

Mr Eric Ripper; Mr Troy Buswell; Mr Colin Barnett; Mr Max Trenorden; Dr Janet Woollard; Deputy Speaker;
Ms Sue Walker; Acting Speaker; Mr Bob Kucera

STATE SUPERANNUATION AMENDMENT BILL 2007

Second Reading

Resumed from an earlier stage of the sitting.

MR E.S. RIPPER (Belmont - Treasurer) [2.50 pm]: Before the lunch break I was responding to a debate in the house on these changes to the superannuation arrangements. I was asked what consultation and communication there had been on the bill, and I have some information for the house.

As part of a broader consultation with stakeholders, I made an announcement in January 2007 about this reform program. Communication was provided to Government Employees Superannuation Board members by GESB on the possible introduction of choice and a proposal for GESB to become commonwealth-regulated and a member-owned mutual. Broader consultation was carried out jointly by the Department of Treasury and Finance and GESB. The stakeholders consulted include GESB members; key government agencies, including the Department of Consumer and Employment Protection, the Department of the Premier and Cabinet, the State Solicitor's Office, the Office of Shared Services and the Office of the Auditor General.

Ms S.E. Walker: Excuse me, I appreciate that you have provided that information. Without any criticism of GESB, did GESB send the notices only to the people who are in schemes other than the Gold State Super and pension scheme?

Mr E.S. RIPPER: I think the question is: was GESB's communication with GESB members restricted to those people in the accumulation schemes or was it also to those members in the defined benefit schemes?

Ms S.E. Walker: Was it to everyone?

Mr E.S. RIPPER: I think the answer is that GESB communicated with all members of GESB.

The other groups consulted were the director generals, chief executive officers and senior executive officers of government agencies that employ the majority of active GESB members; employer representatives of government agencies; human resources managers and payroll staff; unions, including UnionsWA, the State School Teachers' Union of WA, the Health Services Union of Western Australia, the Western Australian Police Union, the Liquor, Hospitality and Miscellaneous Union, the Community and Public Sector Union-Civil Service Association of WA, the Prison Officers Union, the Rail Tram and Bus Union and the Australian Nursing Federation; and GESB employees.

In March 2007, GESB members were consulted and invited to submit their view on choice via their six-monthly member statements, member magazines, the GESB website and email. More than 230 emails were received from members indicating their overwhelming support for choice. Members' reaction has been overwhelmingly positive and has indicated significant support for the proposal, with the majority of respondents being former public sector employees wanting to direct their superannuation guaranteed payments to GESB or to understand how family members can join. This feedback supports previous research that indicated that four in five West State Super members consider it important to have the right to choose a superannuation fund into which their employer contributions are paid. A survey conducted with GESB members in March 2006 showed that the majority of former public sector employees are likely to either definitely or probably invest their employer contributions with GESB, and indicated that over one in two former public sector employees would move back to GESB either definitely or probably, if they could. Strong support for choice has been received from stakeholders, particularly members. Their reaction is represented by the following comments from members, which, according to my notes, state -

Great idea, especially if I can contribute super from a private employer so I don't have to have more than 1 super fund.

I think all Australians should have choice of superannuation fund ... it is ridiculous that most Australians have choice but a few don't, namely State public servants.

I look forward to this day as GESB is such a good performer. I live in hope that some day soon GESB will be the only fund I need to have.

Where are we going from now with consultation? GESB members will receive their next six-monthly member reports and statements by the end of August. This communication informs members of the State Superannuation Amendment Bill 2007 and what it will mean for them as members. Employers and unions will continue to be consulted on the development of educational materials and information for their employees and members.

There will also be a significant period of time, probably 12 months, between the passage of this legislation and the actual commencement of the new arrangements. During that time, the Department of Consumer and

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Employment Protection, the Department of Treasury and Finance and GESB will be working together on an education strategy to inform and educate Western Australian public sector employees and employers ahead of the introduction of choice. The aims of this program are to inform and educate employees ahead of the introduction of the choice of fund to enable them to make an informed choice, provide training and education to employers on their compliance obligations in a choice environment, and assist employers in meeting their ongoing administrative and compliance obligations after the choice of fund is introduced. The program is planned to run over an 18-month period covering the 12 months before, and the six months after, choice is introduced.

