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Tuesday, 7 August 2001

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

QUESTIONS WITHOUT NOTICE

Liberal Party of Australia: Four Corners Program

Mr McMULLAN (2.01 p.m.)—My question is to the Prime Minister. Prime Minister, what do you know about the $250,000 operating fund which was established to support a political dirty tricks campaign against former Prime Minister Paul Keating and drawn upon by your Liberal associate Mr John Seyffer—

Government members interjecting—

Mr SPEAKER—The Manager of Opposition Business has the call. The Prime Minister is being denied the opportunity to hear him, mostly by the result of comments on my right.

Mr McMULLAN—and his overseer, Senator Heffernan? Was the $18,000 payment for legal documents revealed by Four Corners drawn from this fund? Can you give this House a guarantee that no undisclosed Liberal Party funds have been used as part of this fund? If you claim that you know nothing about this fund, what are you doing to investigate the role of your parliamentarians, particularly Senator Heffernan, in this unethical and possibly illegal dirty tricks operation?

Mr SPEAKER—So far as I am aware, the first part of the question refers to matters over which the Prime Minister has no jurisdiction or control.

Opposition members interjecting—

Mr SPEAKER—I am referring to the standing orders and I will deal very abruptly with anyone who interrupts me. However, the second part of the question does refer to a matter of ministerial responsibility—the Manager of Opposition Business might care to resume his seat until I have concluded what I am saying—and for that reason I will allow the second part of the question to stand.

Mr McMullan—I raise a point of order with regard to the first part of the question.

Mr Speaker: there is ample precedent, including during your speakership and this prime ministership, for questions to the Prime Minister about the conduct of internal matters in the Liberal Party if they relate to and when they refer to the activities and allegedly affect the activities of members of parliament. There is ample precedent for that and it would be a very significant and unfortunate precedent if you were to say that the Prime Minister’s knowledge or otherwise about a fund on this matter was something which the parliament could not pursue.

Mr SPEAKER—As the Manager of Opposition Business is aware, my ruling is entirely consistent with the standing orders and with subsequent rulings. I have not ruled his question out of order; I have merely pointed out that the Prime Minister’s prime ministerial responsibility is involved in the latter part of the question.

Mr HOWARD—In response to the question, I do not know anything about an operating fund. As to the $18,000, I was asked about that after the program went to air and that was the first I had heard of it. As to allegations of illegality, I think even a spokesman for the New South Wales Attorney-General, Bob Debus, has said that it is not impossible—he may have even gone a little stronger than that and said that it is not unlikely—that the documents referred to in that program were in fact documents that were obtained perfectly legally from parties to the litigation. But as to the behaviour of Senator Heffernan, I have full confidence in him and no allegations of impropriety have been made against him.

Employee Entitlements Support Scheme

Mrs DRAPER (2.05 p.m.)—My question is addressed to the Minister for Employment, Workplace Relations and Small Business. Would the minister inform the House of new protections for South Australian workers whose employers become insolvent? How are South Australian workers better protected than workers living in other states? Are there any alternative policies in this area?

Mr ABBOTT—I thank the member for Makin for her question and I appreciate her deep concern to protect the entitlements of...
workers in her electorate. Let me say that this government is deadset against strikes which cause tens of thousands of Australians to be denied their right to work. But we are also absolutely committed to ensuring that Australian workers get their due, that Australian workers get their entitlements. That is why this is the first government in Australian history to put in place a government scheme to protect workers’ entitlements. No state Labor government has ever put a scheme in place. The former federal Labor government, in which the Leader of the Opposition served as a minister for 13 years, did not put a scheme of entitlements in place, even though tens of thousands of workers lost their entitlements when the Leader of the Opposition was a minister in a government.

Thanks to this government’s scheme, when businesses close down and cannot pay their employees their entitlements, the federal government is there to help. So far under the government’s scheme some $9 million has been paid out to some 4½ thousand workers who have lost their entitlements. Unlike any other scheme that has been proposed, this scheme, the federal government’s scheme, is not a tax on jobs. There is nothing at all wrong with the federal government’s scheme except that, so far, states have not been prepared to pay their fair share under it. But I am delighted to say that, as of today, the South Australian government has announced that it is joining the federal scheme. What that means is that workers in South Australia whose employers cannot pay their entitlements will get twice as much as workers in Labor states. I do not want that to be the case and there is a simple way for this anomaly to be fixed, and that is for the Labor states to join the federal government’s scheme.

Ever since the federal government announced its scheme, Labor has been playing catch-up politics. I accept that the federal government’s scheme is not Labor’s preferred model; I accept that it is not what they would like. But it is the only scheme in place and it is helping workers now. Just because it was not Labor that thought of it first is no reason for Labor to continue to deny workers their maximum entitlements under the federal government’s scheme. I ask members opposite, in the interests of workers in need, to tell their state Labor colleagues to support the federal government’s scheme.

**Employee Entitlements Support Scheme**

Mr BEAZLEY (2.09 p.m.)—My question is to the Prime Minister and follows the one that has just been asked of the minister who is sitting down. Prime Minister, are you aware that Mr Marty Peek, who has worked for Tristar for 30 years, presently has accrued legal entitlements of over $122,000? Isn’t it a fact that under your legal entitlements scheme, even with the states involved, the most Mr Peek—

**Government members interjecting—**

Mr SPEAKER—The Minister for Foreign Affairs! The Minister for Education, Training and Youth Affairs! The Leader of the Opposition has the call.

Mr BEAZLEY—Isn’t it a fact that under your legal entitlements scheme, even with the states involved—be it South Australia, New South Wales or whatever—the most Mr Peek would be able to recover is $20,000, which is just 16 per cent of his life savings? Isn’t it also a fact that under the scheme you constructed solely for the company of which your brother was a director—

Mr SPEAKER—The Leader of the Opposition will come to his question—he is aware he has been given a great deal of latitude.

Mr BEAZLEY—the Stan-alone scheme, he would receive the full 100 per cent? Prime Minister, doesn’t this show the fundamental unfairness in your scheme? The longer an employee works for an employer and the greater his legal entitlements, the less the return from your scheme—

Mr BILLSON—Mr Speaker, I raise a point of order. Under standing order 144, clearly this is a hypothetical question. This company is solvent, it is trading and, despite the best efforts of the Opposition, it is a going concern.

Mr SPEAKER—The member for Dunkley will resume his seat. There is no point of order. If the question were out of order on any grounds, it would be on the fact that it
had more detail, in terms of the name of a person involved, than the standing orders recommend. I have allowed the question to stand. I do not understand the indignation currently being expressed on both sides of the House. I call the Prime Minister.

Opposition members interjecting—

Mr SPEAKER—I understood that the Leader of the Opposition had concluded his question.

Mr BEAZLEY—I was cut off.

Mr SPEAKER—The Leader of the Opposition was required to resume his seat because the member for Dunkley had taken a point of order. The Leader of the Opposition was, I thought, unaware of the member for Dunkley's point of order and for that reason had, I thought, concluded his question. I am allowing him now to continue.

Mr BEAZLEY—Prime Minister, doesn't this show the fundamental unfairness in your scheme: the longer an employee works for an employer and the greater his legal entitlements, the less the return from your scheme?

Mr HOWARD—I will seek from the Leader of the Opposition some further details of this gentleman's entitlements before I can make a judgment without that information as to whether the figures quoted by the Leader of the Opposition are in fact accurate. I would like to know what component of that—

Ms Kernot interjecting—

Mr HOWARD—I am not suggesting that it is not possible for somebody to accrue at the time of redundancy—

Mr Beazley interjecting—

Mr HOWARD—The Leader of the Opposition assists me by interjecting and reminding me that this gentleman has been employed by Tristar for 30 years. But I can be absolutely certain, in advance of receiving that information, of one unassailable fact: he will at the very worst be $20,000 better off than he would have been under Labor. I can be absolutely certain about that because when the Labor Party was in government they cared so little about the entitlements of workers that they were not prepared in 13 years to implement any kind of scheme. The last person who can come to the dispatch box with clean hands on this issue is the Leader of the Opposition, because the Leader of the Opposition had 13 years to do something. The reality is that we have instituted a scheme.

The first observation I would make is to remind the Leader of the Opposition and, indeed, to remind other people who are following this matter that, to the best of my knowledge, information and belief, the Tristar company is trading quite profitably—and after all the comments that have been made by Doug Cameron, aided by Kim Beazley, who tried hard to talk down the company commercially. I ask the House to contemplate the impact on a company of the strike, a strike that was not condemned by the Leader of the Opposition. The strike was never condemned by the Leader of the Opposition and the strike has done damage to the company. Indeed, it has not aided the future prospects of the gentleman referred to by the Leader of the Opposition in his question.

The other observation that I make is that it may be—and I will stand corrected if the figures demonstrate otherwise—that part of the entitlement to that $130,000 is predicated on the gentleman being made redundant. People are not normally made redundant by profitable companies and I would hope—

Mr Price interjecting—

Mr SPEAKER—The member for Chifley! The Prime Minister has the call and he will be heard in silence.

Mr HOWARD—The Leader of the Opposition—

Mr Albanese interjecting—

Mr SPEAKER—The member for Grayndler!

Mr HOWARD—is asking us to accept—

Opposition members interjecting—

Mr SPEAKER—It is obvious that there are those in the chamber who do not believe that the authority of the chair will be exercised to remove them. The Prime Minister—and every other member—is entitled to be heard in silence.
Mr HOWARD—I repeat what I said about the calculation: it may well be—and I stand corrected if the Leader of the Opposition can produce some figures that establish otherwise—that a large proportion of that $130,000 is predicated on a redundancy. The entitlement to a redundancy payment—and this is a point missed in the whole of the debate—does not arise until the act of redundancy takes place. It is not something that accrues legally in the same way as long service leave or holiday pay; it is on a completely different legal basis. As somebody who sat on the front bench of the government for 13 years and did nothing about workers’ entitlements, the Leader of the Opposition does not come to this debate with any credibility at all.

Workplace Relations: Policy

Mr LLOYD (2.15 p.m.)—My question is addressed to the Minister for Employment, Workplace Relations and Small Business. Would the minister inform the House how current federal laws balance the interests of workers, employers and the community in industrial disputes? Are there any alternative policies which would distort this balance, and where do these alternative policies come from?

Mr ABBOTT—I thank the member for Robertson for his question and for his concerns in these areas. Let me make it very clear that this government believes that workplace relations are fundamentally a matter for negotiation between managers and workers at an enterprise level, or even at an individual level. If negotiations break down it is important to have an umpire—not an umpire of first resort but an umpire of last resort—to ensure that disputes in our workplace do not damage the national interest.

Let me make it very clear that this government fully supports the role of the Australian Industrial Relations Commission to set award safety nets, to approve and mediate certified agreements, and to perform all the other important tasks that it has under the Workplace Relations Act. In fact, under the pattern bargaining legislation that is currently stalled in the Senate, this government would have given the Industrial Relations Commission additional powers to order a cooling-off period in the event of damaging industrial disputes.

This government is determined to do the right thing by the workers of Australia. Thanks to this government’s policy, I am very pleased to say that workers’ wages are up and industrial disputation is down, because strikes cost jobs. This government stands foursquare for the workers of Australia, and I am afraid to say that the opposition over there stands foursquare for the unions. Do not take my word for it; I am quoting from the Labor Party’s official web site run off today, 7 August, which says:

A vital part of the Party’s rebuilding process has been to maintain and extend our special relationship with our union affiliates with whom we share much in common.

The Labor Party’s official document goes on to say:

The unions have always been an important source of funds and other resources which keep the party functioning.

Too right they have been! I have a list here of union donations to the Labor Party in just one year, 1999-2000. The Health Employees Association gave $234,000. The Australian Services Union gave $258,000. The Electrical Trades Union gave $277,000. The communications union gave $341,000. The Transport Workers Union gave $376,000. Our old mates the CFMEU gave $402,000. The miscellaneous workers union—the union which the Leader of the Opposition belongs to—gave $456,000, and the ‘shoppies’ gave $523,000. The Australian Workers Union gave $653,000 and the AMWU—Dougie Cameron’s union—gave $680,000 in just one year.

It is no wonder that the only roll-back that the Leader of the Opposition has been prepared to explain has been the roll-back of the government’s industrial relations reform. The Leader of the Opposition will abolish workplace agreements, he will abolish the Employment Advocate, he will allow industry-wide strikes—a stoppage in one factory will stop all factories—and he will exempt unions from the operations of the secondary boycott provisions. This is not cash for comment; this is cash for policy—cash that the unions are paying to buy the policy of the Australian
Labor Party. The unions might be able to buy the Australian Labor Party but they never should be allowed to buy the Australian government.

**Employee Entitlements Support Scheme**

Mr BEVIS (2.22 p.m.)—My question is to the Minister for Employment, Workplace Relations and Small Business. Do you recall the comments by your colleague the Treasurer, reported in the *Australian Financial Review* of 28 January 2000, calling for the adoption of a business funded insurance scheme to protect workers’ entitlements, rather than a taxpayer funded scheme as we now have? He said:

At the end of the day you’re asking taxpayers to pick up what is really the liability of an employer. Minister, is Mr Costello’s preference for an industry funded scheme rather than a taxpayer funded scheme the reason why he has refused to allow the budget to fund your scheme beyond the next financial year? If Mr Costello does not have sufficient commitment to your scheme to back it with funding into the future, why should working Australians have any confidence in it?

Mr ABBOTT—The government’s scheme is fully funded in the forward estimates. The difference between our scheme and the various proposals emanating from members opposite is that our scheme is not a tax on jobs. That is the beauty of our scheme: it protects entitlements but it does not cost jobs; it is not a tax on jobs. Members opposite are only too well aware that the proposals they are putting forward are a tax on jobs. A former adviser to the Leader of the Opposition, John Angley, wrote that a compulsory levy or tax would be ‘another cost on jobs’. This is the Leader of the Opposition’s own adviser saying it would be another cost on jobs. He said:

It also reduces the responsibility of employers/owners to fix their own affairs rather than fall back on the fund.

That is the compulsory, centralised fund. This government has done the right thing by the workers of Australia. It has done the right thing protecting their entitlements and the right thing protecting their jobs. The best thing that members opposite could do would be to ask their state Labor colleagues to join the government’s entitlements scheme.

**Exports: Motor Vehicles**

Mr CHARLES (2.24 p.m.)—My question without notice is to the Minister for Trade. Could you inform the House of the outstanding trade performance of the Australian automotive industry for the past financial year? Are you aware of any threats to the continuing automotive export success story?

Mr VAILE—I thank the member for La Trobe for his question. Of interest to the member for La Trobe would be the fact that 40 per cent of Australia’s Holden Commodores, in terms of content, were actually manufactured in the Bayswater Hallam area in the member’s electorate. Obviously this industry, particularly the export component of this industry, is vitally important to him. More good news—and I am sure the House and the nation will welcome the news—is that in the financial year just concluded Australian automotive exports reached a record of $4.65 billion. It is interesting to compare that in the last years of a Labor government in 1995 the automotive exports out of Australia were only $0.94 billion, or $940 million. That is an enormous increase over the last six years, and an increase of 23 per cent in the last 12 months. Since Labor was last in office there has been a 395 per cent increase in exports of automotive products out of Australia. Fully built up vehicle exports increased 41 per cent in the last financial year. The Labor Party completely ignored the market that we have established in the Middle East.

Mr McMullan—That’s a lie.

Mr VAILE—You did not export a car to the Middle East until we came to office.

Mr McMullan—Rubbish. We set it up.

Mr VAILE—No, you did not export a car to the Middle East.

Mr SPEAKER—The Manager of Opposition Business! The minister has the call. The Manager of Opposition Business knows better.

Mr VAILE—The Labor Party in government ignored this market. Over $1.2 billion worth of vehicles were exported to Saudi
Arabia alone in the last 12 months. In 1995 there were no cars sold in Saudi Arabia originating from Australia. That is Labor’s record in this particular area. Exports of automotive products are now ranked as the sixth largest export from Australia, ranking ahead of traditional export commodities such as wheat, wool and beef. These are smart exports. The auto sector are ahead of the Labor Party; they do not need the noodle nation that is being proposed by the Labor Party. They are ahead of the Labor Party in the technology and the intellectual property they have developed in that industry with the support of our government.

What puts this at risk—and the parliament would recognise this—is the action that is being taken by the AMWU in terms of closing down the Australian automotive manufacturing sector, which has established a fantastic record in the international marketplace for quality and consistency in supply in that marketplace. The actions of the AMWU, in terms of Tristar and what is happening right through the automotive industry, are going to give that industry a bad name internationally.

We have called upon the union and their leader, Dougie Cameron, who is absolutely haunting the Australian Labor Party in a number of different ways. Remember the debate that you had to have with Dougie down in Hobart at the biennial conference? We remember Dougie’s actions in Seattle. We remember which side of this issue he stood on in Seattle, and your colleagues had to try and pull him into gear. Dougie Cameron was reported in the Australian today as saying that, after 13 years of Labor in office, he came to the realisation that the union movement should no longer be an appendage of the Labor Party. His view now is that the Labor Party should be an appendage of the union movement. We know that is a fact. So, on the back of those great export figures, it is time that the leadership of the Labor Party called on the union movement to get these industries back to work, to secure the jobs of those auto workers and to secure Australia’s place in the international automotive market with those great export figures that we have produced in the last 12 months.

Employee Entitlements Support Scheme

Mr BEVIS (2.30 p.m.)—My question again is to the Minister for Employment, Workplace Relations and Small Business. I refer to the minister’s earlier answer today where he claimed that there is ‘only one scheme’ in place to deal with employee entitlements issues. Minister, how can this be correct? What happened to the special top-up scheme used in the case of National Textiles to pay out 100 per cent of people’s entitlements? Was that the Stan-alone scheme?

Mr ABBOTT—The real issue here is why was the Carr government prepared to pay 50 per cent of entitlements in the case of those workers and zero per cent of entitlements—

Mr Bevis—Mr Speaker, I raise a point of order. This was a short question asking whether we have one—

Mr SPEAKER—What is the reason for the member for Brisbane’s point of order?

Mr Bevis—My point of order is on relevance. The question asked whether we had one scheme or two, and what had happened to—

Mr SPEAKER—The member for Brisbane will resume his seat. The minister has been answering the question for a matter of 10 seconds. I can hardly in that time deem his answer relevant or irrelevant.

Mr ABBOTT—Why was Premier Carr prepared to pay 50 per cent of entitlements in the case of National Textiles workers and zero per cent of entitlements in the case of all other workers? What happened at National Textiles happened before the government’s safety net entitlements scheme was put in place. Now the scheme is in place, and it should be supported by the Labor premiers.

First Home Owners Scheme

Mr ROSS CAMERON (2.32 p.m.)—My question is addressed to the Treasurer. Would the Treasurer advise the House how this government’s policies have made it easier for Australians to buy their first home?

Mr COSTELLO—I thank the honourable member for Parramatta for his question. I think he would agree, as most people on this side of the House would agree, that one
of the best things you can do for young Australian families is to help them buy their own home. I know that has been very important in the electorate of Parramatta, and I know that the new member for Aston will agree also that helping families with their homes, giving them that secure base, is one of the best things you can do to help Australians and their children.

This government has recently put in place a First Home Owners Scheme which gives people who have not owned a home before a grant of up to $14,000 for the construction of a new home. The grant can be used for any purpose, such as payment of mortgage, payment of deposit or maybe even fitting out some of the goods or chattels in that new home. The total value of grants paid to first home owners in 2000-01 was $1,057 million—that is $1,057 million out to the home buyers of Australia.

The second thing that you can do to help people buy homes is to get their income taxes down. We have not heard any questions about income taxes today from the Labor Party; we have gone off that issue. If it had not been for tax reform, a person on average wages in Australia, at $42,000 per annum, would now be on a marginal income tax rate of 43 cents in the dollar. Under Labor you would be paying 43 cents in the dollar for every extra dollar that you earned on average wages. Tax reform brought that down, and it brought it down to 30 per cent. So 80 per cent of Australians pay a marginal income tax rate of no higher than 30 per cent. Of course, that is why they are worried about this roll-backwards, which means roll up the income taxes right back to where the Labor Party had them.

Perhaps the best thing you can do for home buyers in Australia is to have a policy of low interest rates. When this government was elected, interest rates on a home were 10½ per cent; today they are 6.8 per cent. The average Australian loan today is $130,000. This means that, from the time this government was elected to today, on the average Australian loan you pay $4,810 per year less in interest—that is $400 per month on the average Australian loan compared to 1996. If you want to go back to when the Labor Party last held the seat of Aston—and I know the honourable member for Aston used this to great effect during the Aston by-election—and interest rates were 17 per cent per annum, on the average Australian loan you were paying $1,105 per month extra of after tax money. Imagine paying $1,100 per month extra of after tax money on a marginal rate of 43c. You would have to earn $2,000 a month to put yourself back in that same position; that means a second job.

The findings of the Ashe Morgan Winthrop group, which were released yesterday, said that the federal home grants were driving the housing market in the smaller states. Ashe Morgan Winthrop said that the federal government first home buyers grants were driving growth in residential development in states such as South Australia, Western Australia and Queensland. It said that property investors in the larger states of New South Wales and Victoria tend to view the stimulatory effects of continuing low interest rates as the primary factor in their markets. So what can you do for Australian families to help them get on with their lives, look after their children and realise their ambitions?

Provide lower income taxes, the first home buyers grants and lower interest rates—that is the most direct, practical way of helping Australia’s young families that has yet been put into place.

DISTINGUISHED VISITORS

Mr SPEAKER—I inform the House that we have present in the gallery this afternoon members of a parliamentary delegation from the United Kingdom. On behalf of all members of the House, may I extend to them a very warm welcome.

Honourable members—Hear, hear!

QUESTIONS WITHOUT NOTICE

Goods and Services Tax: Small Business

Mr FITZGIBBON (2.37 p.m.)—My question is addressed to the Minister for Small Business. Minister, do you recall telling this House on 31 May this year:

I have absolute confidence that the business men and business women of Australia will greet, enjoy and profit from the Coalition's new tax system.

Minister, what then do you say to Jennie and Bill Kercher, who recently placed the fol-
lowing advertisement in a Kempsey newspaper:

PUBLIC NOTICE: Rondon’s Menswear Kempsey will cease trading approximately July 31 2001, due to a huge general decline in the Retail Sector in the last financial year with the GST. Minister, given that small business continues to suffer because of your new tax system, why don’t you adopt Labor’s plan for more GST simplification?

Mr IAN MACFARLANE—I will check the quote, because I do not take anything that the Labor Party says at face value. I am interested in all small businesses in Australia, and I am concerned if any small business has found the last 12 months to be difficult. But it is interesting, when you look at the insolvency data and you talk to ITSA, that in ITSA’s discussions with those businesses not one of them mentioned the GST as being the reason for their insolvency.

The shadow minister also quoted figures relating to retail trade. Retail trade in June showed a solid increase of 1.1 per cent, but for small business it was a growth of 5.9 per cent. The reality is that the economy of Australia continues to grow—and continues to grow, in the estimation of overseas bodies, at the fastest rate in the world. In the last 12 months, during which we have had a GST, our economy has become the fastest growing economy in the world.

Roads to Recovery Program

Mr ST CLAIR (2.40 p.m.)—My question is addressed to the Deputy Prime Minister and Minister for Transport and Regional Services. Would the minister advise the House of progress in the delivery of the government’s groundbreaking Roads to Recovery program? How is the program delivering better infrastructure to local and urban communities? Also, is the minister aware of any alternative policies in this area?

Mr ANDERSON—I thank the honourable member for New England for his question. I have to say that I do not think any of us anticipated just how well received the Roads to Recovery program would be.

Mr Howard—it was a visionary program, yes. I hear somebody over there calling it a pork barrel; that, I think, is the sort of everyday word for boondoggle. But the interesting thing about this program is that out there, regardless of political persuasion, people in local communities right across Australia think it has been a tremendous thing. Indeed, we announced it in November last year and started making payments in February this year. We then offered accelerated payments for councils that wanted to really get on with it, and that has been very popular indeed. We put out $152 million in total, but of that around $70 million has been in accelerated payments, because there were councils everywhere that had work backed up that really needed to be done.

Councils that had work backed up that really needed to be done included such places as the Brisbane City Council. I do not think they are necessarily aligned with the side of politics that I represent, but they are very keen. They have claimed some $18 million in payments, $16 million of it as accelerated payments. I assume that they are not unrealistic enough to think that their mates might see to a change of government and that it was necessary for them to get in first. I can assure them—and I can assure all councils—that this is an ongoing commitment where they can phase their expenditure as they need it. There is no doubt that the program is fulfilling exactly the role that we intended for it.

We have done a preliminary study. It shows that, of a total value of projects submitted by 30 June, 44 per cent was being put towards reconstruction, rehabilitation and widening; 30 per cent was being used for regraveling, sealing and resealing work; and a further 13 per cent was going to bridge, drainage and traffic improvements. Right across Australia, whether it is with people in remote parts of the country having better and, hopefully, all-weather access to their schools or their doctor or being able to carry out their social lives, or whether it is with improved safety and amenity in urban areas, this is obviously a very valuable program indeed.
I was asked about alternative views—and we got one pronunciation over here on that subject. But I also had a bit of a look at this very interesting page: Australian Labor Party, ‘Kim Beazley’s Policy Page’.

Honourable members interjecting—

Mr ANDERSON—Yes, there is. It has ‘Kim Beazley’s Plan For Our Country’. I can tell you that there is not much for the country with a big ‘C’ and even less for the country with a little ‘c’ in it. Under the heading ‘The details of Kim’s priorities’ what I particularly noticed is that they seem to have a real problem with words that begin with ‘R’. There is not much about rural, there is not much about regional, there is not much about remote, there is nothing about roll-back and there is nothing that I can see about roads. I do note that my opposite number, the member for Batman, was given an opportunity to comment on at least one ‘R’, railways, and that was for the Financial Review. The Financial Review writes:

But the subject of rail reform is one that seems to have eluded the ALP’s transport spokesman, Martin Ferguson, who declined to be interviewed. I have never heard of an opposition spokesman declining to be interviewed, but the member for Batman declined to be interviewed. The Financial Review article went on to say:

Despite several years with responsibility for the portfolio—

Mr Beazley—Mr Speaker, I take a point of order on relevance. It was a Roads to Recovery question, nothing else was included within in it, and he has strayed—

Mr SPEAKER—The Leader of the Opposition will resume his seat. The Deputy Prime Minister, in his capacity as Minister for Transport and Regional Services, was asked a question about the Roads to Recovery program and asked to comment on alternative policies, and it was in that context that I had allowed him to continue.

Mr ANDERSON—People right across Australia are interested to know whether this valuable local program will continue. As I have said, the Financial Review reported:

Despite several years with responsibility for the portfolio, Ferguson declined to outline a single initiative developed in opposition, or comment directly on any feature of the opposition’s transport agenda.

To conclude, for what it is worth, the article went on to say very insightfully in relation to Mr Ferguson:

His current vow of silence does little to explain how he would address transport issues.

Goods and Services Tax: Small Business

Mr CREAN (2.46 p.m.)—My question is also to the Minister for Small Business. Now that you have told small businesses that they are doing just fine and that no further GST change is necessary, can you confirm that this cabinet memorandum written by you and entitled ‘Government Assistance to Small Business’ states:

The Government has shown its preparedness to listen and respond to small business concerns by implementing refinements to the New Taxation System. ... However, the strong message delivered by small business is that more needs to be done.

Minister, why is it that, with small business calling for more GST simplification, your submission proposes to do nothing in that regard?

Mr IAN MACFARLANE—Unlike the Labor Party, I spend a lot of my time out amongst small businesses. In the last weeks of the recess, I spent a great deal of time talking to small businesses. What small businesses are telling me is that they knew we had to have tax reform. That is what they are telling me. They knew we had to have tax reform and they accept, as we accept, that it has been a difficult 12 months for small business. But during that time, as a result of our discussions with small business, we have introduced a number of refinements to the process that have been well received. On 22 February, we introduced changes to the BAS process, which allowed businesses to go on an estimates method. There are other refinements to that process. Since then, of course, we have introduced a simplified BAS form more tailor-made to the individual business. Small businesses say to me that the thing they fear most about any further changes is roll-back. Roll-back is the thing that small businesses are most worried about changing.
Mr COSTELLO—I thank the honourable member for Curtin. I can inform her that under the way in which the Commonwealth now reports in its budget, we have made light years of progress against the sordid and sorry tale of our predecessors, the Australian Labor Party. One of the things that the government does now is publish a measures document with every budget. It sets out every measure that the government has taken in relation to revenue and expenses. In addition to that, there was never a budget paper of measures prior to the election of this government. The government did not report the individual measures that it had taken in relation to revenue and expenses. There was no Budget Paper No. 2 in relation to budget measures.

In addition to that, under the Charter of Budget Honesty the government is obliged to report a mid-year review with measures taken between the budget and the mid-year, an update of all economic forecasts and budget projections out over the four-year forward estimates. That is the most recent mid-year review for 2000-01. Now I want to show the House the last mid-year review that was prepared before our election: two pages! Not only did it not have any measure— not one single measure that had been taken by the government—but it did not have four-year forward estimates and it did not have a budget position. Not only was the mid-year review of December 1995 laughable by its size, it was laughable by its content. The mid-year review of the Labor Party—two pages compared with what we do now—had this for the 1995-96 mid-year review estimate of the budget position: surplus $115 million.

Mr Beazley interjecting—

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

Mr COSTELLO—Remember what they said: surplus $115 million. I table the outcome six months later: deficit $10,077 million. They were only out by $10,000 million. The finance minister at the time was the man who interjects loudly in his own defence, the now Leader of the Opposition. He was the man who, during that election campaign, as late as March claimed that the budget was in deficit.

Government member interjecting—

Mr COSTELLO—Claimed the budget was in surplus; I stand corrected. When we were elected, the Prime Minister and I remember the Monday after the election when the Treasury came to us and said, ‘Sorry about that surplus claim.’ We were then $8,000 million in deficit, finishing by June at $10,077 million in deficit. That is why the Charter of Budget Honesty was introduced.

The Charter of Budget Honesty, which has to be released during the campaign, is a statement from the Secretary of the Treasury and the Secretary of the Department of Finance and Administration, and it works like this: if a government tried to cook a budget figure in the way that Mr Beazley tried to cook a budget figure during the election campaign, an independent audit would find them out. So you cannot cheat in the way that Mr Beazley cheated in 1996. The Charter of Budget Honesty ought to be called the ‘charter of Beazley honesty’; that is what it should have been called—the ‘charter of Beazley honesty’— to make sure nobody could ever again try to do what Kim Beazley did in the 1996 election.

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Mr Price—Mr Speaker, I raise a point of order under standing order 80.

Mr SPEAKER—Yes, the member for Chifley is entirely correct to draw my atten-
tion to the obligation that the Treasurer has to refer to members by their office, not by their names.

Mr COSTELLO—The ‘charter of the honourable member for Fremantle honesty’—that is what it ought to be called. What is he? The honourable member for Brand.

Opposition members interjecting—

Mr COSTELLO—We will brand him all right, Mr Speaker. We will brand him honourably as the author of the Charter of Budget Honesty. The Charter of Budget Honesty was introduced as an independent statement by the Secretary of the Treasury and the Secretary of the Department of Finance and Administration to make sure that nobody could ever cheat again in the way that the member for Brand did in the 1996 election—so that it could never be done again. That means that the Commonwealth budget position, as updated by the midyear review, I think in every year of our government has come in with a better bottom line—never with a $10 billion hole driven right through the middle of it.

Now, of course, the author of the 1996 deceit says that he cannot release his policies because he has to wait for the Charter of Budget Honesty, which by law must be released during an election campaign—by law. It is an independent statement. So what does he now say? He cannot have any policies until 10 days into the election campaign. I have never seen a political party run from its own policies in the way the Labor Party does. For 5½ years, we heard about the noodle nation. We have been back here two days; have we had one question about the noodle nation? For 3½ years we heard that the GST was awful and we had to roll backwards, but we cannot hear one detail about rolling backwards, because the Australian Labor Party is so ashamed of its policy. When the shadow minister for small business gets up, he cannot even talk about the rollback word. He now has to talk about ‘complexity’ or use some other nom de plume for roll-back.

The Charter of Budget Honesty makes sure that this government’s accurate budget statements cannot be fiddled in the way in which Mr Beazley fiddled the 1996 midyear report. It ensures that the Commonwealth account is clean. It ensures that we have measures over the full four years. It ensures that we update the forecast. It ensures that we have projections out over the four-year period. The hiding of the Leader of the Opposition against the Charter of Budget Honesty, a measure which has cleaned up the accounts immeasurably and which has ended his deceit, is nothing but a subterfuge for a man who has no policy and who has no credibility in relation to policy.

Honourable members interjecting—

Mr SPEAKER—Order! It should never be necessary for me to rise in order to get silence in the House.

Small Business: Leaked Cabinet Submission

Mr FITZGIBBON (2.57 p.m.)—My question again is to the Minister for Small Business. Minister, doesn’t your Cabinet submission, to which the Deputy Leader of the Opposition referred in the last question, state: (1) that Commonwealth tendering and contracting is too complicated and expensive for small business; (2) that cabinet is not properly considering the impact of its policy decisions on small business; and (3) that the abolition of the National Business Information Service will be unpopular with small business? Minister, given that you are doing nothing on BAS or GST simplification, what do you propose in relation to these complaints?

Mr IAN MACFARLANE—I am a bit perplexed by the last question because the shadow minister said that we were doing nothing on the BAS simplification, but in my last answer I outlined what we were doing and what we had already done.

Mr Crean—But more needs to be done.

Mr IAN MACFARLANE—The Deputy Leader of the Opposition interjects about what needs to be done. It is interesting to note that the Deputy Leader of the Opposition put forward a proposal in May this year with much fanfare about how he was going to simplify the BAS process and that it would be a huge step forward for GST sim-
plicity, and he was backed by the member for Hunter, the shadow minister for small business. He said that the method would ‘eliminate the need for an annual reconciliation’. Sitting in this chair one day, I asked the Deputy Leader of the Opposition to explain to me how he could reconcile—

Mr Crean—And I did.

Mr IAN MACFARLANE—The Deputy Leader of the Opposition did explain to me that you could put a system in place without an annual reconciliation. As I said, he was backed by his shadow minister. The interesting thing is that the Leader of the Opposition does not have the same policy. The interesting thing is that the Leader of the Opposition said in Townsville on 23 July, while attempting to explain Labor’s proposed changes to BAS:

What we have suggested is a process whereby you have an annual reconciliation of your GST payments ...

Was that a mistake?

Mr Crean—You’re the mistake.

Mr SPEAKER—The minister was asked a series of questions about small business, as outlined by the Leader of the Opposition, including about the abolition of a body monitoring small business activities and about ministerial reaction, and I invite him to come back to the question.

Mr IAN MACFARLANE—Thank you, Mr Speaker, and I was just saying that, in terms of the simplification that is being offered by the opposition as part of this so-called roll-back, Mr Beazley said on 3AK yesterday—

Mrs Crosio—What’s that got to do with the question?

