there is no doubt that it was brought in as an experiment to see how we could help small business develop.

I cannot let a few of the comments that have been made by government members go without criticism. I notice that the member for Pearce claimed that the government looks after small business. Let us have a look at a few statistics for small business since the Howard government has been in power. In 1998, the longitudinal study of small business showed that 25 per cent of businesses with between five and nine employees expected to exit that business within one year—that is, a quarter of people in those businesses did not expect to be in business 12 months later. Let us have a look at bankruptcies. Between June 1996 and June 1999, the number of people going bankrupt rose from 17,324 per annum to 26,376 per annum. Of course, in 11 weeks time, we are going to have what all small business is dreading, and that is the GST. Let us put our full facts on the table, let us be aware of what history shows about the treatment of the Howard government for small business and let us be sure that it is not trying to delude someone by maybe bending the truth a little. As I said, we are here this evening debating what is very much a bipartisan issue. There is no doubt that if pooled development funds are exploited properly and if we have a government that is prepared to think laterally then we can use pooled development funds to raise funding for Australian industry, to develop Australian ideas and to give Australian people a future. Isn’t that what we should all be about?

I am sure everyone in Australia has noted in the past week what the well-known Aus-
Australian entrepreneur Dick Smith is doing with Australian industry and how he is coming forward to bankroll an industry to get started. There is no doubt that people out there want to purchase Australian goods. They want to buy products that are sourced within this country, and it is up to the government. I believe the actions of Dick Smith indicate that, over the past four years, the government has been lacking in giving support to Australian industry to ensure that Australian products are readily available. I would like to compliment Dick Smith on his entrepreneurial role in supporting Australian industry.

I would like to point out a few other things. In the Hunter region we currently have a facility that has been described to me as a world-class facility. In December I met with representatives of an Italian company, Intermarine. Intermarine is the parent company responsible for the technology that is being used in building minehunters in Newcastle. That is innovative. It is the first time that Australia has built anything of this nature. I believe that goes back to Robert Ray, when he was Minister for Defence, adopting the policy that a defence industry should be established in Australia. The representatives of Intermarine described this fibreglassing facility in Newcastle as the best facility of its type in the world, not only because of its physical construction but because of the expertise, the level of training and the understanding of the technology of the Australian people working in that facility. The shame of it is that the last hull has just been moulded. From now on, unless investment comes in to guarantee that that process can be ongoing, that more hulls can be made—if that shipping industry that is only in its infancy cannot be developed—the best facility in the world, as described to me not by Australian industrialists but by Italian industrialists, will simply be dispersed. It will fold and disappear. That would be a tragedy for the people of the Hunter region, particularly at present. In the shadow of the closure of the biggest employer that Newcastle has ever known, BHP, that would be a tragedy for the Hunter region.

I know I have raised the issue of ethanol many times in the House and with my colleagues, but it is something I feel passionately about. Here, again, I can give an example of an Australian industry that can be developed. We have a world leading expert in ethanol production and the use of ethanol as a blend with diesel and with petrol, and I talk about Dr Russell Reeves, who lives in my electorate in a town called Dungog. Dr Reeves has been pursuing funding to develop the ethanol industry in Australia. He realises it is an alternative, he realises it is a regional industry and he realises it provides us with a means of escaping the yoke of dependency on imported fuel. It goes right back to 1993, when the Hon. Alan Griffiths was Minister for Industry, Technology and Regional Development. He made $2 million available, if it could be matched by private industry, to develop a trial plant to produce ethanol from cellulose, from woodchip, sawdust and all those sorts of forests industry thinnings. Unfortunately, it was never matched. Unfortunately, the industry that could have developed has not developed.

The economics at that time showed that it was economic if crude oil got over $22 a barrel—I think $22 was the cut-off figure. We have recently seen crude oil over $30 a barrel, and today it is probably somewhere around $26 or $27 a barrel. That industry would have provided jobs to many people in regional Australia. Each unit could have been developed at a cost of about $70 million or $80 million. Each plant would have provided in the order of 100 to 120 jobs, I have been advised. Not only that, those plants could have been provided in places where the timber industry was in demise. I know you have towns like that in your electorate, Mr Deputy Speaker Adams. I have towns like that, towns like Gloucester and Dungog, which would have loved a plant that could have given them 100 to 120 jobs. It could have gone further. It could have burnt the solid residue and generated electricity with that, and that electricity could have been sold to the national grid.

These are the sorts of things that pooled development funds can hopefully be encouraged to invest in. When the Hon. David Beddall was the Minister for Resources in 1995, he made a 16c per litre bounty available for
new ethanol. Ethanol that was produced after 1995 attracted a 16c a litre bounty. The first Costello budget did away with that bounty, and we do not see ethanol now attracting any bounty at all. Using a fuel such as ethanol that you are manufacturing from current plant material means that you are not increasing dependency on fossil fuels—in fact, you are reducing dependency on fossil fuels. So using a fuel such as ethanol is also very beneficial to Australia, and to the whole world, in terms of the greenhouse gas equation. It means that any carbon dioxide being put into the atmosphere has recently been part of the atmosphere and will be absorbed by the biomass that is currently growing.

There is no doubt that pooled development funds are a very important part of growing Australian industry and growing small business. Statistics show that, since 1992, some $420 million has been invested in Australian industry. That is a great thing. We on this side of the House are very proud of that. We accept the changes that are being proposed. There is no doubt, as I said right from the start, that this was put forward experimentally in 1992. No-one knew how it would work out; no-one could foresee. There is no doubt that has needed a bit of driving.

I am sure that every member in this House is as frustrated as I am when someone comes to their office seeking an interview, sits down maybe with a couple of business partners and says, ‘We have a terrific idea for a business,’ particularly if you are a member in regional Australia where jobs do not come easily. They sit down and say, ‘I have a terrific idea for business. How can you help me get funding?’ You say, ‘Have you been to the banks?’ They reply, ‘We have been to the banks. The banks are not interested.’ Generally I pass them off to state and regional development—I have a few friends there—and hopefully we can try to fit them into one of those little pigeon holes where there is some funding available. If there is no pigeon hole available for the industry that they want to develop, then tough luck. A good idea goes begging.

I believe that, with the pooled development funds, we should have counsellors out there trying link up would-be investors with industry. That is the difficult part. There are a million good ideas out there from people who want to get into business that can be developed into a business. It has to be the will of a government to link those people up with a source of funds. For too long Australian investors have been investing in global organisations and offshore. If we as a small country—one that relies heavily on exports, as everyone knows—are going to ensure that we have a future, then I believe pooled development funds are a major part of our future. I commend the government on coming up with the amendments in the bill. It is important that we do so; it is important that we move on. It is also only right for the government to recognise where the concept of pooled development funds came from and to graciously accept that they were part of a former government.