It is important that we educate members about their rights and responsibilities in a choice environment. A comprehensive education strategy for employees, as well as a strong regulatory regime, will help minimise the risk of members being exposed to so-called mis-selling after choice is introduced. Mis-selling may arise if employees access some form of financial advice through a financial adviser or planner and are encouraged to change super funds as a result of the commissioned-based incentives that exist between financial planners and some of the large retail funds.

The program will be developed in consultation with employers and unions. It will educate Western Australian public sector employees on what choice of fund means for them; educate employees to enable them to make an informed decision; and provide service and information materials to assist employees, including a helpline, information and education seminars and sessions, publications and promotional materials, and a website.

The program will educate employers on their responsibilities and obligations in offering choice of fund to their employees; enable them to comply with the commonwealth choice compliance framework; assist employers to develop administration systems and processes to implement choice; advise employers on the necessary record-keeping requirements; assist employers with queries, including a helpline, information and education seminars and sessions, publications and promotional materials, and a website; and inform employers about GESB's role as the default fund for members.

This has been a thoroughly researched and designed reform program with a strong emphasis on continuing consultation with stakeholders. Obviously, good research, good preparation, good consultation and good information are essential for the success of a reform program like this one. I have confidence that GESB has been working very hard, as has the Department of Treasury and Finance, to give this program of reform the best possible chance of succeeding.

I thank members of this house for the support they have expressed for the legislation. I look forward to seeing, sometime next year, a choice of superannuation fund being available to a quarter of a million households that are now denied their choice of their GESB superannuation arrangements.

Question put and passed.

Bill read a second time.

Consideration in Detail

Clause 1: Short title -

Mr T. BUSWELL: I thank the Deputy Speaker for giving me this opportunity to discuss this most important clause in the bill. The short title of the bill is the State Superannuation Amendment Act. I know that the Treasurer thinks that this is a matter of semantics, but I am of the view that because this is clearly a bill for the privatisation of the Government Employees Superannuation Board by this Treasurer, who has so ardently and stridently opposed any form of privatisation every time he has taken a breath in this house, the bill should include the word "privatisation" in the short title. Perhaps it could be called the "GESB privatisation bill" or something to that effect. We would like to see the title of the bill more accurately reflect what is happening. I do not care how the Treasurer and his vast spin machine attempt to manipulate what is happening; as I said yesterday, GESB is being privatised. I again quote from the Australian *Macquarie Dictionary*, which gives two definitions of privatisation. The first definition is to change the status of land, industries, services etc from that of state to private ownership.

Mr C.J. Barnett: It sounds like privatisation.

Mr T. BUSWELL: It sounds like it, looks like it, smells like it and I reckon that when it is all done and dusted, that is what will be happening. The Treasurer said that this was not a privatisation but a mutualisation. I put it to the Treasurer that with the creation of MutualCo, the Treasurer is, in effect, transferring ownership from the state government to private industry. That is exactly what is being done. Each of the shareholders in MutualCo, who are currently employees of the Western Australian public sector, will suddenly become, by virtue of these changes, holders of an interest each in the company. They will own the assets and ultimately control the

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direction of the company. The bill explicitly prohibits this new entity from using the word “government” or expressing a link with the government. The bill also puts in place a mechanism - it is a good mechanism - to make sure that the new employees of the new entity are not employees of the state. I do not understand how the Treasurer can say that this is not privatisation, because that is what it is. I told the Treasurer yesterday that he should not be embarrassed by it. We know that the Treasurer is a reformist. He supports seven-day trading but had his proverbial backside kicked the length and breadth of the Acting Premier’s office in January when he ran that reformist flag up the pole.

Mr E.S. Ripper: I think that you had similar problems on that issue.

