

Title	SUPERANNUATION AND OTHER BENEFITS LEGISLATION AMENDMENT BILL 1986 Second Reading
Database	Senate Hansard
Date	24-09-1986
Source	Senate
Parl No.	34
Electorate	SA
Interjector	Senator Walsh
Page	787
Party	LP
Status	Final
Speaker	Senator MESSNER
Context	Bill
System Id	chamber/hansards/1986-09-24/0153

SUPERANNUATION AND OTHER BENEFITS LEGISLATION AMENDMENT BILL 1986 - Second Reading

Senator MESSNER(5.55) âThe Superannuation and Other Benefits Legislation Amendment Bill seeks to implement the Budget decision of the Government to reduce by 2 per cent the indexation rate of pensions payable to Defence Force pensioners and also to Commonwealth superannuitants. This will yield about \$12m in savings to the Commonwealth in the Budget this financial year.

Senator Walsh âIt will be less this year.

Senator MESSNER âThat is the full year figure. The point that is being made by the Government is that it is looking everywhere for savings in order to get the deficit down to the \$3.5 billion figure that it announced some weeks ago, which was designed to make sure that the Government was presented in the best possible light in the financial markets. So the Government went skimming around in the last few days before the announcement of the Budget looking for every possible saving. It came up with this one, which means a reduction in the amounts that are going to go to pensioners of the Commonwealth, be they from the defence forces or former public servants. The Government will rob them of 2 per cent of their pension.

The point at issue here is simply this: The Government has announced that it intends to go to the Australian Conciliation and Arbitration Commission and seek a 2 per cent reduction in the flow-on of the consumer price index increase in the forthcoming national wage case. That relates to the inflation rates that have already been announced by the Australian Bureau of Statistics for the quarters ended March and June of this year. Obviously the national wage case hearing has not yet started. It will be some time before it does start. The Government will then go to the Commission and put down its argument in favour of that particular proposition. It will then be open to the unions to go to the same Commission and put forward their opposing arguments.

This will be open to other interested parties-employers and others who might argue for indexation adjustments to allow for the discount factor, as we have been discussing. They will have full opportunity to appear before a commission and to put their case. The matter will be decided with all the facts in hand, with all the arguments before the judicial persons on the Arbitration Commission and, consequently, a judgment will be made. If a judgment is made along the lines of the argument presented to the Commission by the Government and the Commission comes out in favour of the Government, that decision will flow through to all wage and salary earners in this country.

The point at issue here is that that remains to be argued before and decided by the Arbitration Commission, yet this 2 per cent discount factor is being applied from 1 July this year to pensioners of the Defence Force and Commonwealth superannuation schemes. The discount is being applied without individual members having an opportunity to put before the Commission a case against the Government's decision. Individual members of the Commonwealth pension schemes or of the Defence Force pension schemes have no representative to put their case before a commission and have the matter judged. To that extent there is a difference of treatment of the pensioners who will have this 2 per cent discount applied to them arbitrarily, whereas in the case of wage and salary earners that matter is yet to be determined. That is the basic argument about which we are complaining in respect particularly of the Defence Force pensioners.

This legislation comes at a time when there have been numerous broken promises as far as the treatment of superannuation is concerned. We go back to the earliest days of the Hawke Labor Government, in May 1983, when it first imposed the lump sum superannuation tax. You may recall, Mr Acting Deputy President, that the Opposition raised arguments which could have some force and which were recognised by the Government at the time that this tax, as it would be applied by the Government, would impact heavily upon Defence Force personnel. One of the reasons that it falls unduly heavily on that group is that Defence Force people are compelled to retire at mandatory ages which are somewhat lower than the retiring ages for the general population. For instance, majors who are around 45 years of age are compelled to retire and cannot continue in the Regular Forces until the normal retirement age of 65 years. That means that at the height of their middle age they are required to set about establishing new careers. It was perfectly reasonable that people retiring at that stage of their lives should have been able to obtain a tax free capital sum by commutation of their future pension rights and to use that to invest in a business or some such to get themselves started in new careers. Also, considering the vagaries and the special kind of life which people in the defence forces have to put up with, as they are moved from place to place around the country and perhaps around the world, many times they do not have the opportunity of acquiring a home. A lump sum by way of commutation of their pension benefits is useful in establishing homes for such people while they get their new careers established.

