THE SENATE

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CUSTOMS AMENDMENT (STRENGTHENING BORDER CONTROLS) BILL 2008

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PROTECTION OF THE SEA (CIVIL LIABILITY FOR BUNKER OIL POLLUTION DAMAGE) (CONSEQUENTIAL AMENDMENTS) BILL 2008

TAX LAWS AMENDMENT (LUXURY CAR TAX) BILL 2008
A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—GENERAL) AMENDMENT BILL 2008

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A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—EXCISE) AMENDMENT BILL 2008

Second Reading

SPEECH

Monday, 16 June 2008

BY AUTHORITY OF THE SENATE
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—

**CIVIL AVIATION LEGISLATION AMENDMENT (1999 MONTREAL CONVENTION AND OTHER MEASURES) BILL 2008**


In addition, the bill will make amendments to modernise and update various legislative provisions related to scope of carriers’ liability.

The Montreal Convention updates the arrangements applying to the liability of air carriers during international carriage of passengers and cargo. This includes the liability arrangements for:

- the death or injury of a passenger;
- the loss or damage to a passenger’s baggage;
- the loss or damage to a freight shipment, as well as:
- delays to the scheduled arrival of a passenger, baggage or freight.

At the moment, liability arrangements for international travel are usually determined with reference to the ‘Warsaw Convention’, and its amending protocols and treaties. Under the Warsaw system, in some circumstances the amount of compensation is limited to a cap that was set in the 1920s. This cap has not been adjusted for inflation, and is set in a currency that no longer exists – that being the ‘franc poincare consisting of 65.5 milligrams of gold of millesimal fineness 900’.

The Montreal Convention modernises these arrangements to ensure that equitable compensation is available to injured passengers.

The Montreal Convention removes the cap on carriers’ liability, and provides for a two-tier system of liability. Applicants will be able to claim up to 100 000 Special Drawing Rights, equivalent to around $172 000 Australian dollars, as at 25 February 2008, on a strict liability basis. Up to this limit, the applicant will not need to prove that the carrier was at fault. Damages above the 100 000 Special Drawing Rights threshold are available to the claimant, unless the air carrier is able to prove that the damage was not caused by the negligence or other wrongful act or omission of the carrier, its servants or agents.

Another advantage of the Montreal Convention is that it provides for a ‘fifth jurisdiction’ to hear claims for damages. The ‘fifth jurisdiction’ allows passengers to bring an action for damages in the country where the passenger resided at the time of the accident, provided it is a country that is serviced by the carrier, and the carrier has premises in that country. This will make it easier for Australians to enforce their legal rights in Australia, rather than having to deal with the legal system in a foreign country.
The Montreal Convention has important benefits for business.

It will help business by creating efficiencies in the paperwork associated with the transportation of passengers and cargo. It does this by allowing simplified electronic records to be used for both freight and passenger air transport. This means that business will no longer have to use the old fashioned system of paper-based waybills, and can instead use improved electronic billing systems.

Finally, the bill will modernise the language associated with some of the legislative provisions dealing with carriers’ liability. It will do this by inserting a definition of family member into the Civil Aviation (Carriers’ Liability) Act 1959, while removing references to children who are ‘legitimate’ and ‘illegitimate’. The new definition affects who can enforce liability under the Act in the event of a passenger death.

The bill will modernise the language associated with some of the legislative provisions dealing with carriers’ liability.

The categories of family member who will be able to enforce liability will be expanded. It will now include step-siblings and wards of the passenger; as well as any foster-sibling, foster-child or guardian who is wholly or partly dependent on the passenger for financial support. Additional categories of family member will be able to be prescribed by regulation. This will allow the Government to quickly implement any future Government policy decisions in relation to families.

The bill will implement these changes by making amendments to:

- the Civil Aviation (Carriers’ Liability) Act 1959;
- the Air Accidents (Commonwealth Government Liability) Act 1963; and
- the Civil Aviation Act 1988.

The bill introduces a new Part IA to the Civil Aviation (Carriers’ Liability) Act 1959 to give the Montreal Convention the force of law in Australia. Part IA is modelled on Part II, but amended to give effect to the Montreal Convention. Like other parts of the Act, the bill includes provisions which give certain Articles of the Convention a particular application to suit Australia’s judicial system and legal policy.

The bill will not implement the Convention for the purposes of domestic carriage within Australia. Domestic carriers will continue to be governed by Part IV of the Carriers’ Liability Act, which provides for liability limits of $500,000 Australian dollars.

The Joint Standing Committee on Treaties has supported accession to the Convention. The Committee recommended binding treaty action be taken in its Report number 65, tabled on 20 June 2005. The implementation of the provisions of the Convention by this bill is a necessary step towards this. Australia is currently the only OECD country not to have signed the Montreal Convention. The countries most Australians travel to ratified the Montreal Convention years ago. The USA, Japan, China and New Zealand ratified in 2003, and the United Kingdom and most European countries ratified in 2004.

The Montreal Convention provides improved consumer protection to international air passengers and cargo consignors when the country of destination or origin is also a party to the Convention. It also facilitates important business efficiencies.

Acceding to it will maintain Australia’s international standing as a leading nation in international aviation reform. I commend the bill to the Senate.

CUSTOMS AMENDMENT (STRENGTHENING BORDER CONTROLS) BILL 2008

I am pleased to introduce the Customs Amendment (Strengthening Border Controls) Bill 2008. It contains amendments to the Customs Act 1901 that will strengthen border enforcement powers for Customs officers and implement three new regimes to allow Customs greater flexibility in dealing with the importation of prohibited imports.

Presently, Customs officers may board a ship or aircraft under the Customs Act for various border enforcement purposes. These purposes generally involve the apprehension of suspected offenders against the Customs Act, the Criminal Code or any other prescribed act, like the Fisheries Management Act 1991 or the Migration Act 1958.

Personal search powers cannot be invoked until such time as officers on board a vessel can form a reasonable suspicion that it has been engaged in the commission of an offence.

However, there have been an increased number of occasions in more recent times where officers have faced resistance when boarding foreign ships suspected of being involved in illegal activities, and where evidence of illegal activities have been disposed of before they could be secured by the officers.

The proposed amendments in the bill will enable the officers to, immediately upon boarding a suspicious ship or aircraft, search persons on board for:
• weapons;
• items that may have helped a person escape; and
• evidence of the commission of an offence.

The search powers are appropriate because they will significantly reduce the threat of harm to these officers while exercising their powers, help prevent the escape of persons detained on suspicion of committing an offence and help prevent evidentiary material from being disposed of.

Upon finding any of these items, an officer will be able to take possession and retain the item for 60 days until:
• the reason for retaining the item no longer exists;
• until the item is not used in evidence;
• or any extension is granted from the court.

The bill also clarifies the use of the frisk powers for search by creating a single definition that applies to the whole Customs Act.

The bill also implements three new regimes to allow Customs greater flexibility in dealing with the importation of prohibited imports that are low value and low risk and provides Customs officers with additional powers to deal efficiently with prescribed prohibited imports of this sort.

Presently, Customs only has the power to seize imports, and that is a time consuming and resource intensive process.

This bill will enable Customs to establish a tiered response to sanctions for dealing with prohibited imports.

First of all, the bill allows a person to voluntarily surrender certain prohibited imports that have not been concealed.

Secondly, infringement notices might be issued for certain offences including importing certain prohibited imports and border security related offences; and, thirdly, it allows the granting of post-importation permissions for certain prohibited imports, rather than the automatic seizure of the goods.

This bill allows Customs officers to perform their role more effectively and more efficiently.

CUSTOMS LEGISLATION AMENDMENT (MODERNISING) BILL 2008

This bill contains amendments to the Customs Act 1901 and the Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001 to improve the operation of:
• the new SmartGate solution;
• the Certificate of Origin requirements for the Singapore-Australia Free Trade Agreement;
• customs brokers’ employment arrangements; and
• the duty recovery and payments of duty under protest.

Customs introduced SmartGate, a so-called automated passenger-processing solution, in August 2007. What SmartGate does is allow air passengers and crew to use an automated clearance process through the immigration point at the border.

This bill will amend the Customs Act to ensure that any false and misleading information provided using the SmartGate solution is covered by the existing offence provisions related to making false and misleading statements to an officer of Customs.

The bill also gives effect to recommendations of the first Ministerial Review of the Agreement by Australia and Singapore in July 2004. They would allow importers to provide less documentation to Customs when claiming preferential rates of duty on imported goods under that agreement.
To recognise the changing employment practices that are taking place in the customs brokers’ community, this bill will also remove the present restrictions in the Customs Act which prohibit individual customs brokers from being employed by more than one customs brokerage at the same time.

The bill further amends the Customs Act to limit the time for the recovery of customs duty to four years in all cases, except in the case of fraud or evasion where no time limit will apply. This proposed new regime is a response to the decision of the High Court in Malika Holdings Pty Ltd against Stretton, a case decided in 2001, and it is consistent with the existing regime for the recovery of other indirect taxes.

The bill will also clarify the process for making a payment of customs duty under protest. Further, the bill will amend the Customs Act to enable the chief executive officer, in certain circumstances, to offset an amount of unpaid duty on goods against any amount of refund or rebate the owner would be eligible for if the owner pays that duty.

This is a bill which assists the administration of Customs by making a number of provisions which will modernise the relevant legislation and, as I say, improve the administration of Customs in consequence.

CUSTOMS TARIFF AMENDMENT (TOBACCO CONTENT) BILL 2008

The Customs Tariff Amendment (Tobacco Content) Bill 2008 contains a minor amendment to the Customs Tariff Act 1995. This bill will insert a definition of ‘tobacco content’ into the Customs Tariff Act. While ‘tobacco content’ is referred to in the Act, there is no definition of what this actually means. The amendment will specify that the existing references to ‘tobacco content’ include anything added to the tobacco leaf during manufacture or processing.

The amendment confirms that the customs duty payable on tobacco and tobacco products is based on the total weight of the goods.

The measure reflects what has been the practice of the Australian Customs Service and industry since the introduction of the term in 1999, however, the current lack of certainty about the definition poses a potential risk to revenue.

The introduction of this definition into the Customs Tariff Act will protect revenue by confirming and maintaining current practice with regard to imported tobacco products.

The term ‘tobacco content’ was first introduced into the Customs Tariff on 1 November 1999. As a result, the measure contained in this bill will apply from that date.

EXPORT MARKET DEVELOPMENT GRANTS AMENDMENT BILL 2008

The Government went to the election with a plan to improve Australia’s export performance.

We made a clear commitment to revitalise Australia’s trade policies and structures.

The introduction of the Export Market Development Grants Amendment Bill 2008 represents a down payment in the process of restoring trade policy settings to a more sustainable position.

And further reforms will follow the major review of trade policies and programs I have already announced.

The Review will be chaired by well known businessman John Mortimer with the assistance of leading economist John Edwards.

Given the challenges we are confronting in the global environment, and given Australia’s poor performance on trade over the past decade, now is the time to review how we should be shaping our policy approach for the 21st Century.

This is a review for the future. It will assess how we can again improve our productivity and competitiveness to ensure we can take up emerging trade opportunities.

We need to learn from the success of the 80s and 90s in meeting the challenges of the future. We need to look at what is needed for the new millennium, with all the intervening challenges and opportunities.

One of my expectations for the Review of Export Policies and Programs is to receive advice on the formulation of a more strategic whole-of-government approach to advancing Australia’s international economic and commercial interests. We must look at how we formulate our domestic policy settings in a way that ensures they are all working towards enhancing our level of productivity, international competitiveness and export performance.

The Rudd Government is focusing on Australia’s level of international competitiveness and the review’s advice will be instrumental in that process. The review will also make an assessment of the challenges and opportunities currently facing
Australian exporters and international business. It will assess the investment revolution that has been occurring within Australia and globally. It will look at what is happening in terms of both inward and outward investment in Australia.

Australian direct investment abroad now rivals foreign direct investment in Australia. In just 20 years the stock of Australian direct investment abroad increased from 32 per cent to 92 per cent of the stock of foreign investment in Australia. Given these trends it will not be long before Australian business assets abroad exceed foreign business assets in Australia.

This is not Australian companies exporting jobs. Rather it is ensuring that they are a part of the global production and supply chains.

The Howard Government’s failure to invest in the drivers of economic growth – skills, education, innovation and IT – their failure to develop an integrated trade and economic policy contributed to one of Australia’s worst trade performances in our history.

Under the last six years of the Howard Government – and despite the resources boom:

- Total export revenues grew at an annual average rate of only 5.8 per cent compared with 10.7 per cent in the 18 years following the float of the dollar in 1983;
- Goods exports grew at an average annual rate of 6.4 per cent compared with average growth of 10.3 per cent since 1983;
- Services exports grew at about a third of their long term average;
- Manufacturing export growth collapsed—growing at only 3 per cent compared to 13 per cent since 1983.

The Howard Government’s poor trade performance bequeathed Australia:

- A trade deficit for more than five consecutive years;
- A trade deficit for the December 2007 quarter of $6.9 billion which was the worst quarterly trade deficit on record;
- 69 consecutive months of goods and services trade deficits;
- A current account deficit at record levels of around 6 per cent of GDP;
- Soaring foreign debt of $554 billion in 2006-07; and
- Net exports making a positive contribution to Australia’s economic growth in only two of the past 11 years while during the previous Labor Government net exports made a positive contribution to growth in 10 of the 13 years.

This is a sorry story and like so much of the Howard legacy a squandered opportunity.

In 2001 and then again at the 2004 election the Coalition promised to double the number of exporters. They failed to meet their own target by almost 50%.

It is critical that as part of the economic reform agenda the new Government does all it can to restore Australia’s trade performance:

- to ensure that our trading sector once again becomes a positive contributor to economic growth
- to ensure the Australian economy will be sustainable beyond the resources boom.

The Rudd Government is committed to the implementation of a trade policy that will restore Australia’s level of productivity, international competitiveness and export growth.

This will be pursued in the context of the twin pillars approach to trade policy for sustainable economic growth.

That is, trade liberalisation at the border will be complemented by economic and trade reform behind the border. There’s not much point making progress on the tough fight to secure improved market access opportunities if we are not productive and competitive enough to take them up.
Multilateral trade liberalisation will be a central component of the first pillar for sustainable economic management. We will be pressing for multilateral liberalisation across all sectors – agriculture, industrial products and services.

Since the establishment of the GATT, the international trading system has evolved and strengthened over the past six decades. The gains have been profound:

- World trade growth has consistently outstripped world economic growth.
- World trade is now worth around one-quarter of global GDP.
- And world trade has been growing twice as fast as world output over the past five years.
- Tariffs have been steadily reduced.
- The Uruguay Round, which established the WTO, for the first time opened up trade in world agriculture and services, as well as establishing a regime to deal with trade-related intellectual property rights.
- The Uruguay Round also established the WTO’s dispute settlement system to rule on trade disputes and to enforce its rulings.

A successful conclusion to the WTO Doha Round would help to provide a much-needed degree of certainty and a confidence boost to the global outlook. As I have said on a number of occasions securing an outcome this year will be difficult, however I believe it is doable.

I am encouraged by the political commitment that was displayed at the Davos meeting I attended in January. The strength of that political commitment will be apparent over the next few months as we seek to make real progress.

I am committed to again providing strong leadership of the Cairns Group and effective representation of its interests, recalling that it was the last Labor Government which established the Group and provided it with the leadership it needed to pursue its interests in the Uruguay Round.

As Chair of the Cairns Group I will not only be working to press the group’s interests but will reach out to other groups to see where common positions lie and where differences remain.

Labor will seek to complement trade liberalisation gains derived from the multilateral process at the regional level through APEC and the ASEAN plus 6 - that is ‘WTO plus’.

We believe that the previous Government dropped the ball on APEC. It didn’t provide it with the attention, energy or drive necessary over the past decade. It squandered the opportunity last year as host of APEC to truly position APEC within the region.

Labor is committed to restoring APEC as the pre-eminent regional forum.

It was the last Labor government that initiated and sold the idea of APEC to the region, and drove its liberalisation momentum via the Bogor Goals.

We will also take every opportunity provided by the ASEAN plus 6 to pursue deeper integration into the region and use these forums to pursue our trade and economic objectives.

At the bilateral level comprehensive FTAs can further advance and deepen liberalisation measures – that is ‘WTO plus plus’.

We are currently engaged in intensive efforts, with New Zealand, to integrate with ASEAN, through the ASEAN-Australia-New Zealand FTA (AANZFTA) negotiations.

We are also continuing FTA negotiations with Japan, China, the Gulf Cooperation Council, Chile and Malaysia.

FTA studies are also either being conducted or are under consideration with Korea, Mexico, Indonesia and India.

The Rudd Government has recalibrated Australia’s trade liberalisation policy back to where it should be - back to where Australia’s trading interests really lie.

The previous government reversed the order. They put all of their eggs in the FTA basket – squandering the opportunity to achieve substantial gains for Australian industry by making a real commitment to the Doha Round.

So this government will make the Doha negotiations our central trade priority – as they should be – complemented at the regional and bilateral level by the other liberalisation efforts.
Important as trade negotiations are, the real benefits of liberalisation will only be maximised if countries tackle ambitious reform agendas behind the border.

That is another key message I have been delivering in the bilateral visits I have undertaken since I have been the Trade Minister, the message that all arms of economic policy must be working together to drive productivity growth.

Productivity growth is central to international competitiveness. And international competitiveness is, in turn, key to a strong and prosperous trade performance.

When it comes to trade and economic reform Labor has form. The Hawke and Keating Governments modernised the Australian economy from 1983 to 1996 via comprehensive economic and trade reforms of which tariff cuts in 1988 and 1991 were significant components. We opened up the economy, we floated the Australian dollar, we cut tariffs, we deregulated the financial sector, we achieved wage restraint via the Accord with the trade union movement to lock in low inflation, we secured retirement income reform, we instituted a national competition policy, we made significant cuts to company and personal income tax and we won greater independence for the Reserve Bank.

Those measures achieved the strong productivity growth of the 1980s and early 1990s that contributed much to double digit growth in Australia’s exports. As a result Australia emerged as one of the most open, flexible and competitive economies in the world.

As the second pillar of sustainable economic growth, Labor will again build on our economic and trade reform record to restore our level of productivity and international competitiveness and to restore our trading performance.

Trade policy is more than trade negotiations. It is integral to our economic sustainability beyond the resources boom. It’s about ensuring that our nation diversifies and secures growth though the expanding opportunities presented in world trade.

And that means meeting the challenge of building a productive and competitive Australia.

Gaining market access through multilateral, regional and bilateral agreements is only part of the picture.

We are working hard to improve market access but we are also determined to improve the export facilitation programs available to assist Australian firms work in difficult international markets.

Under existing legislation, the Government is required to initiate a review of the Export Market Development Grants scheme by 2010.

Given the integral role of the EMDG in the current mix of export policies and programs the EMDG review will be brought forward and undertaken as part of the Mortimer inquiry.

Economic policies designed to assist Australia’s exporters were cut, or faced funding shortfalls under the Howard Government.

The Export Market Development Grant scheme – which enjoys significant support among Australia’s business community – was cut in half in real terms since 1995-96. A study of the scheme in 2000 concluded that it returns $12 of exports for every $1 of outlay.