Mr T. BUSWELL: The bruises that adorn my buttocks are somewhat less severe and less intense than those that cover the Treasurer’s following the introduction of that issue into the public domain in January when, as Acting Premier, he was running the show. Maybe if the Treasurer was running the show instead of the Premier, we would have proper reform and he could embrace what he is doing to GESB, because what this bill does to GESB is good. Other benefits could accrue to other areas of government because of the Treasurer’s new reforming zeal. Good on the Treasurer for embracing this new reform agenda! Do not be embarrassed. He should put the word “privatisation” in the title of the bill so that everyone will know what he is up to. As I said yesterday, some of the Treasurer’s federal counterparts also had that zeal. They privatised the Commonwealth Bank and Qantas. They are great Australian institutions. Nobody could say that either the Commonwealth Bank or Qantas is worse off for that experience. They have gone from strength to strength. If members analyse the experience of the privatisation of the Commonwealth Bank and Qantas, they will find that following their privatisation the organisations have improved and developed well beyond what they would have done if they had remained public entities. I suspect that will happen to GESB as well. There is a lot of capacity for excellence in GESB, and the Treasurer’s newly found privatisation agenda will unlock that. Please, Treasurer, do not be embarrassed by that. Have the heart to stick it in the short title.

Mr C.J. BARNETT: I do not intend to speak much on this bill but I congratulate the Treasurer for this privatisation. The Deputy Leader of the Opposition is exactly correct. At last the Treasurer has followed the lead of the Hawke and Keating governments of the 1980s. When the Treasurer was in power in the early 1990s, he was looking at privatising SGIO and BankWest but when the election came along, he suddenly hated privatisation. Clearly this is privatisation. Why be ashamed of it? Be proud of it as a modern Labor Treasurer, like some others who have embraced privatisation. When the Government Employees Superannuation Board is privatised and this bill comes into effect in 12 months’ time, will GESB wander around saying that it is a sort of government or sort of private organisation? No. It will say that it is clearly a private sector organisation that looks after its contributors of superannuation and is investing the money appropriately, as it should be doing. I am sure that it will do it very well, as it has done up to now. Why will the Treasurer not admit it? This is economic rationalism. I support it. I am proud to say that I privatised AlintaGas and the Dampier to Bunbury pipeline. I have written a book about it and about the Labor Party’s failures; it is very interesting.

Mr E.S. Ripper: Has anyone bought the book?

Mr C.J. BARNETT: I hope that the Treasurer does. Why is the Treasurer not proud of it? Why does he sit there and pretend that he is not privatising it? We would love to hear from the Treasurer’s advisers about how they see it. They will not be allowed to speak, as is quite proper, but I am sure that if they had the opportunity to speak, they would make it clear that this is privatisation. When they are in the marketplace and are trying to attract contributors and to promote the investment portfolio, they will talk about this as the former government’s superannuation fund that is now a private superannuation fund. They will not say in the marketplace that it is a sort of dodgy half-government and half-private outfit. They will say that it is fully private, and they will sing the Treasurer’s praises for having the courage, as a Labor Treasurer, to privatise it. Why does the Treasurer not take his moment of glory now and say, “Yes, it’s me, the secret privatiser of the Labor Party; I am doing it”? Why does the Treasurer not do that?

Mr M.W. TRENORDEN: There is another reason the Treasurer should be proud of his privatisation zeal in this case as well. I asked the Treasurer’s advisers in the briefing about the disasters of the previous Labor administration that have only just filtered out of GESB. Members must remember that they were sensational times when Australian Labor Party ministers were running up and down St Georges Terrace flinging cheques everywhere on a daily basis. Julian Grill was as busy as a one-armed wallpaper hanger running cheques up and down St Georges Terrace. How can we forget Central Park? For some time the state superannuation was really secure because the only asset it had was property, which was thrown at them by a corrupt Burke administration. One of the things the Treasurer can be proud of is that he can now say that that cannot happen in the future. Under a corporatised body, those sorts of pressures that were brought to bear by a corrupt administration not that long ago will be a thing of the past. The superannuation funds will not be embarrassed by having highly disproportionate property holdings and shareholdings. There were some very interesting share transactions

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going on at that time. I asked that question yesterday, or whenever the briefing occurred, because I think it is important to know the answer as we move to the new entity and new regulation. As the Treasurer outlined in his second reading speech, the funds now comply with the normal process for the administration of superannuation funds. The minister should be proud of that. Privatised it, and it cannot happen in the future.