Mr Emerson (Rankin) (9.49 p.m.)—The Pooled Development Funds Amendment Bill 1999 is designed to make investment in pooled development funds a bit more attractive. The Pooled Development Funds Program was established by the Labor government in 1992 and offers tax concessions to encourage the private sector to provide patient equity capital to small and medium sized businesses. Pooled development funds are private sector investment companies that invest in eligible small and medium sized enterprises. At present there are some 84 pooled development funds registered, and they have raised more than $420 million of patient capital. As at the middle of 1999, more than $215 million had already been invested in more than 200 small to medium sized enterprises. The dividends from pooled development funds are tax free and, under the business tax reforms, capital gains from pooled development funds are free of capital gains tax. That is legislation that we on the Labor side supported. The purpose of this bill is to make pooled development funds just that much more financially attractive. It is a bill that we
fully support. One of the ways in which pooled development funds will be made more attractive as a result of the passage of this legislation is that it allows widely held superannuation funds and similar overseas pension funds to wholly own a pooled development fund. Another important measure is that the legislation allows approval of mergers of pooled development funds under particular circumstances, whereas that could not happen before. There is a range of other changes, all designed to make pooled development funds more financially attractive for patient capital.

The bill also tightens the Pooled Development Funds Program to ensure that it is not abused. Of course, Labor again support those measures because we do not want to see the abuse of taxpayers’ funds or private sector funds, and measures to ensure that the opportunities for abuse are minimised are fully worthy of support.

The initiatives in this bill are indeed welcome, but they are only a small step in the direction of remedying a dramatic decline in the research and development effort in Australia under the Howard government. In the science and technology budget statement 1999-2000, it is apparent that in its first budget the Howard government cut $300 million from total Commonwealth support for science and innovation, which at the time was $3.9 billion. The government’s total commitment to science and innovation in the last budget was $3.7 billion for the current financial year, 1999-2000, which means that it is not even back to where it was under Labor, such has been the size of the cuts made by this government.

As for the government’s expenditure on research and development, the science and technology budget statement 1999-2000 shows the coalition cut funding from $921 million in 1995-96, which was the last Labor commitment, to just $551 million in 1996-97, which was the first year of the coalition government. Therefore, the government’s expenditure on research and development in the last budget of $664 million in 1999-2000 is not even back to where it was under Labor. So those statistics reveal very worrying trends, trends that show that the Australian government’s effort in research and development is very much on the decline.

I draw the House’s attention to these facts: Commonwealth funding to universities fell as a percentage of gross domestic product from 0.94 per cent in 1996 to 0.82 per cent just two years later; Commonwealth spending on science and innovation as a percentage of gross domestic product has come down from 0.71 per cent to 0.64 per cent, again in just two years; and business expenditure on research and development, having risen steadily from 0.33 per cent of GDP in 1995 to 0.85 per cent in 1996, has now fallen two years in a row to just 0.71 per cent today. Remember, that has happened, very importantly, in a situation where the OECD average is much higher at 1.2 per cent.

That tells us that Australia is sliding down the international scale of research and development and innovation. All those figures that I just cited now can be graphically summarised in these graphs that I have in my hand. The first graph shows Commonwealth investment in research and innovation. Here are the years of the Labor government, where the period from 1990-91 to 1995-96 saw very substantial growth. Then with the election of the Howard government, it basically fell off the cliff. So as a proportion of gross domestic product, Commonwealth investment in research and innovation is now very much lower—and that is a very bad portent for Australia’s future.

A similar and perhaps even more dramatic picture emerges in relation to Commonwealth investment in education, where again over the period from 1990 to the end of the Labor government in 1996 there was a very substantial build-up of Commonwealth investment in education as a proportion of GDP. It is not hard from this second graph to work out when the Howard government was elected, because that is when the slide began and it is continuing. I think this graph speaks for itself, for it shows that the Commonwealth’s effort in education is really falling off the face of the earth and that is as a result of the deliberate policies of the Howard government.

I believe we are in a situation where Australia has the opportunity to embrace a new
economic agenda, and that new economic agenda has been encapsulated by Labor leader Kim Beazley in the phrase ‘the knowledge nation’. It is a new economic agenda that is essential to the nation’s future because it requires a concerted investment in lifting the skills base, the research and development effort of this country and the country’s innovative capacity, because in the new economy, the information economy, Australia’s competitiveness—our ability to compete for and win jobs on a global scale—depends crucially on our ability to match and beat the skills development in other countries, the research and development effort in other countries and the innovation effort in other countries. How on earth are we going to do that when I have before the House graphs which show our effort as a proportion of GDP not even just holding the line but collapsing on all those counts? Most worrying is that this collapse is occurring at a time when all of our major competitors are lifting their investment effort in education, in research and development and in innovation.

What is happening in Australia under this government is that the government is robbing from the new economic agenda to pay for what it considers to be the unfinished business of the old economic agenda. The old economic agenda was first initiated by the Labor government, and it was to deregulate the financial system, to float the Australian dollar, to reduce tariff barriers and other protection and to make industries in the Australian economy that much more competitive—more competitive with the rest of the world and more competitive with each other. These were often very painful decisions, but the Labor government took them because it knew that they were in the nation’s interest and they were important to the nation’s future.

There are two major items on that old economic agenda that Labor would not embrace. The first is industrial relations changes that involve sacking the umpire and ripping away the award system. This government says, ‘That’s what we want to do.’ The government considers that to be very important unfinished business. The second, which this government also regards as unfinished business, is the GST.

This government is obsessed with pressing ahead with the GST. It is spending no less than $20,000 million of the budget surplus to try to buy community acceptance of the GST. That is $20,000 million that has been taken from the new economic agenda to pay for what the coalition considers to be the unfinished business of the old economic agenda. That is $20,000 million that wisely could be invested in the nation’s future by ensuring that all of our schoolkids have a decent opportunity for a good education, thus enabling them to compete for and win stable, secure and financially rewarding jobs. That is $20,000 million of lost opportunity. It is $20,000 million that could be spent in bolstering Australia’s research and development effort, and in bolstering Australia’s innovation effort. All these are items on the new economic agenda that the government does not wish to take forward because it is obsessed with finishing what it considers to be the unfinished business of the old economic agenda.

It is a very high price indeed that this nation will be paying for this obsession with completing the unfinished business on that old economic agenda. As a result of that obsession, young people in particular are missing out on the opportunity for a good education. High school completion rates under this government are falling. Each year now, there are tens of thousands of young people who are dropping out of high school—a much greater number and a much greater proportion than under the previous Labor government. When children drop out of high school nowadays, they are confronting a life of casual employment, interspersed with periods of unemployment; and, when they are in employment, they are confronted with very low wages. It is hard to build a family, let alone a secure family, when you are in and out of work and with the work, when you do get it, being low paid work. Without an extra effort in education, those kids are condemned to that sort of a future. That is what is happening in this country. Similarly, our research and development effort is collapsing.

What this means in terms of social cohesion is that our society is fracturing. We have families in locations, in neighbourhoods, that
are really struggling. One in three children is growing up in a family where there is no male in work; and one in five children is growing up in a family where there is no-one in work. The social pattern that this is developing is a very disturbing one, because these children are increasingly welfare dependent and they have never known a work environment. In many cases, they have never known the work ethic. One of the most disturbing features of our fracturing society is that the families living in these disadvantaged areas are the ones who are having more children. The high income families, who are able to cash in on the information age because they have enjoyed a good education, are having fewer children and they are having them later. So the birth rate in those high income families is much lower than it is in the disadvantaged families.

