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SUPERANNUATION AND OTHER BENEFITS LEGISLATION AMENDMENT BILL 1986 - Second Reading

Mr SINCLAIR (Leader of the National Party of Australia)(4.01) âThere is probably no more significant area affecting the welfare of a large percentage of the Australian people than their superannuation benefit. Superannuation applies in a number of different sectors-in the private sector through funds to which individual employees make their contribution; in the Services, where there is membership either through the Defence Forces Retirement Benefits or the Defence Forces Retirement and Death Benefits schemes; and in the Commonwealth Public Service where there is a Commonwealth superannuation fund. Of course, in the States, universities and other areas of public sector employment, there are parallels to the Commonwealth superannuation entitlement.

The Superannuation and Other Benefits Legislation Amendment Bill 1986 specifically applies to the superannuation entitlement of Commonwealth and defence personnel. It is a very significant sector of the community, and it is a sector which, perhaps more than many others, has been led to believe by successive governments that its superannuation entitlement was a fundamental reason for its retaining that type of employment. We all know that many Commonwealth public servants, particularly as they reach the middle to senior stages of their careers, recognise that the pay available outside their present employment would be significantly better than it is in the Commonwealth Public Service. If that applies in the civil service, how much more does it apply in the Services? There, unfortunately, we have had a progressive deterioration in the terms and conditions of employment. I will say something in a moment about the number of people who are retiring or resigning prematurely from the service.

The reality is that, sadly, in our two major capital cities on the east coast-Sydney and Melbourne-the respect that was traditionally given to people in uniform is not as it used to be. There has been all this arrant nonsense pursued by members of the Labor Party, and particularly by the socialist left of the Labor Party, in peace studies, saying the defence forces are out there promoting war while there is another element out there promoting peace. That is absolute nonsense. The reality is that the Australian Defence Force is in the front line of promoting peace for Australia, of trying to defend this country and of trying to ensure, wherever Australia's national interest runs, that there is security and that that security can be obtained by maximising the deterrent impact of what would happen to any potential aggressor.

I feel very sad when I see photographs, as I did only a couple of days ago, of some absolute miscreant-a Mickey Mouse terrorist-putting his own life at risk. But never mind his own life; he was putting the lives of others at risk in trying to demonstrate against the presence in Australian waters of visitors for the Royal Australian Navy's seventy-fifth anniversary. Those Mickey Mouse terrorists affect the lives of innocent people just as much as any terrorist in France or anyone who tries to blow up some installation around the world or to hijack an aircraft. They are trying to get personal publicity and are putting at risk the lives of policemen, of other innocent bystanders-the people out there in their water craft-and of people aboard those ships, many of whom are distinguished overseas visitors to this country, and all of whom are here, not because they wish us ill, but because they are members of an alliance with Australia to try to preserve for Australians the opportunity for peace.

Therefore, I feel very strongly that the circumstances of those in uniform and the fact that they are not given the high recognition which I believe they deserve need to be put into perspective when one looks at this legislation. There are other elements within the terms and conditions of service personnel which have deteriorated and which the Labor Party in government generally tends to play down. Of course, Labor members are trying to make big fellows of themselves and their concern for the Defence Force. They talk about the Dibb Review of Australia's Defence Capabilities, and then they withdraw our defence attaches from the entire region that affects us. They talk about the Dibb report and set a 10-year no-threat horizon. That 10-year no-threat horizon guarantees that Australia could find itself totally disadvantaged because the options that should be available for mounting a reasonable defence deterrent or a defence retaliation will be limited, because the program of Dibb is to make sure that our force is reduced more and more and that we have only a minimal deterrent capability related to low-level insurgencies.

The combination of all those factors shows that superannuation is about the one element of the defence forces that gives to them some greater benefit than that available perhaps in other sectors, although, as I shall explain in a moment, even that is questionable. But one thing that people need to understand is that, at a time when the superannuation entitlement of the defence forces is so important, because all those other factors have deteriorated, this Government has mounted a constant attack against that superannuation benefit. Yet before the 1983 election, the then shadow Minister for Defence, who is now the Minister for Territories (Mr Scholes), said that he guaranteed that there would be no change affecting DFRDB or DFRB entitlement implemented by a Labor government. It is like all the other promises, including the one that there would be no capital gains tax. Remember that litany of lies? They have all been there from the Labor Party, and this incompetent Prime Minister (Mr Hawke), who is out there daily berating us about the state of the economy, cannot even get his sums right. As far as the defence forces are concerned, there has been a constant erosion of the quality and quantity of that benefit.

