

**UNCLAIMED MONEY (SUPERANNUATION AND RSA PROVIDERS)
AMENDMENT AND EXPIRY BILL 2012**

Second Reading

Resumed from 12 September.

MR T.G. STEPHENS (Pilbara) [12.12 pm]: As I was saying before I was rudely interrupted by the bells or something or other the last time I was on my feet —

Dr K.D. Hames: Private members' time.

Mr T.G. STEPHENS: It was something like that. We were speaking about the provisions of this bill and how important it is for there to be a sensible transfer of unclaimed funds through to this new structure, which will be under the auspices of the Australian Taxation Office, and in that way to better look after the interests of the people who have been separated from their superannuation funds—these orphaned funds—for a variety of reasons. The opportunity for the ordinary working men and women of Western Australia to have their funds protected when they are allocated to superannuation funds is an important objective for this Parliament. It is important for us as legislators to find a way of putting these orphaned funds in a location in which their prospects of reconnection with the beneficial owners are enhanced. That, in the view of the government and the opposition, is now best done by positioning these moneys with the Australian Taxation Office.

I guess there are opportunities to refer to the fact that there are some people for whom superannuation entitlements are more important than they are for others. I am conscious from a recent debate in this house that, clearly, the need to look after people when they go from one job to another can be met in a variety of ways. We have seen some pretty strange ways adopted by the government as it dispenses with people who apparently know too much and are capable of saying too much. Instead of just superannuating them, the government seems to give them hush money. Funds are organised to send them out the door and to Siberia or some similar place to make sure that they do not spill the beans on the government of the day. That seems to be in lieu of superannuation. The government has not got orphaned superannuation funds in this case but funds that seem to be well in excess of the legal entitlements to which those people would otherwise have been entitled. I know that there are some other controversial issues that could be raised in this debate. It is probably worth me saying that this is an opportunity to avoid controversy and to avoid viewing this bill as anything other than an opportunity, in a bipartisan way, to connect up a relatively small amount of money that belongs to people from whom it is currently separated by enhancing the prospects of reuniting those people with those funds by putting it in the hands of an organisation that can have the best prospects of tracking down those people and ensuring that the funds flow in their direction. I am conscious that there are a large number of speakers on this side of the house who want to speak. I am not sure whether it is the member sitting right beside me—no, it is the member for Bassendean who is ready now to speak.

Mr M.P. Whitely: You are qualified to speak on superannuation!

Mr T.G. STEPHENS: I thought we were going to deal with this in a way that was going to avoid controversy and insult.

Mr M.P. Whitely: The public has paid for a long speech from you on superannuation.

Mr T.G. STEPHENS: Maybe I will head out of the house so that members will not be otherwise provoked!

MR M.P. WHITELEY (Bassendean) [12.16 pm]: I am astonished that the member for Pilbara could not talk for longer on superannuation. I think he is eminently qualified to speak on superannuation.

Mr T.R. Buswell: He will be.

Mr M.P. WHITELEY: I can think of probably about two million good reasons that the member for Pilbara is well qualified to speak on superannuation and why I am nowhere near as qualified as the member for Pilbara to speak on superannuation! I was actually looking forward to hearing a longer contribution from the member for Pilbara.

This is a touchy subject for those of us who were elected on the —

Mr T.R. Buswell: I was going to say, member, that I have an amendment to this bill. I am sure I will get your support!

Mr M.P. WHITELEY: All I can say, Treasurer, is, hear, hear—bring it on quickly!

Mr T.G. Stephens: It will be all fixed in 2013.

Mr M.P. WHITELEY: Great; just after I have gone.

Mr T.R. Buswell: I think we can deal with it.

Mr M.P. WHITELY: Okay. I think we could. I am prepared to co-sponsor that bill, Treasurer.