When young people see that they are not being given a decent opportunity by society to participate, what is the natural reaction? They tend to lash out at society and engage in what we would normally regard as antisocial behaviour. For example, there is graffiti. Children who feel rejected by society are making a statement when they put graffiti on public places. Children who feel rejected by society in many cases engage in substance abuse. When they engage in substance abuse, they need more money to fund the habit. How do they get more money? By breaking and entering. The number of people dying from substance abuse has doubled over the last decade, and now 800 people at least are dying from illicit drugs—I am not counting alcohol here; I am talking about illicit drugs. With 800 people a year dying from illicit drugs, it has doubled in just 10 years. Over 30 years, there has been almost a trebling of the incidence of breaking and entering.

So what we are witnessing in this country is a fracturing of our society into two sets of communities: one community being able to cash in on the information age because its members have the skills that are necessary to do that; and the other community being impoverished by the information age. Those communities are locationally identifiable. In my state of Queensland, there are many communities on the outer urban ring of Brisbane that are particularly disadvantaged; there are regional communities that are particularly disadvantaged. The fracturing of our society resulting from the failure of the national government to respond to the information age I believe is posing a substantial law and order and safety risk in this country. So when people who have been able to take advantage of the information age—and good luck to them—do their very best to minimise tax, to engage in aggressive tax minimisation schemes, they may do well to ponder this reality: a fractured society is an unsafe society. As they continue to deny a good education to children from disadvantaged areas, they are making society less safe by the day.

We must reverse this decline in the federal government’s investment effort in the nation’s future. We must reverse the decline in the investment effort in education and research and development. The legislation before us today is but a very small step in that direction, and therefore we support it. But it will not achieve what should legitimately be expected of a federal government—that is, to remedy the decline that has occurred over the last few years in our effort and then to redouble it because we cannot afford simply to get back to where we were in 1996. The world has moved on and the world has moved ahead.

The United States, in particular, is doing spectacularly well out of the information age, as are a number of the East Asian economies and Europe. If we are to compete, we must respond to this challenge, we must be more innovative, we must have more research and development in this country and we must have extra education in this country to lift the skills base. That is the challenge, and I must say that, on all the evidence, it is the divide. It is the philosophical divide between Labor on this side of the House and the coalition on that side of the House. The coalition is obsessed with the old economic agenda of the GST and changes to the industrial relations system, and Labor is absolutely committed to investing in the nation’s future so that we can have a decent, fair and cohesive society.

Mr MARTIN FERGUSON (Batman) (10.09 p.m.)—I rise this evening to speak on the Pooled Development Funds Amendment
Bill 1999. As the parliamentary secretary, the member for Leichhardt, understands—I hope he understands; though I would not be absolutely sure he understands—pooled development funds were established by the Labor government in 1992 to assist the allocation of capital to small and medium sized enterprises. Investments in pooled development funds registered under the Pooled Development Funds Act 1992 receive tax concessions to encourage investment in perceived higher risk small and medium sized enterprises that would not otherwise be available from the general capital market.

It is an important principle that underpins pooled development funds, and I want to deal with this issue. It is, in essence, a principle that says that, where there is market failure—something which I believe is important as you tour regional Australia and listen and talk to people—or where something is needed, the government has to assume some responsibility. That is something you do not normally associate with the workings of the Howard government: assuming some responsibility. I also believe it is a principle with a broader application than this legislation. You most certainly know this, Mr Deputy Speaker Nehl, as a forthright representative of regional Australia. I sometimes do not understand why with your views you do not come and sit on this side of the House with us—people who are prepared to stand up and fight for rural and regional Australia.

When we look at it, we are talking about a total amount of funds raised by pooled development funds that has increased yearly since their establishment in 1992, rising progressively to $328 million as at 30 June 1999. Of pooled development fund investments, 38 per cent are in the services sector, 31 per cent are in manufacturing, 25 per cent are in mining and only six per cent are in agriculture. Concessional tax rates apply to income related to pooled development funds. But, as with most schemes that offer tax concessions, it is difficult to determine the true cost of the Pooled Development Funds Scheme. The costs to revenue of tax concessions are invariably difficult to calculate, as it is difficult to calculate deadweight cost. What is not disputed is that they are needed to provide extra incentives for the development of innovative small and medium sized businesses. As we all understand, it is those businesses that are proving more and more to be the engine room of jobs growth, especially in regional and remote areas of Australia.

Therefore, I note with interest Senator Alston’s comments on 29 March this year about the government’s pooled development fund and innovation investment fund programs. I report to the House this evening that, unfortunately, these programs are not designed, as has become part and parcel of the Howard government’s approach, to actually assist regional Australia. If anything—and Senator Alston’s comments of 29 March prove it—regional Australia does not fit in to the mindset of the Howard government. They are sometimes referred to for a political purpose but, like nearly all Howard government programs, regional effects are, if anything, an afterthought at most.

The Howard government, as I believe, had four years to get serious about regional effects but has refused to act. It is only now that the Howard government can be brought to the table on some regional issues—but not all; it depends on the latest poll more often than not. Let us just consider the debate we recently had on mandatory sentencing, let alone the question of an apology and a sense of decency, when it comes to the performance of the government overall. For that reason, when we come to these matters, we really have to try to confront the government about its requirement to have a holistic approach which is about serving the best interests of all Australians, not some Australians—especially not those who live at the big end of town and make sizeable donations to some of the intimate dinner parties that ministers hold in the capital cities from time to time.

Therefore, I would argue that bringing funds together to allow risk offset in portfolio diversification is a very sensible idea. It reduces exposure to risk in one of two main ways. First, it may reduce exposure to risk if projects involved are not closely correlated. Second, it may reduce risk if the projects are directly related and feed off each other in a cluster type arrangement. Strategies for as-
sessing and managing risk are vital to the future of regional Australia. This is an issue I hope the government will be addressing in the upcoming regional budget. I can only say in passing this evening that the upcoming regional budget will actually determine whether or not this government is serious about regional Australia and whether or not this government has merely sought to use the regional summit of late last year for the purposes of political expediency without any medium- to long-term commitment to overcome the serious challenges in the sense of their missing out, which is so much part and parcel of regional Australia at the moment.

After reading a few opinion polls, I am pleased to report, it seems that the Prime Minister now has a stake in regional Australia, but only now. It is a very small stake, but then again he does have a chance in the forthcoming budget to prove that it can be a big stake. Perhaps we need an opinion poll to suggest that regional Australia actually wants some assistance. He might then at least listen and say, ‘I think we will not only have a little stake in regional Australia but we will have a big stake because, in 12 months time, we might have an election.’

