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The PRESIDENT (Senator the Hon. Paul Calvert) took the chair at 9.30 a.m., and read prayers.

SUPERANNUATION SAFETY AMENDMENT BILL 2003

Second Reading

Debate resumed from 9 March, on motion by Senator Vanstone:

That this bill be now read a second time.

upon which Senator Sherry had moved by way of an amendment:

At the end of the motion add:

“but the Senate condemns the Government for failing to take this opportunity to bring in much needed improved safety measures to ensure the safety of the superannuation savings of all Australians, in particular the need to:

(a) improve the compensation rules to include losses as a consequence of trustee negligence as an entitlement and make 100 per cent compensation available in cases of theft, fraud and negligence;

(b) provide compensation for unpaid superannuation guarantee contributions resulting from the failure of a business;

(c) remove unnecessary secrecy provisions that prevent people obtaining reasonable access to information from the Australian Tax Office on their claims for unpaid superannuation contributions;

(d) provide yearly reporting to members of defined benefit funds on the financial status of their funds including the debt or surplus level and the detail of the makeup in any shortfall of funds required to pay benefits to members; and

(e) make all superannuation contributions, including salary sacrifice contributions payable on a quarterly basis in line with the payment of superannuation guarantee contributions”.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.31 a.m.)—I understand that the minister wishes to close the second reading debate on the Superannuation Safety Amendment Bill 2003. I thank all honourable senators for their contributions on the bill. It is obviously an important bill to the government. I commend the bill to the Senate.

Question agreed to.

Original question, as amended, agreed to.

Bill read a second time.

In Committee

Bill—by leave—taken as a whole.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.33 a.m.)—I table a supplementary explanatory memorandum relating to the government amendments to be moved to this bill. The memorandum was circulated in the chamber on 9 March.

Senator SHERRY (Tasmania) (9.33 a.m.)—I have a couple of general questions for the committee before we go to the amendments. I am a bit puzzled as to why the minister is not here. Can Senator Campbell indicate whether she will be participating in this section of the committee debate on this bill?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.34 a.m.)—The minister has been detained elsewhere and has asked me to act as substitute while she is unable to be here, which I am happy to do.

Senator SHERRY (Tasmania) (9.34 a.m.)—Whilst we appreciate Senator Campbell’s assistance, he is not responsible for the handling of this important legislation, which deals with superannuation safety. It is the
Assistant Treasurer, Senator Coonan, who is directly responsible for our superannuation system, and she is not here. The bill was originally listed for today. I know the government has had some difficulties with the program. We started the debate yesterday. There are some important amendments from both the government and the opposition that I would have thought the minister would have been able to assist us with in respect of the government’s position. I am quite surprised that, on an issue where the minister, Senator Coonan, has had a lot to say—she has not done a lot but she has had a lot to say—she is not here to handle the bill. Anyway, I have a couple of general questions. The regulations are an important aspect of the bill we are considering. When will they be ready for public analysis?

Senator Watson—Mr Chairman, I wish to have my name recorded as voting against Senator Sherry’s second reading amendment to the Superannuation Safety Amendment Bill 2003, which was agreed to by the Senate. I tried to capture the attention of the President earlier. As Senator Sherry indicated in his speech on the second reading, the approaches taken to the bill by the government and the opposition parties are fundamentally different. It is important that my position, which is that I oppose the amendment, is recorded.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.36 a.m.)—The regulations and operating standards will cover the following issues: licensing and RSE licence classes; registration of registrable superannuation entities with APRA where a failure to register an entity prevents a trustee from accepting contributions; fit and proper requirements to establish the minimum standard of competency that must be met by superannuation fund trustees; risk management documentation; adequacy of resources; outsourcing arrangements; and financial management of defined benefit funds. The government released discussion papers regarding the regulations and operating standards for industry consultation in December last year. Submissions were due by the end of February. The regulations will be made in the normal process once the bill is passed.

Senator SHERRY (Tasmania) (9.37 a.m.)—Are we looking at a couple of weeks or a couple of months? I do not want a precise day but I would like some indication of when the regulations will be publicly available.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.38 a.m.)—I am told that we can expect them in the month of April.

Senator SHERRY (Tasmania) (9.38 a.m.)—Thank you for that. In the report from the Senate Economics Legislation Committee, attention was drawn to the proliferation of identifying numbers. The evidence before the committee, which was indeed confirmed by the representative of APRA, was that up to 11 identifying numbers are used with respect to superannuation funds of one sort or another. I am not going to take the time of the committee to go through all the detail of the evidence we heard. Given the significant number of numbers, at least some of which have to be reported to members on statements, and given the significant number of identifying numbers, which adds to the cost as well as to the complexity of the funds, it was suggested that some effort should go into trying to find a unique identifying number of at least one. Certainly at the committee hearing it was indicated that some examination will be made of possible solutions to reducing the number of identifying numbers required by superannuation entities. Has

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the government given any further consideration to this issue? If it has not, why not? If it has, is it able to identify a possible solution to this problem?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.40 a.m.)—Yes, the government have given consideration to it. All senators would understand that in bringing in regulation you seek to balance a couple of things. One is the need to ensure a well regulated industry. In the area of superannuation that is vital because you are looking at people’s livelihoods in retirement. The safety of the superannuation entities and the regulation of the schemes are crucial. That is why we are here today. This bill will allow APRA to exempt licensees from meeting the identification number requirements where this is appropriate—for example, during the transition period in an attempt to avoid the need for the immediate reprinting documents. That is an indication of the government’s sensitivity to the practical claims the industry have made.

We are aware of the compliance costs, which is the other thing you have to balance—the regulatory intention with the cost of compliance on superannuation funds. When you are forcing funds to comply with new law, which in this case means new licence numbers and the use of two numbers—the RSE license number and the superannuation entity registration number—that does place a burden on funds. We are aware of that. APRA will be taking these concerns into consideration when deciding how best to implement the RSE licence number and registrable superannuation entity registration number regime. The government are obviously keen to see the compliance burden minimised but ultimately there is a balance to be reached. As I said, the bill does allow an exemption power during the transition.

Senator SHERRY (Tasmania) (9.42 a.m.)—Thank you for that information, Minister. It was a matter of major concern. As you have indicated, there will be two new licence numbers as a result of this bill—the superannuation entity number, SEN, and the RSE licence number—on top of the existing licence numbers which apply in a range of circumstances. Then we have ABN numbers, CANs, SFNs, TFNs, AFSL numbers, SPINs and ARSNs. Do not ask me what all those acronyms stand for because I have little idea. There are a lot of numbers. This is an important issue. I am pleased that the government is examining ways to bring down the number of licences because, as you have indicated, Minister, having to reprint millions of copies of different documentation in order to add additional numbers is a very expensive exercise.

The other concern is where these numbers are reported to members on their fund’s statement or in the fund’s annual report. If members see an array of different types of registration numbers—I am not suggesting that there would be 11 but there could be two, three or four numbers depending on the circumstances reported to members—they get a bit bewildered about what the different types of identification numbers mean. Thank you for your response on that. I look forward, at some future date, to some progress on that issue. I have no other general questions. The opposition are happy to move to the government’s first amendment.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.44 a.m.)—I move government amendment (1):

(1) Schedule 1, page 61 (after line 2), after item 59, insert:

59A Section 327 (at the end of the definition of modifiable provision) Add:
Senator SHERRY (Tasmania) (9.45 a.m.)—The Labor Party supports the amendment moved by the government.

Question agreed to.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.45 a.m.)—by leave—I move government amendments (3) to (12) and (14) to (37) on sheet QQ246:

(3) Schedule 3, item 2, page 102 (lines 10 to 15), omit the item (including the note), substitute:

2 Subsection 66(3)
Repeal the subsection, substitute:
RSA provider and Regulator to be told about the matter

(3) Subject to subsection (4), the person must, as soon as practicable after forming the opinion mentioned in paragraph (1)(a):
(a) tell the RSA provider about the matter in writing; and
(b) if the contravention about which the person has formed the opinion mentioned in paragraph (1)(a) is of such a nature that it may affect the interests of holders of RSAs—tell the Regulator about the matter in writing.

(4) Schedule 3, item 3, page 102 (lines 18 and 19), omit the heading to subsection (4), substitute:

The person may not have to tell the RSA provider or Regulator about the matter

(5) Schedule 3, item 3, page 102 (line 21), omit “Regulator”, substitute “RSA provider”.

(6) Schedule 3, item 3, page 102 (line 24), omit “Regulator”, substitute “RSA provider”.

(7) Schedule 3, item 3, page 102 (line 27), omit “RSA provider”, substitute “Regulator”.

(8) Schedule 3, item 3, page 102 (line 30), omit “RSA provider”, substitute “Regulator”.

(9) Schedule 3, item 3, page 103 (line 1), omit the heading to subsection (5), substitute:

Penalties for misinformation

(10) Schedule 3, item 3, page 103 (line 5), omit “the Regulator and”.

(11) Schedule 3, item 3, page 103 (lines 7 and 8), omit “either or both the Regulator and”.

(12) Schedule 3, item 3, page 103 (after line 13), after subsection (5), insert:

(5A) A person (the first person) commits an offence if:
(a) this section applies to the first person; and
(b) the first person is aware of a matter that must, under this section, be told to the Regulator; and
(c) the first person tells another person to whom this section applies that the first person has told the Regulator about the matter; and
(d) the first person has not done what the first person told the other person he or she had done.

Penalty: Imprisonment for 12 months.

Note: Chapter 2 of the Criminal Code sets out the general principles of criminal responsibility.

(14) Schedule 3, item 6, page 105 (lines 3 to 8), omit the item (including the note), substitute:

6 Subsection 129(3)
Repeal the subsection, substitute:
Trustee and Regulator to be told about the matter

(3) Subject to subsection (3A), the person must, as soon as practicable after forming the opinion mentioned in paragraph (1)(a):
(a) tell a trustee of the entity about the matter in writing; and
(b) if the contravention about which the person has formed the opinion mentioned in paragraph (1)(a) is of
such a nature that it may affect the interests of members or beneficiaries of the entity—tell the Regulator about the matter in writing.

(15) Schedule 3, item 7, page 105 (lines 11 and 12), omit the heading to subsection (3A), substitute:

_The person may not have to tell a trustee or the Regulator about the matter_

(16) Schedule 3, item 7, page 105 (line 14), omit “the Regulator”, substitute “a trustee of the entity”.

(17) Schedule 3, item 7, page 105 (lines 16 and 17), omit “the Regulator”, substitute “a trustee of the entity”.

(18) Schedule 3, item 7, page 105 (line 20), omit “a trustee of the fund”, substitute “the Regulator”.

(19) Schedule 3, item 7, page 105 (lines 22 and 23), omit “a trustee of the fund”, substitute “the Regulator”.

(20) Schedule 3, item 7, page 105 (line 26), omit the heading to subsection (3B), substitute:

_Penalties for misinformation_

(21) Schedule 3, item 7, page 105 (line 30), omit “the Regulator and”.

(22) Schedule 3, item 7, page 105 (lines 32 and 33), omit “either or both the Regulator and”.

(23) Schedule 3, item 7, page 106 (after line 5), after subsection (3B), insert:

(3C) A person (the _first person_) commits an offence if:

(a) this section applies to the first person; and

(b) the first person is aware of a matter that must, under this section, be told to the Regulator; and

(c) the first person tells another person to whom this section applies that the first person has told the Regulator about the matter; and

(d) the first person has not done what the first person told the other person he or she had done.

Penalty: Imprisonment for 12 months.

Note: Chapter 2 of the _Criminal Code_ sets out the general principles of criminal responsibility.

(24) Schedule 3, item 9, page 107 (line 6), omit “fund”, substitute “entity”.

(25) Schedule 3, item 9, page 107 (line 9), omit “fund”, substitute “entity”.

(26) Schedule 3, item 14, page 111 (line 2), omit “; and”, substitute “.”.

(27) Schedule 3, item 14, page 111 (lines 3 to 5), omit paragraph (1)(c).

(28) Schedule 3, item 14, page 111 (lines 6 to 9), omit subsection (2), substitute:

_Trustee and Regulator to be told about the matter_

(2) Subject to subsection (3), the person must, as soon as practicable after forming the opinion mentioned in paragraph (1)(a):

(a) tell a trustee of the fund about the matter in writing; and

(b) if the contravention about which the person has formed the opinion mentioned in paragraph (1)(a) is of such a nature that it may affect the interests of members or beneficiaries of the fund—tell the Regulator about the matter in writing.

(29) Schedule 3, item 14, page 111 (lines 10 and 11), omit the heading to subsection (3), substitute:

_The person may not have to tell a trustee or the Regulator about the matter_

(30) Schedule 3, item 14, page 111 (line 13), omit “the Regulator”, substitute “a trustee of the fund”.

(31) Schedule 3, item 14, page 111 (lines 15 and 16), omit “the Regulator”, substitute “a trustee of the fund”.

(32) Schedule 3, item 14, page 111 (line 19), omit “a trustee of the fund”, substitute “the Regulator”.

(33) Schedule 3, item 14, page 111 (lines 21 and 22), omit “a trustee of the fund”, substitute “the Regulator”.

(34) Schedule 3, item 14, page 111 (line 25), omit the heading to subsection (4), substitute:

Penalties for misinformation

(35) Schedule 3, item 14, page 111 (line 29), omit “the Regulator and”.

(36) Schedule 3, item 14, page 111 (lines 31 and 32), omit “either or both the Regulator and”.

(37) Schedule 3, item 14, page 112 (after line 3), after subsection (4), insert:

4A A person (the first person) commits an offence if:

(a) this section applies to the first person; and

(b) the first person is aware of a matter that must, under this section, be told to the Regulator; and

(c) the first person tells another person to whom this section applies that the first person has told the Regulator about the matter; and

(d) the first person has not done what the first person told the other person he or she had done.

Penalty: Imprisonment for 12 months.

Note: Chapter 2 of the Criminal Code sets out the general principles of criminal responsibility.

Senator SHERRY (Tasmania) (9.45 a.m.)—The Labor Party supports these amendments. Question agreed to.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.45 a.m.)—The government opposes schedule 3 in the following terms:

(13) Schedule 3, item 5, page 104 (line 32) to page 105 (line 2) to be opposed.

The TEMPORARY CHAIRMAN (Senator Kirk)—The question is that items 1 and 5 in schedule 3 stand as printed.

Question negatived.

Senator SHERRY (Tasmania) (9.46 a.m.)—by leave—I move opposition amendments (1) and (2):

(1) Schedule 3, page 109 (after line 5), after item 10, insert:

10A Section 227

After “fraudulent conduct”, insert “negligence”.

(2) Schedule 3, page 109 (after line 5), after item 10, insert:

10B Section 228 (definition of eligible loss)

After “fraudulent conduct,” (twice occurring), insert “negligence”.

As I indicated in my contribution to the second reading debate, the Labor Party has considerable concern that the legislation we are dealing with is not sufficient to assure an appropriate level of security for Australia’s superannuation system. I highlighted in my speech that the Labor Party would move specific amendments in the committee stage of the bill, which we are now at, and a second reading amendment, which I am pleased to see the Senate has passed, in respect of a range of other security concerns.

The amendments we are considering, and the other amendments we will get to, reflect a fundamental difference between the Labor Party and the Liberal government when it comes to the security of superannuation. The Labor Party believes very strongly that superannuation, given the circumstances I outlined in my second reading contribution that it is largely compulsory with added voluntary additional contributions, is long term—Australians cannot access it until they are between the ages of 55 and 60, depending
upon when they are born—and is for retire-
ment purposes, has a special status and there-
fore deserves a special level of protection in
our safety legislation for superannuation.

We have now reached almost $550 billion
in superannuation savings, if you include life
insurance companies. This is a massive
amount of money. I think it is approximately
two-thirds of the collective funds under
management in this country. It is a truly mas-
sive amount of money; it is very significant.
Unfortunately, moneys such as this do attract
efforts to outright steal from or to defraud
our system. The moneys are placed in the
private sector. The government’s safety bill
represents an attempt to improve the regula-
tory framework, but it does not do anything
to improve the compensation mechanisms
that currently apply in a limited way. So the
first of the opposition’s amendments goes to
broadening what is known as the ‘theft and
fraud compensation provisions’ to include
negligence by trustees. Where trustees
breach their duties in law as a consequence
of negligence and are found to have breached
the Superannuation Industry (Supervision)
Act, commonly known as SIS, the Labor
Party believes the victims should receive full
compensation, as the Labor Party defines it.
The Labor Party defines ‘full compensation’
as full compensation for losses in those cir-
cumstances. It is not 90 per cent or 50 per
cent or whatever the minister of the day hap-
pens to believe should be the appropriate
level of compensation.

There has been a lot of focus on the issue
of retirement incomes and superannuation,
and we will have debates on another day
about some of the government’s recent an-
nouncements. However, if we expect Austra-
larians to save additional moneys for their re-
tirement in whatever policy way emerges in
the future, I and the Labor Party believe that
full compensation should apply beyond sim-
ply theft and fraud. That is why we have
moved an amendment to include a provision
covering negligence. I make it clear that
‘negligence’ does not include negative mar-
ket rates of return. I think many Australians
have experienced negative rates of return in
the last two years in particular. That is not
negligence but a consequence of a downturn
in the markets. The Labor Party is not at-
ttempting with this legislation to broaden the
current theft and fraud provisions to include
the coverage of losses due to a downturn in
the markets.

This issue of compensation is one that is
currently being grappled with worldwide,
particularly in the United Kingdom and the
United States. I have some familiarity with
their systems. The United States government
actually has a separate and dedicated protec-
tion fund that covers not just theft, fraud and
negligence but also the case of an employer
being unable to meet the obligations of the
fund. In fact, in the United States they have
what I think is called a pension guarantee
corporation, which is funded to whatever
level is required given the circumstances of
the time. I understand this pension guarantee
fund in the United States is technically bank-
rupt because the demands on that fund are so
great. We do not have that compensation
mechanism in Australia, and I am not sug-
gesting we should, but this is a very sensitive
issue. If a pension fund, or in our case a su-
perannuation fund, goes under then we need
to be very careful—when there is an ever
increasing reliance on superannuation for
retirement income—that there is an appro-
priate level of compensation. That is why we
are seeking to include negligence in the act.

In the United Kingdom, the British La-
bour Party, with the support of the Conserva-
tive opposition, have said—the legislation is
in the UK parliament—that they are setting
up a separate guarantee fund with moneys in
the fund to provide compensation when a
pension fund falls over and goes broke, and
that includes circumstances such as negligence. They are having extreme difficulty dealing with some current cases of funds that have already fallen over and cannot meet their obligations, certainly in part because of negligence. On Sky TV at about one o’clock on Tuesday morning, thousands of members of pension funds in the United Kingdom were shown demonstrating outside the British Parliament because the new pension guarantee fund will not be retrospective and they will miss out on compensation. We are not in that serious situation. We are not suggesting any retrospectivity. There is no need for retrospectivity because we do not face the very serious situation that is already occurring in the United Kingdom and the United States.

What Labor is arguing is that when future cases of negligence occur the theft and fraud provision, our compensation provision, should apply. I understand the government will not be supporting the amendment. I point out to the government in all sincerity that if we have a superannuation fund that either in part or as a whole falls over as a result of negligence by trustees—I hope it never happens—then we will have a significant number of superannuation fund members protesting in the streets, people who are currently in the workforce and people who have retired. It is morally incumbent on a government to ensure we minimise this problem. You cannot solve all the problems, but you can certainly minimise them.

I also put it to the government that if a superannuation fund falls over in part or as a whole as a result of negligence, and I hope it does not, then the political pressure on the government of the day—be it the current Liberal government or a Labor government—will be such that it will have to do something to compensate people in those circumstances. Whatever the number of people affected, be it in the hundreds or the thousands, if this occurred such a debate would attract significant publicity and sympathy—and rightly so. A person who is a victim of a fund falling over in these circumstances would say: ‘Superannuation is compulsory in large part in this country; it’s for my retirement income. The government forces me to save in superannuation through employer contributions and I may put additional contributions in myself and, therefore, it is only appropriate that compensation should apply in these circumstances.’ I think the overwhelming majority of the Australian community would agree, because the overwhelming majority of people in the Australian community would say: ‘Goodness me, what happens if my fund falls over as a result of negligence? I would want to be compensated.’ In a compulsory system, the government that makes the system compulsory has a duty of care to compensate in a given set of circumstances. Labor is suggesting we need to broaden those circumstances to include negligence.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (9.58 a.m.)—I think Senator Sherry makes some very sound points, and I do not doubt in the case of a fund collapsing, for whatever reason—and negligence is the example here—that there would not be potentially a lot of people doing what our friends in the United Kingdom were doing, as reported on Sky TV at 1 a.m. on Tuesday. That is why the existing part 23 of the SIS Act includes provisions for compensation in the case of fraud or theft, and that is why the government has, through the existing inquiries into that section of the act—I think the review is called ‘A study of the financial system guarantees and review of part 23’—is looking at that issue.

There are arguments in favour and against. One of the things that this bill does is bring in a fit and proper persons test for trustees. It
brings in a licensing requirement for trustees. These are all improvements and increases in the regulation of superannuation, for the very reasons that Senator Sherry has pointed out—in many respects it is compulsory. A large proportion of superannuation is compulsory. It is heavily tax advantaged—seriously tax advantaged. So there is an obligation to ensure that this part of the financial services industry is more heavily regulated than other parts where there is a much higher level of voluntary choice between investment vehicles.

The problem we have—and this is the policy dilemma which the review seeks to resolve—is that, if the government were to effectively take away all of the risk in relation to these things, there would be a moral hazard both on the part of the superannuation trustees who have very important responsibilities under the law and on the part of the superannuation investors or members of superannuation funds because they will come to realise and recognise that, in choosing a form of superannuation investment, they really have no hazard involved at all in terms of who the trustees of the fund are and, therefore, the quality of the governance of the fund.

I think it is very important that, when superannuation investors or members of superannuation funds are making decisions about their investment, they do understand the quality of the fund and the governance of that fund, and the quality of the trustees needs to be a part of that. The government is wrestling with that. We are reviewing it. We see the merit in Senator Sherry’s arguments, and that is why we are reviewing it. But it is worth pointing out that there are downsides to the amendment, and that is why at this stage we will be opposing it. I think it is fair to say that the current review of this provision and this very issue—it is before the review; it is a live one—means that the government could not rule out going down this path. But we do see problems with it at this stage, and so we will not be supporting it today.

Senator SHERRY (Tasmania) (10.02 a.m.)—I will be brief, because I know that Senator Cherry, on behalf of the Australian Democrats, wants to indicate the Democrats’ position. I have heard the issue of moral hazard from, amongst others, Senator Coonan and today Senator Ian Campbell. The problem with the argument of moral hazard is the compulsory nature of a significant element of superannuation—certainly the nine per cent is compulsory—and there are still some superannuation funds where there is a compulsory additional employee element as well, particularly in a dwindling number of defined benefit funds.

I am not going to go into the debate about choice today—it is not a major feature of this legislation, nor should it be. The reality is that, where an individual has a choice of fund, and some do have that in the existing system, it is largely the compulsory moneys that are going into a fund where there is choice of membership of a fund. But, whatever happens with the government’s proposed choice legislation, a significant number of Australians will still not exercise choice of a fund. There will have to be some sort of default option for those individuals who simply do not make an active decision or who do not want to make an active decision for whatever reason.

At the moment most funds have investment choice within them. Interestingly, the majority of fund members again do not exercise a fund choice; it is done for them by the trustees. We have a trustee structure. So the argument of moral hazard, whilst it may apply in other circumstances where we are dealing with voluntary investments, does not apply with respect to superannuation because
of its compulsory nature. This argument that nine million Australians should be cautious and be aware does not apply, because superannuation is compulsory. The moral hazard argument does not apply. And, when the moneys are placed compulsorily in a superannuation fund, at the end of the day the guardians—the trustees—are the ones legally required to make the decisions.

I understand the Democrats will not be supporting the Labor amendment. I make the point that we believe this issue should be dealt with, and it should be dealt with now. There should not be any more reviews of the issue. If the amendment is defeated, well, it is defeated. However, the Labor Party do not need a review to tell us what to do in this area. We have already announced Labor Party policy on this issue and on a range of other issues in relation to tougher security measures. We will pursue them, obviously, in the run-up to the next election. If we win, the Labor Party will continue to pursue them in this chamber.

Senator WATSON (Tasmania) (10.06 a.m.)—Yes, there are fundamental differences between the ALP and the Liberal-National Party coalition in relation to this bill. In fact, I am very disturbed and surprised at the lukewarm response that the ALP have given to this bill, particularly to these amendments. They have gone soft on trustees. They have always gone soft on trustees. What they are attempting to do is pick up the consequences of negligence and all those sorts of things in the form of compensation when and if something goes wrong. I suggest you attack the likely causes rather than the eventuality.

In addition to fraudulent conduct, the ALP now wish to add negligent conduct and to increase the compensation from 90 per cent to 100 per cent. According to their second reading contributions they want to extend the compensation, but the amendments that have been circulated extend to defaulting businesses. So it strikes me that there is a significant difference between what the Labor Party are saying and what they will do. There is a gap in credibility. The difference between what they are saying and what they propose to do with respect to superannuation is worrying. There are some untruths in what the Labor Party are saying because theft and fraud are already recognised in SIS as being trigger actions for compensation of up to 90 per cent of the loss. Compensation of over $30 million has already been paid in a number of well-known cases.

In his speech, Senator Sherry said that the Liberal Party attitude is that: 'If it is stolen, tough luck. It’s all too hard.' He said that that is an irresponsible position for a government to take. It was quite clear in the legislation, which was originally proposed by the Labor Party in the 1990s, that there was to be 90 per cent compensation. Theft and fraud does include moneys that are stolen. I do not know whether you were trying to play semantics, Senator Sherry, but the Liberal Party attitude is that if it is stolen, we will enforce the act and ensure that there is compensation to 90 per cent. You are blatantly wrong to say otherwise. We take a responsible attitude, and you are trying to infer that, if it is stolen, there is no compensation. You well know that that is not the case. There is a fundamental difference.

In the 1990s, Keating introduced this concept of compensation within SIS and we believed it should go to 90 per cent. I must say that in those days it was a little difficult to get any compensation at all out of the Labor Party—it took a lot of pushing and manouevring to get any compensation, and we got it to 90 per cent. Either Keating was wrong then or Latham is wrong now in lifting it to
100 per cent. The Labor Party’s position is interesting. Somebody is obviously wrong. Either the Keating philosophy was wrong in the 1990s or the Leader of the Opposition, Mark Latham, and Senator Sherry are wrong now in wanting to lift it from 90 per cent to 100 per cent.

Labor argues that we should extend the theft or fraud principles to post-retirement products. I notice that one of the newspapers picked it up today, and I am surprised that not more of them did. This introduces a real moral hazard for people in retirement suddenly finding they have a complying annuity. They will find it will be reduced as a result of the Labor Party’s claim that, when it comes to power, it will extend the compensation recovery not just to current members of superannuation funds but to post-retirement products. I am not sure that it will go down very well with the retirement community to find that, having received their lump sum and converted it into an annuity, that it is no longer guaranteed because there may be a theft or fraud compensation issue in the future.

Although Labor are talking about theft or fraud and full compensation, it is surprising that this is not reflected in the detail of the amendments. While it is reflected in their second reading contributions, it has not been reflected in their amendments. So there is this big credibility gap between what the Labor Party are saying and what they intend to do. They may intend to do it if and when they win an election in the future, but it certainly is not on the agenda now. It is not on the horizon, despite Senator Sherry’s very eloquent speech yesterday on this cause. I believe that the Labor Party have a real credibility problem.

In effect, what the Labor Party are doing is equating some degree of negligence. They do not talk about gross negligence, just about negligence. So it might be some negligence, with theft or fraud. Theft and fraud are illegal. We are trying to lift the standard for the trustees by licensing them and ensuring that they are fit and proper persons and that there is proper compliance. Auditors and actuaries have a responsibility to report certain events to members and, if they are serious, to APRA. I must say it is worrying, because the Labor Party are lukewarm on the responsibility for trying to ensure the highest possible standards and conduct for trustees. They are giving lukewarm support for that but are trying to pick it up at the other end, if and when people should lose, by extending the compensation from 90 per cent to 100 per cent.

Labor are also extending the range of applicable entities from trustees to businesses. So, when we talk about sovereign risk and moral hazard, it is about making sure not only trustees but also businesses themselves behave credibly and honourably. Businesses could well say that there is no problem about the superannuation, not having paid it, because it will be picked up by all the other fund members around Australia so there will not be that sort of loss. I think it is a very dangerous precedent to introduce, Senator Sherry. The concept of sovereign risk is important with respect to how trustees and potentially failing businesses conduct their affairs and regard their superannuation entitlements.

What is important, I think, is to ensure that we have a sound regime to make sure that it is very difficult for funds to get into these situations. I think it is appalling that in these amendments we just have the term ‘negligence’ without indicating the degree of negligence—gross negligence or whatever it might be—in what is such an important issue. I think these amendments do not deserve the support of the chamber. They certainly have to go back for some further examination.
As I said, this bill is about lifting standards for trustees, and I deplore the flip-flop approach by the Labor Party. What they have said in the second reading debate has not been followed through in the committee stage amendments, so there is this whole credibility question of where the Labor Party are going and where they intend to go in relation to superannuation because, although they are signalling certain issues, they do not appear to have the determination to manifest them in a positive amendment. I think that is very, very worrying for Australians. I look forward to further debate on this issue.

Senator CHERRY (Queensland) (10.16 a.m.)—I propose to speak briefly on all four opposition amendments in this stage. This will probably be my only contribution to the debate. Amendments (1) and (2) deal with adding the word ‘negligence’ to the criteria for compensation, in addition to theft and fraud. The Democrats have some sympathy with this concept. Indeed I think Senator Ian Campbell in his contribution outlined the fact that this is a matter which should be looked at in an appropriate way. But we think the amendments as they stand raise too many questions and were done in a clumsy way in terms of getting this issue onto the agenda. In particular we are concerned that, whilst theft and fraud are clearly criminal offences and there is a criminal conviction which obviously would then lead to the matters being considered for compensation, negligence is a more complicated matter, as it is in some cases a criminal offence and in other cases a civil action. Negligence is also very often in the eyes of the beholder—the judge or the jury on the day—which creates difficulties in defining an appropriate standard. That matter has been dealt with in this chamber in many debates on tort law reform.

It is unclear in these amendments and the comments by Senator Sherry how the relationship between a request for compensation and the right of action might actually play out. In particular I am concerned about the fact that to access this clause you would almost need to require a successful action in negligence against the trustees. There would obviously be some compensation paid under that, then the question of what the losses are would come into play. I am concerned about whether the compensation would still be available if the trustee was negligent but still complied with all other aspects of the SIS Act. Certainly that raises questions as to whether the SIS(S) Act itself should be amended to add an extra duty on trustees not to be negligent. If the negligence relates to a poor investment decision, how would the loss be measured? That could be a differing matter depending, again, upon the judge on the day looking at the issue of potential investment earnings as well as actual investment losses, for example.

All these issues need to be resolved before we go ahead and put ‘negligence’ in, because to put uncertainty into what is effectively a public insurance scheme does raise questions in terms of what the levy would be that would be imposed on funds at a subsequent point. From that point of view, I think it is appropriate that the issue of negligence is looked at in terms of the compensation scheme. I am pleased that Senator Ian Campbell has indicated—and I notice that the minister is back in the chamber now—that this is a matter being looked at by the part 23 review. This leads me to opposition amendment (3). We considered the issue of the appropriate percentage of compensation in this chamber nine months ago. At that stage, when Senator Sherry moved a similar amendment, the Democrats voted against it on the basis that we were told by the government there was a review of part 23 of the act proceeding. It is now nine months later and I would love to know where the review is up to because, the more I think about the
issue of moral hazard, the less I am convinced by it. The more I think about the notion of whether consumers have any control over their trustees or can take any responsibility for the actions of their trustees, the less I am convinced that they can.

At the moment, I have my superannuation in three different superannuation funds. I was given no choice about which of those funds I put into; I have no idea how the trustees are acting. How could it be said that I am accepting the moral hazard for those superannuation funds when there was no choice and when there is no ability for me to question those trustees, other than by receiving an annual report? Increasingly I am of the view that the moral hazard argument has moral hazards, and I would be very interested to see where that part 23 review is up to. I will be asking the minister to provide the chamber with a clear explanation of what that part 23 review has actually found on the issue of moral hazard and the 100 per cent, because certainly my inclination at this stage is to vote in favour of amendment (3), provided the word ‘negligence’ is deleted from it.

I think amendment (4) raises sensible matters. I note that that is a matter which increases the costs of compliance of funds, which is something that Senator Sherry has railed at on many occasions, but again I think it is reasonable to recognise—even more so in a defined benefit fund—that an employee is in a position of having no real knowledge of what is going on with their fund and that the notion of requiring a higher reporting obligation is probably a reasonable one. It is one which the Democrats are inclined to support.

I hope my contribution has raised a number of questions. I would be interested in Senator Sherry’s response. Do these amendments differentiate between negligence in a criminal sense versus a civil sense? How do they interact with the members’ right of action under the common law? Will there be double dipping of compensation between a common law action and this compensation? How do they relate to the rest of the SI(S) Act? With that contribution, I signal that the Democrats are not disposed at this stage to support amendments (1) and (2), but we are disposed at this stage to support amendments (3) and (4) with that slight amendment I have suggested.

Senator SHERRY (Tasmania) (10.21 a.m.)—I am glad that the Australian Democrats have moved at least some way in recognising the arguments that the Labor Party have been putting for some time on these issues. Senator Watson raised a couple of points, which I will now address. The Labor Party have moved specific amendments to the legislation where we have a capacity to do so. We covered other matters, Senator Watson, in the second reading amendment which was passed. I know that you stated for the record that you did not agree with the Senate’s resolution that went to other matters that could not be dealt with in specific amendments to this legislation.

As I have indicated, whether it is future legislation or not, the Labor Party will persist in our determination to significantly improve the security of Australia’s superannuation system with respect to compensation issues. If it is an issue at the next election, I hope that Australian voters will consider the Labor Party’s much tougher position with respect to the security of Australia’s superannuation system. I hope it is an issue at the next election. If we win that election then the Labor Party will do what we say we will. That is reflected in our policy announcements. The Labor Party will be taking a much stronger and tougher position than the current Liberal government with respect to the security of superannuation and the compensations that should apply: full compensation in the event
of theft and fraud, full compensation with respect to a range of additional circumstances, the treatment of superannuation as an employee entitlement when an employer goes broke and full compensation in those circumstances.

Senator Watson made a point about what occurred when Paul Keating was Treasurer back in the early 1990s. We are not in the early 1990s now; we are in 2004. We are now some 12 years on. It is the view of the Labor Party today—given the way in which superannuation has grown, given its importance, given that we have now reached nine per cent compulsory superannuation contributions, and given the evidence that we have seen, albeit of a very small number of cases, of theft and fraud—that we need to improve the security of our superannuation system.

Senator Watson says that we should not compensate with respect to pension and annuity products that are superannuation based. I will put a hypothetical situation to Senator Watson—one I hope does not happen, although I suspect that at some point in time it will. Consider the position of retirees who have purchased, from their compulsory superannuation savings, a private pension or annuity, and they are in their 60s—or, in your case, they will be in their 70s, because you want to keep them working till they drop. If that money was stolen, there would be absolute community outrage, and rightly so. If a retiree in their 60s or 70s is receiving a private pension or annuity—which you want to encourage, and I agree with encouraging that approach—and that money is stolen, you cannot very well say to them: ‘Tough luck! Your money’s been stolen. Go back to the work force for another 30 or 40 years and accumulate another 30 or 40 years superannuation.’ The community will not accept that, and rightly so. I do not want to overstate the issue. Fortunately, in our system so far, the occurrences of theft and fraud have been very few. But if a retiree’s money from their private pension or annuity is stolen, I think that in a compulsory system it is right that the government should provide compensation. I think the community would look on and say, ‘I wouldn’t want it to happen to me. What is the compensation mechanism?’

I turn to the issue of cost. We have a levy mechanism that is, effectively, community insurance across the entire superannuation savings system. To date, the direct cost to members for that compensation has been 30c a year per member on average. Even if the worst-case scenario occurred and for some dreadful reason we had double the instances of theft, fraud and negligence, the additional cost to fund members in Australia would be 30c a year. When you look at it in that context I think most Australians would say, ‘The additional cost of 30c out of my tens of thousands of superannuation per year is a small price to pay for the peace of mind of knowing that I am covered if I happen to be one of those unfortunate people whose money is stolen or who suffer negligence.’

I understand the Democrats’ position. Naturally, I am disappointed: as Senator Cherry has pointed out, this compensation mechanism has been under review by the current government, but we have seen no action. That is the difficulty. The Labor Party, having looked at our retirement income system in a detailed way, do not need a review to tell us that there are some problems there. We have come to the conclusion, based on today’s circumstances and the evidence put before us, that there needs to be clear action to improve the compensation provisions of our superannuation system.

As Senator Watson has acknowledged, at the end of the day this legislation will pass. I am sure of that. I think it will improve the attitude of trustees in a regulatory sense. But
it still begs the question: what happens if something goes wrong? I might say that the record to date of a trustee system seems a lot better when you compare it to that of company directors and board members. But, putting that aside, at some point in time there will still be problems with theft, fraud and negligence. We need to give certainty to the nine million Australians who are in the system that, if the worst happens, full compensation will apply. It is only right in a compulsory system where the government says there must be at least nine per cent superannuation that improved compensation and security should apply.

Senator WATSON (Tasmania) (10.30 a.m.)—From listening to and reading the ALP issues on superannuation it would appear that the Labor Party do not really in their heart of hearts want people to be competent, whereas the coalition take the view that they have to tighten the responsibilities of the trustees to make sure they are fit, proper and competent persons to handle trustee matters and so lessen the consequences of negligence and all those other consequences. In a sense, I am a little worried that the ALP are starting to take some of the important rungs out of the so-called Latham ladder in relation to superannuation. It was good enough for the ALP in the 1990s to recognise sovereign risk, but today moral hazard does not count for anything. We do not require it, so we are not interested in toughening up on employers and making sure that they protect the superannuation entitlements of their employees. I remind you that it was this government that introduced the concept of quarterly contributions from all businesses, so they did not have over 12 months in which to make a particular payment. The leadership in improving the standards of behaviour of trustees has been well and truly on the side of the coalition government. It does worry me that the Labor Party appear to be putting emphasis on this other issue.

On the other hand, I thank Senator Sherry for clarifying the matter of ensuring that there is a distinction for moneys from theft or fraud for people who are in retirement getting an annuity or a pension. I mentioned earlier that these people would be worried if their complying, guaranteed pensions were subject to a reduction as a result of a Labor Party amendment to extend the recovery from these sorts of people in their retirement at a time of life when they cannot make good. That is one situation. The other situation is the compensating of those retirees where theft or fraud occurs to a person who is in retirement—in other words, the theft or fraud affects the taking away of their asset which gives rise to the pension. It is an issue that deserves further examination.

We have to be very careful about removing the concept of moral hazard—sovereign risk, whatever way you like to look at it—because the responsibility has to be on directors and companies that are likely to fail, or have failed, as well as on trustees for the way they conduct their affairs. I do not think it is good enough to ensure that there is a wide insurance, where everybody in the community pays, as opposed to making sure we have the full rigour of the law applied to those delinquent trustees and directors of companies. We should be initially focusing our attention on that. If we can nip it in the bud, those consequences will not flow.

Senator SHERRY (Tasmania) (10.34 a.m.)—Senator Watson has referred to the full rigour of the law. Assuming this bill passes, where the full rigour of the law will apply is when, say, a trustee or some other individual ends up in jail if they have monies as a result of theft, fraud or negligence. The problem is that it does not compensate the victim who has lost their superannuation...
savings in part or wholly. That is the difficulty, Senator Watson. If the worst happens—and there is a significant level of theft, fraud or negligence—it is of little comfort to the people in a compulsory superannuation system that the perpetrators have ended up in jail. What is of comfort is that there is full compensation if their moneys have been stolen or disappeared as a result of negligence.

For example, in the case of Commercial Nominees, one of the individuals concerned is in Guatemala with a lap dancer after having stolen some of the moneys. I do not know whether they have extradited him to Australia yet. It is not a great comfort to the people whose money has been stolen. He is sitting over in Guatemala with his lap dancer and presumably some of the money he stole from the superannuation fund.

Senator Watson has alleged that the Labor Party does not want superannuation fund members to be competent. We have nine million people in compulsory superannuation in Australia. There is a growing interest in and awareness of superannuation in this country. There are still substantial problems with literacy and understanding of what is a complex system. Even if we could get 100 per cent financial literacy, competence and understanding of the superannuation system by nine million Australians—and I do not think that is achievable—how many of them would be able to anticipate theft and fraud? Whether you choose to be a member of a particular fund or you do not have a choice of fund, whatever the circumstances, how could you possibly know in advance that theft and fraud or indeed negligence are going to occur? It simply is not possible.

Labor argue in the circumstances I have outlined that full theft and fraud compensation should apply. With due respect to the minister, I do not think this matter should be left to the discretion of the minister of the day. It is an onerous responsibility to say to the minister of the day, ‘You determine the level of compensation.’ That is not a reasonable position to put any minister in, whether the government is Labor or Liberal. The level of compensation should be very clear and unequivocal. That is the modern day Labor Party’s position in respect of this matter; that is the Latham Labor Party’s position in respect of this matter. Whatever was the view 10 or 15 years ago, we are dealing with today’s issues, today’s problems and today’s superannuation system.

Senator COONAN (New South Wales—Minister for Revenue and Assistant Treasurer) (10.38 a.m.)—We are currently considering providing compensation for superannuation losses as part of opposition amendments (1) to (2), although the debate in the committee stage has ranged over a number of issues. I will attempt to address what I think are the outstanding issues. Senator Cherry asked about the current status of the review of part 23 of the Superannuation Industry (Supervision) Act, which, as Senator Ian Campbell said a little earlier, includes providing compensation for negligence. The government issued a discussion paper on the operation of part 23 of the SI(S) Act in the middle of last year and sought submissions from industry. I know there were a number of responses. Industry has made several submissions to government, which are currently being considered. I do not yet have the considered report, but in considering the response to submissions in my view we also need to take into account developments in the study of the financial systems guarantees. This study was initiated in response to the recommendations of the HIH Royal Commission, which has under consideration the policy issues associated with the possible introduction of compensation arrangements in the event of a financial entity failure.
Clearly, rather than ad hoc responses to failures of entities, there is a good argument to be considered that there may need to be a more focused compensation scheme. They are some interlocking processes that obviously have some impact on Labor’s amendment.

Senator Cherry outlined very well some of the particular difficulties in providing compensation for negligence—which I do not think Senator Sherry, in all fairness to him, addressed at all—part of the difficulty being the criminal and civil liability and different onuses. In particular, it is difficult to define the extent of any negligence provision. Quite clearly these issues require very careful consideration. If there is an agreement that, as a matter of policy, it should be addressed—and that is something being addressed in the report—obviously the technicalities of how you would achieve its policy purpose would need very careful consideration, more than an on-the-run amendment to what the government believes is a careful and well thought out response to the issues that were identified in the superannuation working group.

The Superannuation Safety Amendment Bill 2003 also introduces minimum fit and proper standards for trustees, which I think will help and should provide that trustees are as competent to manage members’ benefits as a standard that is not only desirable but also essential. It was said by Senator Sherry—I do not know whether it was said tongue in cheek or said sincerely—that the fact that people are unable to choose where their superannuation is invested is not a moral hazard. Opposing choice is something for which the Labor Party should be condemned and certainly in no way ameliorates the risk to people of being trapped in a fund over which they have no choice.

Moral hazard bears explaining one more time to the Senate, even though it has been agitated, as I understand, by former speakers. The moral hazard reason for not making financial assistance equivalent to 100 per cent is twofold. Firstly, there is a need for members to take responsibility for and have some interest in their own money in a superannuation fund, given, as Senator Cherry says—and he is quite right—that it can be difficult if you have no choice, but to provide a complete nanny system where no-one is ever encouraged to take any interest in their money in a superannuation fund is, in my view, not desirable. Certainly there would be absolutely no downside for negligent trustees and for those who have perpetrated a fraud on a fund other than what other actions can be taken against them under the SI(S) Act. Once again, that is difficult to achieve from time to time—I can say that from experience. It is certainly not something that this government would encourage—to alleviate trustees from any responsibility for compensation in the circumstances where the well-run funds and the careful and responsible trustees end up, through the levy system, passing the costs on to members who otherwise have not been the subject of fraud or negligence. It does not appear that Senator Sherry understands this. If you do not support letting employees choose where they put their money, it is difficult to see how you can, consistent with that argument, then argue that there should be 100 per cent compensation from a fund in which you are trapped.

Secondly, there is a need for trustees of funds to be encouraged not to put members’ funds in jeopardy—I think that is a very important point—because they know that any losses will be fully compensated. It would be truly wonderful for trustees, who otherwise might be fraudulent or negligent, to be in a position of having no responsibility at all and knowing that losses will be fully compen-
sated. It is worth mentioning that the Labor Party did understand the moral hazard argument, back when the legislation was introduced to enable compensation in the life insurance industry after the failure of Occidental Life and Regal Life insurance companies. Senator Sherry seems to have caught Mr Latham’s propensity to try to airbrush the past by saying, ‘We are only ever dealing with the future.’ But I think the public, and certainly the community, expect some consistency in approach to these matters, particularly when that approach was rooted in principle, not only a principle of the Labor Party back in 1999 but also a much broader principle supported by best practice on international standards.

The then Labor government introduced limited restitution of not more than 90 per cent of the amount payable under a life policy, 90 per cent of an amount payable on surrender and liabilities in respect of administrative expenses incurred by an eligible company meeting those liabilities. I think that what Senator Sherry and the Labor Party have moved to seems to be confusing compensation more and more with greater protection. It does not always work that way.

I think Senator Watson made a very useful contribution to the debate yesterday when he pointed out that, under Labor’s proposals, the only people who would get 100 per cent of their retirement savings would be those who are compensated by the government because everyone else would have their savings reduced by levies to pay that compensation. It is a nonsense to suggest that you can consistently argue that there should be 100 per cent and that there should be equity. As I said a little earlier, the government’s policy in this area is consistent with international best practice by placing a limit—and a very generous one—on compensation. Moral hazard, I think, does play a small part. The hazard of course relates to the propensity of fund trustees and other officers of financial institutions behaving in a riskier way by putting members’ balances in jeopardy, as I said a little earlier, knowing that all losses will be compensated. We are aiming to ensure that due skill and care are taken by those operating in the financial industry and that there is a real and appreciable incentive on trustees to do just that. Section 232 of the SI(S) Act states that, as the minister, I cannot grant assistance in excess of the amount that I determine to be the eligible loss. The act does not prohibit me from granting less than the determined eligible loss.

I want to dwell a little bit on the discretion that is built into the act to provide some flexibility so that you can deal with the circumstances of each case. Indeed, it has fallen to me, I think for the first time under the act, to award compensation on accepted principles. The government accepted the financial sector inquiry recommendation that any grant be limited to 80 per cent of eligible loss. However, on looking at the recommendation, I subsequently agreed to change this policy to lift the limit to 90 per cent. Despite the amount of discretion allowed to me under part 23 of the act, we have always been transparent and we have been transparent through the whole process as to the likely amount that will be paid as financial assistance.