Mr T. BUSWELL: I move -

Page 2, line 3 - To delete the words following “the”, and substitute -

Superannuation (Privatisation) Amendment Act 2007

Mr E.S. RIPPER: One of the problems of an opposition in decline is that it seeks to re-fight old battles. How the wounds from the debates of 1999, 2000 and 2004 must still sting the opposition! I was in opposition once, and in our dog days we kept returning to the same old fights that we had already lost. We were beaten again, and then we went back and were beaten yet again. We started to progress only when we took on new fights that were more advantageous for us. I can remember the debate on the Alinta privatisation, and I do not recall that the word “privatisation” was included in the title of the bill. In fact, my recollection is that the title of the bill referred to the word “sale” or “disposal”. It certainly did not use the term “privatisation”. Let us go back to that Alinta privatisation. Did the member for Cottesloe, as the then minister, give Alinta to its customers? No, he did not. He sold most of it to a United States firm and floated the rest on the stock market.

Mr C.J. Barnett: Only 45 per cent was sold to the US firm. How many shareholders were there? There were 117 000.

Mr E.S. RIPPER: Were they all customers of Alinta?

Mr C.J. Barnett: Pretty well; 90 per cent of them were Western Australians, and so would have been customers of Alinta.

Mr E.S. RIPPER: There are two big differences between the Alinta privatisation and what is proposed here. Firstly, Alinta was sold, not given and, secondly, it was not transferred to its customers; it was transferred - as the former leader of the Liberal Party reminds me - 45 per cent to an American firm, with the remainder floated on the stock market. No consideration is being transferred here. GESB has 250 000 members, and it is being transferred to those members, who will not have to pay. The government is not making a cent out of this issue.

Mr T. Buswell: You’d better make sure of that.

Mr E.S. RIPPER: Does the Deputy Leader of the Opposition believe that the government will profit out of this?

Mr T. Buswell: Make sure the reserves are transferred over appropriately.

Mr E.S. RIPPER: Of course the reserves will be transferred appropriately.

Mr T. Buswell: They will be; we’ll be watching.

Mr E.S. RIPPER: They will be anyway, whether or not the opposition is watching, because transferring the reserves appropriately is the right thing to do. This is not about government profit; this is about the best interests of the members.

Mr T. Buswell: What happens if the actuary’s advice indicates that the amount to be transferred over is less than the balance of the reserve? What happens to the amount that is left over?

Mr E.S. RIPPER: I do not think that is the issue. The state retains responsibility for the defined benefit schemes.

Mr T. Buswell: I understand that.

Mr E.S. RIPPER: Right, so some reserves will be applicable to the schemes for which the state retains responsibility. There are some schemes for which the state has no continuing responsibility, and there are reserves applicable to those. It will not be a question of there being something left over after the reserves have been transferred to support the accumulation schemes; it will be a question of properly, fairly and rationally dividing the reserves between those that are applicable to the defined benefit schemes and those that are applicable to the accumulation schemes. There will not be any surplus in the reserves; the reserves will be divided as they should be.

This is a good reform. Of course, the opposition can have a little political game if it wants, and I am happy to indulge it with 10 or 15 minutes of parliamentary ping-pong.

Mr C.J. Barnett: How gracious of you!

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Mr E.S. RIPPER: We can have half an hour or an hour of parliamentary ping-pong if the opposition wishes, but when we have finished that, we can get on with what we all appear to agree is a good reform for a quarter of a million Western Australians.

Mr C.J. Barnett: We support the privatisation.

Mr E.S. RIPPER: If the opposition needs to think of it in those ideological terms in order to bring itself to support a Labor government initiative, it can do that. I describe it as a mutualisation. We are not selling or giving it to third parties; we are giving it to the members.

Mr M.W. TRENORDEN: The Treasurer's statement is simply not true. The facts are that the government is not giving it at all. The fund members will pay for this transfer.

Mr E.S. Ripper: So, as Treasurer, will I get some sort of consideration in the consolidated account for the transfer of GESB?

Mr M.W. TRENORDEN: No, but the members will pay for it. The Treasurer knows that they will. The cost of the transfer is not coming out of the Treasurer's pocket; it is coming out of GESB's pocket. The Treasurer cannot look us in the eye and say that he is giving it away.