The successful International Trade Enhancement Scheme and the Innovative Agricultural Marketing Program were abolished in 1996. A study of the ITES scheme in 2000 concluded that it returned $18 of exports for every $1 of outlay by the Government.

These schemes contributed to the success of export growth under Labor when it was last in government, with overall export revenues more than doubling throughout Labor’s time in office.

The former Government never really understood or valued these schemes.

In 1997-08 and in 2004-05 they made changes to both the eligibility criteria and the thresholds for the EMDG which made the scheme harder to access and, as a result, in six of the ten years following 1997-08 the scheme was underspent.

Business called for improved access to the scheme but those calls were ignored.

But Labor was listening and, during the election campaign last year, we committed to a number of improvements to the EMDG scheme.

By introducing the Export Market Development Grants Amendment Bill 2008 into the House today I am delivering in full on that commitment.

The provisions of this Bill represent a down payment, a start on improving the EMDG scheme to ensure that it better meets the needs of Australia’s export businesses.
Through this Bill we are delivering, in full, on key elements of the trade policy that we took to the election.

The measures I am announcing as part of the Bill before the House are unashamedly pro-business.

It amused me during the election campaign that the former government ran advertisements accusing me of being anti-business.

I have never been anti-business in my life.

I have always worked closely with business people and I have listened to them.

Business has been calling for the changes to the EMDG that are contained in this Bill for some time and we listened to business.

In all likelihood further improvements will be made to the scheme as a result of the work Mr Mortimer and Dr Edwards are doing.

They too are listening to business and their report will lead to further improvements to trade policies and programs.

The Rudd Government is a pro-business government.

This Bill provides a much needed boost to exporters by enabling businesses incurring eligible promotional expenses during 2008-09 to be able to claim grants under more generous assessment criteria than those in place in recent years.

The Bill increases the maximum grant by $50,000 to $200,000.

It lifts the maximum turnover limit from $30 million to $50 million.

It reduces the minimum expenditure threshold by $5,000 to $10,000.

It allows costs of patenting products overseas to be eligible for EMDG support

And it increases the limit on the number of grants able to be received by a business from 7 to 8.

The EMDG scheme will be more accessible to services exporters by replacing the current list of eligible internal and external services with a new ‘non-tourism services’ category which will provide for all services supplied to foreign residents whether delivered inside or outside of Australia to be eligible unless specified in the EMDG Act Regulations.

It also allows State, Territory and regional economic development and industry bodies promoting Australia’s exports to access the scheme. This provision has been warmly welcomed by a number of regional tourism authorities who, for the first time, will now be able to access the scheme.

Finally, business development programs like the EMDG scheme need good governance measures.

The previous Government removed the long-standing export performance requirements in 2006.

This Bill restores performance accountability by introducing a Net Benefit to Australia test.

It is typical of the previous Coalition Government that two years ago when they finally made changes to the scheme they took the easy way out.

They didn’t adequately fund those changes.

Now as a result many businesses will this year receive much smaller EMDG cheques than they were expecting.

Not a word about this funding shortfall before the election although it must have been obvious to the former Trade Minister, now the Leader of the National Party, that he was going to short change EMDG recipients this year.

The Shadow Minister for Trade now says that he and former Trade Ministers the Members for Wide Bay and Lyne were “in absolute agreement that we needed more money for this area.”
Not a word in public at a time the changes were made. Not a word before the election.

If the former Ministers were calling for additional funding their calls must have been falling on deaf ears.

Unlike the former government we are fully funding our changes to the scheme.

And so any criticism from those opposite about funding shortfalls for 2007-08 and 2008-09 will be hollow words indeed.

I am confident that the amendments contained in the EMDG Amendment Bill 2008 will revitalise the EMDG scheme and will be warmly welcomed by the business community.

But this Bill is not the end of the story on reform and revitalisation of the EMDG scheme.

The business community can be assured that, through the Mortimer Review, every aspect of the Export Market Development Grants scheme will be examined.

We will continue to look for ways to improve the EMDG and other export facilitation programs.

And we will continue to deliver these programs as an important part of our ‘whole of government’ approach to trade policy.

FAMILIES, HOUSING, COMMUNITY SERVICES AND INDIGENOUS AFFAIRS AND OTHER LEGISLATION AMENDMENT (2008 BUDGET AND OTHER MEASURES) BILL 2008

This bill introduces amendments to the social security law, the family assistance law, the Veterans’ Entitlements Act and related Acts to implement certain measures from the 2008 Budget and some minor amendments.

The Rudd Government’s first Budget delivered over $55 billion to support working families, seniors, carers and people with disability.

The Budget delivered our election commitments and invested responsibly in building a modern Australia.

It was carefully framed to meet challenging economic times. It recognised that many Australians are under increasing financial strain from rising cost of living expenses and high interest rates.

The Budget also reflected the economic reality that inflation is the number one enemy of families, pensioners and the vulnerable in our community.

Fighting inflation is essential to responsible economic management – this Budget delivers critical measures to achieve this.

Central is the better targeting of government payments, so that assistance is being directed to those who need it most.

The first of the Budget measures in this bill will establish a $150,000 limit on primary earner income for family tax benefit Part B. Claimants of related tax offsets will be subject to a similar income limit.

Family tax benefit Part B, along with Part A, is one of the two components that may make up a person’s rate of family tax benefit. The Part B rate for a single person is not currently subject to an income test. For a member of a couple, the Part B rate is currently subject to an income test on the secondary earner only. As a result, very high income singles and couples with children may currently be eligible for taxpayer-funded family assistance, a situation that has been of some community concern.

Under this measure, a family will not be eligible for family tax benefit Part B where the primary earner in a couple, or a sole parent, has adjusted taxable income of more than $150,000 for the financial year. Single-parent families with income at or below the $150,000 limit will continue to receive the maximum rate of payment. The limit will be indexed each year in line with movements in the Consumer Price Index (CPI).

Related dependency offsets delivered through the tax system (namely, Dependent Spouse, Housekeeper, Child Housekeeper, Parent/Parent-in-law and Invalid Relative tax offsets) will also be targeted to those on incomes of $150,000 or less per year.

There are four measures in the bill relating to baby bonus. Baby bonus is currently a flat rate, one-off, payment made on the birth of a child, or the adoption of a child under the age of two. The payment is currently indexed twice a year (in March and September). The baby bonus will increase to $5,000 on 1 July 2008.

The Government is committed to a child-centred approach to family policy and this bill will make baby bonus simpler and fairer, and help direct it to those families who need it most.

The first of the baby bonus measures in this bill will introduce an income test, limiting eligibility to families with incomes equivalent to $150,000 or less per year. The income test will be applied on a pro-rata basis for the six months after the birth.
Families with estimated adjusted taxable income of over $75,000 in the six months following the birth (or following the commencement of care by an adoptive parent or a long-term carer) will no longer be eligible for the payment.

Families will need to provide a reasonable estimate of their income over this period. This can be easily provided through things like evidence of their income, their partner’s income, and any approved leave, including paid leave. The government’s emphasis in administering the income test will be on upfront verification of estimates. Families do not have to worry that a debt may be raised against them because their income changes. If false or misleading information is provided, then the usual sanctions will apply.

The new income test takes into account the fact that family income is often reduced when a new child arrives, and ensures that the timing of the birth or adoption within a financial year does not arbitrarily affect a family’s eligibility.

As with the family tax benefit Part B income limit, the baby bonus income limit will be indexed each year in line with movements in the CPI.

The second baby bonus measure will result in eligible families being paid their baby bonus in 13 fortnightly instalments from the date of claim. This will provide families with financial support and certainty over an ongoing period, providing families with the cash they need to pay the bills as they come in.

The third measure will change the indexation date for baby bonus to 1 July each year after the legislated increase to $5,000, in line with other family payments. The first application of annual indexation will be on 1 July 2009.

The fourth change will increase the age limit for baby bonus eligibility from two to 16 years where a child is adopted. A parent will now be eligible for baby bonus for an adopted child if the child is aged under 16 when adopted, and if the adoptive parent claims the bonus within 26 weeks of the child being placed into their care by the appropriate authority. The baby bonus will be available for a locally adopted child, regardless of whether this payment was previously made to the birth parent or other primary carer.

Extending the eligibility criteria for the baby bonus to allow more adoptive families to claim payment will create a fairer system and treat all new parents in the same way. It recognises that, as with a newborn, an adoptive parent incurs similar set-up costs and may need to spend periods of time out of the workforce to welcome and settle their child.

A further Budget measure recently announced will see the development of a compliance regime for the Commonwealth seniors health card. The card helps self-funded retirees of age pension, veteran pension or qualifying age, who pass an income test with living costs, by allowing access to transport and health services at a cheaper rate and providing entitlement to the seniors concession allowance and telephone allowance. There is currently no mechanism to determine ongoing eligibility for the card, unlike other concessions and benefits in the social security system.

The bill provides for the collection of tax file numbers to enable data-matching, similar to existing arrangements for social security payments and payments under the Veterans’ Entitlements Act, to ensure compliance with the income test.

The bill also introduces amendments to the social security law to allow a person to enter into an agreement with the Secretary under which the person voluntarily agrees to be subject to income management.

Income management redirects a percentage of a person’s income support and family payments to meet costs associated with shelter, household essentials, food and clothing. Currently, income management is being implemented under three differing models, all with the objective of ensuring that income support and family payments which are paid for the benefit of children are used as intended. The three models are:

- income management in the Northern Territory emergency response;
- income management for child protection cases in Western Australia; and
- the Cape York welfare reform trials.

The bill allows people to refer themselves for income management where they feel, for example, that this would assist them to manage their finances better. Anecdotal evidence from the Northern Territory and other areas within Australia has indicated that some people would like the option of using income management to ensure the priority needs for themselves and their children are met. The voluntary scheme of income management introduced by this bill will give people this option. Income management will provide an avenue for individuals to learn money management skills in the longer term and will assist in meeting any essential financial priorities.

The final Budget measure will align the minimum eligible age for partner service pension, paid under the Veterans’ Entitlements Act, with that of veteran service pension age. This measure will increase the eligible age for partner service
pension – for males, from 50 to 60 years of age and, for females, from 50 to 58 and a half years of age (as currently set under age equalisation rules).

Lastly, the bill will make some minor policy and technical amendments to portfolio legislation, including to the family assistance law in relation to the 1 July 2008 child support reforms, and to provide a discretion for the Child Support Registrar to deduct child support arrears from Centrelink and Department of Veterans’ Affairs payments at less than the full prescribed amount in cases of hardship.

FAMILY ASSISTANCE LEGISLATION AMENDMENT (CHILD CARE BUDGET AND OTHER MEASURES) BILL 2008

Child care has become an integral part of modern Australian family life. More than 700,000 Australian families use child care each year. In the last five years child care costs have grown much faster than the price of other goods and services. In the 12 months to June 2007 alone, after factoring in Child Care Benefit, child care costs rose by 12.8 per cent, the fifth year in a row of double digit increases.

That’s why Federal Labor developed its Affordable Child Care Plan, a $1.5 billion investment in the future of Australian families and in Australia’s future economic prosperity.

Through this bill the Government is making good on its election commitments. This bill will increase the Child Care Tax Rebate from 30 per cent to 50 per cent, covering up to $7,500 of out-of-pocket costs per child; and pay the 50 per cent Child Care Tax Rebate quarterly, providing parents with assistance closer to the time of their child care expense.

The increase from 30 per cent to 50 per cent will make child care much more affordable for working families.

Quarterly payments will provide families with more timely assistance with their child care costs, closer to the time their child care expenses have occurred, and when they are really needed.

All of this means the Government will put larger payments back into parents’ pockets and into the family budget sooner.

Another election commitment was to provide greater support to the Child Care Management System. This bill contains a number of amendments which will enhance the operation of the Child Care Management System.

The Government is also making good on its commitment to responsible economic management by reducing the value of payments for those who can best afford it. From July 2008 there will no longer be a minimum rate of Child Care Benefit for Child Care Benefit approved care. This means that high income families will no longer receive any Child Care Benefit. However they will continue to receive Child Care Tax Rebate payments.

Overall families will gain more assistance through the Child Care Tax Rebate changes than they lose in Child Care Benefit.

This change will not affect Child Care Benefit for registered care, that is, care provided by relatives, friends, or nannies who have registered with the Family Assistance Office.

The additional benefit to the Australian economy through increased workforce participation and productivity is indisputable. It will help thousands of parents to get back into the workforce – and those already in the workforce to work a few more hours extra if they wish.

We expect that these measures will help over 34,000 Australians re-enter the workforce over the next five years, including many skilled workers. This includes over 16,000 single parents, and 15,000 mothers with partners.

Another important aspect of this bill is the expansion of the civil penalties and infringement notice scheme that was introduced in the Family Assistance Legislation Amendment (Child Care Management System and Other Measures) Act 2007. The civil penalties and infringement notice scheme provides for the imposition of pecuniary penalties on services that contravene civil penalty provisions.

Currently, family assistance legislation has only one provision for a civil penalty and infringement notice. These amendments will extend the civil penalties and infringement notice scheme to all service provider obligations where criminal penalties apply.

The Government recognises that the large majority of child care services are doing the right thing when it comes to compliance, however some services are not appropriately administering family entitlements for child care assistance.

The introduction of civil penalties and infringement notices to a wider range of service provider obligations will send a strong message of deterrence, and will discourage child care services from undertaking or continuing non-compliant behaviour. Keeping in mind that most contraventions relate to poor administrative practices, it also gives service providers the opportunity to rectify administrative non-compliance before court action and a possible criminal record.
The bill also includes other measures that make improvements to Child Care Benefit compliance. For example, powers of entry for Authorised Officers will be amended to improve their ability to determine if a service is complying with family assistance law. It will also introduce a number of other changes which will enhance the integrity of outlays of child Care Benefit by making child care service providers’ requirements clearer.

This bill demonstrates the Government’s commitment to Australian families to make child care more affordable and to ensure taxpayers money is used correctly. It is an important step in the Government’s plan to provide access to affordable, high quality child care to all Australian children.

FARM HOUSEHOLD SUPPORT AMENDMENT (ADDITIONAL DROUGHT ASSISTANCE MEASURES) BILL 2008

Introduction

The Farm Household Support Act 1992 (FHS Act) was introduced in 1993 and allows farmers and some small business operators to access financial support or Exceptional Circumstances Relief Payments (ECRP) to help them manage through the drought.

Changes broadening access to the ECRP were introduced in September 2007.

We supported the former government’s introduction of these changes while we were in opposition and we will now honour that commitment by formalising them in legislation.

This bill will provide the legislative basis for these changes and will validate the payments people have received between then and when this legislation passes.

This bill amends the FHS Act to help more small rural businesses, who are suffering a downturn because of the drought, access relief payments. This not only supports rural business but also the communities that rely on them.

The bill will increase the income exemption for the ECRP income test from $10,000 to $20,000. This effectively doubles the amount of off-farm or non-business salary and wages that farmers and small business operators can earn without reducing their payment. This recognises that during this prolonged drought many farmers have had to seek some off-farm income to keep their business viable.

The bill will also remove an inequity between the treatment of Newstart Allowance recipients and recipients of the ECRP. Currently Newstart Allowance recipients may travel overseas for a limited number of humanitarian or family reasons and still receive their payments, ECRP recipients can not.

We see education and the welfare of young Australians as vital to the economic prosperity of this country. By amending the Social Security Act 1991 (SS Act), this bill will provide concessions under the Austudy and Youth Allowance means tests for newly eligible recipients of the ECRP. It will also ensure that all newly eligible recipients receive a Health Care Card.

The bill

Exceptional Circumstances assistance continues to be the Australian Government’s primary vehicle for providing direct assistance to eligible farmers and small business operators impacted by rare and severe (‘exceptional’) events, including drought events, which lie outside the scope of farmers’ and small business operators’ normal risk management strategies.

Extending the ECRP to more farmers and small rural business operators

This bill will amend the FHS Act to allow more farmers and small business operators to access the ECRP and the associated ancillary benefits. It will do this by increasing the level of exempted off-farm or non-business salary and wages earned by the applicant and their partner from $10,000 to $20,000.

It will also amend the eligibility criteria to extend the ECRP to more small business operators. These small business operators must be located in towns that have a population of 10,000 or less, are located in Exceptional Circumstances, prima facie, or interim assistance areas, and are substantially reliant on income sourced from providing products and or services to farms, farmers, farm workers, or their families.

These small business operators must also show they have experienced a significant downturn because of the drought.

Validation clause

This bill will amend the FHS Act by validating the payments made between the announcement on 25 September 2007 and the date the bill receives Royal Assent. This validation clause will provide a legislative basis to make these ECRP payments as if the bill commenced on 25 September 2007.
The validation clause will also provide a legislative basis for the provision of ancillary benefits such as the Health Care Card and exemptions from the Austudy and Youth Allowance means tests provided to recipients between 25 September 2007 and Royal Assent of the bill. Specifically, these amended provisions will provide automatic access to the Health Care Card to newly eligible recipients of the ECRP and exempt the Austudy and Youth Allowance payments of the dependant children of recipients of the ECRP from reductions through means testing of their parents.

**Removal of the requirement to be ‘in Australia’ to receive ECRP**

The bill will amend the FHS Act to allow ECRP recipients to continue to receive payments while temporarily absent from Australia for specific family or humanitarian reasons.

This measure treats ECRP recipients in the same way as those in receipt of the Newstart Allowance and means they can continue to receive benefits while they are overseas if their reason for travel is covered by an exemption.

**Conclusion**

The government will continue to support farmers and small business operators throughout the drought and give them the opportunity to have a sustained recovery. We want to maintain the long-term viability of our farming families, rural small businesses and our rural and regional communities.

The effects of climate change, prolonged drought and structural change present critical challenges faced by our farmers every day. Through the Exceptional Circumstances assistance measures, the Australian Government will enable the sector to meet and actively manage these challenges into the future.

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FISHERIES LEGISLATION AMENDMENT (NEW GOVERNANCE ARRANGEMENTS FOR THE AUSTRALIAN FISHERIES MANAGEMENT AUTHORITY AND OTHER MATTERS) BILL 2008

The Fisheries Legislation Amendment (New Governance Arrangements for the Australian Fisheries Management Authority and Other Matters) Bill 2008 (the Bill) will amend legislation to improve governance of the Australian Fisheries Management Authority (AFMA).

The Bill will also provide strong tools to help fight illegal, unreported and unregulated fishing.

AFMA is an Australian Government statutory authority set up to manage fisheries on behalf of the Commonwealth. As a body corporate, its functions and powers flow from the Fisheries Administration Act 1991 and the Fisheries Management Act 1991. AFMA also helps administer the Torres Strait Fisheries Act 1984.

The amendments will provide for changes to AFMA in line with good governance practices and the policy document Governance Arrangements for Australian Government Bodies.

The legislation will remove the AFMA Board and the Managing Director.

AFMA will remain a body corporate, but its functions and powers will be performed by a Commission and a Chief Executive Officer (CEO).

The Minister will be able to appoint the same person as both the Chairperson of the Commission and the CEO, but will also be able to make separate appointments.

Commissioners will have skills and expertise similar to current directors.

However, an important reform introduced by the Bill will be to minimise the potential for Commissioners to have conflicts of interest.