Nothing is clearer on this point than the Howard government’s record. Upon coming to office, the government broke their election promise and abolished the Office of Regional Development. They proudly exclaimed that there was no role for the Howard government in regional development. I will repeat what they said: ‘We have no role for our national government in regional development.’ They said prior to that, in the lead-up to the March election, that they wanted to govern for all Australians. Yet in their first budget they proudly announced that there was no role for the Howard government in regional development. I will repeat what they said: ‘We have no role for our national government in regional development.’ They said prior to that, in the lead-up to the March election, that they wanted to govern for all Australians. Yet in their first budget they proudly announced that there was no role for the Howard government in regional development. 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Rural and regional communities, I am reporting this evening, have not forgiven the Prime Minister for walking away from them. A bush apology whistlestop tour, with a hit here and there—and in between, having to go back to Melbourne for the Allan Border cricket dinner—has just not convinced regional Australia that this Prime Minister actually has a commitment to try to overcome their problems. Maybe he got a free meal and a cricket bat, and that was more important than actually staying in Dubbo and touring a fairly successful Aboriginal project, which has actually made a major improvement in the local community not only for Aboriginals but for the whole of the community. I suppose it comes back to priorities. His was a free meal. He was able to look at Allan Border and, on the way back, say, ‘I did think about regional Australia for a day or two.’

The truth of the matter is that regional communities have not forgotten that the Howard government has cut 32,000 jobs—a fifth of the Commonwealth public sector—since 1996. At least another 40,000 jobs have been lost from Telstra in preparation for its sell-off. We know there will be more to come on that front, including in your electorate, Mr Deputy Speaker, and I can understand why you have decided to retire at the next election. I think I would be like you: I would have had a gutful of trying to defend this government’s decisions.

Mr DEPUTY SPEAKER (Mr Nehl)—I must interpolate and say that no-one can accuse the member for Batman of not addressing his remarks through the chair!

Mr MARTIN FERGUSON—As I said, job losses have occurred across a range of areas including the ABC, Medicare, and tax and social security offices in many rural and regional communities. I do not have time to name them all this evening, especially those in your electorate, Mr Deputy Speaker, and the member for Leichhardt’s electorate. I remember the Mareeba CES office in the electorate of the Parliamentary Secretary to the Minister for Industry, Science and Resources. I had a lot of time there talking to the local community about the CES issue. In 1997, the federal budget cut 2,000 Department of Employment, Education and Training jobs in rural and regional Australia alone. Of course, that was more than matched by the $2.1 billion cut from employment and training pro-
grams in the same budget. I am sure the Deputy Prime Minister knows the truth about what people think about those cuts to employment and training programs and what they think of the Job Network. It is more than the fact that the government has abandoned the field of regional development; it is the fact that national economic policy has ignored rural and regional communities for far too long. It is little wonder that people and places feel left behind, because they have been left behind more than ever.

I therefore suggest to the House this evening that a different approach is needed—an approach founded upon a commitment to involve the regions that are missing out not just in outcomes but in policy design, development and delivery. That is what it is all about: not just outcomes but a thinking government that is committed to regional Australia and policy design, development and delivery. It is about follow-through and a holistic approach to serving all Australians. It means talking and listening. It means giving people the feeling that they are participating in society and that they have a chance to shape their own future. It also means knowing that the national government is on their side, working with them and for them.

We currently have a political environment where the Howard government comes out after four years and says that it believes in regional development. What a turnaround after wiping out that commitment and sitting on its hands for four years! If it had not been for the recent Victorian election, it would have been even longer than four years. After all the budget cuts and the fiscal vandalism to buy the GST, what is going to be left behind for regional development and regional Australia? What is going to be there for regional services in trying to ensure that, irrespective of whether you live in Dubbo, Coffs Harbour, Sydney or Melbourne, you are entitled to the same commitment, access and opportunity? That is what it is really about: a sense of one government delivering to all Australians the same access and quality of services. That is what we want to see for rural and regional communities and remote areas of Australia in the forthcoming budget, not just further pipedreams, promises and cuts as have occurred with respect to those areas of Australia over the last four years.

I therefore refer to the fact that people have heard the Prime Minister’s rhetoric about red lights flashing and the Deputy Prime Minister’s rhetoric about concern for the bush. What happens in practice, unfortunately, is that the Treasurer, with the full cooperation of the Prime Minister, time and time again rolls the Deputy Prime Minister, the Leader of the National Party, on every occasion when it counts. That is the essential problem facing this government: after its fiscal vandalism, the cupboard is bare. But that does not stop it running around the country saying that it has refound its commitments to the bush. I say refound because the Country Party once meant something to the bush. That is why we have parliamentary secretaries on the other side of the House who now represent seats that in years gone by were represented by the Country Party. The problem is that they have been elected because of the failure of the National Party to actually stand up for rural and regional communities. I know that is why they are shaking their heads at the moment: they are proud of the fact that the bush and its representatives no longer twist their tail but do what they are told by the Liberal Party, like little puppies, and sit in the corner and scratch themselves whenever they are told to by the Liberal Party.

I therefore suggest to the House that those people from the Country Party once represented people in regional and rural Australia but that is no longer the case. People in regional and rural Australia are looking for someone to listen to them, and to give them a voice. That is something that regional coalition MPs are no longer capable of or interested in doing. I argue that because every time they stick up for their constituents they get rolled. Every time regional members speak up for their own electorate, they are forced to defend the indefensible. The test of regional MPs is their final votes in this parliament on critical issues. Despite what they say at home—and I read a lot of regional newspapers from places such as Toowoomba, Kalgoorlie, Mackay, Lismore and in Grafton; and I will not say Coffs Harbour—we all know how they vote when push comes to
shove in this House. People in their electorates will also know more and more because I actually quite enjoy visiting those regional seats, talking to the local media and exposing those people for what is in essence a sense of dishonesty with respect to what they say in the local electorates and what they do in the House.

That takes me to the fact that there are 220 areas in Australia where unemployment is above 10 per cent—too many places that have been left behind by this government. Pooled development funds, as you and I know Mr Deputy Speaker Nehl, are generally a solid idea—and we are pleased to support an extension of a Labor initiative. There is a case for increased flexibility and improved compliance and performance monitoring, subject to the concerns raised by previous speakers on this side of the House. It is important to get venture capital into Australia, particularly in regional Australia, and it is important to encourage risk taking in small and medium sized businesses. But I would also like to remind the House that pooled development funds are not enough on their own. Infrastructure and business support services are needed to attract new industries to regional Australia.

Without the infrastructure and the business support services, we will not develop our regions. Infrastructure underpins regional development. It is needed for full social participation through its role in service delivery and for economic participation by encouraging local opportunities. There is a wide range of evidence suggesting that core infrastructure is actually a driver of economic growth. Unfortunately, we have a government not prepared to invest in Australia’s infrastructure. They are now resorting to trying to bribe and blackmail people in regional Australia. In essence, they are saying, ‘We will invest maybe X million dollars in regional infrastructure, but only if you roll over and agree to selling the rest of Telstra.’ Blackmail, thuggery and an endeavour to intimidate regional Australia: that is what it is from the Howard government.