What makes superannuation even more important to service people is that, unlike members of the civilian work force, they have an obligation to leave their chosen profession earlier than everyone else in the community. They are not leaving the Service because they are fed up with their careers. It is not because they are unable to make a worthwhile contribution. But the deliberate policy of governments has always been to try to attract and retain younger generations in the Services, because the nature of the warrior obligation is essentially for young men and women. We see that premature retirement for a 20-year man, a nine-year man or a six-year man or woman is such that there should be a greater than normal benefit for those who retire

and there should be a carrot instead of a stick when dealing with the inducement of superannuation and when considering the impact that it has on service personnel.

What has happened is that the Government has introduced a tax regime which unduly penalises service people, because they are forced to retire before the 55-year cut-off point for the concessional tax obligation. Of course, the Government says: 'We have adjusted all of that'. But, as is the case in regard to another piece of legislation that we are about to consider—that is, that relating to the taxing of Reserve personnel pay—the Government has gone about the whole process by trying to treat service personnel in a totally discriminatory fashion. I am particularly concerned because not only are there very serious difficulties for those in the Services today, but also the nature of their employment is more hazardous than that of those in civilian employment. The tenure of occupancy of their professional career is shorter than for civilian careers. Generally, they are paid less than their civilian equivalents and they are certainly paid less than their civil service equivalents. In that climate, their superannuation entitlement is absolutely critical. For that reason, we are very concerned about the moves announced in the Budget which have now been followed by the legislation that is before the House.

What I want to do first, in looking at this legislation, is to look at what the Treasurer (Mr Keating) said and what the Minister for Immigration and Ethnic Affairs and Minister Assisting the Treasurer (Mr Hurford) said, because this will show one of the other typical deceit patterns of Labor in office. On page 10 of the printed copy of the Budget Speech that has been distributed the Treasurer states:

Accordingly, at the next National Wage Case when the combined 4.0 per cent movement in the March and June quarter Consumer Price Index will be considered, the Government will argue-

will argue, mind you, Mr Deputy Speaker-

to the Arbitration Commission that the proposed increase in wages be cut by 2 per cent.

Let me repeat that:

. . . the Government will argue to the Arbitration Commission that the proposed increase in wages be cut by 2 per cent.

It will not be a cut; it will be an argument. It will not be something that is implemented in the Budget; it will be a case that is presented, perhaps persuasively, but there will be an opportunity for the trade unions to present a counter point of view. There will be an opportunity for argument and there will be an arbiter, which is the Conciliation and Arbitration Commission, to determine whether wages will be discounted by that 2 per cent.

Let us look at the Minister's second reading speech. Of course, he is the Minister who, we remember, had some problems with Jeremy Cordeaux at 5DN.

Mr White âScoop.

Mr SINCLAIR âHe is known as 'Scoop'. That is right. In his speech he stated:

Accordingly, as announced in the Budget Speech-

I have just read the relevant part of the Budget Speech. I ask those who are listening to balance what the Treasurer said with what the Minister said. He continued:

. . . the 2 per cent wage discount recently applied to wages . . .

It has not been applied to wages; it will be argued. The Minister stated in his second reading speech that it has been applied to wages. That is a total falsity. It is not correct that it has been applied to wages. It is a submission that is to be made to the Conciliation and Arbitration Commission. It is one that is arguable and it is one against which the Australian Council of Trade Unions can present a case and will present a case. If we are to believe it, it will certainly be mirrored against other demands that are currently being made in the negotiations of this ridiculous accord mark 3 that seems to be high on the Government's present agenda. But the Minister stated:

. . . the 2 per cent wage discount recently applied to wages is to be extended to government superannuation benefits . . .

The reality is that what has happened is that the Government has introduced legislation in advance of consideration by the Conciliation and Arbitration Commission. It has set a date, 10 October 1986, for the commencement of this legislation, which is in advance of the consideration by the Arbitration Commission in the words of the Treasurer in his Budget Speech—at the next national wage case. It is applying it in such a way that legislatively there can be no presentation by any service pensioner, any Commonwealth pensioner, of his side of the story.