Mr John Uhrig’s Review of the Corporate Governance of Statutory Authorities and Office Holders of June 2003 (The Uhrig Review) noted that independence and objectivity are important attributes for good governance and while it is possible to manage perceived and real conflicts of interest, it is preferable to minimise circumstances in which they could arise.

So this Bill will establish eligibility criteria to exclude anyone who holds an executive position in a fisheries industry association from becoming a Commissioner. The eligibility criteria will also exclude holders of a Commonwealth fishing concession, permit or licence, and majority shareholders or persons in executive positions in companies holding concessions, permits or licences.

There will be no Government representative on the Commission.

The amendments will provide for the selection and appointment of Commissioners to be conducted in accordance with the Rudd government’s policy on merit-based selection of statutory office holders.
After an open and transparent process, the Minister will make appointments for up to five years.

The Commission will have responsibility for domestic fisheries management.

A key change to AFMA’s governance will be that the CEO will have responsibility for exercising AFMA’s foreign compliance functions and powers.

Allowing the CEO to report directly to the Minister on foreign compliance matters acknowledges the need for direct government responsibility for matters that affect our border protection operations and important bilateral and international relations.

The Minister will also be able to direct the CEO in the performance of this role.

AFMA will cease to be regulated under the Commonwealth Authorities and Companies Act 1997 and will become a prescribed agency under the Financial Management and Accountability Act 1997 and a statutory agency under the Public Service Act 1999.

In accordance with the terms of those acts, the CEO will be responsible for financial management and human resource matters. The Commission will not be able to direct the CEO in carrying out these functions.

These reforms relate to improving governance structures and arrangements.

There will be no significant changes to the day-to-day functions of AFMA.

AFMA will:

- keep its name,
- retain its body corporate status,
- retain its current objectives and functions,
- continue to have its domestic fisheries management functions funded by cost recovery from industry, and
- continue consulting with stakeholders, in accordance with existing legislative requirements.

In addition to these important reforms to AFMA’s governance arrangements, the Bill will strengthen the government’s ability to combat illegal, unreported and unregulated fishing in three areas.

Firstly, the amendments will improve compliance with international fisheries agreements and arrangements.

The amendments will make it an offence for Australian persons and corporations to breach an agreed fishing measure of an international fisheries management organisation or arrangement to which Australia is a party.

This Bill will make it possible for Australian nationals to be prosecuted in Australian courts for activities on board foreign vessels in waters outside the Australian Fishing Zone, where such activities are offences under the Fisheries Management Act 1991.

These amendments are consistent with Australia’s international obligations to ensure that our nationals do not engage in illegal fishing.

They are also in line with emerging international calls, that Australia supports, for States to control the activities of their nationals in the fight against illegal, unreported and unregulated fishing.

The amendments will restructure and strengthen the existing enforcement framework in the Fisheries Management Act 1991 relating to boarding and inspection procedures.

This will give effect to Australia’s obligations under international fisheries agreements and arrangements to which Australia is a party.

The amendments will maintain Australia’s rights and obligations in relation to the Implementing Agreement for the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks (the United Nations Fish Stocks Agreement).

It will also enable Australia to give effect to the Western and Central Pacific Fisheries Commission boarding and inspection procedures.
The general enforcement framework being put in place by the amendments has been structured to enable Australia to more easily give effect to all future boarding and inspection procedures adopted by other international fisheries agreements and arrangements to which Australia is a party.

Secondly the amendments will clarify the ability of fisheries officers to exercise powers of the Fisheries Management Act 1991 outside the Australian Fishing Zone following a hot pursuit of a boat that was in the Australian Fishing Zone, or that has been providing support to foreign boats fishing illegally in the Australian Fishing Zone.

And the third way the amendments will strengthen the government’s ability to combat illegal, unreported and unregulated fishing will be to further define and expand the stowage requirements in the Fisheries Management Act for foreign fishing vessels transiting through the Australian Fishing Zone.

Foreign vessels transiting our fishing zone will be required to have fishing equipment disengaged, secured and stored inboard, in a manner that does not allow for fishing gear to be readily deployed. This requirement will make it more difficult for foreign fishers to engage in illegal fishing in Australia’s fishing zone.

In summary, these amendments will improve the governance and resource management of Commonwealth fisheries.

And they will support our efforts to combat illegal, unreported and unregulated fishing, and bolster Australia’s case for continued leadership in international fora to advocate sustainable access to the fisheries resource.

HEALTH CARE (APPROPRIATION) AMENDMENT BILL 2008

This bill proposes to amend the Health Care (Appropriation) Act 1998. That Act was made to permit the Minister for Health and Ageing to determine grants of financial assistance to a state, or to a hospital or other person, for the purpose of providing or paying for health and emergency services of a kind or kinds that are currently, or were historically, provided by hospitals. As such, the Act provides the legislative basis for the Commonwealth to pay financial assistance under the Australian Health Care Agreements, including Health Care Grants to the states and territories and Commonwealth own purpose outlays for mental health, palliative care and the hospital information and performance information program.

The 2003-08 Australian Health Care Agreements expire on 30 June 2008. At the Council of Australian Governments meeting of 26 March 2008 it was agreed that new health care agreements would be signed in December 2008 and commence on 1 July 2009. This means, in effect, that 2008-09 will be a transitional year in which the new agreements will be developed and implemented.

At that COAG meeting the Commonwealth also agreed to commit an immediate allocation of $1 billion to relieve pressure for 2008-09 on public hospitals. This $1 billion is made up of the indexation of the previous Commonwealth allocation for 2007-08 plus a further $500 million in additional money.

That $1 billion is significant. It is significant because it is the first step in the long road towards rebuilding our health system after eleven years of neglect and funding cuts. It begins to reverse the trend of decline started under the Liberal Government.

It is significant because it is a major part of this year’s health and ageing budget – which for the first time ever will be above $50 billion.

And it is significant because it signals a change in the times - the end of the blame game, of an era of using political fights as a smokescreen for neglecting the health system, and the beginning of an era of co-operation, allowing us to deliver better health services across Australia in concert with the States and Territories.

These proposed amendments are a key step in enabling the Commonwealth to deliver on our commitments to families across Australia.

The Act currently provides that total grants of financial assistance must not exceed $42.01 billion over the five year life of the 2003-08 Australian Health Care Agreements.

The bill proposes amendments that will increase the appropriation amount stated in the Act by $10.25 billion to $52.26 billion and change the appropriation period stated in the Act from 5 years from 1 July 2003, to 6 years from 1 July 2003. These amendments will ensure continuity of public hospital and related funding for the 2008-09 financial year, during which the new agreements will be developed and put in place. The terms and conditions of the current Australian Health Care Agreements will be rolled over for that year to provide a framework for the administration of the payments.

Of the $10.25 billion, $500 million is to be paid to the states and territories before the end of 2007-08. Around $9.75 billion, which includes indexation, will be paid to the states and territories during the 2008-09 financial year. The $9.75 billion includes an additional year’s funding for mental health, palliative care and the hospital information and performance information program established under the current Agreements.
By rolling over the terms and conditions of the current Agreements for another year, the Commonwealth can start delivering on our commitment to improve health care for all Australians.

There is much to do in health. When you are rebuilding after eleven years of neglect, that is an inevitable fact. But we have made a very strong start, and we intend to continue as we have begun.

HEALTH INSURANCE AMENDMENT (90 DAY PAY DOCTOR CHEQUE SCHEME) BILL 2008

This Bill will amend the Health Insurance Act 1973 to allow specialists and consultant physicians access to the 90 Day Pay Doctor Cheque Scheme where the original claim is submitted to Medicare Australia using an electronic claiming channel. The existing 90 Day Pay Doctor Cheque Scheme only applies to general practitioners and will continue.

When a patient submits an unpaid claim to Medicare Australia, the patient is presented with a pay doctor cheque. A pay doctor cheque is a cheque for the amount of Medicare rebate that is made out to the medical practitioner that provided the service. This cheque is provided to the patient who is then responsible for forwarding the cheque on to the medical practitioner along with any co-payment required to satisfy the full account. This arrangement enables patients to use their Medicare rebates towards the payment of their medical bill.

The majority of patients do present the pay doctor cheques to their doctor; however, some cheques are either presented very late or never received by the practitioner, leading to lengthy delays or bad debts which practices need to chase up, adding cost to their practice. The 90 Day Pay Doctor Cheque Scheme is currently only available to general practitioners. This scheme allows Medicare Australia to cancel the pay doctor cheque if it is not banked by the practitioner within 90 days and make direct payment via electronic funds transfer to the medical practitioner.

This amendment makes the scheme available to all specialists and consultant physicians where the original claim has been submitted to Medicare Australia via an electronic claiming channel. This amendment will be of benefit to patients, specialists and consultant physicians. Specialist use of the pay doctor cheque has been declining. Allowing these practitioners access to the scheme will encourage more specialists to accept payment through the use of this facility as it provides assurance that they will receive some payment for the services rendered.

Allowing access to the 90 Day Pay Doctor Cheque Scheme for specialists and consultant physicians will provide an incentive for specialists and consultant physicians to use electronic claiming of Medicare benefits. Electronic claiming allows the doctor’s office to submit a patient’s account directly to Medicare Australia on behalf of the patient. This will be of benefit to patients as they will not be required to visit a Medicare office to claim their pay doctor cheque.

HIGHER EDUCATION SUPPORT AMENDMENT (2008 BUDGET MEASURES) BILL 2008

The bill amends the Higher Education Support Act 2003 (the) to provide for the Government’s Education Revolution 2008-2009 Budget package that give effect to our election commitments. We have a range of immediate priorities for higher education, with the aims of enhancing higher education campuses and the quality of student life, improving equity of access and addressing skills shortages in critical areas.

These initiatives are part of the Government’s commitment to ensuring higher education plays a leading role in equipping Australians with the knowledge and skills to make Australia a more productive and prosperous nation.

We want to get the higher education system right for the long term. To do this we have commissioned a major Review of Australian Higher Education aimed at making systemic improvement in the higher education sector for the benefit of students and the nation more broadly.

This bill makes important amendments to the Higher Education Support Act 2003 to address the immediate priorities.

One such priority is to amend the Act to provide considerable incentives for students to study mathematics and science at university.

The maximum annual student contribution amount for students studying mathematics (including statistics) or science units will be reduced from $7,412 a year to the lowest national priority rate of $4,162 in 2009 for an equivalent full time student load. Commencing maths and science students will enjoy the same rate as students studying education and nursing units of study. These are all areas of particular workforce need. Existing students will also benefit if they transfer into a mathematics or science course.

The bill also ensures that higher education providers’ funding for mathematics, statistics and science units will be maintained by compensating them for lost revenue associated with this measure. This will be through a new Transitional Loading under the Commonwealth Grant Scheme.
The bill will also provide incentives for maths and science graduates to pursue related careers through the new HECS-HELP benefit, which implements the Government’s policy for HELP debt ‘remissions’. The HECS-HELP benefit will encourage graduates to pursue careers in mathematics and science, including teaching these subjects in secondary schools.

The HECS-HELP benefit will also encourage early childhood education teachers to work in areas of particular need. This is part of the Government’s bold early childhood education agenda that focuses on providing Australian families with high-quality, accessible and affordable early childhood education and child care.

The ‘HECS-HELP benefit’ will reduce an eligible person’s compulsory HELP repayment. For certain eligible persons, if no compulsory repayment is required to be made, the benefit may be a reduction in the person’s accumulated HELP debt.

The amendments to the Act provide the framework for the HECS-HELP benefit and for the details of the eligibility requirements and the amount of the benefit to be specified in HECS-HELP Benefit Guidelines, which will be a disallowable instrument.

It is proposed that the Guidelines will provide for the HECS-HELP benefit to be claimable for a total lifetime limit of 260 weeks (the equivalent of five years).

A person will receive a benefit for an income year based on the number of weeks in the year for which they are eligible. The HECS-HELP benefit will be claimable from the 2008-09 income year onwards. An application for the benefit will be made to the Taxation Commissioner, generally at the same time as a person lodges their tax return.

The maths and science HECS-HELP benefit will be available to people who graduate from a maths or science course from the second semester of 2008 onwards, having undertaken that course as a Commonwealth supported student, and who are employed in a related occupation, including the teaching of maths or science at secondary school.

The early childhood education HECS-HELP benefit will be available to eligible people who have graduated at any time from an early childhood education teaching course undertaken as a ‘HECS’ liable or Commonwealth supported student, and who are employed as a teacher in an early childhood setting in an eligible location - regardless of whether their repayment income is such that they are required to make a ‘compulsory repayment amount’ in the income year.

Another of the Government’s key election commitments that is reflected in this bill is to ensure that students gain access to higher education on merit and not on ability to pay by phasing out full fee paying undergraduate places for domestic students in public universities from 2009.

From 1 January 2009, universities will not be able to enrol a new domestic undergraduate student on a fee paying basis, except in circumstances where the Act prohibits their enrolment as a Commonwealth supported student. Additional exceptions are for students who accepted a fee paying place this year but have deferred taking it up and for students who commenced their courses as overseas students but later become domestic students.

Fee paying students who began their courses before 2009 will be able to continue their courses on a fee paying basis.

The Government will allocate up to 11,000 new Commonwealth supported places by 2011 to replace the full fee paying places that will be phased out from 2009. Funding for the places will be ongoing.

If universities demonstrate that assistance is required to ensure the delivery of replacement Commonwealth supported places, the Government may provide additional funding, over and above that for the places, through the new Transitional Loading that is being introduced through this bill.

In addition to the measures I have already outlined, the bill will also provide for increased funding under the Act:

- for additional Commonwealth supported places in early childhood education and nursing;
- for the expansion of Commonwealth scholarships including the doubling of the number of undergraduate scholarships from 44,000 to 88,000 by 2012 and the doubling of the total number of Australian Postgraduate Award (APA) holders to nearly 10,000 by 2012;
- for capital infrastructure, additional Commonwealth supported places and clinical outreach funding for the establishment of the James Cook University Dental School; and
- for capital infrastructure and additional Commonwealth supported places in medicine, nursing and education at the University of Notre Dame Australia.
The measures in this bill, in addition to our commitment to the $11 billion Education Investment Fund and the $500 million Better Universities Renewal Funding that are not covered by the Act, represent the start of the Government’s education revolution in higher education.

Together with addressing these immediate priorities, the Government is taking its reforms further and driving strategic policy change aimed at making long-term, systemic improvement in the higher education sector through the Review of Australian Higher Education, led by Emeritus Professor Denise Bradley AC. This is important work. It will report on the future direction of the sector, its capacity to meet the needs of the Australian economy, and the options available for ongoing reform.

The Government’s response to the review will build on this legislative package that I present to you today.

INDIGENOUS AFFAIRS LEGISLATION AMENDMENT BILL 2008

This bill makes amendments to legislation related to Aboriginal land in the Northern Territory. The amendments are aimed at allowing greater flexibility in dealings with land which is owned or controlled by Aboriginal people, and at facilitating the provision of improved housing and infrastructure for Aboriginal people by better allowing for security of tenure to government providers of facilities.

The bill allows for additional flexibility in relation to township leases under the Aboriginal Land Rights (Northern Territory) Act 1976 to encourage more communities to enter into township leases. In particular, a minimum term of leases will be set at 40 years and leases will be able to include provision for extension of the original term of the lease to a maximum of 99 years.

These changes will allow traditional owners to propose a lease tailored to the needs of a particular community. The Government sees many advantages to whole of township leases and will work with traditional owners through Land Councils to progress these leases where communities are interested.

The amendments will allow the finalisation of the Regional Partnership Agreement in relation to the Groote Eylandt region signed on behalf of the Australian and Northern Territory Governments and the Anindilyakwa people on 20 May 2008. That agreement includes township leases over the communities of Angurugu, Umbakumba and Milikakburra for an initial term of 40 years and a renewal period of 40 years. The flexible position which was taken on the term allowed agreement to be reached with people who were understandably concerned at committing future generations to a century-long land arrangement. The amendments will allow these leases which have been agreed to be put in place.

The bill also allows the Executive Director of Township Leasing to hold other types of leases or subleases over land held primarily for the benefit of Aboriginal people. This simply provides a further option to Aboriginal people in considering whether to grant leases over their land. Aboriginal people may prefer a position where a lease granted for the purpose of supporting housing and infrastructure is held by the Executive Director of Township Leasing that is a Commonwealth statutory office with a measure of independence.

This measure is an additional avenue for land owners to consider when leasing or subleasing their land to government to enable much needed housing and infrastructure construction to occur with certainty for both governments and land owners.

The bill contains some minor changes to the land-related provisions of the emergency response legislation. In particular, it provides streamlined processes for payments to landholders for the acquisition of five-year leases.

The bill amends Schedule 1 to the Northern Territory Land Rights Act to include 13 parks and reserves which were the subject of land claims under the Act. This arises from a land mark agreement struck in September 2003 between the Northern Territory Government and the traditional Aboriginal owners of the land about the future tenure and administration of the parks and reserves.

The Government is pleased to be able to finalise the agreement, and notes that the previous Government failed to do so in the more than two years between the request for scheduling and its losing office. Resolving Indigenous land claims by agreement where possible and not through the courts is the position this Government takes when approaching Indigenous land issues.

The Government recognises the foresight and determination of the Northern Territory Government and the Northern and Central Land Councils in reaching an agreement that provides lasting benefits for all Territorians.

As a result of the agreement, the land will be granted to the traditional owners on the basis that it will be immediately leased back to the Northern Territory Government to continue to operate as national parks. This is similar to the arrangements the Northern Territory Government has with the owners of Nitmiluk National Park and the Commonwealth has with the owners of Uluru Kata-Tjuta and Kakadu National Parks and ensures that Aboriginal people and other Australians can jointly enjoy the benefits of significant pieces of the national estate.
In the first sitting week of this Parliament, the Rudd Government apologised to Indigenous Australians for the laws and policies of successive Parliaments and governments that have inflicted profound grief, suffering and loss on our fellow Australians. At the time, the Prime Minister made the point that this is not the end of the Government’s commitment, but the start. If Australia is to be truly reconciled there must first be an acknowledgement of past wrongs, but this must be followed up with actions to close the gaps between Indigenous and other Australians.

Shortly after the National Apology, I took great pride in introducing amendments to the Indigenous Education (Targeted Assistance) Act 2000 which appropriated funding for the first of our election commitments to close the gaps between Indigenous and non-Indigenous outcomes – an initiative to provide an additional 200 teachers in the Northern Territory. Today, during Reconciliation Week, I introduce further amendments to the Act to appropriate funding for another two initiatives aimed at closing the gaps.

The primary purpose of this bill is to amend the Indigenous Education (Targeted Assistance) Act 2000 by appropriating additional funding of $8.353 million in the 2008 calendar year to improve educational outcomes for Indigenous students. This amount, when indexed under the provisions of the Act, will amount to $9.050 million in 2008 prices and is part of a four year $85.3 million package.

This funding will be used for the expansion of intensive literacy and numeracy programs for Indigenous students, professional development support to assist teachers to develop Individual Learning Plans for their Indigenous students, and the provision of three new boarding college facilities for Indigenous secondary school students in the Northern Territory.

In 2006, a 13%-32% gap existed between the proportion of Indigenous students who achieve years 3, 5 and 7 reading, writing and numeracy benchmarks and the proportion of all students who achieve the same benchmarks.