I therefore suggest—because this is the real test—that we wait and see whether the upcoming budget is a budget that is about regional development. For example, will the government deliver the $671 million they promised from the second tranche of Telstra? That is what they promised last time, and they will need to deliver on that promise before people are even prepared to scratch their heads and think about a further sale of Telstra. Perhaps the Queensland National Party is right: enough is enough, and there should be no further sale of Telstra. This is despite fact that the Leader of the National Party just treated the Queensland branch of the National Party with utter contempt in this House this week, dismissing their view on the basis that, ‘We won’t be told what to do by the largest branch of the National Party in Australia. A hand-picked group in a little room in Canberra will make these decisions with utter contempt for the National Party branch in Queensland, the largest state branch of the National Party in Australia.’ So it comes back to: where are we going? The irony is that the government will not succeed in selling off Telstra. They cannot succeed if they want to. Labor do not want to. The Democrats do not want to. The Queensland National Party do not want to. But I wait to see whether Queensland members of the National Party will again dodge it when push comes to shove on this important issue, despite the direction of the Queensland branch of the National Party.

We really have a difficult process ahead of us. This Pooled Development Funds Amendment Bill 1999 is important. It is not only important for small and medium sized enterprises; it is important for Australia at large and important for rural and regional Australia. I believe that there is a common sentiment around Australia that local problems need local solutions. There is also a very clear view coming from the communities that are missing out that there needs to be national leadership. I think we need to ask ourselves about the opportunities offered by this government. There is less money for assisting the people in places that have been left behind and there is less of a chance that regional infrastructure will be enhanced—and the Howard government claims these things as a triumph. That may be the view of the Prime Minister from Kirribilli or the view of the Deputy Prime Minister from his New-
stead Estate—or is it Red Hill?—but it is not the view of people in rural and regional communities. People understand that you need to sustain the nation, that you need to sustain services and that you need to sustain infrastructure. They understand these things because they have to live with the consequences of a government that has neglected them.

When I travel around regional Australia, people tell me that they do not want to be neglected any more; they have had a gutful of the last four years of the Howard government. I note with interest the Deputy Prime Minister’s response to my call to give regional and rural Australia their voice back. He mocks it. He clearly does not believe that people need to be given a say in their own future. Just ask the Queensland branch of the National Party about the Deputy Prime Minister’s response to their view this week. He dismissed it, like a bag of spuds, with utter contempt. But you cannot just say, ‘We will give you a say’; you have to back it up with commitment to providing resources, back it up with local initiatives. So I just say this to the government this evening. The problem is that people in rural and regional communities have seen through you. Pooled development funds are important, but it comes back to concrete action. We want to encourage venture capital and small business risk taking—they are all important. But they should form part of an overall strategy, a strategy that requires commitment, something that has been missed for the last four years. *(Time expired)*

Debate (on motion by Dr Stone) adjourned.

A NEW TAX SYSTEM (FAMILY ASSISTANCE AND RELATED MEASURES) BILL 2000

Consideration of Senate Message

Bill returned from the Senate with requests for amendments and amendments.

Ordered that the requested amendments and amendments be taken into consideration at the next sitting.

BILLS RETURNED FROM THE SENATE

The following bill was returned from the Senate without amendment or request:

Aviation Legislation Amendment Bill (No. 1) 2000

ADJOURNMENT

Motion (by Dr Stone) proposed:

That the House do now adjourn.

Rockhampton Airport

Ms LIVERMORE (Capricornia) (10.31 p.m.)—I want to speak tonight about an issue that I first raised in the House at the end of last year. At that time I called on Airservices Australia and the Minister for Transport and Regional Services to reconsider their decision to downgrade the Rockhampton airport to a category 5 airport. To me the proposal to downgrade the Rockhampton airport and reduce the level of safety and support services at the airport as a result seemed a backward and illogical step when the government has just spent $7 million on extending the airport’s runway to international capacity.

My call on the minister was obviously to no avail because in January this year, at the same time the Prime Minister was making his very short-lived commitment to stop pulling services out of regional Australia, our airport in Rocky was downgraded and three firemen were given redundancies. I believe one of those firemen finishes up tonight, and I wish him well in the future.

The Minister for Transport and Regional Services has yet to come to grips with what the downgrading means for Rockhampton and our plans for the region to capitalise on the extended runway by working to attract international tourist flights directly into Rockhampton airport. The minister was very happy to get up in the House on 14 March and spruik about the airport’s new ability to accept and attract international flights. His exact words were: ‘... foreign air carriers will have unrestricted access to regional international airports such as Rockhampton’. However, only days after he performed the opening of the extended runway, when questioned about his department’s downgrading of the airport the minister was completely stumped. The minister’s answer indicated that even he recognised the absurdity of the department’s decision to downgrade the support facilities after enhancing the airport’s capacity. The minister said:
If there was some ruling ... it would obviously have applied to the airport at a time when it was not capable of taking those big international flights anyway.

When the minister recovered, his lame answer to the people of Central Queensland who have high hopes of the enhanced airport facilities creating new tourism opportunities was to say that the international standard fire and support services will be returned to the airport if required. Really, Minister? So the minister expects people in Central Queensland to believe that statement. We have seen the tax office close. We need that back and it has not reopened its doors. The minister has given us no guarantees about Telstra jobs that exist in Rockhampton. Is he going to give us those back if we ask for them?

All these government services have been taken away from Central Queensland never to return, but the minister expects us to believe that he will restore the support services at our airport when we ask him to. He expects us to go out there and promote our facilities to potential international carriers and tourist operators when we do not have the support and safety services to allow them to land at our airport. He has given us a glimpse of an opportunity and then nobbled us just as quickly.

The minister’s promise to restore our airport’s fire services is even harder to believe when you read the draft Civil Aviation Safety Regulations for Aerodrome Rescue and Fire Fighting Service that the Civil Aviation Safety Authority under the minister’s direction hopes to implement from 1 July. Under the new regulations Airservices Australia will no longer be required to provide a firefighting service at Rockhampton airport. It is right here in CASA’s notice of proposed rule making at paragraph 6.12. The outcome of the proposed 350,000 passenger model on the present Australian situation will determine that, among others, Rockhampton would not require a firefighting service. It is right there in black and white.

Rockhampton currently accepts over 331,000 flights per year, not counting the 10,000 military personnel who landed at the airport in commercial carriers during the annual military exercises at Shoalwater Bay. There is no question that this is an airport with a large capacity at this stage. We are out there trying to make this a sustainable and successful facility into the future. So where does this draft regulation leave our plans in Rockhampton for accepting international flights? How does the imminent axing of the existing fire service fit in with the minister’s promise to Rockhampton to increase fire services? The minister is very happy to come up to Central Queensland and cut ribbons, but what about putting in place strategic, integrated policies that give our region a chance? Why give us an opportunity like the extended runway on the one hand but then undermine our chances of making it work for our region by short-sighted, cost-cutting measures like these proposed by the Civil Aviation Safety Authority? The minister needs to work with Central Queensland to maximise opportunities, not cut the ground from under us such as he has in this instance with more cuts for the sake of cuts.

Drugs: Marijuana

Mrs ELSON (Forde) (10.35 p.m.)—I rise today to bring to the attention of the parliament an excellent document which I believe should be read in every Australian household. I came across this publication entitled ‘The dangers of marijuana’ on the Salvation Army’s Internet site. Like everything the Salvation Army does, it is practical and no nonsense. It clearly sets out and explains the dangers of this drug and outlines recent medical research. I believe it is a very important tool in the fight against drugs. I commend this to everyone.