The limiting of financial assistance to 90 per cent of the determined eligible loss ensures consistency with other government assistance programs, and financial assistance schemes overseas generally limit the amount paid through either a percentage or a monetary cap. I refer to the United Kingdom’s payment compensation board, which limits payments of assistance to 90 per cent of the loss suffered, except where a person is within 10 years of retirement and to OECD reports that countries, such as Canada, the United States and France, impose caps on payments,
while Japan and the UK provide a percentage base limit on compensation.

I also want to emphasise that part 23 of the act enables financial assistance to be provided in instances of fraudulent conduct and theft. To date there have been 727—and I think that is a correct up-to-date figure—determinations to grant financial assistance under part 23, resulting in payments in the vicinity of $39 million to superannuation funds that have suffered an eligible loss as a result of fraudulent conduct or theft. As Senator Sherry acknowledges, we do have, thankfully—and through the good offices of subsequent governments and the responsible approach to safety in superannuation—a very safe system with well over $530 billion invested. The losses represent—and I think this figure is correct—0.00006 per cent of funds invested.

The government of course wants to make the system as safe as possible, which is why we have brought forward this proposal, which builds on the recommendations of the superannuation working group. I commend both those findings and this response to the Senate. I already have a discretion to increase financial assistance and payments to 100 per cent in an appropriate case. All these amendments do is take away any ministerial discretion, which I think is inappropriate. At least with a discretion you can respond appropriately and respond in a transparent way as, in fact, we have done. If the government changed its policy to 100 per cent compensation, no change in the SI(S) Act would be required in any event. Taking into account those points, the government will not be supporting the amendments.

Question negatived.

Senator SHERRY (Tasmania) (10.52 a.m.)—I move opposition amendment (3):

(3) Schedule 3, page 109 (after line 5), after item 10, insert:

10C Paragraph 231(1)(b)
Repeal the paragraph, substitute:

(b) where the loss is a result of fraudulent conduct or theft, the amount of the grant of financial assistance shall be 100%.

The Democrats have indicated their willingness to support 100 per cent compensation but they are not willing to support, at least at this point in time, the inclusion of negligence. Labor’s amendment in respect of negligence has been defeated in the committee stage, so I have moved the amendment in the slightly amended form as a consequence of our earlier amendment.

I have canvassed the issues widely with respect to levels of compensation and the circumstances in which compensation should apply. I do not intend to add to the remarks that I have already made. If we do not have 100 per cent compensation and we are not successful in this parliament, it will still be Labor policy. I hope it will be an issue at the election, amongst the many other issues that will be considered by the Australian voters. If a Labor government is elected, a Latham Labor government will ensure 100 per cent compensation. If a Labor government is not elected, the Labor government will continue to pursue this issue at an appropriate time and in appropriate legislation in the Senate.

Senator WATSON (Tasmania) (10.55 a.m.)—I think the chamber needs some clarification. Are you referring to fraudulent conduct on behalf of the trustees or are you extending that, as you indicated in your speech on the second reading, to losses arising from actions of delinquent directors of companies?

Senator SHERRY (Tasmania) (10.55 a.m.)—The Labor Party is ensuring that the current compensation level will be 100 per cent.

Question agreed to.
Senator SHERRY (Tasmania) (10.55 a.m.)—I move opposition amendment (4):

(4) Schedule 3, page 109 (after line 5), after item 10, insert:

10D After subsection 254(1A)

Insert:

(1B) Regulations made in accordance with subsection (1) and paragraph 31(2)(s) must include:

(a) a requirement for defined benefit funds to report annually to APRA on the financial status of their funds, including the level of debt or surplus, and the details of any shortfall of funds required to pay benefits to members; and

(b) a requirement for APRA to publish on its website the information received in accordance with paragraph (a).

Labor’s amendment (4) relates to defined benefit funds. The issue of defined benefit funds is interesting. Although the number of Australians in defined benefit funds has been declining in recent years—it is hard to get a precise number—there are hundreds of thousands of Australians who are still members of defined benefit funds, whether those funds are still open or have been closed off. A defined benefit fund gives a guaranteed outcome if you do the number of years in the fund. The employer effectively is underwritten to guarantee the outcome in the defined benefit fund. In a defined benefit fund there is obviously a funding requirement that there must be an appropriate level of assets to underwrite the guarantee that ultimately will be paid as the member retires. That is a good thing.

In the 1990s we saw that often the level of assets in the fund exceeded the guarantee required to be paid. And there were a number of cases of employers either taking surpluses of asset value back from the fund, or alternatively going on contribution holiday and not putting any money into the defined benefit fund because there was sufficient asset backing in the fund to meet the future liabilities of the fund.

However, in the last two years in particular, because of the decline in the asset value of defined benefit funds—because of the decline in the share market—some funds at least have been underfunded. Those funds will be going through a process. As I understand it, APRA—quite rightly—is diligently assessing the defined benefit funds to determine the level of underfunding. It will ensure that the employer—it might take a few years—brings the funding of the defined benefit fund up to the level required to meet the guarantee that the defined benefit fund requires. That is a good thing. I have no complaints about that process.

However, there are some members of defined benefit funds, in the last couple of years in particular, who are worried about whether or not there is enough money in their fund to pay the guaranteed benefit. That is an understandable worry. The process we are going through—of APRA assessing the funds, and the employers putting additional contributions in to top up and bring back to full financial health those defined benefit funds where there is an underfunding problem—is fine. But the members should know—and it should be reported to the individual members—what the financial health of their particular defined benefit fund is. If there is an agreement between APRA, the regulator, and the defined benefit fund, the underwriting employer, that X amount will be put in over X number of years then the fund members have the right to know what the financial health of the fund is and what the arrangement is. I think that is pretty fundamental.

They do not have a right to know at the moment. I know some funds and some em-

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ployers do notify the members of a defined benefit fund of that but some do not, and I think this unfortunate. I am not for a moment suggesting that there appear to be any defined benefit funds that will have a problem meeting their guarantee, but for the sake of their peace of mind members of defined benefit funds should be able to know what the financial health of the defined benefit fund is, particularly after this last couple of years of negative returns. During the 1990s, as I said, the arguments were focused mainly on surpluses and employers not putting in money because there were sufficient assets in the fund. We have now moved out of that period, unfortunately. Concerns have been drawn to my attention in recent times by individuals who would like to know the status of their defined benefit fund. Secondly, it is important that the APRA assessment of funds be publicly available so that not just I—as I take an interest in these issues—but Senator Watson and other interested parties, whoever they may be, can observe the general financial health of defined benefit funds. I think this is a reasonable approach. I hope the government accepts the amendment.

In conclusion, even though the number of defined benefit funds has been in decline—and the number of active or open defined benefit funds has been in rapid decline—we have not been able to identify the precise number of Australians who are in either a closed or an open defined benefit fund. It would be useful if APRA could get us that data sometime. There would certainly be hundreds of thousands of Australians in a closed or an open defined benefit fund. Consistent with Labor’s call for tougher security provisions for our superannuation system, I believe those hundreds of thousands of Australians should be allowed to know at any point in time the financial health of the defined benefit fund they are in.

**Senator Watson (Tasmania) (11:02 a.m.)**—In relation to the opposition amendment, Senator Sherry has put great emphasis on the negative returns of the last couple of years. It is true that they have been a worry. In relation to defined benefit funds, to which this amendment applies, those negative returns are not so much a worry for the employee as they are for the employer because in defined benefit funds the risk lies with the employer. The employer, not the employee, has to make up the shortfall. I think we have overlooked that significant issue. In the last year some large companies have had to add considerably to the contributions of their employees. For example, Holden had to add some millions of dollars to make up for the difference between members’ entitlements and the investment return. This will add considerably to the costs of defined benefit funds. Defined benefit funds have a lot of cost pressures at the moment. In addition to carrying the investment risk, the employers—or the trustees of the fund—have to make up that difference.

This amendment requires an actuarial evaluation of the health or the financial status of the funds, including of the level of debt or surplus. This would require a very full actuarial examination on an annual basis. I put it to you that these undertakings by actuaries do not come cheaply. Instead of this occurring every three-odd years—as required—as is currently the case, if this amendment is successful we will have to undertake this and incur the cost of this on an annual basis.

The other worry is the requirement for APRA to publish on its web site information received in accordance with paragraph A. APRA supervise the approximately 10,000 funds that come under its jurisdiction, of which there is a much lower number of defined benefit funds. I am worried about the ethics of some private fund—as opposed to a
public fund—having all its information on an APRA web site. Say the XYZ proprietary company had market price coverage valuations of 300 per cent of its liabilities and another company, because of a downturn in the investment cycle at that time on that day, had a 95 per cent figure. What would that say? You would have to give some further information about the state of the investment cycle. Generally, defined benefit funds are there for the long term. The risk is not with the employee; it is with the employer, who has to make up the differential. I am not sure that this amendment is going to add any more strength to the position of members of defined benefit funds than the stiffening up of the actuarial certificate requirements so that they are issued on a regular basis, which the government did some time ago.

At the present time companies have a reasonable time under the act in which to make up the difference of a temporary market decline. We are going to see companies’ defined benefit funds having huge surpluses. If there happens to be a downturn at 30 June or 31 December or whatever that could just be due to particular circumstances of the stock exchange. Generally, six months or sometimes 12 months is not an unnecessary time to make up the difference between the so-called shortfall and the level of coverage required under the defined benefit entitlement provided under the fund. I have real problems with APRA publishing information on its web site. There are questions of privacy. I would be interested to hear Mr Crompton’s views on information about all sorts of public company funds, private company funds and others being freely available. What does it matter if XYZ Pty Ltd of the Northern Territory has a coverage of 300 per cent or 90 per cent? It does not really matter to me. The reporting to their members should already pick up this matter in their communication to members at least on an annual basis.

I do not think these amendments are going to add very much in terms of providing additional security to members. They are going to create an awful number of costs, which will have to be borne by the employers, and they will certainly make defined benefit schemes much less attractive. They will further hasten the demise of defined benefit funds. This will be a pity. When you talk to, say, members of the ABC et cetera they say, ‘I am only pleased that I am still in a defined benefit fund. My new colleagues are under an accumulation scheme. I wouldn’t swap with them for all the tea in China.’ They make these sorts of comments because the risk is with the employer. They have an assured income in their retirement years because the risk is not the employee’s risk, as in an accumulation fund. I am not sure that you are helping these people but you are certainly adding to the cost. You are taking a further rung out of the attractiveness of defined benefit funds as a result of unnecessarily adding costs, and you are also raising privacy issues, which is not going to help people’s understanding in any way at all.

Senator SHERRY (Tasmania) (11.09 a.m.)—On the privacy issue, I do not see that there is a great secret about the financial health of a defined benefit fund and what the effective level of employer underfunding or overfunding or contribution is. There does not seem to be any great secret. There are some defined benefit funds that you have trouble finding out anything about. I refer here to judges’ schemes. When we were looking at this issue in developing policy last year on the superannuation of politicians, judges and the Governor-General, it was very difficult to find any information about judges’ superannuation schemes at state level. Whatever we think about defined benefit funds, the level of funding, the under
or over valuation in terms of assets and the level of contributions, there does not seem to be a particularly serious breach of individual privacy of the member. I think it is for the public good that we know publicly what the status of these defined benefit funds are.

Let us look at the Ansett defined benefit superannuation fund, which was underfunded. When Ansett collapsed, workers in the Ansett defined benefit fund—which had some unusual provisions—did not receive the guarantee required under the deed of the defined benefit fund because Ansett had gone broke. Ansett did not exist so it could not make up the shortfall in the defined benefit fund. My understanding is that there were not too many employees of Ansett who knew that the Ansett superannuation defined benefit fund was underfunded. There was not much they could do about it before Ansett collapsed because they did not know. There was not much they could do about it after Ansett collapsed because there was no employer to put in the money.

That is the only case I can think of in recent times where we have had a defined benefit fund underfunded, there was an employer collapse and it was all too late for additional moneys to be put in. But I am sure there are other cases where defined benefit funds have been underfunded, employers have gone broke and there was simply no one to put in the additional moneys to meet the guarantee. I would have thought it was pretty fundamental that a member should at least know the status of the defined benefit fund they are in—compulsorily, I might say. There is no choice of voluntarism in most defined benefit funds. You are in it. Often it involves compulsory employer contribution.

I think it is perfectly reasonable, for the reasons I have outlined, for individual members of DBs to be made aware of the financial health of the fund. If APRA has some sort of arrangement with the DB—and I can understand them having that—and they say, for whatever reason, ‘We want you to lift your funding level over a couple of years,’ the individual has a right to know that as well. The community at large, in a compulsory superannuation system such as ours, has a right to know about the financial health and status of these particular types of funds.

Senator COONAN (New South Wales—Minister for Revenue and Assistant Treasurer) (11.14 a.m.)—I want to deal with a couple of the points put forward in support of Labor’s amendment. Firstly, I want to deal with what members know, which seems to be the gravamen of what we are considering. The government does not support the proposals related to the disclosure of the financial position of defined benefit funds because it considers that the current provisions provide adequate protection to members and ensure that they have sufficient information upon which to make informed decisions about their superannuation.

The Financial Services Reform Act, which I think kicks in within a few days, and associated regulation already require that detailed information about the management, financial position and investment performance of superannuation funds be provided on at least an annual basis. That includes audited fund accounts or abridged financial statements and details of fund reserves. In relation to DB funds, trustees are also required to report to members when employer sponsor contributions are less than an actuarially approved amount. So that is there as a requirement in a legislative framework. The trustee must also tell members the consequences for the fund of the shortfall and what action the trustee will take in relation to the shortfall. The FSRA also requires the ongoing disclosure of material changes and significant events to members of superannuation funds, which may include a significant event relating to
solvency, which I think would take into account the Ansett position.

The imposition of additional mandatory requirements would impose significant additional cost burdens on trustees’ funds. Ultimately, all this has to be paid for by someone—and that will be the members—but to what real appreciable benefit when there is already a requirement in the Financial Services Reform Act? As Senator Watson said, and I agree with him, it would certainly make defined benefit funds less attractive to employer sponsors. I think we would see their rapid decline and demise.

In the amendment there was also reference to APRA’s requirements, and I want to deal briefly with annual reporting to APRA by defined benefit funds. Defined benefit funds are required to have an actuarial investigation each three years which enables a funding and solvency certificate to be prepared. Under this bill, and this is the critical thing, actuaries and auditors will also be required to report to APRA where there has been a failure to implement actuarial recommendations. Regulations are to be made consequent to the passage of this bill to permit APRA to request an additional actuarial investigation in appropriate circumstances. Annual actuarial reporting would obviously impose additional compliance costs on funds and, as I have indicated, in many cases would not be necessary. In order to deal with some extreme cases we have to be careful about what additional compliance burdens we place on the rest of the industry and, ultimately, on the members.

I think there was a mention by Senator Sherry about what the public knows about the health of defined benefit funds. APRA carried out a health check of defined benefit funds in 2002. The information was publicly provided in 2003 at an aggregate level—that is, APRA spoke about the funding levels and coverage of vested and minimum benefits—but the funds were not publicly identified; indeed, I agree with Senator Watson that it is not appropriate to do so. APRA found that the overall health of defined benefit funds across the industry was good. As a result of that health check, APRA did ask some funds to address issues concerning their financial health.

These are examples of the system working. I have outlined a legislative framework within the Financial Services Reform Act to provide information to members. I have outlined the response that this bill permits to enable APRA to keep a watchful eye on defined benefit funds. I urge the Democrats in particular not to impose more onerous requirements on defined benefit funds without a more cogent case being made out that that will achieve the purpose intended, and without at least giving this framework and the regulations provided under this bill an opportunity to work and, no doubt, provide a better arrangement in the interests of members.

Senator SHERRY (Tasmania)  (11.20 a.m.)—Just so that I get this clear—although we have not seen the regulations yet and that was an issue of earlier discussion—the critical difference, effectively, between the outcome of the regulations and Labor’s amendment here is in respect of (a) the annual report to APRA, and (b) the publication on the web site. They seem to me to be the two areas of difference.

Senator Coonan—I think that’s right.

Senator SHERRY—I would still argue that, despite the regulations—which understandably we have not seen yet, and I would want to see them soon—you have outlined a significant stiffening of the requirements of defined benefit funds. That is good. However, I think we need to go the additional two steps that we have outlined in (a) and (b).

Question agreed to.
Senator Watson—Mr Temporary Chairman, I wish my opposition to the amendment to be recorded.

The TEMPORARY CHAIRMAN (Senator Cherry)—That will be recorded, Senator Watson. The question now is that the bill as amended be agreed to.

Senator WATSON (Tasmania) (11.22 a.m.)—There are two terms that have been used fairly loosely in this debate. One is ‘moral hazard’ and the other is ‘sovereign risk’. I put it to you that moral hazard, which covers the honesty or moral integrity of the person who is insured, can at times be quite material to the risk assumed by the insurer, and as such you have to look at the case of Locker & Wolf v. Western Australian Insurance Co. ‘Moral hazard’ is a term that applies peculiarly to general insurance law rather than the wider superannuation law. It is more appropriate to use the term ‘sovereign risk’ for superannuation law than ‘moral hazard’ because of the implications of the honesty of the insured person. I put that on the record to clarify those particular matters.

Question agreed to.

Bill, as amended, agreed to.

Bill reported with amendments; report adopted.

Third Reading

Senator COONAN (New South Wales—Minister for Revenue and Assistant Treasurer) (11.23 a.m.)—I move:

This bill be now read a third time.

Question agreed to.

Bill read a third time.

ENERGY GRANTS (CLEANER FUELS) SCHEME BILL 2003

ENERGY GRANTS (CLEANER FUELS) SCHEME (CONSEQUENTIAL AMENDMENTS) BILL 2003

Second Reading

Debate resumed from 18 September, on motion by Senator Ian Campbell:

That these bills be now read a second time.

Senator WONG (South Australia) (11.24 a.m.)—There are a number of issues with the Energy Grants (Cleaner Fuels) Scheme Bill 2003—and I will be outlining them in a moment—but first it is important that I give a brief background to this legislation and how it fits into the Howard government’s dreadful management of alternative fuels policy. The sorry saga of the government’s alternative fuels policy dates back to 1999, when the government announced the Measures for a Better Environment package as part of its deal with the Democrats. This package committed the government to assisting the alternative fuels sector in return for the Democrats supporting the introduction of the GST.

Following the introduction of the GST, we saw petrol prices soar with the highest-taxing Treasurer in the nation’s history relishing the windfall. However, following pressure from Labor and the community, the Treasurer had to relent and, in so doing, announced the fuel taxation inquiry headed by David Trebeck in July 2001. After receiving many submissions, Trebeck recommended that all fuels should be placed on a level playing field and taxed according to their energy content. However, no sooner had Trebeck reported in March 2002 than the government announced the rejection of the report. To all intents and purposes, the Trebeck report was dead.

But then mysteriously and out of the blue, on 12 September 2002, the government an-
nounced it would impose excise on fuel ethanol blended with petrol at the same rate as the excise on unleaded petrol—at 38.143¢ a litre—taking effect from 18 September. At the same time, customs duty on imports of ethanol of 38.143¢ a litre was also imposed. We now know why this all happened: ‘ethanolgate’—the Howard government’s stunning modern example of crony capitalism; the coalition’s deliberate effort to subvert good public policy and fiscal rigour and replace it with insider backroom deals.

So why the government’s sudden rush to impose the excise? Why the government’s change of mind? It is pretty simple really. It is because on 24 July 2002 representatives of Trafigura Fuels met with Manildra in an attempt to secure a domestic ethanol product. Manildra choked, refusing to supply Trafigura and another competitor, Neumann Petroleum. Thanks to FOI documents we now know that on 1 August the head of Manildra, Dick Honan, met with his mate the Prime Minister where they discussed a producer credit to enable ethanol producers to compete with the cheaper Brazilian product. The deal was being done.

Following the Honan meeting, on 10 September cabinet ticked off on Honan’s request for an excise and an offsetting production grant for ethanol producers. These grants have not been cheap. To the end of January this year they had cost $28.5 million, around 90 per cent of which has gone to just one company—Dick Honan’s Manildra. We also know that Treasury and Finance were opposed to this, and for good reason. Crony capitalism takes revenue from the many and gives to the undeserving few.

But the story does not end there. Because of Manildra’s intransigence, and completely unaware of the backroom deal that had taken place, Neumann and Trafigura had arranged an alternative shipment from Brazil—the overseas shipment that the PM has stated was not an import. They entered into the shipment contract without a tax, but the tax was implemented in the dead of night as the ship was en route. They were basically stranded on the high seas. What was the final upshot? Honan scored a public subsidy of more than $20 million and his two competitors were stranded on the high seas with losses of up to $1 million. The government and Honan were happy knowing that their decision stranded Manildra’s competitors. It was a case of shocking policy on the run—pernicious, as Mr Paul Morton of Neumann described it—policy for the insiders and for the Prime Minister’s mates.

Given all of this, shouldn’t Labor be concerned about how the government manages producer grants in the alternative fuels sector? It is precisely because of ‘ethanolgate’ that we are suspicious of how this government deals with alternative fuels. The government’s approach to alternative fuels is laced with ad hoc decision making designed to suit mates and the interests of the time, which brings me to the 2003 budget.

Following the excise decision, and despite initially rejecting the Trebeck report, the government had to retrofit its ethanol decision and make a silk purse from a sow’s ear. This took place in the 2003 budget. The government proposed changes to the way fuels are taxed and in late May introduced the Excise Tariff Amendment Bill (No. 1) 2003 to give legal effect to its decision to impose excise on fuel ethanol. In June 2003 we also saw additional excise on high sulphur diesel as part of the Better Environment undertakings. The government also quite sneakily appropriated moneys for production grants or subsidies, as they used to be known, to ethanol producers as part of the appropriation bills. The government labelled this ‘fuel tax reform’, but a better description is fuel tax
retrofit. It is backfilling after the original ethanol decision.

All this background serves as a useful prelude to this bill. It is little wonder that the warning lights should come on. From 18 September, biodiesel became subject to excise and customs duty by virtue of the government’s decision of 12 months ago. This bill provides a grant equivalent to the amount of duty, giving an effective zero excise-customs rate for a period of five years. It is an offset, and the opposition and more broadly the industry have concerns about it. I will deal with the latter first.

Industry have raised the concern that the so-called five by five arrangements may not be long enough. They have argued that the five-year window until 30 June 2008, during which the grant offsets the excise, is too short. I note the Democrats’ dissenting report calls for a 10 by 10 regime. It is a pity the Democrats have not emphasised the need to ensure stronger performance and accountability measures for the alternative fuels industry in their report. Mutual obligation, which seems to be a catchcry of the Howard government—should be equally applicable to industry welfare as it is to individual welfare. You cannot have one rule for some and another for others. The other concern is that the industry have not been well consulted and there is considerable uncertainty. In short, the uncertainty is due to this government’s policy on the run. Blame it on ‘ethanolgate’. It is as simple as that.

For both these criticisms the blame rests squarely with the government. In their desire to approach alternative fuels policy as an exercise in ‘looking after your mates’—or, in this case, the Prime Minister’s mates—the government has allowed policy to be managed in an ad hoc and incoherent fashion. Basically, it appears that, if the industry feels let down, it is because of ethanol, Manildra, Honan and the Prime Minister. The industry is right when it calls for a transparent and logical approach to alternative fuels policy—something we do not appear to be seeing from the other side of the chamber. This government supports crony capitalism. Labor will reward effort and innovation. The coalition reward their mates.

Labor has looked closely at this piece of legislation and our view is deeply coloured by the ethanol deals. We look with suspicion at the lack of transparency in the subsidy arrangements. Why have two approaches, one for ethanol and one for alternative fuels? Why not have a consistent approach that captures all alternative fuels, irrespective of their type? And what of the so-called progressive nature of the scheme where the regulation prescribes what is a clean fuel as it becomes eligible for a grant, not the other way around? It is because the government only support clean fuels if it will help their mates—or, in this case, the Prime Minister’s mates.

Senator Kemp interjecting—

Senator WONG—The Minister interjects that we take our orders from the trade union movement. We certainly do not. We have a relationship with them. But I can tell you who the Prime Minister listens to most when it comes to this area of policy—his mate Dick Honan. Any analysis of the public policy position you have taken in relation to ethanol can only come to one thing—and that is, Mr Honan met with the Prime Minister and he got what he wanted. That is the truth of the matter, Minister.

I return to the so-called progressive nature of the scheme where the regulation prescribes what a clean fuel is as it becomes eligible for a grant, and not the other way around. As I said, it is because the government only support clean fuels if it will help their mates. And how, in the year 2003 and
during this era of mutual obligation, can we allow production subsidies to be given to so-called infant industries, without establishing a system to review performance or success? When does the infant finally grow up?

Finally, what does it say about Australia’s commitment to free trade? The Labor Party established the Cairns Group, which includes Brazil, a nation now concerned about the trade implications of these insider biofuel deals. This government talks free trade and free markets but does not do anything to back them up. At the end of the day it is a government for insiders. Overall, the fabric of the government’s alternative fuels policy is piecemeal, driven by industry interests, is oblivious to the needs of consumers or taxpayer, is riddled with pernicious dealism and is a return to McEwen protectionism.

It is back to the future for the coalition—back to the classic days of Tory McEwenism, a model of government that perhaps secretly they have always longed for. Yes, we know the coalition always try to appropriate the best words—or the words they think are the best: choice, markets, enterprise—but they never have the best vision. That is always left to Labor and Labor governments. Labor are the party of competitive markets, thrift and opportunity. We deregulated the financial markets, the airline industry, telecommunications and energy. We introduced the Trade Practices Act and the industry commissions. We cut the tariffs. On this side of the house we believe in equal opportunity for all and special privileges for none; the reconciliation of fairness and enterprise—this is the Labor way.

Labor will not be opposing this bill, but we will be watching its management and administration very closely. We will be watching who the winners are and who gets the preferences. We will be watching how much money is spent and where it goes. And we will be looking out for crony capitalism. That is our undertaking.

Senator ALLISON (Victoria) (11.37 a.m.)—The problem we have with the Energy Grants (Cleaner Fuels) Scheme Bill 2003 and the Energy Grants (Cleaner Fuels) Scheme (Consequential Amendments) Bill 2003 is entirely what Senator Wong has just indicated—that is, competitive markets. What the government is asking for here is for the alternative fuel industry to be competitive with petrol. The point which was missed by the last speaker, Senator Wong, is the fact that these are very different fuels that we are dealing with. On the one hand, petrol and its emissions, as we know, are damaging to health and, on the other hand, alternative fuels offer some considerable benefits over petrol. Senator Wong may be pleased with Labor’s position on competitive markets, and she talks about equal opportunities for all, but the losers here are those of us who have to breathe the air which results.

The Energy Grants (Cleaner Fuels) Scheme Bill 2003 would not be necessary had the government stuck to its election promise and not imposed excise on cleaner fuels. At the end of the day, that is what this is all about. The government did decide to impose that excise and, sadly, the opposition has indicated support for that policy decision. This bill seeks to impose a grant to effectively offset that excise. The government wants to phase in an excise on cleaner fuels, starting in 2008, in five incremental steps. That excise is applied at the final rate in 2012. In practice, the excise would be introduced retrospectively from 18 September 2003. Between 2003 and 2008, the government proposes to offset the excise by way of a grant, the framework for which is created by this bill.

In 1999, as part of its agreement with the Democrats to introduce the new tax system,
the government announced the Measures for a Better Environment—or MBE—package. Part of this announcement included a commitment to encourage the conversion from the dirtiest fuels to the cleanest. The government’s budget announcement last year to tax alternative fuels at the same calorific rate as petroleum fuels went entirely against that commitment.

Prior to the 2001 election, the government announced a target production of 350 million litres of biofuels per annum by 2010. That would be around one per cent—a very small percentage—of the total transport fuel use. It also committed to maintaining the fuel excise exemption to cleaner fuels as well as announcing $50 million in capital grants—something the Democrats entirely supported, it being very appropriate to see this industry grow to a very small one per cent. Sadly, that $50 million has now been whittled away to $37 million. We are still waiting for an explanation as to the reason for that. Perhaps the minister will be able to enlighten us during this debate. In March 2002, Minister Truss assured Dalby biorefinery:

I can confirm on behalf of the government that, as stated in the Biofuels for Cleaner Transport policy, the current exemption of fuel ethanol from 38c per litre excise on petroleum products will be maintained and that the capital grants scheme would be in place by July 2002.

That promise has been broken. The Democrats opposed the introduction of an excise on cleaner fuels and we continue to do so. We believe that fuels such as LPG, compressed natural gas, ethanol and biodiesel should be encouraged—and taxing them is not giving them that encouragement. In fact, there are many places around the world where there are direct encouragements by way of subsidies and incentives for vehicles and alternative fuels.

There are a number of reasons why we think these fuels should be encouraged. Cleaner fuels, as the name suggests, present greenhouse and air quality benefits and a broader diversity of fuel stocks in the fuels markets, which reduces our reliance on imported oil and improves Australia’s fuel security, particularly LPG and natural gas, of which Australia has plentiful supplies. Alternative fuels, particularly ethanol and biodiesel, provide further opportunities for regional communities to diversify and add value, creating valuable jobs in regional areas.

The blending of biofuels in petrol and petro-diesel provides health benefits, in that biofuels are oxygenates and, when added to petro-fuels, they result in a cleaner burn. The effect of this is fewer particulates in emissions, resulting in public health benefits. The American Lung Association of Metropolitan Chicago credits ethanol blended reformulated petrol with reducing smog forming emissions in the city by 25 per cent since 1990. Professor Ray Kearney, of the University of Sydney, has also done extensive research in this area and advocates the mandating of biofuel blends to reduce the rates of respiratory illness, including asthma, emphysema and lung cancer.

Unlike petroleum based fuels, these alternative fuels are niche fuels and have yet to establish themselves in the market. They are particularly vulnerable to price fluctuations, as was evidenced by the crisis facing APA Manufacturing in my home state of Victoria. APA, Australia’s largest LPG component manufacturer, went into administration last year due to falling orders of LPG components, and that was a direct result of the government’s tax announcement. In a market where petroleum fuels are entrenched and have gained familiarity with consumers over generations, one of the competitive advantages that cleaner fuels do have is price, and they need that price advantage. But the imposition of an excise has the potential to take
that advantage away, not only threatening the viability of existing producers and the livelihoods of those currently employed in the industry but also jeopardising the future of new up-start plants.

The cleaner fuels industry presents many opportunities to regional communities which, as we all know, are experiencing tough times. Regional communities are always on the look-out for new industries, for opportunities to add value and for employers who will provide much needed jobs. The ethanol industry is one such industry. Ethanol can be produced from sugarcane and grain, providing opportunities for both inland and coastal areas. Senators may be aware of plans to build a $79 million plant at Dalby, west of Toowoomba in Queensland, and an $80 million plant at Gunnedah in north-western New South Wales. Combined, these plants will create over 80 permanent direct jobs, 535 indirect jobs and over 900 construction jobs. That is from the establishment of just two plants. So there is a real chance that, with the right government incentives, plants such as these could be established up and down the Queensland coast and also into New South Wales—which should interest Senator Wong. I am also aware of preliminary plans to build plants in Swan Hill in my home state of Victoria. There is also talk of a possible mixed cane and grain plant that would operate at Mareeba, in North Queensland. The Mareeba plant would have the benefit of having to rely on grain as a feedstock for part of the year and on cane for the rest of the year.

Bearing in mind that the government has clearly stated its policy intention and the ALP has stated on the record that it too supports the imposition of excise on alternative fuels—we have heard very little about the advantages of alternative fuels, so obviously the ALP does not feel that there is a need to oppose this excise—the Democrats welcome this bill as a means of offsetting the negative immediate impacts of the imposition of an excise on cleaner fuels. We are, however, very concerned that the new excise regime and the government’s stated policy to offset the excise are not enough to see the establishment of a serious cleaner fuels industry in this country. We say there is no use in passing a bill that only goes partway to helping the industry, because that will not achieve the goal of establishing a viable cleaner fuels industry. It will not benefit new producers in regional areas, such as those in the Deputy Prime Minister’s seat of Gwydir or in Dalby, adjoining the Minister for Industry, Tourism and Resources’s seat of Groom. It will instead result in a very small cleaner fuels industry comprising one or two producers whilst other existing producers or potential start-up operations fall by the wayside.

The Democrats will move amendments in committee to guarantee minimum time frames for excise free periods. I note that this is not currently in the bill—it would be left to regulations—but we feel it is important to see those periods put in legislation. We will also move amendments to guarantee that, when an excise is imposed, it is phased in gradually over a five-year period, as the government says it should be in its policy.

Senators and members in the other place who have had any involvement with this issue will no doubt have met with prospective ethanol producers from Dalby and Gunnedah, the towns I mentioned. They will hopefully have heard that their plants will not get off the ground without at least a seven-year excise exemption, and that is after their plants commence production. Senators will also know that these prospective producers have spent many months and a lot of money researching and planning their plants and the technology they will need and working hard to secure finance for those plants. It obviously also takes time to build a plant and to commission it—bearing in mind that any
new prospective producers, such as those in the sugar industry, will need to go through a similar process.

We believe that the absolute minimum period of excise exemption that the industry needs in order to get off the ground is 10 years. Ideally, as I said, we would prefer to see no excise until there is a target achieved in terms of penetration of the market for alternative fuels, but we recognise that this is unlikely to be supported by either of the major parties, which seem not to care about alternative fuels. In this context, we suggest that there should be a 10-year excise free period for any ethanol producer from the time their plant commences production, but we note that the government has indicated it is unwilling to consider this position because of what it claims are administrative issues. So, in the spirit of a compromise, we will move amendments which would be four years from 2004 to allow new entrants to start production—there is no point in creating a situation where we have monopoly production—followed by seven years of excise exemption with a phase-in period of five years, as was proposed by the government. Our amendments will reflect that.

I want to say that this is not an argument about revenue. This is not an argument about balancing the books. It is not an argument about competition or about giving one sector an unfair advantage over another. It is an argument that is ideologically driven. The economic rationalists in the government and the ALP will argue for the need to achieve competitive neutrality. They will argue that there is a need for an equal tax regime to achieve competitive neutrality. I just ask senators in this place: what competitive neutrality is there when petroleum producers control more than 90 per cent of the total fuel market, where consumers have developed generations of familiarity with petrol fuels, when consumer confidence in fuels is at an all-time low—thanks in no small part to a scare campaign which has been peddled by many players in this whole debate, including the automotive industry and the ALP, possibly in consort with petroleum companies, and of course assisted in the parliament by arguments such as we have heard already this morning? What competitive neutrality is there in a fuels market where the dominant player, the petroleum industry, has had decades and decades within which to establish economies of scale, infrastructure and distribution networks and to build upon, develop and enhance that infrastructure and those networks? There is no competitive neutrality in the current fuel arrangements, and an excise regime will certainly not deliver any. But, more importantly, this purely ideological approach ignores the real benefit that alternative fuels provide to regional communities, to fuel security and to public health. As I have said, this is not an argument about revenue. The revenue from the alternative fuels sector is so small as to be hardly worth discussing. It is the case, of course, that the health benefits from alternative fuels would negate any loss that might be coming through revenue in terms of health costs. The revenue raised by imposing an excise on LPG is slightly more significant because it has been around for about 25 years longer than the other sectors. However, a tax on LPG will only generate revenue for Treasury as long as that industry survives.

The original government announcement in the May budget was to impose an excise which would be based on calorific value—in other words, the energy content—at rates that the industry simply could not have sustained. It was only as a result of pressure through intense lobbying by industry groups and by the Democrats—and, I might mention, Senator Boswell, by government backbenchers and members of the National Party who saw this decision impacting seriously in
their electorates—that the government was forced to review its excise rates and subsequently declared that they would be half of what they were in the first proposal.

If Treasury are serious about addressing revenue through transport fuels, taxing alternative fuels is not the way to go. The revenue raised by taxing alternative fuels could easily have been raised by reintroducing indexation on petrol. That was suspended indefinitely by this government in March 2001—after rising petrol prices had begun to settle, I might add. The revenue forgone since March 2001 by not indexing petrol excise to CPI now totals $2.5 billion. So we are trying to patch up a bit of revenue by taxing a very small industry in a way that may well see it go out of business, but we are ignoring the fact that we are missing out on $2.5 billion by putting a ceiling on that indexation.

In its criticism of the government’s policy there is one point which the opposition did get right. That is that, if this bill were to pass the Senate unamended and if the Treasurer were to make regulations in accordance with the budget announcement of May 2003 and the Prime Minister’s announcement of 16 December last year, there would be only one winner out of all this, and that would be Manildra. The ALP has gone to great lengths to make a big fuss about Manildra and to drag through the mud not only that company’s name but also the reputation of ethanol as a transport fuel. I think that the ALP should be ashamed of what it has done in that respect.

However, having gone to great lengths to mention Manildra in every debate concerning ethanol in this place and in the other place, if the ALP does not support the Democrat amendments to this bill it will see that Manildra will be the only producer that stands any chance of surviving the imposition of excise, with the possible exception of CSR in Queensland, which produces small amounts of ethanol—and, I might add, has been doing so for many decades. If the government and the ALP are serious about ensuring the establishment of a broad based ethanol and other alternative fuels industry, they should see that it is not dominated by one player and that it is not an effective monopoly. I look forward to the ALP supporting our amendments. I hope that the government can see their way to doing likewise.

Senator BOSWELL (Queensland—Leader of The Nationals in the Senate) (11.54 a.m.)—There is no doubt that the future of Australia’s transport industry, the future of many of Australia’s agricultural industries and, indeed, the future of Australia’s sugar industry are closely linked to the future of a strong ethanol industry in Australia. A successful ethanol industry in Australia can be based on wheat, barley, sorghum and sugar cane. A successful ethanol manufacturing industry that delivers a 10 per cent blend of fuel ethanol into the engines of Australian motors will have a huge impact on our economy and on the health of this nation. It will effect a massive reduction in greenhouse gas emissions and significant reductions in vehicle exhaust emissions that cause air pollution and pose a threat to public health. It will also have a major impact on the viability of rural and regional Australia. The debate should not be whether Australia should have an ethanol industry. We should be asking, ‘How soon can we have a significant industry up and running, providing health benefits for us, additional financial security for regional Australia and the future energy security of our nation?’

An ethanol industry should not be viewed as a saviour for the cane farmers. It is not a magic wand that can be cast over sugar seats and miraculously provide substantial returns to farmers. Ethanol is part of the answer for
the sugar industry. So is industry restructuring, increased farm efficiency, immediate temporary income support and exit packages for those who can no longer go on. A vital ethanol industry will result in increased fuel self-sufficiency, an improved balance of trade, a reduction in vehicle regulated exhaust emissions, massive reductions in greenhouse gas emissions and the reinvigoration of rural and regional Australia. Future technology which some say is only five years away will also enable viable ethanol production from the walls of plant cells, making productive use of forest plantation waste, crop stubble, bagasse and other waste products from cropping.

Future generations will thank this government for taking the steps to ensure a cleaner environment, free from the various toxic milkshakes that make up engine emissions and smog. Globally, Australia is a long way behind in the production of clean fuel—essentially, ethanol. Many other nations have embraced with both hands the opportunity to have resource security and they have committed millions of dollars to support the development of this alternative fuel source. With the world in such a state of insecurity, any measures that increase Australia’s self-sufficiency in fuel and reduce the need to be dependent on the stability and reliability of supply from the major oil exporters must be seen as a plus. Some people question the cost to government of supporting the development of this new industry. I ask: can we afford not to do it?

It is not surprising that ethanol production and its inclusion in transport fuels has been fought by the petroleum industry. Scare campaigns based on fuel consumption and as yet unsubstantiated claims of engine damage have been doing the rounds of current affairs shows and petrol station noticeboards. This is not new. Exactly the same thing happened in the USA over 20 years ago. In no country in the world have the major oil companies voluntarily facilitated access for competitors or for competition fuels such as ethanol to the transport fuel market that they dominate worldwide. Mandates or regulated use of biofuels based on clean air and health have been necessary to provide free and open access to transport fuel markets. In America the oil industry fought like wounded bulls to keep control of their cosy existence and market domination. The oil companies questioned the environmental and health values of ethanol, they questioned the risk to engine function and warranties, and they questioned the economic viability of ethanol production.

Years later, after US government production assistance and clean air legislation, ethanol production has grown to over 10 billion litres per year and is expected to exceed 20 billion litres by the year 2012. In the US, there are currently 70 ethanol production plants on line with a further 13 plants, each with a capacity of over 110 million litres, under construction. Oil companies were forced to remove MTBE from their fuel supply as it was found to be contaminating freshwater supplies. The oil companies replaced MTBE with ethanol as an oxygenate in reformulated fuel. Numerous studies in the States have reported massive increases in air quality as well as major health benefits to their citizens.

The introduction of ethanol into the American fuel supply has had no impact at all on the price of fuel. Ethanol is blended into 30 per cent of America’s gasoline. Ethanol blended fuels, either E10 or E85, are priced on a par with all other fuel options. Replacing MTBE with ethanol in California reduced the average price for reformulated gasoline in 2003 by 8¢ a gallon. Brazil is currently the largest ethanol producer in the world and regulates the use of ethanol in all transport fuels. In Brazil the petrol ethanol blend ranges from 22 per cent to 26 per cent.
Brazil produces ethanol from dedicated sugarcane crops and produces between 12 and 15 billion litres of ethanol per year, depending on the sugar season. Canada is aiming for a 10 per cent ethanol blend in 35 per cent of all petrol sold by 2010. India has mandated a five per cent ethanol blend in a number of its states. Japan has announced its intention starting with the mandatory introduction of a blend of 3.5 per cent ethanol in petrol. Thailand is constructing ethanol plants. China is the third largest producer of ethanol, with a production of around three billion litres a year.

Currently in Australia we have two major producers of ethanol: the Manildra group, which produces ethanol from wheat starch, and CSR Sugar, which produces the product from C-grade molasses in Mackay. Of the 135 million litres produced in Australia, 75 million litres are used in industry and 60 million litres are used for fuel. Already the volume of ethanol being produced by Manildra displaces the need to import over one million barrels of crude oil. In Australia, a mandated 10 per cent of ethanol blended petrol would have a massive impact on our economy.

A recent report found that 10 per cent volume ethanol petrol, or E10 blend, offered significant benefits in terms of reducing exhaust and greenhouse gas emissions, with no apparent detrimental effect on other aspects of engine or vehicle performance. Based on the 1999 Australian passenger fleet figures, the report's results show that using E10 decreases the carbon monoxide exhaust emissions by around 32 per cent, decreases the total hydrocarbon—THC—exhaust emissions by 12 per cent and decreases the net carbon dioxide emissions by up to seven per cent on a fuel carbon cycle basis. There was also a massive decline in cancer causing elements such as benzine by 27 per cent and toluene by 30 per cent. Other increases and decreases of less than two or three per cent have been noted in the myriad of chemicals that make up the exhaust emissions that we currently breathe in every day. Surely the health benefits of E10 can best be summarised by an astonishing 24 per cent decrease in the carcinogenic risk when E10 is used instead of our current fuel source.

Other results of the Commonwealth funded E10 trials on the 60 vehicles from the Australian car fleet in 1997-98 are worth noting: fuel consumption rises by two per cent on both a city and highway cycle and there is a reduced tendency for engine knock under hot and cold conditions, no discernible impact on any plastic or elastomer materials, no discernible corrosion of fuel wetted parts and no additional or unusual engine wear. E10 requires no modification to vehicles in service now and in the foreseeable future and, with minor adjustments, is totally compatible with the existing fuel distribution infrastructure.

More recent scientific evidence confirms that, if ethanol were to be used in the refining process of petrol, as little as 2.5 per cent of ethanol can completely strip the benzine content in petrol to one per cent as required by the Commonwealth fuel quality standards in 2006. This process would enable fuel refiners to meet the clean fuels standards for 2006, without significant capital expenditure or structural change. Any use of ethanol in this capacity would be considered as part of the composition of the petrol and not be considered in any E10 calculations.

Australia uses 19 billion litres of petrol and 14 billion litres of diesel annually. If this fuel were to be replaced by a 10 per cent alternative fuel blend, Australia would be looking at a potential market of over three billion litres of biofuels per year. If each ethanol plant produced an average of 100 million litres of ethanol per year, that would require
30 new bio-refineries operating in rural Australia. The current government support program is aimed at a modest 350 million litres of biofuels—ethanol and biodiesel—production by 2010. Realistically, this 350 million target will be met over the next three to five years. The ethanol will be produced from a variety of agricultural sources.

We already have the operating technology to produce ethanol from grain and sugar. Distilleries are currently operating in Mackay, near Nowra in New South Wales, Bundaberg and Rocky Point. In the Commonwealth capital grants scheme, applications have been received for assistance from ethanol distillers at a broad range of locations, including Millmerran, Mackay, Bundaberg, Dalby, Gunnedah, Quirindi, Swan Hill and Coleambally. Some of these are for ethanol from grains; some are for ethanol from cane.

There is no doubt that ethanol is a viable by-product from the processing of cane. The key to its long-term viability is capital support for infrastructure, technological improvements aimed at maximising the number of by-products from the process, the efficient use of cogeneration of energy from the mill to the distillery and the development of a retail market which is confident in the use of ethanol. A tonne of C-grade molasses yields between 170 and 290 litres of ethanol, depending on the sugar content. In 1999, 1.2 million tonnes of molasses was produced in Australia, of which 0.6 million tonnes was used domestically and the remainder exported as stockfeed or used in ethanol production. If exported molasses was also converted to ethanol, it would yield an additional 166 to 174 million litres of ethanol, less than the 360 million litres required to supply ethanol for an E10 blend in Queensland alone. Ethanol from grain production in Queensland could nevertheless supply another 150 million litres.

A cane grower will benefit from an ethanol distillery operated conjointly with the mill to which he supplies. If it is a cooperative mill, any increase in the value of the molasses via the production of ethanol will be returned to growers as the profitability of the mill increases. In the USA, 40 per cent of operating ethanol plants are farmer owned and are delivering substantial value added returns to farmer-owners. Methods of payments to suppliers of cane to non-cooperative mills will need to be negotiated to ensure that the suppliers of the cane see direct benefits on the increased value of their molasses via ethanol production and sale. As a product, ethanol is three times more valuable than molasses. While creating ethanol in rural and regional areas will boost returns to cane growers, its real benefits are in the regional impact of a vital new industry and the added employment and income growth that the construction and operation of the industry will provide.

On average, a 50 million litres per year distillery employs about 36 people directly. Using the CSR distillery at Sarina as a real indicator of the indirect jobs specifically generated by the plant, a multiplier of 5.5 indirect to direct jobs is valid. This means that more than 200 local jobs are created as a direct result of the Sarina plant. This would be a significant boost to any area, especially when you take into account the increase in economic activity that the jobs stimulate, the skilled and unskilled jobs created, the increase in taxes to local, state and Commonwealth treasuries, and decrease in welfare expenditure as a result of job creation.