Mr IAN MACFARLANE—What does it have to do with the question?

Mr Beazley interjecting—

Mr SPEAKER—The Leader of the Opposition will resume his seat. I am listening closely to what the minister is saying. The minister has in fact responded to my challenge and I would have thought he had a matter of seconds to bring his comments back to the question. I will, of course, require him to resume his seat if he does not do so, and I am giving him the opportunity to do so.

Mr IAN MACFARLANE—The point is that what we have on this side is a complete vacuum of policy in relation to tax simplification.

Opposition members interjecting—

Mr IAN MACFARLANE—We have a set of policies in which the shadow Treasurer disagrees with the shadow leader. In terms of what we have done on BAS, our record is confirmed; it is on the ground.

Mr SPEAKER—The minister will resume his seat.

Mr Beazley—Mr Speaker, I raise a point of order: the question was not about what he had done; it was a question about what he proposed to do further in response to the complaints about the monstering of small business by his government, according to his cabinet submission.

Mr SPEAKER—The minister will resume his seat. I understand that the minister has in fact completed his answer.
Tuesday, 7 August 2001

**Education: Funding for Non-Government Schools**

*Mrs ELSON* (3.04 p.m.)—My question is addressed to the Minister for Education, Training and Youth Affairs. Will the minister inform the House of any entitlements to Commonwealth funding by the Jubilee Primary School in my electorate? Is the minister aware of any particular threats to this funding?

*Dr KEMP*—I thank the honourable member for Forde for her question. I am aware of the situation of the Jubilee Primary School. Jubilee Primary School is a new Catholic primary school in the electorate of Forde, which is entitled to establishment grants under legislation that has already passed through the Commonwealth parliament. Jubilee Primary School is now overdue for payment of $26,760 in establishment grants. This payment cannot be made by the Commonwealth government at the moment, although the school is entitled to it, because the Labor Party has voted down in the Senate funding for establishment grants for new schools, including new Catholic parish schools, including Christian community schools—

*Mr Lee interjecting—*

*Mr SPEAKER*—I have sat here while the member for Dobell has persistently interjected. I would have thought that one interjection could be understood, but persistent interjections will not be tolerated by the chair.

*Dr KEMP*—The Jubilee Primary School is unable to receive its payment because the Labor Party has voted down in the Senate funding for establishment grants for new schools. There are now some five schools that have not received the payments to which they are entitled, as a result of the Labor Party’s action. In October another 54 schools will fail to get these payments unless the Leader of the Opposition backs down on his determination to deprive these schools of their legislatively entitled funding. The fact that these schools are missing out is not the result of some unforeseen consequence. The Labor Party was told that this would be the consequence of its actions. The Senate committee was advised of this, but still the Leader of the Opposition authorised the Labor Party in the Senate to continue to oppose this legislation, and it did so. It split the legislation and killed the bill.

How is the member for Dickson explaining to the 120 parents of students at the Living Faith Lutheran Primary School why Labor has prevented their school getting $8,500? How is the member for Melbourne Ports explaining his decision to risk payments of $16,000 to Alia College? This school is now the seventh school on the Beazley hit list in the electorate of Melbourne Ports. How is the member for Perth explaining his decision to put at risk payments of $6,750 to the Casa Mia Montessori Community School? How is the member for Greenway explaining his decision to the Al-lawera Christian School? And how is the member for Hotham explaining his decision to put at risk the funding for the Bentleigh Chabad Jewish Day School?

Labor’s hit list of schools is growing all the time. It is quite clear that the Leader of the Opposition is not concerned with cutting funding just to rural boarding schools that he says are rich schools; he is now attacking all new schools. The funding for all new schools is under threat as a result of the decisions of the Leader of the Opposition. He is attacking funding to the Catholic parish schools, he is attacking funding to community schools; he is even threatening the $9,000 payment to the Nyikina Mangala Aboriginal community school in the Kimberley. The question just has to be asked: does the Leader of the Opposition now understand why he has no credibility in education whatever and why ‘noodle nation’ got the reception it deserved?

**Small Business: Leaked Cabinet Submission**

*Dr LAWRENCE* (3.08 p.m.)—My question is to the Minister for Small Business. Minister, I refer to your memorandum to cabinet on small business. Can you confirm that this submission proposes that the government should back Labor’s plan for a 30-day Commonwealth payment policy to small business, back Labor’s plan for a 20 per cent government purchasing target for small business and back Labor’s plan to upgrade the industrial supplies office, ISONET? If you
are prepared to adopt Labor’s plan on these issues, why not adopt Labor’s plan for further BAS simplification?

Mr IAN MACFARLANE—Why would you adopt any plan that the Labor Party have for small business—perhaps one that they used when they were last in power? Perhaps one they used when interest rates were 22 per cent? Perhaps one that would drive interest rates to the point where business would pay another $1,000 a month in interest over what they are paying now? Perhaps one which would drive the economy into recession? Perhaps one that would continue to load the cost onto small business as they earn their living, not when they make their profit? The only policy that Labor have on small business is roll-back, and we cannot get a consistent theme out of them on what roll-back means. We know one reason why we will never adopt roll-back: small business have made it emphatically clear that they do not want roll-back under any circumstances.

2001 Census

Mr GEORGIOU (3.11 p.m.)—My question is addressed to the Minister for Financial Services and Regulation. Minister, tonight is census night. Would you inform the House what this snapshot of Australia means for the country and how the information will be used?

Mr HOCKEY—I thank the member for Kooyong for his question. Tonight is census night. It is the first census of the new century, it marks our 100 years as a nation and it is the first census of a new millennium. We call on all Australians to participate in the census tonight. It represents 30 minutes of time and effort filling out the form every five years. The Commonwealth government is spending $240 million on the census tonight, employing 30,000 people to obtain and process information from over nine million households across Australia. The information is used for planning, research, administration, policy development and program monitoring.

Australia has had an excellent record completing the census since the first census was undertaken on a national basis in 1911. The census is completed by 98.5 per cent of Australians, which is the second highest completion rate in the world, after New Zealand. For the first time, this year questions will include usage of technology issues, covering personal computer usage and Internet usage, and this will provide a snapshot that will assist with infrastructure planning for years to come. Also for the first time, Australians may elect to have their information kept for 99 years. This is a response to the Andrews committee, a parliamentary committee which recommended in 1998, in a report titled Saving our census and preserving our history, that the opt-in approach be available to Australians so that Australians could have the information locked away for future generations.

The member for Kooyong asked me how this information will be used. It will be overlaid on existing information, and it will provide a complete picture of how Australia looks as a nation in the year 2001. I have compared it to previous snapshots over the last eight census periods, starting in 1961. If you compare our nation today with other census years, it is a great story—and it is getting better. For a standard home loan today, under the Howard government, interest rates are only 6.8 per cent, which is the lowest level since the 1966 census, when they were 5.38 per cent. In census year 1986, under the Labor Party, interest rates reached their highest level of 15.5 per cent. Similarly for small business, in 1986 interest rates reached their highest level of 17.4 per cent, followed by 14.4 per cent in 1991, compared with eight per cent today—the lowest level since comparable records have been kept.

Unemployment, at 6.9 per cent today, is at its lowest census year level since 1981, when we were last in government, when it was 5.8 per cent. Government debt in the 1981 census year was $6½ billion. At the 1996 census, it hit the high-water mark of $96 billion compared with the reduction to $43 billion in just five years. For the average household, a local telephone call today, under the Howard government, costs 22c compared with 25c in 1991 under Labor. For international phone calls it is much cheaper. In 1991, under Labor, a phone call to the United Kingdom cost
$1.49 a minute. Today, under the coalition, it costs 37c a minute.

We want as many Australians as possible to tick question 50 to have their census information kept for 99 years in ASIO approved security at the National Archives. We want top security, because we want all Australians to see how much has been achieved over the last five years since the last census and, importantly, how the Howard government has prepared Australia for the challenges of the new millennium.

Budget 2000-01: Surplus

Mr CREAN (3.16 p.m.)—My question is to the Minister for Small Business. Do you recall the Prime Minister yesterday attacking any further spending proposals out of the surplus? Minister, given that your cabinet submission proposes further new spending initiatives for small business, how do you propose to fund these initiatives?

Mr IAN MACFARLANE—One thing that small business can be sure of with a coalition government is that we are going to maintain our budget surpluses. We are going to do that to ensure that interest rates remain low, because the single biggest issue for small business is low interest rates. Mr Speaker, you have just heard about the difference between a coalition government and a Labor government. Labor governments are high taxing, high spending governments that increase interest rates and drive small businesses to the wall.

Defence: White Paper

Mrs VALE (3.17 p.m.)—My question is directed to the Minister for Defence. Minister, to what extent has the government’s Defence white paper boosted Defence spending? Is the minister aware of any alternative proposals for increased Defence spending?

Mr REITH—I do thank the member for Hughes. I take the opportunity to congratulate her for giving her time to go out with the construction unit in the Northern Territory to support the work that they are doing in building housing for Aboriginal communities, which is one of the great things that the Army does and I would like to see them get more credit for it. I was very pleased to see the honourable member out there with them in the last week or so.

I am pleased to answer her question by saying that the Defence budget will grow by an average of three per cent in real terms over the coming decade. This is a real commitment to Defence. Importantly, not only does it provide the resources but also it provides a plan within which Defence as an organisation can modernise itself and bring itself to very high standards operationally and in terms of its management. I am asked whether or not there are any alternative proposals. There certainly are alternative proposals. There are proposals for two new subs: Kim 1 and Kim 2. There is a proposal for a bombing range.

Mr Beazley interjecting—

Mr REITH—Oh, and you had the catamaran—

Mr Martin Ferguson—And you had the telecard as well!

Mr SPEAKER—The member for Batman is not assisting.

Dr Martin—Mr Speaker, I rise on a point of order. I remind you of a ruling that you gave in this place previously that, when members have made personal explanations about particular issues that have proved that assertions made by ministers were incorrect, they could no longer be referred to. On many occasions in this place, that has been done by this minister and is a blatant misleading of this parliament. I ask you to take appropriate action.

Mr SPEAKER—I listened to the Minister for Defence and I expect him to answer questions as objectively as he can.

Mr REITH—Mr Speaker, I answer questions on the Labor Party’s policy on the basis of what they say publicly. Yesterday I referred the House to the fact that the Leader of the Opposition in Townsville acknowledged that his promises for Defence would cost more money. After I had said that he had acknowledged that they would need to spend more money, he got up at the end of question time and made this statement: He—

‘he’ being Peter Reith—
said that I would increase defence spending, and then he left it at that. That is a partial quote which misleads.

Those are the comments of the Leader of the Opposition. There was no misleading of the Leader of the Opposition. What he said is in fact available on the Labor Party’s own web site. There was no partial exposition by me of what he said. What he said was quite specific. This is the sentence:

So I am not talking about cutting the Defence budget at all.

Then he said:

Paradoxically, what we intend to do with the coastguard will probably increase it.

You said that you were going to increase defence spending.

Mr Beazley—That’s right.

Mr REITH—Exactly. Yesterday, after question time, the Leader of the Opposition got up and said I was misleading.

Mr Beazley interjecting—

Mr REITH—I understand exactly what you mean. Mr Speaker, I will tell you what he means: when he is in Townsville, he has a message for the people in Townsville, and when he is in Canberra he has a different message. The consequence of what he told the people in Townsville is that they will have to pay higher income taxes for the whole list of promises that the Labor Party has. You cannot promise Kim 1 and Kim 2, a free bombing range, the Anzac battalion and a coastguard that you were opposed to when in government and then say—

Dr Martin—Has the deserter finished, Mr Speaker?

Mr SPEAKER—The member for Cunningham will resume his seat.

Workplace Relations: Small Business

Mr BEVIS (3.24 p.m.)—My question without notice is to the Minister for Small Business. Minister, don’t your memorandum to cabinet propose a series of industrial relations changes, with the following commentary: only one half of one per cent of small business employers are using your AWAs, which you admit are time consuming, complex and costly; you want to persist with your representative actions under secondary boycott legislation, even though small business does not want it; and your proposed right of entry changes may breach Australia’s obligations under ILO Convention 135. Minister, why are you telling cabinet one thing—

Government members interjecting—

Mr SPEAKER—The member for Brisbane will repeat the latter part of his question, since it could not be heard above the unnecessary interjections on my right.
Mr BEVIS—The last part of my question was: your proposed right of entry changes may breach Australia’s obligations under ILO Convention 135. Minister, why are you telling the cabinet one thing when you are telling the parliament something totally different?

Mr IAN MACFARLANE—Mr Speaker, as you are aware—

Opposition members interjecting—

Mr IAN MACFARLANE—I do not actually need the brief. Mr Speaker, as you are aware—

Mr Bevis—It is just a security blanket.

Mrs Crosio interjecting—

Mr SPEAKER—As a member of the Speaker’s Panel, I would have thought the member for Prospect would have been well aware of what a warning meant. I would also have thought that the member for Brisbane would have recognised that he had been granted appropriate latitude by the chair, and similar courtesy ought to be extended to the minister.

Mr IAN MACFARLANE—As you would be aware, I have been out talking with small business during the recess of parliament. When you sit down at a roundtable, at a morning tea or at a lunch, the single issue that continues to rise to the top, first up, on industrial relations is unfair dismissal. The shadow minister knows it is an issue for small business—he has said so. We have given those sitting opposite eight opportunities to give small business a big start, in terms of amendments to unfair dismissal legislation, and on eight occasions they have put unions before small business.

Trade: Agriculture

Mr CAUSLEY (3.29 p.m.)—My question is directed to the Minister for Agriculture, Fisheries and Forestry. Is the minister aware of the latest figures released by the Australian Bureau of Statistics on Australia’s trading balance? How has the agricultural sector contributed to this excellent performance? What are the economic factors which are helping Australia’s primary producers perform well on the international stage?

Mr TRUSS—I thank the member for Page, whose farmers are amongst those around Australia who have contributed mightily to Australia’s balance of trade surplus over the past 12 months. They have been able to do that because this government has delivered the sort of policy framework and environment under which farmers can prosper.

Quite a lot of statistics have been released over recent times, including ABARE forecasts about likely returns to the farm sector in the year ahead. There is a lot of good news for the farmers in the electorate of Page and indeed right around Australia from those statistics. The net value of farm production is forecast to rise by 16 per cent in 2001-02, and that follows a 34 per cent rise in the previous financial year. The gross value of farm production will be up, due largely to improved prices for commodities such as wheat, beef, oil seeds, sugar and, in spite of what you might read in the media, most dairy products. The prospect for improved prices for farmers is certainly quite bright. The other good news is that, for the second year in a row, farmers’ terms of trade are predicted to improve—in other words, the difference between the income received by farmers and the prices that they pay. This sort of good news simply could never have happened under Labor. This improvement in farmers’ terms of trade—lower cost rises—has been achieved very much by the policy framework put in place by this government.

Just look, for instance, at interest rates. Interest rates are half what they would have been under a Labor government; half what they were under Labor—a very substantial saving to farmers. Four billion dollars have been taken off the taxes paid by our exporters as a result of tax reform: it could never have happened under Labor. What about the freezing of fuel excise and the reduction in excise prices? It is interesting to note that 1 August this year is the first time since Labor that there has been no increase in the fuel excise. Fuel excise did not go up. This government froze excise, and we also reduced
significantly the cost of the taxation on a
whole lot of transport fuel, the fuel used by
farmers. That could never have happened
under Labor.

What about, for that matter, the competi-
tive dollar? That could never have happened
under Labor’s high interest rate policy. What
about, for instance, the improvement on the
wharves? There has been a significant cost
reduction to our exporters because our
wharves have become much more efficient.
That sort of thing could simply have never
happened under Labor. Then there is the fact
that this government has helped industry take
control of its own destiny in industries like
wool, pigs, grain and horticulture as well. All
of that has helped farmers take control of
their destiny and improve their terms of
trade.

None of this could ever have happened
under Labor because Labor do not care about
a productive rural sector. All they are inter-
ested in from farmers is higher taxes. Labor
want unions controlling the waterfront so
that produce cannot get to our vital export
markets. They have no interest in the rural
sector. Farmers need a coalition government
to deliver continuing improvement in their
terms of trade.

Mr Howard—Mr Speaker, on that highly
appropriate and accurate note, I ask that fur-
ther questions be placed on the Notice Paper.

PERSONAL EXPLANATIONS

Mr BEAZLEY (Brand—Leader of the
Opposition) (3.31 p.m.)—Mr Speaker, I wish
to make a personal explanation.

Mr SPEAKER—Does the honourable
member claim to have been misrepresented?

Mr BEAZLEY—Yes.

Mr SPEAKER—Please proceed.

Mr BEAZLEY—Thank you. I claim to
have been misrepresented twice, first by the
minister for education, who said that I op-
posed the expenditure of resources on new
schools contained in his legislation. That is
completely incorrect. We have said that we
will support it—

Mr SPEAKER—The Leader of the Op-
position has indicated where he was misrep-
resented.

Mr BEAZLEY—and a comparative
amount to government schools.

Mr SPEAKER—The Leader of the Op-
position cannot advance an argument. He has
said where he has been misrepresented.

Mr BEAZLEY—That is all right; okay.
The second is—

Mr SPEAKER—It is not a question of
whether it is okay or not; it is a question of
whether or not the standing orders are ad-
hered to.

Mr BEAZLEY—I said two points. The
second relates to the answer given by the
Minister for Defence, in which he said that
we intended to increase expenditure—

Mr Tuckey—You cannot do a personal
explanation on that.

Mr BEAZLEY—He directed it at me,
Wilson. He said that I intended to increase
expenditures overall of the Commonwealth
in what I have had to say about Defence.
That is quite untrue. Under international ac-
counting conventions, when you decide that
your coast watch is a coastguard and a De-
fence auxiliary, the resources that go into it
are counted as Defence expenditure. That is
the point. You are an ignorant man.

Mr SPEAKER—The Leader of the Op-
position is being granted more latitude than
the standing orders allow and will resume his
seat.

QUESTIONS TO MR SPEAKER

Seyffer, Mr John: Parliamentary Pass

Mr LEO MCLEAY (3.34 p.m.)—Mr
Speaker, could you advise the House whether
the office of the security controller has ever
received a request to issue Mr John Seyffer
with a parliamentary pass? If so, what type
of pass or passes were requested and what
was the name of the member, senator or
minister who made the request? Did the se-
quity controller issue a pass to Mr Seyffer?

Mr SPEAKER—I will follow up the
matters raised by the Chief Opposition Whip.
I am sure he would not expect me to respond
to that question without notice.

Mr Downer interjecting—

Mr SPEAKER—The Minister for For-
ign Affairs!
Mr Downer interjecting—

Mr Speaker—The Minister for Foreign Affairs is warned!

House of Representatives Chamber:
Disturbance in Gallery

Mr McMullan (3.34 p.m.)—I also have a question for you, on a different matter, Mr Speaker. Concerns have been raised with me and the Chief Opposition Whip concerning the circumstances surrounding the removal of two people from the public galleries yesterday. I wonder if you can report to the House the protocols and procedures in place for circumstances such as that and confirm to the House that those proper procedures were observed yesterday.

Mr Speaker—I will respond to the Manager of Opposition Business seated, although I do think it is a matter of some moment. I have in fact sought a report from the man responsible for parliamentary security and the Serjeant-at-Arms about the incident that occurred in the northern gallery yesterday and I am satisfied that all of the action taken by the security staff involved in the incident was entirely appropriate and entirely within the guidelines. Having looked at the report, I have commended them on the action they took.

What members will not be aware of, and of course I was unaware of until I asked for this report, was that at least one of the gentlemen in question had in fact been quite abusive to security staff prior to entering the gallery and that on occupying a seat on the northern gallery he continued to interject—albeit not loudly or he would have been removed earlier—and used foul language. On four occasions he was warned by security staff that if he persisted they would have to remove him. As members then observed, he then persisted in a very public way and was removed, having already been warned on four occasions that his language was quite unacceptable and was in fact distracting those who were seated around him.

Mr McMullan—If I may follow that up briefly, Mr Speaker, I thank you for the comprehensive response and I certainly acknowledge the sensitive and difficult task that security staff have. I tried to phrase the question to recognise that we are aware of some particular difficult circumstances they faced yesterday. Nevertheless, some members were concerned about the process and there is on my part, and that of others, concern that we should clarify what the proper processes are. I do not expect you to do all that now, but I wonder if you could—

Mr Tuckey—Are they mates of yours?

Mr Speaker—The Minister for Foresty and Conservation!

Ms Roxon—You ought to be thrown out.

Mr Speaker—The member for Gelibrand may find herself following her own instructions. I call the Manager of Opposition Business.

Mr McMullan—Mr Speaker, I wonder if you could clarify to the House the standing instructions that exist for security staff in dealing with those matters. I accept the confirmation you have given that, in checking, you were satisfied that those procedures were followed on this occasion, and I do not seek a reiteration of that because you have already said that. But I wonder if you could perhaps report to the House or, if there is a written document, make it available to members. I do not want to make the job of the staff any harder by putting out anything that is confidential, but if you could brief members somewhat more comprehensively I think that might appease some of the concern that there is about the procedures yesterday.

Mr Speaker—I will look at the matters raised by the Manager of Opposition Business. If there are any confidential matters that make it difficult for me to respond as comprehensively as you may wish, I will personally discuss them with you, and otherwise come back to the House with as full some a statement as it is responsible for me to deliver.

I should, though, add that one of the things that the parliament is proud of is that it has such an open gallery, that the requirement that many parliaments have for galleries that are separated from the parliament is something that has never been necessary in 100 years of Australian federal parliament and that both sides intend to see that maintained for the next 100 years. Part of being
able to maintain the open gallery is the professionalism which the officers of parliamentary security show. I know the Manager of Opposition Business is not in any way reflecting negatively on that, so I am not wanting that to be implied in my remarks. I merely want officers to know that their role and the way in which they discharge it is appreciated by parliamentarians.

PERSONAL EXPLANATIONS

Dr MARTIN (Cunningham) (3.39 p.m.)—Mr Speaker, I wish to make a personal explanation.

Mr SPEAKER—Does the honourable member claim to have been misrepresented?

Dr MARTIN—Yes.

Mr SPEAKER—Please proceed.

Dr MARTIN—In question time today the Minister for Defence said that I had put out a press release suggesting that the Labor Party’s policy, and my policy by implication, was to purchase a catamaran. He directly said that when I raised a point of order with you about other assertions that he had made, which I have taken personal explanations to refute on previous occasions. What I said in the press release was in reference to the decision taken to discontinue the Jervis Bay’s service and was that in fact the Jervis Bay could have adequately carried out the functions that it was doing had the lease been extended. At no time have I ever suggested that it should be purchased, nor have I ever said that the Labor Party or I were in favour of that.

QUESTIONS TO MR SPEAKER

Privilege

Mr EMERSON (3.40 p.m.)—Mr Speaker, I seek your guidance on a matter of privilege. In October last year the House of Representatives Standing Committee on Employment, Education and Workplace Relations, of which I am a member, tabled its report on employee share ownership entitled Shared endeavours. During the inquiry process the committee heard evidence from officers of the Taxation Office. On 11 May 2000 the officers stated in evidence to the committee that every year the tax office would issue ‘over 3,000’ private binding rulings. During the winter recess the Auditor-General issued a report entitled The Australian Taxation Office’s administration of taxation rulings. On page 99 of that report it is stated:

For the calendar year 2000 the ATO issued 89,779 PBRs ...

That is, private binding rulings. That is quite a lot more than the 3,000 the Taxation Office had earlier suggested. It therefore appears that the ATO has given misleading evidence to the committee on the question of the number of private binding rulings issued by the tax office. I ask if you would consider and report back to the House as to whether this matter raises a breach of privilege.

Mr SPEAKER—I will of course follow up the matter raised by the member for Rankin to see what, if any, discrepancy has occurred and why.

Questions on Notice

Ms JANN McFARLANE (Stirling) (3.42 p.m.)—Mr Speaker, under standing order 150, could you please write to the Treasurer and ask him what is the reason for the delay in replying to my question No. 2527 of 5 April this year?

Mr SPEAKER—I will follow up the matter raised by the member for Stirling, as the standing orders provide.

Questions on Notice

Mr MURPHY (Lowe) (3.42 p.m.)—Mr Speaker, in the spirited exchange we had yesterday in relation to my seeking your assistance under standing order 150 to follow up the indolent Minister for Health and Aged Care—

Mr SPEAKER—The member for Lowe!

Mr MURPHY—in relation to questions outstanding on the Notice Paper, in the excitement I overlooked a further four questions. Specifically, I would like to draw to your notice question No. 2179, which appeared on the Notice Paper on 28 November last year; question No. 2222, which appeared on the Notice Paper on 6 December last year; question No. 2623, which appeared on the Notice Paper on 4 June this year; and questions Nos 2632 and 2633, which appeared on the Notice Paper on 5 June this year. I would be very grateful if you would
once again write to the Minister for Health and Aged Care and facilitate an early response to those questions on behalf of my constituents.

Mr SPEAKER—I will follow up the matters raised by the member for Lowe, as the standing orders provide.

AUDITOR-GENERAL’S REPORTS

Report No. 54 of 2000-01 and Report Nos 1 to 5 of 2001-02

Mr SPEAKER—I present the Auditor-General’s audit reports No. 54 for 2000-01 and Nos 1 to 5 for 2001-02 entitled No. 54—Compliance assessment audit—Engagement of consultants; No. 1—Financial statement audit—Control structures as part of the audits of the financial statements of major Commonwealth entities for the year ended 30 June 2001; No. 2—Examination of allegations relating to sales tax fraud—Australian Taxation Office; No. 3—Performance audit—The Australian Taxation Office’s administration of taxation rulings—Australian Taxation Office; No. 4—Performance audit—Commonwealth estate property sales—Department of Finance and Administration; and No. 5—Performance audit—Parliamentarians’ entitlements: 1999-2000. Details of the reports will be recorded in the Votes and Proceedings.

Ordered the reports be printed.

PAPERS

Mr REITH (Flinders—Leader of the House)—Papers are tabled as listed in the schedule circulated to honourable members. Details of the papers will be recorded in the Votes and Proceedings.

Motion (by Mr Reith) proposed:

That the House take note of the following papers:


Debate (on motion by Dr Martin) adjourned.

MATTERS OF PUBLIC IMPORTANCE

Goods and Services Tax: Small Business

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 Government’s failure to respond effectively to the damage it is causing small business by its botched implementation of the new tax system.

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) (3.45 p.m.)—Today we have another leaked cabinet memorandum. This is a government which is leaking like a sieve because within its own ranks it knows the hurt that ordinary Australians are being put under—in this case, the small businesses of the country are being put under—and, no matter what the government gets up and says in this place about having an ear for that concern, these people putting
it out to us know that it has no intent of acting on it. This is a leaked cabinet memorandum, this time from the Minister for Small Business, a minister who constantly gets up in this chamber and says that he has heard the call for more GST simplification but who comes, by way of this memorandum, proposing to do nothing.

We know that the call is out there, because we have been hearing it too. It would only be those blinded by the Kirribilli view of life that are not hearing this call. The committee that has been meeting under the auspices of the member for Wills has been travelling around this country constantly taking submissions from small businesses and individuals who have to comply with this nightmare that has been imposed upon them, and taking submissions as to how we can address their concerns and how we can simplify things for them. We call it ‘roll-back’. Those on the other side ridicule the term, but those who know that they need and can get greater GST simplification do not ridicule it at all.

This is a government not listening. What we have embodied in this cabinet memorandum is a cri de coeur from the Minister for Small Business, a person who knows that there is a problem out there but who has not got the courage, the determination or the capacity to win the argument in cabinet. So he runs dead and falls for the weakest solution of the lot, and that is to drag the dead cat of industrial relations across the floor again. He is a minister who will pursue the solutions that go only to industrial relations reform but not the solutions to the issues that really matter. In other circumstances, he plagiarises aspects of Labor’s policy to deal with the problems and come up with solutions. If he is prepared to adopt some of Labor’s solutions, the question is: why won’t he adopt them in full? Why won’t he adopt and recommend the simplification of the GST that Labor has been advocating?

This leaked document is significant not just for what is in it but also for what is not in it. Let us go through the document to point to what this government is hearing and why it is failing to act. Paragraph 5 of the document says:

The Government has shown its preparedness to listen and respond to small business concerns by implementing refinements to the New Taxation System...

That point is acknowledged. The government has done some things. But the cabinet submission then goes on to say:

However, the strong message delivered by small business is that more needs to be done.

That is at the very beginning of the minister’s submission: that ‘more needs to be done’ to simplify the GST as far as small business is concerned. Yet the submission itself proposes nothing in that regard. We then go on to paragraph 10 in the document, which is under the heading ‘B. Government Purchasing’. It talks about a separate cabinet submission seeking agreement for Commonwealth payment policy providing for maximum payment terms not exceeding 30 days. Does it sound familiar? That is exactly the policy that Labor has been advocating for months.

And there is more. In paragraph 12 there is mention of a separate cabinet submission including a proposition of introducing a policy committing the government to source at least 20 per cent of its purchases from SMEs—small and medium sized enterprises. Does that sound familiar again? That is precisely the policy on government purchasing that Labor advocated and which was launched by the member for Fremantle and Leader of the Opposition.

Further, paragraph 18 of the document talks about the continuation of the operation of the National Business Information Service, which has run out of funding and which it is proposed to continue, but at paragraph 19 it goes on to say:

This proposal seeks to enhance small business opportunities to participate in major projects, through an extension and refocusing of the lapsing ISONET and SAMP programmes.

Again, does this sound familiar? Yes, it is Labor policy again. So here, where he is actually dealing with some constructive solutions to help small business, where does he turn to get his ideas? The government turn to the Labor Party policy document, a document that they say does not exist. But it is repeated here and writ large in terms of the
basis of their submission. He then goes on in paragraph 20 of this document to talk about the Small Business Consultative Committee. We have heard the minister at the table say that they have introduced the reforms for simplification of the GST and that nothing more needs to be done. That is what he said and that is what this submission underlines. But he goes on in this submission to say:

The SBCC was established in December 1998 to advise the Minister for Small Business on the transition ... to the New Tax System. Cabinet agreed on 25 June to the continuation of the SBCC and an expansion of its role ... in particular, issues that have occurred as a result of the reform of the taxation system, and to advise on possible solutions to address these issues.

So here he is saying nothing more needs to be done to simplify it, but keeping going a consultative committee, the very purpose of which is to advise on possible solutions. But of course we know what the government will do in relation to those solutions: they will ignore them. That is what this cabinet submission does: ignores them. They go out there and say they have this consultative committee. It is a consultative committee that they intend to take no notice of.

Attachment A(5) in this document is a very interesting read. This is the one that was referred to earlier in the question asked by the shadow minister for employment and workplace relations, which the minister at the table just did not answer. We hear this government go on about the importance of Australian workplace agreements, we hear them go on about the importance of changing the secondary boycott legislation to help small business, and we hear them talk from time to time of the need to change the right of entry provisions to stop union representation going into workplaces, or to make it difficult. What does the minister’s own submission say in relation to each of these points? In attachment A(5) it says that small businesses with access to AWAs are estimated at 335,000—that is in Victoria or a territory—and only around 1,300 small businesses have used AWAs. That is less than half a per cent. This is the government’s great panacea. ‘Why is that?’ you might ask yourself. The submission tells us. It says:

The current approval procedures for AWAs are perceived to be too time consuming, complex, costly and unnecessarily formal for small business.

Small businesses think they are a dud, and yet this government holds them up as one of the great solutions for the small businesses of this country.

The submission then goes on in attachment A(7) to talk about the need to make provision for representative actions under the trade practices legislation. What does the submission say about this, from all of the consultations? It says:

Small business has not publicly called for the ability to bring representative actions on workplace relations matters.

The submission then goes on to say:

Nevertheless, the proposal should proceed so as to enhance small business weapons to counter the tactics of unions.

This is not a response to what small business is talking about. It is building the armoury against unions. That may be the way they want to pursue the agenda, but we have seen where the government have driven one particular dispute that we have been debating in this parliament over the last two days. If they had actually legislated, we would not have had that dispute in place in the first instance.

Attachment A(9) talks about the right of entry, and limiting it, and says:

- it may be inconsistent with Australia’s obligations under ILO Convention 135 ...

We heard the guffaws from the other side of the House when this was mentioned. What does that mean, Minister? That we just tear up these international conventions that we are signatory to? That we turn up at the conferences, say all the right words but then feel we can tear them up and ignore them when it suits?

Labor is committed to rolling back the GST by making it simpler and by making it fairer. We will not increase the rate of GST and we will not put the GST on things it does not cover now. We will make it fairer and we will make it simpler for small business. We remember the call by John Howard when he assumed office. He would slash red tape in
half, he said, and reduce the mountain of paperwork and the regulations that stifle small business. The 3,000 pages of the tax act were going to be cut dramatically. Today the act runs to eight and a half thousand pages, and the GST legislation has already been amended 1,800 times. This simple new tax has been amended that many times.

You would think that the last country in the world to introduce the GST would get it right. But not this government. We know that the first priority for small business is certainty and stability. The last thing they want is another round of tax turmoil. Labor make this commitment to every small business operator in Australia: we will not be putting them through the wringer of tax reform again and creating more turmoil. Earlier this year Labor put forward a proposal to simplify the GST returns. Eventually the government came up with a similar model for BAS, but an inferior one. It is a bit like that John West ad. The Treasurer was left standing there with the fish that John West rejected, but in this case it was not a salmon, it was a BAS. It is patently obvious that the government has not fixed the problem either. We urge adoption of our model, but we are prepared to look at further options in this regard.

One idea that has been floated in the Kelvin Thomson BAS inquiry takes it a major step forward beyond what we proposed last time. It dramatically simplifies the BAS by effectively extending the simplified accounting method to all small businesses on an individual basis. Businesses would have the option of being given a ratio based on the previous year’s remittance. This would be used to calculate future GST liabilities based on the actual turnover of the quarter but eliminating the need for the annual reconciliation. If the small businesses made special lump expenditures in the tax year such that input tax credits were above normal in that year then they could claim an appropriate adjustment. No annual reconciliation would be a huge step forward for GST simplicity. We can only do it if it does not cost revenue, and we believe that can be done. We reaffirm the fact that this will be purely voluntary.

Mr CREAN—Instead of the cackle going on by the minister over there, ignoring the options, why doesn’t he actually join with Labor and try to work through this problem? The small businesses of this country are demanding action, Minister, and you are ignoring them. Your submission shows that you are bereft of ideas when it comes to further simplification. Labor on the other hand is putting forward constructive proposals, and all you want to do is to join the Kirribilli elite and ignore them—ridicule them and ignore the genuine calls of small business.