I have been alarmed for some time that there appears to be a growing opinion in our society, particularly amongst young people, that marijuana is a soft and safe drug, is natural, is a herbal preparation and has no side effects. I have even heard people saying that it is safer than cigarettes. In fact, nothing could be further from the truth. The frightening thing is that, while the health risks of smoking cigarettes are very well known, there is little knowledge of the many lasting health effects of smoking marijuana.

There is not time here tonight to detail all the evidence in this publication on the many negative consequences of marijuana use.
Studies have shown that long-term users of cannabis are six times more likely to develop schizophrenia. It was found to have a brain-ageing effect on users similar to Alzheimer’s. It was linked with long-term and short-term memory loss. It decreases testosterone production and leads to a low sperm count for men. If a woman uses marijuana during pregnancy, there is a higher risk of miscarriage and lower birth weight and the child is more likely to have behavioural problems. Sadly, a child whose mother smoked marijuana during pregnancy has 10 times the risk of developing leukemia.

Smoking one marijuana cigarette leaves airway deposits of four times as much cancer causing tar as does smoking one tobacco cigarette. Marijuana can cause lung disease, emphysema, chronic bronchitis, asthma and sinus problems, and a study of patients under 40 years old with respiratory tract cancer found that 70 per cent of them were daily marijuana users. This alone puts lie to the notion that marijuana is a safer drug than tobacco. On top of this it has been found that marijuana can lower the body’s immune system, cause chromosome damage—which may be passed on to children—weak heart muscles and lead to heart disease, not to mention the fact that often it leads to harder drug use. It is undoubtedly the cause of many cases of family breakdown, depression and a range of other social and psychological problems. Given the potential health risks, I believe we have to be a lot more proactive in letting our young people in particular know about these dangers.

I commend the Salvation Army on this publication, the ongoing work they do in the community and their own steadfast determination to get tough on drugs. Major Brian Watters of the Salvation Army is doing a wonderful job as Chairman of the Prime Minister’s National Council on Drugs. He is a tireless crusader, and I thank him for his ongoing work. I intend to publicise this document widely in my electorate and to let parents and young people know that marijuana is not a soft drug and not a safe drug. Studies have only just scratched the surface on the health side effects of marijuana. I fear that by the time we know the full extent of the dangers of the drug it will have destroyed countless lives.

I am proud to be part of a government that is getting tough on drugs. Unlike the previous government, we have not consigned the issue to the too-hard basket. Our Tough on Drugs strategy is a sensible, three-pronged approach aimed at enforcement, education and rehabilitation. I was delighted last month to announce that the Beaudesert health and community welfare organisation in my electorate had received over $78,000 from the Howard government, as part of the community partnership under Tough on Drugs, to fund a special program for the local young people. The program will address issues of peer support and community and family connectedness and encourage a whole of community approach to the issue of drugs. It is all part of building a strong social coalition, with the community, business and government working together to solve social problems. There is no doubt that drugs are a serious threat to our kids’ future. It is something that every Australian parent worries about.

I want to assure my constituents that I will continue to work with the community and as part of the government to do what I can to help tackle the drug problem and to create a safer community for everyone, and to do this we cannot afford to let the perception grow that marijuana is a safe drug. I commend this report, ‘The dangers of marijuana’, to all members of this place and encourage each of you to let local families in your own electorates know about this valuable resource.

May Day: Australian Labor Party

Ms HOARE (Charlton) (10.40 p.m.)—As members would be aware, between this sitting week and the next, May Day will be observed around the world recognising workers and their struggle for conditions and pay. In Newcastle this year May Day will be celebrated with a dinner, at which my colleague the member for Melbourne, Lindsay Tanner, will be guest speaker, and a march on 6 May. This year’s May Day festivities have been organised by the May Day committee, whose members include Steve Wilson, Janet Sutherland—the President of the Newcastle Trades Hall Council—Shannon Gleeson.
Eddie Seymour, Rod Noble, Steve O’Brien and Nick Nicholas.

Newcastle has a long and proud history, and May Day in the trade union movement has played an integral part in the maturation of that history. As early as 1862 Newcastle workers formed an eight-hour committee to fight for an eight-hour day, and demonstrations of workers were commonplace from 1873. May Day was first celebrated in my electorate in 1894 in the town of Wallsend.

Following the First World War came the onset of economic depression. Interest in socialist ideals escalated and May Day became identified as a day on which workers’ rights and socialism could be celebrated. In 1920 Labor Party supporters in Newcastle observed May Day to celebrate the election of three members to parliament. May Day was shortly recognised as Labour Day in Newcastle and Cessnock and was celebrated by large numbers of workers. The first May Day march down Hunter Street in Newcastle was in 1931.

I remind this parliament and my colleagues that the Labor Party is the senior party on the Australian political landscape. We have existed for over 100 years. We have never thought it necessary to repudiate our past or to change our name. We see everything that is honourable in the word ‘Labor’, and to us it refers to all people who use their physical or mental abilities to contribute to the social process of value creation. I also remind my colleagues that it was the Australian Labor Party that formed the first identified workers government in the world when Anderson Dawson and his Labor colleagues were sworn into government in Queensland at the end of the 1800s. That government lasted for only six days but it sent shock waves through the ruling class establishment. For the first time ever, people who proudly proclaimed their working-class origins had taken over the reins of government. After those six days and the lesson they taught us, the world would never be the same. Ordinary working-class people knew that they need never again be locked out of decision making and out of the exercise of political power.

The short-lived Dawson colonial government which was formed by a workers party when John Christian Watson formed his federal government in 1904. This lasted just over three months but another first was created by the Australian Labor Party. In 1908 the Australian Labor Party created another first when it was elected to national government under the leadership of Andrew Fisher—again, the first workers party in the world to achieve that distinction. They are just some of the great number of experiences and successes which are woven into the grand fabric and tradition of the ALP. May Day is a great opportunity to pay tribute to this history and look to future success in the battles against inequality, poverty and repression.

Pearce Electorate: Youth

Mrs MOYLAN (Pearce) (10.44 p.m.)—It seems appropriate for me to rise in this place this evening to highlight the tremendous work being done by young people throughout this country. In fact, today many young people from all over Australia are meeting at the Australian National Youth Roundtable here in this parliament. In a time when you hear so much about young people and drugs, young people and crime, young people and antisocial behaviour I think it is really important that we speak in this place about the positive things that young people are doing in our community. All over Australia there are young achievers, young people contributing to their communities in very significant ways. On Friday, 24 March I had the great privilege of meeting in my office six young achievers in my electorate of Pearce, just to have a bit of a chat. These are all young people who have made an outstanding contribution to their community. I just want to run through the contribution that a few of those young people have made.

In my office were Jane Wale, Seaneen Sullivan, Jye Thompson, Alex Paul, Alicia Curtis and Cameron Thompson. They are all helping to make Pearce and the Australian community better places for us all to live in. They have achieved many things for the community, and they are providing very positive role models for other young people in the community. Cameron Thompson is just beginning to find his niche. He was the
youngest of the people that came to visit. He has just won an award for an essay that he did on women in politics last year. Jye Thompson is a member of the local Youth Advisory Council, a very motivated young man who gives willingly of his time for the benefit of youth in the community. He is also studying and working part time.