The Australian Government places great importance on achieving better educational outcomes for Indigenous students and has made a commitment to assist education providers to halve the literacy and numeracy achievement gap between Indigenous and non-Indigenous students through the Building Strong Foundations program. To achieve this goal, new investment is necessary to further develop the capacities and talents of Indigenous people so they have the necessary knowledge, understanding and skills for a productive and rewarding life.

Indigenous students will benefit from the expansion of literacy and numeracy programs through a $56.4 million national Building Strong Foundations program. This program will assist education providers to ascertain which intensive literacy and numeracy programs are demonstrating the best results with Indigenous students so that what is working in one school can be tried in other schools.

Funds will be used to establish an evidence base around innovative literacy and numeracy projects which will contribute to a national menu of best practice. Education providers will be able to choose programs from this menu to suit the needs of their systems, schools or Indigenous students. Education providers will be expected to systematise approaches that work. Numeracy and mathematics programs will be an early focus of the measure.

This measure will complement the National Action Plan on Literacy and Numeracy with resources to assist education providers to halve the gap in literacy and numeracy outcomes between Indigenous and non-Indigenous students over the next decade.

The Building Strong Foundations program will also provide teachers with extra materials and support to assist them to prepare and maintain Individual Learning Plans for every Indigenous student for each year of schooling up to year 10. The plans will be updated twice each year.

The proportion of young Indigenous people living in remote areas who reach Year 12 is approximately half that of their metropolitan peers, and only one in ten actually completes Year 12. Approximately one in four 15-19 year old Indigenous people lives in a remote area.

In order to assist Indigenous young people to access educational opportunities that are equivalent to their non-Indigenous peers, the government will provide additional funding of $28.9 million over four years to construct and operate three new secondary boarding facilities to cater for 152 Indigenous students from remote areas in the Northern Territory. One 40 bed boarding facility will be completed in 2009, with the remaining two (72 bed and 40 bed facilities) to be completed in 2010.

An additional capital contribution of $15 million will be provided from the Indigenous Land Corporation which is committed to establishing student hostels to enable Indigenous young people from remote areas to obtain secondary school education. Agreement on the siting of boarding facilities and their construction will be negotiated with Indigenous communities, the Indigenous Land Corporation and Northern Territory education providers. Management options for these facilities will
be developed in consultation with relevant education providers, local communities, Aboriginal Hostels Limited and other interested parties.

The increased funding for this program will provide support for Indigenous young people to relocate from remote and regional areas to access high standards of education, training and employment opportunities not otherwise available to them.

I commend the bill to the Senate.

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LAW OFFICERS LEGISLATION AMENDMENT BILL 2008

The Law Officers Legislation Amendment Bill 2008 will provide Solicitors-General with an entitlement to long service leave.

Until 31 December 1997, the salary and leave entitlements for the person holding the office of Solicitor-General were the same as those of a Judge of the Federal Court. Section 16 of the Law Officers Act 1964 provided the Solicitor-General with a non-contributory pension under the Judges’ Pension Act 1968, while section 16A provided a payment to the Solicitor-General on retirement in lieu of long service leave.

In accordance with the former Government’s wish to break the nexus between the terms and conditions of the Solicitor-General and those applying to a Judge, the Law Officers Amendment Act 1998 amended the Law Officers Act to vary the terms and conditions of service for the office of Solicitor-General. After 31 December 1997, the terms and conditions of the Solicitor-General became similar to those of senior members of the Australian Public Service. The Act terminated the Solicitor-General’s entitlements to a Judge’s pension and payment in lieu of long service leave. It also provided for the Solicitor-General’s remuneration to be determined by the Remuneration Tribunal.

By 2003, it became apparent that the changes made by the 1998 amendments to the Solicitor-General’s employment conditions had not taken account of the previous long service leave entitlement. With the amendment of section 16A of the Law Officers Act, the entitlement to a Judge’s pension and payment in lieu of long service leave no longer applied to the office of Solicitor-General after 31 December 1997, leaving the Solicitor-General with no coverage for long service leave.

It was never intended, nor is it now, that the holder of the office of Solicitor-General should not have access to long service leave entitlements.

The current bill will amend section 10 of the Long Service Leave (Commonwealth Employees) Act 1976 to ensure that Solicitors-General will have such an entitlement and the Law Officers Act will be amended to make it clear that sections 6 and 7 of that Act have effect subject to the Long Service Leave Act.

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NATIONAL HEALTH AMENDMENT (PHARMACEUTICAL AND OTHER BENEFITS—COST RECOVERY) BILL 2008

The National Health Amendment (Pharmaceutical and Other Benefits - Cost Recovery) Bill 2008 amends the National Health Act 1953 (which I refer to as the Act) to provide authority for the cost recovery of services provided by the Commonwealth in relation to the exercise of powers for listing medicines, vaccines and other products, or services, on the Pharmaceutical Benefits Scheme (PBS) and designation of vaccines for the National Immunisation Program (NIP).

The aim of the PBS is to ensure that Australians have affordable access to high quality medicines in the community. An initiative of a Labor Government 60 years ago, the PBS is now accepted by both sides of politics as a success story. Access to high quality medicines is maintained by subsidising the cost of PBS medicines and limiting the amount that people pay for prescriptions at the point of sale. Medicines that are listed on the PBS are assessed by experts to be clinically safe and cost effective. The PBS serves Australians well and is justifiably regarded as one of the best systems of its kind in the world.

Similarly, the Government is dedicated to ensuring that all Australians can continue to receive fully funded vaccines under the NIP. The NIP is a joint program of Commonwealth and State/Territory governments which provides fully funded vaccines for major preventable diseases. NIP funding is provided through grants from the Commonwealth to the States and Territories. The States and Territories provide vaccines free of charge to health providers for them to administer to the community.

The cost of providing subsidised medicines and fully funded vaccines to the Australian community is a significant financial outlay to the Commonwealth and tax payers. In 2006-07 the Commonwealth paid $6.4 billion to approved pharmacists, hospitals and medical practitioners for the subsidised supply of medicines under the PBS. A further $280 million was provided by the Commonwealth to the States and Territories for the fully funded supply of vaccines under the NIP within their respective jurisdictions.

The Government was in opposition when the previous government sought to introduce cost recovery of services associated with listing on the PBS and NIP and, in fact, banked the savings despite never introducing the legislation. We shared some of the reservations of some stakeholders about the model proposed by the previous government. It was arguable that the
independence of the Pharmaceutical Benefits Advisory Committee (PBAC) could be threatened if it was reliant upon the pharmaceutical industry for its funding.

However, in the model reflected in the bill I introduce today, the independence of the PBAC is guaranteed. The Government will continue to directly fund all the activities of the PBAC and its subcommittees. The PBAC will have no role in setting fees and it will not receive any revenue from industry. All revenue collected from cost recovery will be paid directly into consolidated revenue.

I would like emphasise that the expertise, integrity and sense of propriety that PBAC members bring to their task will not change as a result of cost recovery. The PBAC will continue to provide expert advice on medicines, independent of Government and industry. Cost recovery will not affect the structure or the operation of the PBAC, nor will it compromise the independence of the Committee’s decisions. There are other notable examples of agencies, such as the TGA – which regulate in the public interest and where that regulation necessarily results in commercial gain – where cost recovery has been implemented successfully and without a loss of independence.

In implementing a cost recovery fee for Commonwealth services, it is important to note that the Australians accessing the PBS and NIP will not be required to pay any extra for PBS listed medicines or vaccines as a result of this measure.

Cost recovery is not a new policy. Cost recovery arrangements have been applied with success to many departments and agencies at state and federal level, including for example, the Therapeutic Goods Administration, the Civil Aviation Safety Authority, and the Australian Prudential Regulatory Authority.

The pharmaceutical industry is familiar with cost recovery – the industry has been paying for the pre-market evaluation of products by the Therapeutic Goods Administration since 1991.

Achieving a product listing on the PBS provides a high level of commercial certainty to a company in relation to that product’s sales.

In this context, it is not unreasonable to recoup taxpayer incurred costs associated with new listings, or changes to existing listings of medicines on the PBS or vaccines designated for the NIP.

Australian pharmaceutical manufacturers and distributors with medicines or vaccines listed on the PBS and designated for the NIP receive considerable financial benefits via the PBS from the supply of their products to the Australian community. For example, in 2006 - 07 the top 20 pharmaceutical companies (by total cost of payments), each received, on average, $223 million from the Commonwealth via the PBS subsidy.

The Productivity Commission has commented that by ensuring that those who use regulated services bear the costs, cost recovery can promote economic efficiency and equity by instilling cost consciousness among agencies and users. In this case, it is expected that cost recovery will provide benefits to both Government and the industry; for example, potentially increasing the compliance of submissions with the Pharmaceutical Benefits Advisory Committee (PBAC) Guidelines and reducing time and costs associated with resubmissions.

As I mentioned earlier, the PBAC is an independent expert body, established under the Act. Its members are selected from consumers, health economists, practising community pharmacists, general practitioners, clinical pharmacologists and other specialists. This remains unchanged. The functions of the PBAC include making recommendations to the Minister on products which they consider should be made available under the PBS or NIP. In deciding whether to recommend products for listing, the PBAC is required under the Act to give consideration to the cost-effectiveness of treatment, including by comparing alternative options. This is also unchanged.

In fact, the whole process remains unchanged. The PBAC makes recommendations for listing and changes to those listings three times a year. In conjunction with the Pharmaceutical Benefits Pricing Authority (Pricing Authority), the Department of Health and Ageing undertakes price negotiations for brands listed on the PBS and for designated vaccines. The Schedule of PBS Benefits is updated and published twelve times a year to reflect new and changed listings.

The evaluation, pricing and listing of products, and changes to those listings, involves activities undertaken by various parties, including the PBAC, its subcommittees, the Pricing Authority, Departmental officers, and contractors and subcontractors to the Department.

Currently, the cost of these activities is borne by taxpayers. This bill changes only this part of the PBAC’s current function and structure.

The government supports the principle of cost recovery in appropriate circumstances to alleviate the burden on taxpayers and, consistent with responsible economic management, is proceeding with the previously announced intentions of the last Government. The bill is to commence on 1 July 2008, and cost recovery will begin following commencement of regulations prescribing the necessary fees and arrangements.
These proposed amendments to the Act will provide the necessary legal authority for the charging of fees, which will be prescribed in regulations under the Act. The bill is not a taxing Bill and the fees may not amount to taxation.

Cost recovery will include the costs of submissions to the PBAC and all processes that arise from those submissions in relation to new, or changes to existing listings of medicines on the PBS or designated as vaccines for the NIP.

Although any person may lodge a submission, in practice, the fees will generally be payable by pharmaceutical companies. The bill does, however, provide for regulations to be made for exemptions and waiver of fees so that, when it is in the public interest, no fees will be payable.

The trigger for fees will be the lodgement of a submission, which, in the case of pharmaceutical companies, is a purely commercial decision. Pharmaceutical companies are free to market their products in Australia independently of the PBS or NIP subsidies. However, financial returns from the PBS and NIP, especially in relation to high sales “prescription only” items, are significantly increased by PBS listing.

The desired scope of the regulation-making power for cost recovery is broad in order to allow for the flexible, efficient and transparent administration of the cost recovery arrangements. The regulations will be subject to Parliamentary scrutiny.

Without limiting the scope of the regulation-making power, the regulations may include, but are not limited to:

- the administration processes surrounding the making of submissions,
- prescribing of fees,
- the timing and manner of payment of fees,
- penalties and refusals to provide services for late and non payment,
- exemptions from fees and the waiver, remission and refund of fees, and
- the review of administrative decisions made in relation to cost recovery.

During consultations with stakeholders by the previous Government in 2006 and 2007 there was general agreement on a fees-only model with two payment points: the first for the receipt and evaluation of a submission, and the second for pricing and listing activities following a positive PBAC recommendation. A simple fee structure is proposed, in line with the existing submission categories with which industry is already familiar. Each passage through the PBAC will be treated as a single event – a drug that is resubmitted on several occasions, following refusal by PBAC to make a positive recommendation, will be liable for an evaluation fee on each occasion. This reflects the fact that a complete evaluation is required each time a submission is made, and is a disincentive for poor quality submissions. A further payment point will apply for an applicant seeking an independent review of a negative PBAC decision.

The regulations may allow for exemptions from fees. For example, it is expected that Therapeutic Goods Administration (TGA) designated orphan drugs and drugs approved for temporary supply will be automatically exempted.

The regulations may also provide for the refusal to provide services until a fee is paid. If fees go unpaid, a simple ‘tools down’ approach is envisaged, involving no further consideration until payment is received. Furthermore, this bill clarifies that the Minister may refuse to exercise certain powers (under section 9B or a provision under Part VII of the Act) if prescribed fees are not paid. The regulations may also allow for the recovery of unpaid fees as a debt due to the Commonwealth.

The Government is very committed to ensuring that there is a due process to ensure that fees and charges are levied in a fair and equitable way. For that reason we will be ensuring that there is a system in place to allow drug companies and others who may make submissions to the PBAC to have their medicine evaluated, or to the Department of Health and Ageing to have their medicine listed will have a right to ask for a review of the charges that have been imposed.

In the first instance, and if the matter cannot be resolved through discussion, the Department will ask a Departmental officer who has not been a part of the original decision to review the case and make a fresh decision. And if this still does not satisfy the company, they will have a right to take their case to the Administrative Appeals Tribunal.

This will be an important feature of cost recovery and will provide assurance that fees and charges are being applied consistently fairly and equitably. There will be no additional fee charged for this process.

In making preparations for implementation, my Department is liaising with the Department of Finance and Deregulation and following the Australian Government Cost Recovery Guidelines. The Department has consulted with key stakeholders,
including peak industry, consumer and healthcare provider bodies. In addition, a Cost Recovery Impact Statement will be finalised to report on consultations and document compliance with the Government’s Cost Recovery Policy.

In accordance with the Cost Recovery Guidelines, The Department will introduce ongoing monitoring mechanisms to ensure fees remain based on efficient costs, and will continue to liaise closely with key stakeholders.

Revenue from PBS cost recovery will depend on the number and type of submissions brought to the PBAC for consideration. As a general rule, the more complex and time consuming the evaluation and price negotiation, the higher the fees. Once fully operational, annual revenue from fees is expected to total about $9 million in 2008-09 rising to around $14 million a year in following years.

It is expected that fees will be indexed annually and a full review undertaken within five years, in accordance with the Cost Recovery Guidelines.

The recovery of costs incurred by the Department for the assessment of submissions made to the PBAC and subsequent evaluation, pricing and listing processes is an extension of an already established cost recovery model operating for the TGA. In that case applicants pay a fee for the work undertaken by the TGA in assessing their drug for use within Australia. Applicants are familiar with this process and have accepted its introduction.

Cost recovery within the PBAC process will be a simple system recovering costs from parties that are in a position to gain financial benefit from the listing of their drugs or changes to listings, within the PBS subsidy framework and from the designation of their vaccines for funding under the NIP.

It is all about ensuring that the PBS continues to be able to provide reliable, timely and affordable access to a wide range of medicines for all Australians.

PASSENGER MOVEMENT CHARGE AMENDMENT BILL 2008

The purpose of this bill is to amend the Passenger Movement Charge Act 1978 to increase the rate of the Passenger Movement Charge (the charge) by $9, to $47, with effect from 1 July 2008. The increase was announced by the Treasurer in the 2008-09 Budget and will partially fund national aviation security initiatives that are funded by the Australian Government.

Since 2001 the Australian Government has spent approximately $1.2 billion implementing a significant number of aviation security measures. This spending is expected to total over $2.2 billion for commitments the Government is making up until the 2011-12 financial year. Currently these costs are not recovered as part of the charge.

The $9 increase recommended by the central economic agencies has been accepted by Government as broadly consistent with the amount the charge would have grown by had it been indexed over the period since it was last increased in the 2001-02 Budget.

The charge, which is imposed on the departure of a person from Australia, is collected by airlines and shipping companies at the time of ticket sales and then remitted to the Commonwealth in accordance with arrangements entered into under section 10 of the Passenger Movement Charge Collection Act 1978. These arrangements are extremely beneficial to all stakeholders, not the least being the passenger whose departure from Australia is unimpeded through a seamless process which does not require the payment of taxes at Australian international airports.

It is worth while remembering that this fee is collected by the airlines and shipping companies. Because of the nature of the airline industry, where tickets for travel are sold up to 12 months in advance the increase will only apply to tickets sold on or after 1 July 2008.

PRIVATE HEALTH INSURANCE LEGISLATION AMENDMENT BILL 2008


The purpose of the Bill is to amend the Private Health Insurance Act and associated legislation. Amendments proposed include private health insurers being required to become a ‘company’ under the Corporations Act, restricted access insurers being able to include statements about requirements for membership in their constitutions or rules, provisions relating to the regulation of health-related business, clarification in relation to corporate products offered by health insurers and provisions to allow pilot projects. Enactment of the proposed amendments will occur at the date of Royal Assent of the Bill.

**Regulation of Health-Related Business**
Proposed amendments will remove the requirement for dual regulation of health-related business conducted through health benefits funds by the Private Health Insurance Administration Council (PHIAC) and the Australian Prudential Regulation Authority (APRA). Under the Private Health Insurance Act and the Health Legislation Amendment Act 2007, PHIAC regulates health insurance business and health-related business conducted through health benefits funds until 30 June 2008. From 1 July 2008, health-related business conducted through health benefits funds was to be subject to dual regulation by PHIAC and APRA. Consultation with industry and PHIAC has revealed that dual regulation will be burdensome and potentially costly.

Consequently, the Bill seeks to amend the Corporations Act, the Australian Securities and Investments Commission Act, the Insurance Act and the Insurance Contracts Act to ensure that health-related business that is conducted through a health benefits fund remains solely regulated by PHIAC. The changes will carve out health-related business operated through a health benefits fund from being regulated under these pieces of legislation.

**Restricted Access Insurers**

Another provision of the Bill concerns restricted access insurers. Restricted access insurers are private health insurers that limit their membership based on employment, profession, union membership or being part of the Defence Force. The proposed amendments alter the existing technical requirements, in s126-20(6) of the Private Health Insurance Act for restricted access insurers to specify their eligibility requirements in their constitutions, to allow these requirements to be specified in their constitutions or their operational rules. The proposed amendment will mean that there is greater administrative ease in complying with the Private Health Insurance Act.

There will also be consequential amendments to other provisions including ss185-5(e), s200-1(1) and s163-15(2) of the Private Health Insurance Act to include the term ‘rules’ after the term ‘constitution’, allowing restricted access insurers to provide statements relating to their restricted access group in their constitutions or rules.

**Health Insurers becoming a ‘company’ under the Corporations Act 2001**

At present, the Private Health Insurance Act allows registration of a private health insurer as a company, or registered body, within the meaning of the Corporations Act. However, registered bodies only need to meet limited director’s duties, making it more difficult for PHIAC to regulate the industry. The amendment will require all private health insurers to be companies under the Corporations Act. This measure will mean all insurers are under similar accountability standards and governance requirements, improving equity in the regulation of the industry.

Of the 38 currently registered health insurers, four are not presently companies.

All private health insurers must be companies by January 2010 or their registration as a private health insurer will be cancelled. There is also a transitional provision which provides that, in the unlikely event that a body which is not a company applies to be a private health insurer before the commencement of the Bill, the application ceases and a new application which complies with the requirement to be a company must be made after commencement.