Our proposal would be a voluntary one, but we have to do everything we can to lighten the load facing small businesses. Examining this option will therefore be one of the first tasks for our government post its election next time. The Minister for Small Business has highlighted in his submission that slow payment by government agencies is causing cash flow problems, and I welcome the apparent preparedness on the part of the government to pick up that initiative as well as the others I have outlined earlier. The only thing they should do is go further and pick up our simplification as well. (Time expired)

Mr IAN MACFARLANE  (Groom—Minister for Small Business) (4.00 p.m.)—In the shadow Treasurer’s address, for want of a better word, on today’s matter of public importance, he asked us why we would not adopt Labor policies. He answered his own question. In his own address he said of small business, ‘The last thing they want is more tax turmoil.’ The first thing they would get from the Labor Party, if they were ever to get into government, is more tax turmoil, wave after wave of change from roll-back. When small businesses ask, as they are entitled to, ‘What is roll-back?’ they get no answers, so their concern grows. Small businesses do understand what roll-back means. It means wave after wave of change, extra exemptions, extra changes to their computer systems, extra changes to their accounting systems. The Labor Party have an inquiry going on—

Mr Crean—Are you going to do anything?
Mr IAN MACFARLANE—We have already done it. The Labor Party have an inquiry going on out there, but they have not even included roll-back in their terms of reference. The Thomson inquiry, which I think it is called, is going around the country asking for submissions on changes to the tax system, yet it will not include in its very basic charter any reference to roll-back. Why? The answer is obvious: the Labor Party already know—because every survey you pick up on tax reform states it—that small business does not want roll-back.

The shadow minister for small business asked me today why we would not adopt Labor’s BAS simplification. This is the one that the shadow Treasurer just so eloquently outlined, but the shadow Treasurer is in complete contradiction to his leader, the Leader of the Opposition, who on three occasions, in three radio interviews, has talked about a need for an annual reconciliation. The shadow minister asked me why we will not adopt that policy. Well, which one are we supposed to adopt? Which one is it? Come on, tell me now. We do not know, because the fellow who usually sits there at the table says it has a reconciliation, but the fellow who sits behind him says it hasn’t got a reconciliation. No wonder small businesses are confused.

What we have here is a party that over the last 12 months have attempted to obtain political gain from the hardships that small businesses are experiencing in the normal way of commerce. The Labor Party have tried to exaggerate those hardships and exemplify those hardships, when in actual fact there are absolutely no data that link the small businesses’ normal cash flow issues to any issue relating to the GST. As I quoted in my answer to a question today, ITSA, the body which looks after bankruptcies, even went so far as to say that no small business has quoted the GST as an issue related to its insolvency.

In terms of some of the other issues that were raised in the shadow Treasurer’s address, the reality is that this government has gone out and consulted with small business, and in terms of the BAS process we have already delivered. We have not had phoney inquiries that roll around the country but omit roll-back. We delivered a streamlined process on 22 February this year. We have gone on and simplified the BAS process, and we are continuing to consult with small business.

The previous speaker, the shadow Treasurer, raised the issue of the consultative committee, and I am pleased to expand the terms of reference of the consultative committee. I am pleased to include on that consultative committee, which will meet this Thursday, some businesspeople from right around Australia, and they will be consulted on a whole range of issues now relating to small business. We are seeking their feedback, as we do wherever we go. We have already incorporated into the system changes as a result of those consultations with the SBCC, and I can assure the shadow minister for small business that this Thursday they will also be asked to comment on issues relating to government policy.

The one thing we will not be wasting any time consulting them on this Thursday is roll-back, because they have already made the small business position clear. Small businesses have already said that they do not want roll-back, they do not want further complications and further exemptions. They want the system the way it is. The reality is that small business, as it has every other time it has faced a challenge, has bedded down the changes to the tax system and is working and consulting with the government and benefiting from a system which now gives it a far better picture of where it is on a day-to-day basis in terms of its financial situation. In fact, the growing comment that we are getting as we consult with small businesses around Australia is that the big benefit to come out of tax reform—apart from the fact that we have reduced income tax by $12 billion, we have cut company tax by 20 per cent to 30 cents in the dollar, we have halved capital gains tax, we have lowered the tax rate to GDP ratio and we have removed taxes on inputs to business; that is, we only tax businesses now on their profits, not on their inputs—is that the new tax system has given them a better insight into how their business is operating.
The other benefits from tax reform are well known amongst the small business community. From my background in rural industry—which is one of the great exporters of Australia, but of course there are many others—I can say that the export industries and export small businesses that I talk to have recognised very quickly and applauded the government for removing the taxes on their exports. Exports are a key fundamental of a growing Australian economy.

As I said in question time earlier today, Australia, after 12 months of the GST, has got the fastest growing economy in the modern world. That is what happens when you have a government that has the courage to introduce a tax reform system that for 25 years those on the other side have known we needed. Australia needed tax reform; we could no longer rely on a narrow base. We had to ensure that business in Australia was put on an internationally competitive footing—and tax reform has delivered that.

It is perhaps worth while to take this opportunity to reflect on what the government has done with the introduction and finetuning of the new tax system and to speak of the outcomes of some of those consultations that took place with small business and industry representatives. Perhaps one of the more recent comments that we have seen has come from Peter Switzer—and it is certainly an impartial comment, because Peter Switzer, a small business columnist with the Australian newspaper, has been critical of the government in the past. He recently remarked that the government has delivered a new BAS form that ‘looks as though it has been constructed by someone who is on the side of small business’. I could not have said that better myself. We are a government that is on the side of small business. However, we already know that those opposite are not a party for small business—because that is what the Leader of the Opposition said in Perth. By his own admission, it was said on radio in Perth that ‘We are not the party for small business.’ Here we have, as Peter Switzer said, a form that looks as though it has been constructed by someone who is on the side of small business. Well, he is damn right.

This coalition government has gone out and listened to small business. We have test-run proposals past our consultative committee and made sure that they are in place so that we do not have the ridiculous situation that we have opposite, where the shadow Treasurer and the shadow minister for small business are in complete conflict with the Leader of the Opposition in terms of their proposal. We have put forward a revised BAS, which has been well received. Perhaps it is opportune to quote again from the Australian, where a hairdresser, Leanna Pantone—

Opposition members interjecting—

Mr IAN MACFARLANE—I know you have an association with hairdressing. The shadow minister, I understand, is associated with—

Opposition members interjecting—

Mr DEPUTY SPEAKER (Mr Nehl)—Order! The minister will ignore the member for Lowe.

Mr IAN MACFARLANE—I will gladly ignore the member for Lowe. Hairdresser Leanna Patone—and I apologise to Leanna if I have mispronounced her name—has a salon in the Sydney suburb of Randwick. She said, ‘It took me no time at all with the numbers being the same.’ She went on to say that she had chosen to pay her instalments in fixed amounts and then said, ‘I’m looking forward to the refund when the annual adjustment is made.’ That is just one of the changes we have introduced.

I would have to say that the general response from small business has been very positive. Mark Paterson from ACCI has also said that ‘the changes were viewed positively’ and that ‘they have enabled the small number of businesses that were struggling to get on top of their situation’. In fact, a TNP Woodside survey found recently that only 3.2 per cent of businesses felt that they were not coping with the new tax system and that two-thirds reported that they were coping well or very well with the new system. The same survey found, funnily enough, that roll-back is an issue for small business. Everywhere you go roll-back is an issue for small business. Yet those on the other side today
had the audacity to make the sheer incomprehensible suggestion that we adopt Labor Party policies. The only policy they have got they are arguing about, and roll-back—which they will not define—small business has already made its mind up about: it does not want roll-back.

As I said, we have seen the economy in Australia continuing to improve. We have seen building approvals increase by three per cent over July. As I mentioned earlier, we have seen small business growth of a solid 5.9 per cent. ANZ job ads from yesterday showed a two per cent growth for July. The latest survey from Dunn and Bradstreet—and, again, these guys are not always on our side—showed that business expectations were at a nine-month high. In terms of a whole range of other surveys, the overwhelming consensus is that the economy is in good shape.

We are now in a situation where small business will have to make a decision between supporting a government that, as I say, has delivered low inflation, low interest rates, cuts in unemployment levels, cuts in the ratio of tax to GDP, cuts to small business—the list just goes on and on. In the next six months small business will have to make a choice. It can choose a party that has done all the hard yards—that has paid off almost $60 billion worth of ALP government accumulated debt; that has continued to go out there and consult with small business to put in place the finetuning that is needed for the biggest tax change in Australia’s history; that has delivered interest rates for business of under eight per cent, in contrast to interest rates of 22 per cent under Labor when I was a farmer. It can choose a government that continues responsible economic management and that has introduced a tax system which is internationally competitive, or it can choose a government whose only policy is further change, further confusion, further expense for small business—a policy that includes a tax streamlining method that those opposite cannot even agree upon between themselves.

Small businesses can certainly be consoled in terms of their confusion and concern about the potential for a Labor Party government in Australia. Labor does not have a good record with small business. By its own admission, it is not a party for small business. The coalition has delivered to small businesses the fundamental issues that are important to them. I have every intention to go on representing them as the minister for small business as their advocate in the Howard ministry.

Mr FITZGIBBON (Hunter) (4.14 p.m.)—I acknowledge the presence in the chamber of the new member for Aston and welcome him to the House of Representatives. It is a great shame that it was not a Queensland seat that he secured very recently, because, given the performance of the Minister for Small Business today and the revelations contained within his leaked document, there might be a vacancy on the government front bench in the not-too-distant future. Of course, as a Victorian, he misses out. The Minister for Small Business is in denial. He claims before the House that there have been no small business casualties as a result of the goods and services tax.

Mr Murphy interjecting—

Mr FITZGIBBON—The member for Lowe, by way of interjection, points out that the minister is very good at quoting selectively. He quotes the things that he sees as good things in the Australian, but he omits to identify numerous stories, including some in the Sydney Morning Herald, that say that small businesses on Burwood Road, in the member for Lowe’s constituency, are in crisis as a result of the GST. The cabinet submission that fell into the hands of the opposition today or last night highlights a number of key points. The first is that the government has run up the white flag with respect to GST simplification. Nowhere in the minister’s submission will you find a proposal designed to address the complexity and compliance issues associated with the GST. Having finally acknowledged the difficulty that the new tax has posed for the small business community, the minister now tells us that his plan for small business is to do absolutely nothing. Let me remind the House once again what the minister had to say about the impact of the GST on small business in February this year. He said:
I’m not sure how many small businesses ... went out of business because of it—
that is, the BAS and the GST; he told us earlier that there would be no insolvencies as a result of the GST in the small business community—
but I certainly know that marriages were strained, small business were taken away from ... running their small business ... It was an unwelcome imposition.

That is what the Minister for Small Business had to say about the GST and the BAS earlier this year soon after his appointment. You could not get a stronger recognition of the impact of the GST on the small business community than that, yet in his submission he proposes to do absolutely nothing. But I suppose we should not be all that surprised that he intends to do nothing. In more recent times, including during question time and again on the MPI this afternoon, the Minister for Small Business has told us that all is rosy with respect to the GST and the small business community. The question has to be asked: how is it that the minister could so quickly go from doom and gloom to saying that everything is rosy? How could he say one month that this tax has been a terrible imposition and is crucifying small firms, straining marriages and forcing small business to the wall, and then suddenly say that the world is rosy?

I have a theory on that question. My theory is this: when the Prime Minister appointed the member for Groom as Minister for Small Business, he had a very narrow brief in mind. That brief was to go out and consult widely in the small business community. The Minister for Small Business likes to boast about how many miles he travelled throughout the first few months of his new appointment. The Prime Minister wanted him to be a sounding-board. But what the Minister for Small Business did not understand was that the Prime Minister expected him to do nothing about it. He was not proposing change. He did not want him to go out and consult, like Labor has been doing, to determine how they might help the small business constituency; he just wanted him to take the whacks of the small business community but not to promise anything. That is why he went down the path of mea culpa, mistakenly believing that he had the support of his Prime Minister and that changes would be proposed. The leaked submission today reflects the fact that the Prime Minister never had any intention that there should be further change to the GST, despite the fact that the Minister for Small Business has now acknowledged the pain, and indeed the Prime Minister was dragged screaming to acknowledge it.

But let us reflect for a moment on what the government promised the small business community prior to the last federal election. It said that it would reduce red tape by 50 per cent. What a joke that is amongst the small business community. The government cannot possibly claim to have reduced red tape at all. Indeed, its only possible claim is that it has managed to increase government regulation and red tape as a result of the GST. It said that the GST would be good for small business cash flow. The minister stood at the dispatch box at question time earlier this year and told us that he was talking to one small business operator who had paid off his Telstra shares with the money he collected as part of the GST process. Doesn’t that reflect a total misunderstanding on the minister’s part of the way the system operates? How reckless is it to send the message to the small business community that they can take those collections and spend them on shares, the market or whatever, rather than withhold them for remittance to the tax office. The fact is that cash flow has tightened for small business as larger firms slow down their payments to their small business supplier as a means of again relieving the impact of the GST on themselves.

The government said that the GST would be good for profitability, yet it has slowed the economy and it has forced small business to absorb the price impact of the GST. The Minister for Small Business made reference to retail figures today. In the recent slight rise in retail figures all commentators have identified that small business is now taking the opportunity to start to pass on some of that GST impact on their firms. For 12 months, it has been identified quite clearly that they have had no choice but to absorb the GST
impact. Why is that? There are two reasons. One is that they are simply not competitive enough against larger firms to do otherwise. Of course, Minister Hockey was in here day in and day out waving the $10 million fine in their faces, so they were very fearful of passing on too much and therefore absorbed it.

I noted that when the CEO of Telstra announced recently the revised profit forecast for that company, he identified the decline in the profitability of their small business customers as one of the reasons for that forecast downturn. So the CEO of Telstra has identified the impact of the GST on small business. In respect of profitability, it is a well-known fact that large purchasers force the GST impact down the chain to their suppliers. The claims that the GST was going to be good for profitability are just farcical.

The second key point made in the leaked submission is that the Howard government has totally exited the area of small business policy over the last four years. In other words, the government has been distracted by the GST and has talked about and dealt with nothing else in four years. The minister has identified a number of issues for small business in his submission, including the barrier small businesses face when trying to access government tender contracts. The question has to be asked: having identified this problem, why did it take an election—why did it have to come so close to an election for the government to identify this problem? More importantly, does the government intend to act on these issues? The minister was given three opportunities in the House today to respond to those questions on purchasing, tender and supply and he denied himself that opportunity on three occasions.

The third key point emanating from the leaked submission is the fact that the Minister for Small Business has issued a plea for help on behalf of the small business community. He has called on the Prime Minister to help what he claims is his traditional constituency, but the Prime Minister has made it quite clear that he has no intention whatsoever to move on the very large issues surrounding the GST and the way in which they impact on the small business sector.

The Minister for Small Business likes to think that the roll-back is going to be bad for small business. I have news for him: he is going to get a big surprise. (Time expired)

Mrs HULL (Riverina) (4.25 p.m.)—Today’s MPI is tired and deficient. It is an example of a tired and deficient opposition who are just dredging up old MPIs, fiddling around the edges with them, and representing them as a new issue—a leaked document. It is the story of this policy-lazy opposition’s performance in this House. This is proven by the fact that the last time I spoke in a debate on a matter of public importance, that MPI was also put up by the member for Hotham. It is quite ironic that the MPI on 28 March 2001 was:

The government’s policy atrophy, resulting in the botched implementation of a range of measures, including the GST and business tax reform.

Doesn’t that sound remarkably like ‘The government’s failure to respond effectively to the damage it is causing small business by its botched implementation of the new tax system’? In the debate on 28 March, I pointed out that the Oxford Dictionary describes ‘atrophy’ as ‘wasting away through under-nourishment, ageing, or lack of use; emaciation’. I can still relate to that with the opposition. In respect of emaciation, they are basically an undernourished opposition, as has been proven today by the pathetic performance with this MPI.

The matter of public importance should perhaps read: will Labor increase company tax? Will Labor reintroduce FID? Will Labor increase the rate of GST? Labor have already listed raising the employer superannuation contribution level to 15 per cent as a priority, and who does this most impact upon? Small business, of course. Labor’s deficit budgets and high levels of debt pushed small business interest rates to record levels of 20 per cent and more in the early nineties, as the Minister for Small Business has said. Let us not forget this. Did the then Labor government care about us in small business? Why should they care about us now?

Labor have consistently voted to keep the damaging unfair dismissal law because union bosses demand it. Labor’s pro-union industrial relations policy means that union bosses
will have greater access to small business, even when none of the workers are union members. What did the Leader of the Opposition say on 6PR Perth on 7 August 2000? He said:

... we have never pretended to be a small business party.

That, ironically, is what the Leader of the Opposition said on 7 August 2000. This is the first anniversary of the pledge; we now have the divorce. Isn’t that called jumping ship in troubled waters! Do you know what we will get? The Leader of the Opposition’s commitment to small business will be the same as it was to the Commonwealth Bank. The Labor government actually went further than just signing a pledge not to sell the Commonwealth Bank; the ALP signed a legal document saying that they would not sell the Commonwealth Bank. However, as the then finance minister—now Leader of the Opposition, Mr Beazley—said in May 1995, ‘The real reason why we sold the Commonwealth Bank is there is no need for us to hold on to it any longer.’ If this is what happens to you when the Leader of the Opposition has a commitment, just imagine what will happen to the small businesses of Australia, which obviously have no commitment from the Leader of the Opposition.

However, the Liberal-National coalition in joint government, who have been keeping the economy strong, who reward self-reliance and who are securing Australia’s future, have represented small business. They have done that by keeping their interest rates low. Labor’s huge budget deficits and a mountain of government debt—$96 billion in 1996—saw business interest rates climb to record levels of around 20 per cent.

By the end of June next year the Howard-Anderson government will have paid back $60 billion of Labor’s debt. This has helped to take the pressure off business interest rates, which are now at 7.95 per cent. The coalition government will remain vigilant to keep the economy strong and provide the environment to assist small business survival and growth. Additionally, stamp duty on listed shares was abolished on 1 July this year, which will save around $675 million per year for the 5.7 million Australians who hold shares and the seven million Australians who have superannuation funds invested in shares.

This government listens to the real concerns of small business. It has simplified the tax system. Commencing on 1 July 2001, eligible small businesses are allowed to do their tax accounting on a cash basis, with simpler depreciation and trading stock rules. This will reduce the tax payable by small business by more than a billion dollars per year. Other important measures are the reduction in company tax, down from 34 per cent to 30 per cent. There is the abolition of financial institutions duty and there are very significant capital gains tax cuts. If you are in small business and you are an individual, you can roll your money into retirement, capital gains tax free, and you can defer capital gains tax to roll over into other businesses.

The Minister for Small Business referred to choice. The minister actually gave the opposition undue credit, because in fact the small businesses of Australia are not so fortunate: the Labor opposition is not a choice; a Labor government is even less of a choice. Small business has only one option: the Howard-Anderson joint government. The history of past Labor governments ensures this. There has also been no mention in this debate about the fact that the GST collection goes directly to the states. It follows, then, that small businesses should have more money spent on extra policing to protect their businesses from costly break and enters that are currently happening, particularly in the state of New South Wales. Some of this money should be put directly into benefits for small business.

The member for Hotham also made reference to Australian workplace agreements. That is interesting because, if you have a Labor government, you will not have a problem with AWAs; if you have a Labor government you will not have AWAs, just union controlled shops. It is as simple as that. There is very little choice for small business other than a coalition Howard-Anderson government that cares about small business and that delivers to small business such things as full input tax credits on new
cars. Registered businesses are now able to claim full input tax credits on the purchase of motor vehicles. This means tax cuts for businesses of $570 million in 2001-02. Financial institution duties have been abolished. As the small business minister alluded to, export volumes continue to grow and are expected to grow by a solid five per cent in 2001-02. Australia’s exporters are benefiting from the lower exchange rate and recent tax reform. This will help Australian exporters gain market share, supporting export growth in the face of slower world growth.

This MPI today really does interest the people in country Australia. They would be interested in the views that the Leader of the Opposition, Kim Beazley, expressed in the Bulletin when he was asked about the difficulties of having former trade union bosses getting the support of the bush. He said:

It’s not going to be difficult—
I have quoted this article before in the House.
They actually like Crean and Ferguson. They remember Crean when he was primary industries Minister ... Ferguson when he was ACTU president made a specialty of bush workers ...
Indeed a specialty of bush workers they did make, if there were any small businesses left after they had put the wash through us all. We are lucky to have this Howard-Anderson government, which is out there being able to make changes to encourage small businesses to be active in their attempts to create job opportunities. In fact, I am very committed to small business. As a small business person myself I have a major commitment to the survival of small business. As I have said many times before in this House, small businesses are very important to my electorate of Riverina. They are the engine room of the nation’s economy and are our largest employment provider. Their money stays predominantly local and it multiplies to bring added benefits to the district. In expanding their businesses, small business people also utilise local providers. They traditionally buy local because they are local. They will continue to be local. They are small businesses under the Howard-Anderson government.

Mr DEPUTY SPEAKER (Mr Jenkins)—Order! The time allotted for this discussion has concluded.

COMMITTEES
Aboriginal and Torres Strait Islander Affairs Committee
Membership
Motion (by Mrs Bronwyn Bishop)—by leave—agreed to:
That Mr Katter be discharged from the Standing Committee on Aboriginal and Torres Strait Islander Affairs and that, in his place, Mr Forrest be appointed a member of the committee.

Primary Industries and Regional Services Committee
Membership
Motion (by Mrs Bronwyn Bishop)—by leave—agreed to:
That Mr Katter be discharged from the Standing Committee on Primary Industries and Regional Services and that, in his place, Mr Forrest be appointed a member of the committee.

ENVIRONMENTAL LEGISLATION AMENDMENT BILL (No. 2) 2001
First Reading
Bill received from the Senate, and read a first time.
Ordered that the second reading be made an order of the day for the next sitting.

COMMITTEES
Selection Committee
Report
Mr NEHL (Cowper)—I present the report of the Selection Committee relating to the consideration of committee and delegation reports and private Members’ business on Monday, 20 August 2001.

The report read as follows—

Report relating to the consideration of committee and delegation reports and private Members’ business on Monday, 20 August 2001
Pursuant to standing order 331, the Selection Committee has determined the order of precedence and times to be allotted for consideration of committee and delegation reports and private Members’ business on Monday, 20 August 2001.

The order of precedence and the allotments of
time determined by the Committee are shown in the list.

COMMITTEE AND DELEGATION REPORTS

Presentation and statements

1 NATIONAL CAPITAL AND EXTERNAL TERRITORIES — JOINT STANDING COMMITTEE: In the pink or in the red? Health services on Norfolk Island.

2 TREATIES — JOINT STANDING COMMITTEE: Report 41 — Six treaties tabled on 23 May 2001. The Committee determined that statements on the report may be made — all statements to conclude by 12:41 p.m.

Speech time limits —
Each Member — 5 minutes.

[Proposed Members speaking = 2 x 5 mins]

PRIV ATE MEMBERS’ BUSINESS

Order of precedence

Notices

1 Ms O’Byrne: To present a Bill for an Act to amend the Broadcasting Services Act 1992. (Quieter Advertising — Happier Homes Bill 2001 — Notice given 26 June 2001.) Presenter may speak for a period not exceeding 15 minutes — pursuant to sessional order 104A.

2 Mr Kelvin Thomson: To present a Bill for an Act to amend the Superannuation Guarantee (Administration) Act 1992. (Superannuation Guarantee (Administration) Amendment Bill 2001 — Notice given 6 August 2001.) Presenter may speak for a period not exceeding 15 minutes — pursuant to sessional order 104A.

3 Mr Emerson: To move — That this House:

(1) acknowledges that equality of opportunity is fundamental to a fair society and that a high-quality education for all young people is necessary for achieving equality of opportunity;

(2) agrees that many young people in disadvantaged communities are being denied a high-quality education and therefore an equal opportunity in life;

(3) calls on the Government to implement needs-based funding policies for government and non-government schools;

(4) endorses early intervention, including reading recovery programs, in remedying educational disadvantage;

(5) supports government and non-government schools in disadvantaged communities achieving educational excellence; and

(6) expresses its alarm that Federal Government spending on education as a proportion of GDP is no higher than in the early 1990s. (Notice given 7 December 2000.)

Time allotted — remaining private Members’ business time prior to 1.45 p.m.

Speech time limits —
Mover of motion — 10 minutes.
First Government Member speaking — 10 minutes.
Other Members — 5 minutes each.
[Proposed Members speaking = 2 x 10 mins, 3 x 5 mins]

The Committee determined that consideration of this matter should continue on a future day.

4 Mr Emerson: To move — That this House:

(1) acknowledges that the safety of our children should be a paramount concern for all Governments;

(2) recognises current safety standards imposed on coaches and long-distance buses include the mandatory requirement that these vehicles be fitted with seat belts;

(3) points out the growing evidence, from studies conducted both in Australia and overseas, that the use of seat belts on these vehicles undoubtedly saves lives in the case of accidents;

(4) acknowledges that currently hundreds of thousands of Australian school children travel daily to school on buses that are not fitted with seat belts; and

(5) calls on all State and Territory Governments across the nation to put safety first and move urgently to at least require all new and replacement school buses be fitted with seat belts so this safety issue is eventually and finally addressed. (Notice given 25 June 2001.)

Time allotted — 30 minutes.

Speech time limits —
Mover of motion — 10 minutes.
First Opposition Member speaking — 10 minutes.
Other Members — 5 minutes each.
[Proposed Members speaking = 2 x 10 mins, 2 x 5 mins]

The Committee determined that consideration of this matter should continue on a future day.

5 Mr Mossfield: To move — That this House:
remembers the Australian soldiers and sailors who served in hazardous conditions in close proximity to the atomic testing at both Maralinga and Monte Bello Island;

(2) acknowledges that many of these soldiers and sailors have since died from the radiation effects of that testing;

(3) acknowledges that many are still alive and suffering from a variety of illnesses related to their service in these hazardous areas;

(4) calls on the Government to seek compensation from the British Government who conducted the atomic testing and used Australian servicemen as experimental guinea-pigs; and

(5) calls on the Government to amend the Veterans’ Entitlements Act 1991 to include these servicemen as veterans and thus ensure their entitlement to vital medical care.

(Notice given 5 June 2001.)

Time allotted — remaining private Members’ business time.

Speech time limits —
Mover of Motion — 10 minutes.
First Government Member speaking — 10 minutes.
Other Members — 5 minutes each.

[Proposed Members speaking = 2 x 10 mins, 2 x 5 mins]

The Committee determined that consideration of this matter should continue on a future day.

MAIN COMMITTEE

Mr DEPUTY SPEAKER (Mr Jenkins)—I advise the House that Wednesday, 8 August 2001, at 9.40 a.m., has been fixed as the time for the next meeting of the Main Committee, unless an alternative day or hour is fixed.

VETERANS’ AFFAIRS LEGISLATION AMENDMENT (2001 BUDGET MEASURES) BILL 2001

Second Reading

Debate resumed from 28 June, on motion by Mr Bruce Scott:

That the bill be now read a second time.

Dr MARTIN (Cunningham) (4.38 p.m.)—

The Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001 addresses various budget measures which were announced in the 2001-02 budget. The Labor Party fully support the bill, because it provides an extension of services to veterans and war widows. I think it is important, though, that comments be made about each of the provisions within this legislation, because it is an opportunity to demonstrate that, on matters affecting people in our community who need government assistance, both sides of the parliament should be in harmony. As a consequence, we will not be delaying the passage of this legislation, either in this House or in the Senate.

The first proposal contained within this legislation deals with the Repatriation Pharmaceutical Benefits Scheme. As all honourable members would know, the Repatriation Pharmaceutical Benefits Scheme is going to be extended to include all Allied veterans and mariners with qualifying service from World War I and World War II. It is interesting that this provision should be included now, and I certainly welcome it. Last Anzac Day I was in Wollongong, attending, as I always do, the Anzac Day celebrations and commemorations. I was standing at the cenotaph and talking to an elderly British ex-serviceman who was very proudly wearing his combat medals and so on. He told me that he has lived in Australia for more than 30 years but feels something of a non-citizen because of this type of issue. I had a great deal of empathy with the concerns that he raised with me. I might add that he was from the neighbouring electorate of Throsby—but that is okay. I told him that I would be more than happy to raise the issue in the parliament when the opportunity presented itself. I have done so with our shadow minister, and I am pleased that the government has introduced a budget measure which will deal with the specifics of the issue that he raised with me.

Regrettably, neither the budget papers nor the explanatory memorandum give any indication of the number of veterans who, like my neighbouring constituent, are going to benefit from this initiative. I think that is a little disappointing, and I hope that the minister or one of the government members who speak in this debate might have some information that could clarify that.
I understand from the shadow minister for veterans’ affairs, and also from the Bills Digest, which is provided by the Information and Research Services of the Department of the Parliamentary Library, that the estimated costs of over $30 million a year for this scheme would appear to be a little high, given that the proposal extends only to concessional pharmaceuticals. I say that because there are currently about 350,000 veterans who are eligible under the Repatriation Pharmaceutical Benefits Scheme, and the cost of that is about $325 million a year. The Department of Veterans’ Affairs does not know how many veterans will qualify, and therefore the cost estimates are conservative in terms of ensuring financial coverage. I hope that is not right. I hope that there has been some information provided and some statistical work carried out to ensure that people are going to be adequately covered by the extension of the scheme under this legislation.

The benefit provides access to only concessional pharmaceuticals, as I said, and this could raise some real questions regarding the extension of the gold card to these veterans. I think all honourable members in this place are incessantly approached by members of the veteran community—and others on their behalf—about access to the gold card. It is a very vexed question that has been raised within party rooms on both sides of this parliament, and governments continue to wrestle with how best to respond. I know that there has been some information provided and some statistical work carried out to ensure that people are going to be adequately covered by the extension of the scheme under this legislation.

The benefit provides access to only concessional pharmaceuticals, as I said, and this could raise some real questions regarding the extension of the gold card to these veterans. I think all honourable members in this place are incessantly approached by members of the veteran community—and others on their behalf—about access to the gold card. It is a very vexed question that has been raised within party rooms on both sides of this parliament, and governments continue to wrestle with how best to respond. I know that there has been some information provided and some statistical work carried out to ensure that people are going to be adequately covered by the extension of the scheme under this legislation.

The second issue that is dealt with in the legislation relates to the beneficial treatment of superannuation assets for people aged between 55 and the pension age. This initiative apparently was not itemised in the portfolio budget statements for Veterans’ Affairs. The cost of the proposal is estimated at some $350 million for each year from 2001 onwards, so it is not an insignificant amount of money. It was announced in the portfolio budget statements for Family and Community Services, but it was necessary to incorporate it into the Veterans’ Entitlements Act so that veterans were eligible for this benefit also. It is a little unclear which veterans will be entitled to these benefits. We would not want to alarm people unnecessarily, which may happen if there is an expectation that there is a benefit and they then find that that is not the case or, alternatively, if people have a benefit but there has been an underestimation of the financial contribution required from government to ensure that that benefit is adequately catered for and that those eligible do not miss out. These are just questions about the numbers who are eligible and the amount of money needed to pick up the costs associated with the extension of these schemes.

The third issue is the extension of the war widow’s pension. It is quite gratifying from a shadow minister’s perspective, and from the Labor Party’s perspective generally, to see that the government has moved on this. There is a bit of a history to this particular issue, and it is probably worth while spending just a minute or so outlining that history. Prior to 1984, a person who received a war widow’s pension and then remarried had
their war widow’s pension cancelled. In hindsight, that was probably a fairly unsympathetic way to deal with things. We are all wonderful when it comes to the benefit of 20/20 hindsight and the way things should have been done, but that was the fact at the time. The Hawke Labor government changed the relevant legislation such that from 1984 remarriage no longer made a difference to the war widow’s pension, and that was welcomed at the time. However, it was not made retrospective, which was an anomaly of the time. As a consequence, the change that the present government is putting in place is certainly welcomed. It extends the Labor government’s initial decision not to discourage women from remarrying and aims to ensure compensation is paid for the war related death of a spouse, irrespective of their current marital status. I am sure there are many members of this House who, from time to time, have made representations on behalf of constituents who have been caught by this very problem. It is appropriate that the changes that have been put in place through this legislative amendment will pick up this anomaly. We welcome the change that is being proposed here.

I will go back to the same point I made about the two previous amendments. I am advised by the shadow minister for veterans’ affairs that the government has given little indication as to how many people will benefit from this proposal, because there are no exact records of how many war widows remarried prior to 1984. Apparently, once a war widow remarried, the files of that person were no longer needed at the Department of Veterans’ Affairs. This means, therefore, that there are no records of widows who will benefit from this decision. This will be a process issue that the department will have to deal with, and I know that the department will deal with this sympathetically. The people who staff the Department of Veterans’ Affairs do have an empathy with people in the veteran community, but there may well be some lengthy administration process that has to be gone through so that things are verified and checked, and so on. That will have to happen to ensure that this benefit goes to people who are entitled to it. Clearly, it will mean that checks will need to be made. A paper trail will have to be followed and people will have to provide information. I hope that the government will ensure that those resources are made available to the DVA to enable those particular claims to be processed reasonably quickly. We would like to think that the pensions will be ready and in place for eligible recipients by January 2002. Considering that there are some delays in claims in the DVA at the moment, we need some assurance that the administrative process will not hinder the implementation of this initiative. At the same time, we do not want to impede the excellent work that the Department of Veterans’ Affairs carries out on behalf of the veteran community.

This legislation will correct some anomalies. It will extend some benefits that had been identified by previous Labor governments as far back as 1984. It will probably correct an anomaly that existed then even though, with the best intentions in the world, the government of the day tried to fix the problems of the war widows’ pensions. I think the extension of the Repatriation Pharmaceutical Benefits Scheme to Allied veterans and mariners with qualifying service is important.

The other thing that we need to say is that people who believe they qualify for this service need to understand that there are fairly strict definitions of those people who qualify—those people who have qualified in terms of war related service in World War I and World War II. Again, I would hope that this is not going to create some tensions within the community at large and that, where people believed they qualified but when the strict and very reasoned guidelines that are there for defining people who are eligible for these benefits are explained they perhaps do not meet those criteria, they understand the reasons for it.

When it comes to a range of issues associated with people who in one form or another served this nation in times of great difficulty and stress in times of war, there are still concerns about issues associated with eligibility in respect of recognition. At one end of the spectrum can be questions associated with the granting of a DVA pension. At the other end of the spectrum it could be recognition
through certificates of remembrance. In the middle could be things like the awarding of medals for people who served in different theatres of war or in different operations, perhaps even in Australia. The recent appropriate recognition of national service people was a case in point. It is still an arguing point among people within the RSL community and others in the veterans’ community as to whether eligibility was appropriate, whether recognition was appropriate, whether people should be able to join the RSL as a result of this, and so on. A lot of these are internal matters for the RSLs of Australia to debate, but nevertheless they are important.

As I say, I think these are issues with which people would find no fault. This is a welcome initiative and was contained within the budget. I guess some people who are a little more cynical might say that the timing of this is interesting—we are, after all, only a matter of months away from an election. I accept the acknowledgment by my good friend the honourable member for Kooyong—shaking his head, saying that the looming election had nothing to do with this, that it was introduced for this budget and that to start next year was simply a matter of coincidence and chance. I accept my friend’s now nodding in agreement on that particular issue.