Jane Wale travelled to Canberra to represent the views of WA youth on issues affecting the environment at last year’s National Youth Parliament. Alicia Curtis attended the National Youth Roundtable conference in Canberra last year. She has done some outstanding work with youth on issues to do with the environment, establishing and organising a conference for young people in Western Australia to discuss environmental issues. She has presented those findings to the conference, and last week she was awarded the Youth Environment Award in WA’s youth awards. Alex Paul has recently returned from a trip overseas where he participated in the Hague International Model United Nations project.

I have to say that during our meeting I was really impressed with these young people, who were articulate, intelligent, motivated and confident young people, juggling studies, working sometimes part-time jobs to help support themselves and engaging in community work with a very keen interest in the government of our state and our nation and in finding out what makes it work.

It is not often, as I said earlier, that we hear the good news about our young people. They are painted often in a very negative way. It is sad that this picture is so often portrayed, because it represents only a very small number of young people in the community. I do think it is important that we draw the community’s attention to the very positive things that young people are doing in the community to play their part and to prepare themselves to take on leadership responsibility.

Other examples of youth in my electorate who are doing their bit for the community are people like Shane Troy, who is just 14 and was named Gingin Shire Council’s young citizen of the year. And today, proudly, Jennifer Marshall from the country town of Northam is here representing Western Australia and the Avon region at the Australian National Youth Roundtable. Each of these young people has made a special and lasting contribution in their own way to improving the quality of life for themselves, for their families and for other people within the community, in Pearce in particular.

Lalor Electorate: Bank Closures

Ms GILLARD (Lalor) (10.48 p.m.)—The issue I seek to raise tonight is one of concern to the community of Sunshine, particularly west Sunshine, namely the planned closures of the Sunshine heights and Sunshine north branches of the Commonwealth Bank. Each of these branches is marked for closure on 5 May. I seek to address my remarks tonight to the problems raised by the proposed closure of the Sunshine heights branch, which is within my electorate and located on Glengala Road. This branch of the bank has been open for decades. It is now nestled within a lively strip shopping area. This area is home to a variety of shops, including a butcher, a dry-cleaner, a florist, a fresh fruit and vegetable store, a hardware store, a hot bread store, a pharmacy, a video store, three milk bars and three cafes and takeaway food facilities. The Commonwealth Bank is the only bank located in this shopping strip.

The proposed closure of the Commonwealth Bank branch would cause problems for customers and for the continued viability of this shopping strip. It should be noted that the Sunshine community faces considerable disadvantage. It experiences unemployment rates that generally run at more than twice the national average. Indeed, there are occasions when the small area unemployment statistics reveal Sunshine to have the worst unemployment problem in the state of Victoria.

Sunshine is a highly multicultural community and is home to many recently arrived migrants who make Sunshine their first home in Australia. And it is exactly this kind of community that Australian banks seem to have turned their backs on. Australian banks no longer want or are prepared to service customers who because of language, age or other difficulties may need greater assistance with their banking than most customers. Australian banks no longer want customers
who have a preference for face-to-face banking. Australian banks no longer want customers who have low or modest bank balances.

Customers of the Sunshine heights branch in Glengala Road are being told that they can still access the Commonwealth Bank branch in Hampshire Road. Scant regard has been paid to the fact this branch is a bus ride away and that the bus stops on one side of an underpass while the bank is located on the other side. Consequently, customers face not only the confusion of the change and the problem of the distance involved but also the real safety issue of needing to walk through an underpass on the way to do their banking and on the way back when they may be carrying, as a result of having done their banking, an unaccustomed amount of cash. There seems to have been absolutely no regard paid by the Commonwealth Bank, in deciding which branches it should close, to these very basic logistical difficulties for the customers in west Sunshine.

In addition to the major problems caused to customers, the proposed closure of the bank branch jeopardises the future of the shopping strip in Glengala Road, which I have already described as a very lively shopping strip. Traders in other parts of my electorate who have had to deal with local bank closures—and I refer specifically to the bank closures which affected the Aviation Road shopping strip in Laverton—know from their own experience that a shopping strip which can no longer offer customers banking services has considerable viability problems. Obviously, as we all know from our own experience, people tend to make one trip to do their banking and shopping. If they are unable to access banking facilities in their local shopping area, they will make a trip to another shopping area where they can access banking facilities, and the local area dies. This of course has been the pattern across our suburbs, as we have seen strip shopping areas close in favour of larger supermarkets.

It seems to me that we need to put the considerable difficulties that the customers of the Sunshine Heights branch and the traders in Glengala Road will experience in context. The latest announced profit figure for the Commonwealth Bank was a half-year figure as at end December 1999, and that figure was $840 million. For the full financial year before that the profit was $1.42 billion. We can see from those figures that the annual profit for the last known financial year was considerable, and the bank will probably make more this financial year than last financial year. It seems to me that in those circumstances a bank which is recording such profitability figures ought to review the proposed decision to close its facility in Sunshine—it ought to reverse the decision. (Time expired)

National Youth Roundtable: Outcomes

Mrs MAY (McPherson) (10.53 p.m.)—I would like to join with my colleague the member for Pearce tonight in congratulating the exceptionally talented group of young people who are in Canberra this week attending the National Youth Roundtable 2000. The National Youth Roundtable is an initiative of the Howard government and it was run for the first time last year. As expected, the inaugural Youth Roundtable was an enormous success and the government is looking to build upon that success again this year. How could an event such as this be anything but extraordinary? When you bring 50 of our nation’s best and brightest young people together with government ministers and policy makers the result is bound to impress. The roundtable group is broadly representative of all young Australians, in age and in gender. Some are studying and some are employed; some are indigenous Australians and some are from non-English-speaking backgrounds.

In September last year the 1999 roundtable members completed their journey and presented their findings to the government. These findings were the culmination of months of forum discussions, community projects, state based workshops and topic groups. The government was suitably impressed, and many of the inaugural roundtable’s findings have already received a positive response. What this boils down to is that this government is interested in what Australia’s youth are thinking. We are interested in what they have to say. The National Youth Roundtable offers an opportunity for young Australians aged between 18 and 24 to estab-
lish a direct dialogue with the federal government so that their views, concerns and opinions can be taken into account in policy making. The roundtable is a way to open up the doors of this place to the next generation who will be in charge of running it. It is a way to quell the apathy and sense of disenchantment with politics that many in our society feel.

I have no doubt that Simone Donoghue from the Gold Coast is one of Australia’s leaders of the future. Although just 18 years old, Simone has not only learnt the value of contributing to the community but carried it out. Simone is a full-time student at one of the Gold Coast’s excellent tertiary institutions—Bond University—where she is studying for a combined degree in international relations and business. She has a strong interest in disabled sporting activities, is a member of the Queensland Paralympic Committee and the Sporting Wheelies and has been a volunteer at the Gold Coast marathon for eight years. She is also involved with the Australian wheelchair basketball squad and the Australian disabled swim team.