I will make a few brief comments on the Unclaimed Money (Superannuation and RSA Providers) Amendment and Expiry Bill 2012, on superannuation and on the nature of parliamentary superannuation, which is a contentious issue. I, the member for Mandurah, the member for Gosnells and others who were elected after 10 February 2001 are in the unenviable position of the public thinking that we are on the old super scheme when we are not. They think we are on this very generous super scheme, so we get none of the money—none of the benefits—and we get all of the grief that goes with it. I know Alan Carpenter made it his push, but I supported those reforms—I was not absolutely certain I was going to become a member of Parliament at that stage, so perhaps my enthusiasm was greater then. I think it was impossible to argue against just how generous the old super scheme was and that reform was needed. I do want to look at some of the impacts on individuals when these things are done in haste and are not thought through. Some very good friends of mine, people like the late Paul Andrews, and Tony McRae and Di Guise—good people who served this Parliament well—lost their seats six months earlier than they thought they were even in danger of losing their seats, so they were effectively made unemployed with no notice at midnight on the night of the election when it was obvious that they would no longer be members of Parliament. They were in fact made unemployed and were given no termination pay whatsoever. Their last act in public life was to be a loser in a ballot. At the time they lost that office, the Labor Party unexpectedly lost government. Although being a member of Parliament provides some unique opportunities and can lead to a good post-parliamentary career, when there is a change of government, there is a perception that Labor people are less employable with a Liberal government. I do not think that is necessarily the case, but nonetheless that perception does damage people's employment opportunities. People such as Paul Andrews, Di Guise and Tony McRae lost their jobs and therefore their income six months earlier than they expected to even be at risk of losing their jobs.

Mr D.A. Templeman: And Judy Hughes.

Mr M.P. WHITELY: Judy Hughes was another.

I am retiring at the next election. I have two advantages over that crew, as there have been some improvements to our terms and conditions. I do not think by any stretch they are unfair. Instead of being way out of line or way over what the public is entitled to, we are now catching up a little. When I leave, I will get eight weeks' termination pay. Another advantage I have is knowing the day that I will leave. Because we now have fixed-term elections, we know that the election will be on 9 March next year. We can not only career plan but also income plan in that regard. There have been some improvements.

I will refer to one of my electorate officers. I am very glad to say that Linda Gordon, who was one of my long-term electorate officers, has gone to work with Paul Papalia under some unhappy circumstances, which Paul will talk about later today. She is a marvellous operator who is replacing a marvellous operator. I am glad she has had that opportunity. Had she stayed working for me, at the end of her term she would have received two weeks' pay in lieu of every year she served. If she had left, she would have received 22 weeks' termination pay. As a member of Parliament, I am entitled to eight weeks. We go into this job knowing those are our entitlements. We need to have a rational debate about parliamentary entitlements. When we enter Parliament we often take a great career risk because we set out on an uncertain course. We give up our careers, often having to spend a lot of our own money to campaign. The level of uncertainty is more of an issue for those in marginal seats than those in safe seats. I have been a member in both. The reality is that those sitting in marginal seats, whether or not they win government, end up putting their hand in their pocket often for an uncertain return. There is a public perception that there is a great wad of cash available for members of Parliament to finance their campaigns. There is a perception that if there is public funding, somehow the local campaigns get that. That is not true. Perhaps we need to be less scared about saying these things publicly. There needs to be a real perception of the risks involved. It is not such an issue to put \$50 000 on the mortgage to campaign for a safe seat. However, in campaigning for a marginal seat, more money will probably be spent because, frankly, you are in a real contest. More money will be spent and there is less certainty of a return. These sorts of things need to enter the debate.

I applaud the changes that were made. The old superannuation scheme for parliamentarians was grossly out of step with what the public was entitled to. It was great that changes occurred. However, I do not think enough thought went into the unique nature of this place to ensure that people were not left in the sort of unhappy circumstances that my good friend the late Paul Andrews encountered when he was effectively made unemployed, suffering ill health, with not a day's termination pay. There was no accrued long service leave, no accrued annual leave and certainly no termination pay. Some modest steps have been made to improve that situation. I am grateful that that has occurred. Fixed-term elections will benefit members retiring from here on out. Fixed-term elections make sense for a lot of reasons—politicians' career planning is one of those. I am told that the average term of a politician is around a decade. Many have much longer than that; some have

considerably shorter than that. Some only get one term. I also applaud the fact that politicians leaving after one or two terms get 12 weeks' pay, whereas those leaving after three terms get only eight weeks. Whilst I would like to get more, if we are going to bias it, that is the way to bias it. Those members who typically come in for a short term, having taken a career break, need extra help.