I do believe that these are appropriate measures that need to be dealt with. I think it is appropriate, as funds have become available, that the government has put these measures in place. It is appropriate that both sides of this House support the legislation. I again indicate on behalf of the Labor that we certainly support the legislation.

Mr GEORGIOU (Kooyong) (4.55 p.m.)—I rise to speak on the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001. It is a prime responsibility of government to ensure that those who fought and served in Australia’s defence forces and their dependants are properly provided for. The risks that these men and women took and the sacrifice that they made should be remembered not only in our rhetoric on commemorative occasions but also in the provision of material support. The people who provided our nation with a secure future themselves deserve security. As time passes and the Australian community evolves, it is important that those who guaranteed this nation’s survival are not forgotten and that government meets their changing needs and expectations. The provisions of the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001 do this and implement three measures foreshadowed in the recent budget.

The first is the restoration of the war widows pension to those war widows who were denied it as a result of remarrying before 28 May 1984. The second is the extension of the Repatriation Pharmaceutical Benefits Scheme to Allied veterans who have been Australian residents for 10 years or more. The third is the exemption from the income test for early withdrawal of lump sums from superannuation funds for people who are aged 55 and over.

These measures continue the government’s strong commitment to acknowledging the sacrifice and contribution made by those who have served this country—a commitment embodied in the provision of a fair and generous repatriation system.

The care and support currently provided to veterans and war widows originate in the benefits devised during the First World War, as the new Australian nation responded to the implications of sending its youth abroad to fight. Some who returned injured or suffered from illnesses and injury caused by wartime experiences were unable to support themselves. In other cases, those who had died on the battlefields left women not only suffering the heartache of losing a beloved husband but also in a financially precarious situation.

The war widow’s pension was introduced in 1914 to compensate Australian women whose husbands died on active duty or from war caused injuries or illness. The widow’s pension is now paid to widows of members of the defence forces and members of peacekeeping forces where their partner’s death is war related. The pension is also payable in some other circumstances, such as where the veteran received a TPI pension. The entitlement has been extended over time to include de facto partners and widowers.
and, because it has always been viewed as compensation for the loss of a loved one and not as a welfare payment, it is not income or asset tested.

The history of the war widow’s pension is unfortunately not a logically consistent progression of entitlement. When the pension was first introduced in 1914, it was cancelled on remarriage. In 1916, this was changed and the pension was continued for two years after remarriage. In 1931, under the exigencies of financial emergency, it was discontinued. In 1950, remarried widows received a gratuity equal to 12 months of a war widows pension. In 1984, the Labor government announced changes to this policy which came into effect with the enactment of the Veterans’ Entitlements Act 1986. Remarried war widows became entitled to the continuation of their pension, but only if they remarried after 28 May 1984. This effectively created two classes of war widows. There was no discernible policy—at least in my eyes—for this arbitrary discrimination, and it distressed many in the community and concerned a number of members of parliament. I, like many of my colleagues, received correspondence from women widowed as a result of the sacrifices made by their late husbands, who felt that widows should receive the same benefits and that it was unfair to make a distinction based on the fact that some women had remarried prior to May 1984. This sentiment was movingly expressed to me by one constituent who wrote:

... our husbands unconditionally and willingly volunteered for active service. They had the belief that if they were called to make the ultimate sacrifice their wives would be cared for by the Government. There was no suggestion that only the dependants of some would receive this care and others who remarried early would not do so.

It is a great tribute to the government that it has responded to these concerns, and measures announced in the recent budget will entitle partners who remarried prior to May 1984 to the restoration of their pensions from 1 January 2002. These partners will also be granted associated benefits, including the provision of a veterans’ gold card, access to counselling services, funeral benefits, special assistance and additional means tested income supplements where appropriate. These measures will ensure that those whose partners died for their country are treated equally, as their loss warrants. This bill also extends eligibility to the Repatriation Pharmaceutical Benefits Scheme to Allied veterans where they are aged 70 years or more, have qualifying service and have been an Australian resident for 10 years or more.

The requirement of qualifying service for a veteran of World War II is defined generally under the Veterans’ Entitlements Act as being service in operations against the enemy at a time when they incurred danger from hostile forces. This includes the veterans and merchant mariners of Australia’s Commonwealth allies—Canada, Britain and New Zealand—as well as those from Belgium, France, Greece, the Netherlands, Norway, Poland, the United States and the former Yugoslavia.

The RPBS was introduced more than 80 years ago to provide veterans of World War I with access to pharmaceutical services. It now covers all pharmaceuticals listed on the PBS, as well as a number of additional medicines listed on the repatriation schedule, such as nicotine patches and wound dressings, to cater for the distinct health needs of veterans. In some instances, drugs that are restricted to certain applications under the PBS can be used more broadly under the RPBS. Once medicines are listed on the RPBS, they are provided to eligible war widows and veterans at the concessional rate of $3.50 per script up to the safety net cost per year of $182. I am advised that there are tens of thousands of British, Commonwealth and Allied League veterans who have chosen to make Australia their home and will now have access to the wider range of drugs and medicinal products available on the RPBS.

The measures announced in the recent budget exempted superannuation assets from the pension allowance means test for people aged between 55 and the age pension age. These changes were embodied in the amendments to the Social Security Act that passed through parliament at the end of June. One of these amendments provided an exemption from the income test for early withdrawals from superannuation funds by persons aged between 55 and age pension age.
This provided greater flexibility for those wishing to reorganise their finances in preparation for retirement. Under the Veterans' Entitlements Act, lump sum withdrawals from superannuation funds had been deemed to be income and resulted in a reduction in pension entitlements.

Arguably, one consequence of the amendments to the Social Security Act was that people receiving benefits under the Social Security Act became more favourably treated than those receiving a pension under the repatriation system. The amendments contained in schedule 2 of the bill seek to align the two systems because the government has always undertaken to ensure that as changes are made to pension entitlements within the FACS portfolio, veterans are not relatively disadvantaged. There has been a similar reciprocity with other measures announced in the budget for which legislation has already been passed. For example, the one-off payment of $300 to senior Australians of age pension age was also paid to veteran recipients of the service pension who are at or over the service pension age of 60 years for men and 56½ years for women.

Since coming to office, the government has worked to build on one of the most comprehensive repatriation systems in the world and has sought to strengthen veterans' and war widows' security through improved health and financial assistance. In the 1997 budget, an additional six areas of overseas services within specific time frames were accorded the status of operational service under the veterans' affairs legislation, providing those who served with entitlement to compensation for injuries or diseases resulting from their overseas service in the ADF. This included permanent forces with the British Commonwealth occupation force in Japan between 3 January 1949 and 30 June 1951, service in the DMZ between North and South Korea from 19 April 1956 onwards and naval service in Vietnam on HMAS *Vampire* and *Quickmatch* in January 1962. In addition, service in Vietnam from 12 January 1973 to 29 April 1975 inclusive was declared to constitute warlike service, qualifying those veterans for eligibility to the service pension. Similarly, a number of United Nations peacekeeping forces were added to the list for qualifying service under the veterans' entitlements legislation.

Another matter of longstanding concern to the veterans' community was addressed in the following year. Legislation to entitle male veterans aged 70 years or more with qualifying service in World War II to the veterans’ gold card came into effect on 1 January 1999. This provided an additional 50,000 veterans who had served in operations and incurred danger from the hostile forces of the enemy with access to the full range of repatriation and health care benefits, including treatment as a private patient in a public or private hospital, choice of doctors, pharmaceuticals at the concessional rate, optical care, physiotherapy, dental care, podiatry and chiropractic services. Eligibility for the card was determined by the veteran's service and their age and in no way did it turn on their income and assets or whether they had a war caused incapacity or injury.

More broadly, this government made a legislative guarantee in March 1998 that all pensions would be maintained at 25 per cent of male average weekly earnings, and these measures apply to war widows, age and service pensions. As a consequence, these have been increased on six separate occasions since the legislation came into effect.

The history of our care for our veterans has, as the case of widows illustrates, not been one of unbroken progress. There have been missteps and anomalies. But the basic impetus has been the improvement and extension of benefits so that widening categories of veterans become fuller beneficiaries of the system. I believe that this trend does need to continue and I can do no better than conclude by quoting from some very eloquent arguments made by one of my constituents, who wrote to me a few weeks ago and said:

The automatic granting of the Repatriation Health Card to all veterans on reaching 70 years would receive the overwhelming appreciation from the veteran community and veterans' groups. I believe it would also stimulate popular support from the Australian community as a confirmation of the continuing support for ageing Australians and the recognition of the contribution made by veterans to the building of our nation.
I commend the bill to the House.

Mr EDWARDS (Cowan) (5.07 p.m.)—I join with previous speakers in supporting the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001, though I must admit that I have some interest in how the government arrived at its priorities. I know that the broader veteran community support these measures, but they too have some interest in how the government arrived at its priorities. For instance, I have received a letter from Zev Ben-Avi, an advocate for the Vietnam Veterans Motorcycle Club, who says:

John Howard stated at a press conference in Tokyo on Friday 3 August that the use of the term ‘Diggers’ by the athletics team was inappropriate. “That expression has effectively sacred status in Australia, it should not be used by others.”

In a document entitled - “The Liberal and National Parties’ commitment to Australia’s Veterans”, dated 5 Feb 96 in a paper covering the then Opposition under John Howard, the cover was emblazoned with - “LEST WE FORGET” at the top and - “The Coalition believes in both honouring the dead and fighting like hell for the living.”

“Lest We Forget” is far more “sacred” than the term “Digger”, yet the then Coalition chose to use it on a political document for it’s own political reasons. One of the promises within that document was the correction of the “apparent anomaly” of a veteran’s disability pension being counted as income under the Social Security Act. Five and half years later and there is no action on this “apparent anomaly” from the Coalition.

“Honour the Dead and Fight Like Hell For The Living” is the copyright of the Vietnam Veterans’ Assoc of Aust (VVAA) and was not used with any permission by the VVAA nor was it attributed - it was stolen. That is bad enough but the Coalition in power has at least honoured the dead but it most certainly has NOT “fought like hell for the living”.

For nearly three years there has been a campaign to have the Totally and Permanently Incapacitated (TPI) rate increased and benchmarked. TPI’s have not had a benchmark since 1976 and have only had CPI increases since that time. The benchmark that has applied to other pensions (25% of MTAWE)—that is, male total average weekly earnings—has never been applied to TPI. In the last ten years, MTAWE has increased by 39% whilst CPI has only increased by 19%, effectively TPI’s have lost $100 per week in real terms.

TPI’s have no access to increases like - arbitration, review boards, unions, courts of law etc like any other Australians. TPI’s can only go direct to government with submissions. In the nearly three years of the Fair Go for TPI’s campaign, we have been ignored.

“Fight like Hell for the Living”? I think not. “Lest We Forget”? The Coalition has already forgotten that it has forgotten. “That expression (Diggers) has effectively sacred status ...”, said John Howard. He needs to get his priorities right.

(signed)

Zev Ben-Avi.

That touches on a bit of the anger in some sections of the veteran community. There was reference in that letter to the recent controversy we have had about the use of the word ‘diggers’ by Athletics Australia. I see a bit of hypocrisy here from the government. A little while ago we had the Minister for Veterans’ Affairs going to farewell the Australian cricket team. He presented each of the team members with a slouch hat and he asked them to wear the slouch hats at Gallipoli, which they did. It is interesting that when a photograph appeared in the daily papers around Australia of the cricket team wearing the slouch hats there was quite a bit of comment, and this was followed up by the Australian athletics team wanting to use the word ‘diggers’. The minister initiated something with one sporting team, but then criticised another for doing something similar.

I heard the Minister for Sport and Tourism on the ABC last Friday going crook about Athletics Australia using the word ‘diggers’. She claimed it was the misuse of a word that has some sacred meanings in Australia. It is interesting, then, to read today an article in the Penrith Star, under the heading ‘MP’s credit faking slip’, which said:

Lindsay MP Jackie Kelly has been embarrassed ... and accused of staging a “publicity stunt” by taking credit for the restoration of war memorials. In fact the memorials at Penrith’s Memory Park and at Castlereagh were restored by Emu Plains’ Mark Mikschl, who finished cleaning and waterproofing them on January 9.

He was “surprised and shocked” when hearing about Ms Kelly taking credit for the restorations.
The article also says:

Mr Mikschl, who did not want any accolades for his work, had already restored two of the memorials with materials bought by Penrith RSL Club from his waterproofing company, Spike’s Waterproofing.

It further says:

A friend of Mr Mikschl, who read parts of the press release in local papers, said she was hurt to see Ms Kelly taking credit for Mr Mikschl’s work.

“It was Mark's idea and he approached the RSL who agreed to pay for the materials,” she said. “He did it out of the goodness of his heart, to give something back to the community.

“He did not want a big fuss made but he could not stand by and let a politician take credit for his and the RSL’s hard work.

Penrith RSL president Laurie Tucker confirmed Mr Mikschl did the work and the RSL paid for the materials.

The article also says:

Mr Tucker said it was not the RSL’s duty to inform Ms Kelly of the work done by Mr Mikschl.

“She should of known or found out the full story before saying anything. We just wanted the money. She turned it into a publicity stunt because it is an election year.”

If we are going to be critical of, say, teams like Athletics Australia for using the word ‘diggers’, I think we ought to look in our own backyard first. This is hypocrisy of the highest degree. And it is hypocrisy which hurts the veteran community, because they are cynical enough of members of parliament and when they see issues like this used for what they consider to be electoral purposes they become even more cynical and understandably upset.

I met Zev Ben-Avi on a couple of occasions. Zev is a very robust, direct and straightforward character, a well respected senior NCO during the Vietnam War. He had a very good reputation for looking after his diggers and fighting for them, and he continues to do that to this day. It is just a bit unfortunate that sometimes he treads on a few toes and upsets people. I guess he would say that, if that is the penalty you pay for being honest and direct and saying the things that you feel and for being prepared to stand up for your dig, he is prepared to cop that.

There is a lot of anger in the veteran community at the moment, much of it coming from within the ranks of TPIs. As Zev said in his letter, he feels that they have been passed over. A lot of TPIs are doing it very tough. There are a lot of young men who have nothing to look forward to but the rest of their lives on a TPI pension: young men who served in the Gulf War; young men who served in our Special Air Services Regiment on counter-terrorist duty; young men who have children and young families; and young men who want to secure a future for themselves but who cannot because of the level of remuneration of TPI pension.

I looked up some legislative history. Back in 1985 the TPI was described as follows:

The special or TPI rate pension was designed for severely disabled veterans of a relatively young age who could never go back to work and could never hope to support themselves or their families or put away money for their old age.

I guess the truth is that some people have a strange and jaundiced view about what TPIs are. I was very pleased, therefore, to receive a profile provided by Mr Derek Phillips JP from Western Australia, a profile of the totally and permanently incapacitated Australian veteran. It says:

This person is a member of a very unique group within the Australian community.

This person incurred disabilities and/or injuries during war or warlike qualifying service for the country.

This person was in the prime of life at that time.

This person when discharged, attempted to forge a career in the community for the benefit of his family etc. In many cases this career was impeded by the person’s disabilities/injuries causing family problems as well as financial difficulties.

This person eventually became TPI. and was compensated with the TPI Special Rate.

This person is not of any special age group. Some are young [Gulf & Timor], some are in their early 50s and some are older.

When first classed as a TPI, this person in most cases, tends to withdraw from society, some are afraid to mention to family and friends that they are TPI, some are shunned by their family and peers, others feel useless and unwanted, others lack motivation and objectives. There are many other difficulties in life that have an effect on this person.
Tuesday, 7 August 2001

REPRESENTATIVES 29323

THIS PERSON NEEDS HELP. WHERE IS THIS HELP?

This help is provided by the T.P.I. Community to State and Territory Associations and Social Welfare Clubs within each state and territory.

THE T.P.I COMMUNITY IS NOT A BUNCH OF BLUDGERS.

When a person is assessed as T.P.I. that person is strongly encouraged to join his local state or territory association where for a small fee is granted membership and the Federation Badge, access to the facilities and assistance of management in many areas. Most associations have a monthly or quarterly magazine which is prepared and published by volunteers.

Once the person is a member they are encouraged to take part in welfare and social activities and networking among their peers as well as many other activities.

HOW WE HELP T.P.Is

The T.P.I community through the state and territory associations have for many years provided much assistance for T.P.I’s, War Widows, other veterans and the community in general. The T.P.I community, voluntarily and at minimal cost to the Government and the taxpayer, participate in and provide the following services and infrastructure:

- Retirement Villages both equity share and rental
- Aged Care Hospitals
- Day Care Centres
- Welfare Units—Accommodation for country T.P.I’s for medicals etc
- Holiday Accommodation
- Social Centres and Club Rooms
- Commuter Buses together with wheelchair facilities
- Commemoration and Memorials.

The management both financial and administration of the above.

T.P.Is are also extremely involved in other services across Australia, for instance:

- Advocacy Services
- Hospital Visitors
- Welfare Officers
- Social Club Management
- Fund Raising
- Participate with Legacy [War Widows and Wards]
- Justices of the Peace
- Day Care Coordinators
- Hospital Canteen Volunteers
- Busy Bee organisers and participants, painting/gardening etc
- Concession officers
- Computer Training
- Participating with other E.S.Os in the above capacities
- Representing T.P.Is and E.S.Os on various Federal & State committees re Health, Welfare etc
- Social outing coordinators
- Personal Advisers—re Health Welfare & Financial Legal assistance & advice
- Hospital Transport
- Financial assistance
- Museums & Memorabilia.

While the T.P.I involvement can be seen to be therapeutic it is still very costly to the individual participant.

Some of the costs absorbed by the T.P.I volunteer are:

- Petrol and Vehicle maintenance and other transport costs
- Telephone and Fax
- Computer equipment [private]
- Computer consumables
- Stationery
- Meals
- Accommodation
- Clothes etc. etc.

In addition the T.P.I community donate many hours of their time in voluntary activities and many of their wives & families also participate in these activities to the benefit of all T.P.Is and their families and widows.

T.P.Is despite their disabilities and within their limitations, are responsible for massive cost savings to the Australian community and by their voluntary participation are RETURNING A SUBSTANTIAL DIVIDEND TO THE GOVERNMENT OF THE DAY.

THE T.P.I COMMUNITY IS NOT A BUNCH OF BLUDGERS.

THIS IS THE INTERNATIONAL YEAR OF THE VOLUNTEER.

I thought that it was important to read that into the Hansard because I am sure that some TPI veterans feel that people do not fully consider them as making a contribution
to the community. Many people forget how a lot of these veterans came by their injuries and their wounds. Many people forget that they came by these wounds or injuries in the course of service to their country.

The other thing is that on some days TPI veterans might be on top of the world, but usually that does not last for long. I have many good friends who you could look at and think, ‘There’s nothing wrong with that bloke,’ but see him a couple of days later and you can see a man who is suffering, battling and finding it difficult just to cope with the day-to-day things that a person needs to do in their life. It needs to be emphasised that TPI people are fighting for what they see to be a just and reasonable remuneration, particularly as many of them have come onto the TPI pension at a very early age and many of them have never had the opportunity to secure a strong financial base or a strong financial future for themselves or their families. I feel that we have to look at this whole question of TPI, and we have to look at how we can give particularly these younger TPI veterans a better chance to secure the sorts of things that they feel are important in their life.

It is unfortunate that a number of these veterans have felt compelled to organise a march on Parliament House sometime next month, such is the anger and such is the way that they feel they have been treated by government. That is why I said I was interested as to how the government came about its priorities in this most recent budget. While I certainly support the extension of the benefits that have been dealt with in this entitlement act today, we should recognise that there is a lot of work that is yet to be done and that there are a lot of veterans out there who do feel extremely angry and who do feel let down, particularly by this minister.

I am very disappointed in the way the minister is playing wedge politics with this veterans group—using one ESO against another and indeed trying to drive a wedge between the TPI association members themselves. I do not think that is an appropriate way for a minister of the Crown to act. In my view he could be doing a heck of a lot more to assist these TPI veterans, many of them sick veterans, to pull their own submission together. He could assist them, through the resources of his department and his office, to come to some conclusions about what they want and how they want to achieve it. One of the reasons they are angry is that they feel they have been lied to and let down. I do not support everything the TPI community want, because on the one hand I do not think it is affordable and on the other I do not think some of the things they are claiming are necessary. They are entitled to be treated properly, to be treated honestly and to be treated fairly. They are simply not getting that at the moment.

In conclusion, there is just one other thing that I am concerned about, and that is the recent Administrative Appeals Tribunal decision in re McPhee and Repatriation Commission, decision No. 447 of 25 May 2001. It found against Mr McPhee’s claim for a special rate pension because he was undertaking voluntary work for an ex-service organisation. The departmental representative submitted that there was no distinction between paid and volunteer work. I want to say that there is a distinction between volunteer and paid work, particularly in the context of the TPI community.

In a letter to the then Australian Federation of Totally and Permanently Incapacitated Ex-Servicemen and Women, Con Sciacca, the previous minister, actually put in writing on 3 April 1995 his very strong view that:

There is no bar to a T&PI pensioner undertaking such voluntary work. As long as it remains voluntary there will be no effect on the T&PI pension.

I think it would be a great shame if ever a TPI pensioner was to either not have a TPI grant because of a capacity to do voluntary work or, after having been granted a TPI pension, be penalised for the voluntary work that he or she was doing. The veteran community needs this voluntary work. It is dependent on the voluntary work. I ask the minister if he could do what the previous minister Con Sciacca did and write to the TPI community and support those volunteer ethics. (Time expired)
FRAN BAILEY (McEwen) (5.27 p.m.)—
The primary aim of the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001 is to continue this government’s commitment to developing a repatriation system that is fairer and more consistent in acknowledging those who served our country. Whether this includes acknowledging the ordeal of POWs, providing $6 million to extend the residential care development scheme for another year, further development of the quality use of medicines program or allocating $6.4 million to build a major new war memorial in London commemorating the substantial role played by Australians in two world wars, this legislation once again demonstrates this government’s willingness to work closely and cooperatively with the Australian veterans community.

It is pleasing to see that this legislation comes after the successful passage of the Veterans’ Affairs Legislation Amendment (Budget Measures) Bill 2000, which was passed last December. This legislation gave dependants and former dependants of Vietnam veterans access to much needed counselling services and psychiatric diagnosis. Also as a result of this legislation more than 2,600 veterans who saw service in South-East Asia during the period 1955 to 1975 will now have access to full repatriation benefits from 1 January 2001, and about 50 merchant seamen who during the Vietnam War served under naval command on board HMAS Jeparit have become eligible for repatriation benefits.

Given this current legislation and in particular its acknowledgment of those many veterans left behind, it is perhaps timely to reflect on this week in history and our wartime heritage. The date of 6 August 1915 saw the beginning of the battle for Lone Pine. Australia suffered more than 2,200 casualties, and seven Victoria Crosses were awarded for actions at Lone Pine. The date of 7 August 1915 saw the Australian charge at the Nek, Gallipoli. The charge by men of the 10th and 8th Australian Light Horse was a disaster. At the end of the day, 375 of the 600 attackers were casualties, including 234 dead. The Australian official historian later wrote, ‘The flower of the youth of Victoria and Western Australia fell in that attempt.’

The date of 8 August 1916 witnessed the beginning of the battle for Moquet Farm, France. Moquet Farm, near Pozieres, was the focus of nine separate attacks by Australian troops between 8 August and 3 September 1916. Some 11,000 Australians were killed or wounded in the fighting. On 9 August 1942, HMAS Canberra was sunk after being attacked by Japanese ships off Savo Island. Canberra was among a fleet of United States and Australian warships supporting the United States marine landings on Guadalcanal.

These are just some of the events that occurred during our wartime past and, as I said, in this week particularly it is timely to reflect on what happened to Australians in years past. They do illustrate why we must always as a nation afford respect to and care for those veterans who have served and those loved ones whom they left behind. I have some 14 RSL sub-branches in my electorate and a veteran community that includes veterans who served in World War II, Korea, Indonesia, Malaya and Vietnam. The Parliamentary Secretary to the Minister for Defence, the member for Bradfield, Dr Brendan Nelson, recently joined me in my electorate to open the new commemorative gates at the Light Horse Memorial Park in Seymour. The opening was accompanied by a parade of the light horse down the main street. Such recognition of our wartime past demonstrated to me that people will never forget the sacrifices made by those who served and will continue to recognise their service.

The importance of recognising this service must always be properly and respectfully acknowledged. Veterans’ entitlements must also make provision for war widows and ensure that those widows whose partners have died for their country are not discriminated against because of this. As at June 2000 there were 107,953 war widow and widower pension recipients. Under this legislation, discrimination against remarried war widows will end with the resumption of the war widow’s pensions to war widows who remarried before 29 May 1984. This will bring justice to widows who lost their part-
ners in wartime service and who chose to remarry. It will restore the entitlements of some 3,000 Australian war widows who remarried before 1984 and had their pensions cancelled. The previous Labor government only continued payments to war widows who married after 29 May 1984. To address this discrimination, the government has allocated some $86.8 million over the next four years. The restoration of these benefits will take effect from January 2002.

This legislation will also acknowledge the contribution of our British, Commonwealth and Allied veterans who fought alongside Australians during World War II. The Repatriation Pharmaceutical Benefits Scheme will be extended to cover certain Allied veterans and mariners aged over 70 with World War II qualifying service and who meet the 10-year residency requirement. The initiative covers World War II veterans with qualifying service from Australia’s Commonwealth allies, including Britain, Canada and New Zealand, as well as those from Belgium, France, Greece, the Netherlands, Norway, Poland, the United States and the former Yugoslavia. This initiative will involve the expenditure of $24 million over the next four years.

The Repatriation Pharmaceutical Benefits Scheme was founded more than 80 years ago to provide prescription medicines to veterans of World War I. People eligible for the RPBS now generally pay a maximum of $3.50 for prescribed medicines covered by the scheme. The RPBS provides a wider range of items than the Pharmaceutical Benefits Scheme. Access to the RPBS means veterans and war widows and widowers can obtain a wider range of drugs and medicinal products than is available to the general community. Based on clinical need and a request from their local medical officers, veterans and war widows and widowers can obtain items not listed in the schedule of pharmaceutical benefits. Currently, there are about 350,000 veterans with access to the RPBS using on average 34 to 35 concessional prescriptions a year.

This legislation also brings veterans’ benefits into line with those introduced into social security law. From 1 July 2001 early withdrawals from superannuation funds by persons aged 55 or over will be exempt from the income and assets tests. The government will not include in the income test for social security pensions any money withdrawn from superannuation assets by this age group.

I must add that it was also pleasing to see in the recent budget that the government is acknowledging those people held prisoner of war by the Japanese during World War II, and their surviving widows. These people will receive an ex gratia payment of $25,000 from the federal government. Of the 22,000 Australians taken prisoner by the Japanese, 8,031—or some 36 per cent—died. The payment will be made to some 2,630 former POWs and 6,600 widows or widowers, as well as an estimated 370 former civilian internees. On behalf of all veterans and their families whom I represent, I commend this bill to the House.

Mr MURPHY (Lowe) (5.38 p.m.)—I rise this afternoon to support the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001 because it makes important changes to the lives of members of the veteran community, including those in my electorate of Lowe. I will begin by congratulating the government for extending benefits under the Repatriation Pharmaceutical Benefits Scheme to Allied veterans and mariners who had qualifying service during the First World War or Second World War, who are aged 70 years or over and who have been resident for 10 years or more in Australia.

We know that the history of the repatriation system shows bipartisan support for the veteran community; I mentioned this yesterday during the debate on the motion by the member for Barker in relation to the Kokoda Trail. But we also know that the Australian repatriation system is a generous system—and rightly so, because it ensures that people who put their lives on the line for their country receive the compensation they justly deserve. The extension of the Repatriation Pharmaceutical Benefits Scheme to Allied veterans and mariners is notable because it is a departure from the historical position that health care needs of veterans are the responsibility of the country they served.

When I worked in the Department of Veterans’ Affairs many years ago, it was my
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Representatives

experience that an allied veteran had more chance of backing the program at Randwick than of succeeding with a claim for entitlement to pensioner benefits from another government, in comparison with our repatriation system. An applicant, during my experience, almost had to demonstrate evidence of their gunshot wounds to get a successful claim. We should be very, very proud in Australia that we have such a generous scheme. In the main, there is bipartisan support for the repatriation scheme—and, when there is a change with the election on 17 November this year, nothing will change for the veteran community.

Mr Brough—Ha!

Mr Murphy—I am sure that the election will be held on 17 November; I have no doubt about that. Anyhow, I am not here to talk about that.

I want to share with the House the campaign that I participated in for the restoration of the war widow pension to widows who had previously been a recipient prior to 1984, who had subsequently lost that pension because they had remarried and who subsequently became widowed. I want to take you through this campaign because it will show how you can achieve things and get happy results. I am pleased to say, thanks to the government—and I will give them credit where it is due. A widow in my electorate wrote to me on 22 March 2000, saying:

Dear Mr Murphy

I would be most grateful if you would kindly assist me with information re your views on the reinstatement of War Widows’ pension to widows remarrying before 1984.

I was granted a War Widow’s pension after my first husband died from heart problems only 12 years after we married in 1951. I remarried another WW II veteran in 1979 losing my pension at this time. We shared only 8½ years together before he also passed away as a result of heart and colon cancer problems.

Since 1984 war widows remarrying are no longer penalised as we were and their pensions are for life.

I am now 75, an age group in which other widows in my category find themselves widowed twice and no pensions. We, as a group, are interested in and seeking the views of government and politicians re the restoration of our pensions when they are so sorely needed. Our only “crime” was to remarry before 1984.

I have resided in the Lowe electorate for 37 years.

I appreciate the fact that you are a very busy gentleman but I would indeed be grateful if you could furnish me with an affirmative or negative answer to my query on the reinstatement of War Widows’ pension to those still alive who remarried before 1984, by the 29th March 2001.

Yours sincerely.

I wrote back to this lady on 23 March and, inter alia, I said:

... I would be more than happy to make representations on your behalf and the behalf of other war widows in your situation to the Minister for Veterans’ Affairs, the Hon. Bruce Scott MP ...

May I also suggest that you and other war widows you know, who are in a similar position to you, organise a petition to be tabled in Federal Parliament. My staff member, Mr John Fisk, would be available to help you draft the petition.

I then wrote to Minister Bruce Scott on 6 April and, inter alia, I said:

Dear Bruce,

Mrs ... subsequently married another WW II veteran in 1979 and lost her pension. Sadly only 8 years later her second husband also passed away ...

Due to the above circumstances Mrs ... is not now eligible for a war widows pension. But, if through other circumstances she had remarried after 28 May 1984 she would now be entitled to the war widows pension.

This is an anomaly that should be rectified for Australians now in the twilight of their lives. Would you please investigate the case of Mrs ... and others in a similar position with a view to granting them the war widows pension as a matter of urgency.

In the meantime, I received a copy of a letter from another widow in a similar position in Victoria, who wrote to the widow in my electorate. On 11 April 2001, she said:

It was nice to talk to you last evening and I have received the two pages from you regarding the suggestion of John Murphy MP to instigate a petition to all our War Widows on the list. At today’s date there are 101 and with the coverage in the country and suburban newspapers currently appearing the number will grow somewhat.
I think it is a brilliant idea and I am sending this to you today as I feel it is very important that we move as quickly as possible. It will take some time to get the petitions to each of our War Widows and then to have them returned to the Minister. I think there should be a time limit of about one week to ten days from receipt of the petition by the War Widow.

I will talk to you soon and ... I do appreciate what you are doing. We are powerful now and will continue until we get our just reinstatement in full.

I did not read that out just because I thought that what I suggested to them was particularly brilliant. It was the sort of thing that any member of this House would do in respect of widows who were also representing other widows in a similar situation. Attached to that letter was the case for the reinstatement of the war widows benefits. What the war widows put to me was quite simple. They said:

We are asking for the reinstatement of our war widows' benefits equal to those war widows who remarried after May 28, 1984 and are retaining full benefits.

We are War Widows exactly as those who remarried after May 28, 1984.

Most are widowed again.

The figure quoted by the Government is 4000 War Widows who remarried prior to May 1984. This matter has been given considerable publicity in the newspapers Australia wide, Channel 9 Current Affairs and Alan Jones 2UE Talk Back and many replies have been received. As of this date, April 11, 2001, these number approximately 101 War Widows who remarried prior to May 28, 1984 and lost their benefits. This is a considerable difference from the quoted 4000.

The Government has calculated the cost to have our benefits reinstated to these '4000' war widows as 64 million dollars over four years, (this figure is highly questionable). It has never calculated the value in dollars of our justifiable benefits they have kept.

The Veterans’ Affairs Minister has refused to meet us when requested in our letters. In reply from his office to correspondence from War widows, the same letter with similar paragraphs has been sent to all of us over the years.

The age of these War Widows range from approximately 74 to 93 years. Most are frail, vulnerable and unable to stand up for their rights but they have written after hearing or seeing the publicity, and in some cases a friend or a member of their family for them, and are so appreciative that at last we are standing up as a force to be reckoned with. This will continue until we get our rightful benefits back. We will not take less.

Our Veteran husbands died in horrendous circumstances and had their lives devastated and shortened in defending Australia. These gallant brave young Australians trusted that the Australian Government would take care of us even into our old age. It has not done so. We suffered irreparable sorrow for Australia and now are standing up for this discrimination to cease and our lawful rights to be reinstated. Many remarried in grief, remarried for their children, or to combat loneliness and the majority ended very unhappily divorced and financially devastated.

We have never forgotten our Veteran husbands who died for Australia, but the Australian governments have.

On 12 April, I received another letter from my constituent, who wrote:

Dear Mr Murphy

Thank you most sincerely for your correspondence of 6 April, 2001. I do so appreciate your interest and readiness to assist me and other War Widows in our efforts to regain lost and much-needed pensions.

On reading the suggestion contained in your letter to further our cause, I was filled, firstly, with great appreciation, then confidence that, with your readily-given assistance and knowledge of procedure in such cases, we might now succeed, after the futile efforts of the past.

Further to the foregoing paragraph, the Government for years has stolen the rightful War Widows’ benefits from us in deciding that a remarriage date would determine our eligibility for War Widows benefits. This is discriminatory, unjust and a grave anomaly which the Government admits but has done nothing to rectify.

The Government calculates the cost to have our benefits reinstated to these War Widows as 64 million dollars over four years, (this figure is highly questionable). It has never calculated the value in dollars of our justifiable benefits they have kept.

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I immediately forwarded a copy of your correspondence containing information to our organiser ... in Victoria. She, in turn, telephoned immediately to express her absolute delight on reading your suggestions, with which she heartily agreed. I am enclosing her written response to me to-
together with an amended list of War Widows as another 12 names have surfaced.

Personally, I think her suggested time limit of 7-10 days from receipt of petition by War Widows for it to be returned is too short and a little more time be given. However she is most enthusiastic about your plan. You undoubtedly will have your own ideas and we will be guided by you on details such as this.

Once again, Mr Murphy may I state my deep appreciation for your valued assistance and the representations you made on my behalf to the Minister for Veterans’ Affairs. We, in the Electorate of Lowe, are indeed fortunate to be represented by such an approachable, concerned and helpful member. Thank you.

