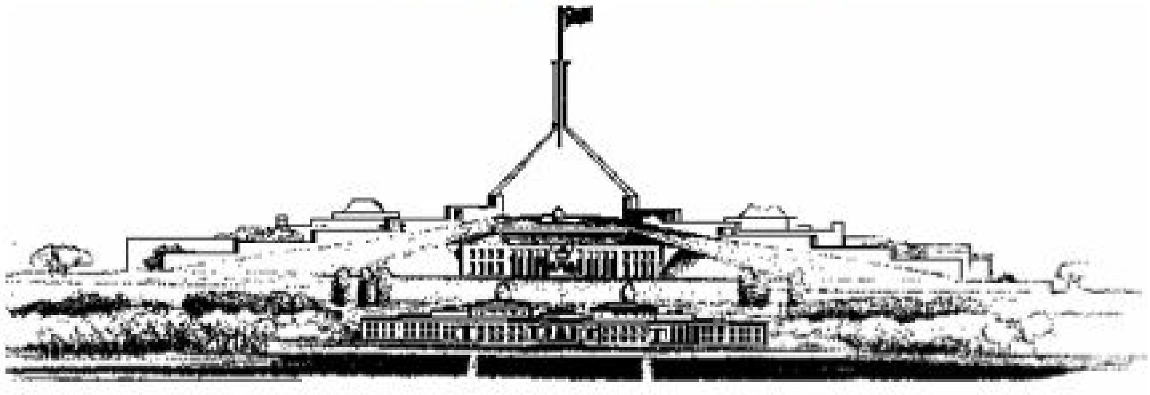
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015

Second Reading

SPEECH

Monday, 22 June 2015

BY AUTHORITY OF THE SENATE

SPEECH

Date	Monday, 22 June 2015	**Source**	Senate
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Questioner		**Responder**	
Speaker	Lambie, Sen Jacqui	**Question No.**	

Senator LAMBIE (Tasmania) (20:12): I rise to speak to the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015, a piece of legislation which is being rushed through this parliament without a proper public hearing. I would like to commend the Labor Party's Senator Moore on her contribution to this debate. Senator Moore's speech rang the alarm bell on this piece of government legislation which will take more than $4 billion from our pensioners and older Australians over the forward estimates. I understand that the government may have the numbers to win the vote on this piece of legislation, with Greens support, and I am very disappointed with that. I feel sorry for the hundreds of thousands of elderly, sick and disabled Australians who will be adversely affected by the passage of this bill.

I will shortly outline my concerns and the concerns of some Australians who have contacted my office with regard to the Social Services Legislation Amendment (Fair and Sustainable Pensions) Bill 2015. But firstly, I will give a brief description of the six basic measures this bill attempts to deliver:

1. **Defined benefit income streams** – from 1 January 2016, ensure that a fairer proportion of a superannuant's actual defined benefit income is taken into account when applying the social security income test by introducing a 10 per cent cap on the income that can be excluded from the test. The measure will not apply to military superannuation schemes.

And I am grateful for that.

2. **Proportional payment of pensions outside Australia** – from 1 January 2017, reduce, from 26 weeks to six weeks, the length of time for which recipients of age pension and a small number of other payments with unlimited portability will generally be paid their basic means-tested rate while outside Australia. After six weeks, payment will be adjusted according to the length of the pensioner's Australian working life residence.3. **Assets test and concession cards** – from 1 January 2017, rebalance the assets test parameters by increasing the assets test free areas and the taper rate by which a pension is reduced once the free areas are exceeded. Those whose pension is cancelled will automatically be issued with a Commonwealth Seniors Health Card, or a Health Care Card for those under pension age, without the need to meet the usual income requirements. Veterans whose service pension is cancelled under this measure will retain their Veterans' Affairs Gold Card.4. **Energy supplement replacing seniors supplement** – reintroduce the measure provided by the Social Services and Other Legislation Amendment (Seniors Supplement Cessation) Bill 2014 – cease payment of the seniors supplement for holders of the Commonwealth Seniors Health Card or the Veterans' Affairs Gold Card – with a new start date of 20 June 2015 (meaning the last quarterly payment of seniors supplement would generally be made on 20 June 2015).