Mr T.R. Buswell: That has just come in.

Mr M.P. WHITELY: I applaud that. Nonetheless, it is an issue that needs to be looked at.

Having made those comments about our own circumstances, let me turn to what we should be more concerned about; that is, the circumstances of the Western Australian public. Broadly speaking, this bill is good. I used to work for the Australian Taxation Office. From 1980 until 1983 I was an income tax assessor, a sales tax investigator and a clerk—not in that order. I did not get demoted; I went up the chain rather than down!

Mr C.J. Tallentire: Was that before you went to the UK?

Mr M.P. WHITELY: Yes; it was before I played cricket in the United Kingdom with the member for Gosnells in the mid-1980s.

The ATO is well placed to track lost or disconnected superannuation funds because of the fact it needs to identify people through the use of tax file numbers. It makes perfect sense.

By way of interjection, the Treasurer may be able to answer a question about the balance of unclaimed superannuation. A number of people who come to this country as temporary residents or on tourist visas presumably accumulate small funds. They then fly back to wherever they came from and perhaps never claim that as a source of funds. They might be 23 years of age, travelling, living a hand-to-mouth existence, going around as a backpacker picking fruit or working in the hospitality industry. I imagine over time that a substantial source of funds would build up. What happens in the long term to those funds? Who does it end up with? Whose coffers does it end up in?

Mr T.R. Buswell: I do not know. The vast majority of unclaimed funds that would fit that bill—held with the ATO—the ATO either skims off the interest, which I doubt they would, or —

Mr T.G. Stephens: After the passage of this bill.

Mr T.R. Buswell: No. I am talking about unclaimed super across Australia. Super is a commonwealth matter. I do not know the answer. I can see if I can find out.

Mr M.P. WHITELY: It might be worth having a look.

Mr T.R. Buswell: In terms of the stuff we have, it has been accumulating.

Mr T.G. Stephens: But this bill deals with a small number of people in that category.

Mr T.R. Buswell: A couple of million bucks.

Mr T.G. Stephens: But it includes a small number of people in the category that the member for Bassendean refers to.

Mr J.E. McGrath: The ATO will not be big enough to handle yours, member!

Mr T.R. Buswell: No. We better ring some Saudi investment adviser. You could be the new Ken Larney!

Mr M.P. WHITELY: Yes; in fact we know who to hit for a loan!

Mr T.R. Buswell: Aren't you the one who put the offer in on the government jet?

Mr M.P. WHITELY: Perhaps it is best that the member for Pilbara leaves!

Mr T.R. Buswell: Four Armaguard trucks have just pulled up out the front—that is just for the Kalgoorlie Cup!

Mr M.P. WHITELY: It may not be a large amount of money. I am not sure whether it ends up in state or federal coffers and who gets the benefit. There will presumably be an accumulating balance. I worked in the UK in the 1980s and paid tax and was entitled to tax refunds. Because I was a backpacker, I just never cared and it all became too difficult. I am sure that somehow that has contributed to the UK economy since then. I do not know whether it ends up in state or federal coffers.

Mr T.R. Buswell: Very little of it would be in state coffers because this bill deals with unclaimed state money. It is just over \$2 million, from memory. It is all going to Canberra. When we think about it, the big portion of unclaimed state super is with the Government Employees Superannuation Board. There would be some people from overseas who have worked temporarily in government agencies from time to time—I have had some in my office—but it would not be to the same extent we might have in hospitality or in some of the other industries that were alluded to.

Mr M.P. WHITELEY: Nonetheless, it is probably worth having a look because it is better with us than with them.

Mr T.R. Buswell: When you're a senator you can find out; you'll be right at the centre of power!

Mr M.P. WHITELEY: I am looking forward to that—I am looking forward to the generous superannuation entitlements! But on the odd chance I do not get on the ticket —

Mr T.R. Buswell: I tell you what: if you get on the ticket, I will do my first ever non-block vote. I'll slip you up! I'll put you in at 4!