I have tried to set out briefly the concerns that I have about the importance of superannuation for defence people. It is absolutely critical, because all the other benefits of the Defence Force have just about gone. This Government, day by day, erodes those conditions. The DFRDB and DFRB entitlements were seen as some inducement for those highly qualified, highly skilled non-commissioned officers and officers, who are absolutely critical for the Defence Force, to remain in the Australian Defence Force. But what does the Government do? In advance of consideration by the Conciliation and Arbitration Commission, and without there being any opportunity for argument, the Government has decided that their pensions will be discounted as of 10 October 1986 to the levels that would have applied if the increase in July 1986 had been based on an increase of 7.2 per cent instead of the consumer price index increase of 9.2 per cent. The whole reason for this is to ensure that superannuitants are penalised.

I have said before that this Government has consistently attacked superannuation. We used to provide a very worthwhile personal income tax deduction. It was an incentive for people to belong to superannuation schemes. We had the idea that superannuation was a good thing. There are many people in the community who would wish during their working years to set some funds aside to try to have a benefit when they actually retire. The whole concept of superannuation, we thought, was worthy of encouragement. The Government has removed the tax concession. The obligation of service personnel is such that frequently they have to move from one place to another every two or three years. They do not even have an opportunity to buy a home. So the idea of commutation of the pension, we thought, was worth while.

What has the Government done? It has introduced that penal tax rate. It then says: 'We have made a bit of an adjustment so that people are not that much worse off'. Firstly, it took about 12 months before the adjustment was introduced; secondly, people are still penalised by the additional tax that they are called on to pay; and, thirdly, as I have mentioned, because they retire earlier than the average person in civilian employment, they are unduly penalised. They are paying at a higher rate because they are almost exclusively under 55 years of age when they step down from service life. The whole purpose of that commutation of pension was to give them a lump sum of money to buy a house, to set up in business, to start up as small businessmen. But this Government is not interested in assisting people to do that. It has always had the attitude which was expressed today by the Minister for Housing and Construction (Mr West), who extolled the virtues of public housing. What he

should be doing is extolling the opportunity for people to invest in homes, to attract savings. The Government wonders what is wrong with the country. It knocks people who try to save. What it ought to be doing, if it is going to put money in that area, is encouraging people to buy their own homes, to encourage Australians to do what people in other countries are doing, so that they have a bit of a nest egg.

Quite obviously, a comparison can be made between Australia and Japan. Japan encourages savings. Japan's yen is strong. Australia's dollar is weak. As the Leader of the Opposition (Mr Howard) said during the discussion of the matter of public importance earlier this afternoon, the world's best Treasurer has presided over the reduction in Australia's credit rating from triple AAA to AA1. The reality is that he has devalued Australia, as he has devalued the Australian dollar.

Mr Cobb âBananas.

Mr SINCLAIR âHe is devaluing Australia, as my colleague says, in the banana mode, by affecting people in receipt of superannuation benefits and people on fixed incomes. A succession of taxes have penalised them and put them at a disadvantage. It concerns us that the Government is not only doing this arbitrarily, but also doing it without those people having any opportunity to argue the case.

The Government's claims to equity in its treatment of wage earners, age pensioners, Commonwealth superannuitants and DFRB-DFRDB pensioners falls apart under close examination. For wage earners, as I have mentioned, the Government will allow a 2 per cent discounting of the 4 per cent CPI movement in the March and June quarters. This has not yet even been argued, much less approved. In any case, one can be sure that it can be expected to operate only from the date of operation of the wages decision. That will probably be some time in December.

I have looked at the case of non-argument. I have looked at the contradiction between what the Minister said and what the Treasurer said. We now get to the time of commencement-10 October, according to this Bill; probably some time in December for the wage earners of Australia. So all of those people who were led to believe that if they tried to care for themselves they would be right are being kicked in the backside by dear old R. J. L. Hawke and his minions. I think it is very sad, because the wage earners will at least receive their full benefit until his commencement date, whatever it might be-some time in December. For aged pensioners, the Government proposes to defer to mid-December the 4 per cent indexation increase due in early November, which is roughly equivalent to a one-off cut of about \$26. But Commonwealth superannuitants and the DFRB-DFRDB recipients are hit particularly hard because the discounting will have a cumulative effect. It will not only reduce the benefit now but also reduce the increases they could expect to receive in future years.

They typical DFRB-DFRDB pensioner will see his or her pension reduced by \$161.54 in 1986-87 with the cost compounding to \$2,031.83 over 10 years, assuming an inflation rate of 5 per cent, and that is probably being a bit ambitious. Effects of a similar nature will apply to all Commonwealth superannuitants. The effect of this measure will cost every recipient of DFRDB and DFRB, as well as Commonwealth superannuitants, about \$2,000 over the next 10 years. It is not a light change that is proposed. It is not something that will affect beneficiaries by about \$162 this year and only this year. The cost to them over 10 years will be in excess of \$2,000.