The beauty of ethanol production is that it is at its most viable when produced locally in regional areas. The product is then transported to local fuel depots where it is blended with 90 per cent petrol to create an E10 blend. This distribution method works successfully in the United States and already
operates in Australia where trials of E10 fuel have been completed. Ethanol is a ‘drop-in’ fuel. It does not need to be added in at the refinery. It blends successfully at the depot, minimising transportation costs for ethanol producers while maintaining the distribution methods already utilised by fuel consumption tax. The use of ethanol as a drop-in fuel keeps the focus on the regional area where it is produced and ensures that the economic benefits stay in that region. Motorists are using locally produced ethanol. They can see the advantages in the economy, breathe the advantages in decreased toxic emissions and feel the advantages in the performance of their vehicles.

In the United States, economic analysis has determined that the real income and expenditure benefit of ethanol plants are contained within a 200 kilometre radius of the plant—in the order of 80 per cent of the income derived from the mill will be spent in the region. The impact on the economy of the industry operating at the government’s 2010 target of 350 million litres, which is less than the capacity required to supply 10 per cent ethanol to all fuel sold in Queensland, will be five new ethanol and biodiesel plants; 1,000 new permanent jobs in rural areas; 2,300 new construction jobs during the five-year development period; $49.4 million in direct public benefit in the form of personal and company tax; reduction in unemployment benefits; and $9.4 million additional tax payable from indirect employment. This could all be possible as a result of the production of Queensland’s ethanol requirements alone. The production of 350 million litres of E10 can directly result in a $14 million per year saving in expenditure on greenhouse abatement measures; $59 million per annum in savings through reduced air pollution costs; savings of more than $1 billion in health related costs, due to the higher oxygenated fuel improving the combustion process and reducing the cancer causing particles and emission of carcinogens such as benzene. E10 will contribute to a major decrease in illness—cancer and asthma—related to pollution from transport.

Ethanol will impact on all our lives by increasing national security and fuel self-sufficiency, by developing vital new industries in regional communities and improving the quality of life for our children and grandchildren through the very air they breathe. That is why the government has chosen to support the development of an ethanol industry. As a result of this government’s cleaner fuels legislation and fuel quality standards, oil producers will be required to increase the oxygenate levels of their transport fuel from 91 to 95 for standard grade unleaded fuel from 2006. This will need to be achieved without the current oxygenate MTBE being used.

Oil producers will be able to achieve this clean fuel measure both by using ethanol in the refining process and by producing an E10 blend of fuel at the retail level. Without the support of the government for a home grown ethanol industry, the ethanol required to fulfil this standard will need to be imported, once again lessening Australia’s fuel self-sufficiency. The coalition government is providing $37 million to fund capital subsidies for projects that provide new or expanded biofuels capacity.

The federal government will also work with the industry to develop a campaign to restore consumer confidence in ethanol after it was so badly
damaged by a campaign orchestrated by the Labor party, with the support of the oil industry. Unfortunately the current label developed to restore public confidence is having the opposite effect, and should be amended as soon as possible.

The development of an ethanol industry is a positive step for this country. Through this government’s support for the ethanol industry, via the measures I have described here today, an industry will develop. Whether that industry is based solely on grain or whether this new opportunity is embraced by the sugar industry is yet to be seen.

I believe there is a massive benefit for sugar communities to support this industry. The returns to growers are not as good as sugar, but as an ‘add on’ industry, and one that is a constant, providing new employment and economic growth, and prosperity to the region it is all good news.

I call on the industry to grab this opportunity. The government will do everything possible to assist the industry’s development.

As I said earlier, ethanol production is not the magic wand, returning massive income to growers and make fields of cane return a positive cash flow. It is however part of a solution. It is an integral part of a regional approach to the reinvigoration of rural and regional communities.

On the face of it sugar today is valued at approximately $200/tonne and molasses at $55/tonne. Ethanol is valued at approximately 3 times molasses or about 55c/l.

I am convinced that, through proper management of the distilling process, the efficient use of co-generated power and the efficient management of the by products, like bio-fertilizers that become an integral part of the manufacturing process, ethanol production from cane is the next step in the future viability of Australia’s sugar industry.

It is a perfect example of value adding at a regional level.

Ethanol will enable the sugar industry to broaden its revenue base and ensure continued financial viability.

Ethanol is the fuel of the future.

The technology and know-how is available, the benefits are proven and the method of production and distribution is already in existence. There is no time left to debate whether Australia should be developing an ethanol industry. We are. It is happening and this government is right behind it.

My recommendation to all in rural and regional Australia is act now to be a part of the future. Embrace ethanol production and ensure regional Australians lead the way to providing cleaner air, healthier people, more efficient vehicles and revitalised rural communities.

Senator SANDY MACDONALD (New South Wales) (12.15 p.m.)—I would like to congratulate Senator Boswell on his comprehensive overview of the debate on the Energy Grants (Cleaner Fuels) Scheme Bill 2003 and Energy Grants (Cleaner Fuels) Scheme (Consequential Amendments) Bill 2003 and the importance of ethanol and why the government believes its advancement is in Australia’s best interests. The ethanol industry is in Australia’s best interests, and I honestly cannot understand the political opportunism of some of our opponents on this issue. The federal coalition government, in particular The Nationals, are 100 per cent behind developing the industry in rural and regional Australia. A comprehensive strategy has been initiated in cooperation with the biofuels industry to support both the production and the use of ethanol Australia wide. An expanded ethanol industry has the potential to create employment, growth and increased productivity in regional areas, greatly improving the economic climate of the agricultural sector in regional communities that depend on the prosperity of agriculture generally.

The Nationals have fought hard on developing measures to promote investment in the industry, the use of ethanol and the continued production of all biofuels. The increased production of ethanol will provide an alter-
native market for grains, such as wheat, barley and sugar. Additional ethanol plants will create real employment in many regional areas, which are crying out for development opportunities such as this. The increased production and use of ethanol will also be a huge benefit to the environment, creating a renewable, clean, green fuel alternative. There is no downside, as far as I can see, to this industry—it is a win-win situation. It is unbelievable that there is so much vexatious argument about it, particularly put by our political opponents. The government should be supported in any and every effort to create cleaner and greener fuels; therefore, it should be supported in its push to expand this industry. It will be good not only for the environment but for the development and growth of our regions and agricultural industries generally.

In these troubled times of global relations, it is also vital that Australia be able to produce its own biofuels. The natural development of a biofuel industry in Australia is in line with what has happened in the United States and Canada. The oil companies in North America worked overtime to discourage the development of this industry. Some of our oil companies are doing the same here. The simple facts are that oxygenation of fuels in this country will demand local ethanol in the not too distant future; otherwise, if we do not have our own, we will clearly have to source our ethanol from overseas—and that certainly is not in Australia’s interests for all sorts of reasons.

Perhaps the only solution is to mandate ethanol use, as has happened in the United States, and we should look at it very carefully. In July 2003 the government announced its decision to allocate $37 million to fund one-off capital subsidies for projects that provide new or expanded biofuels capacity. The government has received 38 applications to make use of this funding for new biofuel industries or ventures. Seventy of these are for ethanol projects and a number of them are in regional areas. Senator Boswell in his comprehensive analysis of the industry identified where they were—very much through the north-west of New South Wales and also in the sugar areas of North Queensland. In response to the government’s announcement of capital funding in July last year, the Leader of the Opposition said that the extra $50 million of expenditure could be better used elsewhere.

The subsidy will provide 16c per litre to new and expanded projects, producing a minimum of five million litres of biofuels with a maximum grant of $10 million per project. There are also existing production subsidies in place, providing the equivalent of 38c per litre, which will be available at this stage until 2008. After that, they will be reduced in five annual phases. A 10 per cent limit of ethanol content in petrol has now been set down, with a number of service stations in Queensland trialling and selling the E10 fuel. The government also announced in July 2003 its decision to provide short-term assistance to all existing fuel ethanol producers to assist in the transition of E10 standard to allow the current production subsidy to be paid in advance of the payment of excise. Legislation is also now in place for the compulsory labelling of ethanol blended fuels at the pump. The government has decided it presents a balanced approach to the use of ethanol.

In connection with the labelling, the government took advice—as required under the trade practices legislation—and also from the ACCC. That was the umpire making a recommendation to government and whether or not we like it that was the advice we received. After asking an independent umpire to make a decision about labelling, that is what came into effect. The Nationals, as part of the coalition, are committed to doing what
they can get behind promoting the ethanol industry either by way of assistance to producers or by attempting to increase consumer confidence in ethanol use. The bill before us today provides for the payment of a cleaner fuels grant to manufacturers of ethanol. Concessions such as this, and any others that we can provide to producers of ethanol, should be supported and will be supported. Assistance like this will encourage investors to support the industry, which will hopefully result in the establishment of further production plants.

I mention some of the ethanol benefits. The use of ethanol blended fuels can have essential benefits to the environment. Currently, when transport is increasingly being used, any effort to try to decrease pollution emissions should be promoted. Using ethanol in fuels can reduce emissions of carbon monoxide, hydrocarbons and other ozone pollutants. It contributes little, if any, carbon dioxide to the atmosphere, greatly reducing greenhouse gas emissions.

Ethanol is low in reactivity and high in oxygen content and that is why, as we undertake our commitments to cleaner and greener fuels in the future, we will require the use of ethanol or other biofuels. The oil industry, which is committed to cleaner and greener fuels as well, will require the use of ethanol and other biofuels to reach the oxygenation levels required under a whole range of international commitments and commitments they have made to the government. Ethanol blends are clean and green. They are an alternative to petrol and, as I have said, they have been used in the United States since the 1970s.

I would like to say something about our political opponents in connection to ethanol. As I said in my opening comments, I honestly believe that the ethanol industry should be receiving bipartisan support because it is really good news, not only for regional and rural Australia but for the economy, the environment and Australia generally. But our political opponents have shown a complete lack of interest in regional Australia in connection to ethanol and generally in the production of alternative fuels—which surprises me a great deal. Labor has repeatedly condemned the coalition’s support of the ethanol industry in a most opportunistic way and is yet to provide any positive response on what it will offer the industry if ever it was lucky enough to be elected to office.

The opposition has resorted to cheap politics by promoting a scare campaign about ethanol. And for what purpose? I do not think there are many votes for them in promoting an anti-ethanol view of fuel production. In recent meetings with several proponents of a proposed ethanol plant Labor has said it would consider—only consider—some of the government’s amendments to assist the industry, but they are yet to say what they will do for ethanol when it comes to their policy development. The Nationals in Canberra will continue to support expanding the ethanol industry, which will bring tremendous benefits to Australia. I congratulate John Anderson and his fellow Nationals, and of course a number of other country members in the parliament. They have fought very hard to obtain the measures.

Senator Boswell interjecting—

Senator SANDY MACDONALD—I acknowledge Senator Boswell’s interjection. A number of Liberal members who come from regional areas have worked very hard. There are some Labor members too who privately admit the importance of the industry. This should not be about pure political opportunism. The ethanol industry has a great future. The biofuel industry is very important. I cannot make clearer the opportunity that lies ahead of us if we promote this industry.
There are a number of people—particularly Liberals but also some Labor people—who have worked agreeably to put these measures in place. We need this industry for Australia's sake. We are going to work very hard to get it and I hope that we can.

Senator ABETZ (Tasmania—Special Minister of State) (12.26 p.m.)—I move:

That the debate be now adjourned.

Senator BROWN (Tasmania) (12.26 p.m.)—by leave—In the interests of this house I ask the Special Minister of State if he would inform the Senate as to why we are adjourning.

Senator ABETZ (Tasmania—Special Minister of State) (12.27 p.m.)—by leave—The reason that we are moving to adjourn the debate at the moment is that there is a bill that I am seeking to introduce, which will deal with the international unitisation agreement between our nation and Timor Leste, or East Timor, which is very urgent and for the benefit of both our nations and the people of both our nations. That is the reason that the debate on the bill that we have just been debating has been sought to be adjourned.

Senator MACKAY (Tasmania) (12.28 p.m.)—by leave—I would like to advise the government that we are currently in discussions with our colleagues in the House of Representatives with respect to this. There may be some hold-up. I suggest that the government rethink adjourning the debate on the previous bill until we can get clearer instructions—unless the instructions are here now.

Senator ABETZ (Tasmania—Special Minister of State) (12.28 p.m.)—by leave—I understand things are okay.

Senator BROWN (Tasmania) (12.28 p.m.)—by leave—I do not know what is being negotiated between the opposition and the government, but I hope that the same information is being made available to the crossbench.

Senator Abetz—It is internal.

Senator BROWN—It is internal. I have to state in the very strongest terms that the bill the minister referred to is not urgent. There is no way it can be described as urgent. To interrupt another bill in this place which, of itself, you can argue has far greater urgency is not to be accepted. The Greens will not accept this interruption to the Senate’s business for a political purpose of the government, which is what we are dealing with here. We are not dealing with urgency; we are dealing with a political purpose of the government.

Question put:

That the motion (Senator Abetz’ s) be agreed to.

The Senate divided. [12.34 p.m.]

The President—Senator the Hon. Paul Calvert

Ayes…………… 44
Noes…………… 10
Majority………… 34

AYES

Abetz, E. Barnett, G.
Boswell, R.L.D. Brandis, G.H.
Calvert, P.H. Campbell, G.
Campbell, I.G. Chapman, H.G.P.
Colbeck, R. Collins, J.M.A.
Cook, P.F.S. Crossin, P.M.
Denman, K.J. Eggleston, A. *
Ellison, C.M. Evans, C.V.
Faulkner, J.P. Ferguson, A.B.
Ferris, J.M. Forshaw, M.G.
Harradine, B. Hill, R.M.
Hogg, J.J. Humphries, G.
Johnston, D. Kirk, L.
Knowles, S.C. Ludwig, J.W.
Macdonald, J.A.L. Mackay, S.M.
Marshall, G. Mason, B.J.
McGauran, J.J.J. McCluskey, J.E.
Patterson, K.C. Payne, M.A.
Ray, R.F. Santoro, S.
Senator ABETZ (Tasmania—Special Minister of State) (12.37 p.m.)—I move:

That the resumption of the debate be made an order of the day for a later hour.

Senator BROWN (Tasmania) (12.37 p.m.)—I do not agree to the resumption of the debate being made an order of the day for a later hour. The resumption should be right now; it should be forthwith. We were dealing with a fuel tax bill, the Energy Grants (Cleaner Fuels) Scheme Bill 2003, which is more urgent than the bill that is now to be given precedence. The Greens want justification from the government for interrupting the Senate to ram a bill through parliament in one day to rob East Timor of its oil and gas resources. What is occurring here is unethical, wrong and involves an act of piracy on behalf of the oil companies by the Howard government. We are not going to allow that to happen as easily as the government or even the opposition might want. How dare the government suddenly, out of the blue, decide it is going to ram a bill through this parliament in one day to rob the East Timorese people of their Greater Sunrise oil and gas fields and remove all the normal forms of debate, remove the ability to go out and talk with the—

Senator Abetz—Mr Acting Deputy President, I raise a point of order. I understand that the honourable senator needs to be relevant to the motion, which is that resumption of the debate be made an order of the day for a later hour of the day. He is now trying to talk about multinational oil companies and other matters. Mr Acting Deputy President, I draw your attention to the fact that the senator is sailing very close to the wind, reflecting on an overwhelming vote of the Senate, which was to have the matter adjourned. The question now is that the debate be an order of the day for a later hour of the day. Senator Brown seems to want the debate to be resumed immediately, which would be to negate the motion that we have just carried—that is, to adjourn.

The ACTING DEPUTY PRESIDENT (Senator Sandy Macdonald)—Senator Brown, you do have to be relevant to the motion. I am listening carefully. Also bear in mind that you have four minutes before the debate is terminated.

Senator BROWN—The relevance to the motion is that we must take into account the motivation, as stated by the government, for the motion. The motivation of the government is to bring on the Greater Sunrise bill to get it through this place today. We are not having this change in the order of business of the Senate simply because this is a minor matter. It is a major matter—and the whole of the Senate knows that. All of us who have been watching the debate in the House of Representatives this morning—where the four members outside the major parties ended up forcing a division to try to bring some order to the way this Greater Sunrise bill was being foisted on the parliament—will be ashamed of the process that occurred there. It is wrong. Why should we move away from the fuel bill to make way for the government’s new priority? Where is the explanation from the government? The Senate deserves a clear explanation from the government, but we have had none. The government simply comes in and says that it has an urgent bill it wants to bring on later in the day. It should explain the urgency. It is
not up to me to give that explanation to the Senate; it is up to the government.

A very unusual process is occurring here today—I do not remember when it last occurred. The Senate is suddenly ambushed by the government with a bill that was not available to any senator this time yesterday or last night. The government says, ‘Everything in the Senate is going to be skittled today in order for us to get this bill through.’ The government has to explain to the Senate why we should vote for that. The Greens, for a start, are not going to agree to it unless the government gives that explanation.

Senator FAULKNER (New South Wales—Leader of the Opposition in the Senate) (12.43 p.m.)—There is some concern about the process. It is unusual. In my view, it would have been preferable for the government, after question time and in the ordinary routine of business of the Senate, to have come forward with a proposal about the priority government business for the remainder of today’s sitting. That would have been a sensible way of doing it. Why we would have such a motion at this time, given that there is now only about one minute and seven seconds for us to debate this bill before matters of public interest, I am not entirely sure. However, when faced with deciding whether or not to introduce a bill, I do not think the opposition had any alternative but to vote for that substantive motion.

There is now an opportunity for discussion to occur around the chamber about the procedures in place for this legislation. I commend that course of action to the government. That would be sensible. I suggest to the government that there was a lack of communication with those who, so effectively, are responsible for chamber management on the opposition side. Not having any foreknowledge that this was going to occur, they found themselves in a similar situation to the situation Senator Brown outlines. However, having had that vote, which has only had the impact of losing a little of the time for debate on another bill, there is an opportunity for consultation around the chamber. That is what ought to happen and it ought to happen forthwith.

Debate interrupted.

MATTERS OF PUBLIC INTEREST

The ACTING DEPUTY PRESIDENT (Senator Sandy Macdonald)—Order! It being 12.45 p.m., I call on matters of public interest.

Western Australia: Electricity

Senator JOHNSTON (Western Australia) (12.45 p.m.)—In February this year Perth experienced a bout of above average hot weather. This is not something new. Every year Perth has a number of days in succession when the mercury exceeds the old century mark. It follows that most suburban homes are increasingly either fully airconditioned or partially airconditioned. Indeed, our state electricity corporation in Western Australia, Western Power, has been running an advertising campaign to get people to use reverse cycle airconditioners.

It was hot in Perth between Monday, 9 February and Wednesday, 18 February this year. Monday, 9 February is the day all Perth residents will remember as the day the chaos began. One constituent came to my office to report that the power pole outside his house had just exploded, with power lines having been brought down and lying over the busy road in front of his house. The explosion of the power pole was so loud, he recounted to me, that he thought a bombing had occurred in the street in front of his home. The Western Power repair crew took over an hour to respond to this emergency and three hours to restore power because, as it turned out, this was not an isolated occurrence. Power poles were exploding all over the Perth metropoli-
tan area and repair crews were stretched to their physical limits. The constituent who reported his problem first-hand to me was one of the lucky ones because his power was restored after three hours. Some parts of Perth were without power for more than a day.

A situation in which large parts of the Perth metropolitan area are without any power for up to 24 hours is completely unacceptable. Western Power, a corporatised state government body, have a monopoly in supplying power to all Western Australians, and in this case they clearly failed in service delivery. They simply had not performed the maintenance tasks of washing the transformers and insulators that are on top of power poles. A combination of misty rain and hot temperatures created the entirely predictable recipe for disaster. The ensuing chaos that eventuated across the Perth metropolitan area was almost exclusively due to this lack of maintenance. Western Power have admitted that they have not had the resources to perform this and other essential maintenance since Labor came to office three years ago. They say that they no longer carry out this regular maintenance and that what little maintenance is carried out on washing the transformers is performed by private contractors. As one fieldworker said in the Sunday Times on 22 February this year:

The management ethos is if something is working, why fix it. They are waiting for things to go wrong rather than fixing things before they go wrong.

For example, we used to do insulator washing towards the end of summer...

The washing of the insulators is pretty basic preventive maintenance that just does not get done any more by Western Power. This period of four to five days from 9 February this year was simply chaotic, with large parts of metropolitan Perth blacked out at various times because of the detonation of numerous power pole transformers. It was only because of the heroic and sustained efforts of the Western Power repair crews that some semblance of order was achieved. This is a sad and sorry tale that has been brought about through the resource stripping of Western Power by the state Labor government in Western Australia.

Now you might reasonably expect that, in this day and age, things could not possibly have become any worse. Unfortunately for every person living in Perth—that is over a million people—they did: the city’s population was treated to two days of unprecedented and absolute mayhem on Tuesday, 17 February and Wednesday, 18 February when the state’s electricity system went into meltdown and failed. Admittedly, these two days were hot, but, as I have said, this is not uncommon for Perth. Equally predictable was the response of the many households in the metropolitan area when, in the heat, they turned on their airconditioners.

The result was that the Western Power system could not cope with the demand and went into shutdown mode. Whole sections of the Perth metropolitan area were blacked out for hours at a time without any warning whatsoever, and families and businesses were thrown into complete chaos. Some suburbs experienced blackouts for more than a day. So for the second time in two weeks we had chaotic scenes all over Perth and the metropolitan area, with traffic lights out, ATM machines not operational, shopping centres plunged into darkness and production lines in factories grinding to a halt. It was the essence of Third World stuff and was, quite frankly, a disgrace.

Early on Tuesday, 17 February the spokesperson for Western Power was asked on Perth radio whether they had sufficient generating capacity to cope with the expected demand associated with a hot day. He
responded by saying that there was no problem, that there was no cause for alarm and that people should go about their daily business without any concerns about the power generation capacity of Western Power. All of us in Western Australia now know that nothing could have been further from the truth: the power generation system failed completely, and it is evident that both Western Power and the state Labor government knew or should have known that it would. Later that afternoon, on Tuesday, 17 February, Minister Ripper, the minister in charge of energy in Western Australia, received a visit from the chief of Western Power, Dr Stephen van der Mye. Dr van der Mye broke the disastrous news that indeed Western Power had run into serious transmission problems and that the following day, Wednesday, 18 February, they would be forced to implement unprecedented electricity bans on consumers, not just in rotation but everywhere, right across the board, in the Perth metropolitan area.

What followed was a monumental communications nightmare as consumers battled to understand what the bans meant, to whom they applied and to what extent they applied. Despite Minister Ripper being informed at 4.15 in the afternoon about the impending bans, nobody in Western Power, in the minister’s office or in the Premier’s office thought to relay this information to the public via that evening’s television news broadcasts. The impending bans were not communicated to the public until advertisements appeared in the newspapers the following day, warning consumers that they faced fines for using electricity—$10,000 for businesses and $1,000 for individual residents.

What caused unprecedented confusion was that no-one was really sure what was entailed in the bans. Talkback radio switch-boards lit up in Perth, with mass confusion being the order of the day because people simply did not understand what was implied by the restrictions being imposed upon them by Western Power. It got to the stage where little old ladies were ringing talkback radio to ask if they could switch on their fans, because they did not want to risk a $1,000 fine. Schools shut down their air-conditioning systems because they thought the bans did apply to them, when in fact they did not. A school principal came into my office and told me that he went to the Western Power home page to check the conditions for the bans; however, he found no useful information so he carried on regardless and kept the airconditioning on, figuring that it was better to incur the wrath of the authorities rather than risk the health of children and, indeed, the teachers in the heat. Hospitals were unsure of where they stood; could they use full power supplies to generate essential power for equipment or not? Most were not too sure, so hospital administrators cancelled numerous operations and sent patients either back to their wards or home. On 20 February, a journalist with the West Australian, Steve Pennells, summed it up well when, talking about the advice from Western Power, he said:

The advice over the course of the day was arrogant, arbitrary, unresponsive, muddled and contradictory. Clearly Western Power was flying by the seat of its pants.

The week beginning 9 February was a disaster with pole fires. However, Tuesday, 18 and Wednesday, 19 February were catastrophic for both Western Power and the Gallop government in Western Australia. Wednesday, 19 February will be forever remembered in Western Australia as ‘Black Wednesday’—the day the state was brought to its knees by the hopelessly incompetent Gallop government.

It was decided that, in the face of this outrage, action had to be taken and something had to be seen to be done—anything had to
be seen to be done. The Premier marched down to Western Power, with TV crews in tow, and summoned the board together. There he gave the Labor appointed chairman of the board—and I might add a person who is very highly respected on both sides of politics—Mr Malcolm Macpherson, his marching orders. A short while later they forced the resignation of the CEO, Dr Stephen Van der Mye.

Dr Van der Mye was Mr Ripper’s hand-picked operative to oversee the break up of Western Power into four operating entities. He was considered by Minister Ripper only a few short months prior to this as being such a vital cog in the Western Power machine that he could name his own price and conditions of employment, making him easily the most highly paid public servant in the state Labor government. He was on a salary of just under $500,000 per year; he could commute on a weekly basis from his home in Melbourne and enjoy the advantages of other perks that fellow public servants could only dream of.

In an entirely face-saving political exercise this wise man from the east was sent packing by Dr Gallop and Minister Ripper. What is astounding is that Dr Van der Mye was never employed to be operational head of Western Power; he was essentially employed to use his financial skills to bring about the de-segregation of Western Power. Dr Van der Mye said just before he was sacked:

The facts are that Western Power had every single piece of plant working. At the end of the day, we simply ran out of fuel and that’s because the Dampier-Bunbury pipeline did not have enough capacity.

Dr Van der Mye was the Labor Party’s scapegoat for this unmitigated disaster that gripped Western Australia for two weeks in February this year.

What I find truly amazing is that both Dr Gallop and Minister Ripper cannot see that they are culpable for these two weeks of chaos. Their steadfast view is that everyone else is to blame, but certainly not them. The plain and frightfully simple truth behind all this is that the Gallop government could have headed off this period of chaos by applying a few simple rules of planning for the future. It was as simple as booking enough gas to meet the expected peak summer demand. Western Australia is fortunate enough to be one of the world’s greatest producers of gas. It just beggars belief that arrangements were not in place to tap into what we have in abundance—namely, gas supplies.

One company, CMS Energy, has come forward and told the government that, with a bit of planning and foresight, it could have supplied the metropolitan area with as much gas as was needed to cope with not just a couple of days over 40 degrees but a month-long spell of such days. Even if the Labor government found this too hard it had plenty of other options; it could have extended itself to purchase readily available gas supplies at slightly higher rates than normal.

Dr Gallop and Minister Ripper could have and should have signed a new long-term agreement with the owner of the Dampier-Bunbury gas line that provides the bulk of power for the Western Power generators. They had three years to do this and failed to do so. Epic Energy, the owner of the gas pipeline, was caught between a rock and a hard place with this dilatory state government. It has not been able to negotiate a realistic price for its gas with the government appointed gas regulator, which has also meant that it had no capacity to plan for the future or for further expansion of the pipeline.

When the pipeline was purchased in 1997 for $2.42 billion the purchaser had a reason-
able expectation that it would be able to in-
crease tariff and, by doing this, invest in fu-
ture expansion of the pipeline. The three
main purchasers of gas from Epic—namely,
Alcoa, Alinta and Western Power—all sup-
ported such an increase, so it is difficult to
understand the state Labor government's
intransigence on this fundamental commer-
cial issue. Epic Energy CEO, Mr David Wil-
liams, said in the Sunday Times on 22 Febru-
ary:

This week’s power shortage might never have
happened if the Government, in the past three
years had encouraged Western Power to sign up
new contracts beyond 2010. This would have
given the company the financial security it
needed to expand the pipeline’s capacity.
The government has failed to provide a sta-
ble investment environment such as would
have allowed Epic to make a long-term in-
vestment in the pipeline’s capacity. When
first elected, Premier Gallop professed that
the mark of a good, modern government was
to get in and sort out the issues. This state
Labor government, in contrast to its words,
has shown no leadership on this issue what-
soever.

What has outraged and perplexed all
Western Australians is the announcement on
25 February, just seven days after ‘Black
Wednesday’, that Western Power had negoti-
ated an agreement with Wesfarmers and
Alinta to provide sufficient standby gas to
generate an additional 200 megawatts of
power for several days at a time. So now we
know the truth—namely, that with just a bit
of planning and foresight this agreement
could have been signed as soon as Western
Power became aware that they had a genera-
tional stock problem. This is a smoking gun
disclosing of an amazing level of misman-
agement and ineptitude by this dozy state
Labor government.

In short, it is quite simply outrageous. In
continuing desperation to unearth a scape-
goat, Dr Gallop has commissioned an inquiry
into just why, how and who is to blame for
this chaotic period of events. Every Western
Australian knows who is to blame: it is him.
All notions of accountable government have
evaporated in Western Australia since Labor
took over. But do not take my word for it;
take the word of the federal member for the
safe Labor seat of Perth, Mr Stephen Smith.
The ALP shadow minister said in last week-
end’s press:

There is not an appreciation at the highest levels
that the Government—
he is talking of the state government of
Western Australia—
is in some considerable political difficulty.

In other words, the Premier and his deputy
have lost the plot. With an election due in
early February next year, you can bet that the
Gallop Labor government will be wishing
and hoping for cool weather given that West-
ern Australians will forever relate hot days to
a chronic level of ineptitude in public ad-
ministration, the likes of which have proba-
bly never been seen in Australia before.

Flint, Professor David

Senator MACKAY (Tasmania) (12.59
p.m.)—I want to use this time today to share
with the Australian people my thoughts on
Professor David Flint’s book Twilight of the
Elites. This book, published by the National
Civic Council’s publishing arm, Freedom
Publishing, attracted quite a lot of attention
when it was released, not the least because
its foreword was written by none other than
the Minister for Health and Ageing, Mr Tony
Abbott. Twilight of the Elites has attracted a
lot of attention—and rightly so—because
what a rollicking read it is. Professor Flint
takes his readers on a hilarious ride through
the views of those he calls ‘the elites’. So
funny were some of the views he described
that I as a reader hardly needed the three or
four exclamation marks per page that he so
thoughtfully inserted to assist me to recognise the absurdity.

It is indeed a broad range of absurd views that he critiques for us. His book travels across a range of topics: immigration policy, the republic, population policy and the environment, reconciliation, postmodernism and the war in Iraq, to name but a few. At every turn he pours scorn on the views of those he terms ‘the elites’. Professor Flint describes the label ‘elite’ as ‘a useful although mildly pejorative reference to a way of thinking now common in the media, in some university facilities and the arts’. He tells us that this way of thinking is ‘typical of the upper-middle class liberal’ and ‘tends to be left-wing on social and cultural issues’. It is just as well that Professor Flint defines ‘elite thinking’ for us; otherwise, the reader may have been inclined to define it in a more traditional, even conservative manner. Without Professor Flint’s definition, I may have mistakenly thought that someone who was educated at the universities of Sydney, London and Paris, who is an emeritus professor of law, who is an associate commissioner of the Australian Competition and Consumer Commission, who is National Convenor of Australians for Constitutional Monarchy and who is Chairman of the Australian Broadcasting Authority—for which, judging by the ABA annual report, he is paid over $200,000 per annum—was himself a member of a privileged elite, but clearly I was wrong. As Paul Gray points out in the Herald Sun of 22 July 2003, being elite in Professor Flint’s view only requires being left wing. Mr Gray says:

By this logic, a ... pensioner in the western suburbs who has serious moral concerns about the detention of asylum seekers is an ‘elitist’ not to be trusted. Whereas a QC living in luxury in Melbourne’s east who supports locking them up no matter what the cost—human or financial—is merely a ‘mainstream’ Australian.

Labelling people ‘elites’ is really quite a handy way of dismissing opposing views. It is a bit like the Prime Minister’s pejorative use of the phrase ‘political correctness’ to dismiss language and ideas that may otherwise be seen to be attempting to be inclusive, compassionate and tolerant.

I would like to take a few minutes to have a look at some of Professor Flint’s views: that is, the views of mainstream Australia—according to Professor Flint, anyway. I will not go into his views on the republic, as I think we are all too well aware of where he stands on that. However, some—particularly the women of this country in a week in which we have celebrated International Women’s Day—may be interested in his views on a woman’s right to control her fertility. Professor Flint cites a number of expert references to support his clearly anti-abortion views. He cites Jennifer Buckingham from the conservative think tank known as the Centre for Independent Studies. He cites an M.A. Casey, who on closer investigation appears to be Dr Michael Casey, Cardinal George Pell’s private secretary. He cites the well-known anti-abortion crusaders and husband and wife team Charles and Babette Francis. Charles Francis is a QC and Mrs Francis is best known for her role in the Endeavour Foundation, a group linked to the Reverend Fred Nile’s Festival of Light. Please do not be tempted to dismiss these views, expressed as they are by academics, lawyers and religious leaders, as the views of elites. No, these people are not elites, because they agree with Professor Flint.

I could go on and outline what Professor Flint thinks we should all be thinking about reconciliation, the Kyoto protocol, immigration, asylum seekers and so on, but I fear I will run out of time, so I will confine myself to giving un petit precis—Professor Flint is not the only one who can speak a little bit of French. I shall confine myself to sharing
with you his views on Saddam Hussein. On page 1 of his book, Professor Flint says:

If the elites—

he actually says ‘it the elites’ but I assume that is a typo—

had controlled the US Administration, as well as the British and Australian governments, Saddam Hussein’s reign of terror would not have ended, he would still be hosting and encouraging terrorists, and he would now be developing, with impunity, weapons of mass destruction, including nuclear weapons.

As Paul Gray said in the article I quoted from earlier:

Quick President Bush: Give this author a weapons inspector job. He knows things your WMD-hunters haven’t been able to discover in months.

Professor Flint publicly, frequently and enthusiastically outs himself as a supporter of the war in Iraq. He is also on the public record as criticising the ABC. As the Age editorial of 23 July 2003 said, Professor Flint ‘has been a noted critic of the public broadcaster’ and in his book he singles out Walkley Award winner Maxine McKew, Media Watch and the 7.30 Report for criticism.

Recently we have been hearing even more than usual about Professor Flint. According to media reports, he appears to have been something of a key player in the Wentworth struggle between Malcom Turnbull and the soon to be ex-sitting member Peter King, MP. Professor Flint, it seems, was one of the key Liberal Party preselectors for the seat of Wentworth—so much so that he gave a reference to the unlucky candidate, Mr King. It was a reference clearly attributed to him in his role as Chairman of the ABA. As Morgan Mellish explained in the Australian Financial Review on 21 February 2004:

The Wentworth preselectors—made up of local branch members and party officials—include some well-known names ... ABA chairman David Flint ...

The chair of the ABA is also named as a Liberal Party preselector in Michelle Grattan’s Age article of 22 February. Why does this bother me? Why do I care about the views and political affiliations of Professor Flint? I care because Professor Flint has not, as Minister Abbott has claimed in the foreword to Twilight of the Elites:

... forsaken the safe existence of an academic for the far more challenging role of public intellectual.

Professor Flint has ‘forsaken’ that role to accept the highly paid position of Chairman of the Australian Broadcasting Authority, having been offered that role by this government. In that role, according to Annabel Crabb’s Age article of 23 July 2003, he said:

I don’t think I’m in a position of conflict of interest—

with respect to hearing a complaint about alleged bias in the ABC’s reporting of the war in Iraq that had been lodged by former communications minister Richard Alston.

Let me reiterate: Professor Flint is a public critic of the ABC, a public supporter of the war in Iraq, a paid-up member of the Liberal Party and former Senator Alston’s appointee to the position of chair of the ABA. That person does not see that he has a conflict of interest in hearing a complaint against the ABC about the war in Iraq lodged by former Minister Alston. I think I need one of Professor Flint’s exclamation marks!

I attempted to raise this issue with the ABA during last month’s Senate estimates. Professor Flint did not appear, but I was able to establish that the ABA itself does not have a formal position on the war in Iraq, nor, for that matter, on the republic or on reconciliation—and nor, I would hazard a guess, on who should be the Liberal Party candidate for the seat of Wentworth. Despite a spirited defence of the chair of the ABA by Senator Kemp, I also managed to get the ABA to take
on notice the question of whether there has been any formal view put to or counselling of Professor Flint with respect to his public views and how his public views may impact on the Australian Broadcasting Authority.

The ABA’s deputy chair took this on notice, despite Senator Kemp’s exhortation not to and despite being told by Senator Eggleston, as chair of the estimates committee, that she did not need to if she did not want to. I await the answer with considerable interest. Perhaps the rest of the Australian Broadcasting Authority, or at least some of them, are as sick of Professor Flint’s public posturing as the rest of us are. Perhaps they agree with Professor Flint who says himself that ‘a judge must play no part in politics’. Perhaps the rest of the Australian Broadcasting Authority staff have some pride in their work. Perhaps the ABA staff wish to be regarded by the people of Australia as impartial.

Professor Flint in an article in the Australian on 25 August 2003 complained about his ‘elites’ because of:

... their constant and puerile reference not to the Prime Minister, but to this Prime Minister—this being code for illegitimate and ephemeral ...

I might suggest that this chair of the ABA immediately remove himself from the investigation of former Minister Alston’s complaints and that this chair of the ABA should consider whether a broader conflict exists between his very public views and his role as head of that important regulatory body. Frankly, if Professor Flint had any real integrity, honour or basic decency he would resign. But he will not—he is shameless, he has no honour, he has no integrity and he has no basic decency.

Australian Grand Prix: Tobacco Advertising

Senator ALLISON (Victoria) (1.11 p.m.)—Yesterday the Senate passed a motion that reminded the government that the Australian Grand Prix again provided tobacco companies with a smorgasbord of advertising opportunities and did that for the ninth year in a row. For nine years the race has made an operating loss of about $10 million each year, but the loss in terms of the health of the people who will take up smoking as a result of last weekend’s Marlboro blitz of the print and television media will be much more than $10 million worth. It will be paid for in sickness and death, in GP and hospital costs and, of course, in pharmaceuticals—and it will be paid for by those born to smoking mothers. Tobacco kills more than car accidents, illicit drugs, alcohol, AIDS, murder, suicide, diabetes, breast and skin cancer—the list goes on—combined.

Why does Marlboro sponsor the Grand Prix? Because, even if it were allowed to advertise its deadly product, no amount of money could buy the front page of most papers in this country. No amount of clever advertising could link so very successfully the glamour and the razzamataz of fast cars, money and speed with smoking as the Grand Prix does. And it has such appeal to young people, especially young men. Marlboro’s Australian marketing strategy published in 1990 said:

23% of the population is 15 years of age and under. 17% is 16-24.

Senator McGauran—Mr Acting Deputy President, I rise on a point of order. My point of order is on relevance. This is utter misinformation being given by the senator that the Philip Morris company under the Marlboro brand sponsor the Grand Prix. They do not; they sponsor one of the car racing names—Ferrari.

The ACTING DEPUTY PRESIDENT (Senator Sandy Macdonald)—There is no point of order, Senator McGauran. You can address those comments at a later stage.
Senator ALLISON—I will start again from where I was quoting the Marlboro marketing strategy in Australia in 1990 which said:

23% of the population is 15 years of age and under. 17% is 16-24. ... Given predisposition to try/adopt new brands, this segment represents significant market opportunity ...

Their overall objective in this document was stated as:

Position Marlboro as a ‘cult’ brand—to attract new smokers.

The Grand Prix is nothing if not a cult: the cult of success, the cult of winning—not losing, of course—the licence to take risks, the enthusiasm of beautiful young women and the spectacle, heightened by the noise, the fly-past and the helicopters. And central to the images of the Grand Prix is the Marlboro logo and the red and white that so identifies that brand.

Every year the federal government takes $167 million in revenue from tobacco sales to under-age Australians. It spends just $2 million a year on antitobacco campaigns. The tobacco industry clears $1.14 million in profits just from children. While 22 per cent of the adult population smokes weekly, 25 per cent of secondary students and a third of 16- to 17-year-olds smoke—that is more than double. Some 353 million cigarettes are consumed every year by children in this country. Ninety per cent of all adult smokers start smoking as children and we know that kids are addicted to nicotine more quickly than adults are.

The cost of treating smoking related disease was estimated to be $2.25 billion in 1998—almost equivalent to the total cost of the PBS in the previous year. That only takes into account the four disease groups where a huge body of research already demonstrates that smoking is a causal factor: cancer, cardiovascular disease, chronic obstructive lung disease and problems associated with smoking and pregnancy. It does not take into account upper respiratory tract infections, meningococcal disease, diabetes, arthritis, hearing loss, loss of vision, impotence, infertility and slower wound and fracture healing, which in recent times have been demonstrated to be caused or made worse by smoking.

Smokers are much more likely to require expensive lipid-lowering agents than non-smokers of the same age and with otherwise identical risk profiles. Smokers become dependent on tobacco-delivered nicotine. It is an addiction, like others, and most people find it very difficult to stop. Unaided, 95 per cent will fail on any single attempt and the majority take four or five attempts before they finally succeed. Every piece of data on smoking tells us it is better and cheaper to discourage people, particularly young people, from smoking than to get them to quit.

What possible public benefit can there be from an exemption, given so freely by the Minister for Health and Ageing, from the Tobacco Advertising Prohibition Act for the Grand Prix? It loses money every year. It takes over a park for four months of the year. It encourages people to drive too fast. But the coalition government has committed us to yet two more years of this tobacco madness. A cynic might say that, as the states are dependent on gambling taxes, the federal government’s addiction is the excise on tobacco, which is currently $4 billion to $5 billion a year.

What are we to make of the dismal $2 million a year invested in antismoking campaigns and the government’s reluctance to close down the tobacco advertising frenzy that is the Grand Prix? This government prides itself on its good economic management but the economics of reducing smoking show very clearly that spending more to stop
people starting—those new smokers which the industry wants so badly—is a hugely effective measure in saving money down the track, to use a Grand Prix word.

There are enormous economic and health benefits too in helping people to quit. The Cancer Council of Victoria and the VicHealth Centre for Tobacco Control showed that increasing spending on antismoking campaigns to $10 million, then $15 million and up to $20 million by 2006-07 would hugely reduce smoking rates. A reduction of five per cent in smoking prevalence, which the cancer councils are confident would result from a budget of this order, would reduce PBS costs of treatment for smoking related cardiovascular disease by a cumulative total of $4.5 billion over the next 40 years. And, of course, smokers who are pensioners or others on low incomes would have an extra $50 a week on average to spend on other goods and services. Smoking related absenteeism currently costs business more than $1.5 billion per annum.

Hundreds of thousands of people who would live longer and more active lives because they gave up smoking would both earn and spend significantly more over their lifetimes. So if Mr Costello wants people to work longer he should be more clearly focused on reducing rates of smoking. People will be more inclined to stop work if they have the smoking cancers: cancer of the lung, lip, mouth, pharynx, larynx, oesophagus, stomach, pancreas, vulva, endometrium, penis, bladder, kidney and possibly the cervix.

The motion I moved yesterday called for tighter conditions on tobacco advertising and a ban on incidental advertising of tobacco products outside the confines of the Grand Prix from next year. It would be interesting to see how keen the tobacco companies would be to spend millions of dollars prop-
think it would be fair to say that they were severely underresourced.

On the way back to depart from the gas field, Terry Puwelo asked if there was any way that I might be able to assist the school to get more books for their library. It became obvious to me from my inspection of the school, albeit brief, that they were particularly low on reading resources. I had no idea what could be done. I got back to Brisbane, thought about the call for assistance and decided that there might be people locally who had books they no longer wanted that could be sent to the school, but I really did not know where to start. So I put a notice in my local church’s weekly notices exhorting those with unused, no longer used or unwanted books suitable for children from years 1 to 6 to respond generously. Always the optimist, I placed quite a large box at the back of the church, and this was filled a number of times over—the response was quite overwhelming. They were good quality books that people had obviously cared for over the years; people were not throwing out their rubbish.

How to get the books to the school in that remote part of PNG was a problem in itself but it was accommodated very nicely by the ingenuity and efforts of Cathy Bennett, who was at that stage the Director of the Pacific Branch of AusAID. Cathy had been able to organise the transport of the books through HK Shipping, whose kind donation and assistance were gratefully accepted. At the other end, the books had to get from where they were first dropped off up to the Hides gas field. Oilsearch, the company who are responsible for the search and extraction of gas in the Hides gas field, agreed through Cathy Bennett to take over the delivery to the school. Their generous support was welcome indeed. Without any real fuss, a good deed had been done. I must place on record my thanks to the people of our Lady of Grace parish at Carina, who donated so generously, and the many others who helped the whole thing come together.

However, that was not the end of the story. Out of the blue came a letter from Sister Carmel Looby, who was the Principal of St Joseph’s High School at Tari, seeking assistance to get English books for students from years 7 to 12. It was impressed upon us on our visit to this particular high school that during the insurrection and problems in the Southern Highlands two years ago it was the only high school in the area that remained open and was determined that the education of the children should not suffer. Having been faced with this challenge, I must say I really did not know what to do at all. I knew that they were a worthy cause because, as I said, I had heard first-hand on my visit how Sister Carmel and her dedicated staff had kept the high school open during the unrest in 2002 whilst other schools closed their doors. Sister Carmel and her staff had put the education of the young people ahead of the senseless violence that was taking place in the Southern Highlands.

In my dilemma about what to do, I sought the assistance of Brendan McManus, who was then the Principal of St Joseph’s College, Gregory Terrace, in Brisbane, on how to go about getting help—I had no idea whatsoever. Brendan directed me to David Hutton, the Executive Director of Catholic Education in the Brisbane Archdiocese. Without any hesitation, David circulated an email to all the schools in his region seeking assistance from schools who may have been able to help the Tari high school with books that were excess to their needs or that were about to go off the syllabus.

I was pleasantly surprised once again by the generosity. I received donations of books from five high schools in the region. They were St Joseph’s College, Gregory Terrace,
Brisbane; Aquinas College, Gold Coast; St Patrick’s College, Gympie; St Williams, Grovely, Brisbane; and Stella Maris, Maroochydore, Sunshine Coast. So they were not all Brisbane based schools; there were some from regional areas and from major areas such as the Gold Coast as well. These schools willingly donated books in good condition that had seen their use-by date through the school book hire system, were surplus to the needs of the school or had become outdated as a result of syllabus change. It was impressed upon me by Sister Carmel, when I rang her to try to narrow down her specific needs, that they had a great lack of English textbooks because they were severely underresourced.

The books were collected and then there was the challenge of having them sent on to such a remote place. Here I prevailed upon Frank Yourn, the Executive Director of the Australia Papua New Guinea Business Council, who instantly set about finding a solution to the problem of getting the books to Tari. Frank informed me that Pacific Air Express, who service the PNG region, were only too happy to assist in moving the books. I then got in touch with Gary Clifford of Pacific Air Express who had no hesitation about moving the books—and when I talk about moving the books, I am talking about at no charge to anyone. Frank Yourn had been able to secure the assistance of Oilsearch once again to handle the books once they had arrived in Lae and to move them on to Tari. The unfortunate part was that the charter that they were supposed to go on to Lae was cancelled by Pacific Air Express, but that was not before Gary Clifford and his staff had collected the books from me and packaged them ready to go to Lae.