In order not to impose an undue taxation burden on those private health insurers applying for registration as a company, those insurers will be exempted from stamp duty tax or other taxes relating to things done solely for the purposes of registration.

**Corporate Products**

The principle of community rating, as defined in Division 55 of the Private Health Insurance Act, ensures everybody has equitable access to health insurance. Private health insurers cannot discriminate based on people’s health or for other reasons including gender, race, or sexual orientation.

It has been put to Government that it is arguably a breach of community rating for insurers to offer corporate products at a discount aimed at employees and contractors.

The Bill clarifies that offering corporate products is not a breach of community rating, provided these products comply with the discounting provisions in the Private Health Insurance Act. It also makes it clear that a private health insurer may not remove persons from a corporate product when they, or another person on the policy, are no longer a member of the corporate group.

There is no obligation on the insurer to offer a corporate product, at the discount applicable to a corporate product, to a person who is not a member of the corporate group.

**Pilot Projects**

The government is keen to ensure that private health insurers are well placed to offer “broader health cover” in their products and policies. However, concerns have been expressed that the community rating provisions of the Private Health Insurance
Act may prevent the operation of pilot projects. In order to clarify that these projects are permitted, the Bill proposes that the Private Health Insurance (Complying Product) Rules could permit pilot projects as specified in those rules.

QUARANTINE AMENDMENT (NATIONAL HEALTH SECURITY) BILL 2008

I am pleased to introduce the Quarantine Amendment (National Health Security) Bill 2008. This is the second Bill to come before the Parliament to implement Australia’s international obligations relating to public health security - obligations that this Government takes extremely seriously.

The entry into force of the International Health Regulations (also known as the IHR) in June 2007 was a public health landmark for the World Health Organization and for all member States, including Australia. It provided the global community with a new legal framework to better manage its collective defences against public health risks that can spread internationally and with devastating effect.

The Bill I am introducing today gives effect to these IHR in three important ways.

Firstly, the proposed amendments to the Quarantine Act 1908 will require travelers who are subject to quarantine (or people performing quarantine) to submit themselves to vaccination or other prophylaxis if this is necessary for the prevention of the spread of a quarantinable disease, or if the vaccine or other prophylaxis is specified in the IHR, or recommended by the World Health Organization.

While Australia has had, for some time, the capacity to require vaccination, this has not extended to other prophylaxes, nor to diseases recommended by the World Health Organization that are not quarantinable diseases. Other forms of prophylaxis include antivirals to treat influenza or antibiotics to treat bacterial infections.

Secondly, the amendments also provide for the issuing of health certificates proving vaccination or other prophylaxis in accordance with the requirements set out in the IHR for standardised certifications.

At this time, yellow fever is the only disease specifically designated under IHR for which proof of vaccination or prophylaxis may be required for travellers as a condition of entry to a country. However, there is a real prospect that new vaccines or other prophylaxis will be developed for other existing, or new, diseases. It is therefore critical that Australia, along with our international neighbours, has the capacity to require any necessary prophylaxis, and to issue all essential paperwork in line with international standards.

Thirdly, the amendments take the existing provisions in the Quarantine Act relating to charges for certain health measures and align them with the requirements of the IHR.

The amendments provide that, except for persons seeking temporary or permanent residence, charges will not be applied for certain health measures administered to international travellers to protect public health. This includes measures such as medical examinations to ascertain the health status of a traveller, certain vaccinations or other forms of prophylaxis, and restrictions on travel that may be necessary to prevent the spread of a disease.

Charges for such measures will not be levied on travellers who are Australian citizens, or who are in transit to another destination.

Charges will, however, be able to be levied on persons seeking temporary or permanent residence in Australia. The Bill authorises the Minister to set, by legislative instrument, fees for the provision of health measures in these cases. Such fees will be limited to the actual cost of the necessary health measures, and must be published 10 days before they come into effect.

The Commonwealth may also seek reimbursement of expenses from insurance companies or, in the case of crew members travelling to Australia, from the master, owner or agent of the vessel.

In addition to the amendments giving effect to the IHR, the opportunity has been taken to make some minor, technical, ‘housekeeping’ amendments to the Quarantine Act. One example is to clarify the status of certain documents under the Legislative Instruments Act 2003.

I stress the importance of this Bill in ensuring that we deliver on both our international commitments as well as the national imperative to actively improve our capacity to respond to public health risks.

RESERVE BANK AMENDMENT (ENHANCED INDEPENDENCE) BILL 2008

Today I move the Reserve Bank Amendment (Enhanced Independence) Bill 2008.

The Rudd Government is committed to relieving the financial pressure on Australian working families by modernising the economy, raising living standards, and keeping inflation in check.
Inflation pushes up interest rates, eats away at family budgets, and threatens future prosperity – that’s why we’re so determined to beat it.

We have taken responsibility for modernising our economy, so we can sustain growth, create jobs, and get inflation back in check.

That means tackling the skill shortages and capacity constraints that are pushing up costs and threatening growth.

It means boosting our productive capacity – lifting productivity and encouraging more people into work.

By boosting capacity we allow our economy to grow further and support job growth, without fuelling inflation.

We moved from day one to tackle the inflation legacy left to us.

As part of this effort, on 6 December 2007, the Prime Minister, the Governor and I outlined the measures we would take to strengthen the independence of the Reserve Bank and enhance the transparency of the conduct of monetary policy in Australia.

The Rudd Government committed to enhance the independence of the Reserve Bank, by raising the positions of Governor and Deputy Governor to the same level of statutory independence as the Commissioner of Taxation and the Australian Statistician.

This is the purpose of the legislation I am introducing to the Parliament today.

The Rudd Government also committed to improving the transparency of future Reserve Bank Board appointments and to remove political considerations.

Accordingly, the Secretary to the Treasury and the Governor of the Reserve Bank will maintain a register of eminent candidates of the highest integrity from which the Treasurer will make appointments to the Reserve Bank Board.

The Statement on the Conduct of Monetary Policy, which the Governor and I agreed to in December last year, also incorporates transparency measures including the publication of Board minutes, and a statement of reasons for the decision following each monthly meeting irrespective of whether there is an adjustment in the cash rate.

Increased transparency helps business people and working families understand the reasons behind monetary policy decisions which have such a real impact on their lives.

These reforms that the Governor and I agreed to last year herald in a new era of independence and transparency in monetary policy in Australia.

The introduction of this Bill into the Parliament today is a key step to delivering this.

Under the current legislation, the Treasurer has the sole authority to appoint, suspend and terminate the appointment of the Governor and or Deputy Governor of the Reserve Bank, without reference to Parliament.

This, for example, gives power to the Treasurer to appoint if they so wish, partisan political candidates or those who have serious questions hanging over their character.

This circumstance could seriously jeopardise the standing of the Reserve Bank and reduce its effectiveness, thereby lowering Australia’s long-term economic prospects.

This is not something this Government will allow to happen.

Under the legislation being introduced today, the positions of the Governor and Deputy Governor will have their level of statutory independence raised to that of the Commissioner of Taxation and the Australian Statistician.

As such, their appointments will be made by the Governor General acting in Council.

At the moment, they are simply appointed by the Treasurer.

In addition, and more importantly, the termination of the Governor and Deputy Governor may now only occur if each House of the Parliament, in the same session of the Parliament, requests the Governor General to do so.

Grounds on the basis of either incapacity, external employment or bankruptcy must be submitted.

Presently the Treasurer is able to carry out the termination of either of these positions, on the set grounds, without reference to Parliament.
The present situation could leave the Governor and Deputy Governor in a potentially vulnerable position. Alternatively the Governor General may still suspend the Governor or Deputy Governor on the specified grounds for a temporary period, after which the Parliament may decide to either allow reinstatement or to terminate.

At the moment, the Treasurer may make an open ended suspension without reference to Parliament.

These reforms will enhance the effectiveness of monetary policy.

But we on this side of the house, will not leave the heavy lifting to the Reserve Bank and higher interest rates. Our predecessors lacked the foresight to deal with the inflationary pressures before they gathered pace. They left the RBA to shoulder all the responsibility – they failed to invest in our productive capacity and compounded the problem through reckless spending.

They left Australian families facing the full brunt of their policy failures – the highest underlying inflation in 16 years and 12 rate rises on the trot.

That is why in January the Prime Minister outlined the Government’s five point plan for fighting inflation.

Disciplined fiscal restraint, with the aim of delivering a surplus of at least 1.5 percent of GDP in 2008-09;

Encourage private savings through initiatives like the First Home Saver Accounts;

Tackling the chronic skills shortages including 450,000 new training places;

National leadership to tackle infrastructure, including broadband and Infrastructure Australia;

Encourage workforce participation through initiatives in Child Care Tax and tax reform.

Inflation has taken a long time to build in our economy and it will take a long time to deal with it – but that is why we started from day one.

This is a Government that in its first weeks of office released a joint Statement with the Reserve Bank, strengthening its independence.

Together, this bill and the measures the Governor and I have announced represent a new era in the operation of monetary policy in Australia.

This legislation is an important element in our fight against inflation.

A fight we intend to win on behalf of Australian families who have worked so hard to make our economy strong.

I commend this bill to the Senate.

SAME-SEX RELATIONSHIPS (EQUAL TREATMENT IN COMMONWEALTH LAWS—SUPERANNUATION) BILL 2008

Introduction

The Same-Sex Relationships (Equal Treatment in Commonwealth Laws – Superannuation) Bill 2008 introduces the first part of historic reforms to amend Commonwealth laws that discriminate on the basis of sexuality.

It is with immense pride that I introduce this bill, marking a new chapter in Labor’s commitment to promoting and protecting human rights in Australia – a commitment that is based on the belief of the fundamental equality of all persons.

The bill will amend the Acts which govern the Commonwealth Government (defined benefit) superannuation schemes and related taxation legislation and Acts that regulate the superannuation industry.

Discrimination on the basis of sexuality has largely been removed from State and Territory laws. This bill will take equality for same-sex couples and their children to the next level by introducing long overdue Commonwealth reforms, removing discrimination from superannuation laws as the first step.

HREOC report

I want to acknowledge the important role of the Human Rights and Equal Opportunity Commission’s inquiry which focused on discrimination in financial and work related entitlements and benefits.
HREOC found that same-sex couples do not enjoy the same entitlements as couples who are either married or in opposite-sex de facto relationships.

On coming to office, we commissioned a whole-of-government audit of Commonwealth legislation building on HREOC’s report.

The audit confirmed HREOC’s findings. The audit further identified that discrimination in the legal treatment of same-sex couples and their children occurs in a range of non-financial areas, such as administrative and evidence laws.

The audit also identified a number of statutory regulations and instruments which include possibly discriminatory terms. The Government will review, and where necessary, amend these instruments to remove any differential treatment of same-sex couples.

This bill marks the first stage of the Government’s commitment to address this inequitable treatment in a wide range of laws.

**Superannuation**

This bill will amend Acts governing Commonwealth Government (defined benefit) superannuation schemes. It will also amend related taxation and superannuation regulatory Acts.

The superannuation schemes covered by this bill are:

- the Commonwealth Superannuation Scheme
- the scheme under the Superannuation Act 1922
- the Defence Force Retirement and Death Benefits Scheme
- the Defence Forces Retirement Benefits Scheme
- the Judges’ Pensions Scheme
- the Federal Magistrates Disability and Death Benefits Scheme
- the Governor-General Pension Scheme, and
- the Parliamentary Contributory Superannuation Scheme.

The reforms in this bill are time critical. This is because it will allow reversionary death benefits to be paid to de facto same-sex partners and their children where they currently have no entitlement.

For example, until these Acts are amended, were a scheme member to die, his or her same-sex partner would not be entitled to receive a reversionary death benefit.

This is discriminatory.

A child of such a relationship does not benefit unless they can meet the current requirements under the relevant Acts, such as being the natural child of the deceased member.

This again is discriminatory.

Further, superannuation legislation generally refers to a spouse, which currently excludes same-sex partners. While same-sex partners may be able to access some superannuation concessions as ‘dependants’—for example, concessional treatment of death benefits—this bill will make sure there is equal treatment of same-sex couples and their children in this area.

To quote HREOC’s report of the inquiry:

One of the main purposes of superannuation schemes is to encourage savings during life which will support a person’s family after he or she dies … [s]uperannuation is often a person’s largest asset apart from the family home. Most people expect that their superannuation entitlements will be inherited by a partner, children or other dependants. But for people in same-sex couples and families, this is not always the case.

This bill will remedy these injustices by allowing same-sex couples and their children to access the benefits and entitlements they have been denied for so long.
The amendments in these acts revise the existing definitions of ‘spouse’ and ‘child’, creating new definitions that equally recognise opposite-sex and same-sex relationships and partners, and the children they produce.

The bill will expand the notion of de facto relationship by adding the new concept of a ‘couple relationship’, which includes same-sex partners.

The bill will enable a relationship registered under prescribed State laws to be evidence of the existence of a same-sex relationship when considering who may be entitled to a death or pension benefits. Regulations for this purpose will be made under the Judges’ Pensions Act 1968, which I administer, and for ease of administration are applied to the other Commonwealth schemes amended by the bill.

The preparation of this bill, which relates only to Commonwealth (defined benefit) superannuation schemes, has highlighted certain issues regarding the framing of amendments. For example, we will further consider the way relationships registered under State and Territory laws will be recognised in other Commonwealth laws when developing the broader reforms to be introduced in the second part of the same-sex reform legislation. It will also be necessary to consider the need for consistency in Commonwealth legislation in relation to the use of terms such as ‘partner’ and ‘spouse’.

The bill also allows for the equal recognition of children who are the product of same-sex and opposite-sex relationships.

A child for this purpose is the product of a couple relationship, where one partner is linked biologically to the child or where one partner is the birth mother of the child. By applying this definition, opposite-sex and same-sex families are treated equally.

Furthermore, the new definition will solve the problems arising from some surrogacy arrangements where even children of an opposite-sex relationship may currently fail definitional requirements and be denied benefits.

This approach imports a new standard of fairness and consistency into the law in this area and provides functional recognition of same-sex families in the community.

The reforms in this bill recognise real family situations. Recognition is necessary if we are, as a community, to remove discrimination against same-sex families and their children.

Superannuation Industry (Supervision) Act 1993

The bill will also amend the Superannuation Industry (Supervision) Act 1993, which establishes the superannuation regulatory framework for regulated superannuation funds. This will mean that superannuation funds, should they wish to do so, will be able to make allowance for same-sex couples and their children in the same way that Commonwealth (defined benefit) superannuation schemes will be able to.

If this bill is passed, I encourage all superannuation funds across Australia to make provision for same-sex couples and their children so that this discrimination is completely removed from the superannuation industry.

Conclusion

This bill marks the first step in removing discrimination against same-sex couples and their children in Acts governing Commonwealth (defined benefit) superannuation schemes and related Acts that have not moved with the times.

The reforms in this bill will make a practical difference to the lives of a group of fellow Australians who for far too long have suffered discrimination in superannuation at a Commonwealth level. It is fair and equitable and it is the right thing to do.

I commend the bill.

SOCIAL SECURITY AND OTHER LEGISLATION AMENDMENT (EMPLOYMENT ENTRY PAYMENT) BILL 2008

Consistent with its theme of responsible economic management, the Government identified a number of programs that were inefficient or wasteful, or were largely duplicated elsewhere. The employment entry payment is one such scheme.

The employment entry payment was initially introduced in 1989 to assist with costs associated with taking up employment. Since then, three other schemes have been introduced which provide similar or better assistance and which are more flexible in their application. These are the special employment advance, job seeker accounts provided via the Job Network, and the working credit. Further improvement will be implemented under the new employment services model.

This bill will repeal the employment entry payment, effective from 1 July 2008.
Removal of the payment will simplify the assistance available to those commencing work, particularly in relation to the complex interactions now in place between the employment entry payment and the special employment advance and will realise savings of $60.8 million over 5 years and delivers on the Government’s commitment to responsible economic management.

I commend the bill to the Senate.

SYDNEY AIRPORT DEMAND MANAGEMENT AMENDMENT BILL

Background

Sydney Airport is Australia’s major international and domestic airport, and its operational efficiency is critical to Australia’s national economic performance. On average, about 29 million passengers and about 550,000 tonnes of airfreight worth around $33 billion are processed through Sydney Airport every year. International visitors entering Australia through Sydney Airport inject about $2.6 billion a year to the economy.

The Sydney Airport Demand Management Act 1997 is an important piece of legislation for Sydney Airport and ensures it operates effectively while also protecting the interests of the local community. The Sydney Airport Demand Management Act 1997 first saw light as a private member’s Bill that I introduced in 1996, and it led to the former government then putting in place the legislation as it is now.

The Sydney Airport Demand Management Amendment Bill I introduce today seeks to improve the current legislation. The Bill will also enable changes to be made to the subordinate legislation to improve the operation of the Slots regime and the enforcement of the movement limit at Sydney Airport. A key objective of the current Act is to put in place a cap on the number of movements on the runway of 80 in a regulated hour.

The Act established a regime intended to control the scheduled movement times of airlines so that no more than 80 movements occurred on the runways in any hour.

The Act was also designed to encourage efficiency of operation through the allocation of ‘slots’ which stage the scheduling of aircraft movements and avoids the congestion that was occurring when airlines clustered their scheduling times.

The Bill I introduce today makes no changes to the objectives or intent of the existing Act. The Bill makes technical changes to support the improved administration of the cap and Slot Management Scheme.

Since the inception of the demand management scheme at the airport, there have been almost 3 million aircraft movements over approximately 260,000 regulated hours.

ANAO Report

Over 2006, the Australian National Audit Office conducted a performance audit of the demand management system established under the existing legislation. The ANAO Report was finalised on 7 March 2007 and it found that, since the inception of the slot management system, there have been 61 occasions when the maximum movement limit was exceeded. Aircraft movement reports tabled in Parliament show that the last incidence was at the end of 2001 but increases in traffic are likely to lead to more pressure on the limit.

Airservices Australia has advised they have put in place procedures to strengthen the collection and reporting of data on the movement limit.

The ANAO report highlighted the complex nature of aircraft operations at a busy airport like Sydney. In this context, consideration must be given to:

- the need for flexibility in order to maintain certainty for airline schedules,
- the importance of maximising the efficiency of the airport,
- the need to avoid unnecessary disruption of scheduled services for passengers, and
- the importance of achieving this while implementing arrangements to minimise the impact of aircraft noise on the community around the airport.

Key policy objectives

The overriding objectives of the existing Act remain the same. Those objectives are:
Firstly, to minimise the impact of aircraft noise on the community by enforcing a limit of 80 aircraft movements per hour. This was first proposed in a Private Members Bill titled “Sydney Airport (Regulation of Movements) Bill 1996” which I moved on 18 November 1996.

Secondly, to provide for the orderly and efficient operation of flights into and out of Sydney Airport through a slot management regime that keeps Sydney in step with international scheduling practice. The cap at 80 movements within any regulated hour, as I have mentioned, remains in place.

And the third objective of the current Act is to guarantee access for operators of NSW regional services by establishing a ring fence around the slots held by regional operators to Sydney airport at the onset of the demand management regime.