Mr M.P. WHITELEY: Good on you! Very good—I will look forward to that. I think my mum is going to vote for me as well, so that is two! Beautiful.

Dr A.D. Buti: What about your wife?

Mr M.P. WHITELEY: She cannot vote; she is not yet an Australian citizen. She is getting around to it. She is Irish; she is doing it in Irish time. She has been living in Australia for 27 years and is about to get around to it shortly.

I obviously support the intent of the Unclaimed Money (Superannuation and RSA Providers) Amendment and Expiry Bill 2012. As I said, it makes perfect sense that the Australian Taxation Office, with all the effort that goes in and the skills it has to identify people and match unclaimed superannuation to the individual, should perform that function. I think that because of the increased casualisation of the workforce, this is an issue that will grow and we are likely to see more unclaimed superannuation funds.

I wanted to talk briefly about superannuation in general. The member for Forrestfield spoke about how proud he was of the reforms and the importance put on superannuation, and the fact that the Hawke–Keating government woke up to the problems facing the Australian economy, the lack of national and individual savings, and how they put in place this great far-sighted initiative of an increased emphasis on superannuation. I think the initial compulsory superannuation component was three per cent, and it moved through to nine per cent as it is today, and there is a view on going towards 12 per cent. I think that was done in stages, and there may have been a six per cent component in between. This is the sort of initiative put in place by the Hawke–Keating government. I regard three people to be the heroes of the great reforms that occurred in the 1980s during the Hawke–Keating years—obviously Bob Hawke, obviously Paul Keating, and the other one was Bill Kelty. Because of the unique relationship between Bob Hawke and the union movement—Bob Hawke being a former head of the Australian Council of Trade Unions, and Bill Kelty being the then leader—they were able to negotiate things that at the time appeared to be against the short-term self-interests of workers but were in the national interests of the whole of Australia and the long-term best interests of workers. Trading off pay rises for increases in superannuation was one of those reforms. Part of the motivation for that was the recognition that we had an ageing population and we could not rely on the usual pattern. The population was living longer and the demographics were changing. In the 1960s men represented a larger proportion of the workforce and they were expected to work until they were 65 years old, and, typically, they were expected to have, if they were lucky, five years' retirement and probably be dead by 70 years of age.

[Member's time extended.]

Mr M.P. WHITELEY: There was a recognition that with increasing life expectancies and the lack of a national and individual savings pool, we could not rely on that usual pattern of paying taxes and taking a pension as being the solution to funding future retirements. There was also an expectation at the time that we would be retiring earlier and earlier, and the Hawke–Keating government, along with the Kelty trade union movement, had the foresight to actually take some of the political pain at the time and trade-off some of the short-term benefits of increased wages for a greater pool of individual, and therefore national, savings.

As a result of that, the baby boomers—those retiring now—have greater access to superannuation, but it is still, nonetheless, inadequate. The member for Nollamara might be able to correct me on these figures, but I think for men, \$120 000 was the lump sum available.

Ms J.M. Freeman: The average payout is \$110 000.

Mr M.P. WHITELEY: Is that the average payout figure in total?

Ms J.M. Freeman: Yes.

Mr M.P. WHITELEY: For women it is as little as \$37 000. For men it is presumably something closer to maybe \$180 000 or something, to get that average?

Ms J.M. Freeman: Yes.

Mr M.P. WHITELEY: That is an inadequate figure, especially for independent single women who do not have access to a partner's retirement funds, and even for a man retiring with the average, \$180 000 is not enough to finance them through retirement. So even though a great emphasis was put into public policy some 20 years ago, we can see that unless an adequate amount accumulates over a long period of time, people simply will not have enough superannuation to have an adequate lifestyle in retirement. So even though this far-sighted policy was brought in by the Hawke–Keating government all those years ago—back in early to mid-1980s—there is still a shortfall.