These are the special considerations which apply to Defence Force persons and the sorts of things which this Government failed to recognise when it introduced the lump sum superannuation tax in May 1983. That was just one of the broken promises. We recall quite well that before the election in March 1983 the then Opposition said that there would be no superannuation tax. That was one of the first promises that it broke upon being elected to government. The others are well known to us. For instance, there was the breaking of the promise with regard to the assets test. We well remember Senator Grimes in this place and the National Economic Summit of 1983 saying that there would be no assets test on pensions, but that was broken in the August 1983 Budget.

The Government cannot be trusted in the handling of superannuation matters. That has been demonstrated quite clearly since it came to office three years ago. Now we have seen a further change brought about in such a way as to affect the pension

entitlements of Defence Force personnel. After the introduction of the lump sum superannuation tax in 1983 and after much pressure was brought to bear upon the Government by the Liberal and National parties it did recognise to some extent the special problems of Defence Force persons by increasing the amount of the commuted value of pensions. That had the effect, partially at least, of offsetting the impact of the lump sum superannuation tax, but also it reduced the future benefits that pensioners would obtain by virtue of the need for future pensions later in their lives. In other words, the tax was imposed; there was no alleviation of it for this special band of people.

I think it shows a degree of ignorance of the special problems of Defence Force persons that the Government has failed to adjust properly its taxation policies to take account of these special circumstances. We recall the attitude which this Government adopted in 1983 to people who were in the Regular Army Reserve. We recall that, whereas those people had previously had their reserve pay exempted from taxation, the Government sought to tax half of that pay. Now, three years later, with falling recruitment of people into the Reserve, the Government has been forced to go back to the original position of exempting the Reserve pay. That has been announced in the recent Budget. Again that demonstrates an attitude of the part of this Government to take the bat to those people in the Defence Force and reduce their opportunities to look after themselves and their families and to make it difficult for the Force to prosper and develop.

That point of development is essential when we consider the very important requirement of the building of morale for Defence Force personnel, to ensure that they operate at the highest possible levels in their duties in the defence of this nation. That attitude question seems to be one that has slipped straight past this Government in that it has little regard for the problems of maintaining morale. I am sure that honourable senators on this side have had experiences of dealing with personnel from the forces who tell us of the very real problems faced by those in that community and the demoralised attitude which is developing amongst them towards their status, work and position in society. That can have only a downward effect on this nation's preparedness for war if, heaven forbid, that should occur.

That is a principle which we believe is vital to this legislation which is now before us. It is interesting to note that the effect of this 2 per cent discount on Defence Force pensioners' benefits, which will apply from 10 October this financial year, will accumulate. It will never be recovered by those people from future indexation adjustments, except by somebody making an ex gratia payment some time in the future. This means that over a 10-year period the accumulated reduction of such a benefit will amount to more than \$2,000 for each pensioner. Those people will be less able to look after themselves in their retirement, which means that they will no doubt find themselves coming back into the social security system by way of age pensions or other benefits in order to protect themselves against the rising cost of living. It is quite possible that what the Government gains here it may well lose in terms of future costs of social security for the people whom it is punishing now in this legislation. All in all, this legislation is aiming to raise from defence people and from those former public servants some \$12m. That is the Government's judgment. We have a concern about it, as is evidenced by my remarks. In order to put extra weight to the position of the Liberal and National parties, I move:

At end of motion, add: ` , but the Senate-

(a) 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:

- (i) the Bill imposes on Commonwealth superannuants, 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,
- (ii) 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
- (iii) the Bill breaks, for the second time, Labor's 1983 election promise not to cut DFRB and DFRDB benefits; and

(b) 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'.

The amendment clearly makes the point that we are concerned about falling morale in the defence forces caused by the Government's approach and exacerbated by this legislation. We are concerned that the Government is not fully cognisant of the problems in the defence forces. We believe that this motion will draw attention to those problems. If it is carried, as I expect it will be, it will at least bring these serious problems to the Government's attention. I commend the amendment to the Senate.