Whilst it was their intention to ship the books to Lae that never came to fruition, as I have said. It could not be fulfilled as the charter to Lae fell through unexpectedly. Fortunately, Pacific Air Express was able to move the books onto a charter that was taking goods to PNG for Oilsearch. Whilst at no stage did I have any contact with Oilsearch directly, I must thank the company and its employees who stepped in and have done a marvellous civic duty on two separate occasions now in assisting their local community in the Southern Highlands of PNG. That is a marvellous thing indeed.

The bonus for the Tari high school was that, with the cooperation of Dr Ross Smith, the General Manager of Game Development AFL, I was also able to forward to Sister Carmel a number of brand-new AFL jerseys to be given to successful students at an appropriate time. It became evident on our visit there that they were running around in NRL jerseys. Whilst I have been known to support that code in the past I am now more prone to support the AFL. I thought it would be appropriate for them to have some decent AFL jerseys. I thank Dr Ross Smith for his cooperation in assisting me to supply some there. When we visited it was clear that there were no AFL colours and a clear dominance of Parramatta Eels and Brisbane Broncos jerseys. The balance has been now slightly redressed, and my sincere thanks go to Dr Smith and the AFL for their generosity.

As a by-product of this whole Tari operation, as I have called it, I was contacted quite out of the blue by a bookseller on the Sunshine Coast who advised me that he had come across the concept of the collection that was being undertaken whilst visiting one of the schools in the region and he would like to help out in assisting this high school in PNG. He said he was able to assist as he is constantly coming up against situations where totally good textbooks are being thrown out because there is no longer a use for them. He thought it a complete waste of resources that these books would be thrown out—disposed of—when there is such a cry-
ing need elsewhere for the books to be used. It seems that many of the books are destroyed and this seems completely unnecessary when there is a burning need for these materials to be made available to others that are nowhere as resource rich as we seem to be. Whilst I understand that there is some attempt to gather these resources together and to put them to good use, I am led to believe that it is not highly organised or coordinated. It seems to me that there is a clear lack in that area.

It is interesting that since I first put pen to paper on my experiences I have been reluctant to report because every time I have tried to report to the Senate something else happens. The scene keeps changing. It has changed in more recent times. Matthew Solley, the person involved from the School Book House on the Sunshine Coast, has delivered books on two separate occasions: on the first occasion a pallet of textbooks and on the second occasion half a pallet of textbooks. I am now faced with the problem of moving those textbooks up to PNG. It would seem to me that there is an excellent opportunity for much of our former learning material to be put to good use. It is interesting also that I have had a call from Carol Williams of St John’s College in Nambour, who more recently has responded to the appeal late last year. There is still interest from people wishing to contribute to the appeal that I put out, not knowing how the appeal would end up.

There are, however, two unfinished items in respect of the exercise at this stage. Sister Carmel is a fairly forthright person as one would no doubt expect, living in the Southern Highlands of PNG. She was fairly forthright in asking not only for some books but also for a smoke extractor to replace the one that had been broken in the kitchen. They have 300 students living on site because it is not easy for students to travel back and forth daily. They have a large mess where they do a lot of cooking and eating. The smoke extractor has broken down so she put it on me to come up with a smoke extractor. At this stage, I have failed. In spite of my best efforts I have been unable to turn up one of these—but I have certainly had some funny looks in the process of trying to find one. The other thing that is still outstanding is that a twinning arrangement with a school in Australia needs to be achieved so that a particular school here in Australia can assist those in places where resources are not so bountiful as the resources that we have available to us.

It has been an interesting exercise to date. I have already found a prospective shipper for the next lot of books. The exercise has been a totally voluntary arrangement. People have given their time and resources. At the end of the day, it shows that even on a trip such as the Senate Foreign Affairs, Defence and Trade References Committee trip last year some benefit can come out of it for the broader community if one only looks. 

(Time expired)

Ministerial Reply
Agriculture: Sugar, Forestry and Fishing Industries

Senator IAN MACDONALD (Queensland—Minister for Fisheries, Forestry and Conservation) (1.36 p.m.)—As there do not seem to be a lot of other speakers in this debate on matters of public interest I will raise in my contribution a number of matters of some interest that will be very current. First of all, I am pleased to hear that the Minister for Health and Ageing, Mr Abbott, has just announced that there will be legislation proceeding through the parliament that will address many of the difficulties with the Medicare package. I am delighted to see that there are senators in this chamber who are prepared to agree on a very positive approach
for the Australian people. I also congratulate Senator Hogg for his initiative which he related in his contribution to this matters of public interest debate. It is obviously something that Senator Hogg deserves great congratulations for, although he did not do it with the intention of seeking praise or recognition. I certainly encourage support for the very good project that Senator Hogg has taken on.

Regrettably, another speaker from the Labor Party was not so positive. Unfortunately, Senator Sue Mackay continued in the way some people in the Labor Party have become renowned for: character assassinations of prominent Australians without much foundation whatsoever. It does seem to me unfortunate that Labor members of parliament use this chamber, sometimes referred to as cowards castle, to denigrate very significant people in public life who make great contributions to Australia. I do not know Professor Flint myself—I do not think I have ever met him—but I am aware of his reputation. He is obviously a very able person who makes a very significant contribution to Australia in so many ways. It is a regret that this chamber is used by Labor Party politicians to denigrate the characters and motives of significant Australians.

I will move on to make a comment about the difficulties within the sugar industry in our country. I was delighted to be able to travel with the Prime Minister, the Deputy Prime Minister and the Minister for Agriculture, Fisheries and Forestry, Mr Truss, to Queensland last weekend to speak with the Canegrowers organisation and the millers in one meeting and subsequently to the Australian Cane Farmers Association, and then to go to Cairns to a meeting arranged by Warren Entsch, the member for Leichhardt, which brought together representatives from all of the mill areas north of Townsville in North Queensland. All but one of those areas are outside Mr Entsch’s electorate but he brought all of those interests together very well, including the mayors of those communities and business leaders as well as representatives of the growing, milling and harvesting organisations. It was a very useful exchange of ideas.

The Prime Minister took very little active part in the meetings he attended, except to sit there and listen intently to what was put to him. I know the Prime Minister certainly learnt things that he did not understand before. I have lived in a sugar town all my life, and I certainly learnt things that I was not aware of before. We all came away from the three meetings on the weekend with a greater appreciation of the difficulties being faced by the sugar industry, not because of their own faults or inadequacies but because of the very corrupt world market in which they have to sell their products. It is going to be very difficult for a responsible government, which has the responsibility of spending taxpayers’ money wisely and accountably, to do everything that some of the cane farming groups have asked us to do. Suffice to say, as Mr Howard mentioned on a number of occasions on the weekend, it is an industry that we understand is in great difficulties. It is not only the industry itself, of course, but all the communities and the people who rely on that industry for their livelihoods and the protection of their particular assets.

I often remind the Prime Minister and anyone else, not really by way of any particular reference to me, that it is not only the sugar growers who are in some difficulties. To use myself as an example, people similar to me have their biggest assets in small country towns that rely only on sugar cane. The value of my house, which is my biggest asset, would have fallen by something like a third from what it was worth four or five years ago because of the difficulties being experienced by the cane industry. I only
mention that point to show that it is not just the farmers but the community as a whole that suffers when a particular rural industry, a particular primary industry, is in the difficult straits that the sugar industry is in at the present time. After the Cairns meeting we went to Mackay to attend a meeting put on by De-Anne Kelly, the member for Dawson. There were about 700 cane farming families at that meeting. Again, the Prime Minister listened intently for over two hours while people explained their particular situations and their views on how some relief could be obtained.

Moving on to the forestry industry, I had the pleasure yesterday of meeting with Professor Risto Seppala, President of the International Union of Forestry Research Organisations, and Dr Gary Bacon, an Australian, regarding the IUFRO World Congress to be held in Brisbane next year. Over 2,000 scientists, experts and professionals in the forest industry research area will be in Australia for this major world conference, which happens every five years. It is a great credit to Australia to have been chosen for this conference on forestry research. The Australian government has been very generous in its support, with over $300,000 given to the organisers to plan and run that conference. I am sure it will enable the international researchers to understand just how well the Australian forest industry is managed, how sustainable the industry is in Australia and what a significant future forestry has in our country.

That comment leads me to an article about forestry issues in Tasmania that I have just been glancing at in the *Bulletin* magazine. A lot of the article is really about politics. I think it quite clearly demonstrates—and we know this also from Mr Latham and Senator Bob Brown, whom we well know in this place for all of his stunts—that the issue of forestry in Tasmania seems to be all about politics. I understand Mr Latham is going down there next week—much to the unhappiness of his federal Labor colleagues, I might say—and there are rumours around that he is going to do something with the forests in Tasmania. I know that he will do it over the dead body of the Tasmanian state government, a Labor government, who support very strongly responsible and sustainable forest management in Tasmania.

The article in the *Bulletin* really does demonstrate that, as far as Mr Latham is concerned and certainly as far as Senator Brown is concerned, it is all about politics. For Senator Brown it is about getting your seat back in the Senate after the next election. For Mr Latham it is about trying to do ‘a Richo’—what Senator Richardson did back in the 1990 election: getting Green preferences to try to secure a Labor victory at the next election. It is not much about the environment; they do not really care too much about that. What they are interested in is the political benefit they can get from pretending to have some concern for forests in Tasmania. I have a genuine interest in the forests in Tasmania, as forestry minister, and that genuine interest attracted me to the little box under the heading ‘How green is Tasmania?’ on page 34 of the *Bulletin’s* spread, which points out the facts of Tasmania. Over 40 per cent of the Tasmanian landmass is actually locked away in forest reserves.

I was delighted that the Bureau of Rural Sciences recently produced the booklet *Science for decision makers: old growth forests in Australia*, which is a science based report. It is really a damning piece of literature for those who incorrectly pretend that Australia’s forestry practices are not sustainable. This scientific report shows that 71 per cent of the 5.2 million hectares of old growth forests in the RFA regions of Australia are now in conservation reserves. It says that about 20 per cent of the area of native forests available for wood supply in Tasmania is old growth, as is up to 15 per cent of the area of East Gipp-
sland and North-East Victoria; that lesser areas of the Victorian RFA regions are old growth; and that sustainable forestry in old growth areas is essential for wood supply across the country. Those are scientific facts rather than some of the emotional hogwash you hear very often in the forestry debate. In fact, the Bulletin article finishes on page 34 with this:

It is estimated that 97% of old growth forests (at current harvesting rates) will still be intact by 2010.

So a lot of the hype about the old growth forest disappearing is nothing more than emotional and political claptrap not supported by science.

Finally in this debate on matters of public interest, I want to mention a great initiative in the fishing industry. Yesterday I was very pleased to attend, along with Mr Gary Nairn—the very able, excellent and active Liberal member for Eden-Monaro—a function at the Kingston Hotel in Canberra where Mr Nairn launched a new culinary delight for Australians. It is an initiative of Richard Farmer, well known in this town and many years ago particularly well known—perhaps he still is; I am not quite sure—for his great wine expertise. He now has quite obviously great culinary expertise. What we launched yesterday for the discerning Canberra restaurant eater—or, in fact, home eater—was a new product, a fish sausage. You have all had a beef sausage or a chicken sausage and now the latest on the market is a fish sausage, and it is absolutely delightful. The one I tried yesterday was a Thai fish sausage, something that I think should really grace the plate of every Australian in the not too distant future. It provides a very tasty meal, and it is very nutritious and very healthy for those of us who have to watch our weight and are concerned about the food we eat.

This particular sausage had in it flathead offcuts but the proposal is that a lot of the by-catch of the fishing industry, which is currently just discarded, will be used in fish sausages. That will be a great thing for the fishing industry because a lot of that by-product is simply discarded. It is usually dead so it is no good for the environment. The use of this by-catch will enable the fishing industry to have an extra source of income while at the same time providing a great delight for the palates of Australians in the future. It is a great initiative and I congratulate those whose ingenuity has brought it to pass. I look forward to the time when I can slip down to the local shop and buy my kilo of fish sausages. It makes a great meal.

Medicare: Reform

Senator BARTLETT (Queensland—Leader of the Australian Democrats) (1.51 p.m.)—I note Senator Macdonald’s great exposition on the benefits of the fish sausage. As I am a vegetarian, I will just have to take his word for it—but I cannot say it is something that appeals to me greatly. What I would like to speak about briefly in this lunchtime debate is something else that, sadly, does not appeal to me greatly either: the announcement on Medicare just made by the Minister for Health and Ageing, Mr Abbott. There is no doubt that Mr Abbott will feel like he has had a significant win, but unfortunately it is also a significant loss for Medicare and for the public because we have had a significant principle of Medicare, that of universality, undermined by this agreement.

The Democrats welcome the measures relating to allied health and extra assistance for bulk-billing as a move forward. The fact is that those measures are variations on options the Democrats have been putting forward for many months, and indeed they were put to the minister directly both before Christmas
and again in the last few weeks. The Democrats have made it clear all along that, whilst we believe it is essential to have extra incentives for bulk-billing and allied health, that should not be at the expense of a central pillar and fundamental plank of Medicare—that is, universality. Unfortunately that is what has occurred here. There have been some gains on the one hand but they have been traded off against a central principle of Medicare—its universality. That is a great shame.

I find it sad that we have this outcome. Everybody knew a week ago that the minister was in a position where he was going to agree with the Democrats to bring in allied health measures and extra incentives for bulk-billing and to improve the scope of the safety net but keep it universal by having a single threshold to that safety net. This would have removed almost all of the key problems with the extra safety net that were identified in the recent Senate committee report. Frankly, it is a real shame that the Independents felt a desire to undermine those achievements and those measures that the government had already agreed to. They have actually come up with a package that will provide less money than would have been provided if the Independents had simply reinforced the Democrats’ insistence on maintaining universality. We would have had extra money on the costings that the minister has provided and we would also have maintained that single threshold in the new safety net, thus maintaining universality.

It is out of sadness rather than annoyance or anger that I say this, because this is a real lost opportunity. The Democrats have gained an enormous amount already in the Medicare area. You can see this if you look at what the government put forward in May last year in their initial Medicare package. The Democrats have forced the government to move enormously since then. The MedicarePlus package contained an extra $1½ billion, including extra measures that were taken directly from proposals that the Democrats put forward. Even in today’s announcement we have measures based on what the Democrats have been advocating in allied health and in covering areas of need in relation to bulk-billing and providing extra assistance there.

The key, from the Democrats’ point of view, is that we are a party that has always recognised the importance of negotiating wherever possible. That has been the case for 25 years or more. It astonishes me that people still sometimes ask with amazement: why are you negotiating with the government? It does not matter who the government are, we will seek to negotiate where we think there is an opportunity to move things forward. The key there is to ensure that you do so from a basis of maintaining adherence to core principles in the issue at hand. The Democrats have managed to achieve major gains in relation to what the government proposed for Medicare whilst not allowing them to move one inch on the core issues and the core principles of Medicare.

The government’s attempts to expand private health insurance into the public health area of Medicare have been stopped by the Democrats already. Their attempts to break the linkage with and the assistance incentive for bulk-billing by GPs has been halted by the Democrats. We were at a stage where the government’s attempt to introduce two tiers into a key component of Medicare through this new safety net was also going to be halted—and the principle of universality would have been maintained. Unfortunately the minister has managed to get agreement from Independents in the Senate to enable that agenda of the government—to undermine universality and to bring in a welfare component to Medicare—to be achieved. I find that extremely sad.
It is particularly disappointing given that the Senate, with the support of the Independents, initiated an extra Senate inquiry at the end of last year into the MedicarePlus package, and particularly the safety net. That report identified significant problems with the safety net as it was proposed. Senator Lees signed off on that report and agreed with the significant shortcomings in the two tiers of the safety net: the problems with the two different thresholds and the way they were being defined. Yet she has now agreed to a package that will leave all of those flaws in place. As recently as 10 February Senator Lees said, and I quote from AAP: “We also want to look at how we bring (the Medicare package) back to a more universal system.”

Yet she has agreed to do exactly the opposite less than a month later. That is very sad and quite a disappointment. Whilst the Democrats are pleased that a number of our measures in relation to allied health and bulk-billing have been adopted by the minister—to add to our previous gains of last year—what we have seen is the introduction of a welfare model into a component of Medicare. This undermines the core principle of universality, and that is sad.

It must be said that, whilst today is a loss for a key principle of Medicare, it is certainly not the end of the debate. As the Democrats made clear, even if the minister had accepted our package, which maintained universality whilst increasing incentives for bulk-billing and allied health, that would not have been the end of the issue. It is certainly not the end of the debate as far as the Democrats are concerned—and I am sure it is not from the point of view of other parties in this parliament. There are still areas of need that must be addressed. We will be pushing those issues throughout the year, right through to the election and beyond.

Frankly, this is a key example of why you need the Democrats to hold the balance of power in the Senate. We have demonstrated again and again that we can achieve gains in key areas of policy without compromising the core principle that is involved in that area of policy. Unfortunately, we have not been successful this time. As we saw last year with the higher education package, unfortunately the independent senators in this place have shown that they are not able to make the correct judgment on difficult balance calls. The apparent need to reach an agreement, almost for its own sake, has overridden the need to protect critical principles. It is a very sad day in that respect. But the issue does not end here. It is a shame that the bulk-billing measures do not appear to even have targets attached to them. So people can gain extra money but without any incentive to increase the rate of their bulk-billing. There will be more opportunity to examine the detail of this at a later date.

QUESTIONS WITHOUT NOTICE

Foreign Affairs: Hong Kong

Senator Faulkner (2.00 p.m.)—My question is directed to Senator Ellison, the Minister for Justice and Customs. In making the decision not to extradite Mr Carl Voigt or Mr Roger Hendy to face criminal charges in Hong Kong, did the minister receive representations relevant to his decision from any party other than Mr Voigt, Mr Hendy or their legal representatives? If so, who made representations relevant to the minister’s decision not to extradite these two men, and what was the nature of those representations? Minister, what are the real reasons for protecting these two men?

Senator Ellison—I previously outlined the process adopted in the decision in relation to Mr Hendy and Mr Voigt. It was an entirely proper process and one which entailed the exercise of my discretion, which I
exercised appropriately. The question that Senator Faulkner raises as to the considerations that were taken into account is one which I have touched on previously. I received written submissions which touched on matters relevant to the exercise of my discretion. As I recall, they were directly from Mr Hendy; Mr Voigt; members of their families, including their children; friends; solicitors acting for them; and two members of parliament.

Senator Robert Ray—Does everybody get the same access?

Senator Ellison—Senator Ray has said: ‘Does everybody get the same access?’ Indeed they do. I take decisions in relation to extradition matters very seriously. I can assure you, Senator Ray—through the chair—that, in many other extradition requests, I have received requests from a lot of people to take into consideration matters which are relevant to the exercise of my discretion.

Mr President, I think I should clarify and correct a false statement made by Channel 7 last night that over a two-year period I had refused nine requests for extradition. I have a letter from the Secretary of the Attorney-General’s Department which says that for the period concerned it was only two. The two annual reports for 2001-02 and 2002-03 list nine refusals, and of those nine refusals two related to my exercise of discretion to refuse surrender.

When comparing my record of requests with that of previous ministers, the department has advised me that, of the requests made to me since July 2001, I have agreed to surrender in over 85 per cent of cases. That is a refusal rate of about 14 per cent. When you refer to the report of the Joint Standing Committee on Treaties titled Extradition: A review of Australia's law and policy of August 2001, you can see that, where they ascertained how many cases the minister had refused extradition requests made to Australia, in the decade 1990 to 2000 the refusal rate was 18 per cent. Since July 2001 the department has advised me that my rate of refusal is 14 per cent. It is hardly the actions of a minister—as Channel 7 would have it—who is building a reputation of protecting fugitives. I reject entirely that allegation. It is false. I am correcting the record accordingly.

In relation to the people who made submissions, I will take that on notice, and I will provide that to the Senate. But I can say to the Senate that, in exercising my discretion—a discretion which was included in the Extradition Act by, I think, the then Attorney-General, Mr Lionel Bowen, a Labor man; it was put there for a very good reason—the decision on refusal or surrender is not a rubber stamp by the minister. It has a discretion for obvious reasons, and I take that into account.

Senator Faulkner—Mr President, I ask a supplementary question. I thank the minister for taking on notice my question in relation to those who have made submissions, and I would ask the minister to give a commitment to provide that information at his earliest convenience. I also ask: Minister, are you aware of comments made by a member of the Hong Kong Legislative Council, Ms Emily Lau—I assume you are, because this was also reported on the Channel 7 news item that you have referred to—in which she said:

I think some people in Hong Kong are hopping mad, and they think Australia is being uncooperative, and without giving reasons.

Will the minister now acknowledge that his decision has compromised our law enforcement relationship with Hong Kong, and will the minister now inform the Senate of what steps he has taken to repair the damage done by his decision not to extradite Voigt and Hendy?
Senator ELLISON—I am aware of Ms Lau’s comments. She is entitled to those as a member of the Hong Kong parliament. We have assured the government of Hong Kong of our commitment to work closely with them in law enforcement matters, and they have echoed that commitment. It is business as usual. We continue to work closely with the Hong Kong government in relation to law enforcement matters, as they do with us, and we value that cooperation.

Taxation: Policy

Senator FERGUSON (2.06 p.m.)—My question is to the Minister for Revenue and Assistant Treasurer, Senator Coonan. Will the minister inform the Senate of the Howard government’s commitment to keeping taxes low, and how this benefits Australian business and families. I further ask: is the minister aware of any alternative policy approaches?

Senator COONAN—I thank Senator Ferguson for his question, and I can tell him that this government is committed to keeping taxes as low as possible. The government has indicated on many occasions that, if we keep the budget in surplus, if our debt is low—and we have paid back about $60 billion of Labor’s debt—if we balance our budget and if we are meeting our defence and security needs, our health needs and our social welfare needs, it will return benefits to Australians through tax relief. This is exactly what we did last year, when the government delivered personal tax cuts in excess of $10 billion over four years, building on the personal tax cuts of $12 billion annually as part of the new tax system. These are large sums, and this government believes that we should keep taxes as low as possible.

It is very clear that you cannot be in favour of both big tax cuts and big spending. So far, Mr Latham and Labor have racked up about $8 billion in spending promises. With $8 billion in unfunded promises, the obvious question is: where are Labor going to get the money from? Will they default on their promises? Will they drive the budget into deep deficit or will taxes increase? Labor have criticised this government for high taxes, but taxes are going to get a lot higher under Labor’s secret tax plan to fund $8 billion worth of spending promises. The reality of Labor’s planned big spending on social programs was acknowledged by Ms Plibersek, the member for Sydney, who said, ‘Of course there’ll be tax rises to pay for it.’ The member for Reid, Mr Laurie Ferguson, let the cat out of the bag when he said that anyone who did not believe that Labor would increase taxes or introduce new ones was being dishonest or naive. Labor’s shadow finance spokesman, Mr McMullan, knows that tax rises are more than a possibility. He said that tax increases under Labor would be inevitable. There is a clear admission that, under Labor, taxpayers will inevitably face higher taxes.

Labor should come clean about their secret tax plan because the people of Australia want to know which taxes Labor will be increasing and by how much. A recent publication titled The story of tax in Australia points to the Labor way. It indicates that since 1901 Labor governments have introduced 27 new taxes and increased existing major taxes 19 times. They have never abolished a major tax, and they have reduced major taxes only twice. In contrast, since 1901 the coalition government has introduced only six new taxes, compared with Labor’s 27. It has increased existing major taxes only twice, compared with Labor’s 19 times, and abolished 12 major taxes and reduced major taxes 25 times. Mr Latham should be reading The story of tax in Australia to the whole nation, because it makes it very clear—and everyone should know—that it is the coalition government that has the strong eco-
nomic record of providing tax cuts, balancing the budget and paying back the huge debt inherited from Labor that would have been a burden on future generations. This government has delivered personal tax cuts of $10 billion to Australian families. It has introduced capital gains tax relief, reduced company tax and abolished wholesale sales tax. Good government does not happen by accident. This government has a clear record of tax cuts and of responsible economic management for the benefit of families, businesses and all Australians.

Taxation: Avoidance Schemes

Senator WONG (2.11 p.m.)—My question is to Senator Coonan, the Minister for Revenue and Assistant Treasurer. Did the minister attend a meeting last week between government backbenchers and the Prime Minister where the Prime Minister was asked to provide a settlement arrangement for employee benefit arrangements similar to that provided for mass marketed schemes, which the Australian Taxation Office determined breached taxation law? Has the minister received any representations from senators or members on behalf of taxpayers affected by the ATO’s determinations on certain employee benefit arrangements? If so, can the minister advise whether she has had any communication with the Commissioner of Taxation on possible settlement arrangements for tax debts incurred in relation to employee benefit arrangements?

Senator COONAN—I thank Senator Wong for her question because it gives me an opportunity to clarify a number of quite incorrect press statements about the alleged meeting and what was said to have come from it. There are four different employee benefits arrangements, which have all attracted in some minor way some different treatment from the tax office. The commissioner has notified those who are subject to these revised assessments of arrangements and a settlement offer has already been made in respect of some of these schemes. I have had a conversation with the commissioner about the settlement that he offered.

In respect of the meeting between backbenchers and the Prime Minister, at which I was present, the situation is that there was already in train a reference to the Inspector-General of Taxation. It is on his web site, together with a consultation plan that has invited submissions from anyone who wants to make representations as to whether the commissioner’s policy in respect of remission of the general interest charge has been consistent for groups of taxpayers. The Prime Minister has said nothing more, and nothing less, than that he would look at the Inspector-General’s report and discuss it with me. That was conveyed to the people present. In respect of representations from senators and members, I checked the record and, since 2002, the only representations I have had in respect of this matter, from those who were present at the meeting, were five ministerial representations by letter. Apart from that, there have been some conversations between me, backbenchers and senators. Nothing further has changed, apart from the reference to the Inspector-General. The Prime Minister was brought up to date on that fact, and that is the current position.

Senator WONG—Mr President, I ask a supplementary question. Does the minister recall a meeting with Western Australian scheme promoters on the mass marketed scheme affair at the Royal Perth Yacht Club and the pressure she subsequently placed on the Commissioner of Taxation to offer special settlement arrangements to affected taxpayers? Can the minister guarantee that a yacht club type response to the mass marketed scheme affair will not be repeated? Given her answer to my initial question, in which she confirmed she has spoken to the
commissioner, can she give an undertaking that the Commissioner of Taxation has not and will not be pressured by the government into offering special deals to taxpayers found to have avoided tax using employee benefit arrangements?

_Honourable senators interjecting—_

**The PRESIDENT**—Order! Before I call Senator Coonan, I remind honourable senators that shouting across the chamber is disorderly. I refer them to standing order 72, which states that a senator asking a question or a minister answering a question should be heard in silence so as to provide proper information to this chamber. Shouting across the chamber from both sides does not help this at all.

**Senator COONAN**—I think I heard most of Senator Wong’s supplementary question. The first thing is that mass marketed schemes are of course not employee benefit arrangements so, to the extent that her inference is that they are the same, she is wrong. The second thing is that there is in place a transparent and proper process for review of the treatment of the general interest charge in relation to large groups of taxpayers being conducted by the inspector-general. The third point is that this is a transparent process, which is certainly better than a shonky raffle.

**Roads: Black Spot Program**

**Senator HEFFERNAN** (2.16 p.m.)—My question is to the Minister—

**Senator Conroy interjecting—**

**Senator HEFFERNAN**—with the new suit. My question is to the Minister for Local Government, Territories and Roads, Senator Ian Campbell.

**Opposition senators interjecting—**Nice tie!

**Senator HEFFERNAN**—Good tie. Will the minister inform the Senate about initiatives the Howard government is taking to reduce the risk of death and injury on Australian roads?

**Senator Conroy**—Why are you asking him? He doesn’t know about the portfolio of roads.

**Senator IAN CAMPBELL**—Senator Conroy interjected about portfolio responsibilities. One of the responsibilities—

**Senator Conroy**—Name one program.

**Senator IAN CAMPBELL**—I have direct responsibility for and I am very proud of—and that I am sure Senator Conroy would be very disturbed and in fact embarrassed about—is the national Black Spots Program, which funds very important safety works on local roads. Of course, we know Labor’s history on local roads. They opposed the Roads to Recovery program and called it a boondoggle—

**Senator Ian Macdonald**—That’s right, the boondoggle.

**Senator IAN CAMPBELL**—depending on what school you went to, Senator Macdonald. The Black Spots Program, which they are particularly embarrassed about, as Senator Heffernan would know, is a program they dumped in 1993. I think all coalition senators and even some Labor senators—the enlightened ones; a very small bunch—would recognise the fact that the Black Spots Program is driven by local communities who identify a black spot in their area—a piece of road that has caused fatalities or severe injuries.

Black spot applications are made to committees which are chaired generally by coalition senators but which include local government representatives and, very importantly, representatives of the main roads departments of the various states. The program, which is in its third cycle, currently of $180 million—and again, I remind you, Mr President, this is a program dumped by Labor in
1993—has funded something like 3,042 projects, spending something like $330 million in New South Wales for 880 projects, in excess of $117 million in Tasmania for 196 projects and a total expenditure of $35.5 million in Western Australia for 473 projects. On Friday I will be joining Senator Alan Eggleston, who is the chairman of the black spots committee in Western Australia, and other interested senators in announcing the black spot projects for Western Australia.

It is important to understand that Australia is working very hard at a cooperative level between the state, federal and local governments to reduce the number of deaths on our roads. Some people call it the road toll, and I think in a way it diminishes people’s understanding of what we are talking about. We are talking about the toll of the number of deaths on our roads. This program really ensures that we can, in a very practical and efficient way, working with the states and working with local communities, reduce the incredible impact of all of those deaths on our roads. For example, the sorts of projects that are funded—many in this existing round in New South Wales, Senator Heffernan’s home state, where I announced just a few days ago another $14.3 million worth of projects at 93 different locations around the state—are roundabouts, traffic signals and audible edge lines. With audible edge lines, you know if you are veering towards the edge of the road: they wake you up and say, ‘Get back on the road.’ These sorts of projects vary from as little as $12,000 up to as much as $750,000. They are very important projects that deliver benefits directly funded by the Commonwealth, helping to reduce deaths on the road and helping to build better roads. This is a very good program—one that Labor scrapped—that we are proud of and will continue to fund.

Taxation: Employee Benefit Arrangements

Senator CONROY (2.20 p.m.)—My question is to Senator Coonan, the Minister for Revenue and Assistant Treasurer. Is the Assistant Treasurer aware of comments made by the member for Canning, Mr Randall, in relation to the minister’s handling of the employee benefit arrangements issue:

Her conduct has been completely disgraceful; we really had no confidence in the way she handled this issue.

What request has the member for Canning made of the minister in relation to employee benefit arrangements, and what action has she taken? If the minister’s coalition colleagues have no confidence in the ability of the minister to handle her portfolio, why should the Senate have any confidence in her?

Senator COONAN—I can inform the Senate that anyone associated with Mr Randall’s comment has in fact subsequently dis-associated themselves from that comment. Very clearly, I have a duty to the revenue. Senator Faulkner laughs, but I have a duty to the revenue and I also have a duty to hard-working Australians who pay their taxes and who expect other people to pay their taxes. There are some schemes that have been promoted by unscrupulous promoters over the last number of years that have been well traversed in this place. They were well traversed by a Senate committee in respect of mass marketed schemes, who in fact distinguished the employee benefit arrangements as being of an entirely different character to those mass marketed schemes. That has required, obviously, some different treatment through test cases that have now almost been completed through the courts.

As Minister for Revenue it is not always possible to accommodate every request for a tax break. The law is the law, and it has to be
administered fairly and impartially by the commissioner. That is not to say that it is not appropriate on occasion to have a review of what the commissioner has done. So, Senator Conroy, I have struck a balance between the rights of the taxpayer and the administration of the tax system and the rights of individual taxpayers—large groups of taxpayers—as to whether or not they should be able to get some benefit from a reduction in the general interest charge and penalty. My understanding is that none of them dispute their primary tax. Any responsible administration of that sort of problem would require the law to be administered impartially, but where there are some cases and different schemes that require different treatment of course there needs to be a review. It is not the role of the minister to be conducting reviews; it is the role of the minister to ensure that the processes are in place and that the processes work properly. That is precisely what has been done with the reference to the inspector-general, who is conducting a review as to whether or not there should be any reduction in the general interest charge and any further review of the commissioner’s handling of the general interest and penalty provisions.

Senator CONROY—Mr President, I rise to ask a supplementary question. Isn’t the fact that the Prime Minister agreed to meet with a group of backbenchers, including the member for Canning, and further investigate their concerns over the minister’s handling of the employee benefit arrangements issue an indication that the Prime Minister also does not have full confidence in the ability of the minister to handle this issue?

Senator COONAN—That is a pretty long bow. That assumes that the Prime Minister has absolutely no interest in issues that concern backbenchers. That is an absurd proposition—a totally absurd proposition. The Prime Minister does not run the government as some ayatollah. The Prime Minister takes an interest, and it was appropriate that he be kept up to date with how this matter was progressing. Interestingly enough, the Prime Minister, having listened to the concerns, did absolutely nothing different to the process that was in train to deal with this issue and took absolutely no other action. I think the Prime Minister ought to be commended for giving some credence to issues of concern to particular members and senators. I understand that and I think it is perfectly appropriate. I keep him up to date anyway, but it was appropriate for members with concerns to have an opportunity to talk about that as well.

Environment: Threatened Ecosystems

Senator BARTLETT—My question is addressed to the Minister representing the Minister for the Environment and Heritage. Why is it that fewer than 10 ecological communities have been listed as threatened under the federal environment act since July 2000, despite the fact that the National Land and Water Resources Audit has identified around 3,000 threatened ecosystems and ecological communities? Is it the case that the Threatened Species Scientific Committee has rejected a number of nominations for threatened community listings under the act, on the grounds that the nominated community was not defined on a national scale? Can the minister explain why the government is refusing to list ecological communities that are not defined on a national scale, when this is not required under the act?

Senator IAN MACDONALD—I acknowledge Senator Bartlett’s genuine interest in the environment. It is good to get a question on the environment from the other side. No-one else from the other side shows any interest in the environment whatsoever. I advise Senator Bartlett that 2,891 ecosystems and ecological communities have actually
been identified as being threatened. There is a note that these are priorities for conservation. But the statement in the national land and water audit could be misinterpreted as meaning that the report considers that those ecosystems are actually eligible for listing as threatened under the Environment Protection and Biodiversity Conservation Act.

The identification of the appropriate national ecological communities for assessment for listing under the act is a fairly complex and technical matter, Senator Bartlett. The assessment from the national land and water audit does recognise the need for considerable grouping of ecosystems identified in the assessment report to reach a desirable scale at the national level. I understand that perhaps in simple language to mean that, to get them in a position where they can be protected, it is appropriate to gather them together in one area where they can be properly managed. That approach is consistent with the strategic framework which has been developed by the Threatened Species Scientific Committee to assist in the assessment of ecological communities at the national level. The strategic framework for identifying national ecological communities does ensure that all available information, including data used to support the biodiversity assessment report, will be used to define the full extent of each national ecological community and to assess its national conservation status.

The minister does not see any particular need to separately request the Threatened Species Scientific Committee to consider the threatened ecosystems identified by the biodiversity assessment report. The work that is happening is, as I said, part of a strategic framework. That strategic framework was, Senator Bartlett, published some time ago, and it does look at what the committee is going to address as a priority. As part of the work of that committee, the work of the National Land and Water Resources Audit will be invaluable. I might say that the audit was a $30 million investment by the Howard government into the environment. It is the first time that that sort of money has been spent on a serious look at Australia’s land and water position. It is simply another indication of the Howard government’s great environmental credentials—something that all Australians are proud of.

**Senator BARTLETT**—Mr President, I ask a supplementary question of the minister. Why is it that more than three years after the stronger national environment act came into force not even 10 ecological communities have been listed? Can he indicate how many communities have been nominated to the Threatened Species Scientific Committee for examination and how many have been rejected? Is it not the case that grouping together different nominated ecological communities contradicts section 189 of the act which forbids the consideration of any matter that does not relate to the ecological community that is the subject of the nomination? Why is it that the minister and the scientific committee have adopted a practice that appears to contradict section 189? Why is it that after such a period of time so few communities have been listed?

**Senator IAN MACDONALD**—I will have to get Senator Bartlett a legal interpretation, if that is possible, of his understanding of the act as opposed to my understanding of it. We do not believe that there has been any breach of the approach of the threatened species committee. It stands to reason, as a matter of commonsense, that it is no good protecting these endangered species if you do not have some sort of a management plan and cannot conveniently group them together to manage them properly.

As for the number, the committee has worked through this. The audit report only came out about a year ago, Senator Bartlett,
so your suggestion that it has taken three years to address the issues is not correct. Certainly, in the last year the committee has done a lot of good work. There is a lot of work on the drawing board, and it will continue to address all of those communities that have been identified as soon as possible. (Time expired)

Health and Ageing: Aged Care

Senator FORSHA W (2.32 p.m.)—My question is to Senator Ian Campbell, representing the Minister for Health and Ageing. Is the minister aware that on 4 February this year the Prime Minister, in commenting on the Hogan review into residential aged care, stated on ABC radio:

We’ve received the report and Cabinet will look at it very soon...

Is the minister also aware that, in a speech to the AMA National Aged Care Summit a week later on 11 February 2004, the Minister for Ageing, Ms Julie Bishop, said:
The final report is still being completed and will be submitted to the Government shortly.

Minister, when did the government receive Professor Hogan’s $7.2 million report? Given that these two statements are completely contradictory, who has misled the Australian people—is it the Prime Minister or is it the Minister for Ageing?

Senator IAN CAMPBELL—It is a very important question that Senator Forshaw asks. Indeed, it was a matter that was pursued at the Senate additional budget estimates in some detail by some of his colleagues. Senator Forshaw may have dozed off at that stage or he may not have been there.

Senator Forshaw—I asked the questions, you goose.

Senator IAN CAMPBELL—It wasn’t only you. It must have been me dozing off. It was me; I was dozing off. The questions were so scintillating, I dozed off. We went into a lot of detail about the report. I do remember now—Senator Forshaw reminds me—it is all coming back. It is the allied health package, I think. It has helped me. I do remember that we got into the semantics of what is a report, a summary report or a draft report, and it did take a lot of time in the estimates on the health budget. But of course the—

Opposition senators interjecting—

The PRESIDENT—Order! That is enough. I remind senators of standing order 72 where the person asking the question and the minister answering the question have the right to be heard in silence.

Senator IAN CAMPBELL—The key point that came out from the estimates hearings under Senator Forshaw’s scintillating questioning was that we had received a summary report. I do not think Senator Forshaw or anyone else who cares about aged care would seek to denigrate a process whereby the government was looking at the long-term funding of aged care in Australia. It is very important to understand that aged care funding in Australia is a significant commitment of the Australian government.

If you look, for example, at the figures for spending on residential aged care in the last financial year that Senator Forshaw’s party was in government, you will find that about $2.4 billion was spent—in fact, $2,463 million was spent in that final year. The expenditure in the latest financial year, 2002-03, was $4,310 million. Mr President, you will recall, because you are a Tasmanian senator, that earlier in the week we had a question asked about Tasmanian aged care funding from Tasmanian senator Brian Harradine—

Senator Forshaw—Mr President, on a point of order; the question I asked specifically dealt with the report of Professor Hogan that cost $7 million. That is a report con-
considering future funding for aged care. The minister’s answer is totally irrelevant to the question; he is now going on about what may have happened in the past. I ask him to draw his attention to the question.

The PRESIDENT—The minister has a minute and a half left. I cannot direct him how to answer the question; you know that.

Senator IAN CAMPBELL—Anyone who argues in a point of order that aged care funding has nothing to do with the Hogan report obviously does not understand what the Hogan report is about. It is about looking at the future of aged care funding. If you are looking at the future of aged care funding, surely you need to know what the trends are and where aged care is going. Senator Forshaw does not want to know that we have increased funding for aged care by 75 per cent. We have increased the number of places in all states. In Tasmania, for example, there were 3,625 aged care places under Labor and there are already up to 3,987 under our government. We have shown our commitment in the funding we have already committed to aged care places and by commissioning the Hogan report. I have said, the Prime Minister has said and the Minister for Ageing, Julie Bishop, has said that we will respond to the report. It is a very important issue. We are not going to be rushed into a response by Senator Forshaw or anyone else who wants to make cheap political mileage out of aged care funding. We will continue to focus on good policy and good funding, regardless of whether or not Senator Forshaw wants to make cheap mileage out of it.

Senator FORSHAW—Mr President, I ask a supplementary question. I thank the minister for his attempt to answer the question. I remind him, as he will recall from estimates, that officers of the department did not even call it a report; they talked about a ‘draft outline’ of Professor Hogan’s thinking—a pretty expensive mental exercise. I ask the minister: is it true that Professor Hogan has recommended the extension of accommodation bonds for all aged care residents? Does the government agree with Professor Hogan’s recommendation—yes or no?

Senator IAN CAMPBELL—Senator Forshaw obviously did not listen to the very detailed answer I have just provided. We have commissioned the Hogan report; we have received a summary of his thinking, to paraphrase Senator Forshaw; and the Commonwealth will respond in detail to the Hogan recommendations when they have been considered by the government. Why would we invest millions of dollars in detailed consideration of the future of aged care funding, a vitally important issue for the Australian community, and then respond to one of Senator Forshaw’s thought bubbles? We are not going to do it that way. We are going to deliver good policy and good funding and we are going to get the very best advice. We are not going to develop policy on the run the way the Latham Labor team does.

Defence: Equipment

Senator MURPHY (2.39 p.m.)—My question is to the Minister for Defence, Senator Hill. The government has just decided to purchase 59 second-hand US tanks at a cost of $550 million. In today’s Age newspaper, General Leahy, in attempting to justify the purchase, said:

... what we need to do is to respond to the current threat environment.

Minister, what is the current threat environment that General Leahy speaks of which causes us to buy these 59 very heavy second-hand US tanks that would seem to be less than adequate or acceptable for operations in the north of this country?

Senator HILL—I think there has been a misunderstanding. The tanks are very suit-
able in providing support for infantry, the principal purpose for which they are being purchased. General Leahy has made that clear. In particular, recent operations have illustrated the danger to troops on the ground that are not supported by heavy armour, particularly relating to a proliferation of man-held anti-armour weapons. Our existing Leopard tanks are dated and vulnerable. It is time they were updated and they are being updated with the best tank that is available for the purpose. In relation to them being second-hand, these tanks are being refurbished in exactly the same way as the M1A1 tanks are being refurbished for the United States armed forces—ours will be taken off the same line. They come to us on a zero mileage basis, in effect, as brand new tanks for our purposes, and the various warranties are on that basis. So (a) they are the most suitable tank available, as General Leahy has said on a number of occasions; (b) they are a very capable tank, certainly more capable than any other tank in this region; and (c) they will come to us as new.

**Senator MURPHY**—Mr President, I ask a supplementary question. I did ask the minister what the current threat environment is that somehow seems to exist, certainly in General Leahy’s mind. The minister might answer that part of the question and in addition answer this question: what is the operational lifetime of these tanks and what agreement is there with the US in terms of services and/or spare part supplies for these tanks?

**Senator HILL**—What I was trying to say—obviously I did not say it clearly enough—was that the environment that General Leahy was talking about involves threats associated with man-held anti-armour weapons. If our forces were in an operation, they would be very vulnerable to this type of threat. That is why the Army is keen to have contemporary armour to protect its forces on the ground—a very reasonable request, I would have thought.

In relation to support and spare parts etcetera, they are all part of this package, including ammunition and war stocks. It is a very good package not only in terms of the supply of the tanks but also support for the tanks and an integrated logistics package with training and everything that is necessary to implement the capability. We are not just simply buying the tanks; we are buying a package that will enable us to implement the capability. *(Time expired).*

**Defence: Equipment**

**Senator CHRIS EVANS** *(2.44 p.m.)*—My question is also to the Minister for Defence and follows on from Senator Murphy’s question. Can the minister confirm that the purchase of M1A1 Abrams tanks for $550 million is in fact for second-hand tanks first built in 1985? What is the exact age of the tanks being purchased and can the minister provide service details for the tanks, including service under battle conditions? Given the disastrous experience with the purchase of the second-hand Vietnam War veteran Seasprite helicopters, has a full risk analysis of this purchase been undertaken? What does buying them under zero hours and zero mileage mean, given that many of them would be 20-year-old tanks? Can the minister indicate why he has again refused to undertake a fully transparent and accountable tender process for this major defence acquisition project?

**Senator HILL**—I could say that I have just answered that question and that obviously the honourable senator was not listening to the answer, but I will elaborate further for the benefit of Senator Evans. Senator Evans is suffering a little from a relevance problem at the moment, because the new Labor leader says that he is sticking very closely to Mr Beazley on these matters,
which I thought was a bit rough on Senator Evans.

Senator Chris Evans—I shall listen very carefully. He’s about the same age as the tanks, to be fair. There’s a similarity there.

Senator Hill—What, Beazley’s age?

Senator Chris Evans interjecting—

The President—Senator Evans, you have asked the question. I ask you to remain quiet so the minister can answer it.

Senator Hill—The Americans have over 3,000 M1A1 tanks. They are refurbishing some of them, so they become a frontline battle tank. We will be taking tanks off that line. We will have the opportunity to select the chassis that we want. We will be sending our experts to America. They will have the opportunity to inspect the tanks before they are refurbished and pick the 59 that they want for our force.

Senator Conroy—How old?

Senator Hill—I just said that they have not picked them. That way we can be assured that we get the ones that we want.

Senator Chris Evans—Mr President, I ask a supplementary question. I ask the minister to take on notice the question about the age of the tanks and their service details, because it seems to me that is the key issue. Can the minister also explain the change in strategic rationale that made the purchase of heavy Abrams tanks a priority? Is it true that they have been chosen so that we can forward deploy Australian tank crews into pre-deployed American tanks in certain circumstances? Can he explain how the increased threat of terrorism has influenced this change in thinking and priorities? Does the purchase of heavy tanks represent a victory for the minister’s ambitions for Australia to take on a greater expeditionary, worldwide military role?

Senator Hill—I am not sure what is going on here. Clearly, the shadow minister for defence was not listening to the answer. How would I know the service details when the tanks have not yet been chosen? We have not spent a dollar. The tanks will be selected and inspected, the best will be picked by our experts, then they will know the service details. If that is not clear, I cannot say it any clearer. In relation to why purchase tanks at this time, I thought I had explained that as well. Army is concerned about a proliferation of man-held anti-armour weapons. That is what has changed in relation to the strategic environment. Army believes that its men should be protected. This government believes that servicemen that we send to the front line should be protected and that is why we are purchasing this armour.

Senator Chris Evans—You didn’t believe that in 2000.

Senator Hill—No. You read the 2000 paper. We are not purchasing heavy armour; we are purchasing something to protect our forces on the ground. (Time expired)

The President—The time for answering the question has expired and the time for shouting across the chamber has expired, Senator Evans.

Education: Teachers

Senator Tierney—My question is to Senator Vanstone, the Minister representing the Minister for Education, Science and Training. Will the minister outline to the Senate the importance of the government’s proposal to encourage more men into teaching. What has been the reaction to these proposals?