5. **Pensioner education supplement** – reintroduce the measure provided by Schedule 4 to the Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014 (the No. 4 Bill) – cease pensioner education supplement – with a new start date of 1 January 2016.

6. **Education entry payment** – reintroduce the measure provided by Schedule 5 to the No. 4 Bill – cease the education entry payment – with a new start date of 1 January 2016.

Serious doubt has been cast over the figures that the government has put forward relating to this bill, and more time needs to be taken to properly consider these claims. A submission from Industry Super Australia argues that:

The claim that pensioners with modest levels of assets will be better off is overstated and potentially misleading due to the operation of the dual means test in practice;

There is a lot of detailed and technical information in the Industry Super submission to the Senate Standing Committee on Community Affairs; however, an informal description of the problem with this legislation, which I received from an executive officer, clearly summed up the situation for me. It reads:

To be clear these changes are not about cracking down on wealthy retirees (only 5% of those affected have total assets greater than $1 million) and the Government has ruled out changes to high end super tax breaks.

Some of these people not only pay zero tax on their super but obtain a tax cheque from the ATO for imputation credits worth more than the full age pension each year.

It's middle income earners who will lose out.

That is who will lose out—the middle-income earners:

The main targets are people on average wages or less who have moderate amounts of super.

A single person with $250,000 in super after saving their whole life is not rich—

not by any means—

and it is a pretty small amount if you consider it has to last them up to 30 years.

I am wondering if you actually took that into consideration when you worked it all out:

But include other assessable assets like their car and furniture any they will be losing $2,000 a year.

It seems the Government has fooled the Greens by claiming pensioners with low levels of assets will be better off — but they won't because the Government produced dodgy cameo tables, and has assumed currently historically low interest rates will stay in place forever.

The government has conceded that a group of 326,000 elderly Australians will be worse off, while 170,000 pensioners will be better off. There are better ways that this government can save a $1 billion a year or increase their revenue by $1 billion without stealing from the back pockets of older Australians and pensioners. There are at least two new policy changes which would save the government $1 billion or increase revenue by $1 billion. Firstly, decrease foreign aid by a $1 billion a year. It will still mean that Australia will send $3 billion a year overseas, or $12 billion over the forward estimates—perhaps our ASIS officers will only be able to give $2,500 to each people smuggler instead of $5,000! Secondly, introduce a financial transactions tax. Independent research from the Australia Institute shows that a financial transactions tax can raise at least $1.4 billion a year, or close to $6 billion over the forward estimates—and that is at an absolute minimum!

A financial transactions tax will be levied by most European countries by the end of January next year. It is not new. It is recommended by Nobel prize winners. It can be refined and structured so that it hits the big end of town. So I have to ask: what is stopping you, over there, from doing that? What is stopping you from going after the big end of town instead of these people that have worked hard all their lives and done the right thing with their super? The big end of town are very clever at profit shifting and are able to easily avoid paying their fair share of tax. Indeed, my policy only targets about six high-frequency share-trading companies who use super computers and software to sneak an unfair advantage over mum and dad investors. They skim about $3 billion of profits from mum and dad investors.

I know that the Greens, under their new political leadership, feel that their political strength lies with younger Australians and that they are prepared to burn older Australians for that—bad move! But my message is this: we can and should protect young and old Australians at the same time. Why allow the Liberals to continue with their clever political strategy of divide and conquer?