I am actually one of last of the baby boomers, born in 1959—I think the baby boom generation finishes officially in 1959 or 1961; I am not 100 per cent sure. A population bubble happened after World War II, when great enthusiasm overtook our parents after those dark war years and so many of us were born. That population bubble that is coming through now has, frankly, an inadequate savings pool. But the one thing we do have as baby boomers—particularly those who lived in Western Australia and were lucky enough to buy property, as I was, in the late 1980s—is significant equity in our homes. Increasingly, I think there will be a recognition that, as politically unpalatable as it may be, baby boomers will have to self-finance some of their retirement through the use of their home equity, rather than burden the current generation of taxpayers—their children. We will face some real challenges resulting from greater longevity, and the fact that baby boomers, although they are the beneficiaries of those great Hawke–Keating reforms, have not had a full career at nine per cent-plus superannuation and have a less-than-ideal retirement pool. But the vast majority of them have been able to achieve home ownership and have significant equity in their homes. That pool may need to be tapped to self-fund their retirement.

I think there needs to be an acceptance—I think it is increasing—that it is the responsibility of individuals to self-finance their retirement. But of course when someone is entering the workforce at 20 years of age, the last thing they think about is their retirement. I have been one of those lazy investors; my superannuation has gone into a fund that was established in the 1980s and I have just sort of let it go and not even looked at it; I have not been an active investor. It is only now, in my early 50s and as I look at a career change, that I have started to think actively about superannuation. Without that level of compulsion that put in place the Hawke–Keating government reforms, there would never have been the pool of national and individual savings we have managed to achieve through superannuation. The Hawke–Keating years were, I think, the golden years for reform in Australia's history. If we look at the great economic reforms that have set up our prosperity now, they are largely attributable to the Hawke–Keating years—things like our national superannuation pool, increasing the productivity of the Australian workforce, getting rid of the absurd two-airlines policy and privatising things that governments should not own. Quite rightly, governments should not own airlines.

All those things were done in a balanced way. We have to understand the mechanism that was used to achieve this. Free marketeers such as the member for Riverton, who obviously have a great enthusiasm for the free market, sometimes fail to understand how these things are achieved. These great reforms in the Hawke–Keating years were achieved on a cooperative basis between industry, the union movement and the government. Often, collective positions were arrived at which were in the national interest and which achieved national goals—things like increasing the superannuation pool, which increased the pool of national savings so that we could better self-finance investment internally in Australia. These things were achieved because people such as Bill Kelty, as the leader of the trade union movement, could be convinced to get the unions onside.

In fact, if we look at the history of Australian wage growth, we see that until 1983 when the Hawke government was elected, there had been a massive explosion in real wages, and we had a massive problem with stagflation. John Howard, who was the Treasurer for, I think, the last five years of the Fraser government, had embarked on a process of deregulated wage control. He had freed up the markets, believing market forces would drive wages down. What happened was that we had massive inflation—we had double-digit inflation—and wage growth that was even greater than that. At a time when there was no growth in productivity, we saw massive increases in wages that were, frankly, unsustainable. It was the recognition of that by a Labor government, in cooperation with a responsible trade union movement —

Dr M.D. Nahan: Supported by the Liberal opposition at the time.

Mr M.P. WHITELEY: Yes, but not driven by the Liberal opposition. It was not a free-market approach. I am saying that it was a centralised approach that led to a necessary fall in real wages. For a few years after the Hawke–Keating government was elected, there was a necessary fall in real wages. That is very contrary to what we might expect. The expectation of, and the rationale for, letting the free market decide wages had been that natural pressures would drive down wages. We had a high unemployment rate at the time. We had runaway inflation and runaway unemployment. When Howard left government in 1983, I think we had double-digit inflation and double-digit unemployment. The expectation was that high unemployment rates would drive down wages, but, of course, that failed to understand the nature of how wages were set. The powerful were getting

massive and unsustainable wage increases and the not so powerful were falling behind and becoming unemployed.

Kelty on behalf of the union movement, Hawke because of his unique relationship with the union movement, and Keating as the federal Treasurer recognised that and, through the accord process, used a collective approach to deliver market reforms. Have a look at what else they managed to achieve. They made changes to the tax base by introducing a capital gains tax. I do not know when the member for Riverton got to Australia, but this is a bit of history for him. When John Howard stopped being the federal Treasurer in 1983, the top marginal tax rate was 60 per cent. It had to be so high because no-one was paying taxes because the tax base was so narrow.