Senator Vanstone—I thank Senator Tierney for the question. He has a very long-standing interest in education and, obviously, in the education of young boys and girls. How often have we heard that the needs of boys are being ignored in our schools? Eve-
Everyone is aware that the proportion of male teachers in schools, especially primary schools, has been dropping over recent decades. The advice that I have is that the ratio of male teachers to female teachers is now one in five. I am further advised that, in 250 primary schools in the state of New South Wales, there is not one male teacher. In the Catholic education system in New South Wales, the proportion is only 14 per cent. We would have thought this is an issue where there might be some bipartisan support and understanding.

The Leader of the Opposition has often spoken of this issue in the past. In fact, he has gone so far as to use what I think is quite extravagant language and referred to it as ‘a crisis of masculinity’. That is what he has told the Australian people we are facing. I see some young men in the gallery wondering if it applies to them—probably not. Nonetheless, that is what Mark Latham said: ‘There is a crisis of masculinity.’ You might remember when he said that that he had very clear views on that issue and a whole lot of other issues. We have thought about that. We were concerned about the same issue and we have come up with a typically Liberal, practical response: why don’t we allow people to give some scholarships to young men who want to teach in primary schools? Perhaps that will help redress the balance. We have introduced legislation into the House of Representatives to allow a practical response to the ‘crisis of masculinity’, identified by Mark Latham. I do not think it is quite as serious as he says it is. He is right when he says that there are lots of kids in lots of families without a male role model. Making this change will not solve the problem overnight but it will help.

What is the opposition’s response to a practical solution, to a problem identified by the new leader of the Labor Party? They will oppose it. That is what they are going to do: they are going to oppose a small, practical step. They say that there are other things that have to be done. They have a five-point plan, but they are not in government yet. They could accept a change to be made now to make a difference, but they will not. They want to oppose everything.

Senator Bolkus—It won’t make any difference.

Senator VANSTONE—I hear Senator Bolkus interjecting that it will not make any difference. The House of Representatives Standing Committee on Education and Training, in its report on the education of boys called Boys: getting it right, called for more scholarships but they said they wanted them to go equally to males and females. And as reported in the Sydney Morning Herald, the deputy chairman of that committee, Mr Rod Sawford, the member for Port Adelaide, acknowledged that male-only scholarships would have been preferable. He is reported as saying:

We thought the discrimination laws would be a problem. That’s why we said 50 per cent. So we have fixed that. The committee can have what it thought would be a better response. You have it in your power to give the committee what the deputy chairman, a Labor member, says they really wanted. But because we have come up with a solution you will not go along with it. This is typical of these people. They opposed welfare reform and they opposed stronger border control. They will do anything to upset the government. (Time expired)

Health and Ageing: Aged Care

Senator DENMAN (2.53 p.m.)—My question is to Senator Ian Campbell, the Minister representing the Minister for Health and Ageing. Is the minister aware that a recent study by La Trobe University found that the current indexation formula for adjusting the residential aged care funding subsidy is
totally inadequate, resulting in a funding shortfall of around $400 million a year? Does the minister agree with the statement by Senator Guy Barnett, as reported in the Launceston Examiner on 25 February this year, when he said:

We have an outdated index system and it needs to be fixed.

Minister, what is the government doing to fix this funding crisis and to prevent the closure of aged care facilities due to financial stress?

Senator IAN CAMPBELL—I thank Senator Denman for a very important question about aged care funding in Australia. It is far more important than discussing the title of a report on a pricing review. The growing need for aged care in Australia has been the subject of intense policy work by the government and, as I said in an earlier answer today, an intensive increase in resources. Clearly the issues that have arisen—as Senator Denman would know better than others in relation to her home state—are a reflection of the increasing stress that comes with an ageing population. It is interesting to note that back in 1998, for example, when the Auditor-General wrote a report called the Planning of aged care, the Auditor-General noted that under the previous government there had been a shortage of some 10,000 aged care places. That report was written, as I said, in 1998 and clearly that built on a report that was known as the Gregory report in 1994, which found significant failures in the then government’s policy with standards and care outcomes in aged care facilities. So the government has an interest—as Senator Denman would know well because she has taken a close interest in this, as has Senator Guy Barnett, whom she referred to in her question—in the funding of aged care.

There are two main issues: one is the funding of the infrastructure and the other is the funding of the recurrent costs. In a previous answer I referred to the fact that we have before the government—and the Minister for Ageing—a summary report prepared by Professor Hogan in relation to pricing, and that goes to funding issues. But I think it is important to understand that the government has been far from reluctant to increase funding in the sector. We have enthusiastically increased funding in and gross figures we have gone from just over $2.4 billion in the last year of Labor up to $4.3 billion in the latest financial year under the coalition. We have seen a significant growth in the number of places. I add, for Senator Denman’s benefit, that in Tasmania there has been a significant increase in places, from 3,623 back in the last year of Labor up to 3,987. That is a 10 per cent increase.

We have also increased funding per residential aged care place—and this goes straight to Senator Denman’s question. Funding per place in Tasmania—and this is indicative of increases in funding across Australia—was $20,938 in the final year of Labor, and the funding per residential aged care place is now $31,377. That is a 50 per cent increase in that period. I do not think Senator Denman would argue that we have not made sufficient places available. She is arguing, I think, on behalf of the industry—and the industry are raising this question—that we need a greater level of recurrent funding to ensure that these aged care facilities remain viable. That is an issue that is before the government. We need to look at it in the context of a government that has committed significant resources to this sector. We recognise that it is a very important sector. It needs to be funded adequately, particularly as we have an ageing population and more and more people are going to need these facilities in the future. (Time expired)

Senator DENMAN—Mr President, I have a supplementary question. Given the recent reports of imminent closures of nurs-
ing homes in Tasmania due to inadequate recurrent funding, can the minister state clearly what the government intends to do to ensure that such nursing homes remain open and viable?

Senator IAN CAMPBELL—I have gone into some detail about the government's creditability on this issue and our bona fides in terms of committing funding where it is required. We have already said on a couple of occasions that the pricing review, the report by Professor Hogan that is before the government, gives the government an opportunity to once again look at these issues. I say very frankly on behalf of the government that we recognise these issues. I think Senator Denman would be one of the few on the other side who would not want to play cheap politics with this issue. Senator Denman has taken a sincere interest in this area and would wish the Minister for Ageing well in her consideration of these issues and would recognise the commitment of the government to ensuring that there is adequate funding, that the sorts of threats that have been made through the report that was on the front page of the Mercury on Monday do not come true, and that we work through these issues. The government's record in this regard far out-shines Labor's when they were in power.

Education: Abstudy

Senator RIDGEWAY (2.59 p.m.)—My question is to the Minister for Family and Community Services, Senator Patterson. Is the minister aware that, under current social security legislation, Abstudy recipients are not eligible for crisis payments? Indigenous students already face considerable challenges in accessing higher education. The government have stated that they are committed to improving the educational participation of, and outcomes for, Indigenous people. If this is so, why would the government make it even harder for Indigenous students by not granting them access to the same crisis assistance available to non-Indigenous students? Is it true that Centrelink has undertaken an internal review of crisis payments? If so, when are we likely to see the outcomes of that review? Will the review recommend that crisis payments be made available to Abstudy recipients?

Senator PATTERSON—I thank Senator Ridgeway for his question. With regard to the particular issue you have raised, I do not have details and I do not have details of Centrelink's review. What I can say is that we have committed $327 million to 34,000 new Commonwealth Learning Scholarships over the next five years for students from low-income backgrounds, and we have committed to 20,000 Commonwealth Education Cost Scholarships valued at $2,000 per annum and 14,000 Commonwealth Accommodation Scholarships valued at $4,000 per annum. I presume that some students on Abstudy would be eligible for those. There have been no changes made to the Abstudy living allowance, which is available as income support for eligible clients. With regard to the specific issue you raised, I will get back to you as soon as I possibly can. Also, I will get back to you if there are any details about the Centrelink review.

Senator RIDGEWAY—Mr President, I ask a supplementary question. I thank the minister for undertaking to provide further information. Will the minister also concede that Indigenous students are far more likely to need access to crisis payments than their non-Indigenous counterparts? Given that a high proportion of Indigenous students are older than their non-Indigenous counterparts, and are therefore more likely to have family commitments and other pressures to contend with while studying, what is the rationale for the difference in the treatment? Could you provide information on that? Why is the government in this case maintaining what
appears to be discrimination in regard to access to crisis assistance? Will the government commit to amending the legislation so that eligibility for crisis payments is also extended to Abstudy recipients?

Senator PATTERSON—When I get a question from the other side, I do not necessarily always agree with the assumptions underlying it. Senator Ridgeway, I am not aware of the issue that you are raising. I am not sure whether it falls into the education, science and training portfolio or the family and community services portfolio. I will examine that and get back to you as soon as possible. I usually get back to people within the next day if I cannot do so on the same day. I will clarify that issue for you.

Senator Hill—Mr President, I ask that further questions be placed on the Notice Paper.

QUESTIONS WITHOUT NOTICE:

ADDITIONAL ANSWERS

Taxation: Avoidance Schemes

Senator COONAN (New South Wales—Minister for Revenue and Assistant Treasurer) (3.03 p.m.)—I would like to revise a number that I gave Senator Wong in an answer to a question she asked in question time today. I received written representations from some amongst those who attended the relevant meeting. The number is seven, not five. I had the list sent around and it is seven, not five.

QUESTIONS WITHOUT NOTICE:

TAKE NOTE OF ANSWERS

Health and Ageing: Aged Care

Senator FORSHAW (New South Wales) (3.03 p.m.)—I move:

That the Senate take note of the answers given by the Minister for Local Government, Territories and Roads (Senator Ian Campbell) to questions without notice asked by Senators Forshaw and Denman today relating to funding for residential aged care.

The review of aged care conducted by Professor Warren Hogan was established via an announcement on 16 September 2002. On that day, the then Minister for Ageing, Kevin Andrews, announced that Professor Hogan would head up an aged care review costing $7.2 million which would look into the pricing of residential aged care. In all the various announcements made by the minister subsequent to that first one, he stated that the review would be completed in time for the recommendations to be presented to the minister by the end of 2003. The minister made that statement in media releases on no fewer than three occasions, and it was also noted in the annual report of the department for the year ending 30 June 2003.

Interestingly, on 23 December last year in an article in the Australian there was quite a detailed summary of Professor Hogan’s recommendations. I do not have time to read them all, but the article referred to recommendations such as the introduction of accommodation bonds for high-care facilities and the adjustment of the indexation formula, which, it was acknowledged, is totally insufficient. As I said when I asked the question during question time, the Prime Minister on 4 February stated in an interview on ABC radio that the government had the report, was considering it and would be responding soon thereafter. Yet only seven days later, the Minister for Ageing, Ms Bishop, stated that the review was in its final stages. She said:

The final report is still being completed and will be submitted to the Government shortly. Obviously there was some contradiction between what was said by the Prime Minister, who said that the government had the report—and had received it within the time frame that had been set—and what was said by the minister, who said that they did not
have it at all. Yet the newspapers printed in
great detail Professor Hogan’s recommenda-
tions. Remember, this report followed a very
extensive review that cost $7.2 million. I
asked questions about this on 18 February in
the estimates committee hearings, and there
was a very interesting exchange. When I
drew attention to the contradiction between
what the Prime Minister and what the minis-
ter had said, an officer of the department, Mr
Mersiades, gave this explanation:
It was a draft outline of his thinking; it was a draft
interim report—
referring to what Professor Hogan had pro-
vided to the government. I followed this up
with further questions. With regard to the
report, I asked:
What form is it in?
Ms Jane Halton, the Secretary of the depart-
ment, said that it was typed. I asked:
Is it a one-page or a couple-of-pages summary?
Mr Mersiades answered that it was a draft
outline of his thinking.
The transcript of the estimates committee
hearing continues:
Senator FORSHAW—A draft outline of his think-
ing?
Mr Mersiades—That is how the minister de-
scribed it.
Senator FORSHAW—Is it a report or is it not a
report?
Ms Halton—It is not yet a report.
It went on in this vein. The government
committed $7.2 million to the preparation of
this report. Professor Hogan undertook a
detailed review. Clearly, recommendations
from Professor Hogan were being provided
to the government by the end of December.
That was reported widely in the newspapers.
This government is grappling with how they
will respond to some of those recommenda-
tions, such as accommodation bonds. We
have since had an attempt to rewrite the re-
cord—indications that there was never a re-
port at all. The parliament, the people of
Australia and the aged care industry are enti-
tled to know just what is in Professor Ho-
gan’s report, when it was presented to the
government and what this government’s re-
sponse will be. (Time expired)

Senator KNOWLES (Western Australia)
(3.08 p.m.)—To listen to the Labor Party,
one would think they had a squeaky clean
record on the issue of aged care. Nothing
could be further from the truth. I remind
senators on the other side of the chamber
about the Gregory report. The Gregory report
was a report on the funding of aged care and
the relevant standards, care outcomes and so
forth of aged care facilities by the Labor
government. It was the most shocking report
one could ever imagine. The Gregory report
demonstrated that not only had Labor left
this country 10,000 aged care beds short and
cut funding, but that many of the institutions
failed basic fire safety, general safety and
quality of care standards. That is the legacy
of the Labor Party. Yet here they are, pontifi-
cating about aged care. They should be
ashamed of themselves.
Not only that, but they did not go one step
further. At the 2001 election the Labor Party
gave a commitment to a proposed national
benchmark of care. What hysterical non-
sense! After 13 years of Labor’s neglect of
aged care, this government came up with the
accreditation system. The Labor Party could
have done it in 13 years, but they did not.
They did not introduce legislated standards.
They should be ashamed of themselves for
not doing so, particularly having regard to
the outcomes of the Gregory report. More
importantly, the $54 million that Labor
promised at the 2001 election would not
have been available until 2004-05.

Senator Hutchins—This year.
Senator KNOWLES—That is exactly right, Senator Hutchins—what a clever boy we are! It is a shame that Senator Hutchins did not point that out to the Labor Party in 2000, when they put their policy together. In 2000 they came up with the harebrained idea to do what has already been done by the government—but in another four years. What a joke!

Senator Hutchins—What are you doing?
Senator Ferris—You can’t recover now, Senator Hutchins.

Senator KNOWLES—As Senator Ferris says, Senator Hutchins cannot recover now. He has kicked an own goal. We have someone who does not know and understand the system saying that the Labor Party made a commitment four years in advance to do something that has already been done by this government, and that does not ring an alarm bell? Then they come in and criticise. They come in and say that it is not good enough. Why doesn’t this Labor opposition say what they would do if they were ever re-elected to government? Their record in aged care is appalling, according to Professor Gregory. It is not according to Sue Knowles or anyone else, but according to Professor Gregory that the Labor Party’s record is abysmal.

It has taken this government to turn it around. It has taken this government to implement the accreditation system. It has taken this government to set the standards. It has taken this government to ensure that the fire safety regulations and all the standard of care outcomes are observed. None of that was done in 13 years of Labor, yet they are complaining. I would not be worried about reports if I were in the Labor opposition—I would be worried about Labor’s record. I would be desperately worried about their record and what they would do in the future if ever they were given the responsibility of the government benches again. Their record of responsibility when in government is nothing short of appalling. They let down the aged care community and they let down the aged of the future. Imagine handing over—

(Time expired)

Senator DENMAN (Tasmania) (3.13 p.m.)—I support the motion to take note of the answers given to the questions on the crisis and challenges facing aged care. I acknowledge that the minister has recognised some of the needs in my home state of Tasmania but I want to go further with those because there are enormous needs there. One of the matters we need to address—and no one so far has made mention of this—is that people with disabilities such as down syndrome, et cetera are living to be much older. No places have been set aside for those people in nursing homes. They do not slot into the normal nursing home environment. We need to take extra care to address their needs because we are living to be older, fortunately.

Perhaps a downside of living longer and healthier lives is that it has created a problem for nursing homes. People who are now going into nursing homes are more frail and the facilities they need are greater—hence the increased demand for high-care nursing homes. I want to read from a couple of articles in my local press. I have here a statement made by Pam Pattison, the Chief Executive and Director of Nursing, Karingal Home for the Aged, who said:

Aged care financial surveys have provided the hard facts, backing what the sector has been saying and experiencing. Over the past few years we have continued to experience a declining result. But there is no immediate crisis for Karingal—

Karingal is one of the more wealthy nursing homes—

However, if we don’t address the issue then obviously there is going to be ...

I have another quote, from the Presbyterian aged care homes executive officer in Tasma-
nia. He lists the facts of the crisis, and one of the facts on the list is:

Community and residential care services are inadequate to meet the needs of older members of our society.

I think I have addressed that by noting that people in our society are living longer and, therefore, their needs will be greater because, when they do go into a nursing home, they are more frail. He continued:

Recurrent funding of nursing homes is inadequate to meet operational costs.

The minister may also have touched on that in his answer. The quote continues:

The government’s capital grants program is inadequate to redevelop existing nursing homes to meet Commonwealth government standards. Aged care nurses and care staff receive inadequate wages for the quality and nature of their work.

That is something else we need to look at. I am also concerned about the shortage of aged care nursing places. In Ulverstone, on the north-west coast of Tasmania where I live and where I have my electorate office, the Salvation Army has just closed one of its nursing homes, and that has caused an enormous crisis. We cannot afford to allow operators who are doing a great job and who are providing a wonderful service to older Australians and to their families to go the wall. We have to do something about it. We simply cannot allow that to happen because of funding shortages. Again, the needs of elderly people will not be met if we allow this to happen.

The evidence of a crisis is mounting. It is obvious when nursing homes begin to close. We must prevent any further manifestation. We must never allow a situation to occur where older Australians are told that they must leave their nursing homes because they can no longer afford to allow them to stay there. When that happens, the crisis is with

the family. Often the person in the nursing home does not have family close by, so they have to be moved. That is one of the other issues in Tasmania, and I guess elsewhere: you cannot always get into a nursing home in the area where you have spent most of your life. So you are moved out of that area; you do not have any family in the area and that in itself creates further crises. Having to close nursing homes and move people out of them is a problem. (Time expired)

Senator HUMPHRIES (Australian Capital Territory) (3.18 p.m.)—To be fair, I think the Labor Party deserve some congratulations today because they have shown real courage in coming into this place and raising the issue of aged care. If I had a record on aged care like their record, I would not breathe the word. I would not mention it. I would stay well clear of it. What we have on the record is a spectacular failure by the former Labor government to address the needs of ageing Australians. In contrast, we have had an enormously positive and appropriate response in the years since 1996 that leaves Labor’s attempts to deal with the problems of ageing Australia in the shade. I think that comparison bears further exploration.

Back in 1995-96, the former Labor government spent just $2 1/2 billion on residential aged care, which is a lot of money. But, as the Auditor-General’s report in 1998 demonstrated, it left an enormous number of people unable to obtain care in residential accommodation. The Auditor-General identified a shortfall of 10,000 places in unmet need left to this government by the former Labor government. Since 1995-96, we have increased spending on residential aged care to $4 1/2 billion—that is $2 billion more, or an 80 per cent increase, in spending on residential aged care.

None of us here needs to be reminded that there has not been an increase in the number

CHAMBER
of people needing aged care in the order of 80 per cent, so why have we spent that extra money? Why has the Australian government spent 80 per cent more on residential aged care in the last few years? I will tell you why: because Labor did not, because Labor failed the sector. Labor saw a need and chose to look the other way. Total aged care funding, which of course includes non-residential services to the aged in Australia, has increased from $3 billion when we came to office to $6 billion today. I am sorry, Senator Denman, but the issues you have raised in comparison with that level of increase in support for the aged in Australia pale into insignificance.

I am sure there are some issues about the administration of ageing that, no doubt, have a lot to do with the Tasmanian government, but let us put that to one side. There are lots of issues about the detail of administration that we could discuss here today. But none of that detracts from the fact that this government has put the needs of aged Australians well and truly on the public agenda. It has backed its rhetoric about concern for them with dollars that will make a real difference to people in this community.

On Monday I had the pleasure of going with Julie Bishop, the Minister for Ageing, to two care centres in the ACT to launch two new programs for this territory’s aged population. One was the Home from Home program designed to provide respite for carers of aged people suffering from dementia. There is huge pressure on these people, and it is extremely important to provide them with support in their own homes so they can support people with dementia. The Home from Home program will provide that kind of support in the ACT. I then went to the Jindalee Nursing Home in Narrabundah to launch an innovative program designed to help those people in residential settings caring for aged people suffering from dementia. This government provides real support for aged Australia where it is necessary; we have nothing to apologise for.

Senator Forshaw has raised some concerns about the status of the Hogan report. Senator Forshaw will want to know the answers to his questions when that report is tabled; he will want to know what the government is going to do about the issues and responses the Hogan report raises. We want to make sure we have those answers, which he will no doubt call for within moments of the report hitting the table. We are taking the time not to do it quickly but to get it right. I know those opposite are experts on making up policy on the run; I know they love to see a bit of paper and to think up something on the spot and rush out with an answer. We prefer to think through our responses and to consider what is in the best interests of Australians and, particularly in this case, aged Australians. We prefer to have the answers at hand which will provide an appropriate and complete response to their needs. We have demonstrated that pretty clearly over the last few years—(Time expired)

Senator HUTCHINS (New South Wales) (3.23 p.m.)—I also rise to take note of Senator Ian Campbell’s answers regarding the state of the aged care industry in this country. There is a lot of talk about aged care funding at the moment. We have the ridiculous situation where the government has commissioned Professor Warren Hogan to present a report and we cannot even debate its recommendations. This report cost taxpayers $7.2 million, yet it can be neither analysed nor its recommendations applied. The government, as is so often the case, is refusing to release a report which could significantly improve the lot of thousands of Australians. In the debate about funding, we cannot lose sight of the fact that the poor state of the industry is due in large part to the failure of the government’s Aged Care Act 1997.
Effectively, what has been created is cut-price care. The act created a deregulated environment in which providers are given taxpayers’ money without any real control over the quality of care they deliver to elderly Australians. There is no benchmark of care, and we have a funding system under which proprietors have no incentive to improve the health of residents. There are no guidelines, let alone requirements, for the number of staff who should be employed in aged care facilities—a fact that most people are unaware of. This has led to the appalling situation we repeatedly see where facilities are understaffed to the point that the care of residents is placed in danger.

Consider the case of Kaniva Hostel in western Victoria. For three years it was allowed to operate by the Aged Care Standards and Accreditation Agency without anybody working overtime or even being on the premises. The staff went home and the residents were left to fend for themselves if anything went wrong. Conditions were so bad that staff worked in a leaking garage that was used as an office, which was exceptionally cold in winter and unbearably hot in summer; they had no sink to wash their hands. When management finally decided to employ overnight staff, they towed in an old caravan and put it out the back. The wardrobe of the caravan was used to store the records of the residents.

An example that has not yet been reported is the Fraternity of the Holy Cross nursing home in Kentlyn in New South Wales. An inspection there found nobody actually worked overnight. Instead, one carer started at 4.30 p.m. and then slept over to hand out medication and finish work the next morning at 8 o’clock. In that facility there are serious behavioural problems among the residents—including repeated physical and verbal assault, threats with knives and residents absconding. Staff were also left for years without the appropriate training and education they needed to work in such a professionally demanding environment. The Aged Care Standards and Accreditation Agency said the staffing situation was totally inadequate but, because there are no minimum staffing standards, it cannot say what a proper level of staffing should be.

These are just two examples of the appalling state of an industry where providers are allowed to set their own staff levels and decide what training and education is needed for carers. The Aged Care Standards and Accreditation Agency often only inspects facilities every three years. When facilities are inspected, the accreditation standards are so rubbery that the agency is powerless to enforce effective standards of care.

While the government has been listening to employers via the former Howard staffer turned PR merchant, Graham Morris, Labor has been listening to all sections of the aged care sector, including the workers themselves. We understand the sector is in crisis, and that is why we intend to propose a Senate inquiry into the level of care that is being delivered and the appalling situation facing residents and staff. The inquiry would be a key opportunity for everybody in the industry to have their say about what its future would be and how we go about introducing a system in which residents and their families have some basic guarantees that they are going to be looked after properly. We are ready, as is often the case. However, the government is unprepared and denies there is a problem that needs to be addressed, and this is demonstrated by the poor answers we received from Senator Ian Campbell today.

Question agreed to.

**Education: Teachers**

Senator BARTLETT (Queensland—Leader of the Australian Democrats) (3.29 p.m.)—I move:
That the Senate take note of the answer given by the Minister for Immigration and Multicultural and Indigenous Affairs (Senator Vanstone) to a question without notice asked by Senator Tierney today relating to increasing the number of male teachers.

It is unfortunate what is an important and serious issue has been trivialised by focusing a debate on such a ridiculous component and such a ridiculous suggestion as to why there is a problem in this area. This is a Prime Minister who has regularly talked about his opposition to affirmative action, including in his own party—the Liberal Party—despite his party’s very poor record in relation to encouraging or enabling women to enter parliament.

The Democrats have their own concerns about the desirability of political parties adopting affirmative action. It is an approach that we have not adopted as a party; but, of course, the Democrats have been very successful in having women represent our party in the parliament. It has a strong record of firsts in terms of women leaders of our party. The first, second, third, fourth and fifth, I think, female federal leaders of a recognised political party in Australia have all been from the Democrats. Many times in our history we have had equal or even a majority of women amongst our federal representatives. The Democrats speak from a record of strength on this issue.

It is an absurdity for the Prime Minister to suggest that we should put in an exemption to the Sex Discrimination Act because the percentage of male teachers in primary schools is too low. We have managed to get through more than 100 years with zero women being Prime Minister of this country. I think 25 men have been Prime Minister and zero women. With the exception of Carmen Lawrence and Joan Kirner, we have had no other women elected as premiers of the states of our Federation in over 100 years. I do not hear the Prime Minister suggesting that we should amend any of our acts to redress what is a far more absurd, ridiculous and problematic misrepresentation and gender imbalance in areas that are supposed to be representative of the population.

It is an approach that the Democrats believe is absurd and it will not address the problem. To suggest that it will address the problem of the low percentage of males in teaching—which does need examination—is to trivialise a significant issue and ignores some of the real factors behind that scenario. If we had the Prime Minister talking about special measures to address the much lower percentage of women in senior executive positions, for example, then perhaps we could take him seriously. If we could see him addressing the huge disparity in average wage earnings by women compared to men across the work force, then perhaps we could take him seriously. But when he is talking about an area where there is a shortage of men—a particular component of one particular profession—and he wants to amend the Sex Discrimination Act solely for that purpose, then it is extremely hard to take him seriously. Not that I am suggesting, of course, that the area of primary school teachers is one of social power and privilege or anything like that—obviously, if it were, there would not be a shortage of men. I think that is a much greater reason for the problem in this area.

If you look at any profession—including my first profession of social work—you find that the vast majority in the undergraduate field and in the initial areas are women. When you get higher up the scale in the senior positions—the senior lecturers, the heads of departments and the heads of senior public sector positions—funnily enough, there are a majority of men. I do not know how that happens, but I guess it is just the way it is. But I do not hear the Prime Minister talking...
about special exemptions to the Sex Discrimination Act for that. The government’s proposal should be recognised for the furphy that it is. It is distracting from an issue that does need examination. Although, if this Prime Minister genuinely believed that children are harmed by not having access to enough male role models, he certainly would not allow a policy to continue that keeps refugee children separated from their fathers, potentially permanently. That is the greatest harmful action—(Time expired)

Question agreed to.

TOBACCO ADVERTISING PROHIBITION (FILM, INTERNET AND MISLEADING PROMOTION) AMENDMENT BILL 2004: EXPOSURE DRAFT

Senator ALLISON (Victoria) (3.34 p.m.)—by leave—I seek to table the draft exposure bill that bans inducements for tobacco product placement in film, prohibits terms such as mild and light in tobacco promotion and bans the sale and promotion of tobacco products on the Internet and on computer games.

Leave granted.

NOTICES

Presentation

Senator George Campbell to move on the next day of sitting:

That the following matter be referred to the Employment, Workplace Relations and Education References Committee for inquiry and report by 25 November 2004:

(a) policies and strategies aimed at addressing the life-long learning needs of an ageing population;

(b) the ways in which technological developments, particularly the Internet, have affected the nature and delivery of life-long learning since 1997;

(c) the adequacy of any structural and policy changes at Commonwealth and state or territory level which have been made in response to these technological developments;

(d) technological barriers to participation in life-long learning and adult and community education, and the ways and means by which these might be overcome;

(e) the extent to which the training, professional development and role of adult educators has kept pace with or been influenced by technological and on-line developments since 1997; and

(f) re-training strategies as an element in life-long learning, especially for those living in rural and regional areas.
more Indigenous people in training and to encourage higher level skill acquisition in skilled trades and professions, including health and teaching; and

(e) models for engaging industry and Indigenous communities in partnerships to develop long-term employment opportunities for Indigenous people—in infrastructure development through to the arts—and the limitations and opportunities these confer.

Senator George Campbell to move on the next day of sitting:

That the following matter be referred to the Employment, Workplace Relations and Education References Committee for inquiry and report by 25 November 2004:

The living costs of students enrolled in full-time and part-time courses and, in particular:

(a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:

(i) the adequacy of these payments,

(ii) the age of independence,

(iii) the parental income test threshold, and

(iv) the ineligibility of Austudy recipients for rent assistance;

(b) the effect of these income support measures on students and their families, with reference to:

(i) the increasing costs of higher education,

(ii) students being forced to work longer hours to support themselves, and

(iii) the closure of the Student Financial Supplement Scheme;

(c) the importance of adequate income support measures in achieving equitable access to education, with reference to:

(i) students from disadvantaged backgrounds, and

(ii) improving access to education; and

(d) alternative student income support measures.

Senator Cook to move on the next day of sitting:

That the report of the Foreign Affairs, Defence and Trade References Committee on current health preparation arrangements for the deployment of Australian Defence Forces overseas be presented on 17 June 2004.

Senator Knowles to move on the next day of sitting:

That the time for the presentation of the report of the Community Affairs Legislation Committee on the Truth in Food Labelling Bill 2003 be extended to 1 April 2004.

Senator Conroy to move on the next day of sitting:

That the Senate calls on the Government to request the Productivity Commission, in accordance with the Productivity Commission Act 1998, to:

(a) undertake a thorough assessment of the impact of the free trade agreement (FTA) made between the governments of Australia and the United States of America in February 2004 on Australia’s economy focussing in particular on:

(i) the impact on employment and investment,

(ii) the impact on Australian agriculture,

(iii) the impact on Australia’s manufacturing sector across states, territories and regions,

(iv) rules of origin,

(v) government procurement,

(vi) intellectual property,

(vii) the Pharmaceutical Benefits Scheme, and

(viii) the audio-visual sector; and

(b) report on any anticipated trade creation and trade diversion effects arising from the agreement and include in its analysis a full assessment of the environmental, social and cultural impact of the FTA.

Senator Lundy to move on the next day of sitting:
That the following bill be introduced: A Bill for an Act to amend the Copyright Act 1968 to introduce a Resale Royalty Scheme for the visual arts, and for related purposes. Resale Royalty Bill 2004.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (3.35 p.m.)—I give notice that, on 23 March 2004, I shall move:

That the provisions of paragraphs (5), (6) and (8) of standing order 111 not apply to the following bills, allowing them to be considered during this period of sittings:

Greater Sunrise Unitisation Agreement Implementation Bill 2004
Customs Tariff Amendment (Greater Sunrise) Bill 2004.

I also table a statement of reasons justifying the need for these bills to be considered during these sittings and seek leave to have the statement incorporated in Hansard.

Leave granted.

The statement read as follows—

Purpose of the Bills
The bills will bring the Unit Area created under the International Unitisation Agreement (IUA) for the Greater Sunrise petroleum field in the Timor Sea within the scope of relevant Commonwealth legislation, including those Acts listed in Annex II to the IUA, while at the same time removing the Unit Area from the scope of certain provisions of other relevant Acts.

Reasons for Urgency
Due to recent positive developments in areas relating to commercial negotiations on LNG, it is now imperative that this legislation be passed to provide certainty to those companies involved in negotiations to enable their negotiations to be advanced further. There is currently a window of opportunity to expedite the commercial development of the Greater Sunrise resource to the benefit of both East Timor and Australia.

Passage of the bills in the 2004 Autumn sittings will conclude the Greater Sunrise unitisation issues, preserve Australian interests and provide certainty to petroleum industry and investors.

COMMITTEES
Selection of Bills Committee
Report
Senator FERRIS (South Australia) (3.36 p.m.)—I present the third report of 2004 of the Selection of Bills Committee and move:

That the report be adopted.

Senator FERRIS—I seek leave to have the report incorporated in Hansard.

Leave granted.

The report read as follows—

SELECTION OF BILLS COMMITTEE
REPORT NO. 3 OF 2004
1. The committee met on Tuesday, 9 March 2004.
2. The committee resolved to recommend—
That—
(a) the provisions of the Civil Aviation Legislation Amendment (Mutual Recognition with New Zealand and Other Matters) Bill 2003 be referred immediately to the Rural and Regional Affairs and Transport Legislation Committee for inquiry and report on 17 June 2004 (see appendix 1 for statement of reasons for referral);
(b) the New International Tax Arrangements Bill 2003 be referred immediately to the Economics Legislation Committee for inquiry and report on 12 May 2004 (see appendix 2 for statement of reasons for referral);
(c) the Tax Laws Amendment (2004 Measures No. 1) Bill 2004 be referred immediately to the Economics Legislation Committee for inquiry and report on 12 May 2004 (see appendix 3 for statement of reasons for referral);
(d) the order of the Senate of 3 March 2004 adopting the committee’s 2nd report of 2004 be varied to provide that the Customs Tariff Amendment (Paraquat Dichloride) Bill 2004 be referred immediately to the Legal and Constitutional Legislation Committee.
for inquiry and report on 13 May 2004 (see appendix 4 for statement of reasons for referral); and

(e) the following bills not be referred to committees:
Euthanasia Laws (Repeal) Bill 2004
Invasion of Iraq Royal Commission (Restoring Public Trust in Government) Bill 2004
Trade Practices Amendment (Personal Injuries and Death) Bill (No. 2) 2004
Veterans’ Entitlements Amendment (Electronic Delivery) Bill 2004.

The committee recommends accordingly.

3. The committee deferred consideration of the following bills to the next meeting:
Bill deferred from meeting of 28 October 2003
Intelligence Services Amendment Bill 2003.

Bills deferred from meeting of 10 February 2004
Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003
Corporations (Fees) Amendment Bill (No. 2) 2003
Racial and Religious Hatred Bill 2003 [No. 2].

Bill deferred from meeting of 9 March 2004
Telstra (Transition to Full Private Ownership) Bill 2003 [No. 2].

(Jeannie Ferris)
Chair
10 March 2004

Reasons for referral/principal issues for consideration
The passage of this bill will open Australia to an increased risk of international terrorism by opening the way for Australian airline operators to transfer their operations, and therefore their procedures to New Zealand. New Zealand airlines do not permit air security officers and also reduce cabin staff/passenger ratios from 1:36 to 1:50

Possible submissions or evidence from:
Australian Federation of Airline Pilots, Flight Attendants Association of Australia, Qantas, Virgin Blue and others

Committee to which bill is referred:
Rural and Regional Affairs and Transport Legislation Committee

Possible hearing date: TBC by the committee

Possible reporting date(s): 17 June 2004

Senator Sue Mackay
Whip/Selection of Bills Committee Member

Appendix 2
Proposal to refer a bill to a committee
Name of bill(s):
New International Tax Arrangements Bill 2003

Reasons for referral/principal issues for consideration
1. To examine the bills proposed increase in the foreign investment fund rules balanced portfolio exemption from 5 to 10 per cent.
2. Examine the reconciliation of that cost to revenue of the measures in this bill and the reforms to international tax announced in the 2003-04 Budget and those included in the International Tax Arrangement Bill 2003.

Possible submissions or evidence from:
Treasury, Business Council of Australia.

Committee to which bill is referred:
Economics Legislation Committee

Possible hearing date: TBC by the committee

Possible reporting date(s): 12 May 2004

Senator Sue Mackay
Whip/Selection of Bills Committee Member
Appendix 3
Proposal to refer a bill to a committee
Name of bill(s):
Tax Laws Amendment (2004 Measures No. 1) Bill 2004

Reasons for referral/principal issues for consideration
To examine the impact of Schedules 7, 10 and 11 on deductible gift recipients, public benevolent institutions and the integrity of the tax system

Possible submissions or evidence from:
ACOSS, Treasury, Board of Taxation, state governments, Australian Taxation Office

Committee to which bill is referred:
Economics Legislation Committee

Possible hearing date: TBC by the committee.
Possible reporting date(s): 12 May 2004
Senator Sue Mackay
Whip/Selection of Bills Committee Member

Appendix 4
Proposal to refer a bill to a committee
Name of bill(s):
Customs Tariff Amendment (Paraquat Dichloride) Bill 2004

Reasons for referral/principal issues for consideration
The product in question—Paraquat Dichloride—is currently the subject of an investigation by the Australian Pesticides and Veterinary Medicines Authority (APVMA)

Possible submissions or evidence from:
The APVMA, industry representatives

Committee to which bill is referred:
Legal and Constitutional Legislation Committee

Possible hearing date:
Possible reporting date(s): 13 May 2004
Senator Jeannie Ferris
Whip/Selection of Bills Committee Member

Selection of Bills Committee
Report
Senator FERRIS (South Australia) (3.37 p.m.)—I present the fourth report of 2004 of the Selection of Bills Committee.

Ordered that the report be adopted.
Senator FERRIS—I seek leave to have the report incorporated in Hansard.

Leave granted.
The report read as follows—

SELECTION OF BILLS COMMITTEE
REPORT NO. 4 OF 2004
1. The committee met on Wednesday 10 March 2004.
2. The committee resolved to recommend—
That—the provisions of the Greater Sunrise Unitisation Agreement Implementation Bill 2004 and the Customs Tariff Amendment (Greater Sunrise) Bill 2004 be referred immediately to the Economics Legislation Committee for inquiry and report on 23 March 2004 (see attached statement for statement of reasons for referral);

(Johnnie Ferris)
Chair
10 March 2004

Proposal to refer a bill to a committee
Name of bill(s):
Greater Sunrise Unitisation Agreement Implementation Bill 2004 and the Customs Tariff Amendment (Greater Sunrise) Bill 2004

Reasons for referral/principal issues for consideration
Bill is being referred so that issues related to substitutable goods produced in Australia, can be considered prior to a decision on the duty free status of goods and equipment for petroleum activities in the Greater Sunrise area.

Possible submissions or evidence from:
Australian Industry Group and representatives of Australian engineering and manufacturing industries.
Committee to which bill is referred:
Economics Legislation Committee
Possible hearing date: to be determined.
Possible reporting date(s): 23 March 2004
Senator Sue Mackay
Whip/Selection of Bills Committee Member

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (3.37 p.m.)—I move the following amendment:

At the end of the motion, add “but, in respect of the Customs Tariff Amendment (Paraquat Dichloride) Bill 2004, the bill be referred to the Rural and Regional Affairs and Transport Legislation Committee”.

Question agreed to.

Original question, as amended, agreed to.

Rural and Regional Affairs and Transport Legislation Committee

Meeting

Senator FERRIS (South Australia) (3.37 p.m.)—by leave—At the request of the Chair of the Rural and Regional Affairs and Transport Legislation Committee, Senator Heffernan, I move:

That the Rural and Regional Affairs and Transport Legislation Committee be authorised to hold a public meeting during the sitting of the Senate today, from 5 pm to 6.30 pm, to take evidence for the committee’s inquiry into the administration of Biosecurity Australia concerning the revised draft import risk analysis for bananas.

Question agreed to.

Rural and Regional Affairs and Transport References Committee

Extension of Time

Senator RIDGEWAY (New South Wales) (3.38 p.m.)—I move:

That the time for the presentation of the report of the Rural and Regional Affairs and Transport References Committee on forestry plantations be extended to 13 May 2004.

Question agreed to.
That the Parliamentary Joint Committee on Corporations and Financial Services be authorised to hold a public meeting during the sitting of the Senate on Thursday, 11 March 2004, from 4 pm, to take evidence for the committee’s inquiry into the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003—exposure draft and relevant related matters.

Question agreed to.

MATTERS OF PUBLIC IMPORTANCE

Health and Ageing: Aged Care

The DEPUTY PRESIDENT—The President has received a letter from Senator Forshaw proposing that a definite matter of public importance be submitted to the Senate for discussion, namely:

The failure of the Howard Government to address the current crisis in aged care funding and accommodation.

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

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

The DEPUTY PRESIDENT—I understand that informal arrangements have been made to allocate specific times to each of the speakers in today’s debate. With the concurrence of the Senate, I shall ask the clerks to set the clock accordingly.

Senator FORSHAW (New South Wales) (3.40 p.m.)—I appreciate the support of my colleagues in bringing forward this matter of public importance today. I am sure that all members of the Senate will recognise that the current crisis in aged care funding and accommodation is a matter of extreme public importance. In this country today we are facing a crisis in aged care funding, and it has been brought about because this government has neglected the funding needs of the aged care sector since it came to office in 1996.

It is worth repeating some of the history of the aged care sector since this government achieved office in 1996. As we all recall, following its election the government set about on a slash and burn process, cutting programs right across the board and slashing funding in a whole range of portfolio areas—health, education and so on. I well recall debating in the Senate for quite some time the government’s proposals to turn the aged care sector on its head and completely restructure it. I recall lengthy debates in this chamber on the government’s aged care bill. Indeed I was very involved, on behalf of the opposition, in those debates.

We warned at the time—and you can go back and check the Hansard record—that this government’s proposals would lead to severe problems in the future. We warned that it would create uncertainty and complexity in aged care. We warned that it would lead to a lowering of standards because of the deregulation of areas such as staffing within nursing homes. We warned that residents and their families would be placed into positions of anxiety and concern because of this government’s policies, which would leave them wondering whether they would have to find hundreds of thousands of dollars to get a bed in a nursing home for their loved one. It is all on the record. But we were told, ‘No, you don’t have to worry about that.’ We were assailed with the findings of the Gregory report, a report commissioned by the Labor government. We were told that we had got it wrong, that this government was going to fix the problem and that it knew how to do it.

Today, all of the key organisations are saying that the sector is in crisis. We have recently heard about reports, which were raised in question time today by Senator Dennman and two days ago by Senator Harradine, on the potential closures of nursing homes in Tasmania because of funding difficulties.
These reports point out that, whilst costs in this sector have increased by more than CPI percentages on a yearly basis, this government’s indexation formula for adjusting the nursing home subsidy is limited to two per cent per year, leading to a shortfall of some $400 million across the sector since this government came to office.

We have been made aware in estimates hearings—and I recall questions in the last few years of Senator Herron when he was the Minister representing the Minister for Health and Ageing in this place—of some of the terrible situations that have arisen in nursing homes where residents have been put into a state of total despair because their nursing home is suddenly closed down or the company goes into liquidation. I am sure people recall the horror stories of the kerosene baths in the Riverside Nursing Home in Victoria. That has gone on and on. I do not have time today to go through these situations in detail, but I am sure we will get an opportunity in the future to do that.

It is very clear that, in the area of accreditation standards, the agency that was established by this government—that we were told was going to really clamp down on the shonky practices in the industry—has failed to do its job. We were told that this accreditation standards agency was going to ensure that the standard across the sector for nursing homes would be lifted. It has not happened. For instance, in Victoria alone in recent months four homes have had sanctions placed on them because of their failure to meet appropriate standards. But, when you look at those individual cases in detail, you find that it was only a few months beforehand that they had been given almost a 100 per cent pass on accreditation standards.

One in particular that I draw your attention to is the Chelsea Private Nursing Home. In September last year, it was inspected by the Aged Care Standards and Accreditation Agency and was granted two years accreditation. It passed 43 out of 44 standards. It was recommended that approval be granted. Tragically—and I cannot go into this in detail because it is a matter of coronial inquiry—one of the residents appears to have been involved in a struggle with another resident in the facility and, as a result, one of the residents died. That happened in November 2003—two months after this home had been given almost a 100 per cent accreditation pass. What was the reaction of the accreditation standards agency? They sent the inspectors in very quickly, but after the event. And what did they find when they re-inspected the facility? Only two months later, on 17 November, it failed 19 out of the 44 standards. How could that have occurred? How could it have passed nearly all of the standards in September and then failed almost half of them two months later? There are a number of examples of that situation.

I recall Senator Knowles, in the debate we were having earlier on taking note of answers to questions, referring to the Gregory report commissioned by the Labor government. I do not run away from that at all. But the difference between the Labor government and this government is that we commissioned the Gregory report and released it in all its detail. We released it publicly; we did not try to hide it, we did not try to cover it up and we did not try to rewrite it. It was out there in the public arena, indicating that much needed to be done to lift the standard of aged care facilities in this country.

This government came to office fairly shortly thereafter in 1996. As I said, it said it had the recipe to solve all the problems. What was part of that recipe? It introduced accommodation bonds for nursing homes. Mrs Judi Moylan was the minister who introduced accommodation bonds. There was such an outcry in the industry and across the
community generally that the government had to withdraw that within a few months. It was total chaos, because people did not know whether they were going to be forced to sell their homes to get a bed in a nursing home. They did not know whether they could get a bed in a nursing home, because they would not have sufficient funds even if they did sell their home. I can recall it very clearly. What we warned the government about occurred. It belatedly understood that and withdrew its legislation for nursing home accommodation bonds.

A discussion paper was released by the National Aged Care Alliance only a couple of days ago. It is an eminent organisation representing all the key agencies and organisations involved in aged care. This discussion paper is entitled ‘Capital creation in residential aged care facilities’. It is clearly on the agenda because we are awaiting the Hogan report—the report by Professor Hogan that was supposed to have been provided by the end of December last year—on what this government should do about improving capital funding for aged care facilities. This is the report that the government is sitting on. This is the report that the Prime Minister said on 4 February the government had already received and was considering, but only a week later the minister said there was no report at all—totally contradictory comments, as I said earlier in question time. This is the report that the Prime Minister said there was no report at all—totally contradictory comments, as I said earlier in question time. This is the report that the government is sitting on. This is the report that the government is sitting on.

While the aged care sector is waiting to hear what the government’s response is to these recommendations and while we are waiting to see the actual report, we find that it has been leaked all over the media. Detailed reports about Professor Hogan’s recommendations were in the media as far back as December last year. Whilst I acknowledge that Professor Hogan has not actually stated publicly what his recommendations are, he has made a detailed speech on the review and the issues that he was considering. You would think that the government would at least release the report before its author was out there making speeches about it. I return to what the National Aged Care Alliance said. It stated in the discussion paper:

The Alliance recognises that, while the Federal Government has largely withdrawn from providing capital funds for aged care facilities, providers are increasingly unable to fund the capital costs. It goes on to say, on page 2:

With the introduction of the Aged Care Act on 1 October 1997, responsibility for achieving adequate capital income to meet capital generation costs of approved residential aged care services was almost fully transferred to approved providers. The Commonwealth only provided a small capital grants program to assist some rural and remote services and special needs groups. The Aged Care Alliance has recognised and stated that this federal government, despite all of the rhetoric and window-dressing, has essentially withdrawn from the area of providing capital funding.