Slots previously held by Ansett Airlines at the time of its demise have also been quarantined. This will ensure equitable access to Sydney slots for airlines entering the Sydney services market for the first time. These protections will remain in place and are not affected by the provisions in this Bill.

Overall, these policy objectives are being met and the Bill does not change any of the fundamental policy settings designed to protect the local community in Sydney and regional communities that depend on access to Sydney Airport.

The amendments are essentially technical and will clarify, strengthen and tighten the regulatory arrangements.

The slot management scheme currently in place in Sydney provides a framework for the equitable allocation of planned aircraft movements within a regulated hour.

Importantly, the slot management scheme also provides a compliance framework for encouraging airlines to operate in accordance with their published schedules.

Congestion problems have been reduced with the introduction of slot management. The slot system facilitates a more even distribution of aircraft movements within hours.

Although of course there will continue to be morning and evening peak periods in response to:

- the operational requirements of airlines,
- curfew restrictions at Sydney and at overseas airports and, of course,
- the travelling preferences of passengers, particularly regional and business travellers.

Passenger numbers at Sydney Airport are forecast to grow 4.2% annually to 68.3 million passengers in 2023/24. While a significant share of the growth will be attributed to larger aircraft carrying more passengers, aircraft movements are still expected to increase by 2.4% to 377,650 movements per annum over the same period.

As the pressure builds around the availability of airport slots at peak periods, it has never been more important to clarify and strengthen the regulatory framework for managing this growth.

Given the current economic climate and the growth in global aviation activity, it is critical we manage the pressure on an inner city airport. And it is important we do that without losing sight of the key role a critical piece of national infrastructure such as Sydney Airport plays in the Australian economy.

The key change proposed by the Bill is to introduce a distinction between aircraft movements on the runway and aircraft movements at the gate. The distinction is significant because the slot management scheme is based on gate movements and the movement limit applies to runway movements.

The amendments proposed by this Bill will overcome the flaw identified in the ANAO audit that the day-to-day administration of slot allocation and compliance did not technically comply with the current Act. More particularly, the term “aircraft movement” was interchangeably used to describe the two separate but related actions.

The slot allocation regime is a vital planning tool that enables flight schedules at the airport to be managed so as to satisfy a wide range of operational demands reflecting the global nature of airline businesses.

Essentially, the bulk of slots are allocated prior to the commencement of each Summer and Winter Scheduling season in conjunction with airports worldwide.

The Slot Manager allocates slots to airlines having regard to

- the capacity of the airport to handle particular flights,
the size of the aircraft,

• the capacity of the terminal to process passengers and baggage,

• whether there is a gate and apron available

• and, overall, whether the slot can be accommodated within the 80 movements per hour cap.

Consistent with the practice at other slot-controlled airports overseas, slots have been granted for the time a plane is scheduled to arrive at or leave the gate. The airline’s compliance for the purposes of the current Act has, in practice, been measured against meeting those gate times. However, in strict terms of the current Act, compliance should have been measured by reference to the time of aircraft movements on the runway.

The legislation as it stands does not recognise the difference between the need to measure movements on and off the runway for the movement cap and movements on and off the gate for the slot management system. Slots have been, and need to continue to be allocated against scheduled airline movements which align with movements at the gate and not on the runway.

For each gate movement, there will be a corresponding aircraft movement on the runway - either before the gate movement (for arrivals) or after the gate movement (for departures). The Bill will formalise a requirement for the Slot Manager to have regard to the likely aircraft movement times on the runway when allocating slots, and to ensure the allocation of the slots is consistent with the movement cap.

Curfew arrangements at Sydney Airport will remain unchanged.

However, this Bill clarifies the relationship between slot allocation and compliance and movements during the curfew period. The ANAO report found that flights delayed into the curfew period were incorrectly assessed for compliance under the Act. The proposed amendments in the Bill will ensure any movement that is delayed into the curfew period is not exempt from the compliance scheme under the Sydney Demand Management Act 1997. Any penalties under the Sydney Airport Curfew Act 1995 would also apply.

The Bill will also allow for the Minister to vary the operation of the Compliance Scheme during exceptional circumstances. The collapse of Ansett and the aftermath of the tragic events on September 11, 2001 are illustrative examples of such exceptional circumstances.

The exercise of the power to modify the operation of the Scheme will be subject to the registration, tabling and sunset requirements of the Legislative Instruments Act 2003.

The Bill also makes a number of minor technical and other administrative amendments to clarify and strengthen the slot management arrangements. With the passage of this Bill, changes will flow through to its associated Regulations and the Slot Management and Compliance Schemes. My Department is currently in the process of developing these regulations.

Changes which will further strengthen and clarify the operation of the Scheme include:

• introduction of a regulation requiring the Slot Manager to provide improved reports and information so as to be accountable for slot allocation and gate movements

• introduction of a regulation that will enable the Slot Manager to require operators to provide information and impose penalties for failure to comply

• implementation of a new infringement notice regime for “no-slot” movements, and

• increased penalties under the infringement notice regime applicable to both “no-slot” and “off-slot” gate movements

Since the Rudd Government came to office we have sought to protect the local community around Sydney Airport while allowing for growth in aviation. In particular, we have:

• Reconstituted and reinvigorated the Sydney Airport Community Forum, making the membership more representative of those communities affected by aircraft noise;

• Ensured Sydney Airport consults the local community on important runway safety works through a Major Development Plan process;
Maintained a firm line on the operation of the curfew;

• Reaffirmed our commitment to the full implementation of the Long Term Operating Plan for Sydney Airport;

• Reaffirmed the 80 movement cap at Sydney Airport will remain in place; and

• Reaffirmed our commitment to ensure access by NSW Regional operators to Sydney Airport.

The Bill I have introduced today is another important reform ensuring the efficient operation of Sydney Airport while at the same time protecting the interests of the local community.

I commend the Bill to the Senate.

TAX LAWS AMENDMENT (2008 MEASURES No. 2) BILL 2008

This bill makes a number of improvements to Australia’s tax and superannuation laws.

Schedule 1 addresses a technical inconsistency in the tax law when an amount is misappropriated by an employee or agent after they dispose of an asset on behalf of a taxpayer.

Schedule 2 removes an anomaly in the superannuation guarantee system by extending the superannuation guarantee late payment offset. To reduce the incidence of employers having to pay the same superannuation amount twice, once as a penalty and once as the actual superannuation payment, the period within which an employer can make a contribution for their employee after the due date for making the payment and still be eligible to use the late payment offset is extended.

Schedule 3 amends the tax law to ensure that the market value substitution rule does not apply to certain CGT events.

The market value substitution rule ensures capital gains or losses are calculated with reference to the market value of a transaction rather than the actual amount paid. This, in certain circumstances, prevents taxpayers from manipulating the capital proceeds associated with a capital gains tax event, to either reduce capital gains or increase capital losses.

The bill ensures the rule will not apply where a share in a widely held company, or a unit in a widely held unit trust, is cancelled, surrendered or brought to an end in other similar ways when an arms length transaction has occurred.

This will provide consistency with C2 CGT events and result in fairer treatment of taxpayers who may otherwise end up with a tax bill larger than the proceeds of a cancellation of shares.

Schedule 4 provides an income tax exemption for the Endeavour Executive Award and for all research fellowships under this Award.

The amendments allow for consistent tax treatment of the research fellowships by making them all tax free regardless of the full or part time status of the recipients.

The program is an internationally competitive, merit-based scholarship program, administered by the Department of Education, Employment and Workplace Relations. This program brings leading researchers, executives and students to Australia to undertake study, research and professional development in a broad range of disciplines and enables Australians to do the same abroad.

Schedule 5 exempts from income tax the first $1,000 of eligible early completion bonuses paid by State or Territory governments to apprentices where certain conditions are met. For bonuses to qualify for the exemption apprenticeships must be in recognised skill shortage occupations and complete their courses within time frames specified in the regulations that will give effect to this measure.

Currently, only the Queensland Government pays an early completion bonus to apprentices.

Early completion bonuses seek to alleviate skill shortages in industries that are experiencing strong demand growth by providing an incentive to apprentices to complete their apprenticeships before time. In doing so, this measure will help reduce inflationary pressures caused by skill shortages and improve productivity.

Schedule 6 amends the list of deductible gift recipients in the Income Tax Assessment Act 1997. Deductible gift recipient status will assist the listed organisations to attract public support for their activities. Nine new organisations will be added as deductible gift recipients. Four organisations will have their deductible gift recipient status extended for an additional period of time.
These organisations provide an extremely valuable contribution in various areas of Australian society and I congratulate each of them for their fine work.

I would like to quickly acknowledge each of these organisations by listing the aims of each organisation. In doing so I believe it will become evident why these organisations deserve the support that this amendment will provide them.

The AE 2 Commemorative Foundation Ltd aims to ensure that the Australian World War I submarine HMAS AE 2, currently lying in the sea of Marmara, Turkey, is preserved and its role in the Gallipoli campaign is appropriately recognised.

The Ian Thorpe’s Fountain for youth Limited focuses on a range of activities such as:

- improving the health and education outcomes of children, especially Indigenous children;
- improving literacy as a step towards improving the health and life expectancy of children;
- supporting Indigenous cultural education; and
- supporting projects that help to establish or sustain viable business projects for Indigenous communities.

Wheelchairs for Kids Incorporated manufactures and distributes wheelchairs to disabled children in many developing countries.

The Amy Gillett Foundation aims to raise awareness of cyclist safety through the use of media. This Foundation’s efforts to raise awareness involve a range of communication strategies, conducting education, and funding research.

The Spirit of Australia Foundation is an educational organisation that encourages and facilitates research into, and the dissemination of, knowledge of Australian history and heritage.

The World Youth Day 2008 Trust is an international youth event to be held in Sydney in July 2008, and is hosted by the Sydney Catholic Archdiocese.

The Memorials Development Committee Ltd is an organisation established to develop, design and construct two separate, but complementary memorials to World War I and World War II in the Anzac Parade memorials precinct of the Australian Capital Territory.

The Council for Jewish Community Security was established to assist in the provision of security and protection for members and institutions of the Australian Jewish community.

Playgroup Australia Incorporated is an organisation which works in conjunction with the eight state and territory peak playgroup bodies to promote playgroup participation for all families with young children. It advocates learning through play and supporting parents through playgroups as an integral part of the early childhood experience.

The Dunn and Lewis Youth Development Foundation was established to assist with the building of a memorial complex dedicated to two victims of the Bali bombing. The complex will provide programs to address chronic issues affecting young people.

The Finding Sydney Foundation is an organisation formed to find the cruiser HMAS Sydney and the German raider HSK Kormoran and to ensure preservation of the war graves and to commemorate the memory with a virtual memorial.

As most would be aware, HMAS Sydney and HSK Kormoran were finally discovered in March this year, off the coast of Western Australia. The Finding Sydney Foundation will have its DGR listing extended to 1 July 2009 to enable it to help preserve the war graves and commemorate the memory of the men who were lost with these two ships in 1941.

The Xanana Vocational Education Trust aims to create a self sustaining vocational education system in Timor-Leste. It has initially focused on making distributions to institutions in Timor-Leste such as the Dili Institute of Technology.

Australia for United Nations High Commissioner for Refugees was established to raise funds in Australia for the UNHCR, and raise awareness locally about the plight of refugees.

Schedule 7 amends the law so that superannuation lump sums paid to persons with a terminal medical condition will be tax free. This change assists in relieving financial stress which terminally ill persons and their families may be suffering due to their situation. The amendments have effect for payments made on or after 1 July 2007.

Under the existing law, the taxation treatment of a lump sum paid from a superannuation fund depends on the age of the person receiving it and whether or not the benefit has previously been taxed in the fund. A lump sum paid from a taxed fund to a person below age 55 is taxed at a maximum rate of 21.5 per cent (including the Medicare levy).
Under the proposed change, a superannuation lump sum paid to a person who has a terminal medical condition will be tax free. The details of what constitutes a ‘terminal medical condition’ will be prescribed in regulations which will be made following the passage of this bill.

I note that the previous Government announced on 11 September 2007 that it would amend the tax law, with effect from 12 September 2007, so that superannuation lump sums paid from that date on to individuals with a terminal illness would be tax free. This bill, however, ensures that such superannuation lump sums will be tax free earlier from 1 July 2007. This will ensure more people with terminal illnesses will be able to withdraw superannuation tax free.

I thank the Member for Grayndler for bringing this to the attention of the previous Government and for campaigning so strongly on this issue.

Schedule 8, which like Schedules 5 and 6 was introduced by the former government in Tax Laws Amendment (2007 Measures No. 6) Bill 2007, provides a concession for the costs of establishing a carbon sink forest. This measure will encourage the establishment of carbon sink forests and, in turn, make an important contribution to carbon sequestration and deliver natural resource management benefits. Establishment costs will be immediately deductible for trees established in carbon sink forests in the 2007-08 to 2011-12 income years inclusive. After this initial period, establishment costs will be deductible over 14 years and 105 days at a rate of 7 per cent per annum.

To be eligible for the deduction, the taxpayer must be carrying on a business and the carbon sink forest must meet Environmental and Natural Resource Management Guidelines.

Separately to this bill, it is important to highlight that the Government is developing a national standard for robust and transparent carbon offsets. The standard will ensure consumer confidence in the carbon offset market and include minimum standards and appropriate verification protocols.

Unlike the opposition the Government takes the issue of climate change seriously. I am particularly proud to be a part of a Government that signed the Kyoto protocol—one of the first actions of the new government.

The measure contained in this bill is just one small step in the fight against climate change.

Schedule 9 extends the beneficiary tax offset to the Equine Workers Hardship Wage Supplement Payment.

This payment is made fortnightly to individuals who can demonstrate loss of their primary source of income, which is earned in the commercial horse racing industry, as a direct result of the Equine Influenza outbreak and its associated quarantine and movement restrictions. The amount of the payment varies depending on the applicant’s circumstances and may be equivalent to the single rate, couple rate or single with dependent child rate of the Newstart Allowance.

Extending the beneficiary tax offset to the Equine Workers Hardship Wage Supplement Payment will ensure consistent taxation treatment with the Newstart Allowance, and applies to payments of the Equine Workers Hardship Wage Supplement Payment received in the 2007-08 income year.

A number of workers and businesses in the horse racing industry have suffered financially as a result of the equine influenza outbreak of last year. Workers involved in commercial horse-dependent industries, who have lost their job or most of their income, and sole-traders whose incomes have effectively ceased such as transport operators and riding coaches, have been eligible to receive the equivalent of Newstart Allowance. This will ensure that no tax is payable on the payment if the only income received by the recipient is the Payment.

Schedule 10 provides tax free status to grants under the Tobacco Growers Adjustment Assistance Programme 2006, to tobacco growers who undertake to exit all agricultural enterprises for at least five years. The grants are being paid following the loss of a market in Australia for domestically grown tobacco. This measure assists tobacco growers to adjust to the fundamental change in their market and to develop alternative businesses.

Tobacco growers can receive up to $150,000 under the Tobacco Growers Adjustment Assistance Program to assist them to exit the tobacco growing industry and move into alternative business activities. In 2006, legal tobacco production ceased in Australia, the last state in which tobacco production ceased was Victoria. Licences to produce tobacco can only be issued by the ATO where a grower has formal arrangements to sell tobacco to manufacturers and there are currently no licences on issue.

Ensuring these payments are tax free will ensure that tobacco growers receive the full benefit of the grants to help them move into other industries.

Schedule 11 makes minor technical amendments to the early withdrawal provisions to the farm management deposits scheme. The changes will align the tax law with the current practice for declaring either all primary producers in a geographical area, or specified primary producers within a geographical area, to be in exceptional circumstances.
This amendment will improve the farm management deposit scheme by ensuring that all primary producers, who are eligible for early withdrawal due to exceptional circumstances, will retain the tax benefits.

It is particularly important to assist farmers where we can who are suffering from the drought.

Full details of the measures in this bill are contained in the explanatory memorandum.

TAX LAWS AMENDMENT (2008 MEASURES No. 3) BILL 2008

This bill amends various taxation laws to implement a range of improvements to Australia’s tax laws.

Schedule 1 amends the income tax law to restore the original tax treatment of rights issued by companies to shareholders to acquire additional shares. This will overcome the impact of the High Court of Australia’s decision in Commissioner of Taxation versus McNeil.

McNeils case overturned long standing tax treatment in relation to put options which has caused great uncertainty in the market. The changes in schedule 1 will provide certainty to the market as to the tax treatment of put options and call options which will allow companies to continue to raise capital through the use of such options.

These amendments will ensure that no amount is included in the assessable income of a shareholder in a company as a result of acquiring certain rights issued by the company to acquire further shares.

The amendments will also ensure that an amount that is included in the assessable income of a shareholder, as a result of acquiring rights issued by the company to dispose of shares, is appropriately reflected in the cost base of the rights.

To ensure that taxpayers are not disadvantaged, these amendments will apply to rights issued on or after 1 July 2001.

Schedule 2 amends the Taxation Administration Act 1953 to overcome a deficiency in the scope of the restriction of GST refunds following the Federal Court of Australia decision in KAP Motors versus the Commissioner of Taxation. The restriction of GST refunds will apply regardless of whether transactions giving rise to a refund are supplies for GST purposes.

This Schedule also amends the Taxation Administration Act 1953 to overcome a deficiency in the four-year time limit on payment and refund of indirect taxes and ensures that it applies as intended to bring finality and certainty to the indirect tax affairs of taxpayers.

Full details of the measures in this bill are contained in the revised explanatory memorandum.

TAX LAWS AMENDMENT (BUDGET MEASURES) BILL 2008

This bill makes a number of important improvements to the tax law.

First, it improves the fairness and integrity of the fringe benefits tax system.

Second, it restores the intent of the tax treatment of employee share scheme arrangements.

And third, it aligns the period over which taxpayers can write-off depreciable in-house software with that for computer hardware.

These measures are part of a Budget that has delivered significant reform of tax expenditures to improve productivity, fairness and integrity in the tax system.

The Government has moved with the times on this.

A major theme of the 2020 Summit was the need for a tax system that is fair, simple and efficient.

I quote the following from the initial Summit report:

‘Australia needs a tax system that supports the global competitiveness of our economy, provides incentives, minimises distortions and supports fiscal responsibility.’

Reforming tax concessions is an important step in this direction.

This bill restores the original intent of the FBT law by tightening the arrangements for eligible work related items, and property consumed on an employer’s premises.
The FBT law currently exempts certain work related items.

With the exception of mobile phones, computer software and protective clothing, there is no requirement that these items be used for work purposes in order to be FBT exempt.

The FBT exemption was introduced in 1995. At the time it was thought that generally any private use would be incidental. Since then, changes in technology have meant that certain items are commonly acquired for personal use.

Laptops are one example.

The FBT exemption allows employees to enter into tax-effective arrangements to acquire these items out of their pre-tax income.

The amendments restore the original policy intent to restrict the FBT exemption to items used primarily for employment.

The exemption will also be limited to one item of each type per employee each FBT year, unless it is a replacement item.

The list of eligible work related items will also be updated for technological changes.

This will remove uncertainty for taxpayers, industry and the Australian Taxation Office as to whether electronic devices with more than one function are FBT exempt.

The amendments also remove depreciation for FBT exempt items purchased after 7.30 pm Australian Eastern Standard Time 13 May 2008.