Mr E.S. Ripper: I am not selling it.

Mr M.W. TRENORDEN: No, but the Treasurer is making GESB pay for it, because GESB is supplying all the funds for this transaction. How much money, in real terms, is going into Treasury as a result of this transfer?

Mr E.S. Ripper: Well, none.

Mr M.W. TRENORDEN: Funny about that! One of the things I am worried about here is that we do not know what that figure is. I asked during the briefing what the costs are. I was told, quite rightly, that naming is not a big expense, and transferring assets may or may not be a big expense. I am not sure about that. However, we are still not being told how much expense will be incurred. I have been informed - and I accept the advice - about where that money is coming from, but it is still part of the pool of GESB. GESB is paying for this process, not the Treasurer. The Treasurer cannot say he is giving it away. There is a cost process here, and we will pass this bill today without any knowledge of that cost process. Is that responsible? I have told the Treasurer that the Nationals will support this bill, but there are some concerns about it. There are a range of costings that are just not available.

Mr T. BUSWELL: In support of the amendment, I will very quickly deal with the points the Treasurer has raised about the technicalities of this obvious privatisation. We have given him an opportunity to come out of the closet as a privatiser or a privateer in the vein of Jack Sparrow of *The Pirates of the Caribbean*. He could be a great "privatiser" as the Buccaneer of Belmont!

Firstly, the Treasurer talks about the fact that this bill will create a mutualisation. The facts are that a GESB mutual is being transferred from state government control to the control of a company that is limited by guarantee under the Corporations Act, as opposed to one that has a shareholding structure. This asset is being transferred from the state to a company that is registered and operates under corporations law in Australia. Granted, it is a company that is limited by guarantee. However, I have seen nothing in any definition of privatisation that says the asset must be transferred to a company with a particular ownership structure. The other issue the Treasurer raised is that it is being gifted, not sold. As the member for Avon pointed out, there may well be some costs involved -

Mr M.W. Trenorden interjected.

Mr T. BUSWELL: I accept that. Whether it is given or sold, does not alter the fact that the asset is being transferred. The Australian *Macquarie Dictionary* definition of privatise is as follows -

To change the status of . . . from that of state to private

That is exactly what is happening here. The third point about whether it is being transferred to existing customers is irrelevant. The assets are being transferred - rightly so in my view - to the private sector. Our well thought out amendment to the short title is something the Treasurer should give consideration to.

Dr J.M. WOOLLARD: I think the member for Vasse should change the date in his amendment to 2008. I think the transition period is one year, is it not Treasurer, from when the act is gazetted?

Mr E.S. Ripper: Yes.

Dr J.M. WOOLLARD: I believe that it will be at least one year before -

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Mr E.S. RIPPER: Just to make it clear, it is one year before choice is operational. Obviously, a lot of changes must be made during that period in order to get to the point at which choice is applicable. It becomes operational one year after the legislation, although changes will be made along the way.

Dr J.M. WOOLLARD: Can there be a meeting of members during that transition period and can there be a proposed amendment to the constitution? Once this bill is passed in the upper house and has been gazetted, can a meeting be called immediately to amend the constitution to change this from a company limited by guarantee to a company limited by shares?

Mr E.S. RIPPER: I think we are moving on from the title of the bill with that last set of questions, so it might be more appropriate to debate that question when we get to the relevant clause. Nevertheless, to clarify some of the remarks I made by interjection, once the legislation is proclaimed, GESB will become public offer. Choice will not be available to public sector employees until a year after the passage of the legislation.

Dr J.M. Woollard: In which case, it will be at least one year before choice can be a company limited by guarantee? Have I got this wrong?

Mr E.S. RIPPER: I think the member has. I suggest that we get on with the debate once we have played a bit of ping-pong.

Dr J.M. Woollard: It is the issue of privatisation I am not quite sure about. I know there is the ability for this body to be privatised, but I am querying when that option will become available. The amendment moved by the Deputy Leader of the Opposition seeks to change the title to include privatisation by 2007. My comments are relevant because I do not know whether this amendment has legs at the moment. I am not sure that it can happen in 2007.