Senator Knowles—That is nonsense! Absolute nonsense!

Senator FORSHAW—Senator Knowles says that it is absolute nonsense. She rejects it. That is what the National Aged Care Alliance has said. That is what people like Francis Sullivan and others have said. These are people who have respected records of integrity in this industry for many years. We in this building know that they are decent, honourable people representing this most important sector, aged care. They know what is happening in the industry, even if Senator Knowles does not.

We do know that there are problems out there. For instance, we know that the Salva-
tion Army, which was a major provider of aged care facilities in this country, announced on 11 February this year that it was divesting itself of almost all its aged care facilities. It has 19 aged care facilities around the country and it is going to sell off 15 of them. That amounts to 2,390 beds. We hope that another provider will pick those facilities up. But the Salvation Army has made the decision to get out of this industry because it is no longer financially viable for that non-profit organisation to provide nursing home accommodation—something that it has been doing for many years. This is likely to continue to occur unless this government releases the Hogan report in all its detail, whether it likes the recommendations or not. Put it out in the public arena, let people look at it and tell us what you are going to do about it. (Time expired)

Senator KNOWLES (Western Australia) (3.55 p.m.)—It is interesting that Senator Forshaw has just spent 10 or 15 minutes consuming time in the Senate talking about aged care but there was not one sentence in his contribution about what the Labor Party would do if elected to government. They have been in opposition now for eight years and they still do not have a policy on aged care. Given the fact that Senator Forshaw has made the bland statement that this coalition government has done nothing, I am just going to run through exactly what has been done. The Australian government has released 8,666 new aged care places across Australia, worth $186 million in recurrent funding for this year alone. Since the coalition government came to office the number of aged care places has increased by over 55,000—bearing in mind that there was a 10,000-place shortage when the Labor Party left government after 13 years.

The 2003 release included 5,889 residential aged care places, 911 community aged care packages, 469 Extended Aged Care at Home packages and 702 places for national priorities, including restructuring to be allocated through the 2003 aged care approval rounds. The list goes on to include increased funding for residential aged care. In 1995-96 the former Labor government spent just $2.5 billion on residential aged care. In 2002-03 this government provided $4.5 billion to aged care homes, an increase of over $2 billion since Labor left aged care in a parlous state. Senator Forshaw comes in here and says that we have not done anything. How can he possibly say that when there are an extra 55,000 places and the funding has been doubled from when Labor left office?

Earlier, when I was speaking on this subject after question time, I referred to the Gregory report. It is interesting that Senator Forshaw said, ‘We didn’t mind releasing that report. We put it all on the table.’ The report was released in 1994. They left office in 1996. Between 1994 and 1996 they did nothing.

Senator McLucas—We released the report, though.

Senator KNOWLES—‘At least the report was tabled,’ says Senator McLucas. Isn’t that cute? Wouldn’t it have been nice if they had released the report and actually acted on it? If you had acted on it, it would have been interesting. The Gregory report found the extent of nursing home building faults. Let me just have a look at those. Thirteen per cent of the homes failed the fire authority test. Eleven per cent failed the health authority tests. Seventy-five per cent failed Australian design standards. This is under Labor. That is a pretty good record, isn’t it? Seventy per cent—this is probably the most alarming figure of all—failed outcome standards. That refers to the way in which treatment is administered.

There were all those problems. In addition, 12 per cent of residents were in rooms
with five or more beds, with six per cent of people across all non-government homes being in rooms with six or more beds. Did Labor do anything about it? They did not do a thing. A further 39 per cent of residents were in rooms with three or four beds, which, according to the Gregory report, would be seen by many people as undesirable. What was the response to the Gregory report? Do nothing! Two years after the release of the Gregory report nothing had changed with those figures—and I might just run through them again quickly. Thirteen per cent failed fire, 11 per cent failed health, 75 per cent in total failed Australian design standards and 70 per cent failed outcome standards. In anyone’s language that would be seen as a pretty bad record and one that should be turned around immediately. They had two years in government to turn it around and did nothing. Now they come in here again, for the second time today, and pontificate about the issue of aged care and about the release of the Hogan report.

If they are so interested in releasing reports, why don’t they release their Access Economics report into their tax increase options? If they are really keen on releasing reports, release that one. Then at least we would know the tax increases that your colleagues are talking about, and the Australian public would know, and then we might be able to squeeze out of you what you are going to do for aged care. You do not know what you are going to do about aged care. There has not been a coherent aged care policy in the entire time the Labor Party have been in opposition—not one. The only one that you had took four years to kick in. Not only did it take four years to kick in, it had already been implemented by the time that you announced it. That is pretty remarkable too. This mob want to be treated seriously as an opposition but we still do not know their policies. That is a bit concerning because here we are, they have had eight years, and we do not know what they stand for. Their record in aged care for the previous 13 years meant that aged care was in a very serious state.

Let us talk about the way in which people perceived aged care in those days under the Gregory report. The Gregory report said:

There is a clear difference between sectors here with 63 per cent of the complaints against private sector homes being found to be partially or completely substantiated as compared to 56 per cent for the charitable sector and with the private sector having nearly three times as many outcome standards being noted as a problem in substantiated complaints. This observation, however, tends to overstate the real difference between the sectors since more than one standard can be relevant in a single complaint.

There you go. The number of complaints was even upheld. If I were this opposition I would be hanging my head in shame at the record in government on aged care. To think that that report can be commissioned by them, released by them and not acted upon is just a total and utter disregard of the aged care community in Australia.

I challenge them: if they are so keen on reports, let us see the Access Economics report about their tax increases. Let us see where their tax increases are coming from. I think that the Australian people need to know where they are going to be paying more taxes and for what. Are those extra taxes that are going to be generated going to be put into aged care? I doubt it, because that is not their record in government. They do not care about the aged community. They never have cared about the aged community, the same as they do not care about the rural communities. So why start pretending that anyone in the Labor Party cares about any of those communities now? The record stands for itself. One does not have to make up figures because these figures have been provided by an
independent source. Why don’t they say: ‘We have to get our act together. We had the whole thing in a complete and utter shambles in government and it is about time we did something about it.’ Instead, they keep coming in here carping. Yet we have almost doubled the amount of expenditure on aged care.

**Senator Forshaw**—Do you support accommodation bonds?

**Senator KNOWLES**—That is an interesting question. Let us see what the Labor Party says about accommodation bonds. Let us see what the Labor Party says about recurrent funding. Let us see what happens. We have on the record our achievements. We have in our budget papers the forward estimates for aged care. But what we do not have in this debate is the comparison. Let us have a look at your policy. Let us have a look at the way in which you are going to provide recurrent funding. At no stage have the Labor Party ever talked about what they are going to do in recurrent funding. I am very glad that Senator Forshaw raised that subject because we might find that Senator McLucas lets the cat out of the bag. Firstly, she might say what the increases in taxes that her colleagues have talked about are going to be and, secondly, she might talk about the recurrent funding issue. So it is a very important question.

**Senator ALLISON** (Victoria) (4.05 p.m.)—It is interesting to join the debate at this point in time. I agree to some extent with Senator Knowles, whose criticisms of the Labor Party and its response to the Gregory report and to the state of aged care when it was in office are valid. Nonetheless, we do know that the Hogan report has been made available to the government—late last year, I understand—and this $7.2 million review is very important to the industry. According to the National Aged Care Alliance, the delay in releasing this report is causing enormous uncertainty about funding levels. In a press release on the matter they say:

... the continuing provision of quality aged care is being jeopardised by the uncertainty ...

They go on to say that, despite all of that money being spent on this review, there is now more uncertainty about the quality of aged care than before the review was established. They continue:

Aged care providers are currently preparing budgets for next year, but the review has cast a cloud of uncertainty over likely levels of aged care funding from the Federal Government. Without certainty in funding levels aged care providers cannot budget for effective staffing levels to guarantee high quality care.

And they go on. We would wish in this place to urge the government to get on with this report. Let us see it, warts and all. I think it is time for a bipartisan approach—if that is ever going to be possible on aged care funding and to aged care provision. I can understand the nervousness of the government on this issue. The last time matters such as bonds were raised, the ALP took delight in turning this into a great political point-scoring exercise which did more damage to the sector—it reminds me a bit of ethanol, actually—than could be justified in any terms.

I think the government has done a good job on accreditation. I think the standard of care has been raised since 1996, or whenever the accreditation began. There are certain to be some gaps in provision of care—and there are some nursing homes I still would not wish to see my mother or grandmother in—but I think we also have to seriously tackle this question of funding. The operating grants that currently are indexed by so-called COPO come in for a lot of criticism across the sector. So there are real issues about the long-term viability of nursing homes under the current arrangement, and I would like to
see a debate in this place about them and about the provision of capital to allow nursing homes to build, to meet their accreditation requirements.

A nursing home in my local area which I know very well is now looking at increasing the number of places they provide. They have done their sums and know that they must move to 60 but, because this is a community based, not-for-profit organisation, their opportunities to get capital funding to do the necessary work are pretty much non-existent. What just came to hand before I came down to the chamber was a letter—

which no doubt was sent to all of us—from the Royal Freemasons Homes of Victoria talking about funding. They say:

I write to inform you that The Royal Freemasons' Homes of Victoria Limited is facing an enormous operating deficit of $700,000 for the year ending 30 June 2004.

Our organisation, established in 1867 was one of Victoria’s first not-for-profit non-government aged care providers and is now one of its largest, operating 509 subsidised nursing homes, hostels and community aged care places.

They go on to say:

This enormous and unsustainable operating loss is attributable to the Commonwealth Government using its Commonwealth Own Purpose Outlays formula (COPO Index).

They continue:

This index has been in use since 1997-98 and over this period the compounded negative impact of the COPO Index, compared to ‘actual residential aged care cost increases’, is 8%.

The loss in care subsidy to this organisation in the current 2003-04 financial year is a staggering $1.36 Million.

I think we in this place have to listen to those examples of unsustainable operating funding. We know that the Hogan report will go this question. I hope it also tackles that serious question of where to find the capital to expand and otherwise bring up to standard the facilities that are available in aged care.

On the question of facilities, I want to expand this debate somewhat to talk about housing choices. The Australian population is ageing, and many would argue that our housing stock will be unsuitable for an ageing Australia. We have to consider not just what happens in nursing homes but also how we can work to help people to stay in their own homes, in suitable homes. I know my house probably will not be suitable for me if I am in a wheelchair, I know it probably will not be suitable for me if I have to climb into a bath when I am in my late 80s. I think we really need to start to examine this question.

Planning for the future means housing development and planning processes that lead to housing development. We should be looking at who will be using housing and related infrastructure well into the future. The future needs of an ageing society and the current needs of those with a disability mean that planning and design should incorporate the universal, adaptable housing standards. Disability advocacy organisations have raised these issues with the Democrats. The Australian Network for Universal Housing Design recently told us:

Poor design will exclude, disadvantage and limit people who have a temporary or permanent disability or illness. It negatively impacts on their participation in education, employment and community life. Currently people who have a disability or are ageing (and their families) often face expensive modifications and renovations to make their homes accessible at their own cost or public cost. More often, when renovations are not feasible, the person is forced to live in unsafe conditions or is displaced from their home into institutional care. The personal and public financial cost of inaccessible housing design is therefore very considerable.

I do know that some good work is being done at the local level through HAAC fundi-
ing to make houses suitable—grab rails and the like—for elderly people so that they can stay at home longer and more safely. But we also know that HAAC funding is hopelessly inadequate and that there are people on waiting lists for changes to be made to their housing which could easily be done and should be afforded because, down the track, the savings would be very considerable indeed.

What most people want to do is to stay at home. They would love to be able to access the community aged care packages. All up, for people over 70 there were 15.6 packages per 1,000 people in 2002-03, and that equates to around $288 million nationally. At the other end of the scale, $4.3 billion was allocated for residential care in 2002-03—that is, 95 places per thousand. So, nationwide, there is a balance of 15 community places versus 93 residential places. I think that the debate should look at the whole question of how to keep people out of very expensive residential care—care that very often people would sooner not be in because they would be in favour of staying at home in their own houses.

We should also talk about the so-called—dreadfully named, I should say—bed blockers, the 2,500 people who are in transition or wish they were in transition and are stuck in acute care hospitals. They really should be in more appropriate accommodation, and many of them are missing out on rehabilitation. When we get into this discussion about aged care we need to consider that there ought to be a place for people who have been treated in hospital, many of whom need to have extensive rehab services in order, in some cases, to avoid going to nursing homes. But, even if they get there, it is better for them if they recover appropriately from their hospitalisation. There are many more issues that we could discuss in this debate, but these are some of the issues that the Democrats would like to see on the table and being talked about. (Time expired)

Senator HUMPHRIES (Australian Capital Territory) (4.15 p.m.)—I want to remind members that this debate should not merely be about the past in aged care. As far as I am concerned, when we look at the past—and I think Senator Knowles has demonstrated this very ably—there is a very stark contrast between the performances of this government and of the previous Labor government when it comes to the provision of funding for aged care in Australia. No-one could even glance at those two records without realising that that has been the case. There has been a substantial uplift in spending on aged care under this government, and the needs of tens of thousands of older Australians are better addressed because that funding has been made available. But the future is also important in this debate. We need to make sure that we are looking continuously at what the needs of an ageing population might be. The government has had a great deal to say about ageing Australia in recent days. Obviously it is being focused on as a high priority. It has been described as the greatest social challenge facing this country today, and I think that that is not an exaggeration.

On top of providing very significant extra dollars for aged care places over the last few years, the government has committed itself to meeting a target of an extra 200,000 aged care places by June 2006. That promise comes from the 2001 federal election. In fact, in pursuance of that promise, already 55,600 beds have been provided since 1996 and we are well on the way to meeting that target of 200,000 aged care places. As others have said in this debate, that is not the full picture with aged care—and that is perfectly true—but it is the most significant thing that aged people would require when their capacity to care for themselves deteriorates. At the end of the day, it is vitally important to have
a solid and effective aged care residential system in place, and this government has addressed that issue with a great deal of extra money.

It is also important to look at other parts of the system. What we have done particularly is to look at ways in which we can improve other aspects of the aged care system. For example, it is true—at least in the past and almost certainly still today—that there are a significant number of aged Australians occupying hospital beds who ought to be in aged care places. Whether it is on a permanent basis or on a transitional basis, those beds need to be available in some form or another. The decrease in acute hospital beds in the last few years is a reflection of that problem. The Australian government has said very squarely that it wants to work with states and territories, which of course administer the public hospitals, to make sure that options are available for people in those circumstances. Initiatives such as Pathways Home, the aged care innovative pool and the Care of Older Australians Working Group have resulted from that desire to address this problem. Joint work is under way at present as part of the health reform agenda on improved transitions between the hospital sector and the aged care sector.

The Pathways Home program in particular is significant. It provides $253 million over five years to assist the states and territories in the provision of step-down facilities and rehabilitation care for older members of the community. That additional funding from the Australian government is designed to help states and territories to meet their responsibilities in a timely way, in a way which frankly has not happened before. On 16 February this year the Canberra Times noted that for some older patients in the Canberra Hospital:

There was no ongoing rehabilitation and no appropriate equipment such as chairs, beds, stools and bathing facilities.

That is a very sad reflection. Some of those people need to be in hospital for a period of time, but clearly many of them are staying in hospital much longer than they should be and there should be options for them, whether it is through HACC programs or through access to nursing homes.

In the ACT, I am pleased to say, a large number of additional resources have been made available in the last few years. Since 1996 some 660 new aged care places have been made available, worth nearly $14 million a year in recurrent funding. Again, that is not the full answer—and I accept that—but it is very significant in addressing the needs of people in this territory. Sadly, many of those beds have not been made operational because the territory has very complicated and complex planning laws. In some cases it has not been possible to get those beds actually operational, and I suppose that is not a problem isolated to the ACT. But the funding of the beds in the first instance is the most important thing.

The other issue which is very important is making sure that nursing homes, particularly aged accommodation being provided in the not-for-profit sector, is of an appropriate standard to meet the needs of Australians. We have all seen instances in our time in public life where homes have not met appropriate standards. It is therefore very surprising that it is only very recently that a sound system of accreditation of Australia’s nursing homes and aged accommodation has really been put in place. The Gregory report to the former government found that in many cases nursing homes failed to meet relevant standards and care outcomes. That was not acted upon by the former government. It was the coalition in 1997 that established an accreditation system to make sure that the Com-
monwealth dollars going into aged care were reflected in a standard being met in those sorts of institutions. I am very pleased to say that that is being done. Promises from the other side of the chamber to lift the standards have come a bit late, frankly, and I think that reflects that this is an issue which has already been addressed properly by this government. We repeat that we have put many extra dollars into aged care in this country and we are proud of that fact. (Time expired)

Senator McLUCAS (Queensland) (4.23 p.m.)—It is an appalling state of affairs when we on this side of the chamber need to bring a matter of public importance of this nature to the chamber. The Howard government has failed to address the crisis in aged care funding and accommodation, and its refusal to release the Hogan pricing review is quite frankly both a waste of public money and another of this government’s futile attempts to cover up its failures.

For months now the Hogan report has been hidden in the bottom drawer of the Howard government’s latest Minister for Ageing, Ms Julie Bishop. To give some explanation of why we are here dealing with this matter today, let me point out that this government seems to go through aged care ministers extremely quickly. We have seen five ministers in the past six years. It has been essentially a revolving door portfolio for this government, a portfolio that has suffered as its ministers—Mrs Moylan, Mr Warwick Smith, Mrs Bronwyn Bishop and then Mr Kevin Andrews—have come and gone while the crisis in aged care has deepened. Now we have the minister of the day, Ms Julie Bishop, hiding a review that cost taxpayers $7.2 million.

This review was promised in 2001. The aged care sector needs it, and needs it desperately; yet the government will not release Professor Hogan’s report and will not give answers as to why. With no report publicly available, the headlines have been quite sensational: sweeping deregulation of the aged care sector; nursing homes would be able to offer different levels of accommodation, rather like star-rated hotels, at varying prices and charge new residents cash deposits; a more user-pays focused system for nursing homes; Warren Hogan would recommend nursing home operators be given unprecedented freedom to set their own prices; nursing home beds would be auctioned while residents and their families could use vouchers to choose their levels of care.

The community has a right to know what is going on. The community has a right to understand what Professor Hogan has written. The community needs to make an assessment of whether the $7.2 million that has been spent commissioning this report was in fact money well spent. We have to know whether or not there is a report. But we really have to know whether or not there are going to be accommodation bonds.

It is well past time for the government to put community fears at rest and reveal a comprehensive and caring plan for the future, because those sorts of headlines that we have heard relate to many of the most vulnerable people in our community—the frail, the elderly and their families and, we must remember, those people who tirelessly and selflessly care for nursing home residents.

Let us look at how this government has treated those carers—in the main, the nurses in the aged care sector. We are seeing increasing difficulty with the recruitment of nursing staff to the aged care sector, and I have to say little wonder. There is a significant wage differential between nurses in aged care and nurses in hospitals or other health service settings. The government has allocated some funding to the sector, but the disparity in wages is even greater now than it
was before the government’s funding announcement was made.

I regret to advise the community that aged care nurses are leaving the sector for a range of reasons. Firstly, they are simply not being paid enough to undertake the increasingly complex tasks that are asked of them. Further, the lack of critical mass of qualified staff has led experienced and talented aged care nurses to simply give up as the pressures become too great.

Nurses who do stay do so because of their genuine commitment and determination to care for the residents with whom they have developed quite close bonds. It is certainly not because of the pay. They do the right thing in what I consider to be extraordinarily difficult conditions of work. Labor’s shadow minister for ageing and seniors, Ms Annette Ellis, has spoken of a situation where a single staff member is on duty alone overnight in a facility of 60 people. We had an example at estimates earlier this year where staff had to use portable toilets and had no hand-washing facilities. These examples are simply unacceptable.

Labor’s leader, Mark Latham, has said:

*The measure of a civilised society is ... the way in which we treat our elderly ... We cannot aspire to be a decent, civilised society until we end this scandal.*

I wholeheartedly agree with him and I am heartened by his concern and his determination to address this crisis, which really started when the government failed to ensure provider viability following the reforms of 1997. These changes had major impacts on the aged care sector and the aged care funding regime which fall far short of tolerability.

Let us look at what La Trobe University had to say in their fourth report for the National Aged Care Alliance, *Residential aged care funding*. The examination of sectoral funding arrangements points out:

... ‘current indexation arrangements using Commonwealth Own Purpose Outlays’—or COPOs—‘do not adequately adjust for wage cost increases’, and, due to the current indexation method, the sector has been underfunded up to $405.8 million since 1996-97, which is an average of approximately $50.7 million per year over eight years. The reason for this underfunding is that the COPO indexation method underestimates the cost pressures faced by residential aged care providers. As a result, the funding is inadequate.

Last year this government had the temerity to put forward only a 2.2 per cent increase in residential aged care subsidies when the CPI was running at 3.3 per cent and when, according to the CEO of the Australian Nursing Homes and Extended Care Association:

*The first five years of the post 1997 reforms have seen a 10.6 percent increase through indexation with cost escalations during the same period varying from state to state but some running as high as 26 percent.*

The fact is that aged care providers are quite rightly required to provide high-quality care but that the processes developed by the government that must be followed for funding and accreditation to be granted are complex, time-consuming and not focused on improving quality of care; they are focused on form filling, as any aged care nurse will tell you. Yet, simultaneous to the introduction of many of these obligations, the aged care funding arrangements in place since the 1997 reforms have seen nursing homes starved of the necessary resources to ensure their compliance.

It is when nursing homes are faced with overwhelming financial pressures that you see compromises in the quality of care creep in. There have been a number of scandals highlighted in the media in recent times—in fact, over many years now. We must not ignore those warning signals. The pricing review submission from Aged and Community Services Australia says:
The pricing arrangements in place since 1997 have eroded product quality by reducing the quality of life of residents. They have done this through the pressure they have imposed on funding levels. This has resulted in a reduction in support for the quality of life of residents due to a reduction in the time staff are able to spend with them.

In effect, this government is forcing a whole raft of trade-offs right across the sector. Nursing staff in enterprise bargaining situations are under enormous pressure to forgo parity with their hospital counterparts. Facilities have to consider how best to reduce their outlays—outlays that impact on the quality of life of residents. This could mean forgoing new equipment or the best quality food, cutting corners on training or occupational health and safety, reducing staff numbers or increasing charges. Further, there is continuing pressure on the public hospital sector as, when nursing home places are harder to locate, people who should be in nursing homes are taking up places in public hospitals.

For some facilities the financial pressure has been too much. We have seen a number of closures and we know of more to come. I would like to conclude by pointing out the situation highlighted in a letter we all received from Aged and Community Services Australia saying:

Unless these issues are addressed, the reality is that Australia is facing the collapse of the aged and community care system as we know it. This is not over-stating the case. Many of our members, despite making substantial productivity improvements, are carrying deficits that increase every year. Some can afford to carry these for a time through subsidisation from other areas. Most cannot. Without fundamental change to the current funding system, all our members will soon be facing the decision of whether they can continue to operate, if they are not already.

Senator Barnett (Tasmania) (4.33 p.m.)—Most people in this place, and certainly in Tasmania, know that I have a special interest in the aged care sector, having spent seven or eight years on the board of Tasmania’s oldest aged care facility—St Ann’s, based in Hobart—and been a consultant to the aged care sector for several years prior to my entry into the Senate. Since my entry into the Senate some two years and one month ago, I have hosted five workshops and forums in Tasmania on aged care issues and the ageing issue together with, as special guests, the former Minister for Ageing, the Hon. Kevin Andrews and most recently, before Christmas, the Hon. Julie Bishop, the current Minister for Ageing. I commend them and congratulate them both as outstanding advocates for the aged care sector.

I am sure it will come as no surprise when I say that planning and delivering aged care services is complex and demanding, but I am also proud of the funding the Australian government has provided for the aged care sector over the past eight years. I am also mindful of the increasing costs and the greater demand for aged care treatment, and the urgent need for our governments and society to meet that demand.

Allow me to outline where we are at present. Total funding for aged and community care has increased from $3 billion in 1995-96 to a projected $6 billion for next financial year. So I find it somewhat hypocritical of the Labor opposition to point the finger. While Labor has dithered, the Howard government has delivered. This funding increase is a 100 per cent increase over that period of time. I am proud to say it demonstrates our national government’s commitment to the aged care sector, but it also demonstrates the cost pressures in the industry in recent years.

In the past five years the Australian government have released more than 53,000 aged care places, and we are well on track to meet our target of providing 200,000 places by June 2006. In recent weeks the Australian
government have released an additional 193 residential aged care places in Tasmania, with associated capital grants of $2.5 million. Amongst other aspects, this latest announcement will see the establishment of two new residential aged care services in southern Tasmania and the establishment of a new dementia care facility in northern Tasmania. In this regard, I congratulate Southern Cross Care for their initiative. It is certainly a first for Tasmania and a cutting-edge facility and service.

Funding for our Home and Community Care program, which is jointly funded by the Australian and state and territory governments and provides services such as cleaning, personal care and transport, has increased by more than 70 per cent in the past seven years. The Australian government contribute about 60 per cent of this funding. We are on target to raise the number of community aged care packages from 2,055 in 1995-96 to more than 34,000—a huge increase. Since the coalition came to government, nearly 40,000 people have benefited from community care packages. These statistics mark a great leap forward in the provision of aged care. No longer is it regarded as an adjunct to general health expenditure, and nor should it be.

At the same time I should say that this has come about because of a profound shift in the demographics of our population, both state and national. I am sure that the community has heard and no doubt everyone here is fully aware of the Hogan inquiry into aged care services and the funding for those services. As Senator Ian Campbell said earlier today, and as Ms Julie Bishop has indicated, the government’s response to this report is not too far away.

I believe that our treatment of the most respected citizens of our society is fundamental to our unique character as Australians, because if we short-change the elderly then we are short-changing ourselves and future generations. In the aged care sector, the Australian government has the job of preparing for a very different kind of Australia that we will be living in 20 years from now. The number of people in Australia aged over 65 is likely to swell from 2.4 million people now to 4.2 million people in 20 years time. Put another way, the proportion of the population aged over 65 will increase from 12 per cent in 2001 to around 18 per cent in 2021.

Tasmania currently has the second oldest population of any state or territory and it is projected that within 10 years the population will become the oldest in Australia, with a significantly higher proportion of people aged 65 and over and with a substantial proportion aged 85 years or more. In the next 20 years the proportion of the Tasmanian population aged 65 years and over is expected to increase from 13.75 per cent to 22.51 per cent. Tasmania will be the first state required to deal in depth with ageing related issues across all aspects of community living.

This will present both great challenges and great opportunities for government, business and the community sector. For government the challenge relates to the provision and proper maintenance of the aged care sector. The Australian government cannot do it alone; we need to work cooperatively with the wider community and the industry.

I am saying that the cost of providing individual and institutional aged care is likely to accelerate in the coming years so that, along with mainstream health care, Commonwealth budget outlays will be a whole lot greater, even by today’s standards. These are exactly the sorts of issues that are considered in the Hogan report. That is why it has taken considerable funds and a good deal of time—so that we get it right for the years and, in fact, the decades to come.
With the rising costs, I believe that the aged care industry faces a challenge in demonstrating to the rest of the community why aged care is worth the investment, how such an investment benefits us all, what we get from it as a society and what are the human and financial consequences if we fail to keep pace with these ever-rising costs. These are questions worth debating when there is much more time than I have today, but they will not go away and we need to face up to these issues very directly.

I feel extremely confident in the Howard government’s impending response to the Hogan report. I have enormous confidence in Ms Julie Bishop and I have congratulated her in public and do so again today for the way in which she has handled this very important and sensitive issue. We should show respect for our elderly, and I know that the Howard government will demonstrate that in our response to the Hogan report. Yes, it has taken time. That is because the elderly are important people. Older Tasmanians and older Australians are vital to our community and we want to show them respect. In our response to the Hogan report, we will do exactly that.

The ACTING DEPUTY PRESIDENT (Senator Sandy Macdonald)—Order! The time allocated for this discussion is over.

COMMITTEES
Scrutiny of Bills Committee
Alert Digest
Senator CROSSIN (Northern Territory) (4.41 p.m.)—I lay on the table the Scrutiny of Bills Alert Digest No. 3 of 2004, dated 10 March 2004.

Public Works Committee
Report
Senator McGAURAN (Victoria) (4.41 p.m.)—On behalf of Senator Ferguson, I present the 67th annual report of the Parliament-
the proposed respecified Immigration Reception and Processing Centre and the proposed community recreation centre on Christmas Island.

The value of the works inquired into by the committee during 2003 amounted to over $547 million.

On 15 April 2003 the committee and secretariat participated in a Public Works Committee Training Day organised by the Defence Infrastructure Asset Development Branch. The aim of the training day was to instruct officers of the branch in the role and functions of the committee and to assist them in understanding the inquiry process. The training day met with a very positive response both from Defence and the committee and an undertaking was made to conduct a similar event in 2004.

Two committee members attended the annual conference of parliamentary public works and environment committees, held in Perth and Karratha. The conference brought together parliamentarians and key staff from public works and environment committees throughout Australia and included delegates from the relevant New Zealand committees. The theme of the 2003 conference was The Sustainability of Regional Development—Addressing the Triple Bottom Line.

A number of significant issues arose out of the committee’s deliberations in 2003. The issues included:

- confidential proceedings;
- security measures;
- quality of evidence;
- the definition of a ‘work’; and
- conduct of inquiries.

In 2003, the committee found it necessary to reiterate that confidential briefings contain commercial in confidence information related to detailed project costings as the presence of unauthorised attendees had the potential to jeopardise or cast doubt over the tendering processes and contractual arrangements conducted in relation to the project.

In response to the increased global threat environment, enhanced security provisions were an important focus of works brought before the committee in 2003. Two of the committee’s inquiries dealt specifically with improved security arrangements while most others included increased security elements to guarantee the safety of building occupants and Commonwealth property, both within Australia and offshore. The committee was of the firm view that in the current global environment, agencies should place a high importance on security issues in the construction and refurbishment of premises overseas.

On a number of occasions in 2003, the evidence submitted to the committee by some referring agencies was such that the committee needed to request additional documentation on building plans and costings in order to complete its deliberations. Other agencies, however, presented clear and comprehensive evidence and were commended by the committee for facilitating the inquiry process.

The problems surrounding the disaggregation of works projects which were reported in the committee’s 66th Annual Report (namely the omission of demountable buildings from works proposals) continued in 2003. In view of this, the committee wrote to the Minister for Finance and Administration, Senator the Honourable Nick Minchin, and expressed its view that the disaggregation of works projects impedes the committee’s fulfilment of its primary function, which is to oversee and ensure value for money in expenditure of public funds. The committee’s approach to the minister was successful. In April 2003, the Parliamentary Secretary to the Minister for Finance and Administration, the Honourable Peter Slipper, advised the committee that he believed it appropriate for large construction projects making extensive use of demountable buildings to be referred to the committee, and proposed to make a regulation to the Public Works Act to this effect. In February 2004, a draft of the regulation was forwarded to the committee.

Throughout 2003 the committee continued its efforts to streamline its inquiry and reporting processes, in order that agencies might not be delayed in the execution of capital works projects. The committee achieved this by condensing reports, reducing the time taken for report drafting and consideration and forming sub-committees so that hearings might proceed when a majority of
members could not be present. Such measures enabled the committee to complete 16 inquiries in one year.

In closing, I would like to extend my thanks to all of the members of the committee for their continued hard work and support throughout what proved to be an extremely busy year. I would also like to express my gratitude to the secretariat, for continuing to provide a high level of support. The committee is also grateful to other staff in the Parliament who provide services to the committee secretariat and those officers in the Department of Finance and Administration who play an integral role in facilitating references and expediency motions.

I commend the Report to the Senate.

Question agreed to.

TEXTILE, CLOTHING AND FOOTWEAR STRATEGIC INVESTMENT PROGRAM AMENDMENT BILL 2004

First Reading

Bill received from the House of Representatives.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (4.43 p.m.)—I move:

That this bill may proceed without formalities and be now read a first time.

Question agreed to.

Bill read a first time.

Second Reading

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (4.43 p.m.)—I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in Hansard.

Leave granted.

The speech read as follows—

The purpose of the Textile, Clothing and Footwear Strategic Investment Program Amendment Bill 2004 is to provide an alternative value-adding cap for leather and technical textile firms in the final two years of the Textile, Clothing and Footwear Strategic Investment Program Scheme (TCF (SIP) Scheme).

This alternative cap will enable leather and technical textile firms to match the total value of their grants for plant and equipment (new and used), and research and development with a grant for value-adding for the final two income years of the program.

This initiative is a transitional measure in the implementation of the Australian government’s future assistance arrangements for the TCF industry. This new package, $747 million over the next 10 years and a five-year tariff pause from 2005, will provide assistance for firms and workers in the TCF Industry, and allow time for the industry to adjust to a lower tariff environment.

The package includes:

• $600 million for extending the TCF Strategic Investment Program comprising:
  • $487.5 million extension to 2010 for all TCF sectors;
  • $87.5 million extension from 2011-2015 for the clothing and finished textile sectors; and
  • $25 million for a 10-year grants-based program for small business.

• $50 million for a 10-year structural adjustment program to assist displaced workers;

• $50 million for an import credit scheme for the clothing and finished textile sectors;

• $20 million for a supply chain efficiency program from 2010 to 2015; and

• $27 million for an extension of the Expanded Overseas Assembly Provisions Scheme until 2010.

This combination of positive assistance, combined with the five-year tariff pause provides a balanced policy framework for firms in the Australian TCF Industry to enable them to strengthen
their businesses and compete more effectively in a lower tariff environment.

A key part of this package is the $600 million Textile, Clothing and Footwear Post 2005 Strategic Investment Program Scheme (TCF Post 2005 (SIP) Scheme). This new scheme will provide two types of grants supporting investment and innovation, and support for small TCF businesses. Leather and technical textile firms will only have access to grants for investment under the TCF Post 2005 (SIP) Scheme. This is a reflection of the government’s decision to concentrate support towards those TCF firms facing the greatest tariff adjustment pressure.

Leather and technical textile firms are not facing the same extent of restructuring pressures as other sectors of the TCF Industry, nor are they, for many of their products, facing the prospect of significant tariff reductions. This initiative will, however, assist leather and technical textile businesses in making the transition to the TCF Post 2005 (SIP) Scheme.

The leather and technical textile sectors will still be able to access the government’s industry wide innovation and research and development programs beyond 2005.

Ordered that further consideration of the second reading of this bill be adjourned to the first day of the next period of sittings, in accordance with standing order 111.

GREATER SUNRISE UNITISATION AGREEMENT IMPLEMENTATION BILL 2004

CUSTOMS TARIFF AMENDMENT (GREATER SUNRISE) BILL 2004

First Reading

Bills received from the House of Representatives.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (4.44 p.m.)—I move:

That these bills be now read a second time.

I seek leave to have the second reading speeches incorporated in Hansard.

Leave granted.

The speeches read as follows—

GREATER SUNRISE UNITISATION AGREEMENT IMPLEMENTATION BILL 2004

Mr President, the purpose of the Greater Sunrise Unitisation Agreement Implementation Bill 2004 is to give effect to the agreement between Australia and the Democratic Republic of Timor-Leste relating to the Unitisation of the Sunrise and Troubadour Fields. The agreement was signed by Australia and East Timor in Dili on 6 March 2003.

The agreement has been considered by the Joint Standing Committee on Treaties. The committee supported the agreement and recommended that binding treaty action be taken.

The agreement provides a framework for the development and commercialisation of the petroleum resources in the Sunrise and Troubadour fields, which are collectively known as Greater Sunrise, as a single unit.

This resource straddles the border between the joint petroleum development area, which is the area of shared jurisdiction between Australia and East Timor established by the Timor Sea Treaty, and an area of Australian jurisdiction.

Greater Sunrise contains an estimated 8.35 trillion cubic feet of natural gas and 295 million barrels of condensate. Current estimates are that 20.1 percent of these resources lie in the joint petroleum development area and 79.9 percent in Australian jurisdiction.

Ratification of the agreement by Australia and East Timor is required to provide industry with the certainty needed to proceed to develop this major resource. Australia will meet its obligations
through amendments to the Petroleum (Submerged Lands) Act 1967 and other legislation.

The bill puts into place the administrative arrangements for the unit development of the Greater Sunrise petroleum resource. In practice, this means that Australian regulators and regulators of the joint petroleum development area will be able to ensure, jointly, that administration of the Greater Sunrise petroleum operations is coordinated, and that recovery operations are conducted in accordance with good oil field practice.

To the extent appropriate, the administrative arrangements will mirror those that apply elsewhere under Australian regulatory control. For example, for safety, occupational health, and protection of the environment, a single regime will apply across both the portion of the resource that is within the joint petroleum development area and the portion within Australian jurisdiction.

Moreover, that regime, entailing the preparation of environmental management plans and safety cases, will be the same as for any other petroleum development in Australia’s offshore area.

There are, however, some aspects of the agreed arrangements that will be specific to administration of the Greater Sunrise petroleum resource. For example, the process for approving the development plan and the unit operator will be Greater Sunrise specific. This reflects matters agreed between Australia and East Timor and has no application outside the Greater Sunrise resource.

To ensure consistency of administration of development of this resource, the arrangements that usually apply in the Northern Territory adjacent area will be modified to enable the responsible Commonwealth minister to exercise statutory powers, rather than the Commonwealth minister working in concert with the counterpart Northern Territory minister, or instead of the Northern Territory minister working alone.

This will be a very similar arrangement as that which applies to the territory of Ashmore and Cartier Islands. This modification applies only in relation to the Greater Sunrise resource and will not affect administration of petroleum operations in the rest of the Northern Territory adjacent area.

In practice, the Australian government will work with the Northern Territory government on the day to day administration of the Greater Sunrise resource.

For the purposes of taxation, the part of petroleum production from Greater Sunrise attributed to the joint petroleum development area will be taxed in accordance with the arrangements under the Timor Sea Treaty whereby East Timor has title to 90 per cent of production and Australia to 10 per cent.

The part of production from Greater Sunrise attributed to Australia will be taxed in accordance with Australia’s domestic taxation arrangements.

Development of the Greater Sunrise resource could provide revenue to Australia of around $8.5 billion over the life of the project.

The agreement includes a mechanism for adjusting the initial petroleum production apportionment between the joint petroleum development area and Australia if new geological evidence indicates that a revision is needed.

The agreement also includes a clause which states that its contents are without prejudice to the maritime boundary claims of Australia and East Timor. Discussions with East Timor concerning these claims have commenced.

As an essential first step towards developing Greater Sunrise, industry is seeking overseas markets for liquefied natural gas (LNG) produced from the resource. In keeping with its commitments under the LNG Action Agenda, the government will continue to support industry efforts to win LNG export contracts.

At the same time, industry is examining development options for the resources, including bringing gas on-shore to a liquefaction plant or the use of new floating liquefied natural gas technology.

Timely development of Greater Sunrise will deliver significant benefits to both Australia and East Timor. These benefits include investment, exports and employment as well as revenue. In addition, development of Greater Sunrise will stimulate increased investment in petroleum exploration and development in the Timor Sea which will be in the interest of Australia and particularly East Timor.

Just as Australia is honouring the agreement it reached with East Timor by putting in place the
necessary legislation, I call on the government of East Timor to expedite its own treaty implementation process.

The enactment of this bill will provide the legislative framework under which Greater Sunrise can be developed and will therefore contribute significantly to investor certainty in the area.

It is clearly in the national interest of Australia, as well as East Timor, that this bill be approved as soon as possible. I commend the bill to the Senate.

CUSTOMS TARIFF AMENDMENT (GREATER SUNRISE) BILL 2004


The purpose of the bill, which is cognate with the Greater Sunrise Unitisation Agreement Implementation Bill 2004, is to give effect to article 22 of the agreement between Australia and the Democratic Republic of Timor-Leste relating to the Unitisation of the Sunrise and Troubadour fields.

This agreement was signed by Australia and East Timor in Dili on 6 March 2003 and provides a framework for the development and exploitation of the petroleum resources in the Sunrise and Troubadour fields, collectively known as the Greater Sunrise petroleum resource.

Article 22 of the agreement provides for the duty-free entry, into the Greater Sunrise unitisation area, of all goods and equipment for petroleum activities whether from Australia, East Timor or elsewhere.

Item 22A will be added to Schedule 4 of the Customs Tariff Act to provide for the duty free entry of goods, as prescribed by by-law, for use in petroleum related activities in the Eastern Greater Sunrise area.

Subsection 3(1) of Part 1 of the Customs Tariff Act will also be amended to insert a definition of the term ‘petroleum activity’.

Ordered that further consideration of the second reading of these bills be adjourned to the first day of the next period of sittings, in accordance with standing order 111.

COMMITTEES

Legislation Committees

Reports

Senator McGauran (Victoria) (4.45 p.m.)—Pursuant to order and at the request of the chairs of the respective committees, I present reports from seven legislation committees on the examination of annual reports tabled by 31 October 2003.

Ordered that the reports be printed.

ENERGY GRANTS (CLEANER FUELS) SCHEME BILL 2003

ENERGY GRANTS (CLEANER FUELS) SCHEME (CONSEQUENTIAL AMENDMENTS) BILL 2003

Second Reading

Debate resumed.

The Acting Deputy President (Senator Sandy Macdonald)—The question is:

That the resumption of the debate be made an order of the day for a later hour.

Question agreed to.

BUSINESS

Rearrangement

Senator Ian Campbell (Western Australia—Manager of Government Business in the Senate) (4.46 p.m.)—I move:

That intervening business be postponed till after consideration of government business order of the day no. 6 (Health Legislation Amendment (Medicare) Bill 2003).

Question agreed to.

HEALTH LEGISLATION AMENDMENT (MEDICARE) BILL 2003

Consideration resumed from 1 March.

In Committee

Bill—by leave—taken as a whole.

Senator Chris Evans (Western Australia) (4.47 p.m.)—Do I understand that, despite the much heralded press announce-
ment about the government’s deal with Independent senators to make serious and fundamental amendments to this package, government senators are not in a position to proceed? I certainly have not seen the amendments that they have announced they will be moving. The Senate has not been given the opportunity to see them. I cannot imagine that Senator Campbell intends us to start the debate to implement the government’s legislation when there has been a major change made to the legislation and he has not given senators the courtesy of providing them with those amendments. I would like your guidance as to whether it is intended that we proceed, have the debate without the amendments and operate just on the basis of the government’s press release or whether there will be a debate centred upon the alleged agreed amendments.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (4.48 p.m.)—We have been working on a cooperative basis. I was informed that the amendments had been circulated and that all parties were ready to proceed to the committee stage. I have just been handed a list of amendments with some Democrats, some Greens and one opposition amendment, but it certainly does not have any amendments to be moved by Senator Lees, who I think was going to move some amendments. Under those circumstances I think Senator Evans makes a good point. I was led to believe, however, that all of the amendments were circulated and everyone was ready to go. That advice seems to have been optimistic. I will seek advice and try to get things moving as quickly as I can.

Senator HARRADINE (Tasmania) (4.50 p.m.)—The Senate is faced with the situation where there is only one aspect of this whole matter on which motions can be moved in the debate. That is to do with the safety net and the $300 instead of $500. But I think you are correct, Senator Evans, that these have not been distributed. I am sure we would all agree that it would be best if they were distributed, even though it is a simple question of the $300 instead of $500.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (4.50 p.m.)—The Table Office tells us they were cleared for circulation over 10 minutes ago, so there has clearly been a system failure in terms of the circulation. I think a short delay would be useful before proceeding so that the amendments can be circulated, senators involved in the debate have got time to get across them and a proper running sheet can be done. I am told that the running sheet could not include the Independent amendments because they have not been agreed for circulation, so there has been a breakdown in communication at the back end.

Progress reported.

SOCIAL SECURITY AMENDMENT (FURTHER SIMPLIFICATION) BILL 2003
Second Reading
Debate resumed from 27 November 2003, on motion by Senator Ian Macdonald:
That this bill be now read a second time.
(Quorum formed)

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (4.57 p.m.)—The Senate has before it the Social Security Amendment (Further Simplification) Bill 2003. I make it clear to the Senate that I speak in a private capacity and not as a minister in this regard. It is an important bill. The Senate is in a slight conundrum at the moment in that we were intending to bring on the Medicare package. We were informed that the amendments had been circulated. Unfortunately they had not been. We are
waiting for those amendments to be circulated in the chamber. The position now is that we have moved to the Social Security Amendment (Further Simplification) Bill 2003 and for very understandable reasons the senators on the speakers list are gathering their thoughts, bringing their notes and moving to the chamber in a most elegant fashion, with style and aplomb.

What I am doing, in a private capacity so as not to conclude the debate, is allowing honourable senators such as Senator Collins and others to get to the chamber and gather their thoughts and their breath. There is nothing worse, in my own experience, than rushing into the chamber to talk on an important bill such as the Social Security Amendment (Further Simplification) Bill at such short notice. You do not know you are on. You think that you are probably going to speak tomorrow and your whip calls you up and says, ‘Where are you?’ You come to the chamber and you have got to make a speech. When Senator Collins feels she has gathered her breath, is totally relaxed, happy and able to speak and nods to that effect, I will sit down in my private capacity and allow her to make what will be one of her normally eloquent, elegant contributions to debate in the Senate.

Senator JACINTA COLLINS (Victoria) (4.59 p.m.)—I thank Senator Ian Campbell for his complimentary remarks and reflect that, for me, the last time this particular circumstance occurred I was about seven months pregnant, so on this occasion it was much easier to race to the chamber to address this particular bill. The Social Security Amendment (Further Simplification) Bill 2003 for the most part makes a number of technical and minor amendments to the Social Security Act 1991. The two key changes include consolidation of rent assistance provisions in the act and changes to ensure supplementary payments may be recovered when compensation affected social security payments are reduced to nil.

The issues that we have with this bill firstly relate to rent assistance. Schedule 1 of the bill seeks to consolidate provisions for the payment of rent assistance to one place in the act rather than have the current situation, where provisions for the payment of rent assistance are repeated in the rate calculators for each of the payments that the rent assistance might be paid with. This will provide for some simplification with respect to administration, but the new provisions are still at least as lengthy as the existing provisions, except that they will be located in a new part 3.7 of the act. After examining the proposal, there appear to be no significant policy changes that result from the consolidation. Labor were wary that the consolidation may have replicated the government’s efforts in the Family and Community Service Legislation Amendment Bill 2003 to change the payment of rent assistance to income support recipients with children. That change may have left some families worse off by virtue of reducing the income cut-off points for payments such as the parenting payment. Labor are satisfied that there are unlikely to be any such consequences in this legislation; however, we request that the minister provide this assurance to the Senate today.

Labor also notes, however, that the government has failed to take up Labor’s policy to extend rent assistance to Austudy students. The current situation means that unemployed people face a financial penalty if they decide to take up study to improve their employment prospects. It also means that older students receive less financial assistance than their younger counterparts on Youth Allowance, who are able to access rent assistance. Labor will not move amendments on this occasion, as doing so would serve only to delay passage of this bill, but the government’s failure to address this issue shows
that it still is not interested in positive welfare reforms to move people off benefits and into work.