As a result of the legislation, the Government expects to save \$7.9m in public service superannuation this year and \$11m in 1987-88. It expects to save a further \$4.7m in Service pensions this year and \$6.3m more in 1987-88. About 30,000 people receive DFRDB-DFRB benefits, including ex-service personnel and widows. About 1,200 children are beneficiaries. The average pension payment is about \$10,000 a year. We should understand that in many ways we are not talking about pensions in the normal sense for servicemen. For most, it is a form of compensation, in the same manner as workers' compensation for those who are injured at work. It is compensation for those who commit themselves and their lives to the hazards of Service life. They are given a DFRDB-DFRB entitlement, and the entitlement of \$10,000 a year should be viewed in that light.

This legislation means that the typical married service pensioner will receive an increase of only \$230 this year despite having contributed 5.5 per cent of his or her salary for at least 20 years in the belief that there would be a full adjustment of the pension in accordance with the movements of the consumer price index. The Press statement that has been issued on behalf of the Regular Defence Force Welfare Association by Major-General John Whitelaw states:

The Minister assisting the Minister for Defence-

that is the Minister for Communications (Mr Duffy)-

in a recent letter said 'In DFRDB matters, it is the Parliament which must legislate changes to the Scheme. This is very substantial protection for members because it means that their conditions cannot be changed by a Government in an arbitrary way'.

What the devil is it that the Government is doing if it is not arbitrary? What could be more arbitrary than the Budget changes and the misadjustment that has been made by the man who is Minister for Immigration and Ethnic Affairs (Mr Hurford)? The changes that he announced in his second reading speech are as arbitrary as anything could be. This is the second time that the Government's 1983 election promise has been broken. It taxed the benefits and now it is reducing them. It is doing so arbitrarily and discriminatorily without anyone in the Services or the Public Service having any opportunity at all to argue his case.

The Government's attacks have sadly created serious problems for the Australian defence forces. Male officer resignations for the first seven months of 1986 were 562, almost as many as the total throughout 1985. Sadly, there is no sign of any improvement. In July and August, the RAAF alone lost 22 skilled pilots, who had been trained at a cost more than \$1m each. They are leaving the Services, because the Government is not prepared to provide them with the sort of inducement that they deserve. It is prepared to lop off their superannuation benefit, not to give an inducement to serve and not to take into account the parallel opportunities that are in international and domestic airlines.

Any pilot in the RAAF must have skills that are at least equal to those who fly transport operations, and we all know that those who fly Air Force aircraft go through a significant training period. The skills that they acquire are regarded highly and those skills are not being compensated for in any way, and now they are to be knocked again. Service personnel are leaving the Services, and part of the reason for this happening is the Government's failure to understand that the total measure of pay and conditions that they enjoy is part of the inducement of belonging to the Services. If the Government does not maintain that level of attraction, Service personnel will leave the Services and the Australian Defence Force, whatever the Minister for Defence (Mr Beazley) might say, will suffer.

One third of the Air Force's losses in the whole of the previous 12 months has been lost in July and August this year. Again, that puts into perspective part of the problem of the increasing number of resignations.

Australian Defence Force losses are unsustainable. As a senior RAAF officer warned in a detailed study this year, unless the losses are stemmed, the RAAF will have to curtail its functions. The FA18 will not be able to be brought into service in the

numbers that are now envisaged, and our P3C aircraft are already operating with a serious air crew shortage.

It is clear that at all ranks at all levels in all Services skilled personnel are being lost faster than they are being recruited and trained. This cannot continue. This year, for the first time, Duntroon has not been able to meet all the entries that are required for next year out of its first call for volunteers while maintaining its standards.

That all shows that the Government has not yet got into its noggin that if it wants to get people into the Services it must treat them at least as generously as it does those who are in the civil service. It must take into account the competitive conditions that are enjoyed by those who are in the civilian community. Measures such as the legislation which is before us are adding fuel to an already dangerous wild fire. That is why the Opposition has called repeatedly for a detailed inquiry by the Defence Force Remuneration Tribunal into the pay and conditions of the ADF compared with those that apply in the private sector and the Public Service. The Dibb report and the forthcoming White Paper on Defence have received plenty of publicity, but the reality is that unless skilled people are available to operate the highly technical and sophisticated equipment of the ADF, everything will be lost. The Opposition is most concerned that the Bill is yet another cross that the servicemen and servicewomen of Australia will be called upon to bear.