Mr E.S. RIPPER: I can confirm to the house that it does not have the numbers, but legs is an issue that is in the eye of the beholder!

Mr C.J. Barnett: No-one ever said that the opposition was legless!

Mr E.S. RIPPER: I could have done so; I am sorry that I missed that opportunity!

There are mechanisms in the legislation that, with a sufficiently large number of members, will be able to change the model. Equally, there are strong safeguards giving the Treasurer a veto for at least three years on changes that are important.

Dr J.M. Woollard: Is it three years? I was asking how long the transition was.

Mr E.S. RIPPER: The Treasurer at that time will have the capacity to extend the three-year period, so a pretty serious set of safeguards will prevent precipitate or unwise change to superannuation arrangements. I think those safeguards and that long period during which those safeguards could apply will give people confidence that this will be a stable set of arrangements.

Dr J.M. Woollard: In fact, you are saying that there will not be privatisation before 2010 at a minimum?

Mr E.S. RIPPER: I would not support privatisation. I cannot see why the members would get an advantage from demutualising GESB. I do not have a crystal ball.

Mr T. Buswell: Did you have shares in National Mutual?

Mr E.S. RIPPER: I am aware of those changes.

Mr T. Buswell: That is not necessarily a bad thing, if that happens down the track.

Mr E.S. RIPPER: Opinions may vary on that. That is very much a hypothetical situation. If I were the Treasurer, I would exercise a veto on demutualisation.

The other issue I want to take up is the question of the costs. I am advised that the costs are being met from GESB reserves, not from member accounts. Obviously, some reserves are applicable to the accumulation funds. We cannot have those reserves skinnier than is required. The only reserves that can be affected are those that relate to the defined benefit schemes in which the state has an obligation to deliver the benefit and meet the gap between what is available in the fund in the reserves and what must be paid out. Ultimately, the cost comes back to the state.

Dr J.M. Woollard: Is the Treasurer saying that any sum of money for setting up this scheme will not come from members' administration fees?

Mr E.S. RIPPER: That is right.

Amendment put and a division taken with the following result -

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Ayes (23)

Mr C.J. Barnett	Mr M.J. Cowper	Mr J.E. McGrath	Mr T.K. Waldron
Mr D.F. Barron-Sullivan	Mr J.H.D. Day	Mr P.D. Omodei	Ms S.E. Walker
Mr M.J. Birney	Mr B.J. Grylls	Mr A.J. Simpson	Mr G.A. Woodhams
Mr T.R. Buswell	Dr K.D. Hames	Mr G. Snook	Dr J.M. Woollard
Mr G.M. Castrilli	Dr G.G. Jacobs	Dr S.C. Thomas	Mr T.R. Sprigg (<i>Teller</i>)
Dr E. Constable	Mr R.F. Johnson	Mr M.W. Trenorden	

Noes (26)

Mr P.W. Andrews	Mr R.C. Kucera	Mr A.P. O’Gorman	Mr D.A. Templeman
Mr A.J. Carpenter	Mr F.M. Logan	Mr P. Papalia	Mr P.B. Watson
Mr J.B. D’Orazio	Mr M. McGowan	Mr J.R. Quigley	Mr M.P. Whitely
Dr J.M. Edwards	Ms S.M. McHale	Ms M.M. Quirk	Mr B.S. Wyatt
Mrs J. Hughes	Mr A.D. McRae	Ms J.A. Radisich	Mr S.R. Hill (<i>Teller</i>)
Mr J.N. Hyde	Mrs C.A. Martin	Mr E.S. Ripper	
Mr J.C. Kobelke	Mr M.P. Murray	Mr T.G. Stephens	

Pairs

Mr D.T. Redman	Ms A.J.G. MacTiernan
Ms K. Hodson-Thomas	Mrs M.H. Roberts

Amendment thus negated.

Clause put and passed.

The DEPUTY SPEAKER: Would the member for Vasse like to indicate to me which clause he wants to go to?

Mr T. Buswell: I would, Madam Deputy Speaker, if I could find the bill. Obviously one of the government members who sat in my seat tried to sabotage my efforts to scrutinise this bill! We are going onto clause 2.