This addresses a double tax benefit under the existing law whereby an employee can claim depreciation for an item that is also FBT free.

For items purchased before that time, depreciation will be removed for the 2008-09 and later income years.

The Government is also tightening the FBT exemption for the private use of business property.

With a meal card, an employer pays for employee meals provided by a third party located on, or delivering to, the employer’s premises.

An employee can salary sacrifice a meal card to purchase lunch, coffee and other consumption items out of their pre-tax income.

The amendments will exclude meals from the FBT exemption where they are provided as part of a salary sacrifice arrangement.

This restores the intended policy and improves equity in the treatment of employee remuneration.

Genuine staff canteens will not be affected.

The measure may also promote greater competition between meal providers.

This is because it removes a disincentive for employees to shop around for the best price or quality available for meals.

The bill also amends the income tax law to close a loophole in the employee share scheme provisions and address double taxation.

Amending the election requirements in the employee share scheme provisions will stop taxpayers manipulating when they have a tax liability for discounts on employee shares or rights.

This will ensure discounts are properly included in assessable income.

An employee will be required to make an election by including the value of the discount in their income tax return.

The amount must be included in the income year they acquire the shares or rights.

The second change will remove double taxation where certain employee share schemes use an employee share trust.

The amendments will ensure that the trustee or beneficiary of the trust can access CGT relief.

Schedule 2 amends the tax law to extend the write-off period for in-house software from 2½ to four years.
This is the same as the Tax Commissioner’s safe harbour period for computer hardware.

The amount deductible is unchanged, but the write-off period is extended by 18 months.

If the software is scrapped before four years, the business will still get an immediate write-off for the remainder under the existing tax law.

Small businesses are generally not likely to be impacted by the measure.

Businesses that pay an annual licence fee for their software generally won’t be affected.

The amendments in this bill help restore fairness to the tax system and contribute to funding the Government’s key priorities for the future.

Full details of the measures in this bill are contained in the explanatory memorandum.

TAX LAWS AMENDMENT (MEDICARE LEVY SURCHARGE THRESHOLDS) BILL 2008

This bill will increase the Medicare levy surcharge thresholds for individuals and families.

The Medicare levy surcharge imposes a one per cent increase in Medicare levy liability on certain individuals who do not have appropriate private patient hospital cover. For the 2007-08 income year individuals with taxable income over $50,000 and couples with a combined income over $100,000 may be liable for the surcharge.

This bill increases these thresholds to $100,000 for singles and to $150,000 for couples and families.

The Medicare levy surcharge imposes an additional one per cent Medicare levy on taxpayers who do not have private patient hospital cover.

When the Medicare levy surcharge was introduced, the policy was targeted at high-income earners.

At the time, Health Minister Michael Wooldridge said:

“High income earners will be asked to pay a Medicare Levy surcharge if they do not have private health insurance. These are the people who can afford to purchase health insurance.”

But the income thresholds for the Medicare Levy Surcharge have not been changed since 1997 but since 1997 average weekly earnings have increased significantly.

This measure simply increases the thresholds to an income level around which they originally applied in 1997.

However, Dr Nelson devoted a whole section of his budget reply to rail against tax bracket creep.

He said “We know that as incomes rise over time, and workers move into higher tax brackets, the value of income tax cuts will be eroded in the future. Economists call this “bracket creep”. We call it tax increase on the sly”

What Dr Nelson ignores is that more and more people on average wages have also been required to pay the Medicare surcharge. That is, bracket creep has done them in.

To put this into perspective, around 8 per cent of single taxpayers are estimated to have exceeded the Medicare Levy Surcharge threshold in 1997-98, when it was introduced.

Under the changes announced in the Budget this proportion will be restored to around 8.5 per cent (at the end of the forwards) of single taxpayers likely to exceed the new singles threshold in three to four years.

The increase in the thresholds which will help reduce financial pressure on many working families who would have previously been subject to the Medicare levy surcharge.

This measure provides real choice. Taxpayers can choose whether to take out private health insurance without the imposition of a penalty unless they are on high incomes.

The amendments will apply to the 2008-09 year of income and later income years.

Full details of the measures in this bill are contained in the explanatory memorandum.

I commend this bill.
I am pleased to present legislation that further improves the operation of Australia’s repatriation system.

This is in line with the Government’s election commitment to deliver better services to the ex-service community in Australia.

The bill will provide greater flexibility in our international agreements with other countries, to help provide appropriate care to the veterans of those nations now resident in Australia.

It will also enact measures to further align the income and assets tests under the Veterans’ Entitlements Act 1986 with the social security income and assets tests and to make a number of minor technical amendments.

The bill will extend the availability of treatment for cancer for Commonwealth or Australian Federal Police officers involved in the British nuclear test program.

In addition, the bill will address potential anomalies in the Military Rehabilitation and Compensation Act 2004 to ensure that wholly dependent partners receive the correct amount of war widow or widower pension and that incapacitated members of the Australian Defence Force receive the correct amount of compensation.

Finally, this bill will make a number of technical amendments to the Veterans’ Entitlements Act and the Military Rehabilitation and Compensation Act.

The changes to international agreement arrangements will enhance the Department’s ability to provide assistance and benefits to veterans of Britain, New Zealand, Canada and other Commonwealth nations who are resident in Australia and receive entitlements under the repatriation system of their home country.

The Repatriation Commission has a number of agreements to act as the agent for other countries in providing pensions and health services for accepted disabilities.

This legislation will authorise the use of the Consolidated Revenue Fund for the initial payment of benefits and assistance to eligible overseas veterans and their dependants who are resident in Australia.

These amounts will then be reimbursed by the respective foreign Governments, to the maximum extent possible.

A second measure will transfer the power to make such agreements from the Governor-General to the Minister for Veterans’ Affairs.

The current arrangements for making agreements with other Governments date back to the years after the First World War. They do not take account of the significant changes in administration and policy since.

This amendment will enable the Minister to make agreements that reflect best business practices.

The third measure will remove the current restriction that limits the Repatriation Commission to providing the same benefits to a veteran that they would be entitled to receive in their own country. Veterans’ health services are provided by different countries in different ways. These also are generally different to the way that Australia provides repatriation health services.

Meeting the strict requirements of the current limitation is cumbersome and expensive. These amendments will provide much greater flexibility to offer eligible overseas veterans the care and assistance they need, in a way that is consistent with the repatriation health care arrangements.

This bill will enhance the support provided to some 6,300 overseas veterans and dependants resident in Australia.

Changes to the income support provisions will exclude certain scholarships awarded on or after 1 September 1990 and disability expenses maintenance from the definition of income under the VEA income test.

A second measure will exclude from the assets test the value of any person’s native title rights and interests and any amount that a person has retained from a payment made by the Mark Fitzpatrick Trust.

The bill will also exclude from the deprivation provisions under the income test, any amounts of rental income less than the market value which pensioners choose not to receive from family members.

The first two measures are expected to have little impact on the veteran community, but will ensure the VEA means test is consistent with the social security means test.
The third measure will make sure that Veterans’ Affairs income support recipients are not penalised if they assist their families with accommodation.

Changes to coverage for nuclear test participants will extend the period for which Commonwealth or Australian Federal Police officers may be considered to be a nuclear test participant for the purposes of the Australian Participants in British Nuclear Tests (Treatment) Act 2006.

This Act provides treatment, including testing, for cancers suffered by eligible participants in the British nuclear testing program conducted at locations including Maralinga.

The Act already covers Commonwealth or Australian Federal Police officers who patrolled the Maralinga Exclusion Zone up until 30 April 1965.

Scientific evidence indicates that the nature of police duties meant that these officers continued to be exposed to possible contamination at this site until 1988, when a radiation safety monitoring program began.

This bill will extend assistance for nuclear test participants to include Commonwealth Police or AFP officers who took part in patrols at Maralinga up until 30 June 1988.

It is estimated that up to 100 police personnel may become eligible for assistance as a result of this extension.

These eligible participants will be able to claim reimbursement for treatment and travel costs dating back to 19 June 2006, when assistance for nuclear test participants originally became available.

However, they will have only six months from the commencement of the amendments to claim any back-dated costs, so it will be important that they check their eligibility with the Department of Veterans’ Affairs.

The Department will be writing to any known Commonwealth or Australian Federal Police participants.

DVA also will contact the Australian Federal Police Association to alert other current or former members who may be eligible for this assistance.

Finally, changes to the Military Rehabilitation and Compensation Act will correct potential anomalies in the provisions applying to wholly dependent partners of deceased members and to incapacitated members eligible for compensation.

In the course of applying the Act, the Department has identified anomalies that might affect the amount of compensation paid in certain circumstances.

These amendments will ensure that widowed partners and incapacitated members receive the correct compensation payments to which they are entitled under the MRCA.

We came to Government with a commitment to provide robust services and support to Australia’s ex-service community.

That commitment includes continuing to review the operation of Australia’s repatriation and military compensation and rehabilitation systems.

This legislation will strengthen support in a number of areas, to ensure that the assistance available through the Veterans’ Affairs portfolio is efficient, effective, equitable and fair.

DEFENCE HOME OWNERSHIP ASSISTANCE SCHEME BILL 2008

I am pleased to present the Defence Home Ownership Assistance Scheme Bill 2008.

The measures contained in the bill are consistent with the government’s pre-election commitment to support the Defence Home Ownership Assistance Scheme as announced at the 2007-08 Budget.

May I point out however, that despite its title, this bill is primarily a retention initiative aimed at encouraging serving members to remain in service.

The bill does that by providing subsidy on interest payments on mortgages after four years service, with increased loan limits after eight years and again after 12 years service. For reserves the key periods are 8, 12 and 16 years service.

However, given the generosity of this new scheme it should also significantly improve home ownership levels within the ADF which have traditionally been low due to the nature of service. To some extent therefore, housing policy is also being addressed, even though it is not the central purpose of the bill.
The Defence Home Ownership Assistance Scheme Bill 2008 will provide eligible Australian Defence Force members with access to contemporary and relevant home ownership assistance that reflects the current and future home loan markets.

As such it is a dramatic improvement on the current scheme which is limited to one provider and is capped at $80,000 which has long been inadequate and should have been replaced at least a decade ago. Indeed in the last few years we have seen the current scheme extended twice pending the development of this policy.

The home ownership assistance benefits provided in this bill will be available to all eligible members of the ADF who are serving on or after 1 July 2008. Former ADF members will continue to have access to benefits available to them under the Defence Service Homes Act 1918 and the Defence Force (Home Loans Assistance) Act 1990.

The provisions of this bill, despite their prime focus on the need for urgent new retention measures, should therefore be considered in the broader housing context. Members of the ADF have access to a wide range of housing and accommodation assistance.

This includes generous rental assistance for high quality housing provided by the Defence Housing Authority.

It also includes benefits for the reimbursement of reasonable costs associated with the sale of a house and purchase of a new house on relocation to another base. That is, conveyancing fees, stamp duty, agents’ costs and bank charges.

These are long standing benefits provided in response to the requirement for ADF members and their families to relocate frequently in order to meet Defence capability requirements.

The policy is based on a long standing acceptance that home ownership assistance is an provided to ADF members in response to the additional difficulties that ADF members and their families have in purchasing a home as a result of the nature of their service.

This bill retains many of the eligibility criteria contained within legislation applying to the existing schemes. However, a number of significant enhancements are to be introduced.

The qualifying period for Permanent ADF members will be reduced from 5 years to 4 years while the 8 year qualifying period for members of the Reserve Force will be retained.

The bill will provide the means to maintain parity of the assistance with changing housing and home finance markets. The assistance will be based on housing price index data available from the Australian Bureau of Statistics and on home loan interest rates as they vary from time to time.

Further, the interest subsidy while set for 20 years, will be extended for a maximum of five years more for warlike service over 9 months in aggregate, on a pro rata basis to that capped limit.

The deemed interest rate that will apply to the benefit will be capped by regulation under this bill at the time that the new scheme commences. The bill will provide the Minister, or his delegate, with the power to determine by legislative instrument variations in the benefit available to ADF members as a result in movement in the relevant market indicators.

I would also like to make special mention of the provisions made for those who are disabled on service or who lose their life. Members who leave the ADF as a result of a compensable condition have the qualifying period waived and are guaranteed subsidy for at least eight years with a loan limit of forty percent of the average house price. If they have served for more than eight years, the member receives a subsidy based on their length of service.

The surviving partner of a deceased eligible member can receive the same subsidy for which the member was eligible at the time of their death. In the event that a deceased member is not eligible because service was less than four years, that qualifying period is waived and the widow is entitled to the minimum 40% for eight years – where the death was compensable.

This bill also provides ADF members with flexibility and choice in regard to housing finance. Rather than one sole supplier as is currently the case with the NAB, ADF members will have access to a panel of three home loan providers selected through a competitive tender process and the full range of home loans provided by each of the selected loan providers.

The three selected providers are NAB, The Australian Defence Credit Union and the Defence Force Credit Union. Further, the products on offer are required to be equal or better than other products in the market.

I should also mention that to assist in the funding of the interest subsidy, a fee is payable to consolidated revenue by each of the selected tenderers. That has enabled the subsidy to be more generous than it might otherwise have been, utilising the bargaining power of a considerable bundle of mortgages to a relatively secure class of borrowers.

The bill also provides for the appointment of a Scheme Administrator who has been selected through a competitive tender process. The Scheme Administrator will be responsible for the day to day operation of the scheme including the determination of ADF member eligibility and entitlement.
The Department of Veterans’ Affairs has been selected by tender as the new scheme administrator. That Department replaces the Defence Housing Authority which administers the current scheme on contract, but which was unsuccessful in the tender process.

Subject to the criteria set out in the bill, the Secretary of the Department of Defence may issue subsidy certificates to eligible persons or cancel payment of the assistance. This bill provides the Secretary with the power to delegate authority in this regard. ADF members will have the right to seek review of decisions made by a delegate in regard to eligibility for the assistance.

This bill provides a special appropriation to the Department of Defence for the payment of subsidy to eligible persons and for related fringe benefits tax. The 2008-09 Budget provided net funding for the scheme of $988.965 Million over the period 2008-09 to 2017-18.

On-going operation of the scheme, as proposed in this bill will be subject to an implementation review after 4 years with Defence reporting on the outcome of the review within the 2012-13 Budget context.

The Defence Home Ownership Assistance Scheme Bill 2008 will provide home ownership assistance to ADF members and their families that is reflective of the contemporary and future housing and finance markets and, in conjunction with other initiatives being introduced, contribute significantly to the recruitment and retention of ADF members.

Due to the complexity of this policy there has been some delay in introducing this legislation, but with an imperative that the new scheme be operational by 1 July.

This has meant that some implementation processes have been fast tracked, in particular the finalisation of agreements with the three loan providers selected after an open market tendering competition.

It has been necessary to sign deeds of agreement with each of those providers in advance of this legislation being passed and proclaimed – but subject to both those events.

To that end may I express my appreciation to the Opposition spokesman, the Member for Paterson, for acknowledging that necessity.

Finally, can I also welcome this new policy for those in the ADF wanting to buy their own home. They have been waiting a long time and I am very pleased to be able to deliver it on behalf of the Rudd Labor Government.

I commend the bill to the Senate.

DEFENCE HOME OWNERSHIP ASSISTANCE SCHEME (CONSEQUENTIAL AMENDMENTS) BILL 2008

I am pleased to present the Defence Home Ownership Assistance Scheme (Consequential Amendments) Bill 2008.

The Defence Home Ownership Assistance Scheme (Consequential Amendments) Bill 2008 deals with the consequential matters in connection with the Defence Home Ownership Assistance Scheme Bill 2008, upon which I have just spoken.

The bill makes amendments to the Defence Force (Home Loans Assistance) Act 1990 and the Defence Service Homes Act 1918, which are required as a result of the measures contained in the Defence Home Ownership Assistance Scheme Bill 2008.

This bill, together with the rules under the Defence Home Ownership Assistance Scheme Bill 2008, will provide for eligible persons to transition into the new scheme. It will close the scheme established under the Defence Force (Home Loans Assistance) Act 1990 to serving members who have not yet exercised their benefits under that scheme. The bill will extend the operation of that scheme for former members until 30 June 2010.

Serving members who are eligible under the Defence Service Homes Act 1918 may also apply to join and receive benefits under the new scheme.

The amendments will ensure that a subsidy is payable only under one scheme. The effect of joining the new scheme is that eligible persons cannot return to either of the existing schemes once the subsidy has become payable under the new scheme.

I commend the bill.

EXCISE LEGISLATION AMENDMENT (CONDENSATE) BILL 2008

These amendments are made to facilitate the policy change which will be outlined in the bill I will introduce in a moment.

The Excise Legislation Amendment (Condensate) Bill 2008 amends, inter alia, the Petroleum Excise (Prices) Act 1987 to facilitate setting the condensate price for excise purposes. The arrangements for setting the price for condensate are the same as the current arrangements for setting the crude oil price for excise purposes.

Full details of the measures in this bill are contained in the explanatory memorandum.

EXCISE TARIFF AMENDMENT (CONDENSATE) BILL 2008

This bill amends the Excise Tariff Act 1921 to apply the crude oil excise regime to condensate produced in the North West Shelf project area and onshore Australia. Condensate is a light crude oil extracted from natural gas.

This measure has the effect of removing the current exemption of condensate from the crude oil excise regime.

This measure applies to condensate produced after midnight —Canberra time —on 13 May 2008.

Currently, the crude oil excise applies to crude oil produced from petroleum fields located in the North West Shelf project area—off the coast of Western Australia—and onshore Australia.

The excise is levied as a percentage of the value of crude oil produced from petroleum fields. The first 30 million barrels of crude oil produced from a field is exempt from crude oil excise. This exemption applies to cumulative production from each petroleum field.

The Excise Tariff Amendment (Condensate) Bill 2008 applies the crude oil excise regime to condensate at the rates currently applied to crude oil produced from fields discovered after 18 September 1975.

The top rate of crude oil excise, which will be applied to the value of condensate production, is 30 per cent. This rate applies once annual production reaches just over five million barrels in a year.

This bill introduces provisions to exempt from excise the first 30 million barrels of condensate produced from a field. Production of condensate from a petroleum field prior to midnight on 13 May 2008 will contribute towards meeting this threshold before the crude oil excise becomes payable.

This measure allows the Australian community to share more fairly in the benefits from allowing the extraction of non-renewable energy resources located in the North West Shelf project area and onshore.

The exemption of condensate from the crude oil excise was introduced in 1977 to encourage the development of petroleum resources located in the North West Shelf project.

Since the commencement of the North West Shelf project stakeholders have benefited very substantially from this concession.

As the development of petroleum fields in this region is now reaching maturity, and the world prices for non-renewable energy resources are high, there is no need to retain this generous concession.

Given the similarity between condensate and crude oil, the two commodities should be taxed in a similar manner. It should be noted that the North West Shelf gas project participants will continue to benefit from the 2001 reduction in the top rate of crude oil excise.

Imposing excise on condensate will result in a reduction in royalties payable to the Western Australian government. This is because crude oil excise payments are a deductible expense for calculating the offshore petroleum royalty.

The Australian government will provide the Western Australian government with ongoing compensation for the loss of shared offshore petroleum royalty revenue resulting from imposing the crude oil excise on condensate.