Another issue relates to supplementary payments and compensation. Schedule 2 of the bill includes amendments to the compensation recovery regime. These amendments will ensure that supplementary payments are not payable and may be recovered when linked compensation affected social security payments are reduced to nil. Currently, only the income support component may be recovered when a lump sum or periodic compensation results in a nil payment rate. There is no basis for the recovery of supplementary payments, such as pharmaceutical allowance, telephone allowance or pensioner education supplement, which may have been paid alongside the income support payment. The inability to recover these supplementary payments is an anomaly when compared with the treatment of debts that occur as a result of ordinary income that results in an income support payment being reduced to nil. Under these circumstances both the income support payment and the supplementary payments may be recovered. This measure will only impact on individuals who receive compensation payments on or after 1 July 2004.

Labor are conscious of the fact that a number of the supplementary payments which may now be recovered, such as employment entry payment, do serve a useful purpose in assisting these persons into work. The role of this payment in assisting the transition is a good outcome for individuals and taxpayers in the long run. However, we do not consider that a subsequent decision to recover this payment should the person later be found not eligible for income support, as this bill would allow, will affect decisions to return to work or the value of the payment at that time.

Labor do wish to note, however, the appalling record of this government with respect to rehabilitating and reskilling those who suffer workplace injury and disability and often end up on the disability support pension. We suggest that if there were a far more coordinated and concerted effort to rehabilitate and reskill there would not be so many people on the disability support pension today and there would be improved labour force outcomes for those who remain on benefits. Labor support the government’s latest changes, but much more needs to be done to assist those who suffer disabilities, particularly in the workplace. Reforms in this area will deliver good outcomes for compensation recipients and taxpayers alike.

Labor would also like to flag some concerns that have been raised with the so-called technical amendments to the assets disregard, which we believe have some merit. Item 28 of schedule 2 of the bill amends section 1112(1) of the act. This subsection currently allows the value of an asset to be reduced by the value of a charge or encumbrance. The current treatment regards that a person should only have the equity that they hold in an asset affecting their rate of payment. The effect of the proposed item 28 would specifically exclude the borrowings on financial assets from these rules. It would mean that a person with a financial investment subject to an encumbrance has the total value of the asset assessed. This could have an impact in relation to deeming and the assets test.

The measure, by virtue of the fact that more income is deemed to flow from a financial investment, may result in a lower level of payment affecting a person under the income test. Alternatively, by including the total value of the financial investment, a lower level of payment may result under the assets test. If these are the consequences of item 28 of schedule 2 then we invite the min-
ister to confirm in the Senate today that this is the case. The explanatory memorandum simply states that the item is a technical amendment. Labor would be disappointed if the government were seeking to sneak through this measure by stealth and without any consultation. While this measure will lead to a differential treatment of financial and non-financial investments, there may be a plausible rationale. The current treatment may allow for a form of double dipping where a pensioner may gain both a tax and social security benefit from negatively geared shares. Labor believe, however, that these issues should be out in the open rather than pushed through in the fine print of a bill such as this. Labor also wishes to flag with the minister other items in the bill.

Items 25 to 27 amend section 1118 of the act. This section, among other things, allows for concessional assets test treatment of the sale of the principal home. Sale proceeds are disregarded under the assets test for 12 months, often to allow time to buy a new home. However, Centrelink has deemed the proceeds under the deeming rules. These amendments appear to clarify the treatment in this regard. We would ask the minister why this is required. Has Centrelink been acting without legislative authority for this treatment of the family home for almost a decade? We look forward to the minister’s response to this and the other issues that we have flagged. We also note that negatively geared shares in respect of social security benefits and allowances have been dealt with. But why does the government continue not to be prepared to deal with this issue in the same way with respect to the family tax benefit?

Senator GREIG (Western Australia) (5.07 p.m.)—I want to speak, on behalf of the Australian Democrats, very briefly on the Social Security Amendment (Further Simplification) Bill 2003, largely endorsing what Senator Collins has already said, so there is little point in going over that again but I will clarify some things. The bill we are dealing with, as its name suggests, is an administrative bill dealing in an omnibus way with several areas of social security which go to the heart of further simplification. That has got to be a good thing, particularly in such an incredibly complex area of Commonwealth law. In particular, the bill consolidates legislation for rent assistance in one place in the act, whereas that is currently not the case; makes recoverable an allowance, such as the telephone allowance, should, for example, an income support recipient receive compensation; and provides the same definition of independence from parental testing for young disability support pensioners as there is for youth allowees. In that sense it is not a contentious bill; it is one which is overdue in terms of working towards the simplification of a very complex area of Commonwealth law, and on that basis we Democrats have no difficulty in supporting it.

Senator NETTLE (New South Wales) (5.09 p.m.)—I rise to speak on the Social Security Amendment (Further Simplification) Bill 2003, which deals with the issue of rent assistance. I want to talk specifically about the Australian Greens position, supported by others in this chamber as well, of extending access to rent assistance by Austudy recipients. This is an issue that I have talked about in this chamber previously, in relation to the higher education debate. We recently had 18 months of consultation, as part of the Crossroads review process, on the higher education sector and there was a unanimous view coming from students, communities and universities that something needs to be done to address the issue of student poverty. But in the higher education legislation that we debated at the end of last year there was nothing to address the issue of
student poverty, and we have seen very little since from the government on this issue.

What we saw was a bill looking at the issue of student poverty but not looking to improve the situation of student poverty; rather it was a bill that sought to take away the student financial supplement scheme, one of the last crutches available for students who were already studying on Austudy. When the government could not get support for that bill in the Senate, the minister moved administratively to end the scheme with absolutely no contingency plans to catch those who would fall out of the higher education system directly as a result of the government’s move to take away the financial crutch that the student financial supplement scheme provided for students who were in poverty. That is the track record of this government. They did not achieve what they wanted to in being able to abolish the pension education supplement support scheme when backbenchers came up to the government and said, ‘That is not a proposal that is supported in our electorate. That isn’t a proposal that we can go forward with.’ Those are the measures we have seen from the Howard government; that is their track record on dealing with the issue of student poverty. So perhaps it is not all that surprising that in the bill that we are debating today, which deals with the issue of rent assistance, we are not seeing any moves by the government to increase the capacity for those on Austudy to access rent assistance.

It is clear that the government do not care about this issue of student poverty and what they can do through just one small measure to decrease the financial barriers for students at university—and the student poverty and poor student life that they experience—by extending to Austudy recipients access to rent assistance. It is clear that the government do not care that 10 per cent of students are currently dropping out of higher education directly as a result of financial pressures. They do not appear to care that on average students are working over 15 hours a week to get by. That is on average, so we can reasonably assume that those who are most financially vulnerable will be working many more than 15 hours a week, whilst being a full-time student at university, to pay their way through university.

This is coming from a government that have spent the best part of the last two years telling us that, on the one hand, they were interested in developing world-class students but, on the other hand, they were concerned with getting value for money for non university going taxpayers who were contributing to the costs. So why are we seeing the government wasting money in this area? Why would I say they are wasting money? The minister told us last year—in fact one of the government members told us this yesterday—that students contributed about 25 per cent of the cost of their education. We all know that is rubbish and that the figure is far closer to 40 per cent, but this still leaves the Commonwealth making a contribution to, an investment in, the education of students. But this money is wasted when so many of those students are working so hard to financially support themselves at university that they are unable to actually go to their lectures because they are too busy going to their part-time jobs to make up the money to pay for the course that they are studying at university.

So why is the government investing money—and the Greens would say it is not enough money—in the higher education system and then ensuring that students work an average of at least 15 hours a week so that they are not able to attend their university lecturers and they are not able to spend time studying for their exams and to be the quality higher education, the world-class students that this minister says he wants to see coming out of our higher education system? The
government would do well to reflect on the point of investing in higher education. Surely it is an investment that society is keen to make to boost learning in our community so that we can grow intellectually and culturally as a country, to drive up economic vitality and skill up the work force of tomorrow. One would have thought that was a pretty significant and worthwhile investment that the government should be making, but that is not the way this government sees it. This government is an advocate of the luxury theory of higher education. It is a theory that sees students as rapacious qualification consumers hell-bent on feeding on the largesse of the public university system in order to primarily accrue what senators told us yesterday is a significant private benefit.

This is the view the government has of our higher education system. That is why it has legislated for the user-pays system for higher education that is resulting in the massive fee increases that we are seeing at universities across the country and that we debated here in the chamber yesterday. This view cheapens and sells short the contribution of our higher education to the growth and vitality of Australian society. In the short term, it is a view that condemns thousands of students to a crippling poverty, preventing them from achieving their potential at university and cheating the community out of the extra benefits for all of the community that the higher education sector would provide.

As I said before, extending rent assistance to recipients of Austudy would not solve the whole problem of student poverty. It would be a significant step in the right direction. The minister would be well aware that rents in the major cities of Australia have risen sharply over the last decade and that rental costs as a proportion of income for students in the private rental market are running at around 50 per cent. Those in the lowest quintile of income are paying 58 per cent. Extending rent assistance to Austudy recipients would have a significant impact on the financial status of these students. And the cost of this measure would be far from astronomical. The Greens have costed the measure at around $25 million and the Labor Party, who share this approach, have costed it at around $70 million over the next three years. That is not a massive amount of money when you consider the willingness of this Treasurer to dig deep to fund the Australian Defence Force’s ongoing transition to become the newest division of the United States Army. We are looking at $560 million for tanks that are bigger than we need, if you believe the defence think tanks that have been quoted in today’s paper. Spending $25 million on the future of the poorest students pales in comparison with the spending of $560 million on tanks, which was announced today.

This is not the only measure that the government should support to address the issue of student poverty. The Greens have called in this place before for a thoroughgoing overhaul of all student financial support measures. We have called for a unification of Youth Allowance and Austudy in order that they be brought to a level that would, at the very least, raise benefits above the current Henderson poverty line. We have called for the age of independence to be reduced to 18 and we have called for the effective cuts to Abstudy that occurred in 1997 to be reduced. But just for today, and just for this bill, we are focusing on rent assistance being extended to those who are on Austudy. That relates directly to the content of the bill that we are debating today.

The Greens condemn the government’s short-sighted approach to these issues. We particularly condemn the elitist policies that have raised fees and removed financial support. We look forward to a day when this parliament will be able to cherish the public
education system in this country and take decisive steps to ensure that all Australians—not just the rich and privileged, but all Australians—have the opportunity to access a high-quality public education system and be empowered to succeed when they get there. I move the Greens’ amendment:

At the end of the motion, add:

“but the Senate condemns the Government for failing to take the opportunity presented by this bill to amend the Social Security Act to extend rent assistance to recipients of Austudy.”

Senator PATTERSON (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.18 p.m.)—I thank senators for their contributions. I take quite significant issue with Senator Nettle about the student loans program. That program has been criticised strongly by the Australian university student union and I believe—I am advised—that the average debt was about $20,000. Money was being taken from people. The program was devised at a time when interest rates were incredibly high under Labor and students could not get loans. It was not delivering good outcomes for students. It is estimated that 56 per cent of the loans—more than $1 billion worth—will never be repaid to the government. What about other students who did not have one of those loans? They were not being treated in the same way in the same circumstances. Too many students accrued debt and it was costing an enormous amount of money to administer the program through the particular bank that had that system. Senator Nettle will never have to be responsible for making sure that the books in this country are balanced and that the next generation has something to actually look forward to rather than us borrowing continually from the next generation, as was happening under Labor.

But I want to talk about the Social Security Amendment (Further Simplification) Bill 2003 in particular; I do not want to be taken off the track by Senator Nettle and her wanderings across various aspects of social security. The bill consolidates the rent assistance provision in the Social Security Act 1991. It applies the definition of independence which currently applies to Youth Allowance customers to disability support pension youth customers, amends the definition of compensation affected payments to include certain supplementary payments and makes a number of other minor changes and some technical amendments.

The consolidation of the rules relating to rent assistance takes up the major part of the bill. It will put in place the rules for calculating rent assistance for all social security payments. The rent assistance provisions currently appear in many different places in the act, creating much unnecessary duplication of corresponding provisions. As a result of this bill, it will be easier for Centrelink staff to work out a customer’s entitlement to rent assistance and explain the basis of the calculation to the clients. Centrelink clients will continue to receive the rent assistance that they currently receive under the existing provisions. I think Senator Collins asked a question about that. The consolidation of rent assistance measures contained in this bill is an important part of the measures being undertaken to give effect to the government’s commitment to implementing a simpler and more coherent social security system.

I now turn to other measures contained in the bill. I am taking this early opportunity to inform the Senate of a decision handed down by Justice Stone in the Federal Court on 4 December 2003. Justice Stone’s decision relates to the interpretation of legislation for which technical amendments have been proposed in the bill, namely in items 25 to 28 of schedule 2 of the bill. Justice Stone held that
loans secured against listed shares should be used to reduce the value of the shares in calculating deemed income under the income test. This is contrary to government policy, which is that the gross value of the shares should have been used to calculate deemed income. I am advised that the department has lodged an appeal to the full Federal Court against Justice Stone’s decision.

The government’s longstanding policy is that, when deemed income is calculated on the income test in relation to financial assets, the gross value of the financial assets is to be used, as income is derived from the full amount of the asset. On the other hand, when assets are valued under the assets test, the net value of assets is used where there is a charge or encumbrance in relation to an asset, as this is what would be received if the asset was realised. Items 25 to 28 of schedule 2 of the bill make the necessary amendments to ensure that the policy intention is stated unambiguously in the legislation.

In addition to a number of minor technical amendments, the bill contains two further measures. The bill will amend the definition of compensation. The affected payments include certain supplementary payments which are paid as a result of a person being eligible for a social security pension, allowance or benefit. These supplementary payments will be recoverable from people who receive an economic loss compensation payment. These changes will apply after 1 July 2004. However, they will only affect those customers who receive both social security supplementary payments and compensation payments from and after that date. Finally, the bill also applies to disability support pension youth customers the definition of independence which currently applies to youth allowance customers. As a result, a small number of customers will be entitled to a higher rate of disability support pension payments.

Senator Collins, you might have had a rush from the chamber, but my officers are having an even longer rush from Tuggeranong. I send greetings to them because I think they are listening to these proceedings on the radio in the car on their way in. With regard to the sale of someone’s home and that not being assessed in the assets for a 12-month period, I am advised that we have been doing that with legislative authority. What we are doing is clarifying what has always been the intention of the legislation. We are not changing policy.

Let me take this opportunity to say that, by regulation, just after Christmas I extended that period for the money from the sale of a home to be assessed to two years for those people receiving a benefit whose homes had been destroyed during the Canberra fires. Because of the nature of Canberra and where it is—and because of the number of homes that were destroyed—there were some considerable delays in homes being reconstructed. We thought it would reduce the hardship of families who were in receipt of a benefit if we were to extend that. That was done by regulation—the minister has the authority to extend that by regulation in those sorts of circumstances. As I said, Senator Collins, I am advised that we have been doing it with legislative authority. I commend the bill to the Senate.

Question agreed to.

Original question, as amended, agreed to.
Bill read a second time.

Third Reading
Bill passed through its remaining stages without amendment or debate.

HEALTH LEGISLATION AMENDMENT (MEDICARE) BILL 2003 In Committee
Consideration resumed.
Senator NETTLE (New South Wales) (5.27 p.m.)—I move Australian Greens amendment (1) on sheet 4128:

(1) Schedule 1, page 3 (after line 4), before item 1, insert:

1A After section 2

2A Objects

The objects of this Act are to ensure that:

(a) all eligible persons have fair and equal access to medical benefits; and

(b) all eligible persons are able to claim Medicare benefits for professional services listed in the Medical Benefits Schedule; and

(c) the Medicare benefits for claimable professional services are based on the clinically relevant service provided for an eligible person, regardless of whether that person is a concessional beneficiary.

This amendment introduces an objects clause into the bill. The proposed new clause states that the object of the act is to ensure that all eligible persons have fair and equal access to medical benefits and are able to claim medical benefits for professional services listed in the medical benefits schedule. It also makes another object of the act to ensure that Medicare benefits for claimable professional services are based on a clinically relevant service being provided for an eligible person, regardless of whether that person is a concessional beneficiary or not. So this amendment would prohibit the government in future making the kind of regulation that we saw it make late last year to pay a higher medical benefit scheduled fee for the same service to some groups of people and not to other groups of people. The Greens strongly opposed the regulation to increase the rebate for bulk-billing by $5 for some patients and not for other patients which was made in December before parliament rose at the end of last year.

The parliament was unable to disallow that regulation before it took effect in February this year. The Greens moved to disallow the regulation, but the Senate did not support our move. We opposed that regulation because it marked the end of Medicare as a truly universal public health insurance scheme—something that the bill we are debating also does. Instead of using health need as the basis for determining the allocation of resources, the regulation introduced the concept of welfare status as the determinant for access to resources—that is, it said that some groups of people that the government classed as needy should be given particular resources and that others should not. What it did was say that a group of people the government deems to be needy should be bulk-billed and everyone else should forget it.

Never mind the fact that in that group of people the government deemed to be needy were self-funded retirees earning up to $50,000 a year as individuals or $80,000 a year as couples. The regulation broke down any sense of universality in our Medicare system. The government was saying: ‘Only these people need to the bulk-billed. Everyone else does not need to be bulk billed.’ That was the direction it was giving to doctors in that regulation that was made at the end of last year.

The government wants Australians to believe that bulk-billing is not important. Indeed, its Medicare package that we are debating here today will do nothing to reverse the dramatic fall in the bulk-billing rate, which is now below 30 per cent in some parts of the country. The Greens and others know that bulk-billing is important. It is extremely important that cost not be a barrier when somebody needs to see a doctor, that a mother of a young child with a chronic ill-
ness is not prevented from being able to visit the doctor because of financial barriers being put in the way. It means that people do not have to make decisions about whether they buy the groceries or pay the rent or the electricity or gas bills or whether they take their sick child to the doctor.

It is true that some Australians would feel little financial pain by paying growing fees for seeing a doctor, but we are all better off when we fund our health system collectively according to our capacity to pay and when we all have a stake in making sure that the health system is strong, well resourced and able to meet the demands on it. That is why the Greens support bulk-billing for all Australians. The government’s focus on bulk-billing as a welfare measure, and a threadbare safety net for everyone else, is full of problems—and later in the debate we will go into the detail about the problems with the government’s safety net. Suffice to say, this amendment by the Greens, inserting into the act an objects clause which ensures that medical services are provided on the basis of clinical need rather than on any other determination made by the government, is an important object to have in the act if we are to support a universal public health care system. It will be interesting to see which senators believe we should have a universal public health care system.

**Senator PATTY PATTERSON** (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.32 p.m.)—The government will not be supporting this amendment.

Question negatived.

**The TEMPORARY CHAIRMAN** (Senator Kirk)—Senator Allison, do you wish to move your first amendment on the sheet?

**Senator ALLISON** (Victoria) (5.33 p.m.)—No, I do not. I also advise the committee that the Democrats will not move—as they appear in order on the running sheet—amendments (3), (2), (4) and (5) or requests (2), (3), (4), (5) and (1).

**Senator CHRIS EVANS** (Western Australia) (5.33 p.m.)—We have been kept waiting around four weeks as the government sought to negotiate a deal on its health package and to bring amendments before this chamber. I understand the political imperatives that drive that but I would have thought, given that we deferred the debate because the government first asked us to consider it when we had not actually seen the amendments, that it would be reasonable we adjourn it until we at least have been extended the courtesy of being provided with the amendments—which, I am happy to say, I have received in the last few minutes.

I also thought that the government would take the opportunity to inform Senate what it sought to do in terms of this package. From reading the minister’s press release I understand that there have been quite substantial changes to the package and quite a substantial change in the funding arrangements. While this bill only deals with part of the package, I would have thought it a courtesy and good process for us to have some sort of introduction to that subject. It seems as though we are going to go on in this false world of the Senate immune to anything that is happening. I understood that Senator Ian Campbell was handling the matter—and he has not seen fit to join us again. Senator Patterson is here. I know she knows a lot about it but I suspect that she has not caught up with the latest deal, given that it has been done in the last little while. It just seems to me that the process is wrong when we are having this debate about amendments in the knowledge that there has been some deal done and it has not been introduced to the
I thought I would raise the concern as to whether the Senate was going to be treated with a bit more respect in terms of this issue. At least then we could get on and deal in a real way with what apparently is not the bill before us but a revised bill that the government has, it seems, gained the support of other senators for.

Senator LEES (South Australia) (5.35 p.m.)—I was simply waiting, Senator, until such time as on the running sheet you were up to our amendment. I am more than happy to move the amendment standing in the names of senators Harradine, Harris, Murphy and Lees, if that is appropriate.

Senator CHRIS EVANS (Western Australia) (5.35 p.m.)—Senator Lees will obviously move her amendment in turn if that reflects some arrangement she has reached. But, as I understand it, the government have a very different view about this bill from when they introduced it and when they made their arguments in support of it. I understand it is a completely different package in many respects from that which was announced. It is very different from the amended package, in fact. But I am happy to proceed, if that is the way the government intends to treat the Senate. It is not Senator Lees’s fault. If she is sponsoring an amendment, we will deal with that when we get to it. But it is a pretty shoddy way to treat the Senate and I think it is a pretty unreal situation. We are all sitting here pretending that the world has not changed when, as I understand it, the earth has moved for four Independent senators and they have had a change of heart. Anyway, we will go on as it is. I just thought it would be appropriate for the government to make some sort of statement but, if they are not prepared to, we will press on.

Senator FORSHAW (New South Wales) (5.36 p.m.)—I rise to endorse the remarks of Senator Evans. I think the way this is being conducted is an outrage. Senator Lightfoot throws his head back and laughs.

Senator Lightfoot—You said it with such a straight face.

Senator FORSHAW—It is an outrage. Let us just recap about what has happened here. The government came forward with a package last year when Senator Patterson was the Minister for Health and Ageing.

Senator Lightfoot interjecting—

Senator FORSHAW—Senator Lightfoot, maybe you should listen and learn. That package was considered by the Senate Select Committee on Medicare. I note that Senator Lees was a member of that committee, a very active participant in it, and gave a lot of consideration to what was in the so-called Medicare package at the time. I note that none of the other Independent senators participated in the inquiry.

Senator Lees—It was a select committee.

Senator FORSHAW—That is true, it was a select committee, but I do not recall them ever having a lot to say about it, taking much interest in it. I am not saying that they are not interested in the issue, but there is very little on the record from other Independent senators about this—but there is certainly from Senator Lees. What happened was that the first report of the Senate Select Committee on Medicare came down in October last year. It was so persuasive to this government that its package, as it then was, was inadequate, wrongly directed and cumbersome and needed to be taken back to the drawing board, and that is what the government did. It scrapped it. The minister, who is the minister on duty at the moment, Senator Patterson, was moved to a different portfolio and we ended up with a new Minister for Health and Ageing and a second package called MedicarePlus.
That package was the subject of further inquiry by the Senate Select Committee on Medicare, which reported in February, and the overwhelming view of the members of that committee, other than the government members, was that the package was substantially inadequate and should be rejected. It is a complex issue. There is a range of issues that were considered by that committee, such as bulk-billing rates, safety nets, whether or not allied services should be covered under Medicare, what should happen in respect of dental care and so on.

It was a very considered report. We have been waiting since February for this government to come forward with its position. It said that it insisted upon the Health Legislation Amendment (Medicare) Bill 2003 being passed in its then form, but it has been negotiating with the Independents to bring about some means whereby it can get a package through the parliament. The announcement has finally been made today—just a couple of hours ago—that there is an agreement, the bill has been brought back on and we are now expected to debate these amendments, as Senator Evans said, when they have literally been dropped on us at the last minute. It is inappropriate and it is discourteous, but it also fails to treat the issue seriously.

This is not simply a matter—and we will come to the debate in committee about the amendments that are going to be moved by Senator Lees—that can be resolved by tinkering with the thresholds that are provided for in the government’s package. It appears agreement has been reached between the government and the Independents to change those threshold figures, to reduce them. That is clearly what the amendments that Senator Lees is going to move provide for, but I have some serious issues to raise about the whole package.

For instance, we are told that complex dental care is now going to be listed as a procedure that will be covered under Medicare, but we have not been given any real detail about how that is going to apply. And what is the interaction between the new provision where some dental services, as I understand, in complex serious dental cases would be covered by Medicare and the operation of the safety net? The safety net establishes thresholds which focus upon the gap payments between Medicare rebates and the scheduled fee up to a certain amount and then coverage of all out-of-pocket expenses over and above that threshold. But what this system will set up, as I comprehend it—and I will be interested to hear what arrangements have been entered into between the government and the Independents—is that some areas of dental care will be covered by the safety net, because it is proposed that they would be covered by Medicare, but a whole lot of other dental services will not be covered by the safety net. That is just one area of complexity.

There may be a straightforward answer, but I would have thought the responsible thing for the government to do would have been to provide us with the full details of this package, how it is going to work, and also details on these other elements that are clearly not part of this legislation but which are an integral part of this revised so-called MedicarePlus package. I am very concerned that this legislation is just going to be rushed through now, and I do not think it is treating the issue or the Senate with the seriousness that they deserve, given the amount of work that has been done by the Senate Select Committee on Medicare up to this point in time.

**Senator PATTERSON** (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.43 p.m.)—
This gives me the opportunity to say that Labor has dealt itself out of the game. It dealt itself out of the game when the first package came in. It dealt itself out right along the way. Every time this government puts up something to assist people, Labor opposes it. Ms Gillard was out there saying, ‘The safety net doesn’t help enough people.’ There was no safety net before. We had struggling families who paid for out-of-pocket out of hospital expenses themselves, and all Ms Gillard could say was: ‘This doesn’t help enough people.’ Nothing was done before for people who had high out-of-pocket out of hospital expenses.

The government has agreed, with senators Harradine, Harris, Lees and Murphy, to further improve MedicarePlus. Australians will have a better health system, thanks to senators’ insightful persistence. Senator Evans wants this, so I am going to tell him what we are doing. The MedicarePlus safety net is an important structural improvement to the Medicare system to help people cope with the costs of out of hospital procedures such as MRIs, CT scans, ultrasounds and specialist visits, which have never been widely bulk-billed. Under Labor nobody cared that some families with one or two people—sometimes only one person in the family—with quite a serious illness were facing quite high out-of-pocket expenses and were at the risk of not being able to pay their bills.

The Independents and minor party senators will move an amendment to the MedicarePlus safety net legislation to reduce the annual threshold to $300 for Commonwealth concession card holders and family tax beneficiaries and $700 for others. The new safety net will be available to everyone and will benefit about 450,000 individuals and families in any one year. For the people in the safety net, the rebate will be the standard rebate plus 80 per cent of any gap between the rebate and the charged fee. For instance, if someone in the safety net is charged $40 for a 15-minute GP consultation, the rebate will be $37—$25 plus 80 per cent of the $15 gap—rather than the standard $25. The new safety net benefits will be claimable from the day after the legislation receives royal assent, and the benefits will be automatic once people have registered and passed the threshold. The extended MedicarePlus safety net will cost an additional $174 million to 1 July 2007.

The government will introduce a $7.50 incentive for bulk-billed GP consultations for concession card holders and children under 16 in non-metropolitan areas in RRMAs 3-7 and Tasmania. This increased bulk-billing incentive, targeted to areas where bulk-billing rates of generally low, will replace the earlier $5 initiative in these areas and will be payable from 1 May. When we talk about Tasmania, I am reminded of the 257 extra places that were part of these changes to Medicare, a significant number of which—20 of them—went to the medical school in Tasmania which had only 60 students. Now I think it has a chance of being a viable medical school with 80 students. We need to look at this whole package to see that there has been a significant change in actually making sure that we not only deliver better Medicare but also make doctors more accessible. I am delighted with and look forward to seeing the changes that will occur to the Tasmanian medical school as a result of that significant input by increasing the places from 60 to, I think, 80 or 81.

Going back to bulk-billing, the additional non-metropolitan bulk-billing incentive will cost $131 million to 1 July 2007. The government will introduce a new MBS item for the services of allied health professionals such as psychologists, physiotherapists, podiatrists, dieticians and chiropractors, delivered for and on behalf of GPs under a multidisciplinary care plan. This should mean
less prescription medicine and a more holistic primary health care system. Under the enhanced primary care program, introduced in 1999, GPs can involve at least two allied health professionals in developing a multidisciplinary care plan for people with chronic and complex health conditions. The new item will cover up to five allied health professional consultations, at $80 initially and $35 subsequently, delivered under a health care plan.

Some chronic and complex conditions such as heart disease and diabetes can benefit from dental treatment. Where dental problems are significantly exacerbating chronic medical conditions treated under a multidisciplinary care plan, a further ‘for and on behalf of’ MBS item will be available for up to three dental consultations at $220 for the program of the treatment. This is a health care measure not a dental care scheme and will only be available where dental treatment is required to treat a chronic medical condition. It is estimated that GPs will prepare 150,000 care plans a year involving 680,000 allied health consultations. In addition, dental services will be provided for up to 23,000 people under the multidisciplinary care plans. These allied health measures will cost $121 million to 1 July 2007.

The government will fund an additional 12 medical school places a year at James Cook University at a cost of $1.1 million to 1 July 2007. These places will provide James Cook University with a permanent increase in medical student numbers to help meet the needs of Queensland regional and rural communities.

In coordination with state governments, the government will commence statewide rollouts of HealthConnect integrated medical records system in Tasmania and South Australia from 1 July. Tasmania has the best broadband access and South Australia already has an integrated hospital information network. An integrated health records system should mean better patient care through fewer medical mistakes, and lower ultimate costs through less duplication. The government will spend $80 million on HealthConnect to 1 July 2007, which is already in the forward estimates.

The government will extend GP workforce programs and the rural locum scheme to areas of consideration which are rural in character but are in the same statistical local area as a large town. This cost will be met out of existing program allocations. New MedicarePlus spending is $427.5 million, bringing the total cost of MedicarePlus to $2.85 million. The Howard government will invest what is needed to protect and strengthen the Medicare system. If people want to find details of this, they are available on www.health.gov.au.

Senator ALLISON (Victoria) (5.50 p.m.)—It is useful that the minister has given us an outline of the program to date. Sadly, we are not all able to tap into www.health.gov.au and check out some of the questions that we might find answers to there, so this looks like as good an opportunity as any to raise those. I will start with a question about the costing figures. They are expressed in three-year terms. Is it a three-year program? Why is it three, not four? What will the fourth-year figures look like for outlays on the safety net, for instance, and for allied health and bulk-billing?

Senator PATTERSON (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.51 p.m.)—I am advised that it fits with the three-year budget of MedicarePlus but the fourth year will appear in the budget papers.

Senator ALLISON (Victoria) (5.51 p.m.)—Can I just get that clarified. Will the
fourth year continue as these three have been set out?

Senator PATTERSON (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.51 p.m.)—We project it out in terms of the projection of budgets. If I were to say that it is exactly the same I think that would be wrong because it would have an inflationary effect in it. Why it is three years is that the MedicarePlus package is three years, so it fits with that. The budget papers will then give you the extension of all of MedicarePlus into the fourth year. Apparently, there is an effective population growth that changes that figure, so I cannot say it is the same because it has an uplift factor.

Senator CHRIS EVANS (Western Australia) (5.52 p.m.)—Could the minister explain why the government has chosen to treat children in Tasmania differently in terms of the rebate compared to, say, children in Bendigo or Ballarat? What is the rationale for treating people differently for the same treatment?

Senator PATTERSON (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.52 p.m.)—Labor has focused only on gross bulk-billing rates of 80 per cent and does not care where those bulk-billing rates are. Apparently Tasmania has a very low overall bulk-billing rate. As I have said over and over again, one of the things is to try to ensure that you get equity into this system in the sense that people in similar circumstances have a greater opportunity of being able to visit a bulk-billing doctor.

Senator CHRIS EVANS (Western Australia) (5.53 p.m.)—The minister referred to equity. That is why I am asking: why don’t you treat families and children equitably? You have just said that you are going to introduce special conditions for children in Tasmania, an increased rebate. Why won’t you do the same for families in Bendigo and Ballarat, which have bulk-billing rates lower than Tasmania and certainly lower than the major cities in Tasmania? You are talking about equity. There is clearly no equity in that proposition. Why are you treating children in Tasmania differently to how you treat children in Victoria and Queensland, and the other states for that matter?

Senator PATTERSON (Victoria—Minister for Family and Community Services and Minister Assisting the Prime Minister for the Status of Women) (5.53 p.m.)—I am advised that Hobart is RRMA 3-7, and we have extended it to RRMA 3-7. Because of some of the difficulties that are faced, and I think we all realise that there are challenges when there is an island state, Hobart has been included. I have been advised that Ballarat and Bendigo are also RRMA 3. I cannot remember the exact classification. The package has been extended to RRMA 3-7 and it was the decision that, given the situation in Tasmania, it would be appropriate to extend it across Tasmania.

Senator LEES (South Australia) (5.54 p.m.)—Those areas you mentioned are RRMA 3, both Ballarat and Bendigo, so they get the $7.50 as well.

Senator CHRIS EVANS (Western Australia) (5.55 p.m.)—The government’s MedicarePlus update, hot off the press, says it is RRMA 4-7. Is it RRMA 3-7 or RRMA 4-7? The information you have produced today is not right. Do you want to check whether it is RRMA 3-7 or RRMA 4-7? Maybe Senator Lees knows more about the package than the minister does. The official information I received says RRMA 4-7.

Senator PATTERSON (Victoria—Minister for Family and Community Ser-
vices and Minister Assisting the Prime Minister for the Status of Women) (5.55 p.m.)—
What I just read from said RRMAs 3-7.

Senator CHRIS EVANS (Western Australia) (5.55 p.m.)—The March 2004 MedicarePlus update, under ‘New criteria to determine rural, remote and metropolitan areas (RRMA) classification’ quotes RRMAs 4-7. But the question remains the same: why are you treating children or families differently because of their location? This is not based on medical need and it is not based on income; this is based on an arbitrary decision that somehow children in Tasmania, in the city of Hobart, will be treated differently to children in the rest of Australia. I just want to understand what the rationale is.

Senator HARRADINE (Tasmania) (5.56 p.m.)—Can I help Senator Evans. You might ask what is the difference between the children who live in Richmond or the children who live in Launceston and the children who live in poorer areas like Gagebrook. We felt that it was only proper that the $7.50 be paid totally for those people who are able to claim it in that bracket. It has been the view of governments, not only this government but also the previous government, to treat Tasmania as a whole, as a region. If it is good enough for the government in a number of areas it is good enough for them here. For example, the government’s own document Stronger regions, a stronger Australia states that regional Australia is the Australia outside our major capital cities. I am sure Hobart will not mind not being called a major capital city if it is able to participate in the $7.50 instead of the $5.

Senator NETTLE (New South Wales) (5.57 p.m.)—I thank the minister for reading to the Senate the content of the media release put out just this afternoon by Tony Abbott, the Minister for Health and Ageing, because that is what we have here in the chamber in terms of the position of the government. We have the minister’s media release having been read out by the minister who happens to be here at the moment. We do not have the minister who is dealing with this piece of legislation, unless that changes. We are quite happy to have Senator Patterson dealing with this legislation. She has been the health minister before and can do all of this work. But we are just getting an indication of what commitment the government has to coming in here and selling its new package. We had the minister who happened to have been in here for the previous bill stand up and read out the media release from the health minister to make the announcement: ‘This is where we are going with public health. This is what we have decided.’

Children in Tasmania and some decisions about university places at James Cook University—this is the government’s future planning for public health in this country. This is the government’s commitment, saying: ‘We no longer want Medicare to be a universal public health care system. We are quite happy if Medicare, whittled down, becomes a safety net with holes all through it for those people whom the government deems to be needy. No worries about the fact that that includes self-funded retirees earning up to $80,000 or $50,000, depending on whether they are a couple. This is our vision for the future of public health care in this country. Do not worry about universality. Let us just say we brought in that regulation last year. A couple of people can get bulk-billed. For people who fall into this category, we encourage doctors to bulk-bill. For everyone else, here is a safety net with a whole lot of holes in it and a couple of extra bits thrown in for kids in Tasmania and medical students at JCU.’ That is the government’s vision for public health care in this country.

That is not good enough. For the money this government is putting into the additional
amendments they have negotiated today—the $427.5 million—they could have increased the GP rebate by $5 for all Australians so that all Australians would have had that increase in bulk-billing that the government proposed at the outset with their revised Medicare package. ‘We want to increase bulk-billing. Let’s give GPs $5 extra in the rebate.’ That is the proposition the government put forward. For $400 million they could have increased that GP rebate for all Australians and said to all Australians: ‘We want to do something to increase bulk-billing for all of you. It’s not going to be whole thing, but our measure is universality. Let’s have a public health care system that covers, across the board, every Australian and treats them the same. That is the kind of public health care system we want.’

That is what we could have got for less money than is being put forward by this deal between the government and the Independents. We could have had universality. But no, that is not the path that this government decided to take. This government decided to throw more money than that at four senators who were then prepared to accept a system that had extra incentives for children in Tasmania, a system that had extra places for medical students at James Cook University and a system that entrenches Medicare becoming a welfare measure, a safety net. There is no universality in the future vision of public health care in this package being brought to the Senate by the government and the Independents.

This is a safety net full of holes. This is a safety net that ensures that a working couple without children earning half as much as a self-funded retiree, who is treated differently in the safety net, will not have access to the safety net the government is proposing. This is a safety net that ensures that a couple with three children under 18 earning nearly $100,000 will qualify for the government’s safety net but an individual working full-time earning $35,000—less than average weekly earnings—with a chronic medical condition will not qualify for the same safety net. They will have to pay another $400 before they get anything back from the government. It is a safety net that ensures that the 14,000 Australians living with HIV infection who are struggling to meet medical and pharmaceutical costs will not qualify for the lower safety net. No, they will have to spend the extra $400 before they get anything back from the government. This is the government’s vision for public health care—that we should have a safety net for some people the government deems to be needy. That is their vision for Medicare. That is their vision for public health in this country.

That is not good enough, and the Greens will not be supporting this package put forward by the government. We believe in a universal public health care system—something that we could have had for less money than is being thrown at four senators to get them to support this package. We could have had that universal nature, encouraging all doctors to bulk-bill all Australians by putting an extra $5 into the GP rebate across the board, for less money than we are seeing here today in this package. It is not acceptable, it is not good enough and it is not a vision for public health care in this country. Throwing a bit of money at people who will agree to your deal is not the way to plan the future of the public health care system in this country. It is not acceptable.

Senator LEES (South Australia) (6.03 p.m.)—Can I just make the point to Senator Nettle—and I am sure she is well aware of this—that we simply could not have had universality, because this government is absolutely determined not to have it.

Senator Nettle—So why are you supporting it?
Senator LEES—Because, Senator Nettle, it has already gone through this chamber—the $5 you fuss about has been passed. Yes, the Greens opposed it. I am happy to make that point again: the Greens opposed it. But everybody else—the Labor Party, we, the Democrats—supported it. That is where we are at. We could have walked away from this package, which would have meant no revised safety net. That is fine. Obviously that would suit the Labor Party, because they could go to the election with Medicare in a greater mess than it is now as things deteriorate further, with specialists in particular continuing to charge large out-of-pocket expenses. I can talk about the safety net later when we move the amendments, but they are the people who are contributing to the safety net in that they are the ones charging Australians well above the schedule fees and rarely, if ever, bulk-billing in some cases.

In response to Senator Nettle, it is very clear—because we have already passed the regulations through this chamber, last year—that we were not going to get universality. So the question for me was: how can we improve the health system? We actually have an opportunity to make a difference. We have an opportunity—and for me this was particularly important in this package—to put in allied health. Those very people that Senator Nettle is so concerned about who have HIV or AIDS can now access allied health professionals, because they are the ones that will fit the chronic health care plans—the definition being that you have an illness lasting more than six months. They can now access podiatry, physiotherapy, chiropractic services, dieticians and dentists if their doctor believes that that is an important part of their care plan.

Yes, Senator Nettle, we could have walked away from all of that, but we actually chose to make a difference. We could have also walked away from lowering the safety net. At $300 now we let some 12 million families in. But no, we chose to keep working with the government over what were quite stressful weeks to get the best possible outcome for the sickest members of this community. We could probably have chosen to set the bulk-billing targets up around 80 per cent for similar amounts of money. So what? All that was going to do, as we saw in the information from the department, was advantage those people that are already bulk-billed in the big capital cities with the bulk-billing clinics.

If you look at the information, Senator Nettle, and you look at where people are not being bulk-billed, it is in RRMAs 3, 4, 5 and 6. They are the areas we had to target if we actually wanted to make a difference in bulk-billing rates. We cannot move that through this place. The Senate has no power to get those regulations through; it is the government that is going to have to do that. We have taken a signed letter from the minister. We are trusting the minister that that will be done with due haste so that we will be able to expand out and support further those doctors who are struggling in rural practice. Hopefully they will respond by bulk-billing vast numbers of their patients who have health care cards and the children who at the moment they are not bulk-billing.

If the Labor Party, as I hope they do, come into the election campaign and say, ‘Just with a stroke of a pen, if we get into government, we’re moving a regulation so that everybody gets bulk-billed at $7.50’—or whatever they choose—I am more than happy to support it. But we are taking the bird in the hand rather than sitting around waiting and seeing whether, some time down the track, somebody puts a better offer on the table.

Senator PATTERSON (Victoria—Minister for Family and Community Ser-
sices and Minister Assisting the Prime Min-
ister for the Status of Women) (6.07 p.m.)—I
want to clarify a point for, I think, Senator
Evans. There are two initiatives here to do
with RRMAs. One is about bulk-billing in-
centives. This initiative increases the bulk-
billing incentive from $5 to $7.50 for ser-
vices provided in areas classified as rural,
remote and metropolitan areas—RRMAs—
3 to 7 in the whole of Tasmania where those
services are bulk-billed and delivered to con-
cession card holders and children under 16
years of age.

The other initiative refers to RRMAs 4-7.
I think I am going to send one of my former
staff a copy of this with a gold signature on it
because she was one of the ones who dealt
with some of the difficult issues that related
to incentives, or payments, for doctors in
rural and remote RRMA classifications. GPs
in rural areas where SLA boundaries have
resulted in a lower RRMA classification are
currently ineligible for incentives that are
available to doctors in areas classified as
rural or remote—those is, programs limited to
RRMAs 4-7. As we looked through those it
was obvious to me that there were some
quite difficult situations to explain where
differently you fell in one RRMA but,
because there was a bridge down the road
and a little inlet, you did not end up in that
category. Some of them were very difficult to
argue. Areas where this seems to be the case
will be considered for designation as areas of
consideration to enable them to become eli-
gible for RRMAs 4-7 programs.

I welcome that initiative. I think it is a
tremendous initiative to deal with some of
the very strange anomalies that occur when
you have arbitrary lines drawn which mainly
fit the situation but whereby there are exam-
pies which anybody who uses logic realises
just do not fit. Emma Handyside, who used
to work in my office and dealt with these
sometimes, was always aware that there were
some anomalies because of the lines not nec-
essarily fitting geographically in a sensible
and logical way.

Senator HARRIS (Queensland) (6.10
p.m.)—I would like to make some broad
comments on some of the rather emotive
statements that have been made in the cham-
ber in relation to the Health Legislation
Amendment (Medicare) Bill 2003, such as
‘the safety nets are full of holes’. If that is
the case then we need to have a look at
where the structure of safety nets started.
They were brought in by the Labor Party
when it initially developed Medicare. They
have been here from the start.

One of the things incumbent on each sena-
tor in this place is to ensure that the positive,
proactive benefits that are achieved by this
chamber are conveyed to the people that we
represent. To do that, we need to have a brief
look at the level of the previous safety net,
which was $328.80 right across the board.
We then need to have a look at what a person
needed to do to get to that safety net. The
safety net as it currently stands—and will
until this legislation is passed—only accrues
the difference between the schedule fee and
130 per cent of that figure. If we look at an
MRI, for example, the average out-of-pocket
cost for an Australian is in the vicinity of
$75. Under the old safety net, only $11 and a
few odd cents actually accrued to that safety
net of $328.

What is proposed with the new program is
that, on average, that entire $75 accrues to
the $300 level if the person has a concession
card or $700 if they are an individual not
eligible for the $300 safety net level. There
is a huge difference. The real out-of-pocket
amount that a person currently needs to pay
to get to the $328 safety net is far greater
than it will be when this legislation is passed,
because the entire out-of-pocket expenses
accrue to that $300. We have a responsibility
to ensure that the people we represent are aware of that. We also have a responsibility to ensure that the people we represent clearly understand that, as Senator Lees has indicated, there are now facilities to access allied health services that have not been there previously.

If we look at a person who has diabetes, one of the biggest dangers for that person is poor lower limb circulation, which ultimately and very sadly could result in them having to have a limb amputation. The introduction of podiatrists, who would be able to assess that person on a regular basis, will now, in lots of cases, remove the necessity for that amputation because they will be monitoring that person’s condition. These are the issues that each one of us has a responsibility to ensure people clearly understand.

If we look at elderly people with incontinence, we find it is proven without doubt that in 70 per cent of cases a physiotherapist can reverse incontinence by a program of seven courses of physiotherapy, teaching that person muscle control. That leads to a far better quality of life for that person and costs well under $1,000 to achieve. If that person only had the option of surgery to rectify that problem, the cost to the Australian population would be well over $4,000. Again, we have a situation where the person’s quality of life is improved and there is a considerable saving to the government. These are the issues that we need to focus on. It is one thing to come in here and say that this is a bad policy. That may be your political point of view but the point I am making is that it is incumbent on every senator in this place to ensure that the people they represent know what the benefits are.

Senator ALLISON (Victoria) (6.16 p.m.)—I would like to return to the earlier line of questioning to do with the costings of this safety net measure. As senators will know, the Democrats had amendments which would have set the threshold at a single level of $500. You might ask why we did that when obviously $300 would be preferable. But, at the time we raised questions about the cost of the $300 and $700 model, we were told that it would be $454 million over four years. Whilst I acknowledge that there will be a lot of low-income people who will benefit from this measure, the fact that you have two thresholds does offend against the universality of Medicare, and that is another good reason for not doing it.

But, to come back to my first question, it was my understanding that the cost was over four years. I note that this press release from the minister talks about three years. What is the cost for that final year? It was my understanding that the costs rise pretty dramatically in that fourth year. Can that figure for the final year be confirmed? If $174 million is to be allocated over three years, what is the amount for that final year? If it is not a total figure of $454 million, why is it not and why was that the figure that was previously provided?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.18 p.m.)—I am informed that it is actually $440 million for three years and two months, and the net additional cost is $174 million. There is a slight discrepancy in the figures that were provided to Senator Allison in the early stages of discussions. I think she accurately referred to a figure of $454 million and it has come down to $440 million. The reason for that is that there were some savings and efficiencies in relation to the HIC Online initiative. They were figures that the Department of Finance and Administration came back with. I am advised that they were savings in administrative costs within the Health Insurance Commission, to be accurate. I think you were ask-
ing about figures for the final year, and we are still trying to get those.