The DEPUTY SPEAKER: The member for Vasse should take his seat while I put the question and then he can seek the call.

Clause 2: Commencement -

Mr T. BUSWELL: Could the Treasurer provide a brief overview of the reasons and rationale behind the staggered commencement dates of this bill? It is important that people understand the reason for the staggered nature of the commencement dates. I do not need too much detail but it is for my information.

Mr E.S. RIPPER: Briefly, it is necessary to establish the entities, then it is necessary to transfer the assets, and then it is possible to offer choice to members.

Clause put and passed.

Clauses 3 to 13 put and passed.

Clause 14: Section 38 amended -

Mr T. BUSWELL: Again very quickly, I understand that this clause makes some amendments to section 38 of the State Superannuation Act 2000 which deals with regulations. I am particularly interested in proposed new subsection (3). Could the Treasurer explain to me the implications or the practical application of proposed new subsection (3)(b)? It states “reduce, or have the same effect as reducing” and it relates to the West State Super scheme. Could the Treasurer give me a quick overview?

Mr E.S. RIPPER: I think I can understand why the Deputy Leader of the Opposition asked why there would be a multiplying factor, because the West State Super scheme is an accumulation scheme. However, the insurance aspect of West State has a multiplying factor. There is a defined benefit aspect to the insurance section of the West State scheme. I am advised that, in effect, we are just shifting about this provision in the legislation while retaining it.

Clause put and passed.

Clause 15 put and passed.

Clause 16: Parts 4 and 5 inserted -

Mr E.S. RIPPER: I move -

Page 21, after line 7 - To insert -

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- (3) The use of the terms “West State” or “Gold State” in relation to the superannuation schemes referred to in section 29(1)(a) and (b), or divisions of GESB Superannuation that replace those schemes, does not contravene subsection (1).

This amendment has arisen following discussions with parliamentary counsel. Obviously the legislative scheme prevents GESB trading in a way that implies that there is some sort of government authority, government legitimization or government guarantee behind those schemes that does not apply to competitive superannuation schemes. However, it is obviously important for members that GESB continue to call its West State Super scheme West State and its Gold State Super scheme Gold State so that there is no confusion for members. This therefore preserves the prohibition on GESB implying that it has a government guarantee while allowing it to maintain its brands.

Amendment put and passed.

Mr E.S. RIPPER: I move -

Page 21, after line 26 - To insert -

51A. Notice of exercise of veto to be tabled

If the Treasurer exercises a power under a veto provision, as defined in section 51, the Treasurer must, within 14 days after the power is exercised -

- (a) give written notice to MutualCo confirming the exercise of the power; and
(b) cause a copy of the notice to be laid before each House of Parliament or dealt with under section 78.

This amendment arises from briefings and consultations that have occurred with non-government members of Parliament. A concern that resulted from those briefings was that there appeared to be a lack of process or accountability around the Treasurer’s exercise of a veto. This amendment is the government’s response, which is broadly similar to the provisions that relate to a direction that a minister might give a government trading enterprise. Given that the amendment is broadly similar to those provisions and answers the concerns of the opposition and other members, I hope it will be supported.

Mr T. BUSWELL: It appears to me that this is an amendment that the opposition would support. The Treasurer has rightly identified that the opposition raised the issue. This bill generates an important responsibility for the Treasurer in that the Treasurer of the day will become a special member of GESB MutualCo and will have a range of powers that can have a significant influence on the operation and/or direction of GESB MutualCo; for example, powers associated with changes to the constitution and powers associated with the capacity to purchase or sell subsidiary companies and to borrow capital. The Treasurer will have significant capacity with those veto powers to influence the direction of GESB MutualCo. I support the Treasurer having those veto powers in the first instance, although I will talk a little about the three-year review. It is appropriate. I appreciate that the opposition’s concern was picked up and that when the Treasurer uses those veto provisions, the Parliament will be informed of their use. I thank the Treasurer for moving the amendment. I see no reason that the opposition should not support it.

Madam Deputy Speaker, to assist in my contemplations of the bill, and perhaps for the information of other members, can you confirm that clause 16 runs to page 44, where clause 17 commences?