The Armed Forces Federation of Australia's Federal Executive has written to me under the hand of its Federal President, Mr Bob Copley, to express its concern about the Bill. It is concerned especially about a number of aspects of it. It states:

Under the guise of extending the 2 per cent wage discount applying to wages, the Treasurer proposes 'discounting' Defence Force Pensions by an equivalent percentage. Unfortunately, this is not what it seems. It is not a notice that a future increase will be discounted. Rather, it involves a decrease in pensions that are being paid now, with effect from October.

That sounds as though the measure is retrospective, but I am assured that while the interest is being paid from July to October, the discounting will apply only to benefits paid from 10 October. I am advised that the measure is not retrospective and that discounting will apply to payments from 10 October, but this is contrary to the arrangements that the Armed Forces Federation of Australia believed would apply, which was the full CPI movement over the next 12 months. I have mentioned the parallel between civilian pensions and wages.

The Federation's second objection is that the Bill effectively takes money

. . . from people's pockets and forces them to arrange their finances accordingly. This contrasts with the situation of 'wage discounting' where warning is given and discounting occurs before an indexation increase is paid. In this case the reduction is real and its effect will compound in the future.

The effect will compound, and the cost will be more than \$2,000 for many service beneficiaries in the future. In that circumstance, the Federation's concern is fully justified.

The Federation's letter continues:

The proposal would again differ from 'wage discounting' in that it denies any semblance of 'natural justice'. Unlike 'wage discounting' the proposed DFRDB discount has not been contested on its merits before any industrial tribunal. Consequently, neither recipients nor their representatives have had the opportunity to present any mitigating case.

The Opposition is concerned about that and I have tried to set down the circumstances where that applies. The Federation has asked for three specific guarantees, which are as follows:

1. Ensure any future alterations are made through legislation separate to the DFRDB Act, including a 'sunset clause' limiting its lifetime-as occurred with the Salaries and Wages Pause Act.

That is not specifically applicable to the Bill because the Opposition understands that a once-off discounting is proposed. Accordingly, a 'sunset clause' is not applicable.

Secondly, the Federation has asked that the Government:

Ensure reductions, if any, are determined only by the outcome of the next National Wage Case.

We believe that that is highly desirable and would have been a far preferable course for the Government to take. Thirdly, the Federation asks that the Government:

Guarantee that the power to alter pension rates continues to rest solely with the Parliament and is not delegated as an administrative function.

To that we say: 'Hear, hear!' The Opposition treats the provisions in the Bill as being part of the Government's Budget. It is concerned about overall public sector spending and it does not like the package. It does not like the Government's presentation. However, we do not believe that it is appropriate for us in this climate to oppose the Bill, although in government we would be acting in an entirely different way. We regret that the Government has introduced the measure in such a way that if we vote against it we shall affect the amount to be spent this year. It is only on the basis that there would, therefore, be an increase in government spending, at a time when it has not cut government spending enough, that we find ourselves in the predicament of opposing the context of what it does but not being able to vote against it. In that climate, therefore, I move:

That all words after 'That' be omitted with a view to substituting the following words: 'whilst not declining to give the Bill a second reading, the House-

(1) expresses its concern that the level of discounting of superannuation, Defence Forces Retirement Benefits (DFRB) and Defence Force Retirement and Death Benefits (DFRDB) pensions imposed by the legislation has not yet been proposed in a National Wage Case, let alone given effect by a decision of the Australian Conciliation and Arbitration Commission, and notes that: (a) the Bill imposes on Commonwealth superannuitants, without consultation, a burden greater than that proposed for the community generally, in that it will come into effect before equivalent discounting of wages is even considered; (b) discounting of DFRB and DFRDB pensions further erodes conditions of service in the Australian Defence Force (ADF) at a time when ADF resignations are at near-crisis level, and (c) the Bill breaks, for the second time, Labor's 1983 election promise not to cut DFRB and DFRDB benefits, and

(2) further calls on the Government to direct the Defence Force Remuneration Tribunal, as a matter of urgency, to inquire into the adequacy of pay and conditions of service in the ADF compared with those in the private sector and public service'.

We believe that the Bill is not appropriate and we urge all honourable members of the House to support that in-principle opposition, for in government we would act in a totally different fashion.

Mr DEPUTY SPEAKER (Mr Rocher) âIs the amendment seconded?

Mr White âI second the amendment and reserve my right to speak.