Senator ALLISON (Victoria) (6.19 p.m.)—It is amazing how quickly we can find savings in administration without having done something in the first place! It is extraordinary. Is it possible for me to ask at the same time about the inflationary assumptions that were built in for the $300 and $700 thresholds for GPs and specialists? How will that affect the number of people claiming for each year and for the fourth year? What is the cost the government will pay and how will that increase yearly for the $300 and $700 safety net?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.20 p.m.)—I did not understand the second part of the question and the officers certainly did not. The first half of the question related to inflationary assumptions. The assumptions that were made, broadly, were that bulk-billing rates will be maintained and that the gap will be maintained in broad and general terms. There is an issue that I know was raised at the press conference that the minister and some senators attended. It may not be what Senator Allison was asking about but I think it is a serious issue, so I will address it. It is the question of whether the new thresholds would encourage doctors to raise their fees. There has been a concern that doctors may know when people are over the thresholds and there may be an increase in the fee. The answer to that is that the support is for 80 per cent of the schedule fee, so there will still be a price there for the patient, so there will still be public pressure and market pressure to ensure that fee increases do not occur.

The structure of the MedicarePlus safety net has not changed as compared with the safety net that has been before the two Senate inquiries. It still requires the threshold to be reached. The doctor will not know when that threshold has been reached. It makes it difficult for doctors, therefore, to know when that situation occurs. The second report of the Senate Select Committee on Medicare said:

... the Committee finds no probable reason why practitioners would deliberately raise fees if and when they know a particular patient to be beyond the relevant threshold.

Senator ALLISON (Victoria) (6.23 p.m.)—Minister, I ask you to move aside from the behavioural question of safety nets and when people will reach them. I really asked about the assumptions behind the figures. Currently for GPs the average copayment or gap cost is close to $13 per consultation. In these assumptions have you built in just an inflationary increase in that figure or none at all? I am just asking about the assumptions. I am not challenging this or saying this is necessarily inflation. I am just asking what the assumptions are behind those figures.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.23 p.m.)—That is a fair question. There are a number of inflationary questions associated with the package and I have answered the wrong question. The answer to that one is that we are using figures from recent years—basically, the continuation of existing trends. I think that is the only fair measure. It is probably a conservative way to go, and that is what we have done.

Senator NETTLE (New South Wales) (6.24 p.m.)—I ask the minister about his previous answer to Senator Allison. He said that the assumption is that bulk-billing will not increase. Is that the assumption for the government’s model of the future of public health in this country—Medicare and bulk-billing? Are we basing it on an assumption
that there will be no increase in bulk-billing rates?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.25 p.m.)—The answer I have given remains accurate. We are making conservative assumptions. We are not jumping to some conclusion about it. We do hope that these measures will see rises in bulk-billing in some areas. That is clearly why the government are putting in some incentives. The $5 payment is already law. It is clearly why some senators have agreed to increase the bulk-billing payments by $7.50 in non-metropolitan areas. We hope that will have an impact but we have not counted on that in our assumptions. I think that is fair. That is the right way to make assumptions. It is a conservative way to estimate.

Senator NETTLE (New South Wales) (6.25 p.m.)—To clarify, the assumption is that there will be no increase in bulk-billing. Does that mean that the minister and the government think it is appropriate that some parts of Australia currently have bulk-billing rates as low as 30 per cent and that we are currently at the lowest average rate of bulk-billing that we have seen in approximately 10 years? Is that a situation that the government is comfortable with at the moment?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.26 p.m.)—The senator is now putting words into my mouth. I answered a question about the cut-in rates of $300 and $700 for the safety nets and costings on the safety nets. I thought, and I think I thought correctly, that Senator Allison was talking to me about the inflationary assumptions in those costings. We have put in place a multibillion dollar package to assist in a range of ways to increase bulk-billing in the areas of highest need. We have a range of measures to get more doctors into those areas. We have incentives to increase bulk-billing, particularly in those areas. Senator Harradine made the point today that in Hobart, for example, there is a very low rate of bulk-billing. We have a package of measures to address that. I think the total is $2.8 billion of additional spending to address the issues of access to quality health care in Australia.

Today is in fact a historic day. We have announced that we are bringing in the allied health measures that Senator Lees has sponsored and the measures to bring in the $7.50 bulk-billing incentives in the areas that are defined in the press release. Broadly speaking, I think they are in non-metropolitan areas, with one exception. That shows that the government are committed to giving people much better health care than they are getting at the moment. There is a massive injection of Commonwealth assistance in that area. The only people who could say that we are not fair dinkum about improving people’s access to health care and improving Medicare have some ideological perversion. We are underpinning the existing Medicare scheme in a way that needed to be done if it was to continue successfully. We have also added some fantastic new safety nets that will help millions of people across Australia get health care that many of them at the moment cannot afford.

Senator Harris, Senator Lees, Senator Murphy and Senator Harradine at the press conference today, which I attended because I was keen enough to learn about the historic achievements, gave examples of people who were suffering from chronic illnesses who would now get assistance from a physiotherapist, a dentist or a podiatrist—people who needed an integrated health care plan and who needed financial assistance to get it. Otherwise their lives would be shorter and more uncomfortable. I am very proud of being part of a government that has made that
commitment and very honoured to be able to work with the Independent senators who have made this a reality. It is just ideologically driven claptrap to say that we do not care about these things. We have made the biggest improvements to health care in Australia. If we can get this passed before 10 to seven tonight we should all be very proud of the achievements here today. We should be able to do it. The only thing that is stopping us is someone’s ideological perversions.

Senator MURPHY (Tasmania) (6.30 p.m.)—I want to speak on a couple of the issues that are being discussed at the moment. One is in respect of the inflationary concern which I think was raised by Senator Allison and Senator Nettle. That was an issue that we discussed with the government at length. One of the problems that still exists for the government, which the government has indicated it will monitor, is that the real inflationary problem lies with specialist services. I trust that it will monitor that if it becomes a problem in terms of workplace measures—that is, in the supply of specialist services—because it is very important. With respect to visits to a normal GP, even if the GP had a long-term patient and was able to monitor the expenditure of that patient over a period of time, it would take a significant number of visits to the GP before they would actually hit the $300 threshold. There are some cost pressures. The inflationary pressures that can be driven by specialist services remain a worry for me.

Can I also say on my coming to a view to support this package that the issue of universality is a concern for me, and that is an issue that will remain after this package has passed in this place. One thing I looked at was whether, if you were to provide for a $5 payment across the board, that would have improved the delivery and the maintenance of and increased bulk-billing. It is hard to see that that would be the case, given that we know there is an average copayment being charged by doctors across the country of $14 or $15. It is hard to see that doctors would say: ‘Hurrah. We’ve been offered $5 and we will get rid of $15.’ It is even the case that the $5 that has been passed by regulation for concessional groups and children under 16 years old has not increased the rate of bulk-billing. It will not increase the rate of bulk-billing, in my view—even at $7.50. I come from a state that has almost the worst bulk-billing rate in the country. That is why my learned colleague Senator Harradine and I pursued encompassing Tasmania under one classification.

It is important for this country in the long term that the two major parties, the government and the opposition, will be able to bring forward to the public at the general election later this year very significant proposals for the future of the health system of this country. What we were confronted with—at least what I was confronted with—was the question of whether we do something or we do nothing and wait and see. There are a significant number of people who are being affected by circumstances right now. I came to the conclusion that at this point in time it is better to do something, particularly on the allied health side of things, which I have to say we all pursued. I think that will demonstrate, from a health service provision point of view, that it is a very worthwhile exercise to help families.

Sure, I accept that there is some argument about creating a two-tiered system—a welfare system. There might be valid criticism in that. But, as I said, we have an election before the end of this year and it will enable the parties to put their cards on the table in respect of what they see as a long-term future, because $5 is not going to fix universality. It just is not going to fix it. It will take a lot more than that. Most senators would be aware of the various studies and reports that
have been done for doctors. The relative value study demonstrated that a GP’s fee ought to be around $50 per consultation. Until the $5 payment went in for concession groups and under-16s, you had a $25 or $26 schedule fee and $30 for the rebate, which is clearly inadequate. It is a matter that has to be addressed in the long term. I am a supporter of a universal health system.

Senator Chris Evans—Well, vote for one then.

Senator Murphy—Chris, I will. At some point in time, I will.

Senator Chris Evans—You were elected as a Labor senator, mate. Then you go and ask a Labor government to fix it up in the future! Fair dues. The hypocrisy is really too much.

The Temporary Chairman (Senator Sandy Macdonald)—Order!

Senator Murphy—Senator Evans, you are entitled to your view about that in terms of where we are at in this debate and the outcomes that can be delivered. Of course, there is an outstanding issue for Tasmania, which I hope the minister will address very shortly. The reality is that $5 is not going to fix this. There are some aspects of the package that are very worth while and will deliver some very beneficial outcomes. I think that has been reflected in some of the commentary today.

Senator Nettle (New South Wales) (6.36 p.m.)—I agree with Senator Murphy that that $5 increase in the rebate will not fix it, because what you need is a commitment from the government of the day on universal public health care—and this government simply does not have that—so to jump into bed with a government that does not have that commitment to universality is not going to deliver the universality that you are looking for. I had questions previously about the assumptions on bulk-billing rates on which this package was based. Minister Abbott indicated on Lateline last year that the assumption for the package as a whole was that there would be no increase in bulk-billing, so I want to ask the minister whether it continues to be the assumption for the package as a whole that there will be no increase in bulk-billing rates.

I also wish to address some comments that the minister made in relation to this government’s commitment to public health when he talked about the additional $427.5 million in this package that is going into safety net measures, and I would not necessarily put that as going into supporting our universal public health system. We will have the opportunity later to talk about the inflationary nature of those safety net measures. This is a government that is spending $2.4 billion just this year on the private health insurance rebate, so if we want to talk about the commitment that this government has to public health care I think we need to put that into context. We are talking here of an additional $475 million when this government spends $2.4 billion on private health insurance rebates—and that is before you add in the premium increases that have just been approved by this government. So when it comes to this—is this government committed to public health care or to the provision of private health care?—I think the $2.4 billion being spent every year on the private health insurance industry gives us a clear indication of where this government’s commitments to health care truly lie.

Senator Allison (Victoria) (6.39 p.m.)—I want to go back to the costing of the safety net. I wonder if the minister can clarify the position as to specialists. It was my understanding that over four years the assumption was that the gap for specialists would at least double for a fifth, or 20 per cent, of concessional and ordinary patients with the $300 safety net. Can the minister
clarify that? Has that assumption now been changed in the most recent figures or is that still the case?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.40 p.m.)—Is Senator Allison referring to costings that she was provided during discussions with the government?

Senator Allison—Yes.

Senator IAN CAMPBELL—There is no change to those. But I think Senator Murphy has made the very important point that this is obviously a stress. We want to monitor it and we are concerned about it but, equally, the government has been putting in place measures to try to reduce those pressures. One of those is in fact the very bill that we were talking about yesterday, the one to do with the medical indemnity issue, which has been a huge cost driver to specialists’ expenses. I think the parliament actually passed that yesterday; that was good to see. So they are pressures and that is an issue that the government is faced with.

Senator Nettle asked a question about bulk-billing. The fact today is as it was when Dr Blewett brought in Medicare in 1984: the then government made it very clear—as I think Senator Evans and others would make the point now—that you cannot force doctors to bulk-bill. So that still remains the policy of both major parties, as I understand it—and it was the policy of Dr Blewett when he brought it in. So bulk-billing ultimately will be determined individually by doctors and who they bulk-bill will be a matter for them and then collectively—across the whole of Australia or electorate by electorate or suburb by suburb—you will end up with a rate that applies to that community. What we have sought to do here, and what the Independent senators have further sought to do, is to provide further incentives for bulk-billing, particularly in those areas of need. The $7.50 rate applies in RRMAs 3 and 7, areas where we would hope and expect that those incentives will see significant increases in bulk-billing. So that is our hope and that is our expectation, but we are not going to go out there and lash the doctors or tie them to a post in the middle of the town square if they do not; you cannot do that. We are hoping that will see increases in bulk-billing rates in those communities and we expect that those new incentives, as a result of today’s decisions, will achieve that outcome.

Senator ALLISON (Victoria) (6.42 p.m.)—Just to clarify this, Minister, you did say you did not believe there was anything inflationary in this package. I make the point that the doubling in the gap for 20 per cent of patients is what is built into this factor, so we need to get it on the record that there is an element, at least with specialists’ fees, of inflation that is beyond the trend lines that we have had so far. Minister, I wish to press you on a couple of assumptions about the number of GPs who will continue to bulk-bill at their existing rates or those in the RRMAs that will increase their bulk-billing rate. Can I assume from the answers you gave to Senator Nettle that you do not expect any increase in the bulk-billing rate in RRMAs 3-7?

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.43 p.m.)—I think Senator Allison may have misheard me. We are actually hopeful that these incentives will lead to increases in these areas. I said we hope that they will lead to increases in these areas.

Senator ALLISON (Victoria) (6.44 p.m.)—We all hope there will be increases in bulk-billing, particularly in those electorates that are poorly served by bulk-billing, but my question was: what were your assump-
tions about an increase or not and on what basis did they come? Presumably you did some talking with doctors in those areas about what $7.50, as opposed to $5 or $17 or some other figure, would do. There must be some rationale behind rewarding doctors with $7.50—or are they just going to put the $7.50 in their pocket and we will see no change? If that is the case, it would appear to be a quite expensive measure for no real gain.

Senator IAN CAMPBELL (Western Australia—Minister for Local Government, Territories and Roads) (6.44 p.m.)—It is in the assumptions, to answer Senator Allison’s questions. While I am on my feet, could I also—

Senator Allison—What is in the assumptions?

Senator IAN CAMPBELL—You said we all hope that bulk-billing rates will go up in what you call electorates and we call RRMA5. You then said, ‘But was it in the assumptions?’ My answer, which I did not have before me before, is that yes, it is in the assumptions. There are assumptions. In relation to the 30 per cent rebate that Senator Nettle referred to in saying that this money shows that we do not care about the public health system, the figures show that the private health fund rebate, or whatever it is technically called, has actually had a significant impact on—

Senator Nettle—They show the opposite.

Senator IAN CAMPBELL—I will provide the figures to you.

Senator LEES (South Australia) (6.45 p.m.)—I would like to come back to some of the earlier discussions with Senator Nettle and Senator Allison regarding both inflation and bulk-billing rates and increases. As we look at the safety net, the vast bulk of it—the vast bulk of costs that are going to contribute to meeting people’s safety net—is from specialists. We are not talking about any measures to get specialists to bulk-bill, unfortunately.

A raft of work force measures is needed. If I can just go off on a slight tangent here, some of those work force measures, I believe, are in this package. Instead of referring people straight to a surgeon for surgical procedures, now there is the opportunity to look at other options, such as physiotherapy, podiatry et cetera. Apparently podiatry can actually save the toes of diabetes patients before they get to the point where they need surgical operations to have amputations, which occurs at the severe end of diabetes. As the government said, they are not factoring a lot of this in. A lot of it really depends on the response of GPs and specialists. It is an extremely difficult issue.

Let me come back to that small part of the safety net—less than 10 per cent—which is contributed to from GP costs—the gaps that GPs are actually charging. I believe the incentive—the $5—is going to hold it only in the cities; I do not really think that we can suggest for a moment that there is going to be any blow-out there from GPs. I think the $5 is holding bulk-billing. I do not know; it will probably be another six months before we know for certain. However, the figures that we were given in the protracted discussions that we have had with the minister and the department show that the $7.50—and perhaps this answers Senator Allison’s question as to why we think there may be some increases—for concession card holders and children who are bulk-billed will see an increase in doctors’ incomes. Generally, the average amount charged for concession card holders in these rural areas is $7.50 or less—an extra $5. It will make economic sense for doctors to increase bulk-billing at $7.50 in RRMA3, 4, 5 and 6. RRMA7 already has reasonably high bulk-billing rates. It is the hope of those of us who have worked with
the government on this that, because $7.50 does make a financial difference to many of these GPs, and $5 really did not, we will see additional levels of bulk-billing in RRMAs 3, 4, 5, 6 and, hopefully, 7.

But even given all of that, because we are talking about the inflation in the safety net, there is very little impact on the safety net from anything GPs are doing by way of gap fees. It is the extra $50, $80, $100 or $200 elsewhere in the system that is built into the safety net and there is really nothing in this package, other than perhaps those allied health measures, that is going to actually do what is needed.

It is over to the government now to look at a raft of workforce issues, including making sure we have more specialists in areas where there are significant gap problems and more allied health professionals on the ground. We are also going to face significant workforce issues for allied health professionals, because often not enough of them are being trained either. There are still a lot of things to be dealt with, but those of us who have worked with the government believe that we have made a contribution to improving access to health services for the sickest members of our community.

Progress reported.

NOTICES

Presentation

Senator Forshaw to move on the next day of sitting:

That the following matters be referred to the Community Affairs References Committee for inquiry and report by 31 August 2004:

(a) the adequacy of staffing levels in residential aged care facilities;
(b) the impact of staffing levels on the care and safety of residents in residential aged care facilities;
(c) the adequacy of qualification levels and ongoing training of staff in the aged care system, both residential and community care;
(d) the effectiveness of the current regulatory framework in ensuring adequate staffing levels and proper standards of care in the aged care industry both residential and community care;
(e) the performance and effectiveness of the Aged Care Standards and Accreditation Agency in assessing and monitoring care, health and safety and staffing levels in aged care facilities;
(f) the performance of the Aged Care Standards and Accreditation Agency in identifying best practice and providing information, education and training to aged care facilities;
(g) the impact on public hospitals of the shortage of nursing home beds; and
(h) the appropriateness of accommodating young people with disabilities in aged care facilities and the effect this has on young people with disabilities and on the availability of aged care beds for elderly Australians.

DOCS

The DEPUTY PRESIDENT—Order! It being 6.50 p.m., the Senate will proceed to the consideration of government documents.

Aboriginal and Torres Strait Islander Social Justice Commission

Senator GREIG (Western Australia)

(6.50 p.m.)—I move:

That the Senate take note of the documents.

On behalf of my colleague Senator Aden Ridgeway, who is unable to be here tonight, I rise to speak on the tabling of two reports from the Aboriginal and Torres Strait Islander Social Justice Commission: the Native title report and the Social justice report. These are the fifth set of reports from the outgoing Social Justice Commissioner, Dr Bill Jonas. I would like to take this opportunity to bring the Senate’s attention to the outstanding work of Dr Jonas in the past five
years and to wish him well in his future. The reports detail the lack of advancement for Indigenous Australians in the past year, though Dr Jonas does draw on his experience within the position in the past five years.

It is the 259-page Social justice report that I will focus on tonight. While this report offers glimmers of hope, especially regarding some parts of the COAG trials, it is fundamentally a litany of underachievement on the part of the government and uncertainty for Indigenous peoples. The report now adds weight to findings of the Senate reconciliation inquiry, the Productivity Commission’s report into Indigenous disadvantage and the Centre for Aboriginal Economic Policy Research report into practical reconciliation that life is getting worse for Indigenous people in Australia. It describes the government’s commitment to reconciliation as ‘malleable’. My colleague Senator Ridgeway today described it as ‘shifty’. The government created the policy of so-called practical reconciliation in order to focus on improving health, housing and education for Indigenous peoples but, as they still have not developed any way of measuring results or action plans for achieving them, none of this can really be verified.

The report highlights this lack of accountability framework as needing urgent attention if there is to be any measurement of progress. It also highlights the acrimonious debate last November on Senator Ridgeway’s private member’s bill on reconciliation as a clear illustration of the lack of government engagement with reconciliation. The minister was not present for any of the debate and the government stacked the speakers to avoid a vote on that bill taking place. The Democrats again call on the government to give Dr Jonas the courtesy of responding to his report, as they have not yet responded to the three previous reports.

The position of Aboriginal and Torres Strait Islander Social Justice Commissioner was created in 1992 with bipartisan support as a direct response to the findings of the Royal Commission into Aboriginal Deaths in Custody and the Human Rights and Equal Opportunity Commission National Inquiry into Racist Violence. The royal commission and national inquiry both highlighted the necessity for an ongoing independent monitoring mechanism for the human rights situation of Australian Indigenous peoples. At the time, the government explained that the position was created to provide ‘an annual state of the nation report’ and provide ‘a national and independent perspective on the extent of the disadvantage and the action that needs to be taken’. It is times like this when the need for these important functions is greater than ever, and the Democrats will reject any attempt by the Attorney-General to assimilate the positions of the HREOC specialist commissioners, such as Dr Jonas, into generalist positions.

Senator CROSSIN (Northern Territory) (6.54 p.m.)—I rise to take note also of the Aboriginal and Tourist Strait Islander Social Justice Commissioner’s Native title report and Social justice report of 2003. I want to place on record again my appreciation of the work that is done by the Social Justice Commissioner. It is the one glimmer of hope that we look forward to each year in terms of being a signpost as to how we are travelling on the road to reconciliation. One can always guarantee that the report is thorough and comprehensive and that it provides a quite analytical, sometimes critical, statement—as it should—about how we are actually progressing when it comes to social justice and Indigenous people. I note that in this year’s report there has been much comment about the debates we have had over the previous year and the reports prepared and inquiries conducted, not only by the Senate but also by
research bodies in universities and by independent Indigenous academics who have been conducting research in this area.

I particularly want to comment on what I think it is quite a commendable stance that has been taken by this commissioner in his reference to the Senate’s inquiry into progress towards reconciliation. I was a member of the committee that conducted that inquiry. One of the recommendations of that inquiry was that the Aboriginal and Torres Strait Islander Social Justice Commissioner actually be required by statute to report publicly on progress towards reconciliation and that the government be required by statute to respond to the reports of the commissioner. In the absence of a government response to the progress towards reconciliation report—and in the absence of being formally required or having a statutory requirement to do so—the Aboriginal and Torres Strait Islander Social Justice Commissioner says, consistent with the Senate committee’s recommendation on this matter:

This year’s report also includes a progress report on reconciliation in chapters 2 and 3. It is good to see that the commissioner has decided to take on, so to speak, that recommendation of the Senate report even though he is not required to do so under statute or by this government.

I also want to comment on this government’s progress towards reconciliation. This report makes a comment that the government has in fact a highly controlled commitment to practical reconciliation. The Social Justice Commissioner says that there is no doubt people are committed to practical reconciliation but that the particular type and degree of commitment provided, particularly by this government, is under serious question. He says that there are concerns about the government’s approach which may suggest that there is an absence of commitment to reconciliation. He says that they identify this commitment as being:

... to a particular type of reconciliation around which the boundaries are tightly proscribed—that is, by the government. He also reports that the government’s approach has been limited and confined to only what it sees as being relevant by way of reconciliation. He says that it also lacks a real monitoring framework. The report notes that reconciliation boundaries are tightly prescribed and that most Australians actually reject this approach.

This report shows that progress towards addressing Indigenous disadvantage is not good. The government’s view is that employment and education have improved. With its use of raw numbers and percentages, the government claims this. But, all too often, what it does not do is compare the movement or improvement in Indigenous figures with non-Indigenous figures. As this report shows, when you do that you see that the gap has not narrowed and that there is still quite a disparity between the progress for non-Indigenous people and the progress for Indigenous people in this country. I seek leave to continue my remarks later.

Leave granted; debate adjourned.

Australian Communications Authority

Senator MACKAY (Tasmania) (7.00 p.m.)—I move:

That the Senate take note of the document.

I seek leave to continue my remarks on this document, the National Relay Service Performance Report 2002-03, later.

Leave granted.

Senator STOTT DESPOJA (South Australia) (7.01 p.m.)—by leave—I also wish to take note of this document, the National Relay Service Performance Report 2002-03, which deals with an ongoing area of interest for me and obviously for a number of other
senators in this place. For those who do not know, and as the background of this report outlines, the NRS enables access to a standard telephone service by people who are deaf or who have a hearing or speech impairment. I think it is generally agreed that there is excellent access provided by the NRS when it comes to the standard telephone service for people who are deaf or who are hearing or speech impaired. By funding the service, the telecommunications carriers actually meet many of their obligations under the telecommunications and the disability discrimination legislation, and obviously the government support this initiative—and a lot of us are thankful that they do.

However, it should be noted that even with this particular initiative there has been an actual reduction in real-time telephone access for people who are deaf or who have a hearing or speech impairment. There has been a reduction in that since 1995 when the NRS was introduced. This is not a reflection on this report, because this report actually outlines how, judged against its objectives, the NRS is meeting a number of its objectives—in fact, most of its objectives—and doing it quite well. However, there has been a change since 1995 in the telecommunications networks. When the analog mobile phone network was closed in 2000—and some senators may not realise this—deaf people and people with a hearing or speech impairment have lost mobile phone access. When I have talked about this in the past and in the lead-up to the changes in 2000 people were either genuinely incredulous that people who were deaf, hearing impaired or with a speech impairment used a mobile phone or there were various deaf jokes about deaf people using mobile phones. But this is something that has been quite overlooked, and for people who know people who are deaf or for people who are deaf or hearing impaired or have a speech impairment, it is a real issue.

An analog mobile phone used to work with a typewriter, TTY. The TTY is still issued as the predominant technology under the Telstra Disability Equipment Program. When digital mobile phone networks replaced the analog networks compatibility with these TTYs was lost. There are now 50 more mobile handsets in Australia than there are fixed lines. This means that over 50% of the telecommunications network is no longer accessible to people who are deaf or have a hearing or speech impairment. The telecommunications networks are changing rapidly in Australia and many people would like to know whether the NRS is keeping abreast of those changes. What changes in technology must the NRS implement to ensure that people with a disability can access it from different networks using different technologies in the future?

This leads on to many other related questions about equipment for people who are deaf or who have a hearing or speech impairment. How can we ensure that the new appropriate equipment is added to Telstra’s Disability Equipment Program? What control does the government have over this program? What happens if the customer is an Optus, Vodafone or Hutchison customer? Do those carriers provide appropriate disability equipment for their mobile networks at subsidised rates? Even if Telstra introduces new equipment to better meet the needs of people with a disability, will this equipment be able to communicate with the 10,000 TTYs that are currently in people’s homes and in the community—for example, in hospitals, community support agencies, libraries, government departments et cetera?

I believe it is the responsibility of the government to ensure that appropriate equipment is provided and that mobile access is rein-
stated to the NRS. The benchmark that we need to use is equivalent access to all telecommunications services for all Australians. People with a disability should not be disadvantaged in this process as new technologies are introduced or replaced—and, if necessary, we have to change the legislation. The government decided to close the analog network for good reasons and therefore has to take some responsibility for the consequences of that action.

Before I seek leave to continue my remarks, I would like to thank Dean Barton-Smith—a great Australian and an Olympic athlete, who just happens to be deaf—for his ongoing consultation. Those of us who live with or have members of our family who are deaf or hearing impaired or have a speech impairment know how vital these services are. I urge the government to look into some of those questions tonight and I seek leave to continue my remarks later.

Leave granted; debate adjourned.

ADJOURNMENT

The ACTING DEPUTY PRESIDENT (Senator Knowles)—Order! There being no further consideration of government documents, I propose the question:

That the Senate do now adjourn.

Telstra

Senator MACKAY (Tasmania) (7.06 p.m.)—Tonight I am going to speak once again about Telstra. I know I have had many occasions to speak about Telstra in the past, but tonight I stand here to accuse Telstra of misleading the Senate. I believe, and advice I have received suggests, that Telstra may have been in contempt of the Senate, and I have tonight written to the President of the Senate requesting that precedence be given to a motion to refer this matter to the Privileges Committee. Under the Parliamentary Privileges Act 1987, each house of the parliament possesses the power to declare an act to be in contempt and to punish such an act. I am advised that paragraph 12 of resolution 6 of the Senate’s Privilege Resolutions, indicating matters which may be treated by the Senate as contempts, provides:

A witness before the Senate or a committee shall not—inter alia—give any evidence which the witness knows to be false or misleading in a material particular, or which the witness does not believe on reasonable grounds to be true or substantially true in every material particular.

Previous interpretations of this by the Privileges Committee have made it clear that evidence that leaves a committee with a misleading impression of the fact is misleading evidence within the meaning of this paragraph. The punishments for contempts which either house may apply are set by the 1987 act as fines of $5,000 for individuals and $25,000 for corporations, and six months imprisonment for individuals.

To provide some background, on 16 February 2004 I raised with Telstra, in the estimates, the issue of their performance on faults. Mr Bill Scales, Group Managing Director, Regulatory, Corporate and Human Relations, advised me that:

The largest proportion of the faults, I think, over that period are as a result of the weather. We had quite a lengthy discussion about the amount and quality of the rain received in Brisbane and Melbourne and why there was no way, according to Telstra officials, the network should be expected to cope with such extreme and exceptional weather conditions.

Mr Anthony Rix, Head of Service Advantage, went on to tell the committee:

The claim that faults rise due to network neglect and the decline in staff numbers is a myth ...
Now today we have the confidential Telstra document, obtained by the shadow minister, Mr Lindsay Tanner, which says:

Fault rate growth appears to be due to general network deterioration rather than a specific exceptional cause.

The answers given to me in estimates and the information in this Telstra memorandum, or documentation, are clearly in conflict. If the statement in the memorandum is true, the answers were clearly untrue. Further, the leaked memo says:

The current accelerating fault rate can be attributed to a reduced rehabilitation activity in the recent past coupled with an intense focus on providing quick fault restoration driven by performance imperatives and OPEX budget constraints.

That is rather garbled jargon, but I take it to mean that the increasing fault rate is because Telstra has not fixed the problems properly in the past and that cuts in staff have resulted in only quick fixes being applied. What this leaked memo to Mr Lindsay Tanner has shown the Labor Party is something that we have been alleging for years and years with respect to the state of the Telstra network.

Last October, shadow minister Lindsay Tanner, the Tasmanian state member for Denison, Graeme Sturges, the Communications Division of the CEPU and I exposed once and for all the appalling state of disrepair of the Telstra fixed line network in Tasmania alone. We showed the media graphic photographs of cables wrapped in plastic bags and held together with tape and of cables lying exposed in puddles, in uncovered pits and literally rotting in the ground. This is the dispiriting environment in which those remaining technical workers are having to operate, with insufficient time and resources to do the job they would like to be able to do and, having watched their colleagues put out of work, fearful of speaking out. To add insult to injury, it is these workers who, when doing the best they can, often bear the brunt of the public’s dissatisfaction with Telstra’s performance—to the point where we have seen some workers assaulted.

For as long as the government have been attempting to sell off Telstra, they have been trotting out the platitude that they will not do so until Telstra’s services are up to scratch. Despite even the government’s appointee, Dick Estens, admitting during the Telstra sale hearings that regional services were still not up to scratch, the government brought on the sale bill which, as we all know, was defeated in the Senate—although due to come back. People living in rural and regional Australia know that Telstra services are not good enough, those living in metropolitan areas know that their services are not good enough and Labor knows that their services are not good enough. Services are not good enough because, in an attempt to make Telstra more attractive for privatisation, capital expenditure funding has been slashed, as have staffing levels. Those who have lost their jobs, as I said before, have been the hard-working technicians—in many cases with decades of experience—whose job it was to keep the network in good repair.

But can anyone get Telstra or the government to admit that there are problems with the network? Can anyone get Telstra or the government to admit that capital expenditure cuts are to blame for the substandard state of the network? No way, Mr Deputy President. They refuse. Telstra and the government have consistently denied that there is a problem. Telstra consistently denies that there is any trend suggesting an increase in fault figures. Telstra is backed up in this by what I would suggest is a fairly toothless regulator—that is, the Australian Communications Authority. It is a regulator that admitted to me under questioning last October that its published figures on Telstra’s faults were in fact misleading. It is a regulator that reports
to the same minister who has the responsibility for those it is regulating.

And now we have evidence today that Telstra also has been misleading—misleading the Senate through the Senate estimates processes and misleading the Australian people, therefore, through parliament. This is an appalling turn of events. If there was anyone left who believed that there was a case for selling Telstra, today’s events should convince them otherwise. Liberal senators from my home state of Tasmania in particular but Liberal senators in general everywhere who sat silently and voted with the government should hang their heads in shame. The Nationals stand condemned for selling out rural and regional Australia.

The government must abandon once and for all its plans to sell Telstra and, instead, use its position as the majority shareholder to hold Telstra accountable and ensure that service standards are returned to an acceptable level. One of the most important things that would be lost if Telstra were to be sold is the capacity to scrutinise its activities. If Telstra were in private hands today, there is no way that this information would be known to the public of Australia; there is no way that we, the Senate, would know that Telstra had in fact misled us and therefore the people of Australia. That argument alone, I believe, is persuasive enough for Telstra not to be sold. In any event, I have now referred this matter to the Privileges Committee and, together with all senators, I await the results of that inquiry or the activities of that committee with interest.

**Singapore: Changi Prison**

Senator MARK BISHOP (Western Australia) (7.15 p.m.)—I rise tonight in the adjournment debate to speak on the issue of Changi prison in Singapore. As we are all aware, many Australians and other prisoners of war were incarcerated there during World War II. By way of background, Changi was built in 1936 as a civil prison designed to house some 600 prisoners. With the fall of Singapore in 1941, 14,972 Australians were taken prisoner. They were marched to Changi and housed in the Selarang barracks—that is, until those barracks were occupied by the Japanese air force and all prisoners were sent to Changi proper in 1944. Civilians were also imprisoned there, numbering 2,500 from 1942 until 1944. This included some 400 women and children. The latter occupied one wing until 1944 when they were moved to another camp at Sime Road. Eventually, 11,700 allied prisoners were accommodated in the total Changi prison area. This included some 5,400 British, 5,000 Australian, 100 Dutch, 50 Americans and 19 Italian prisoners of war. Although a modern prison with sewerage, it was not designed for such crowding, and hence there were health problems—not to mention all the other deprivations associated with incarceration in the prison complex. Many inmates were in fact housed outside the walls in atap huts.

Immediately after the war, Changi reverted to a civil jail, but its significance was and has always remained a very topical issue. Very soon after the war, Changi functioned as a site of commemoration. Many former civilian internees and POWs returned there regularly. The prison chapel, originally constructed in the prison in 1953, was made into a chapel commemorating the POW experience by ex-POWs. They then began placing the plaques of their units on the walls. This is not to be confused with the original chapel built by POWs from corrugated iron. That was dismantled and removed to Australia in 1945. It was restored and re-erected at Duntroon Military College in 1998.

The whole area of Changi has always had significance for military service, not just for prisoners of war. In fact, it was surrounded...
by British military bases until 1971 when the British withdrew from the area. These military bases provided some continuity for POWs who resumed their careers after the war as active service people. Some became prison officers in the jail where they were once inmates. The site has, however, continued to be occupied by the Singapore military. The vacant land next to Changi was also chosen by the Singapore tourism authorities to be transformed into the location of a POW museum, thus continuing the traditional occupation by prisoners of war.

Changi has been under threat of demolition for a number of years. As we all know, land in central Singapore is scarce, and Changi as a working prison is no longer adequate or sufficient. Changi, however, is for many a sacred site. Many thousands of Australians lived there. It was also the point of departure for so many to the Burma railway and to the forced labour camps of Japan during the period of World War II. From those places we know many never returned. Their hardship, their suffering of the most unimaginable brutality, is symbolised by Changi. Changi quite simply was the hub of so much of the horror, and hence its enormous significance.

The demolition of Changi, however, has great significance for many Australians. Many veterans have very deep memories of their time there and of so many of their mates who never returned; so do many civilians. The literature of their trials and amazing endurance is rich in wonderful stories of overcoming adversity. It is rich in the spirit of those thrown together to survive and of their care for their fellow human beings. Their camaraderie formed a lifelong bond. This was most evident to me when I visited Singapore the year before last to commemorate the 50th anniversary of the island’s surrender to the Japanese. The surviving veterans whom I accompanied were fine and typical Australians who never complained. They relived their ordeal with humour, tears and many fond memories. It is indeed a wonderful human trait to observe. To see people unbowed by hardship and deprivation, yet who still look back with memories which are both terrible and uplifting, is a wonderful thing. We all pay tribute to them.

We in younger generations can be relieved that we have never had to face such appalling adversity. This is therefore a very poignant matter to which a great deal of emotion is attached, and for very good reason. ‘Changi’ is for most Australians a household word. It is synonymous with hardship, the violence of war and unnecessary suffering. It symbolises the pride of human spirit which sustains people through their darkest hours. It is a symbol of those who perished. It is a reminder of the catastrophic fall of Singapore. It is a reminder of the incompetence that allowed that to happen. It is a reminder of the cost which was borne by so many Australians.

It is also the source of many amazing stories—not just war stories of heroism, brave deeds and derring-do. There are many tales of human endeavour and strength which simply surpass imagination. They are extraordinary stories of making do in the face of extraordinary hardship. They are stories of amazing strength and commitment to the values on which our lives are based. The erection of the chapel is one enduring legacy. So are the signature quilts sewn by the women of all nationalities. For many, though, that is not enough. Because of the threat of complete demolition of Changi, veterans have been concerned for some time that more of the jail ought to be preserved.

The Singapore Prisons Department commenced a redevelopment of the Changi prison complex in the year 2000. Phase 1 is expected to be completed this year and phase 2 is scheduled to be completed in the
year 2008. The purpose of this, we are told, is to centralise prison resources and facilities, to relieve overcrowding and to better integrate rehabilitation services. So it is little wonder that so many former Australian POWs with indelible memories of Changi are upset at the prospect of demolition. The die does seem to be cast.

However, there does remain a question of what can be saved. The symbolism of Changi is enormous. While it may be unrealistic to expect the whole site to be protected, enough must remain for commemorative purposes. Some veterans argue that the retention of the gates is a minimum. Others believe that the chapel ought to be retained. Finally, however, it does seem that we have a resolution. We have now been advised that more elements of the jail structure are to be retained than was first thought. The Singapore authorities have agreed that a 180-metre section of the wall with two turrets is to be retained. The main gates will be relocated. That is good news, and credit must be given to those who have been pressing for this concession. This includes the staff at the Australian High Commission in Singapore and the Minister for Foreign Affairs, Mr Downer. To those go our thanks and, I am sure, the gratitude of many ex-prisoners of war for whom this was a most pressing and important issue.

Senator ALLISON (Victoria)  (7.24 p.m.)—Earlier today I tabled the Tobacco Advertising Prohibition (Film, Internet and Misleading Promotion) Amendment Bill 2004. This evening I seek leave to incorporate that bill, which I should have done in the first place.

Leave granted.

The document read as follows—
The Parliament of Australia enacts:

1 Short title
   This Act may be cited as the Tobacco Advertising Prohibition (Film, Internet and Misleading Promotion) Amendment Act 2004.

2 Commencement
   This Act commences on the day on which it receives the Royal Assent.

3 Objects
   The objects of this Act are:
   (a) to ensure that the intent and operation of the Tobacco Advertising Prohibition Act 1992 maintains pace with technological advances in advertising and remains current and effective by adding Internet advertising to the means of tobacco advertising which are prohibited; and
   (b) to prohibit the offering for sale of tobacco products on the Internet; and
   (c) to prohibit the use of certain words in advertising which are misleading, deceptive and are not conducive to public health.

Schedule 1—Amendment of the Tobacco Advertising Prohibition Act 1992

1 Section 8
   Insert:
   computer game means a computer game made after 1 July 2004 and includes a computer program and any associated data capable of generating a display on a computer monitor, television screen, liquid crystal display or similar medium that allows the playing of a game.
   film means a film made after 1 July 2004 and includes a cinematographic film, a slide, video tape and video disc and any other form of recording from which a visual image, including a computer generated image can be produced (with or without its sound track) and includes a computer game.
   product placement includes the depiction of advertisements of tobacco products or smoking in a film, television program or computer game in return for a benefit given by the manufacturer, distributor or retailer of the tobacco product to the maker of the film, television program or computer game.

2 Section 8 (after paragraph (a) of the definition of tobacco product)
   Insert:
   (ab) any product designed or intended for consumption by smoking; and
3 Section 8 (at the end of the paragraph (c) of the definition of tobacco product)
   Add:
   “, cigar case or cigarette case..

4 Paragraph 9(1)(f)
   Repeal the paragraph, substitute:
   (f) any other words (for example the whole or a part of a brand name) or designs, or colour or
colour schemes, or combination of words, designs and colour schemes, that are closely
associated with a tobacco product or a range of tobacco products (whether also closely
associated with other kinds of products), including the words .mild., .light. and .menthol. and
phrases including .low tar., .super mild., .ultra mild., .extra mild., .ultra light. and .special
filter. or any other image, message or communication by any means associated with tobacco
products.

5 Before subsection (10)(1)(a)
   Insert:
   (aa) the person includes the advertisement, or something that contains the advertisement, on an
Internet site;

6 After subsection (10)(1)(b)
   Insert:
   (ba) the person includes the image of a tobacco product or tobacco brand name as defined in
section 9 in a film produced or screened in Australia;
   (bb) for the purpose of this section, includes means that the image is clearly visible and intended to
be visible to the film viewer in the manner known as product placement;

7 After section 13
   Insert:

13A Films not to include product placement of tobacco products
   A person or a regulated corporation must not, knowingly or recklessly, screen a film or television
program, made after 1 July 2004 containing a product placement of a tobacco product, in Australia
or Norfolk Island on or after 1 July 2004.
   Penalty:
   (a) for an individual—120 penalty units;
   (b) for a body corporate—5,000 penalty units.

13B Persons engaged in film industry not to offer or accept a product placement arrangement
   A person or a regulated corporation must not, knowingly or recklessly, demand, solicit, offer or
accept any direct or indirect benefit for the inclusion in Australia or Norfolk Island on or after 1
July 2004 in a television program, film or computer game, any depiction or image of a tobacco
product, a tobacco advertisement or the smoking of tobacco.
   Penalty:
   (a) for an individual—120 penalty units;
   (b) for a body corporate—5,000 penalty units.

13C Tobacco products not to be offered for sale on the Internet
   A person or a regulated corporation must not, knowingly or recklessly, offer on or after 1 July 2004
a tobacco product for sale on the Internet.
Penalty:
(a) for an individual—120 penalty units;
(b) for a body corporate—5,000 penalty units.

13D Computer games not to include product placement of tobacco products
A person or a regulated corporation must not, knowingly or recklessly, include in a computer game that is available in Australia or Norfolk Island on or after 1 July 2004 a product placement of a tobacco product, a tobacco advertisement or any audio or visual depiction of the smoking of tobacco.
Penalty:
(a) for an individual—120 penalty units;
(b) for a body corporate—5,000 penalty units.

8 At the end of section 16
Add:
(4) For the purposes of this section, the Internet is not taken to be a place where tobacco products may be offered for sale.

9 After section 22
Insert:
22A Commonwealth expenditure prohibited where cosponsorship from tobacco companies exist
(1) No expenditure shall be made by the Commonwealth for any purpose or promotional activity where the purpose or promotional activity is also supported by a manufacturer, distributor or retailer of tobacco products.
(2) For the purposes of this section, support includes payment, advertising, the provision of facilities or equipment or personnel resources to assist the purpose or promotional activity mentioned in subsection (1).
(3) For the purposes of subsection (1), purpose includes cultural, sporting and like activities.
(4) For the avoidance of doubt, the prohibition of Commonwealth expenditure provided for in this section includes and extends to departments and agencies of the Commonwealth and any agents or contractors of the Commonwealth acting in their capacity as agents or contractors of the Commonwealth.

Schedule 2—Amendment of the Broadcasting Services Act
1 Schedule 5, Part 3, Division 1, at the end of clause 10
Add:
Internet content containing tobacco advertising
(3) For the purposes of this Schedule, a tobacco advertisement or the product placement of a tobacco product hosted on the Internet inside Australia or hosted on the Internet outside Australia is prohibited content.
Note: Tobacco advertising and product placement are defined in the Tobacco Advertising Prohibition Act 1992
Senators adjourned at 7.24 p.m.

DOCUMENTS

Tabling

The following government documents were tabled:

Aboriginal and Torres Strait Islander Social Justice Commissioner—Reports for 2003—

Native title.

Social justice.

Australian Communications Authority—National relay service provider performance—Report for 2002-03.

Tabling

The following documents were tabled by the Clerk:


Family Law Act—Family Law (Superannuation) Regulations—

Family Law (Superannuation) (Methods and Factors for Valuing Particular Superannuation Interests) Amendment Approval 2004 (No. 2).

Indexed Lists of Files

The following documents were tabled pursuant to the order of the Senate of 30 May 1996, as amended:

Indexed lists of departmental and agency files for the period 1 July to 31 December 2003—Statements of compliance—

Department of Communications, Information Technology and the Arts and the National Office of the Information Economy.

Environment and Heritage portfolio.

Immigration and Multicultural and Indigenous Affairs portfolio.

Treasury portfolio.
QUESTIONS ON NOTICE

The following answers to questions were circulated:

Defence: Security Clearances
(Question No. 1960)

Senator Chris Evans asked the Minister for Defence, upon notice, on 9 September 2003:

1. How many security clearance applications are currently waiting to be processed by the Defence Security Authority.

2. How many security clearance re-evaluations are currently waiting to be processed by the Defence Security Authority.

3. Can a breakdown be provided of how long all security clearances waiting to be processed, including re-evaluations and new applications, have been delayed, for example, x applications are delayed by 1 month, y applications are delayed by 2 months etc.

4. Why has such a large backlog developed.

5. What is the current estimate of the length of time it will take before the backlog is fully cleared.

6. What processes or initiatives are being put in place to reduce the backlog.

7. What processes or initiatives are being put in place to ensure that such a backlog does not arise again in the future.

Senator Hill—The answer to the honourable senator’s question as at 23 February 2004 is as follows:

1. There are 3,483 requests for initial or upgraded clearances in process.

2. The vetting database shows that there are currently 21,520 clearances overdue for mandatory re-evaluation.

3. Yes, figures can be provided from the vetting database. Defence is implementing a comprehensive strategy to validate the need for clearances showing up as overdue. Defence will provide exact figures after it has verified the ongoing need for every clearance showing up as overdue. These clearances will then be re-evaluated.

4. Since at least the late 1990’s demand for Security Clearances outstripped Defence’s capacity to process them by some 10-12% each year.

5. It is estimated that initial and upgrade clearances will be cleared by the end of this financial year, and for re-evaluations a substantial improvement by the end of 2004. It is not possible to predict how long the re-evaluations will take to clear since a number of initiatives, to be introduced in 2004, will affect how quickly the backlog can be cleared. Those initiatives are outlined in Question (6).

6. There has been a 100% increase in positive vetting staff and a 50% increase in negative vetting staff.

   Defence is taking a ‘national’ approach to the negative vetting initials/upgrade backlog. That is, cases are being transferred between State and Territory offices to even out the workflow.

   In the ACT office DSA is trialing the partial outsourcing of the processing of the initials/upgrade backlog to external providers while retaining the responsibility to effect the clearance.

   Tenders are about to be invited for outsourcing of the re-evaluation backlog.

   On-line vetting packs will be introduced for internal use by mid 2004 and for external users later in the year.
Business processes are under continual review in order to ensure the highest possible productivity levels consistent with maintaining high quality personnel security assurance.

(7) The initiatives outlined in response to Question (6) will not only work to reduce the backlog, but also introduce robust and ongoing management of the vetting challenge.