As I indicated earlier, I received feedback from a couple of elderly Australians whose voices need to be heard in this debate. The first case is that of David and his wife. David and his wife worked as nurses before retiring. They worked long shifts without being paid overtime, and unsocial hours at an average pay rate. They had never received government payments, and most of their salary went towards paying the mortgage, which at times had an interest rate of 17 per cent. They saved and lived responsibly. They never travelled overseas and never dined out, because they thought they would enjoy such things when they retired. David and his wife currently receive a part-pension, with an average priced house and assets well under $1 million. Yet under the proposed changes David and his wife would be no better off than had they lived their life on welfare. The changes come at a time where interest rates are low. Many pensioners will be required to give up private health insurance, creating a greater health burden.

The second case involves Jane. Jane and her husband have assets of $840,000 in superannuation, from which they draw their income and receive a small part pension of $420.80 per fortnight. Their assets include a modest car and some furniture. They had hoped to use the superannuation to fund Jane's husband's entry to aged care, as he has dementia. This requires between $250,000 and $300,000 for the refundable accommodation deposit and then weekly payments to cover a basic daily fee, which works out to be 85 per cent of a single pension. Jane says:

We have lived modestly and preserved as much of the superannuation capital, but now the assets threshold will be reduced and taper rate adjusted, our $840,000 and the taper rate adjusted, our superannuation will mean we lose the part-pension and the pension card.

Jane continues:

Facing a drop in income and loss of part-pension, to avoid dipping into the superannuation needed for my husband's aged care, we will need to cut back on living costs such as heating and Alzheimer's Australia care, drop private health insurance, save fuel by not volunteering in the community anymore.

Jane and her husband have extra living costs as Jane's husband's dementia means he forgets to turn off lights, heaters, taps et cetera. And there is the burden of him living with this terrible disease. Jane and her husband feel they have saved and made financial plans for the future, but the goal posts were adjusted, leaving them wondering why they even bothered.

There are some common points made in feedback: people the government are counting as wealthy are worse off than someone receiving the full pension; the changes will encourage double dipping, where people will dispose of their assets above the threshold to receive a full pension; assets, for the purpose of the test, are not all income producing and include boats, caravans, household contents and personal effects; people will not accumulate more than $375,000 for a home-owner couple, so as to receive a full pension; and, current age pension recipients have made decisions on investments and lifestyle based on the current rules and are being unfairly penalised for following the official rules and working hard.

In closing, once again I remind the Senate of the broken promises—just more broken promises—of the Liberal government and this Prime Minister: The *Hansard* of 16 May 2013 shows that, as opposition leader, Mr Abbott told parliament:

A coalition government will keep the current income tax thresholds and the current pension and benefit fortnightly rates while scrapping the carbon tax. The carbon tax will go but no-one's personal tax will go up and no-one's fortnightly pension or benefit will go down.

On 18 June 2013 Mr Abbott told parliament:

We will relieve the pressure on families. We will relieve the pressure that we know the families and households of Australia are under. Under us they will keep the tax cuts and pension and benefit rises …

On 27 June 2013 Mr Abbott again told parliament:

We understand that the families and households of Australia are doing it tough.

And, by the way, they are still doing it tough; they are actually doing it tougher. Mr Abbott continued:

That is why under the coalition they will get to keep their tax cuts and their pension and benefit increases without a carbon tax. That means that every Australian household's budgetary position at the end of the week, the fortnight or the month should be so much stronger. It is not just about building a richer society; it is about building a better society as well.

I think the PM forgot the last bit that he said. It is about building a better society as well. It is sad when the words of a nation's Prime Minister are worthless, because that is all they are—worthless. This legislation will not build a better society. This legislation deliberately seeks to tear our society apart. It deliberately creates winners and losers in a generation that knows the meaning of hard work and sacrifice.

I will oppose this bill and will know that I have done the right thing by the generations who guaranteed Australia's greatness. I will not be one of the ones who lets them down. In closing, I would ask that Labor members give a guarantee that, when in government, they will introduce measures which will undo the damage this legislation will surely create. I let the Labor Party know that you will have my support and gratitude on this at all times.