That’s very nice, isn’t it? I am not in the habit of doing this, for the benefit of the minister at the table, but this is good news and I am going to give an accolade to the government and Minister Scott, for whom I have a deal of regard, as I have expressed to him previously.

Mr Brough—You’re a generous man.

Mr MURPHY—No, Minister Scott is a decent man. On 26 April, Minister Scott wrote back to me and said:

Dear Mr Murphy

Thank you for your representation of 6 April 2001 on behalf of Mrs ... concerning restoration of war widows’ pensions to widows who remarried prior to May 1984.

Under current legislation war widows who remarried prior to 29 May 1984 relinquished their pension. However, those widows who remarried after that date can retain their pension. This has been the policy of successive governments since 1984 and has been reconsidered on numerous occasions. The policy was first recommended to the Hawke Labor Government by an Advisory Committee on Repatriation Legislation which included representatives of the veteran community. It also included representatives from the War Widows Guild.

Restoring eligibility to war widows who remarried prior to 1984 was again examined in 1994 by an independent committee of inquiry, the Veterans Compensation Review Committee. It also concluded that it would be inappropriate to restore the pension to this group of widows. The reasoning behind this decision included the payment of a gratuity in 1984 to those widows (equivalent to $10,700 in today’s terms) upon the cessation of their pensions.

The Government appreciates the role partners of veterans have played in looking after our returned servicemen and servicewomen. However, restoring the pension to war widows who have remarried prior to 1984 would cost $65 million over a four year budget cycle and would need to be considered against other competing priorities within the Veterans’ Affairs portfolio. Nevertheless, I will continue to keep this issue in mind when considering future portfolio initiatives.

When I received that letter I was a little disheartened, notwithstanding my efforts to assist the war widows around Australia with a petition to be tabled in parliament, so I took the liberty of placing a question on the Notice Paper. Parliament was in recess at the time and we did not resume until 22 May, budget day, when my question, No. 2549, appeared on the Notice Paper. It read:

(1) Is 28 May 1984 the date of effect before which Repatriation legislation will not allow for the continued payment of a war widow’s pension on remarriage.

(2) Is the retention of war widow’s pensions by persons who remarried prior to 1984 a social justice issue of finding a best balance between equity and financial resources.

(3) Is the estimated number of pensions provided to war widows who had subsequently remarried prior to 28 May 1984 120 and not 4000 as he had indicated earlier.

(4) In the light of the statistically small number of war widows who remarried prior to 28 May 1984, does equity in distribution of war widow pensions to all such remarried widows now outweigh the financial constraints prohibiting the reissue of those war widow pensions; if not, why not.

(5) What is the cost of restoring war widow’s pensions to this group of widows.

Notwithstanding what I now know in terms of the actual numbers of approximately 4,100, Minister Scott, to his great credit, replied to my questions—unlike the indolent Minister for Health and Aged Care, who refuses to answer my question, and I stand here after question time and ask Mr Speaker to follow that up, but unfortunately without much success. To his credit, Bruce Scott replied:

I am pleased that in the 2001-02 Budget the Government announced it would introduce legislation to amend the Veterans’ Entitlements Act 1986 restoring war widow’s pensions to all widows.
who relinquished this pension on their remarriage prior to 28 May 1984. Subject to the passage of these amendments, the restoration of pension would take effect from 1 January 2002.

This budget measure would cost $86.8 million over the four year period to 2004-2005.

That answer to my question No. 2549 appeared in *Hansard* on Tuesday 19 June 2001. So on the day my question appeared on the *Notice Paper*, which was the day we returned after Easter for the budget session, to its credit the government granted and restored war widow pensions to the category of war widows who had lost those pensions and who had remarried prior to 1984. I want to give a commercial to the government and to Bruce Scott for that, and to share with you how a campaign can work. Ultimately, my next step in the process would have been for me to table a petition, but we no longer needed to do that.

On behalf of those war widows and others in my electorate who have benefited in that regard, I express their deep appreciation to the government for the restoration of those pensions. It is not often that those of us on this side of the House are so generous, but it probably has something to do with the fact that we are talking about veterans’ affairs, and the general spirit of cooperation in relation to those matters and helping those who fought for our country and their dependents.

I support the amendments that provide beneficial treatment of superannuation assets for people aged between 55 and pension age. That is another good initiative from the government. This is all good news over here.

In conclusion, I notice that the member for Cowan referred to the case of McPhee which went before the Administrative Appeals Tribunal. He was denied a pension because he was doing voluntary work. I support the comments made by the member for Cowan, who is a distinguished soldier and a distinguished Australian. Somehow or other, the AAT must have got this wrong. I do not think that we should be denying a special TPI rate pension to someone because they do a lot of active voluntary work, particularly if they are helping other ex-servicemen through their ex-service organisations. I am aware of many other senior figures in the ex-service community who are also recipients of TPI special rate pensions and who are very active in representing ex-service people and who quite rightly say that they should not be denied payment of their TPI pensions for the great service that they have given to their country. It is the least that we can do. I hope that Minister Scott, in this spirit of bipartisanship, will have a good look at the McPhee case because we should be encouraging TPI veterans to participate actively in the community with voluntary work. Perhaps I could draw the attention of the Deputy Speaker to the fact that my time has expired and, as much as I would like to keep talking about veterans, I will cease my remarks forthwith.

(Time expired)

Mrs DE-ANNE KELLY (Dawson) (5.58 p.m.)—I rise to speak briefly on the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001. I often follow the member for Lowe; it must be a quirk of the speakers roster. I have regard for the member for Lowe and I often find myself in disagreement with him, which causes me some pain, because as an individual I find him an admirable person. However, I am delighted to be able to say today that I find myself in total agreement with the member for Lowe. I am pleased to be able to follow him as a speaker, and his gracious remarks and generous comments about the veteran community.

Honourable members interjecting—

Mr DEPUTY SPEAKER (Hon. D.G.H. Adams)—Order! The outbreak of goodwill is well received by the chair.

Mrs DE-ANNE KELLY—I also would like to pay tribute to the Minister for Veterans’ Affairs, the Hon. Bruce Scott, for the manner in which he administers this sensitive and sometimes difficult portfolio. In the time that he has been the Minister for Veterans’ Affairs we have seen a great resurgence of interest in, and regard for, Australia’s military history and returned service men and women. The spirit of Anzac, in particular, and the participation in Anzac Day ceremonies go from strength to strength. I am pleased to say that this is particularly evident in young people, from whom there is now a huge interest in Anzac.
At the last Anzac Day parade in Mackay, I saw an absolutely wonderful sight. You do see very young children, often with great-grandad or great-uncle, wearing medals and swaggering along with great pride, but I spotted a very earnest young mum with a pram, and pinned right across the front of the pram were, obviously, great-, great-, or great-, great-, great-grandad’s medals. It was terrific to see this young family, a mum and a baby, with the medals on the pram. I thought, ‘This is terrific: the Anzac spirit is alive and well.’

Obviously from the tiniest Australian to the eldest, the regard for our veterans is there. This is due in no small part to the minister’s efforts, through the education and information programs that he has brought to our schools.

In my own electorate of Dawson, students from the North Mackay state high school embarked on an epic journey to Gallipoli. Many would have seen the televised account of their journey on Australian Story, which they produced in conjunction with the Australian Broadcasting Corporation. I trust that it will turn into an award-winning program. The pride those young students showed when visiting war graves, particularly throughout France, photographing them and coming back to Australia to surviving relatives and sharing that experience, touched the whole of the Mackay community. Certainly the effect on those young students has been profound. It demonstrates why there is little support to combine Anzac Day with some other public holiday. I doubt that such a proposition would get great support across the Australian community. I was also pleased for my own community when the minister agreed to support the effort to build a memorial to the Rats of Tobruk in Mackay and kick-started the fundraising effort with a Commonwealth contribution of $4,000.

The coalition government has provided significant recognition to Vietnam veterans and to national servicemen. In fact, on Saturday I was at the national servicemen’s dinner at Walkerston. They originally booked the hall for 60 people; it was rebooked for 100 and, eventually, they ended up with 220 people, from a tiny club that originally had only a handful of members. So our national servicemen are delighted at the recognition they are receiving and are very proud to have made their contribution in Australia’s time of need. I am delighted particularly that Vietnam veterans are now taking their rightful place among our returned service men and women. Shortly before the last Anzac Day parade in Mackay, I met members of the Vietnam Veterans Motorcycle Club who, for the first time, were going to ride their motorbikes in the parade. I was invited to join them for drinks at the showgrounds the night before, and I have to say that they are a very cheerful group—but you have to watch out for the chilli wine; it is absolute dynamite. I met many interesting veterans that night and one of them, particularly, made an impact on me. His name is Arnie and he, as an Aboriginal, was exempted from the national service draft. Despite that, he volunteered to serve his country; he did not have to. He serves as an inspiration to the Mackay community. As an indigenous Australian he chose to go to Vietnam. I think we need to remember that many of our indigenous Australians made the choice to serve Australia.

I would like to now turn to the specifics of the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001. The bill provides recognition for the service and sacrifice of veterans and it serves to address some anomalies which have deprived some members of the veteran community of their rightful entitlements. The 2001-2002 budget again demonstrates the government’s, and the minister’s, commitment to the veteran community. A major anomaly in respect of war widow pensions has been removed. This bill amends the Veterans’ Entitlements Act 1986 and restores full entitlements to war widows who remarried before 1984, and who had had their pensions cancelled. The war widow’s pension was paid to compensate those women whose husbands had died either on active service or as a result of war-caused injuries or illness. The 1986 act ensured that widows who remarried in the future would keep their entitlements. However, this was limited to those who had remarried
after 1984. The passage of this bill will now mean that there are no longer two classes of war widows and that they will now all be treated equally under the repatriation system.

Other amendments recognise the service of Allied veterans now living in Australia by giving them access to the Pharmaceutical Benefits Scheme. Eligibility will be extended to Commonwealth and Allied veterans who are over the age of 70, who have qualifying service from either of the world wars and who have been resident in Australia for at least 10 years. They will also be eligible for a pharmaceutical allowance if they do not already receive it as a service or age pensioner. The bill also provides assistance for those veterans who are over the age of 55 but who are under the pension age. The government will not include in the income test for social security pensions any money drawn from superannuation assets by this age group. This bill makes similar changes to the income testing of such payments under the Veterans’ Entitlements Act. This will ensure that affected members of the veteran community will receive fair and consistent treatment.

I commend the minister for his decision to provide former prisoners of war and civilian detainees—or their surviving widows—of the Japanese with a $25,000 tax-free ex gratia payment. There is no doubt that those who suffered under the Japanese in prisoner of war camps suffered a great deal. I was talking in Mackay to the wife of a former prisoner of war, and she said, ‘I can never get him to talk about his experiences. He just weeps.’ I think that gives us an example of the depth of deprivation and suffering that our prisoners of war had to withstand under the Japanese. This is a payment not in compensation but in recognition of what they suffered. I have to say that I was extremely proud to hear it read out on budget night. It is a wonderful recognition of those who suffered for Australia.

I would like to move on to another topic associated with veterans. I understand that another speaker, the member for Cowan, has mentioned this as well. First of all, can I say that I have always gone to Anzac Day parades, and I have no doubt that other members have. I generally start with the dawn parade in Mackay—and it was a great honour this year to be asked to give the address there—and then I try not to break the speed limit getting down to Sarina for the parade. I then have lunch with the Rats of Tobruk and members of the RSL in Mackay, and then I go up to Finch Hatton for their service at 6 o’clock. By the way, the Finch Hatton RSL puts on a wonderful show after their service. Everyone is required to tell an amusing joke and provide entertainment, and there are some wonderful singers at Finch Hatton. There are also some good joke tellers, but I will not share them with the House tonight.

I find that the interest in the smaller communities is enormous. In Finch Hatton, all of the schools come out, the RSL community is there, and the women in the community provide the evening meal. It is a wonderful expression of gratitude to the veteran community. Having gone to all of those events and having met many veterans and their families, I get particularly proprietorial about the heritage they have left us.

That leads me to Athletics Australia and their unfortunate decision to use the term ‘digger’. I have no doubt that all of us support young Australian athletes—as we should. They are a source of great pride to Australians. But the reality is that there are some things in Australia that are sacred. Could I draw to your attention something that really shocked me last year. I was driving to work and listening to one of the commercial radio stations, and an ad came on for one of the local nightclubs. We actually do have nightclubs in Mackay; I have not been to any of them, but we do have them. As part of an ad for a nightclub, they played the last post. I have to say that I was quite shocked. It jarred with me, and I am sure that most members of the House would agree with me. The last post is something which is quite sacred and special. Obviously other citizens in Mackay must have found it equally jarring, because I noticed that it was taken off the air pretty quickly.

This incident lodged in my thinking that there are certain aspects of our heritage from our veterans that all of us react to when they are exploited, including the term ‘Anzac’,
and I am pleased that the minister has ensured through legislation that the term ‘Anzac’ remains sacred to the Anzac heritage and that it cannot be exploited, adopted or seconded by other groups. I thoroughly support that, as I know most members of the House would. But I do think we need to consider extending that further, possibly to the last post and perhaps even to some other terms, such as ‘digger’, that are part of our Anzac heritage. It should not be necessary. I would have thought that most Australians would be quite sensitive and would treat the Anzac heritage almost with reverence. Unfortunately, I think there are some who do not. I found jarring the suggestion that Athletics Australia would use the term ‘diggers’. I thought, ‘Come on. Our veterans have given so much. We should allow them that term as part of their history and their heritage.’ I wrote to the minister about it and issued a media release in my electorate.

As a member of parliament, it is always nice to know what people’s reaction is to the things you say—whether they agree with you or whether they do not. My reaction was an instinctive one, but I would like to read out an editorial from my local paper, the Daily Mercury. It was headed ‘Diggers’ image must stand alone’ and it says: Athletics Australia is going down the wrong track if it persists in the idea of naming the Australian team the Diggers. Member for Dawson has said the idea would degrade the image of the Aussie Digger, the men and women who fought and died in many wars to protect this nation. I do not read this out because it is flattering of me. Like the member for Lowe, I will include the comments, but I think it is the view of the Australian people that is more relevant in this context. The editor goes on: She is spot on. The great tradition of the Aussie Digger should stand alone, dignified and solid. In these days of commercialism in sport, Mrs Kelly is again on the money when she said it would be sad to see the name Digger attached to a commercial operation. After all our top athletes are professional sportspersons out there to excel for their country but also make a living. There is also the point that the name would be meaningless in many parts of the world. Those ignorant of Australian history could be forgiven for thinking our athletes were named after someone who digs holes.

Athletics Australia would in no way deliberately set out to denigrate the image of our Diggers. But they must have been aware that some sections of the community would be offended by the suggestion. It is hoped they heed the comments. I certainly trust that the minister will take our advice to heart on the matter of preserving our Anzac heritage—the terminology and the symbols—as something sacred to our veteran community.

I commend the minister and the government on the bill. It is certainly another step that the government has taken in recognising and acknowledging the debt of gratitude that we owe to our ex-service men and women. I commend the bill to the House.

Mr HORNE (Paterson) (6.14 p.m.)—Like all the speakers before me, I fully support the Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001. People who have served in the defence of our country deserve our greatest compassion and our greatest support. Governments of both sides over a long period of time have shown that they have been compassionate. It has always been regarded by people who came to this country, particularly since the Second World War, that Australia cares for its veterans probably better than any other nation in the world. Of course, when people do receive benefits, there will always be people who miss out. I am not being critical of the government—not at all—but I want to take this opportunity tonight to say that there are some people who I consider equally deserving who have missed out.

A couple of examples are constituents of mine who approached me after the budget, in particular because of that $25,000 that was granted to prisoners of war of the Japanese in World War II. One constituent was a member of the Royal Australian Air Force and served in Bomber Command in Europe during the Second World War. He served with distinction. I believe he flew 32 missions against Germany, which was an excessive number. A tour of duty was regarded as 20, and he went back for his second tour of duty. His 32nd trip was his last one. Their plane was shot down. Five of his mates were killed outright, and two of them survived. They spent 18 months as prisoners of the Germans. He said
to me, ‘Bob, if you think the Germans were
civil to us, I can assure you they weren’t.’ He
said, ‘We had been bombing their factories,
their dams, their railways and their homes.
They hated us more than any other enemy
and they treated us accordingly.’ How much
does such a person get? Nothing. Did he ex-
perience trauma? Of course he did. He lost
five mates. He did not know who would win
the war. He did not know whether he would
come home, and he gets nothing. I say to the
minister that there are other people to be
considered as well. We are not talking about
a large number of people.

Only last week I interviewed a constituent
whose situation I believe the minister should
consider. This lady is in her early sixties. Her
father died at Changi when she was four. She
never knew her dad. The family circum-
cstances were very poor, and at the age of four
she was put in an orphanage. She stayed
there until she was 12, when her mother re-
married. Upon remarriage, her mother took
her out of the orphanage. She told me she
had an extremely unhappy childhood, and I
believe her. She had no family, no dad. She
knew her dad was dead, and it could all be
put down to the war. Her mother would be
entitled to $25,000 as a widow if she were
still alive. She died three years ago. If the
mother were still alive, there would be a
benefit to the daughter too, because the
$25,000 would be part of that estate. Because
her mum is dead, no money goes to the es-
tate and no money goes to the daughter—a
daughter who experienced all the horrors of
the result of the trauma of war.

On the other hand, let us consider a family
of a young man who may have been impris-
oned in Changi. There are people in my
electorate who did serve in Changi. They did
come back. They did regain health. I think of
Tom Uren, for example, who served with
distinction in this House and who became an
Australian boxing champion. Certainly they
lived through a living hell while they were
imprisoned there, but they did come back,
they did regain their health, they did have a
career and they did have a family—or some
of them did. Now, if they are alive, they get
$25,000; if they are dead, and their wife is
alive, the wife gets $25,000. Their children,
who did not experience the horrors that my
constituent experienced, will benefit from
that $25,000 being part of their parents’ es-
tate. They did not suffer from the unsavoury
effect—the horrific effect—of what war can
do to a family, and yet they will benefit.

These are some of the injustices that I
have become aware of. Of course, that is
always a problem when benefits go out, and
there will always be a cut-off line where the
benefits stop, but I believe that there should
be a process whereby people can be consid-
ered for a benefit. The benefit is there for
some. The benefit should be there for all
people who have been extremely disadvan-
taged by the effect of war.

I have outlined two cases of people who
have been severely disadvantaged and are
worthy of consideration of some benefit.
But, because of the black-and-white nature
of this legislation, they will receive none. As
I indicated, I certainly support the legisla-
tion, and I commend it to the House. I would
just like to say to the member for Dawson
that I am actually a nasho and a member of
the National Servicemen’s Association. But
that, of course, was something completely
different. While I fully support national
servicemen seeking some recognition, it can
in no way be compared with what the serv-
icemen who served in a full theatre of war
and experienced all those horrors know
about. We certainly did not know anything
about that at all. But, of course, it was a great
time. We were prepared to get out there and
do what we had to do if the situation arose.
Much later on, people were conscripted and
served in Vietnam. This was another hell on
earth to which we as a nation were con-
scripting people. Those Vietnam veterans
deserve all our sympathy and compassion as
well because they are one group that have
been very unjustly treated by Australia. His-
tory will show that.

Mr St CLAIR (New England)  (6.23
p.m.)—I rise to support the Vetera ns’ Affairs
Legislation Amendment (2001 Budget
Measures) Bill 2001. It is always good to
come into the House and speak on a bill for
which there is bipartisan support. This bill
brings in entitlements, support and assistance
to a group in the community, as the member
for Dawson said, who have contributed so much to the building of this great nation. As I go around my electorate, I often look back—as I am sure many do in this centenary year of Federation—at the contribution that our service men and women have made over 100 years. We have a position in the world that is unique as a democracy—a democracy which is quite the envy of the rest of the world when they look about and see what we can do.

I would like to highlight a number of issues. I know they have been spoken about in varying ways, but I think it is important to assure the Australian public that we respect and support these measures. I would like to make a few comments with regard to bringing in assistance for different groups in the community through budget measures. You cannot bring in programs, expand programs or do the things that you want to do to assist people unless you are in a very strong financial position. The member for Paterson said that he felt that the bill may not have gone far enough, and I can certainly understand that, but it would not have gone anywhere if this government had not been in a very strong, sound and fiscally responsible position—which is a long way from the position we were in when we came to office in 1996, because of what we were left with. Congratulations need to go to this government, which has been able to get us into this position of being able to bring in programs that provide some assistance.

As was mentioned, this is the sixth budget in which the government has continued its commitment to acknowledge the sacrifice that our service men and women have made for their country—a sacrifice which has made it one of the great democracies. The government works closely with veterans, as does the Minister for Veterans’ Affairs. The member for Maranoa, the Minister for Veterans’ Affairs, Bruce Scott, has been to my electorate quite frequently, meeting and having a very close personal relationship with many sectors of the ex-service community. He is therefore able to identify those issues of concern that ex-service men and women raise with him. The bill restores entitlements for some 3,000 war widows who remarried before 1984 and had their pensions cancelled at that time. A year or more ago, Minister Scott visited a group of war widows in Tamworth, and that was one of the issues that was raised with him. That issue has now been resolved. Resolving this issue will end the legislative discrimination that has, over the last 20 years or so, created two classes of war widows.

In talking about the minister and the war widows, particularly the war widows in Tamworth, I would like to take this opportunity to talk about another issue that was raised. Quite often when our elderly war widows come home from hospital, they have difficulty doing simple things, such as reaching a telephone. A request was made to see whether something could be done to assist those war widows who return from hospital by lending them portable telephones so that they can use them in bed or take them with them in case they fall or have an accident. The minister was able, through the budgetary system, to come up with a great deal of support. In fact, I think nine or 10 mobile extension phones have been provided to the war widows in Tamworth. I thank the minister on behalf of those war widows. When I visit with those war widows, they continually mention their use of those particular telephones. The restoration of the entitlements for war widows will ensure that all widows and widowers whose partners have died for their country will be treated equally under the repatriation system.

The bill also acknowledges the service of our British, Commonwealth and Allied veterans who served alongside Australians during World War II, providing them with full access to prescription medicines under the Repatriation Pharmaceutical Benefits Scheme. Eligibility for the RPBS will be extended to those veterans and merchant mariners who are aged 70 or over, have qualifying service from World War II and have been resident in Australia for more than 10 years. Like their Australian counterparts, our Allied veterans are facing an increasing need for medicines as they grow older. This initiative will ensure that the British, Commonwealth and allied World War II veterans can access a full range of prescription medi-
cines covered by the RPBS. The veteran community has widely welcomed this measure to improve the quality of care for Allied veterans. There is a very strong camaraderie between all veterans—British, Commonwealth and Allied veterans—no matter where they are, and I think we see that in our community. This initiative is very much appreciated by those who served with us during those very difficult years.

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

Mr St CLAIR—Before the dinner break, I was just starting to go through the budget items which this government has been able to bring in because of the strong financial position it has been able to responsibly bring itself to. The government has extended its commitment to providing quality aged care to the veteran community with a $6 million funding boost to the residential care development scheme. This will extend the scheme for another year. The RCDS was established to assist ex-service organisations and community based aged care providers to upgrade residential care facilities for the veteran community.

The tangible effects of this can be seen in Tenterfield, where just over a year ago a constituent came to me because her bathroom needed to be remodelled. She fell within this scheme and, 12 months later, we have been able to make some representations to the minister and to assist her. She saw me a couple of weeks ago when I was in Tenterfield on my bush business tour and she came up to me, with tears in her eyes, to say that the actual work had been completed and what a huge boon it had been for her to be able to have this sort of assistance in her own home. Along with the philosophy generally on aged care issues of being able to assist our older Australians to stay in their homes, this program has been an enormous boon for them to have some of that renovations work done to their places to make them more livable for them, particularly when it comes to such things as bathing or getting access to the house itself. That is again a tangible demonstration of where these programs actually do deliver a great result.

The National Ex-service Round Table on Aged Care has strongly supported the continuation of this scheme and this was endorsed by an independent evaluation of the scheme, which is also very important. The initiative provides further financial support for those organisations seeking to provide veterans and war widows with a high-quality access to residential aged care services. Again, that is a great initiative that the minister has been able to bring in in the budget because of our very strong financial situation.

Among other issues and measures for the Veterans’ Affairs portfolio, the Commonwealth is providing a one-off payment, and we have heard a bit about it tonight, of $25,000 to Australian service personnel and civilians who were held prisoner of war by the Japanese during World War II, or their surviving widows or widowers, who were alive on 1 January this year. I have spoken before in this House of the fact that this has been a very welcome initiative of this government. Some say it does not go far enough, but I can certainly say that I do not think there are many people who have not been touched by this one-off payment.

I have been involved. One of my wife’s uncles was a Changi prisoner who has since passed on and his widow was able to receive this payment. I have had calls from numerous others through the electorate of New England. I think there are about 21 or 22 ex-POWs within the electorate of New England and I think some 60 widows or widowers who were going to be beneficiaries of this. I know from the phone calls that I and my staff have received that it has certainly been welcome indeed. The payment, as we have mentioned here before, recognises the unique hardship and suffering of Australians held in Japanese POW camps during the Second World War.

We have continued funding of agency arrangements to maintain an expanded network of Veterans’ Affairs offices. These agencies, as we are all aware, play a crucial role in delivering services to members of the veteran community who live in rural and remote areas of Australia. There will be further development of the quality use of medicines
program to encourage the prescription and safe use of medications that best meet individual veteran patients’ health needs.

With regard to the London memorial, the government has allocated $6.4 million to build a major new war memorial in London commemorating Australia’s service with Britain over the period of the two world wars. The memorial was announced last year by the Prime Minister and the British Prime Minister. It is planned to be erected in Hyde Park and to become a focal point in London for Anzac Day services.

On the issue of memorials, all of us in our electorates—particularly country electorates—have some wonderful memorials about. In the town of Emuville, which is some 60 or 70 kilometres north-west of the town of Glen Innes in my electorate, there is a wonderful war memorial made out of Italian marble commemorating those who served in the First World War. We needed to have quite a bit of restoration work done and some capital works done with the war memorial there to preserve it in good condition. When I was there recently formulating with the local community a proposal to this government—and of course to this minister—it gave me a chance to reflect on the enormous contribution that so many of our little towns made to our world war efforts.

When you have a look at the Their Service, Our Heritage program projects that we have been able to put in place to restore some of these memorials and you start going through the lists of names, it is quite humbling to see how many from one family, for example, made the ultimate sacrifice and how many people from these smaller communities gave this enormous service generally. I am pleased to have been able to announce today a grant under the Their Service, Our Heritage program by the minister to the community up there so they will to be able to restore the memorial to its original condition and preserve it. Minister, I note that you are in the House, and the community is very appreciative of the fact that you have been able to see your way clear under this program to assist them. As you can imagine, they are very proud of their memorial, as we in other places are of ours.

Minister, this brings me back to the fact that we are only able to bring in these programs because we are fiscally responsible as a government. We are only able to bring in programs to assist our veterans because we are in the black—we cannot do it if we are in the red, but we can certainly do it in the black. I thank you for that and I thank this government for being fiscally responsible. I commend the bill to the House and I am pleased that it has support from both sides.

Mr BRUCE SCOTT (Maranoa—Minister for Veterans’ Affairs and Minister Assisting the Minister for Defence) (8.09 p.m.)—in reply—I rise to sum up the debate on this very important Veterans’ Affairs Legislation Amendment (2001 Budget Measures) Bill 2001 and thank all those members who have spoken on this bill in the House. I thank them for their comments and contributions and I also thank the opposition for their support for the passage of this very important legislation.

With its sixth budget, this government has continued its commitment to acknowledge the service and sacrifice of those who served their country and to resolve anomalies to develop a fairer and more consistent repatriation system. This government has always worked closely with the ex-service community to identify issues of concern and to address those issues. It is important that we are able to work with the ex-service community because they are the ones who, over 82 years, have been instrumental in preserving the fundamental principles that have underpinned the repatriation system. The 2001-02 veterans’ affairs budget included targeted initiatives that I am sure will further advance the interests of our veteran community. As most members who have contributed on this bill have acknowledged, the ex gratia payment of $25,000 has already been paid to the ex-prisoners of war of the Japanese, including the widows of ex-prisoners of war of the Japanese and the civilian detainees.

Importantly, the bill will also restore the entitlements of some 3,000 Australian war widows who remarried before 1984 and had their pensions cancelled. These pensions will be issued again on 1 January 2002, the date this initiative will take effect. Already, my
The government has acknowledged the service of Commonwealth and Allied veterans and Allied mariners who served shoulder to shoulder alongside Australians during World War II. This bill will provide them with full access to prescription medicines under the Repatriation Pharmaceutical Benefits Scheme. This measure, too, will take effect as of 1 January next year. Eligibility for the Repatriation Pharmaceutical Benefits Scheme will be extended to these veterans and merchant mariners who are aged 70 or over, have qualifying service from World War II and have been resident in Australia for more than 10 years. Like their Australian counterparts, our Commonwealth and Allied veterans and mariners are facing an increasing need for medicines as they grow older. The initiative will also ensure that Commonwealth and Allied World War II veterans and mariners can access the full range of prescription medicines covered by the Repatriation Pharmaceutical Benefits Scheme at concessional rates. The same eligible Commonwealth and Allied veterans and mariners will also be able to claim the pharmaceutical allowance from my department if they do not already receive this as a service or age pension.

I know, as I have travelled around since the release of the budget, that the veteran community have welcomed these three measures and see that, from their point of view, further anomalies in the repatriation system have been removed from the rules and entitlements that apply to our veterans.

The bill also contains measures to amend the rules applying to early withdrawal from a superannuation fund. The profit component on superannuation that is withdrawn by a member of the veteran community aged 55 or older is no longer assessed as income. That, too, has been a welcome initiative of the government for our veteran community. It will align veteran benefits with all those introduced into social security law from 1 July 2001.

In conclusion, I again thank the opposition for the assistance they have provided the government in making sure that there was a smooth passage for legislation straight after the budget for the prisoner of war initiative and for their cooperation in ensuring the passage of this legislation to bring about much needed amendments and address anomalies that existed in the Veterans' Entitlements Act. I thank the House and I commend the bill to the House.

Question resolved in the affirmative.

Bill read a second time.

Message from the Governor-General recommending appropriation announced.

Third Reading

Leave granted for third reading to be moved forthwith.

Bill (on motion by Mr Bruce Scott) read a third time.

ANSWERS TO QUESTIONS WITHOUT NOTICE

Exports: Motor Vehicles

Mr VAILE (Lyne—Minister for Trade) (8.16 p.m.)—Mr Deputy Speaker, I seek your indulgence to add to an answer that I gave in question time this afternoon.

Mr DEPUTY SPEAKER (Mr Hawker)—Indulgence is granted.

Mr VAILE—In question time this afternoon I quoted the Department of Foreign Affairs and Trade’s ‘Exports of Primary and Manufactured Products Australia 2000’ and I said that the value of Australia’s automobile exports in 1995 was $940 million or $0.94 billion. That figure was correct. I have also been advised that the total of automotive exports during the year 1994-95 was $1.81 billion. And, of course, the record figure that
I was announcing today of $4.65 billion worth of auto exports in 2000-2001 remains correct.

NEW BUSINESS TAX SYSTEM (THIN CAPITALISATION) BILL 2001

Cognate bill:
NEW BUSINESS TAX SYSTEM (DEBT AND EQUITY) BILL 2001

Second Reading

Debate resumed from 28 June, on motion by Mr Slipper:

That the bill be now read a second time.

Mr KELVIN THOMSON (Wills) (8.18 p.m.)—The New Business Tax System (Thin Capitalisation) Bill 2001 and the New Business Tax System (Debt and Equity) Bill 2001 cover an important anti-avoidance area agreed to as part of the business tax package. Labor have agreed to a cognate debate this evening on the thin capitalisation and debt and equity bills because there is some considerable overlap in their jurisdiction and because of the cooperative manner in which we deal with the conduct of this House.

Labor have previously agreed to support a more comprehensive thin capitalisation regime and we will be supporting these bills. However, I note that these bills do not deliver the same regime as was announced by the Treasurer back in late 1999. There have been a substantial number of changes which have reduced the estimated revenue from the change by around a quarter of a billion dollars over the forward estimate period. That is a quarter of a billion dollars that Treasurer Costello promised he would collect in order to satisfy the revenue neutrality pledge that he made concerning the business tax changes. As usual, the Treasurer has reneged on his word. He has massively breached the revenue neutrality framework that he committed to in this House and, accordingly, I move:

That all words after “That” be omitted with a view to substituting the following words:

whilst not declining to give the bill a second reading, the House condemns the Government for:

(1) failing to honour its commitment to provide a revenue neutral business tax package;
(2) imposing a complex and cumbersome tax system on Australian businesses rather than delivering the simpler system it promised; and
(3) increasing the compliance burden for Australian businesses thereby reducing their competitiveness, their profitability and, in some cases, their ability to trade.”

The bills cover a new thin capitalisation regime and a comprehensive regime for defining debt and equity for taxation purposes. Both of these proposals are highly complex, although the underlying objective is relatively simple. That objective is to ensure that excessive interest deductions are not available against the Australian taxation base for taxpayers with international operations.

Thin capitalisation refers to the practice of companies relying too heavily on debt rather than equity to structure their finances. If a company is overgeared—that is to say, if the debt to equity ratio is too high—then much, if not all, of the profit of the company would be wiped out by the interest stream to service the debt. Therefore, if companies across the economy have a high debt-equity ratio, they will have a large interest stream to offset against their profits compared to the situation of a low debt company, with a consequent significant threat to the proper company profits tax base facing appropriate tax. This would not be a problem if the company’s lenders were Australian and therefore paid Australian tax on the interest. However, the interest is generally earned by non-residents and is therefore subject to only a 10 per cent, or even nil, taxation liability under taxation treaties or other concessional arrangements. So there is a structural challenge to the integrity of the corporate tax base, and a thin capitalisation regime is important and is needed to deal with that structural challenge.

Labor recognised this long ago and introduced the current regime back in 1987. That regime applied only to related party debt used in businesses operating in Australia with a foreign controller. The regime was initially introduced with a ratio of three to one as the maximum. This was proposed to be tightened to two to one by then treasurer Ralph Willis during the 1996 campaign, and indeed it was adopted by the present government. Financial institutions had a rating
of six to one. The core tax issue driving thin capitalisation is that the cost of debt—that is to say, interest—is tax deductible, whereas the cost of equity—that is to say, dividends—is paid from after tax profits and is not tax deductible.

The dividend imputation system was introduced to try and improve the incentive for investors to utilise more equity, but more was needed to be done. To counter this problem of bias towards debt we introduced that thin capitalisation regime. This regime sets limits on the debt-equity ratio of various types of taxpayers. There is no direct limitation on the actual business structure used. However, where the gearing ratio exceeds that of excessive interest, you have a situation where the interest related to that excessive gearing is not to be tax deductible. That regime has worked well, but it is not comprehensive. It only applies where the debt has been provided by a related party to the taxpayer. The provisions in this bill establish a more universal regime and should therefore be supported.