The government will make an initial payment of $80 million to the Western Australian government as compensation for reduced revenue in 2007-08. Payments in future years will be adjusted to equal the impact of removing the condensate exemption on royalty payments to Western Australia.

This measure generates substantial annual revenue for the budget, estimated at $2.5 billion over the period to 2011-12. It makes a significant contribution to the government’s fiscal discipline.

Moreover, it increases the return to the Australian community for allowing private interests to extract non-renewable energy resources located in the North West Shelf project area and onshore Australia.
Full details of the measures in this bill are contained in the explanatory memorandum.

NATIONAL FUELWATCH (EMPOWERING CONSUMERS) BILL 2008

Introduction and overview

It is with great pleasure that I rise to introduce this bill to create a national Fuelwatch scheme.

The creation of a national Fuelwatch Scheme will finally put power back into the hands of Australian motorists.

This bill will introduce a National Fuelwatch (Fuelwatch) scheme to address the existing retail fuel price transparency imbalance between retailers and consumers. It will empower consumers in, and improve the operation of, the retail petrol market.

The stated object of the National Fuelwatch (Empowering Consumers) Bill is to provide intra-day price stability and decrease search costs for consumers. The Act contains a number of provisions to enable the effective and efficient operation of Fuelwatch and to provide consumers with greater information at the bowser.

Background to the bill

For too long the motorists of Australia have been disadvantaged in their purchasing decisions by the actions of petrol retailers.

For too long the motorists of Australia have lacked the tools necessary to make informed choices as to where to buy the cheapest fuel on any given day.

For too long the big petrol retailers have held all the cards. No longer.

Today, the Government introduces a Bill to assist motorists in buying the cheapest petrol, at the cheapest petrol stations, at the cheapest times.

Fuelwatch will give motorists highly detailed and up-to-date information about local petrol prices to help motorists avoid being ripped off.

No longer will motorists drive past a petrol station in the morning only to return in the afternoon to find a 10 cent per litre jump in the price of petrol.

Rather than guessing the best time and the best place to buy petrol, consumers will know where and when to buy the cheapest petrol in town.

On 15 June 2007, the former Government agreed to the holding of a price inquiry by the Australian Competition and Consumer Commission (the ACCC) into the price of unleaded petrol, pursuant to section 95H subsection 2) of Part VI A of the Trade Practices Act.


On 15 April 2008, the Prime Minister and I announced the establishment of Fuelwatch to empower consumers and encourage transparency in the fuel market.

Fuelwatch is proposed to commence nationally on the 15 December 2008.

Provisions of the bill

Fuelwatch will apply to petrol retailers that offer motor fuel for retail sale. Fuels covered by this scheme are those defined as suitable for use in an internal combustion engine. As the Government has already announced, this would include unleaded petrol, premium unleaded petrol, LPG, diesel, 98 RON and biodiesel blends.

Fuelwatch will apply to metropolitan and major rural and regional areas. The legislation provides for this initial coverage to be specified by regulation.
Furthermore, to ensure that other regional and rural areas have the opportunity to become part of Fuelwatch, the bill enables the Minister to make further declarations, to expand or adjust the coverage of the scheme as required.

In making the declaration, the bill provides that the Minister must have regard to:

- the size of the locality; its population; the number of vehicles in the locality; the number of service stations; the ownership and operating arrangements for service stations; and submissions made by the relevant local government body.

This will ensure that Fuelwatch can increase price transparency, wherever it is needed in Australia.

The crux of the Fuelwatch scheme is the requirement for petrol retailers to notify the ACCC of their intended price for the next day.

This must be done by 2pm on the immediately preceding day. Commencing from 6am the following day, petrol retailers are required to maintain this notified price for a 24-hour period.

However, if a petrol retailer has not changed their price from the previous day, they will not be required to notify the ACCC of their price. The bill deems this price to be their notified price automatically.

For its part, the ACCC will be required to publish notified prices from petrol retailers on a dedicated website. This information will be publicly available each day by 4pm. The bill also enables the ACCC to approve other methods of publication of this price information.

Civil penalties will apply if a petrol retailer notifies the ACCC of a price, but does not sell fuel at all times during the fixed price period; or if a petrol retailer notifies the ACCC of its price for fuel, but sells that fuel at another price.

The requirement to sell the fuel at, and not above or below, the notified price is crucial to the design of the Fuelwatch scheme. Without it, retailers could simply notify a price well above their intended retail price, and subvert the purpose of the scheme in providing greater transparency.

The bill provides the ACCC with the ability to give a person an infringement notice, if it breaches key provisions of the bill. The ACCC has the discretion not to issue an infringement notice. The infringement notice regime provides the ACCC with sufficient flexibility to make a proportionate response in relation to breaches of the bill.

**Conclusion**

At a time of record world oil prices it is incumbent upon the Government to do everything in its power to assist motorists.

It is not a time for stunts or economically irresponsible gimmicks.

It is a time to introduce real initiatives to empower consumers and drive transparency.

This is a reform designed to give motorists a fair go that they’ve missed out on for so long.

Up until now motorists have been disadvantaged – they have not been able to access information on where to get cheap petrol – and if they do have access to some price service the information is out of date by the time they get to the station because the price may have changed 2 or 3 times.

Just like the woman who emailed me to complain that the price of petrol had jumped 15 cents while she was waiting in the queue.

At present the oil companies have all the information and motorists have none.

At present petrol retailers subscribe to a website known as Informed Sources where they share information every 15 minutes on their own and their competitors’ prices.

The ACCC inquiry into petrol prices had this to say about Informed Sources: “the direct exchange of price information between suppliers is conducive to anti-competitive coordination”.

Fuelwatch is designed to redress this imbalance.

With Fuelwatch, companies are obliged to sell at their best possible price or else risk being out of the market for a 24 hour period with a price which is higher than their competitors’ prices.

This means motorists benefit.

Retailers must put forward the best possible price if they are to retain business.
Motorists will be able to conveniently find the cheapest petrol via the Fuelwatch website, or by SMS or email alerts.

Just as over 30,000 West Australian motorists do receive an email every day from WA FuelWatch. In Western Australia the FuelWatch website gets approximately 200,000 hits per month proving how highly valued this system is as a consumer tool.

FuelWatch has been in operation successfully in Western Australia for 7 years and the benefits to motorists are clear.

The ACCC inquiry had this to say about the operation of FuelWatch in Western Australia: “the publication of petrol prices on the FuelWatch website and reporting of prices in the media have increased price transparency for consumers in the market for petrol in Western Australia”.

One of the key tenets of a well functioning market is the ability of all participants to have access to transparent information.

This is at the heart of Fuelwatch.

Under Fuelwatch, motorists will be able to map out their route to and from work or for any other journey and see where the cheapest petrol is for that day or the next.

Motorists will be able to decide when and where to buy petrol based on perfect, real time information.

This means, that the days of driving past a petrol station in the morning and noticing a price, and returning, perhaps on your way home from work, shocked to see a price 10 or 15 cents higher will be gone under Fuelwatch.

Price savvy motorists will stand to be some of the biggest winners from the introduction of Fuelwatch.

That’s because they like to shop around for a bargain and with Fuelwatch they will be able to do exactly that.

On any given day there is on average a 15c per litre difference between the cheapest and most expensive fuel in a city – this means that price sensitive motorists will know exactly where they can save 15c and will make their purchasing decisions accordingly.

Fuelwatch will empower motorists by giving them access to greater transparency on petrol prices.

The econometric analyses undertaken by the ACCC also indicates that Fuelwatch can have a positive effect on prices at the bowser as well.

The ACCC report found “the main finding from this econometric analysis is that the average of the price margin reduced by a statistically significant amount for Perth relative to the Eastern capitals in the time since the introduction of FuelWatch”.

The ACCC report concluded that comparing relative price levels between Perth and the eastern states before and after the introduction of FuelWatch, prices in Perth were around 1.9 cents per litre less on average for the period from January 2001 to June 2007 than for the period from August 1998 to December 2000. Using the low points of the week’s prices rather than simple weekly average prices, the price difference was around 0.9 cents per litre on average.

And as the ACCC found in relation to the low points of the price cycle, “The results are also robust to using the low points of the week’s prices”. Also a benefit to price sensitive motorists.

Fuelwatch is one the most empowering tools for consumers ever debated in this house.

It will provide the transparency and reductions in intra-day price volatility that motorists have been crying out for.

It will redress the imbalance that the big oil retailers currently enjoy over motorists.

It will allow consumers to take purchasing decisions into their own hands.

And, it will assist motorists in buying the cheapest petrol, at the cheapest petrol stations, at the cheapest times.

NATIONAL FUELWATCH (EMPOWERING CONSUMERS) (CONSEQUENTIAL AMENDMENTS) BILL 2008

The National Fuelwatch (Empowering Consumers) (Consequential Amendments) Bill 2008 makes amendments to the Trade Practices Act 1974 that promote the effective operation of the National Fuelwatch regime, provided for under the National Fuelwatch (Empowering Consumers) Bill 2008.

The bill makes amendments to the Trade Practices Act in relation to a number of matters. It provide an ability for the ACCC to delegate any of its powers under the bill, to assist with the efficient operation of the Fuelwatch scheme.
The bill gives the Minister the ability to direct the ACCC in relation to its functions or powers under the Fuelwatch scheme.

The ACCC’s search and seizure powers, provided for under the Trade Practices Act, are specifically applied to its enforcement of Fuelwatch.

Similarly, ACCC’s powers to obtain information, documents and evidence are applied to suspected contraventions of the Fuelwatch scheme.

Finally, the important protections provided for information obtained by the ACCC through its search and seizure or information gathering powers to the bill are carried over into the Fuelwatch regime.

PROTECTION OF THE SEA (CIVIL LIABILITY FOR BUNKER OIL POLLUTION DAMAGE) BILL 2008

The Protection of the Sea (Civil Liability for Bunker Oil Pollution Damage) Bill 2008 will give effect to Australia’s commitment to ratify the International Convention on Civil Liability for Bunker Oil Pollution Damage, generally known as the Bunkers Convention.

The Bunkers Convention will come into force internationally on 21 November 2008.

It ensures that compensation will be available for anybody who suffers damage or loss as a result of the leaking of bunker oil from a ship, other than an oil tanker.

Oil tankers will continue to be dealt with under separate legislation.

I will be introducing the Protection of the Sea Legislation Amendment Bill shortly to increase compensation payable from an oil spill from an oil tanker.

Bunker oil is a heavy fuel oil that creates significant pollution impacts and is difficult to clean up.

Some large cargo ships carry several thousand tonnes of bunker oil which, in the event of a spill, risk causing serious harm to wildlife, particularly sea birds, and coastal communities.

This legislation requires ships carrying bunker oil to be adequately insured and changes the onus of proof in regard to compensation bids relating to oil spills.

It complements the high safety standards applied to ships trading on the Australian coast and entering Australian ports.

This legislation is good news for people concerned about the risk to the environment of oil spills.

The previous Government signed up to the Convention, subject to ratification, on 23 September 2002, but did not introduce legislation to give effect to this commitment.

In 2006, the Joint Standing Committee on Treaties recommended that “Australia take binding treaty action” in relation to the Convention.

I am pleased to today be introducing this important legislation, joining the twenty countries that have already legislated to ratify the Convention.

These countries include the United Kingdom, Singapore, Germany, Greece and Spain.

This legislation will mean that victims of bunker oil pollution will no longer have to prove that the shipowner was at fault in order to receive compensation.

Until now, shipowners have only been liable for payment of compensation if it can be shown that the owner was at fault.

This bill will ensure that compensation is available even if the oil spill was accidental.

This provides certainty to those involved in the clean up, as well as affected industries, such as tourism, aquaculture and fishing.

At the same time, the liability of shipowners will not be unlimited.

Liability will be based on the size of the ship. The larger the ship, the more bunker oil they carry; hence their greater liability.

To ensure that shipowners are able to meet compensation costs, the bill requires owners of ships with a gross tonnage greater than 1,000 to be insured.
Compliance will be enforced through the checking of documentation at ports to ensure that they have adequate insurance.

If a ship is found to not have adequate insurance, it may be detained and may not be permitted to leave the port until it has obtained the required evidence of insurance.

Significant penalties will apply to the registered owner and master if a ship leaves port prior to being released from detention.

This bill also provides persons suffering pollution damage with a right of “direct action” against the insurer.

That is, they can seek compensation directly from the shipowner’s insurer rather than being required to submit the claim to the shipowner who, in some cases, may have no assets other than the ship.

This provides greater certainty to victims of bunker oil pollution damage that they will receive prompt, adequate and effective compensation.

Let me give an example of a recent instance in which the Convention would apply.

The most significant bunker oil spill in Australia recent years occurred on 24 January 2006, when approximately 25 tonnes of bunker oil was spilt from the bulk carrier Global Peace while it was approaching its berth at the coal loading facility at Gladstone in Queensland.

The spill occurred as a result of the collision between the Global Peace and one of its attending tugs after the tug suffered an engine failure.

Fortunately in this case damage was limited to several mangrove areas and only one bird died as a result of the spill.

However, had damage been more widespread, those impacted would have, under this bill, been able to access compensation without having to prove that the Global Peace was at fault.

Under existing legislation, they would have faced a lengthy legal process to attempt to establish that the shipowner was at fault.

For the sake of Australia’s environment, those that rely on the sea to make a living and those that live in coastal towns, this is important legislation.

It is also important from a global perspective because our participation will add to support of the Convention and will encourage more countries to participate.

I commend the bill to the Senate.

PROTECTION OF THE SEA (CIVIL LIABILITY FOR BUNKER OIL POLLUTION DAMAGE) (CONSEQUENTIAL AMENDMENTS) BILL 2008

The purpose of this bill is to amend three existing Acts consequential upon the Protection of the Sea (Civil Liability for Bunker Oil Pollution Damage) Bill 2008 (the Bunker Oil Bill).

The Bunker Oil Bill will give effect to Australia’s commitment to ratify the International Convention on Civil Liability for Bunker Oil Pollution Damage, generally known as the Bunkers Convention.

The Convention will come into force internationally on 21 November 2008.

Amendments to the Admiralty Act 1988 will confer jurisdiction on the Federal Court and State and Territory Supreme Courts to hear and determine matters arising under the Bunker Oil Bill.

Amendments to the Protection of the Sea (Civil Liability) Act 1981 will ensure that there is no duplication of insurance requirements between that Act and the Bunker Oil Bill.

Amendments to the Protection of the Sea (Powers of Intervention) Act 1981 are intended to ensure that, even if the owner or master of a ship is the subject of a direction under that Act, the registered owner of the ship will remain liable for compensation costs under the Bunker Oil Bill and there will be no effect on court proceedings under the Bunker Oil Bill.

I commend the bill.

TAX LAWS AMENDMENT (LUXURY CAR TAX) BILL 2008
This bill increases the luxury car tax rate from 25 per cent to 33 per cent to apply on and from 1 July 2008. The government recognises that, if everyone pays their fair share of tax, and we plug the gaps in the system, we can reduce the overall tax burden imposed on working families.

This increase was announced in the 2008-09 Budget as part of the government’s package of measures to enhance fairness in the tax system. The government believes that Australians who can afford luxury vehicles have the capacity to contribute to revenue at a higher rate than other car buyers. Additionally the measure is expected to contribute to the necessary task of ensuring that the budget relieves pressure on inflation. The measure is expected to raise $555 million in additional revenue over the forward estimates.

Since 1979, successive Australian governments have imposed an additional tax on luxury vehicles. The luxury car tax was introduced on 1 July 2000 when the GST was introduced and the wholesale sales tax abolished.

Luxury car tax applies to cars whose price, including GST, exceeds the luxury car tax threshold, which is currently $57,123.

The luxury car tax rate applies to the value of the car, excluding GST, that is greater than the luxury car tax threshold.

Certain types of cars are exempt from the tax. This includes most commercial vehicles, most second hand cars, motor homes, campervans, and prescribed emergency vehicles. We are not changing these arrangements.

There are existing exemptions in the law to ensure that GST and luxury car tax do not apply to modifications for transporting the disabled.

A car specially fitted out for transporting a person with a disability who uses a wheelchair is excluded from the definition of a ‘luxury car’ provided the car is not also GST-free under the GST law.

In addition, a disabled veteran or an eligible person with a disability can purchase a car GST-free up to the value of the luxury car tax threshold.

These significant exemptions from GST and luxury car tax will remain.

While the provisions in this bill make no changes to the treatment of people with a disability, I asked the Treasury to consult with representatives of disabled persons to ensure that the exemptions were working as intended.

These discussions revealed that there is a need for a clearer explanation of the current exemptions so that people can understand their entitlements under the luxury car tax and GST laws. I have asked the Commissioner of Taxation to prepare explanatory material as soon as possible. Treasury will consult further with the sector if any additional issues arise.

I have also asked the Commissioner to release material explaining the implications for the industry and purchasers of luxury cars.

I turn now to some facts and figures about the purchase of cars in Australia.

It is estimated that around ten per cent or around 100,000 of all new car sales made in Australia in 2007 were subject to luxury car tax. The tax is applied to both imported vehicles as well as domestically manufactured cars.

Of the top 20 selling cars in 2007, which covers more than 50 per cent of the car market, less than four per cent of those sold are subject to luxury car tax. At the lower end, the increase is in the hundreds, not thousands, of dollars. The increase in the luxury car tax for the lowest cost Toyota Prado models are $39 and $98. For the Ford Territory Ghia, the increase is $496.

Of the five Toyota Tarago models, only one attracts the luxury car tax. Of the three largest selling people mover brands, this is the only model that will be impacted by the tax increase. The price increase is just over 1 per cent.

In closing, I would say again that if everyone pays their fair share, and we plug the gaps in the system, we can reduce the overall tax burden imposed on working families.

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—GENERAL) AMENDMENT BILL 2008

This bill imposes luxury car tax to the extent that it is neither a duty of customs nor a duty of excise.

The bill also alters the applicable luxury car tax rate of 25 per cent to 33 per cent with application on and from 1 July 2008.

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—CUSTOMS) AMENDMENT BILL 2008
This bill operates to impose luxury car tax to the extent that it is a duty of customs.

As a consequence, this bill increases the luxury car tax rate to 33 per cent to apply to luxury cars on and from 1 July 2008.

A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION—EXCISE) AMENDMENT BILL 2008

This bill imposes luxury car tax to the extent that it is a duty of excise.

As a result of the increase in the luxury car tax rate this bill increases the luxury car tax rate to 33 per cent to apply to luxury cars on and from 1 July 2008.

Debate (on motion by Senator Faulkner) adjourned.

Ordered that the following bills be listed on the Notice Paper as five orders of the day and the remaining bills be listed as separate orders of the day:

1. Defence Home Ownership Assistance Scheme Bill 2008 and Defence Home Ownership Assistance Scheme (Consequential Amendments) Bill 2008
2. Excise Legislation Amendment (Condensate) Bill 2008 and Excise Tariff Amendment (Condensate) Bill 2008
3. National Fuelwatch (Empowering Consumers) Bill 2008 and National Fuelwatch (Empowering Consumers) (Consequential Amendments) Bill 2008
4. Protection of the Sea (Civil Liability for Bunker Oil Pollution Damage) Bill 2008 and Protection of the Sea (Civil Liability for Bunker Oil Pollution Damage) (Consequential Amendments) Bill 2008