Dr M.D. Nahan: At that time in England it was 75 per cent, so it was across the board.

Mr M.P. WHITELEY: Yes. Who drove it down? It was driven down progressively by Hawke and Keating because they broadened the tax base and they caught —

Dr M.D. Nahan: And promoted by a series of reforms put in by John Howard as Treasurer, followed up by Labor, and promoted and supported by the opposition.

Mr M.P. WHITELEY: I think that is a convenient rewrite of history. The fact is that the top marginal tax rate was 60 per cent, and they were able to drive down the tax rate—I think at that time it moved to about 47 or 48 per cent, and it has progressively come down from there. Those people who were able to engineer their affairs to make it appear like a capital gain would do so, so that fewer people were paying taxes. Therefore, they broadened the tax base by making the tax system fairer, and they were able to incentivise, which I am sure is a word that the member for Riverton would be familiar with and like, people to work, and they got to keep at least half of their income—every marginal dollar that they earned. That was a great initiative, and these great initiatives were driven by a Labor government. It was a golden era of economic reform. It was not because the Labor government said that it was going to sneakily embrace a pure free-market philosophy. It understood markets; it understood that there was no role for the Australian government in owning an airline. It understood that, but it understood the things that a government should own, and it understood the nature of the wage market. It cooperated with the union movement, and there were some very responsible trade union leaders. I am sure that that special relationship that Bob Hawke had with the union movement allowed them to deliver these great initiatives, including increases in productivity, productivity-based wage increases and the superannuation that we now enjoy. I think we can be very thankful for a Labor government. It was not ideologically driven. It was a government that understood the complexity of markets. It understood where markets work and where they do not work, and because of that we have enjoyed the great era of prosperity since that period.

I wanted to take this opportunity that I was given to put those comments on the record. I support the legislation. I think that the Australian Taxation Office is the logical and natural body to be matching people's lost superannuation to the individuals. The ATO tracks individuals through the tax system and using the tax file number. Why duplicate that system elsewhere? For that reason it is good legislation, and I certainly will be supporting it.

MR C.J. TALLENTIRE (Gosnells) [12.46 pm]: I, too, rise to support the Unclaimed Money (Superannuation and RSA Providers) Amendment and Expiry Bill 2012. I see it as a necessary amendment to existing legislation because of a growing trend we have whereby people move their superannuation money to different funds. That is for a very sensible reason. They see that different funds offer them different kinds of services and provide different kinds of qualities. That is the area I would like to dwell on in the short time available to me.

I am aware that one of the fastest growing segments in the superannuation sector is the ethical investment superannuation area. That is for the very good reason that people have realised that it is all very well to have these considerable sums of money presented to superannuation funds in their name and invested in their name, but they do not have much control over the companies in which that money is invested; hence the appeal for ethical investments through ethical superannuation funds. These funds are renowned for their transparency. They enable those people who make superannuation contributions to them to be in touch with the nature of the companies that the investments go into. One example of such an ethical investment company is Australian Ethical. I have had a portion of my superannuation with Australian Ethical since, I think, about 2002, and I have to say that I have been very impressed by the returns. Even in these sometimes difficult financial times, the level of return to me from that ethical investment fund has been very impressive.

When these companies are looked at, they go through a screening process. This is typical across the ethical investment sector. It does negative screening first of all to look at companies that are undesirable in some way, perhaps because of their societal impact or perhaps because of the environmental impact of a company's activities. It does that initial screening out of companies because of a negative reason. It also does positive screening. This is a very interesting thing. When it sees that a company is in a sector that could provide all sorts of promises for humanity or some sort of social or, indeed, environmental benefit, that company will get a

Extract from *Hansard*

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Mr Tom Stephens; Mr Martin Whitely; Mr Chris Tallentire

positive screening rating. Those are two of the screening measures used by Australian Ethical investment funds. A further screening measure is the degree of corporate engagement. I understand that Australian Ethical is very keen on checking on a company into which it is about to put its superannuants' funds.

Debate interrupted, pursuant to standing orders.

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