In addition, other relevant provisions of the taxation law have been repealed or re-drafted as necessary. So the bill will first apply both to foreign entities investing in Australia and to Australian entities investing overseas. It will set a limit on the amount of debt that can be used to finance the Australian operations of authorised deposit taking institutions. It will set a minimum level for the amount of equity capital that is required to be used to finance the Australian operations of those authorised deposit taking institutions. It will require certain non-resident entities carrying on business through permanent establishments in Australia to prepare financial statements. It will repeal the existing thin capitalisation regime and repeal the existing debt creation regime and repeal the existing provisions dealing with the capitalisation of foreign bank branches.

It will amend the existing provisions that deal with the deductability of interest expenses for outward investors. It will amend section 389 of the Income Tax Assessment Act 1936 to ensure that the new thin capitalisation provisions are excluded from the calculation of attributable income. It will amend the record keeping provisions of that act to include records that must be kept for the purposes of the new thin capitalisation regime. It will also amend section 128F of the act to allow Australian permanent establishments to gain access to the interest withholding tax exemption under that provision. And it will amend section 128F to replace the definition of the term ‘associates’. This is an important structural improvement to the corporate tax base, and it should yield significant revenue. Indeed, according to the explanatory memorandum, more than $1 billion is estimated to be raised from the measure during the course of the next four years.

Feedback from stakeholders on the exposure draft of the legislation has resulted in the government announcing significant transitional measures and relaxation of some of the provisions. The cost of these measures is significant, at almost a quarter of a billion dollars, and was not paid for or otherwise financed by the government through the tax package. It was simply a benefit, a gift, to the taxpayers concerned. They got their tax cuts and they got a further bonus as well. This is one of a number of measures which have eroded the revenue neutrality of the business tax package.

If you look at the 2001-02 Budget Paper No. 2, you will see that the cost of transitional and other changes to thin capitalisation is estimated at $70 million for this financial year, $45 million for the following financial year and then $60 million and $70 million respectively for the financial years after that. Over the course of four years it is $245 million, effectively a quarter of a billion dollars. This adds to other significant reneging on revenue neutrality by the government in the past, such as abandoning the entity tax regime. The cost of that is of the order of $1.2 billion over four years, and that is why I believe the House ought to be supporting my second reading amendment condemning the government for not honouring the revenue neutrality commitment given by the Treasurer.

The second bill, the New Business Tax System (Debt and Equity) Bill 2001, provides the new rules concerning what is debt
and what is equity under the taxation law. It is an integral part of the thin capitalisation regime, but it is also crucial in other areas, such as imputation. If taxpayers could choose the categorisation of either debt or equity simply by regard to the legal structure of an instrument without regard to the substance of the arrangement, that would involve significant revenue cost. The new rules attempt to tax interests according to their nature rather than facilitating the manipulation of tax treatments depending on who are the parties to the transaction. Without this approach, you could have taxpayers issuing instruments that are identical in nature but are either frankable or deductible to suit the purposes of the parties at the expense of the revenue.

No revenue is included in the forward estimates from the bill. However, it should provide significant revenue base protection, and we believe it is a good structural reform to the corporate tax base. As I previously indicated, Labor is supporting this legislation. It is an important element of the business tax system and it should become law. The legislation is in fact already operating, but the government regrettably has mismanaged the legislative program such that it was only introduced into the parliament at the end of June and therefore brought on for debate now.

There remain some problems with the legislation. Industry is still pointing out problems to the government, and it is incumbent on the government to get these bills operating properly. To the extent that there are still problems, the government should get amendments into the parliament to fix them up. It is not good enough to bring in late legislation for which the policy was announced a good two years ago and then still bring in a flawed bill. In terms of tax, we are all too used to this from the government. Some of us might become resigned to incompetence on the part of the government, but repetition does not excuse it.

I have moved an amendment to the bill and I want to speak now in more detail to that amendment. Let me start with the president’s report to the Taxation Institute, which talks about a legislative avalanche in the area of tax. The president reports that last year the government passed about 90 tax, superannuation, customs and licence fee bills. It might keep some of us gainfully employed here in the chamber, but on average these bills were 82 pages with about 335 words per page; all up they made for 2,473,845 words of new law. If you added in the 85 explanatory memoranda, they totalled another 2,605,800 words. An interesting question would be how many of these tax professionals have read those five million words—indeed, how many of us legislators have read those five million words. The Taxation Institute made the obvious point that consultation is needed to make sure that the ‘legislation measures up against the benchmark of simplicity or reducing compliance costs’. He said:

It is not merely the Taxation Institute that has been expressing concern about the way in which the tax act has become complicated out of all sight. Other reports, for example, talk about legislation containing provisions numbered 159GZZZG or a 36 per cent tax being found in sections 160APHN or 160AQCBA. This article states that in the last few years we have had:

... thousands of pages of amending legislation, accompanied by thousands more pages of Explanatory Memoranda, not to mention further thousands of pages in which ... the Commissioner of Taxation, attempts to explain (and in some cases to alter) the effect of the legislation.

This brings us to a situation where the tax act will soon run to 8,500 pages, compared to 3,000 pages when the current Prime Minister was elected on a promise to cut red tape. Indeed, back in 1973 in the so-called Whitlam era of big government, the tax act was 560 pages. This is an issue that was raised with the Prime Minister on the Small Business Show, which was replayed on April Fools’ Day 2001. It was drawn to the Prime Minister’s attention that the tax legislation during his period of stewardship had grown from 3,000 pages to 8,500 pages. He resisted the
temptation to say, ‘It’s the Treasurer’s fault,’ but—

Mr Martin Ferguson—But he said it privately.

Mr KELVIN THOMSON—He probably thought that, but on air he said, ‘It’s a rather simplistic way of measuring complexity.’ If you are a tax practitioner or a small business, I do not think that is quite good enough. If you do not read the 8,500 pages, you are still in the unfortunate situation of knowing that they are out there and you are obliged to comply with them. The truth is, as I heard an accountant was recently quoted as saying, it is like trying to fly in fog without a radar.

KPMG, which have done an awful lot of work for the government in relation to GST matters, recently produced a publication which goes by the name of Publik.nowledge. It is misspelt but I will overlook the title. They stated:

KPMG has undertaken a number of major reviews of GST implementation for various agencies to indicate how effectively they are meeting their obligations and complying with the GST legislation. According to them, there are a number of issues which agencies need to address, and they list them:

- ensure GST treatment of transactions is correct;
- ensure that the classification of supplies is correct, especially where there is a price uplift for GST;
- check that a price uplift for GST is not incorrectly applied to GST-free or input taxed supplies;
- check that input tax credits are not being under or over claimed;
- understand the cash flow implications for your agency of the New Tax System;
- … … … …
- introduce systems to monitor and implement, where necessary, ATO rulings and changes to legislation;
- ensure adequate training, re-training and mentoring of accounting, finance and data entry staff …;
- ensure proper treatment of long term contracts;
- ensure that there is an audit trail to verify how the BAS data was compiled; and
- ensure adequate preparation for an ATO audit.

These are all the things that they do not think agencies are doing satisfactorily. After such a comprehensive list, you have to ask yourself just what they think agencies have got right in relation to GST implementation. We have seen a similar state of affairs with the June quarterly business activity statements, where the Financial Review reported as recently as today:

The Australian Taxation Office has given small businesses more time to file their June quarterly business activity statements. So, even with this ‘simple new system’, the government have had to give another extension. The report stated:

… the simplification of the BAS and the term ‘simplification’ is used loosely—created eight new forms that required changes to the software agents use to submit the forms through the electronic lodgement system.

These forms included effectively six BAS options, the annual GST report and the instalment activity statement.

Software suppliers must make their applications ATO-enabled by registering their products on the ATO’s Registration Software Facility on its website after first testing the software against the ATO’s system to ensure that it can be used to submit reports to the ATO.

The Financial Review states:

Ms Eve Costello, a principal of Sydney Accounting, said few of her clients who should have submitted their BAS in July had done so because of the continued pressure of managing their business and the record keeping.

I think it was the Minister for Small Business, but certainly government representatives, who claimed that the fourth BAS had passed without incident. In fact, it has passed without the BASs being submitted either, as the report in the Financial Review makes clear. Indeed, organisations such as the CPAs have been calling for an urgent review of deadlines in relation to, for example, electronic income tax lodgment, as a result of software problems. We have had the situation of several software producers making only partial releases of their electronic lodgment service software packages,
with many practitioners not being able to commence lodging income tax returns at this stage. The CPAs say:

The current lodgment deadlines are unfair for those affected. They only add to the extreme pressure accountants are currently facing with the new tax system, and they could lead to penalties for clients.

We had another example of the complexity in the system today when my colleague the member for Rankin asked a question of the Speaker about the private rulings given by the tax office. The tax office put out a press release saying that the member for Rankin had got it wrong: the parliamentary committee had not been misled because the one figure the tax office was giving—the 3,000 private rulings—related to income tax issues. Of the total figure for rulings in calendar year 2000—the 89,000 private rulings—it said, ‘Well, over 84,000 of those rulings were in relation to the GST.’ During calendar year 2000 the tax office, we now find, issued over 84,000 GST rulings. I suppose any business and anyone who has not got such a ruling might feel a bit left out. This news is bad enough, but even worse is that we have a backlog of issues still to be resolved. Allesandra Fabro in the Financial Review yesterday produced a report indicating that:

More than a year after the introduction of the new tax system, the Australian Taxation Office is still to resolve numerous issues ... concerning the GST. She reported:

The ATO has 19 separate industry partnerships, which meet at various intervals to discuss tax reform issues—include GST matters—that require resolution. Each partnership has an “issues register” which is used to keep track of progress on the issues that have come up.

I think we are entitled to some explanation from the government as well as some explanation from the minister in the concluding stages of this debate as to how many issues in relation to GST are still unresolved and just how long it will take to resolve them. If people are put in the situation where they have to do business, not knowing what the legal situation is, not knowing what the relevant taxation arrangements are, we will get into the same sort of debacle that we saw with the Melbourne Zoo where it charged people an entry fee which included GST, discovered that it was not legally liable or entitled to charge it and therefore had to do its best to try and refund to families the GST that they had already paid. That sort of problem is obviously something we do not want to see a repeat of, and we are entitled to know from the minister how many issues are unresolved and how long it will take to resolve those issues.

With some of this complexity and the terrible burden that has been imposed on business with all these changes, I am reminded of the myth of Sisyphus. He was condemned to roll a large boulder up a hill and, when he got to the top of the hill, the boulder rolled back down again, and he had to start from scratch and roll it back up the hill. That was his life, and I guess that is how a lot of businesses feel at the moment. This might be worth while if Australia had prospered as a result of it—but the opposite is the case. Information has been provided to us by the Parliamentary Library comparing Australia with OECD countries on key indicators. Economic growth: in the last few years Australia was going better than the OECD average; post-GST we are now going lower than the OECD economic growth average. Consumer prices—the measure of inflation: from 1997 onwards Australia’s were considerably lower than the OECD average, the rest of the OECD; now they are considerably higher. Short-term interest rates: once again, in the last few years they were lower than the OECD; now they are higher than the OECD.

The GST really has been a shocker and, given what a shocker it has been, I would have thought it would have killed off stone dead any remaining vestige of credibility that the Prime Minister might have had in relation to tax matters. So I was astonished to read these breathless media reports, which commenced in the last week before the Aston by-election, that, if the PM were re-elected, he would reduce, cut, income taxes. There was no detail, there was no timing and there was no indication of how it was going to be paid for—no costing of it. You really have to ask the question: how gullible can some people be if they are pre-
pared to accept any of this stuff coming from this Prime Minister at face value?

There are some young people around of voting age who were not born when the Prime Minister was Treasurer—he became Treasurer back in November 1977—and so it is worth mentioning that, after he became Treasurer in November 1977, we had the infamous December 1977 election campaign dominated by the Liberal Party’s ‘fistful of dollars’. But, after the Liberal Party was re-elected to government, in his first budget as Treasurer the now Prime Minister terminated full indexation and said, ‘The government has now decided that discretionary adjustments to taxation scales and allowances are preferable to tax indexation.’ So this is from a Treasurer who terminated full indexation and, indeed, imposed a 1½ per cent income tax surcharge. He likes surcharges: he imposed the superannuation surcharge. That is different from a tax; it just takes money out of your pocket!

In addition, the Prime Minister, as Treasurer, introduced the bank accounts debits tax and the departure tax and jacked up petrol excise. He left us with a bottom income tax rate of 30 per cent, which Labor reduced to 20 per cent. He left us with a top marginal rate of 60 per cent, which Labor reduced to 47 per cent. We had seven income tax cuts over 13 years. In his six budgets we have seen one set of income tax cuts worth $11 billion and, on the other side of the ledger, a GST of $24 billion and rising. We have seen the proportion of tax paid by PAYE taxpayers go up during the period 1996-2001. Indeed, the aggregate taxation burden has increased as well. Given his track record on tax, you really have to go back to the quotes to find something that would do justice to his performance. For example, I saw Will Rogers quoted as saying:

Shrewdness in public life all over the world is always honoured, while honesty in public men is generally attributed to dullness and is seldom rewarded.

There is Walter Lippman’s saying concerning President Nixon:

He’s not of the generation that regards honesty as the best policy. However, he does regard it as a policy.

Or there is William Gladstone’s saying:

It is, when strictly judged, an act of public immorality to form and lead an opposition on a certain plea, to succeed, and then in office to abandon it.

What better indication of the Prime Minister’s performance on the GST could you get than that?

When it comes to tax, the Prime Minister would not recognise the truth if he were introduced to it by Her Majesty Queen Elizabeth. When it comes to tax, he would not be able to recognise the truth if one day it jumped out of the bushes when he was going for one of his power walks and gave him a lovebite on the neck. When it comes to tax, he would not be able to recognise truth if it grabbed him by the throat, took him on an all-expenses-paid trip to Majorca and then finished off with afternoon tea at the cricket at Lords. Truth and the Prime Minister would still be strangers when it came to tax. If he is serious about tax, he can take up Kim Beazley’s challenge to release the data and bring forward the Charter of Budget Honesty so that we can all understand what the financial situation is. We can then release roll-back and Knowledge Nation, and he can release his income tax cuts and show us whether they are fair dinkum or just another charade to try to hoodwink the Australian public one last time.

Mr DEPUTY SPEAKER (Mr Hawker)—Is the amendment seconded?

Mr Martin Ferguson—I second the amendment and reserve my right to speak.

Mr CAMERON THOMPSON (Blair) (8.48 p.m.)—That was a very entertaining speech by the member for Wills. He got out his quote book and managed to fill in his time very well, but these bills are not worthy of an exchange of quotes, an historical lesson or the great political thoughts of those who have gone before. The bills, the New Business Tax System (Thin Capitalisation) Bill 2001 and the New Business Tax System (Debt and Equity) Bill 2001, form an important part of the so-called Ralph business reforms that arise as a result of the Ralph Review of Business Taxation. These important reforms cover the wide spectrum of business activity and ensure that our tax
system is better suited to the business environment of the new century. The Ralph reforms include a range of integrity measures. They include limiting the extent to which non-commercial losses can be used to reduce the tax paid on other income; restricting the ability of individuals to reduce tax by diverting the income they earn from their personal services to an entity such as a company, trust or partnership; and requiring that pre-payments in respect of tax shelter arrangements be deductible over the period during which the services are provided, rather than being immediately deductible.

Those measures were responded to by the Treasurer on 11 November 1999 in his direct response to the Ralph reform report. Since then the government has gone about the implementation of the various measures, some of which have been subject to further finetuning through exposure drafts of legislation and the like. We are part way through that process. I am refreshed by the Treasurer’s determination to pursue those reforms in a practical way. Sometimes changes are needed and sometimes further consultation with the public and with businesses that are affected by the reforms is necessary. The government has gone about the Ralph reform implementation process in a very honourable and restrained way in reacting to what the community has to say as well as looking at the direct benefits that were being pursued by the people who conducted the Ralph reform process.

The Treasurer’s response to the Ralph reform process also included measures to improve the operation of the tax system. They included uniform capital allowance provisions, which meant reforming the capital allowance provisions to simplify the tax law and unify taxation treatment across the range of depreciation investment assets, including capital expenditures incurred by the mining and resource sectors that are currently subject to allowable capital expenditure provisions. For example, under the existing law, deductions can be denied to taxpayers incurring the expenditure where for technical reasons they do not legally own the asset. Also, in improving the operation of the tax system, the government moved to provide capital gains or balancing charge rollover relief where a taxpayer disposes of property in circumstances where a private acquirer has statutory recourse to compulsorily acquire an asset. It applies, for example, where land may be subject to a mining lease or where a private utility has recourse to a statutory power to acquire and the vendor has little choice but to sell.

The government also responded to proposals from the Ralph reform process for high level reform of the tax system, particularly the section referred to in the Ralph report as Option 2. To quote the Treasurer’s response:

The Government sees considerable merit in the high level reforms proposed by the Review and has given in principle support to their introduction. However it recognises the importance of developing a workable system that can be implemented with minimum disruption.

The Government also supports in principle other recommendations, including those related to the taxation of buildings and structures, financial arrangements and leasing and rights.

The Government will be consulting on the development of the recommendations which have been supported in principle.

That indicates the scope of what has been undertaken as part of the Ralph business tax measures. That brings us to the measures under consideration tonight. These were covered in the official response from the government released by the Treasurer on 11 November 1999. The measures we are considering tonight were presented by the Treasurer under the heading ‘Responding to globalisation’. This section shows the relevance of the changes proposed by Ralph and the timeliness of his report.

Globalisation has come to mean many things to many different people. There is a view abroad that it is a wholly new experience. However, the fact that Australia exists as we know it today is a testament to globalisation. When white settlers first appeared in Australia, globalisation brought a cultural revolution to our continent and it was changed forever. When Australians started growing wool across the wide expanses of the outback in the mid- to late 1800s, globalisation wiped out many of the sheep herd-
ers of Europe at that time. Prior to Australian Federation, Victoria had a successful sugar industry protected by tariffs on the Murray River. Globalisation in the form of Federation removed those tariffs. The Australian sugar industry moved north to a more appropriate location and Australia benefited again from globalisation. Globalisation has been around for a very long time and Australia has prospered over the years generally because of it. However, globalism is attracting a lot of critical press these days. Like most things dealt with by the media, globalism is either good or bad and never anything in the middle. It is rare to see coverage that weighs up the whole of an argument about globalism. It is much more common to see it characterised or lampooned as unrelentingly good or bad, and most often the message these days is that it is bad.

One of the common complaints is about the capacity of large multinational corporations to trade across borders and to structure their affairs in a way that suits their own purposes. There is a common concept of multinationals avoiding tax and exploiting natural resources with a degree of immunity because of their global structure. The Ralph report responded directly to these concerns and looked with a critical eye at the arrangements Australia has in place for dealing with the activities of multinational corporations. That includes all types of multinationals, whether they are based in the US, Monaco or, for that matter, Sydney.

In his response to the Ralph report under the heading ‘Responding to globalisation’, the Treasurer announced:

Steps will be taken to ensure that Australia receives a fairer share of tax paid by multinational enterprises. In addition, measures will be introduced so that Australian businesses are not hindered from expanding overseas and that Australia becomes a more attractive investment destination.

We are embarking on the first of those measures tonight. Some of the measures are yet to come and I look forward to talking about them as they arrive. The first measure is strengthening the thin capitalisation rules to prevent multinationals, both foreign and Australian based, from reducing their Australian tax by allocating a disproportionate share of debt to their Australian operations. The second measure is reforming the taxation arrangements of foreign expatriates to prevent double taxation on foreign investments, but to ensure that tax on Australian income is collected. The third measure is improving Australia’s double taxation agreement to improve the competitiveness of Australian businesses offshore. The fourth is to provide imputation credits for foreign dividend withholding tax so as to assist Australian firms that are expanding overseas; the fifth is to strengthen the rules for foreign trusts in order to counter tax avoidance; and the final measure is to remove the ability of non-residents to avoid Australian capital gains by disposing of interposed entities. That is the range of measures encompassed in that part of the Treasurer’s response to the Ralph report.

The legislation before us tonight includes the New Business Tax System (Debt and Equity) Bill 2001. It introduces a new approach within a business entity to define equity and debt. If we look back to the Ralph report, ‘A tax system redesigned’, we can find the following quote:

The fundamental differences in the tax treatment of debt and equity can heavily influence the financing of investment in Australia.

If we look back to the second reading speech made by the Parliamentary Secretary to the Minister for Finance and Administration, the member for Fisher, we can see how the government has responded in that regard. He said:

Importantly, the bill explains how the debt-equity borderline is drawn for tax purposes. The rules determine whether returns on an interest may be frankable or may be deductible.

The test for distinguishing debt interests from equity interests focuses on a single organising principle—the effective obligation of an insurer to return to the investor an amount at least equal to the amount invested. This test seeks to minimise uncertainty and provide a more coherent, economic substance based test that is less reliant on the legal form of a particular arrangement ... a transitional rule is available to companies to elect that the current rules apply until 1 July 2004 for interests that were issued before 21 February 2001.
Tonight’s legislation also includes the New Business Tax System (Thin Capitalisation) Bill 2001, which prevents any multinational business entity from allocating excessive levels of debt to their Australian operations. Under the Australian tax regime, interest payments on debt are fully deductible. Other countries do not support this type of deductibility and, in the past, companies operating internationally have often structured their business activities to take advantage of the disparity. By heaping debt on the Australian part of their business, these corporations improve their financial position at the expense of the Australian taxpayer.

It is worth considering what other effects this tax structure has on business in our country. For a start, it is a large incentive for increased debt to be carried by the Australian subsidiary of any multinational corporation. Over the years, private sector debt has been a matter of growing concern to Australians, and a system that promotes the transfer of more debt to Australian companies is the last thing we need. Under the old system, we rewarded companies with bigger and bigger tax deductions the more they worked to load debt onto the Australian system. It would be interesting to speculate how much the total private sector debt of our nation has been increased as a result of this practice. In fact, I would like to see Treasury track developments in this area to see what impact tonight’s changes will have on the debt-raising activities of corporations, be they based in Australia or overseas. Over five years, this new system will cut the total worth of benefits enjoyed by multinational companies at our expense by something like $1.1 billion. That is a welcome change. Corporations will continue to invest in Australia, because this measure takes a balanced view. It uses both a carrot and a stick to ensure that healthy investment continues. As a result, we will see a change in the nature of investment in Australia, with more equity, less debt, less interest and fewer deductions, and there will be savings to taxpayers of $1.1 billion.

Members will note that the total increase in revenue provided by this legislation is somewhat lower than the $1.34 billion originally forecast. That is as a result of changes announced by the Treasurer on 22 May this year. I note that those particular changes have attracted what I believe to be unfair criticism from members opposite. That process of consultation—and I think all Australians would agree—on changes as essential as this were absolutely necessary. To complain, as the opposition has done, that in this regard every single foible of the Ralph recommendations has not been followed to the letter is completely unreasonable. If that course had been followed, there would have been objections coming from members opposite about some of the restrictions that were being applied.

The opposition has complained about the loss of $250 million in total revenue that these measures are forecast to accommodate. I think it needs to be brought to people’s attention that one of the amendments provides, for example, that if deductions are less than $250,000—that is, if it is a comparatively small operator in the scale of these things—that is exempt due to a special clause that has emerged as a result of this consultation. I can see quite readily members opposite objecting if such a clause had not been provided; yet, it is one of the fundamental points that means there will be $250 million less collected. I think that is an entirely appropriate step for the government to take. As for the shadow minister opposite saying that the entire process would be less effective, I do not think that would be the case at all. Those changes that occur as a result of the extensive consultation undertaken by the government should be recognised for what they are: appropriate.

A total of 30 submissions were received from professional tax bodies, accounting firms, individual companies and organisations such as the Australian Bankers Association and the Electricity Supply Association. Among the range of changes that resulted is the provision to allow companies that work to a different tax year up to a year to transfer to the new tax system. That applies to a large number of entities affected by this legislation. It will ensure that these companies are not saddled with the additional paperwork that would arise if they were required to alter their practices part way.
through their financial year. Mr Speaker, I draw your attention to BHP, the big Australian, for example, which has a tax year that starts on 1 June. Members opposite would be the first to criticise this legislation if it were to impact on BHP in the way it probably would have done if there was not an agreement to allow this kind of flexibility. Yet, this flexibility does mean that there is a cost to the taxpayer. But, of course, we do have to support our large companies like BHP, and they are worthy of consideration. Banks have a tax year that starts on 1 October, and many of the foreign-owned companies commence their tax year on 1 January.

I would like to look at a typical case in relation to which this legislation would make a significant difference. In the past, there have been rules designed to stop Australian multinationals from ramping up debt and claiming an Australian deduction. For example, there have been cases where an Australian corporation raised a large amount of debt in Australia and then used that money to buy a big overseas company. They converted that debt in Australia into equity overseas when the purchase came off. Because the Australian rules were so lax and easy to circumvent, Australian taxpayers provided tax deductibility for interest on that debt. The corporations concerned employed a range of practices to separate one transaction from the other so as to avoid Australian legislation designed to remove tax deductibility in those circumstances. For example, an easy way for corporations to dodge their responsibilities was simply to impose an intermediary company to separate the raising of debt from the eventual purchase. Let us take a topical example: Christopher Skase operated a large Australian corporation called Qintex, with an overseas subsidiary called Qintex Entertainment. Qintex Entertainment was the vehicle Mr Skase wanted to use in his ill-fated bid for MGM/UA. Under the scheme, Qintex in Australia could ramp up as much debt as it could raise here in Australia, and then it could transfer the money to Qintex Entertainment in the US through an intermediary. It could then proceed with the attempted purchase, and Australian taxpayers would have given Mr Skase deductions on every cent of interest he incurred. At the interest rates that applied at that time under the Labor government, it would have been an ugly bill for taxpayers and quite an obscene incentive to Mr Skase.

Members opposite or anyone else who is uninformed about the importance of developing appropriate rules to cover these sorts of deductions might raise BHP and ask, ‘What impact would these changes have on the Big Australian in pursuing its program of diversification and investment, some of which is obviously overseas?’ Unlike Mr Skase and Qintex, BHP is obviously very conservatively geared. The measures that we are discussing tonight specify debt to equity ratios for this very reason. In looking to a determination in each case, they are not confined to a specified debt but the total debt of the entity concerned.

From my inquiries I understand that something like two-thirds of the revenue generated under these new measures—a total of $1.1 billion—comes from foreign owned corporations. They provide the lion’s share of the increased revenue that these measures will produce. The criticism that has come from members opposite is, I think, very convenient in the way that it is presented. Their campaign against the GST really goes on regardless of everything that is going on around them. If they spent more time looking at the content of this bill rather than harping on about things that come to them in press releases and in suggestions from Labor Party headquarters, we might have a better debate and we might get to the bottom of measures that will improve business in Australia by providing a supportive business taxation regime.

Mr COX (Kingston) (9.08 p.m.)—Tonight we are discussing the New Business Tax System (Thin Capitalisation) Bill 2001 and the New Business Tax System (Debt and Equity) Bill 2001. The member for Blair has described our concerns about the non-implementation of aspects of the Ralph report as a foible, but, after I have described how much money is at stake and the difference between what the Treasurer promised to do and what the Treasurer has actually done, I wonder whether ‘foible’ would be an accurate way to describe it.
Labor opposed the goods and services tax to the bitter end when the Australian Democrats voted to pass it. Our worst fears about its effects on the economy and the costs of business have been realised over the first 12 months of its operation. But that has not stopped Labor from taking a more cooperative approach in the business tax debate. The GST and the other measures that accompanied it meant an enormous redistribution of national income. That redistribution was generally in favour of the affluent and at the expense of those on low and middle incomes. Those measures resulted in a substantially reduced fiscal balance.

When Labor considered the government’s proposals arising out of its business tax review, it was not prepared to see either a further redistribution of the tax burden away from the affluent or another weakening of the budget position. Labor offered bipartisan support for the changes, provided their collective effect on the budget was neutral. This was not a concept that we had introduced; the government had asked the Ralph committee to produce recommendations that were revenue neutral. When he offered bipartisan support for the government’s proposals, the shadow Treasurer insisted on one thing: revenue neutrality. There was an exchange of letters regarding certain elements of the business tax proposals that had not come forward in the package of legislation. The most notable of these was the Howard-Costello government’s proposal for common treatment of entities.

Taxing trusts as companies was a major issue because it was required not only to close off a major area of tax avoidance which was and still is being exploited by high wealth individuals but also because the government needed that money to pay for reduced company tax rates and lower taxes on capital gains. The theory was that a bit of additional and overdue fairness was going to pay for increased tax competitiveness—at least that was the theory. Treasurer Costello had to be dragged kicking and screaming to a commitment to legislate on trusts; but ultimately, to get his business tax proposals through the parliament, he gave the shadow Treasurer a written undertaking in which he said:

We agree to the three points.
1. Detail on the measures not yet before parliament are set out in the attachments.
I expect legislation containing measures dealing with alienation of personal services income, and non-commercial losses, will be available early next year. The Government proposes to pass it prior to 30 June 2000. As I have indicated to you I expect legislation on trusts to be prepared by 30 June next year and legislated to apply from 1 July 2001.
If only it were true. He goes on:
2. The Government will introduce all the business tax changes announced in full.
I do not think we are doing that here. Finally, he says:
3. I have received advice from the Australian Taxation Office that your proposed integrity measures would not add to the Government’s proposed strengthening of Part IV A. Having said that, if it were redrafted in a workable form it would not detract from it either. If the Labor Party indicates its agreement to pass the Government legislation in the Senate, the Government would include this clause if you want it. It is your election.

I am also enclosing copies of the two Bills which will be introduced into the Parliament tomorrow. These Bills provide incentives for investment in venture capital by non-resident tax-exempt super funds, streamline and extend small business CGT rollover relief provisions, provide scrip for scrip rollover relief and remove CGT averaging for individuals.

Since the Government has agreed to your three conditions, I look forward to your written confirmation that the Opposition will vote for the package in full.

Please confirm this as a matter of urgency.
Yours sincerely,

The letter was signed ‘Peter Costello.’ The Treasurer is very good at making commitments. Unfortunately, he is not as good at keeping them. Earlier this year, on 27 February to be exact, he announced that he would not proceed with the exposure draft legislation he had put out on trusts. He would have us believe that he will proceed with legislation to deal with tax abuse using trusts, but not just yet. I was therefore not at all surprised to discover today that his thin capitalisation bill did not contain quite all that he had promised and that the changes would
cost the revenue about $250 million—$250 million here, a couple of billion there, and pretty soon you are talking big money.

Policy decisions included in this year’s budget are going to have a negative impact of more than $7 billion on the budget bottom line in the third out year. These changes to thin capitalisation are a component of that $7 billion spend. Before the budget, the Prime Minister said the government was aiming for a small surplus. It must be remembered that it was not that many months ago that the government had in prospect a large surplus, but it has spent it.

The Treasurer lacks any sense of financial discipline. The budget papers revealed that the cost of his inaction on trusts was $1.1 billion over four years and the changes to the thin capitalisation measures cost another $245 million. That amounts to admissions in the budget that the revenue neutrality principle on which the business tax package was based had been breached to the tune of $1.345 billion. This is a significant understatement, given that the Ralph report estimates for the common treatment of entities measure did not amount to $1.1 billion—they totalled $2.47 billion over the six years from 1999-2000 to 2004-05 at the relevant reduced company tax rates. This thin capitalisation rule strengthens a measure that was introduced by Labor to make foreign companies operating in Australia pay a fair share of tax on the profits they generate here. The simple method by which they avoided Australian tax was to have a related overseas country make a large loan to the Australian operation, the interest on which would be deductible against the income generated by the Australian operation. If the debt were to an Australian company, the high level of debt would not be a problem, because the lender would pay tax on the interest to the Australian Taxation Office.

The thin capitalisation rule was originally introduced in 1987, with a ratio of three to one as the maximum. Labor proposed in 1996 that this be tightened to two to one, and that proposal was adopted by the Howard government. Financial institutions are allowed a ratio of six to one. Gearing above the limit is still allowed, but the excess does not attract a tax deduction. The deficiencies in the old arrangements which this bill addresses are that thin capitalisation applied only to foreign controlled Australian operations and nonresidents deriving Australian assessable income, and it sought to limit deductibility only for debt borrowed from or guaranteed by a related entity. From the explanatory memorandum, the provisions in the new bill are that thin capitalisation rules will apply to foreign entities investing in Australian and foreign controlled Australian entities, as well as to Australian multinational enterprises with controlled foreign investments. A de minimis rule will protect entities from the effects of the new regime if, together with associate entities, they claim $250,000 or less in debt deductions in a year of income. The new regime will apply to all debt, including related party debt, third-party debt and both foreign and domestic debt. Generally, 50 per cent ownership by five or fewer entities is required for control. The new measures adopt similar control tests for inward and outward investment.

Outward investing entities—non-authorised deposit taking institutions—will have their debt reductions reduced if their debt level exceeds a maximum level. Outward investing entities—ADIs—will have their debt deductions reduced if their equity capital is less than a minimum level. Either a safe harbour, worldwide amount or an arms-length test sets the maximum level of debt or the minimum level of capital respectively. For non-ADI entities, a safe harbour debt to equity ratio of three to one will apply to general investors. For financial entities, the three to one safe harbour gearing ratio will apply only to the non-lending business after the application of an on-lending rule.

An overall safe harbour gearing ratio of 20 to one applies to the total business of financial entities, with some exceptions. The three to one safe harbour debt amount is calculated as three-quarters of the assets of an entity’s Australian operations. For Australian multinational enterprises that control foreign entities, an additional test is available. This test allows an enterprise to gear its Australian operation at up to 120 per cent of the gearing of its worldwide operations. An
equivalent test based on capital ratios applies to Australian ADIs. The new regime includes an arms-length test to be applied at the entity’s option.

The new thin capitalisation regime for ADIs is based on risk-weighted assets and also includes an optional arms-length test. Foreign bank branches will have their debt reductions reduced if they do not maintain a minimum level of capital that is based on the amount of their risk adjusted assets. Either a safe harbour or an arms-length calculation sets the minimum capital level. The regime will apply to a group as if it were a single entity. Australian permanent establishments of foreign entities will be required to prepare balance sheet and profit and loss statements. For thin capitalisation purposes, debt deductions include the cost of debt capital, which incorporates interest and amounts that function as interest. This provides greater clarity and coherence than the current law. Nonresident companies operating in Australia through branches will be able to issue debentures, the interest on which will be exempt from withholding tax under section 128F of the Income Tax Assessment Act 1936.

The related bill, the debt and equity bill, provides a test for distinguishing debt interests from equity interests and focuses on a single organising principle: the effective obligation of an entity to return to the investor an amount at least equal to the amount invested. There is an extended definition of equity based on economic substance. Broadly speaking, interests that raise finance and provide returns contingent on the economic performance of a company constitute equity, subject to the debt test.