In 1997, at only 15 years of age, Simone was named Gold Coast Junior Citizen of the Year and was the Queensland ambassador for National Children’s Week. Without doubt Simone is a gifted, energetic young woman who has an admirable commitment to the Gold Coast community, her family and her country. I feel particularly proud and privileged to call her a friend. She is one of tomorrow’s leaders, and I know her involvement with the Youth Roundtable will leave a lasting impression that will help her to achieve the goals she has set for herself in the future. I am pleased to see that our country is in good hands for the future.

Bankstown-Canterbury District Cricket Club: Premiership Win

Mr MELHAM (Banks) (10.57 p.m.)—I rise tonight to congratulate the Bankstown-Canterbury District Cricket Club on their recent premiership win in the first grade Sydney cricket competition. The club was admirably led by Kevin Roberts, who captained the side and is also a state player. There are a number of state players on the side, but there is one person who needs special mention and that is Ken Hall, who is a spin bowler and is nicknamed ‘Emu’. Ken is in his late 40s and has been playing continuous cricket at the first-grade level for umpteen years. He has not played a second-grade match. I also want to congratulate the club president, Brian Freedman, and the club secretary, Martin Klumpp.

This is the first year of their new grandstand. It was recently opened. This is also the club that has Mark and Stephen Waugh as their cricketers. They were not playing in the competition, mainly because of their Australian commitments. It is a club that has also had past Australian players, the most notable ones, I think, being Len Pascoe—or Len Durtanovich, as he was originally known—and Jeffrey Thomson. The club has a proud history. We in the community adore them. They are fine ambassadors for the local community. They defeated St George in the competition and it was a good match. They finished again in a true spirit. Many people attended. Sport is very important to us in Bankstown. Bankstown boys never give up and they have served their community and their country in all walks of life.

To Kevin and the boys, I was proud of you. You deserved the premiership because of the way you persevered throughout the year. It is not easy when you cannot have state and Australian players in your side, but the club is full of depth and enthusiasm. Congratulations on a job well done.

Mr SPEAKER—Order! It being 11.00 p.m., the debate is interrupted.

House adjourned at 11.00 p.m.
NOTICES

The following notices were given:

Mr Williams to present a bill for an act to amend the law relating to privacy, and for related purposes.

Mr Anderson to present a bill for an act to amend legislation relating to aviation, and for related purposes.

Dr Theophanous to move—

That this House:

(1) recognises that the current Australian Government policy of mandatory detention of refugee claimants who arrive in Australia without visas is an unfair policy that applies to all person irrespective of their circumstances and their the genuineness of their claim for refugee status;

(2) recognises that the policy has been condemned by Amnesty International, the Refugee Council of Australia, the International Commission of Jurists and other organisations for the suffering it creates; and furthermore recognises that Australia is the only developed country to have such a policy;

(3) recognises that Amnesty International has described this policy as “not permitted under international human rights commitments” and that it “denies human rights to asylum seekers rights that are guaranteed for all Australians, even convicted criminals”; and.

(4) calls upon the Government to abolish this policy and replace it with an alternative which allows for the consideration of the individual circumstances of refugees before any decisions about detention is made and in seeking to establish such an alternative the Government should consider the submission of the Refugee Council of Australia entitled “an alternative detention model”.

REPRESENTATIVES
QUESTIONS ON NOTICE

The following answers to questions were circulated:

Prospect Electorate: Medicare
(Question No. 1135)

Mrs Crosio asked the Minister for Health and Aged Care, upon notice, on 15 February 2000:

(1) How many women in the electoral division of Prospect claimed the Medicare rebate for ultrasound screening during 1999.
(2) What was the average sum of the rebate.
(3) What was the average age of the women.
(4) Will the money saved by cutting the Medicare rebate be used to cover the expenses of magnetic resonance imaging scanning equipment.
(5) Will pregnant women need to pay up to $85 more for ultrasound screenings; if not, what will be the extra cost for ultrasound screenings.
(6) Will poorer women be disadvantaged by the cut to the rebate; if not, why not.

Dr Wooldridge—The answer to the honourable member’s question is as follows:

(1) 2372 women in the electoral division of Prospect claimed the Medicare rebate for obstetric ultrasound, 4385 women claimed gynaecological ultrasound items and 8770 women received other ultrasound services.
(2) The average rebates were $84.81 for referred obstetric ultrasound, $29.42 for non referred obstetric ultrasound, $86.35 for referred gynaecological ultrasound, $29.87 for non referred gynaecological ultrasound, and $110.37 for all other ultrasound.
(3) The average ages of women receiving obstetric ultrasound was 29 years, the average age for gynaecological ultrasound was 36 for referred scans and 37 for non referred, and 48 for all women receiving other ultrasound scans.
(4) No.
(5) No.
(6) No. Women with concerns about the cost of ultrasound services should consider attending diagnostic imaging facilities where bulk billing is available. In the year to date, approximately 65% of diagnostic imaging services were bulk billed. Further, poorer women will actually benefit by the promotion of quality ultrasound, that the changes promote.

Australian Taxation Office: Taxpayers Charter
(Question No. 1157)

Mr Kelvin Thomson asked the Treasurer, upon notice, on 15 February 2000:

(1) Has his attention been drawn to an article in the Australian Financial Review on 24 January 2000 reporting that the Australian Taxation Office (ATO) is promising to deliver responses to all non-policy queries within 5 days, down from 28 days under the current Taxpayers Charter.
(2) Will the ATO change its Taxpayers Charter to reflect the change.
(3) Have other business lines had staff cuts in order to fund the service.
(4) For how long will the Information Response Service run.
(5) Does the 1999-2000 Portfolio Budget Statement for the ATO state that the ATO will achieve a drop in staff costs of $117 702 000 by 2002-2003 whilst increasing staff for the GST; if so, has funding of the service been accounted for in the forecast reduction of staffing costs.

Mr Costello—The Assistant Treasurer has provided the following answer to the honourable member’s question:

(1) The five day response period is being promoted to provide a fast and accurate response to client requests for technical (law) advice in relation to the Australian Business Number (ABN), Pay as you go (PAYG), Goods and Services Tax (GST) and Fringe Benefits Tax (FBT) as it relates to the Activity Statement for Business and Individuals. The five day standard recognises that businesses have, to date,
been relatively late to action reform and are now requiring a responsive advice service to ensure they are ready for commencement.

(2) The ATO is presently reviewing The Taxpayers’ Charter standards to address changed and new work practices as a result of reform initiatives and ATO service improvements. The Replyn5 five day response standard will be reflected in The Taxpayers’ Charter.

(3) ATO officers in the Replyn5 workforce are primarily existing GST officers. A number of officers from other business lines are utilised to provide knowledge support for ABN, PAYG and FBT. The Replyn5 Service is not a ‘new’ service but rather a change in work practices and culture with corresponding technological support to enable more timely address of requests for technical advice.

(4) The Replyn5 Service has, at present, no defined period for operation. The intention is to provide a reliable, fast avenue of advice for taxpayers to prepare for the commencement of the new taxing arrangements. The ATO will review Replyn5 in the course of normal governance and accountability processes. It is not unreasonable to consider that with the expediency of changed work practices and technological support that taxpayer service expectations will rise. This, of itself, will provide some impetus for the ATO to continue Replyn5 arrangements as part of normal business operations.

(5) The funding of the Replyn5 Service is within the ATO forecast.