The opposition supports this legislation; however, I want to register here our disappointment that the Treasurer continues to be derelict in the commitment that he made to the opposition that he would implement the full recommendations of the Ralph package. He has not done that. He is a large amount of money short of doing that. Given the state of the Commonwealth’s fiscal position, he is in no position to be able to afford to be derelict in that duty.
little while, in relation to employees’ legal entitlements in cases of insolvency is that here we have a situation where a company has sacked its work force and closed the factory but traded on the basis that, while it would no longer be manufacturing the garments, it would almost certainly be sourcing garments from overseas companies which it would then trade. So we have the situation where the company has, to all intents and purposes, sacked its work force and said to the workers, ‘We don’t have your entitlements.’ Typically in this type of situation, a company would go into liquidation and insolvency proceedings would follow. However, in this instance, the company has decided to trade on and to source garments and products, almost certainly from overseas, to continue their business. If the company had gone down the path of liquidation and insolvency, certain practices would have had to have been observed and the Corporations Law would have had to have been applied in terms of the workers getting their legal entitlements. Section 556 of the Corporations Law sets out what are called ‘priority payments’. Section 556 of the Corporations Law says:

Subject to this Division, in the winding up of a company the following debts and claims must be paid in priority to all other unsecured debts and claims.

Paragraph (e) of this section says:

Subject to subsection (1A)—next, wages and superannuation contributions payable by the company in respect of services rendered to the company by employees before the relevant date;

That sets out that, under Corporations Law, workers’ entitlements must be paid to workers before any unsecured creditors receive any money at all. Unsecured creditors include the Australian Taxation Office. In this situation that I have been attempting to describe, we have had an undermining of the spirit of the Corporations Law. The Corporations Law is very clear that, in these situations where workers lose their jobs—they are stood down; in essence, sacked—and those workers go to the company and say, ‘We want our entitlements,’ their entitlements come before any debts owed to unsecured creditors. It is crystal clear. Those provisions are made clear in the legislation. What we have with this situation is a technical difference. We have a situation where the company has chosen to trade on but has said to its work force, ‘We are not in a position to pay your entitlements; you’ll have to wait.’ At the same time, the company has entered into an agreement with the Australian Taxation Office to pay the tax office a substantial amount of money over a period of time, which will almost certainly mean that the Australian Taxation Office will get their money before the workers at Givoni get theirs.

It is all about need. The workers at Givoni, most of whom live in my electoral district, were employed at Moe and most of them live in Moe. I am sure you have heard me say before, Mr Deputy Speaker Adams, that we have a very high level of unemployment in the Latrobe Valley. In particular, we have a high level of unemployment in Moe. The unemployment rate in Moe would be in the order of 18 or 19 per cent. The workers at Givoni have worked at this place for 10, 15, 20 or 25 years, and when they have gone to that company and said, ‘You’ve shut the factory and you have put us out of work; we want our legal entitlements,’ the company has said, ‘No, you can’t have them. We think we will probably be able to pay you in November or later on in the year, but we are not sure.’ In the meantime, the company has entered into an arrangement with the Australian Taxation Office, in contravention of the spirit of the Corporations Law. This will see the whole idea of the Corporations Law, which is that the Australian Taxation Office comes after workers, subverted.

This is really a shameful thing that we are observing. It is disgraceful conduct on behalf of the Australian Taxation Office and Givoni to have entered into this type of arrangement, which will essentially see the Australian Taxation Office—the big, powerful Australian Taxation Office—paid before these workers, who do not have much. The textile, clothing and footwear industry is not an industry which has got people being paid $100,000 or $110,000 a year; a lot of these people have been employed at rates of around $25,000 or $30,000 a year. I think
that this sort of conduct by the Australian Taxation Office and by the Givoni clothing company should really be exposed for what it is. It is the sort of conduct which undermines people’s confidence in business and in the Australian Taxation Office.

In 1993, Mr Deputy Speaker—I am sure you will remember this—a piece of legislation was introduced into the federal parliament called the Insolvency (Tax Priorities) Legislation Amendment Act 1993. This was a specific piece of legislation which made plain that in insolvencies where there was a claim by workers for moneys owed to them—their legal entitlements—the Australian Taxation Office, as an unsecured creditor, would be put after the workers to ensure that the workers received the money that they were legally entitled to and that the Australian Taxation Office did not gobble up the money to which it would have been entitled by virtue of the fact that it was higher in the batting order—getting first bite of the cherry, as it were—in accessing whatever moneys might be left over in that company once the liquidation had been done.

This is something which we in the Labor Party can be proud of. It is the sort of legislation which, in this case, provides a very clear indication about what the principles are that exist in situations like this where there are competing claims for moneys that a company owes to different parties. The principle is that always the moneys that are owed to workers should be above those which are owed to unsecured creditors—in particular, the Australian Taxation Office. As a Labor member of parliament, I am proud of that legislation because it really says that we are not interested in scratching after $10,000 or $100,000 and essentially doing over workers when all they are after is their legal entitlements. I think that is a good bit of legislation and makes very plain indeed the ideas that are behind the principle of making sure that workers receive their money in insolvencies or like situations before unsecured creditors and before the Australian Taxation Office.

What else is interesting in this case is that, whilst we have had some discussion over the last little while in relation to workers’ entitlements in the case of insolvencies or liquidation, what has not been properly considered is that the federal government’s Employee Entitlements Support Scheme, as it is called, would not provide a cent to these workers in Moe because they do not fit the criterion which the federal government has established. That criterion is that the company be in liquidation and be going through that formal process. This company is not going through that formal process, but the workers who were formerly employed at the Givoni clothing company are unquestionably in need. Their need to get support to help them get what they are legally entitled to should be obvious and should be met. The legislation should appreciate that sometimes situations are not as open and shut as in the case of companies that are engaged in liquidation or insolvency activity: they do not always fit the bill that way and it is not always as straightforward as that. We need to be conscious of those situations which do not necessarily comply with the narrow definition which has been laid out by the federal government. These people are in need and they do need our support. There should be no quibbling over whether or not they fit into one specific criterion or another; we should appreciate that these people are in difficult circumstances. They have worked hard their whole lives and they are entitled to this money. This money does not belong to Givoni; it belongs to these workers.

In the context of the industrial dispute which is still going on in the car industry right now, the workers have said that they want their entitlements to be put into a trust—in this case Manusafe—in order to ensure that it is there for them in any situation which might arise where the company fails. It is important for us to appreciate that this is workers’ money and it should always be there and always be available so that we do not end up with situations such as those which I am describing right now.

It is within the government’s power, it is within the federal Treasurer’s power, to get on the phone right now to the Tax Commissioner and say, ‘This arrangement which you have entered into with Givoni clothing company doesn’t sound right and it is the sort of conduct which is going to undermine public
confidence in the Australian Taxation Office.’ That is all the federal Treasurer, Peter Costello, has to do. He just needs to get on the phone to the tax commissioner and tell him to withdraw from the payment schedule which the Givoni clothing company has entered into with the tax office. The tax office need to defer the payments which they are requiring Givoni clothing company to make to them until such time as all the workers at Givoni have been paid their legal entitlements.

What I am asking for is not the sort of thing that is going to blow out the budget. This is not going to create a problem for the federal government. This is a very small thing I am asking for, but it is a very large thing in the lives of the workers involved. Why should they have to wait until November, at best, to get the entitlements they are legally owed? Why should the Australian Taxation Office get its money before these workers do?

I am proud to have grown up in the Latrobe Valley. I am proud to have my electorate office in Moe, where the Givoni clothing company is. I have been to the Givoni clothing company factory on a number of occasions—in fact, I took our deputy leader, Simon Crean, there not that long ago, and the Victorian minister for manufacturing, Rob Hulls. I know how hard these women work; and it is almost entirely women who work—or who worked, I should say—at this factory. It is hard work, it is close work, it is physical work; it takes an enormous amount of concentration. My mother worked at the Kayser lingerie factory in Traralgon for many years, so I grew up with something of an appreciation of the work we are talking about. These people have worked hard. They have paid taxes their whole lives. All I am asking on their behalf is that Peter Costello, the Treasurer, get on the phone to the tax commissioner to ask him to make this right; to ask him to make sure that the Givoni clothing company is given a deferral on the payments it is required to make to the Australian Taxation Office so that the workers at Givoni can receive their full legal entitlement, so they do not have to wait until the end of the year before they receive the money they are legally entitled to.

It really is a dreadful situation I am describing, where we have a Commonwealth government agency—the Australian Taxation Office—involving in essentially subverting the spirit of the Corporations Law, which has been put in place for situations very similar to this. That Corporations Law is very clear and the legislation I referred to previously is very clear: the workers’ entitlements must be paid before unsecured creditors, including the Australian Taxation Office, are paid any moneys owed to them. It is crystal clear—it is not a matter of my imagination or of generous interpretation of the legislation or of perhaps trying to stretch out a definition or to make something apply where it should not. It is very clear, very open and shut.

The Australian Taxation Office need to give Givoni a deferral. The Federal Treasurer is the man who can ask them to do that. Once that has taken place, we need Givoni to show goodwill and to understand the difficult circumstances of the workers they have sacked. We need them to be generous in their attitude. As well, we need Givoni to understand that, if they are not going to be people with whom people can deal honestly and openly, it will not be a good thing for their business and, ultimately, it will undermine public confidence in the type of business they are running. I certainly hope that the Treasurer, Peter Costello, takes up my call and accepts his responsibility to contact the tax commissioner and to ask the Australian Taxation Office for a deferral in relation to this matter so that those needy workers can receive their legal entitlements.

Mr EMERSON (Rankin) (9.41 p.m.)—In speaking on the New Business Tax System (Thin Capitalisation) Bill 2001 and the New Business Tax System (Debt and Equity) Bill 2001, governing a new thin capitalisation regime and a comprehensive regime for defining debt and equity for taxation purposes, I am pleased to be able to indicate our support for this legislation. After all, it is part of the package of integrity measures that the Treasurer promised he would introduce in order to achieve a revenue neutral budget
position associated with reducing the company tax rate and also reducing the rate of capital gains tax.

I was here, sitting at the table, when the Treasurer indicated very clearly and in very forthright terms that the integrity measures he had announced that had emanated out of the Ralph business taxation review would be implemented on time in full. Not only did he say that across the table; he signed a letter indicating that that would happen—not that he would do his best to achieve that within the cabinet room, but that these things would happen. That is, the business taxation regime overall would be revenue neutral, which simply means that the cuts in the company tax rate and the capital gains tax rate would pay for themselves.

Even in relation to this legislation that promise has been broken, because the thin capitalisation regime is a quarter of a billion dollars short. Nevertheless, we do support it because companies have been able artificially to increase their debt to equity ratio and claim a full deduction on the interest payments. That would not be so much of a problem if the lending company were an Australian company and were paying tax on the income it received from the interest. But it has become evident that it is a fairly common practice that nonresident companies have been doing the lending and therefore the tax office does not get a commensurate amount of income tax from the lending company but, rather, tax at a much reduced rate. This has been a pretty good lurk for many businesses operating in Australia. The previous Labor government identified this in general as a tax avoidance practice by business and in 1987 introduced the thin capitalisation regime. This legislation clamps down on some practices that have been fairly commonplace in recent times and, for that reason, we support it.

Similarly, we support the legislation that more clearly defines debt and equity for taxation purposes. It goes beyond simply saying, ‘If it is legally constructed as debt then we will allow it as debt.’ Instead, it goes behind the legal structures to see whether debt instruments actually have the characteristics of debt and not equity. That is a way of dealing with a tax minimisation practice that, again, has been fairly commonplace. Of course, it goes without saying that Labor supports sensible measures to reduce any incidence of tax avoidance.

We have to say, though, that we have been deeply disappointed with the reneging and the welshing by the Treasurer on a range of so-called integrity measures that he promised, in this parliament and in writing, that he would introduce as a result of the government’s response to the business taxation review conducted by Mr John Ralph. That is why Labor has moved a second reading amendment which condemns the government for failing to honour its commitment to provide a revenue neutral business tax package; for imposing a complex and cumbersome tax system on Australian businesses rather than delivering the simpler system it promised; and for increasing the compliance burden for Australian businesses, thereby reducing their competitiveness, their profitability and, in some cases, their ability to trade.

The fact is that tax avoidance is flourishing in Australia. Unscrupulous company executives are using share schemes and superannuation rorts to claim total tax wipe-outs. In evidence given to a House of Representatives committee inquiry into employee share ownership plans, the tax office likened these executive scams to the infamous paper rorts of the late 1970s and early 1980s. The official estimates were that a minimum of $1.5 billion is tied up in these executive rorts. But industry sources claim that one accounting firm alone has channelled $2 billion dollars into shonky offshore superannuation schemes. So it is quite likely that the true size of the scams is closer to $5 billion.

Let us have a look at how the scams work. Tax avoidance promoters aggressively market them under the guise of employee benefit arrangements which pretend to be about benefits to all employees but are really designed for company executives. Many of the same promoters do sell legitimate company share and superannuation schemes as well, but they have shonky ones just for the bosses in their briefcases, and that is where the big money is made. A company executive using a superannuation rort takes a small compo-
of salary in cash but transfers the bulk of the salary into an offshore noncomplying superannuation fund, without creating a fringe benefits tax liability—and New Zealand is a favoured location for these shonky funds.

The tax commissioner admitted more than two years ago to knowledge of hundreds of millions of dollars going into these funds and since that time there is plenty of evidence that the flow of money into these offshore shonky superannuation funds has exploded. They are called ‘noncomplying’ because they do not comply with the normal superannuation fund regulations such as preserving benefits until retiring age. A tax deduction is claimed for the contribution to the fund. The 15 per cent contributions tax is avoided, along with the superannuation surcharge, and no tax is payable on distributions from the fund. It is a pretty good wicket if you can get onto it, and plenty have been able to get onto it. So, by avoiding all taxes and getting a deduction for the contributions, executives have been able to achieve total tax wipe-outs.

Executive share schemes are also being used to wipe out all tax liabilities. As with the superannuation rorts, only a small component of salary is taken as cash, the bulk being converted into shares or options held in a trust. The company gets a tax deduction for the full value of the shares it provides and the executive pays no tax for up to 10 years. The government members of the parliamentary committee recommended in their majority report that the deferral of tax for up to 10 years was not adequate and that company executives should be able to defer tax indefinitely. Such is the commitment of the government to cracking down on tax avoidance rorts by company executives!

Despite claiming that the superannuation and share schemes are illegal and will be caught by the general anti-avoidance provisions of the Income Tax Assessment Act, the tax office has issued private binding rulings declaring them legitimate. Belatedly, the government has introduced legislation against the superannuation rorts—I must say, very significantly, under pressure from Labor. So, if the government is so confident that the general anti-avoidance rule is effective against the superannuation rorts, why is it now legislating against them and why is it refusing to legislate against the executive share rorts? The answer appears to lie in philosophy.

The present Treasurer, when in opposition, boasted about blocking the previous Labor government’s legislation to clamp down on the executive share rorts. He boasted that the coalition, then in opposition, would block the legislation root and branch. He crowed, ‘Three strikes and you’re out.’ Labor had tried three times and three times the coalition opposed any attempts to crack down on these rorts. More recently he branded Labor’s efforts to eliminate the rorts as the ‘application of misguided socialist principles’. He said that in relation to a question asked by the member for Lalor, I do not know that you can accuse the member for Lalor of being misguided, and I really do not think that you can accuse the member for Lalor of being a socialist; but that is the Treasurer’s attitude in saying that any attempt to crack down on these rorts constitutes the application of misguided socialist principles.

Again, more recently, the government, at the behest of the National Party, has abandoned its commitment to crack down on the use of trusts as tax avoidance devices. In its tax package released before the last election, the government estimated that its promise to tax trusts as companies would yield more than $2 billion over three years—and that figure was later confirmed by the Ralph Review of Business Taxation. It might interest the House to know that nine coalition frontbenchers have family trusts. The National Party claims that family farms usually operate through trusts. They do not; I had a look at the figures. There are 140,000 primary production partnerships compared with just 25,000 primary production trusts. So the National Party is arguing for the 25,000 but not for the 140,000. I think that the decision to backslide on trusts has actually got more to do with the fact that nine coalition frontbenchers have them than with any concern about small business or farmers.

The government is allowing billions of dollars of tax revenue to be siphoned off by
wealthy individuals and company executives through the share rorts that I discussed earlier. Two decades ago Professor Russell Mathews described income tax as having become a ‘voluntary tax for high income earners’ and at that time the bottom-of-the-harbour schemes and paper rorts were flourishing. It seems that we are going back to the good old days—the more things change, the more they stay the same.

A very good example of that is another integrity measure that the government promised to introduce—that the Treasurer wrote in his letter and gave to the opposition Treasury spokesperson—and that is a toughening of the general anti-avoidance rule. Of course we signed up to that. We thought that any measure that sensibly toughens the general anti-avoidance rule, part IVA, would be a good thing. The government prevaricated over it, and it has announced that it has put it off to the never-never.

So, under pressure from the business community, the government, which originally was saying, ‘We’ll toughen this general anti-avoidance rule,’ is now indicating that it has no plans in the foreseeable future to implement its promise to do exactly that. We have a situation now where the tax commissioner is screaming out for tough new penalties for the promoters of mass marketed schemes. The whole thing is out of control. Mr Carmody, the tax commissioner, has reportedly lodged a submission with the government that recommends measures adopted in countries such as the United States and Canada to deal with promoters of mass marketed schemes. I hope the tax office do not hold their breath waiting for the government to respond to that submission. The tax commissioner himself has conceded he could have moved more decisively to stamp out some of these schemes. Why didn’t he move more decisively? The answer to that is pretty clear.

Further revelations came to light today as a result of a question that I asked to the Speaker in relation to this matter. A recent Audit Office report has indicated that some 89,000 private binding rulings were issued by the tax office in the year 2000. We questioned that because evidence given to the same parliamentary inquiry to which I referred earlier was that only 3,000 or so rulings were issued annually by the tax office. As a result of that question and the subsequent media release by the member for Lalor and me, the tax office has issued a statement explaining the discrepancy. The explanation seems perfectly plausible because, of the 89,000 or so private binding rulings that were issued by the tax office last year, 84,287 were issued in relation to the GST. So much for the Treasurer’s streamlined new tax system for a new century: the tax office has to issue 84,287 clarifications of this simplified new tax system for a new century, for the GST.

No wonder the tax office is in a mess. No wonder the tax office has had its attention diverted and is frustrated by its inability effectively to crack down on the mass marketing of income tax avoidance schemes, because it has been given this massive task to implement the so-called streamlined new tax system for a new century. Just have a look at some of the comparisons that have even been made by the tax commissioner in relation to the task that the tax office was being given. He compared it with the task of organising the Sydney Olympics and indicated that the tax system start-up required 18 million lines of code—the written design instructions to operate computer systems—compared with only 12 million for the Olympics. So the GST—this streamlined new tax system for a new century—is 50 per cent more complicated than the Sydney Olympics.

Labor actually proposed a very simple way of very small businesses completing their business activity statements. It is a simple and practical way. Here in the parliament today the small business minister, in trying to deal with questions, including from the member for Fremantle and from the shadow small business minister, on a leaked cabinet memorandum, was saying, ‘You can’t simplify the GST any more. Labor’s proposal makes no sense because it doesn’t involve a reconciliation.’ You’ve got to have a reconciliation.’ You do not have to have a reconciliation. You can still collect the same
amount of revenue for small businesses through a much simplified business activity statement process, which we have put forward but which the small business minister has ridiculed.

In fact, when you go through the leaked cabinet document, there is no proposal whatsoever to ease the burden of the GST on small business. It is as if the small business minister, the Treasurer and the Prime Minister have taken the theme of a Jack Nicholson movie, where he says, ‘What if this is as good as it gets?’ I think they are saying, ‘This is as simple as it gets.’ As simple as it gets: 18 million lines of computer code and 84,287 private binding rulings issued in the first year alone. And that is last year; we do not know how many private binding rulings or clarifications have been issued in the first seven months of this year. This is the simplified streamlined new tax system for a new century.

This same simplified tax system has added five and a half thousand pages to the income tax act. It started at 3,000 pages. The Prime Minister promised to cut red tape by 50 per cent. He was asked, ‘Doesn’t that mean simplifying the income tax act?’ He said, ‘Yes, we’re going to do that. We’re going to simplify the income tax act when we bring in this streamlined new tax system for a new century on 1 July.’ And what has it meant? An increase in the size of the income tax act from 3,000 pages to 8,500 pages.

At the beginning of last year when the Treasurer came back from holidays and the financial services minister had got his Coca-Cola mixed up and had not worked out how you apply the GST to Coca-Cola and how the sales tax used to apply to it, the Treasurer came to the rescue. He was asked, ‘You’ve got this simplified GST: do you think you’ve got it right?’ He said, ‘Yes, we have got it right, we need no more amendments.’ Famous last words, because I have had the onerous task of adding up the amendments: 1,861 amendments to the GST and other aspects of this streamlined new tax system for a new century already, with another set of amendments in the pipeline. Every time we come back here there is another bunch of amendments—taxation laws amendment bill No. 2,464. No wonder small business is struggling under the weight of this onerous tax system.

Remember the famous commitment by the Treasurer back in May of last year when he said in Perth on radio, ‘I don’t think anybody will go to the wall as a consequence of the GST.’ Bankruptcies have hit record levels. The Australian Tax Association has confirmed that the 78.5 per cent surge in business bankruptcies in this June quarter just gone was as a result of the GST impact on small businesses and sole traders. That is a huge increase in bankruptcies that the tax association links directly to the GST. You know what the government said in response to it? They said, ‘This is just a return to normal levels of bankruptcies.’ I do not think this graph I am holding represents a normal level of bankruptcy. It is a graph of bankruptcies under this government.

One spokesperson came out and said, ‘It’s not necessarily the GST; it could just be as a result of a decline in sales.’ What do you reckon might have caused the decline in sales? Climate change? The greenhouse effect? Maybe that is what was responsible for it. This started just after the introduction of the GST, and that could be another possibility: maybe that is why the bankruptcies have gone through the roof. It is just possible that Ray Regan, the head of the National Tax and Accountants Association, is right and the government is wrong: the GST is forcing small businesses to the wall.

This might all seem chaotic, but there is a clever plan behind this chaos. If you look for the pattern, if you look for the philosophy, you find that what is absolutely evident is that this government have been committed to applying a GST to small business and to struggling families in this country. Why? So they can finance cuts in the top marginal rate of income tax. The Treasurer and the Prime Minister have put that back on the agenda firmly. Ironically, when they were last in government, the current Prime Minister, who was Treasurer, left his job as Treasurer with the top rate of tax at 60 cents in the dollar. But now they are saying, ‘Oh no, we could get rid of a lot of the problems in Australia if we cut this top marginal rate.’ How are they
going to finance it? They are going to finance it by increasing the coverage of the GST and increasing its rate. You do not have to rely on me for that, because the Prime Minister said:

I mean, I think the GST should cover just about everything. And you'll remember that that was our original idea and that the Democrats said no, we won't pass it unless we take certain things out.

That is what he wants to do. That is the agenda. The Treasurer wants to extend it to all food, because he said:

Every time you go for an exemption you get into a complication. I argued this in relation to food. You can recall I was arguing all the way through the tax debate that you should have food included as a good.

Make no mistake: if this government were re-elected, the breadth of the GST would widen, it would cover all food and it would cover the medical area that Access Economics recently identified. That is the agenda of this government—increase the burden on the poor and lift it off the rich. (Time expired)

Mr KATTER (Kennedy) (10.01 p.m.)—I wish to speak tonight on the New Business Tax System (Thin Capitalisation) Bill 2001, but before I do I need to respond to some of the statements that were made by the previous speaker, the member for Rankin. He accused the National Party and other nefarious forces of having nine members on the front bench who are using trusts to avoid paying tax. That seemed to be the implication of what he was saying. He also said that the National Party had fought against the trusts. Once again, the implication was that this was somehow some way of avoiding tax. The firm of Cleary Hoare, which are probably one of the biggest firms involved in the setting up of trusts in Australia, advise their people continuously not to do this if they are doing it to avoid tax, because Cleary Hoare do not think this is a very good way to go about lowering your tax levels. They advise against that. I have not got that from Cleary Hoare; I have got that from people who do business with that particular firm. I have heard them assert it on a number of occasions.

There is a clear reason why you must have trusts in an owner-operator business. It seems to me that people on both sides of this House seem to forget that there are businesses out there that are still owner operated. It amazes me how many forms I have to fill out these days on which I have to put what company I belong to. It is not conceivable by anyone these days that you could actually own your own business. As a person who has always prided himself on especially representing the owner-operator class, it is amazing to me how this attitude has prevailed, and really it has become a self-fulfilling prophecy. More and more, there is no owner-operator class in this country, and those people who dreamed of having their own business have had that dream taken away from them.

For those people who are still in the owner-operator class, a problem arises if you allow your son into the family clothing store, family pharmacy, family cattle station or family cane farm and he gets married but the family breaks down—and about 50 per cent of all families break down now. If you have two married sons, you know that statistically one of their marriages will break down, his wife will then divorce him, she will take half the assets and that means the farm has to be sold. One of the members of parliament gave a fairly graphic description of what happened in their particular family when that situation arose. The person involved married a city girl. She took one look at the hard life in the country and said, 'I don't like this,' and returned to Brisbane, taking the family station property that had been in the family for some four generations and leaving the husband, at 46 or 47 years, with no qualifications to do anything, with no business to go on with, living out in the middle of nowhere where he has no contacts that enable him to get a job, and with a life that is thoroughly and completely wrecked. Not only is his life wrecked, but his parents, who were relying on money from that farm, have also had their lives wrecked.

For those of us who represent rural areas particularly, where there still is a very large content of owner-operator businesses, we see it happen every day of the week. Those people who have not been smart enough to go into trusts pay a terrible penalty. The wife of
one of my own very good friends decided to leave him under fairly cruel circumstances. She sued them for three-quarters of a million dollars at a time when cattle prices were at their worst in nearly 15 years, when land prices were very depressed—there were no buyers in the market—and when there was a terrible drought raging. They were able to escape and somehow borrow the money, but for a long time it looked like they were going to have to sell both their cattle and their station property into an absolutely disastrous market. In fact, if they had been forced to sell then, it would not have covered their debts and they would have been bankrupted. Fortunately, they got through by the skin of their teeth.

All of us know these stories. All of us know that you absolutely must have a trust to protect the family farm and to protect the interests of your grandchildren, if not your own children. Having explained for the benefit of the honourable member of the opposition who spoke previously that there is a side of this that he simply does not comprehend or does not want to comprehend, I most certainly hope that, if he is listening to this address at all, he will revise his thinking and take into account that there is another aspect of this altogether.

There is a second issue that I think it is important to raise in the context of the taxation debate, Mr Deputy Speaker—and on a number of occasions you have made comment upon aspects of this. I was a young man in Cloncurry, and I could name 21 of my peer group who started life labouring at Mount Isa Mines or doing bush work—ringing, mustering—who did not have two shillings to rub together but who, with just the little bit of money they made, saved and invested in a few head of cattle and were able to build up their herds. All 21 of them rose to own a cattle station, and they were very substantial men in their community. The wonderful thing about this country in those days was that you could start life as a labourer and end up in your middle age as a very wealthy and prosperous person—and that is something that I feel was available to most in my generation when they were young men.

I recently had a case brought to me of a young man who was working as a labourer at a mine. He had bought 10 head of cattle and then applied for a deduction, and he was told that he could not get a deduction because ‘you have to be of a certain size’. This is a rather interesting concept: if you are the North Australia Pastoral Company, the AA Pastoral Company, Mr Ishimura or the Sultan of Brunei, you get a tax deduction but, if you are a hardworking young man working in a mine out in the middle of nowhere and saving a few shillings so that you can get ahead and create a wealthier Australia in the future, you get no deduction at all.

How it can conceivably be that black can be construed as white by the tax department is beyond the wildest stretch of my imagination. All I know is that, when they make these rules, they break the hearts of the young men of country Australia. Is it any wonder that young men in rural Australia have a 50 per cent higher suicide rate than young men in the cities? When you look at the fact that the young men in Australia have the highest suicide rate arguably of any country on earth, this surely is an absolutely appalling statistic. I cannot remember in my younger days anyone committing suicide, but in the state electorate that I represented for many years four young men in the space of 18 months committed suicide. Each of those men had no job at the time, and they had no hope of bettering themselves. So, to those people who have extinguished hope for these young people, I say: you should be ashamed of yourselves for applying one set of rules to giant corporations with their leadership and their corporate heads on half-million dollar salary packages a year and then inflicting on these people an artificial concept that a cost of operation is not really a cost of operation at all—an appalling state of affairs, and a state of affairs that every single person in this House should be ashamed of in that we have not been able to have that reversed.

I deeply regret that the Parliamentary Library in the last two or three hours—and I do not criticise it; it is a marvellous institution—has not been able to find for me certain paperwork which it had given me about a year
ago, and so I am travelling very much by memory. But statements were made by the Commissioner of Taxation for Australia that a number of very large companies with turnovers of many thousands of millions of dollars, a group of companies that had been here for some 20 years, had paid virtually no tax at all, and that a clampdown was going to be carried out, with the tax department having called for an audit of some many hundreds of these foreign owned companies—and I emphasise that we are talking here about foreign owned companies. Once again I am travelling by memory, but many hundreds of millions of dollars came out of that crackdown within its first six to eight months. So clearly the big foreign corporations in this country have been having a huge picnic at the expense of the Australian people. I have an extract here from the *Sydney Morning Herald*, dated 16 July 1988, which reads:

> In the oil industry, which has acquired a reputation for international profit shifting, at least two offenders had moved their operations out of Australia by the time the tax office was ready to issue assessments. One case involved $34 million in undeclared profits. The Audit Office in a check on the North West Shelf found the same group back operating in Australia years later under a different subsidiary.

It is not a well-known fact—and I was not aware of it until about 18 months to two years ago—that United States companies operating in Australia by the time the tax office was ready to issue assessments. One case involved $34 million in undeclared profits. The Audit Office in a check on the North West Shelf found the same group back operating in Australia years later under a different subsidiary.

Having said those things, it is laudable that the tax department has moved against all the rorts that are taking place with these foreign corporations, and I praise the tax department for that. If the tax department assesses 40 or 50 companies—please do not quote me on the figure—and it finds that all those huge foreign corporations turning over many thousands of millions of dollars in Australia are paying no tax and have not done so for many years—a new company opening operations in Australia may have a teething period, and that is why the tax commissioner mentioned that in 20 years they paid virtually no tax at all—we must rectify the situation. One device that is used is transfer pricing, which is very simple.

When I was a minister, when the government fell, we were in the process of attacking silicon miners in Queensland who were taking home silicon at $55 a tonne and selling it to their Japanese parent company for $55 a tonne and thereby making no profit. The Japanese company then resold that silicon, which was 99.98 per cent pure, back to Australia. The same number of molecules returned to Australia as optical fibre, which at the time was worth about $3 million a tonne. We bought nine tonnes of it that year for the railways in Queensland. Since then optical fibre has fallen to about $300,000 a tonne, I am told, so now we send it overseas at only $55 a tonne and buy it back for $300,000 a tonne. One can only say that it is no wonder
this country is going broke. To add injury to insult, that company was mining silicon for $55 a tonne and selling it at cost price to the parent company in Japan and of course thereby making no profit, so the income out of that product for the Australian people was virtually nil.

I do not know what the situation is regarding the tax upon transfer pricing, but here we have another device that is used. I praise the department for the initiatives they are taking with the thin capitalisation rules. I am not qualified enough to say whether the actions that are being taken will be adequate and effective, but it appears to me that there is a very serious, definitive attempt to come to grips with what is a most serious problem in the Australian economy. If you work out what PAYE taxation is taken off the incomes of Australian employees and what the gross income of foreign corporations is—I cannot say their ‘net income’ because that is the game they are playing, of course—and what tax is being taken off them, there is absolutely no comparison between the two. I am sure that those companies are not out here for the good of their health. They would not be here for 20 years, having made no net profits, and still continue in business here. Clearly, they are making profits, and clearly they are finding devices to take those profits back to the US, Europe, Japan or wherever. It is long overdue that the devices by which they take that money home are questioned and assailed and something is done about them. We are doing that here today.

There is a lot of equivocation in the background briefing on the details of the bill that needs some clarification by the minister. In respect of 15 per cent of dividends or profits, action will be taken. Where the debt to equity ratio exceeds two to one or three to one—again, it is a little bit confusing—action will be taken. It seems to me that there is no doubt that there is a very definite effort to come to grips with these problems. I have seen many reports by people who are very knowledgeable in these fields, and they talk in terms of tens of thousands of millions of dollars in taxation that should be coming in but are not coming in at the present moment. I say to the tax officials that a lot of ordinary people out there feel that they are being harassed, that the goalposts are being changed regularly on them and that, for mistakes that they have made, which are mistakes that anybody makes, they are liable to go to prison at the discretion of taxing authorities. People out there are terrified. That is another reason why this country has some of the highest male suicide rates in the world. There is just too much stress out there—far too much stress.

If, instead of hounding ordinary Australians, we went into areas such as we are going into this evening and started to try to take that $10,000 million off some of those giant corporations, the tax department would earn the endorsement and approbation of the Australian people and not, as has been occurring in recent years, the very strident condemnation of their activities and initiatives. Transfer pricing and the lending of money by the parent company overseas to the Australian subsidiary at ridiculously high interest rates and various other arrangements hide the repatriation of profits that are taken back to a foreign country and enjoyed by that foreign country. In the saddest of years, when we saw the Big Australian, BHP, taken over by a British company and so many other Australian companies taken over by foreign corporations—a massive move against the Australian economy on all fronts—the reasons why we should deal with those problems become far more compelling, and I praise the department for the initiatives they have taken here today.
Ralph Review of Business Taxation. By strengthening the thin capitalisation rules, they aim to improve both the integrity and fairness of the income tax law to ensure that Australia receives its appropriate share of tax paid by multinational companies. The measures will limit the amount of debt that can be used to finance the Australian operations of certain investors, by reducing debt reductions where an entity’s debt to equity ratio exceeds certain limits.

Generally, the rules apply to the Australian operations of foreigners and to those Australians that have foreign operations; that is, the new measures expand the application of the current regime to include the Australian operations of both inbound and outbound investors. They also limit the deductions relating to the total debt of the Australian operations of those investors rather than certain foreign debt alone. They also replace existing rules that regulate interest deductions for outward investors which are too readily circumvented. Compliance costs of small and medium businesses will be reduced by way of a de minimis rule. Businesses which, together with their associate entities, have debt deductions—mainly interest expenses—of no more than $250,000 are effectively excluded from the new thin capitalisation rules. A non-bank equity will have its debt deductions reduced and its tax increased if the debt to equity gearing of its Australian operations exceeds three to one. Higher gearing and debt levels are permitted for financial institutions.

For banks, debt deductions are reduced if they do not maintain a minimum level of equity capital in their Australian operations. The minimum requirement is set at four per cent of their Australian risk weighted assets, broadly in line with the requirements of the Australian Prudential Regulatory Authority. Also, the bill amends the law to allow Australian branches of non-residents access to withholding tax exemptions for interest on certain types of debentures. The new rules apply from the first income year for each entity that commences after 30 June 2001, thereby accommodating taxpayers with substituted accounting periods. In addition, all financial instruments that are given special transitional treatment under the New Business Tax System (Debt and Equity) Bill 2001 are afforded transitional treatment for thin capitalisation purposes until 30 June 2004. There has been extensive consultation on the new rules. The new thin capitalisation regime will be more effective in preventing an excessive allocation of debt for tax purposes to the Australian operations of multinationals and will help make sure that Australia obtains a fair share of tax from those who operate internationally.

It was interesting to listen to the contributions made by opposition members. Mr Deputy Speaker, you will not be surprised to know that many of those were entirely erroneous. The member for Wills queried whether the government is going soft on foreign businesses in Australia by increasing the allowable debt to equity ratio and reducing their taxes. The situation is, in fact, quite the contrary. While the debt to equity ratio is increasing, it will now apply to all debt and all equity, not just to that from foreign associates. It is expected that, overall, this will lead to an increase in tax while the foreign owners are allocating excessive debt to their Australian operations.

The member for Wills also claimed that the bill reduces the competitiveness of Australian business. This will occur only where companies allocate too much debt to their Australian operations and so do not pay a fair share of their tax in Australia. In many cases, these businesses are competing against other Australian businesses. This measure helps to fund the cut in company tax rates which assists Australian business more generally. The member for Wills also claimed that the new rules are more complicated than the existing rules. The fact is that they cover a wider range of cases than the existing rules and most of the complexity is to address issues of fairness or unintended consequences which were raised in consultations.

The honourable member for Rankin claimed that the bill clamps down on businesses claiming too much in interest deductions. On this rare occasion, I have to agree with the honourable member. Whether the interest is taxed in Australia or not, this bill
will result in more fairness in tax burdens amongst those claiming interest deductions.

The member for Kingston stated that the New Business Tax System (Thin Capitalisation) Bill 2001 did not contain all that the Treasurer promised. The honourable member is not correct. This bill implements the measure promised by the Treasurer. The timing of its commencement has changed to reduce compliance costs. Some necessary alterations have been made as a result of consultation to better reflect business realities and to avoid unintended denial of deductions.

The government has consulted widely with industry and professional associations about the thin capitalisation rules and the debt-equity borderline. There has been consultation on the policy both during the Ralph review and following the release of its report. Further, the government released these measures in the form of exposure draft legislation for comments about the detail. This level of consultation is without precedent. A consequence of the consultation has been the government's preparedness to listen and to finetune the draft legislation. In response to matters raised during consultation, the government decided to provide additional transitional relief to ease the compliance requirements on taxpayers who do not balance their accounts on 30 June. Notably, the government decided to remove the need for smaller taxpayers to comply with the thin capitalisation regime. They will not be affected if their annual interest claim is less than $250,000—a simple rule, with simple application resulting in minimal compliance costs. Do I understand that the honourable member for Wills is actually opposed to consultation? If there were to be consultation about complex taxation laws, a responsible government would listen and act where appropriate.

This government is serious about making multinationals pay their fair share of tax and that is why we have strengthened the thin capitalisation rules and will ensure that $1.5 billion is raised over four years to 2004-05. The honourable member for Wills ought to take note of the fact that the government has consulted very widely with the business community.

I was about to sum up in relation to the New Business Tax System (Debt and Equity) Bill 2001, but perhaps we will have to come back tomorrow morning to do that.

Debate interrupted.

**ADJOURNMENT**

Mr SPEAKER—Order! It being 10.30 p.m., I propose the question:

That the House do now adjourn.

**2001 Census**

Mr HORNE (Paterson) (10.30 p.m.)—I am often reminded of the arrogance of the Howard government, be it the Treasurer at question time as we saw him today or the Prime Minister confronted by a concerned pensioner in a shopping mall asking about GST on an electricity account. Today is census day, and we even had the Minister for Financial Services and Regulation politicking the process during question time today, comparing certain statistical data with past periods. If the minister wants to take the accolades, I hope he is prepared to take the brickbats too.

In the census form that is being filled in by Australian citizens tonight, the information sought in the questions ranges from age, sex and marital status to the nature of the dwelling in which the resident lives and its value. There are questions about religion, educational qualifications, ancestry and how much people earn. There is not a single question about people with a disability. It is estimated that some 15 per cent of our population have a disability, ranging from extreme to mild. This census does not even want to know about it. This census cannot be used to determine what respite services are available for carers of people with significant disabilities because there are no questions asked as to whether those services are available.
This census cannot be used to determine whether people with a disability have access to trams, trains or buses because, once again, the questions are simply not asked. Yet, as I say, some 15 per cent of our nation are regarded as having a disability.

The whole point of taking a census is, as the minister has outlined, in this vast array of information: so that community planning can be done to advantage all Australians. Yet I believe that the census being taken tonight is ignoring the needs of our most disadvantaged citizens. It is ignoring the needs of people who are not being helped nearly enough by our community and, after this statistical data has been collected and analysed, we will be no closer to helping them. I believe that is a shame. I believe that this first census of the millennium, as it has been described, should have taken that quantum step forward and should have given us the information we need to help these people. I believe it is a disgrace, and the minister should be condemned for it.

Murray River: Bridges

Mr TIM FISCHER (Farrer) (10.34 p.m.)—I rise to talk about the matter of ‘bridging the gap’, an excellent theme launched by the Deputy Prime Minister and Minister for Transport and Regional Services recently at Albury and specifically about bridges across the Murray River between the state of New South Wales and the state of Victoria. There are several categories of bridges, including two national highway bridges built while I have been the member for Farrer. The first is a new bridge built at Mildura to carry the Sturt National Highway across the Murray River between the state of New South Wales and the state of Victoria. There are several categories of bridges, including two national highway bridges built while I have been the member for Farrer. The first is a new bridge built at Mildura to carry the Sturt National Highway across the Murray River as part of the route from Sydney through Mildura to a certain august electorate on the South Australian side of the border and on into Adelaide—I cannot think which one, Mr Speaker. The second national highway bridge is, of course, at Tocumwal, on the growing and very busy north-south route of the Newell Highway, connecting Melbourne directly to Brisbane and to many other Queensland locations. The federal government paid totally for the construction of the Tocumwal road bridge, which eased the burden on the existing road-rail bridge.

We then have a category of state government bridges at a number of locations, which the member for Mallee, the member for Murray and others have pursued relentlessly, as have I on the New South Wales side of the border. Traditionally, the state governments have repeatedly refused to give a priority to the replacement of those state government bridges that would accord with their deterioration, age and dangerous condition in an engineering sense or to the hazard they present to tourist road traffic, heavy duty semi-trailer traffic and the like. This has gone on long enough. It has gone on far too long and, frankly, state governments of all political persuasions have been guilty of downgrading these bridges’ priority. The New South Wales government says, ‘It’s only half our bridge.’ Victoria says, ‘It’s only half our bridge. Let’s ignore the problem and see if it will go away.’ It will not go away.

The federal government in a very generous move recognised that the whole process needed speeding up. So, during a period when I had the privilege of being a cabinet minister in this country, the federal government allocated $44 million from the Federation Fund to the bridges: $12 million for a new federation bridge upstream at Corowa, $15 million towards a new bridge project between Echuca and Moama and $17 million towards a new bridge project between Robinvale and Euston, replacing or adding to existing state government bridge infrastructure in locations where there were no national highways involved. They were helping the states with a leg-up.

What has happened, two years later? Nothing; absolutely nothing. Worse still, the states have struck off Nelson McIntosh and his company based at Yackandandah in Victoria—a company very successfully building a set of bridges across the Murray at Howlong, where the states have been helped through mass limits and other federal government programs and where they are doing something and proceeding. It is absurd that neither the New South Wales government nor the Victorian government has completed the arrangements necessary to allow these new bridges to proceed, notwithstanding the fact that the federal government has put $44
million forward from the Federation Fund as a bonus to the states. To be fair, I do not blame the Victorian government. The saboteur in this circumstance is Carl Scully, the New South Wales minister for roads. He has gone out of his way to do nothing about these replacement Murray bridges, to do nothing towards the internal link in Albury-Wodonga, and to do little enough towards the external link associated with the Hume Highway—a different set of bridges but very important ones—in and around Albury. In fact, I am advised that he has instructed that nothing of any substance is to be done to overcome these problems and that the $44 million of Federation Fund money is not to be spent until after the federal election. This is a shameful position taken by the New South Wales government. Now that Premier Bob Carr is back in the state, he should take hold of this issue and direct Carl Scully to get on with the job before we get to a stage where federal Treasury will question why—not unreasonably—$44 million has still not been spent, several years on, in respect of these key bridge projects at Corowa, Echuca and Robinvale. I strongly support the endeavours of the federal government on this matter.

Quarantine: Apple and Pear Industry

Mr KATTER (Kennedy) (10.39 p.m.)—I rise tonight to take note of the apple and pear growers’ vote of no confidence in Biosecurity Australia. Whilst my electorate is one of the few in Australia that do not have any apple and pear growers, we are extremely worried in the banana industry because we are under a Biosecurity risk analysis at present, and there is an application from the Philippine industry to come into Australia. The Philippines have a number of diseases that we do not have in Australia, and we are under a Biosecurity risk analysis at present, and there is an application from the Philippine industry to come into Australia.

The Philippines have a number of diseases that we do not have here in Australia, and it would be reasonable to assume that there is absolutely no possibility of their product being allowed into Australia. However, AQIS—Biosecurity as it is now called with respect to these analyses—has had an absolutely appalling record in this country over recent years. It is almost impossible to see AQIS in any role other than as an arm of government attempting to implement policies of free trade. There is no other way that you could interpret the decision on the durian. We have a weevil in our mango and we have been trying for 16 years to get into the United States. They say, ‘No, you have a weevil; you are not allowed into this country.’ Quite frankly, we accept that. We do not like it, but we accept it. The Philippines have a weevil in their durian, but does that stop Biosecurity from allowing that product into Australia? No way, Jose. There is no way that the decision on durian could have been justified. It is appalling. Surely the government should have sacked the entire upper echelon of that department.

In the case of the grape industry, we have had a most extraordinary decision. In the two-month period during which Biosecurity decided to allow grapes into this country from California—you would know this, Mr Speaker, because you have a grape electorate, as I have—the Californian grape industry collapsed. The Bulletin magazine, an Australian magazine, chose to do a two-page article, with lovely illustrations, about the disastrous collapse of the Californian grape industry because of the glassy-winged sharpshooter, which is the insect—the vector, if you like—that carries Pierce’s disease. That disease has wiped out one-tenth of the entire grape production of California. In the period of time when this disease is at its zenith, Biosecurity—then called AQIS in this respect—decided to allow Californian grapes into Australia.

It does not end there. Biosecurity also decided to allow cooked chicken meat into this country. When it was brought to the Prime Minister’s attention, he intervened, and we must thank him sincerely for his intervention. They told us—there was a very big meeting of Winston Crane’s committee, I think it was—that they had done an exhaustive analysis and had proved conclusively that it was quite safe to bring cooked chicken meat into this country. We asked them who they relied upon for this decision, who had done the work, and they told us the name of the gentleman. He lives in London and is an expert in the field of newcastle disease and similar bird diseases. He was asked whether sufficient work had been done to safely allow cooked chicken meat into Australia, and
he wrote a letter back to Senator O’Chee saying that, no, it had not been done. The very person upon whose opinion they were relying to make the decision to allow cooked chicken meat into Australia was prepared to put in writing that there was no way that bringing cooked chicken meat into Australia could be justified. Thanks to the intervention of the Prime Minister, they were forced to do a more searching scientific analysis over the next six months, and it was found to be extremely dangerous to allow cooked chicken meat to come into this country.

Time after time, these people have been found to be totally incompetent. The review tribunal has overturned the apple decision and the grape decision, to some degree. Clearly the tribunal is extremely unhappy at the operations of this particular group. We want to keep a clean, green image in Australia—and let us not worry about the 4,000 jobs in North Queensland that are going to be wiped out if bananas are allowed in from countries in Central America and South-East Asia that have these endemic diseases. I am very, very worried. I have no faith in this institution. (Time expired)

Workplace Relations: Workers’ Entitlements

Mr McARTHUR (Corangamite) (10.44 p.m.)—I would like to raise the matter of the strike at the Tristar company in Sydney and the activities of the opposition in this whole saga. What is not clear to the people of Australia is that the coalition have acted to protect workers’ entitlements. The coalition introduced legislation to assist those workers who were disaffected. The former Minister for Employment, Workplace Relations and Small Business, Mr Peter Reith, introduced the Employee Entitlement Support Scheme. It is interesting to note that, for 13 years, the Labor Party did nothing, yet they come into the House and claim that the government did nothing in this area. Labor are crying wolf in this whole debate. The Labor Party did nothing, yet they come into the House and claim that the government is doing nothing in this area. Labor are crying wolf in this whole debate. The coalition acted. After careful deliberation, the coalition tightened the laws on company directors that trade into insolvency. That was a very important move. Companies that moved themselves into a difficult position where they might go broke were cautioned against doing that.

The government also tightened laws on directors that tried to reduce employees’ entitlements. The coalition comes to this debate with clean hands, unlike the opposition. The government introduced an entitlement scheme last year into which taxpayers contributed up to $20,000 per employee. The opposition should acknowledge that the government widened the social security net and company obligations to employees. It is not good enough just to say that the government did nothing on this.

Less than half of one per cent of businesses go into bankruptcy or liquidation in any one year, so the claim by Mr Cameron that he is protecting a broad range of entitlements does not stand up to the facts of the matter. The Manufacturing Workers Union has massively overreacted in a claim to support the union program Manusafe. Mr Cameron is not altogether a great friend of the Labor Party. I note that he had an argument at Labor’s annual conference, where the Labor Party was moving for free trade and Mr Cameron wanted to have restrictive trade arrangements. Mr Cameron is saying that 1.5 per cent of an employer’s payroll should be rolled into a union controlled fund. Commentators have suggested that employers would be very unhappy with a union controlled fund because of the way in which that fund has been constituted. Independent commentator Mr Alan Wood in the Australian of 7 August 2001 had this to say:

It isn’t just the disruption and the stand-downs of thousands of workers and millions wiped of motor industry profits. Manusafe is a fundamentally flawed scheme that, if implemented, would result in the loss of thousands of manufacturing jobs. That was from Mr Alan Wood, who is a respected commentator in the Australian. That is his view as an independent commentator. The Australian Industry Group said that the federal government’s entitlement scheme is much fairer and more workable than Manusafe. There we have it: two independent commentators suggest that the current claim is just not workable. The South Australian government agrees that it is not a
Labor’s concept is for a levy to be added to the superannuation guarantee, which is just another impost on business. I wonder whether the Bracks government might join the federal government in its proposal. The Bracks government has not been too supportive of Cameron’s particular suggestions in this very difficult strike. The people of Corangamite and the people of Geelong who work in the car industry would be very upset, because they know how crucial the Just in Time program is for the car industry. Those component parts need to be delivered. Now massive strike action has forced people to be stood down in the Ford Motor Co. in Geelong because one company is pursuing industrial action and causing their colleagues and friends to be no longer employed. (Time expired)

Timor: Refugees

Mr RUDD (Griffith) (10.50 p.m.)—I rise in the adjournment debate this evening to speak about the continuing problems faced by refugees along the border between East Timor and West Timor. I visited Timor between 2 and 5 July and during that visit was able to speak with the IOM, which is the International Organisation for Migration; the UNHRC; the Jesuit Refugee Service; the office of Sergio de Mello, who is the head of UNTAET; Xanana Gusmao and Jose Ramos Horta about the continued problem of the repatriation of the remaining 80,000 refugees who remain in camps on the west side of the border. This is the third occasion that I have visited Timor. In 1999 I went through the camps on the west side of the border. Last year I spoke on the east side of the border with those responsible for the management of refugees out of those camps. Regrettably on this visit I found that little progress had been realised since November last year, when I was last there.

There are three points I would like to emphasise to the House and to the country this evening. The first is this simple fact: 80,000 human beings still live in appalling conditions in camps along the West Timor border. We anticipate that about 40,000 to 50,000 of those still actively wish to return to the east side. Secondly, the reason for their non-repatriation remains the continued activities of pro-Indonesian militia throughout those camps. The pro-Indonesian militia effectively have those camps under their control. The third point I wish to leave with the House this evening is this: there is a grave danger that, in this country and elsewhere in the world, the continued plight of these refugees in those camps simply falls off people’s radar screens—that, because they are not on nightly television news, they therefore are no longer important. I believe it is this nation’s responsibility to continue to have them at the forefront of our national attention because the fact that they are in those camps is a direct consequence of policy actions by this nation.

On the number of refugees, I obtained the following data from the UNHCR. Prior to the independence ballot, the population of East Timor was 916,000. It is estimated that the population of East Timor is now 822,000. As at 30 April 2001, there had been 179,000 refugees returned, but it is the estimation of the UNHCR that there are 84,707 refugees remaining in camps. The conditions in those camps since the withdrawal of all UN staff last November are appalling. Honourable members will recall that in November last year three UNHCR workers were hacked to death by pro-Indonesian militia. Since that time, the camps have been without food supplies, medicine supplies or effective shelter through what has been an appalling wet season. The physical condition of refugees returning across the border—as monitored by the UNHCR—in small dribs and drabs, deteriorates week by week, month by month.

The cause, as I said before, is the continued operation of pro-Indonesian militia in this part of the world. It is not a monolith; there are in fact many militias. The prospects of dealing with them vary according to the crimes which those militia leaders have committed in the events leading up to the East Timorese independence ballot. It is possible to negotiate with some militia, and there is a possibility of including them in the process of truth and reconciliation which is currently being contemplated by the Truth and Reconciliation Committee of East Timor.
With other militia, whose crimes have been gross, it is simply not possible. The role for Australia in all of this is to continue to make this a top priority. We must continue to press Jakarta for action and to provide all necessary practical assistance to NGOs, including the Jesuit Refugee Service, to ensure that these people are returned as soon as possible.

Finally, while in East Timor, I was able to visit the Force Logistic Squadron at Camel Barracks in Dili and met with Major General Powell, the Deputy Force Commander of PKF, as well as Major Damon Howes, the Officer Commanding Force Logistic Squadron. It was a good opportunity to discuss with them the conditions of service there, including the practical problems they have in terms of, for example, the cost of mobile telephone calls back home to their family and loved ones. I was enormously impressed by the practical work they do in support of local East Timorese schools, which they have largely constructed, in and around the vicinity of the barracks. It was a pleasure for me to see Major Damon Howes and his troops again, having met them recently at Puckapunyal in Victoria in the company of Andrew Macleod, Labor’s candidate for the seat of McEwen, himself a reservist. It is my pleasure to report to the House that these members of the Force Logistic Squadron have rendered their country an enormous service of which the country should be proud. (Time expired)

Environment: Land Clearing

Mr LAWLER (Parkes) (10.55 p.m.)—The New South Wales Farmers Association has recently released a discussion paper concerning environmental issues and farming, which marks a positive step in this ongoing debate. In the last decade or so, environmentalists and primary producers have slowly overcome their occasionally opposing viewpoints to embrace a more mutually beneficial and cooperative approach. The New South Wales Farmers’ Association publication, Growing Together, highlights the errors of recent efforts to address environmental issues using blanket regulations and bans.

While nobody—farmer or otherwise—debates the damage past practices have had on the land, the opposing viewpoints and errors have stalled moves towards workable solutions. The most onerous of these errors was a ban on land clearing that was not backed by adequate compensation by the states, despite the federal government providing the resources to do so. Adding insult to injury, the ban hurt only the little farmers, who gradually cleared their holdings in a managed fashion from year to year. In one fell swoop, the ban pulled their business plans from underneath them, while for the massive agribusiness operations that had cleared from fence to fence years ago the ban meant nothing; business as usual. These little farmers are the ones most prevalent and representative in my area, especially around the Nyngan-Hermidale area.

This is but one of the many shortcomings of our well-intentioned but somewhat haphazard approach to addressing the ecological damage of past years. The New South Wales farmers’ paper is a series of ideas for approaching the management of our natural resources in a manner that does not make scapegoats of the farming community and the country communities reliant on them. I commend the farm group for its call to re-establish trust among all parties with an interest—that is, the whole community—and for pointing out that the cost of measures to meet environmental goals should be shared among those stakeholders.

The New South Wales farmers have also called on governments to define a duty of care for owners of land. The publication uses the example of a family farm in Nyngan to illustrate the frustrating and economically detrimental situation in which many primary producers find themselves. The 3,000-hectare farm used as an example involves 400 hectares of crops, with the remainder uncleared land. The farm owners basically have three business options. They can carry on as is and watch stock carrying capacity plunge from about 1,600 sheep to 600 due to land degradation. Profits would fall by about 50 per cent and the capital value of the land would appreciate by only about $75,000 over 20 years. The second option is to keep cropping at the same level while thinning additional land for grazing. But maintenance
costs would be crippling. After 20 years, they would lose some $500,000 out of the operation, with only $140,000 capital growth to offset the loss. The third option is to increase cropping to about 2,000 hectares, leaving about 1,000 hectares to nature. After 20 years, the level of profit would sustain them and the environment, while capital growth on the land would be $700,000. The only catch is that the last two options are not available to the landholders under the Native Vegetation Conservation Act, clearly illustrating the impact on farm families of this draconian legislation. If farmers are to make huge changes to account for the excesses of the past, they must be compensated by the community that demands those changes.

I have spoken on this issue ad nauseam over the last three years, most recently highlighting the attitude in Sydney to the ADI site near St Marys, where it was proposed to continue the incredible amount of land clearing that happens on the outer western area of Sydney—almost indiscriminate as far as any country observer can see as they drive into that city. I have compared that to the onerous restrictions that have been placed on the people who are relying for their living on the ability to farm the country that they have bought and paid for.

My main concern is for the young farmers who purchased land in the mid-1990s with the intention of slowly clearing sensible areas of land—many of these people leave 20 to 25 per cent of their land uncleared—to meet the financial commitments they have made to banks and other financial institutions. The withdrawal of this right to farm has meant that in many cases these young farmers have had to leave the land and leave the home that they have lived in for most of their lives. I think the New South Wales government leaves a lot to be desired, and I would like to raise this issue again. *(Time expired)*

Mr SPEAKER—Order! It being 11 p.m., the debate is interrupted.

House adjourned at 11.00 p.m.

NOTICES

The following notices were given:

Dr Kemp to present a bill for an act to amend the States Grants (Primary and Secondary Education Assistance) Act 2000.

Dr Kemp to present a bill for an act relating to the application of the Criminal Code to certain offences, and for related purposes.

Dr Wooldridge to present a bill for an act relating to the application of the Criminal Code to certain offences, and for related purposes.

Mr Truss to present a bill for an act to amend the Wool International Act 1993, and for related purposes.

Mr Slipper to move:

That, in accordance with the provisions of the Public Works Committee Act 1969, it is expedient to carry out the following proposed work which was referred to the Parliamentary Standing Committee on Public Works and on which the Committee has duly reported: Redevelopment of residential areas at Enoggera, Brisbane.
QUESTIONS ON NOTICE
The following answers to questions were circulated:

Attorney-General’s Department: Funding to the Northern Territory
(Question No. 2538)

Mr McClelland asked the Attorney-General, upon notice, on 22 May 2001:
(1) What sources of funding are provided to the Northern Territory from within his portfolio.
(2) What sum is provided for each such source for the current financial year and each of the out years.
(3) What sources of Commonwealth funding are provided to the Northern Territory for drug, alcohol and substance abuse treatment and rehabilitation programs, and in relation to that funding (a) what sum is provided from each such source for the current financial year and each of the out years and (b) which Commonwealth department administers each of those funding arrangements.
(4) To what extent are juvenile diversionary programs linked to drug, alcohol and substance abuse treatment and rehabilitation programs.
(5) What auditing and accountability mechanisms exist in respect of funds provided to the Northern Territory (a) within his portfolio and (b) in respect of drug, alcohol and substance abuse treatment and rehabilitation programs.
(6) Is he aware that the NT Chief Minister intervened to prevent representatives of the NT police service and other government departments and agencies giving evidence to the House Standing Committee on Family and Community Affairs during the week commencing 16 April 2001 which was inquiring, among other things, into juvenile detention and drug treatment and rehabilitation programs.
(7) Will the Federal Government express its concerns to the NT Chief Minister in respect of his intervention to interfere with the work of the committee; if not, how does he justify Commonwealth funds being provided to the Northern Territory in circumstances in which the Northern Territory is not accountable for the proper application of those funds before such a significant committee of the Commonwealth Parliament.

Mr Williams—The answer to the honourable member’s question is as follows:

Attorney-General’s Department

National Crime Prevention Program
(1) Under an agreement with the Northern Territory, $20 million is allocated over four years (from 2000-2001 to 2003-2004) towards a juvenile pre-court diversion scheme and to jointly fund an Aboriginal interpreter service.
Under the National Crime Prevention Program, negotiations are nearing finalisation to provide $150,000 towards the development of common night patrol protocols and practices. This funding will be provided in 2001/2002 and 2002/2003.
(2) See (1)
(3) This question should be directed to the Minister for Health and Aged Care.
(4) Under an agreement with the Northern Territory, funding is provided to a juvenile pre-court diversion scheme administered by the NT Police. As of 31 March 2001, 85 existing programs have been approved by the police as suitable for diversion referrals. A significant proportion of these programs is linked to the prevention and reduction in substance misuse, with 10% explicitly identifying drug or alcohol issues in their aims.
(5) (a) Under the agreement with the Northern Territory to fund the juvenile pre-court diversion scheme and to jointly fund the Aboriginal interpreter service, the Territory is to provide the Commonwealth with performance information at six monthly intervals and with annual audited statements of accounts of the expenditure of funds.
The agreement provides for a review of progress in achieving the purpose of the agreement 12 months from the commencement of programs, and a final year review of the agreement not less than 6 months prior to the expiration of the agreement.
In regard to the National Crime Prevention Program funding to the Northern Territory for the development of common night patrol protocols and practices, it is expected that there will be two
progress reports and a final report provided for the project. In addition, it is expected that two audited financial statements of expenditure will be required under the funding agreement, one mid-way through the project and the other at the end of project funding.

(b) This question should be directed to the Minister for Health and Aged Care.

(6) Yes. I am aware of a report in the Northern Territory News on 18 April 2001 in which the Chief Minister of the Northern Territory, Mr Denis Burke, indicated that the House of Representatives Standing Committee on Family and Community Affairs would not be able to access senior public servants in relation to its Inquiry into Substance Abuse in Australia.

(7) The Federal Government will not be raising this issue directly with the NT Chief Minister as the Committee is in a position to pursue this matter should it wish to do so. Commonwealth funding to the NT in relation to substance misuse programs is subject to funding agreements, with accountability provisions built into the agreements. Further details on these should be sought from the Minister for Health and Aged Care.

Legal Aid Program and the Community Legal Services Program

(1) and (2) I provide the following information in relation to the legal aid program and the community legal services program:

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<td>Expensive Criminal Cases Fund (Year to date)</td>
<td>$217,228</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>Total – Legal Aid Program</td>
<td>$2,351,308</td>
<td>$2,286,320</td>
<td>$2,334,000</td>
<td>$2,441,000</td>
</tr>
</tbody>
</table>

* Funding only provided up to 2001-02

** Not able to be determined at this stage – subject to application.

Community Legal Services Program

<table>
<thead>
<tr>
<th></th>
<th>2000-01</th>
<th>2001-02</th>
<th>2002-03</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Australian Women’s Legal Service</td>
<td>$159,232</td>
<td>$159,232</td>
<td>$159,232</td>
<td>$159,232</td>
</tr>
<tr>
<td>Darwin Community Legal Service</td>
<td>$338,251</td>
<td>$338,251</td>
<td>$338,251</td>
<td>$338,251</td>
</tr>
<tr>
<td>Environment Defenders Office</td>
<td>$73,940</td>
<td>$73,940</td>
<td>$73,940</td>
<td>$73,940</td>
</tr>
<tr>
<td>Top End Women’s Legal Service</td>
<td>$159,079</td>
<td>$159,079</td>
<td>$159,079</td>
<td>$159,079</td>
</tr>
<tr>
<td>Katherine Women’s Information and Legal Service</td>
<td>$64,574</td>
<td>$64,574</td>
<td>$64,574</td>
<td>$64,574</td>
</tr>
<tr>
<td>Total – Community Legal Services Program *</td>
<td>$795,076</td>
<td>$795,076</td>
<td>$795,076</td>
<td>$795,076</td>
</tr>
</tbody>
</table>

* Funding in the outyears will be adjusted to reflect the impact of indexation.

(3) and (4) Not applicable

(5)(a) Under the agreements which the Commonwealth has in place for the provision of legal assistance, legal aid commissions are required to provide quarterly performance information and financial returns and annual audited financial statements. In relation to community legal services, the service agreements between the Commonwealth and individual services require the provision of quarterly performance information and financial returns and annual audited financial statements.

(5)(b) Not applicable

(6) and (7) Not applicable

National Crime Authority

(1) The National Crime Authority (NCA) does not ‘fund’ the Northern Territory per se. The NCA does however work cooperatively with the NT on organised crime investigations and provides assistance in kind when and where appropriate. The NCA assists the NT Police Service in relevant investigations, utilising coercive powers and providing financial analysis and other intelligence. A seconded investigator from the NT Police has been located in the NCA’s Adelaide Office since 8 May 2000 and his salary and overheads are paid by the NCA. The NCA also coordinates and supports National Task Forces which include NT Police members.

(2) The base salary for the seconded NT police officer is $48,089. Salary reimbursement will be made for the full two years of his secondment, ie until May 2002.

(3) to (7) Not applicable
Office of Film and Literature Classification
(1) The Office of Film and Literature Classification makes an annual payment to each of the states and territories in accordance with Section 90 of the Classification (Publications, Films and Computer Games) Act 1995, for participation in the cooperative National Classification Scheme.
(2) The amount paid to the Northern Territory in the current year was $80,485. Payments in subsequent years are subject to annual indexation.
(3) to (7) Not applicable

Superannuation: Public Sector Superannuation Scheme
(Question No. 2727)

Mr Andren asked the Minister for Finance and Administration, upon notice, on 21 June 2001:

(1) When a member of the Public Sector Superannuation (PSS) Scheme ceases employment with the Commonwealth, is it true that he or she has 90 days from that date, to give notice to roll their entitlements over into another complying fund or retirement savings account; if so, why is there such a limit; if not, what are the rules governing the release of an exiting member’s entitlements.

(2) Is it true that if a member of the PSS Scheme fails to give notice within the time referred to in part (1), his or her entitlement is compulsorily frozen within the PSS and appreciates at the rate of the consumer price index (CPI) only; if so, why is this the case; if not, what does happen to a member’s superannuation entitlement if they do not give sufficient notice to the fund of this wish to roll over their entitlement.

(3) Is it true that the Queensland and Victorian Governments have altered the exit rules for the public sector schemes so that public servants may roll over their entitlements at any time after ceasing employment; if so, will the Federal Government similarly amend the legislation covering the PSS Scheme; if not, (a) what are the arrangements under the Victorian and Queensland schemes and (b) how are they consistent with arrangements under the PSS scheme.

(4) For each of the last five financial years (a) how many ex PSS Scheme members have had their entitlements frozen, (b) by what amount combined were these members’ entitlements indexed by the CPI, (c) what were the combined real earnings of these members’ entitlements and (d) what happened to the income determined by subtracting the amounts given in part (4)(b) from part (4)(c).

Mr Fahey—The answer to the honourable member’s question is as follows:

(1) and (2) The PSS benefit options, which usually depend upon the circumstances in which membership ceases, are set out in detail in the PSS Rules. A former PSS member who has more than one option can make their choice from 3 months before to 3 months after ceasing membership. The PSS Board can extend this period.

Most former members will be entitled to a PSS preserved benefit which generally will become payable at preservation age or later retirement from the workforce. (In certain circumstances, an equivalent benefit may be transferred into another public sector scheme that has reciprocal portability arrangements with the PSS.) However, at any time the former member can receive so much of the member contributed component of their preserved benefit, including interest, that does not have to be preserved under the general superannuation prudential rules.

PSS preserved benefits are protected against inflation before payment by indexation of the unfunded employer component by the Consumer Price Index and of the member and productivity employer components, by the PSS Fund crediting rate.

Under proposed legislation changes, currently before the Senate, the Government is seeking to address the portability and benefit indexation issues inherent in the current Commonwealth civilian superannuation arrangements. The proposed new superannuation arrangements will close the PSS and allow new employees, and those existing employees who decide to opt out of the PSS and the CSS, to join another superannuation fund or RSA. This will enable these employees to choose arrangements where member and employer contributions accumulate with interest and that have portability of benefits to another fund at the time of exit.

(3) The arrangements applying to the Queensland and Victorian public sector superannuation schemes are a matter for those respective State governments. The legislation currently before the Senate...
would allow future employer and member contributions for current and future Commonwealth employees to be paid to a superannuation fund or RSA of their choice. This will allow these employees to choose arrangements that provide portability of benefits to another fund at the time of exit.

(4) The table below gives information on the number of PSS members who exited the scheme over the last five financial years with an unfunded PSS preserved benefit indexed to the CPI. The information has been extracted from the annual benefit information statements sent to PSS members at the end of each financial year.

It should be noted that only the member and employer productivity components are invested in the PSS Fund and are therefore subject to the earnings of the Fund. The unfunded employer component of PSS preserved benefits is not invested in the PSS Fund but is instead paid from the Consolidated Revenue Fund. As such, the unfunded benefit component does not attract any earnings income from the PSS Fund, nor is there any excess income derived after the payment of this component to members. In contrast, the Government’s proposed new superannuation arrangements would allow future member and employer contributions, for new employees and those existing employees who join another superannuation fund or RSA, to be fully funded and invested as benefits accrue.

<table>
<thead>
<tr>
<th>Financial year</th>
<th>PSS members exiting the scheme with an unfunded preserved benefit indexed to CPI</th>
<th>Total Value of unfunded preserved benefit at 30 June in year of exit ($m)</th>
<th>Estimated CPI indexation from year of exit to 30 June 2001 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>5,650</td>
<td>127.5</td>
<td>12.0</td>
</tr>
<tr>
<td>1997-98</td>
<td>5,852</td>
<td>134.2</td>
<td>11.3</td>
</tr>
<tr>
<td>1998-99</td>
<td>5,506</td>
<td>139.7</td>
<td>11.7</td>
</tr>
<tr>
<td>1999-00</td>
<td>8,527</td>
<td>192.5</td>
<td>12.1</td>
</tr>
<tr>
<td>2000-01</td>
<td>4,643</td>
<td>120.0</td>
<td>3.4</td>
</tr>
</tbody>
</table>

Of the total 30,178 members who exited the scheme with an unfunded preserved benefit over the last five financial years, some 27,718 still had an unfunded preserved benefit in the scheme at 30 June 2001.
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**TUESDAY, 7 AUGUST**

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