The DEPUTY SPEAKER: Yes.

Mr T. BUSWELL: It may be worthwhile drawing to the attention of other members who have an interest in the bill that a number of factors they have raised are covered in this clause. I would hate for them to sit by without giving it due and proper consideration.

Mr E.S. Ripper: I thank you for the trouble you have just caused!

Mr T. BUSWELL: I am here only to help lubricate the processes of good government! The opposition supports the amendment.

Amendment put and passed.

Mr T. BUSWELL: I will try not to jump around in debating the clause, but I want to talk about the issue of costs, which was raised by the member for Avon and subsequently the member for Alfred Cove. The Treasurer indicated earlier that there will not be an impact on costs. I understand that the legislation is such that it will not impact on the accumulated investment income of the members of GESB. That would be the last thing they would want at the moment with the stock market performing in the way it is. However, I am assured that, through wise investments, my GESB returns will not be impacted on to the full extent by the form of the

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Australian stock market in recent days. If my recollection is correct, the Treasurer indicated earlier that it would be funded from reserves.

Mr E.S. Ripper: That's right.

Mr T. BUSWELL: This gets back to the point I raised earlier. As the Treasurer rightly pointed out, at the moment some of the reserves of GESB exist to provide reserve backing to the defined benefit scheme and some exist to provide for a range of contingencies for the accumulation schemes. I have a list of some of GESB's reserves. For example, the West State Super minimum benefit guarantee reserve is \$7 million and the general reserve is \$63.6 million. I have also noted some fund reserves. One is an operational risk reserve of \$77.4 million and another is a government services reserve of \$28.6 million. I am interested to know which of those reserves will be responsible for funding the transfer and administration costs and any compliance costs associated with this bill.

Mr E.S. RIPPER: The particular reserve that will be and has been drawn upon for the cost of this reform is the government services reserve, which, as at 30 June 2006, stood at \$28.6 million. I am advised that, counting what has been spent so far and what is expected to be spent on the reform, the cost will amount to about \$3 million.

Mr T. BUSWELL: I understand that when the reserves, which I assume are the minimum benefit guarantee reserve, the general reserve, the operational risk reserve and the government services reserve - the Treasurer can let me know if it is only part of those - are transferred from GESB to GESB MutualCo, the actuary will look at the situation and, at the time of transfer, will tell the Treasurer how much should be transferred over in each of those reserves. That is my understanding of the basic process. The bill creates an obligation on the Treasurer to ensure that the amounts transferred are at least the amount determined by the actuary. What will happen if the amounts in those reserves are greater than that recommended by the actuary? Will those funds stay in GESB as we now know it and therefore be transferred to the state superannuation board or whatever entity it might be, will they go back to consolidated revenue, or will they go over to GESB as a balance above the amount recommended by the actuary? How will those reserves that are over and above the minimum amount that the actuary determines must be transferred, particularly those reserves that belong to the accumulation scheme, be treated?

Mr E.S. RIPPER: This is one of the most important aspects of the reform implementation process. Some matters still need to be worked through by the people involved in implementing the reform before we can reach definite conclusions about the exact destination of some of the dollars. I can say this: the reserves will go either to the State Superannuation Board or to GESB MutualCo or its subsidiaries. It is a question of dividing the reserves between superannuation entities and not a question of there being some surplus that will be passed to the consolidated fund. No money will go to the consolidated fund as a result of this exercise. The money will go to the State Superannuation Board or to GESB MutualCo or one of its subsidiaries.

Mr T. Buswell: Of the reserves I mentioned before, which ones specifically relate to the accumulation scheme?

Mr E.S. RIPPER: I will seek advice on that.

Mr T. BUSWELL: I accept the point that the Treasurer has made; that is, that the reserves -

Mr M.W. Trenorden: Sorry, member for Vasse; I have been a bit distracted. What clause are we on?

Mr T. BUSWELL: We are on the last page of the bill!

The DEPUTY SPEAKER: We are on clause 16.

Mr T. BUSWELL: We had a quiet conversation. We said that while the member for Avon was half asleep and had his deaf ear to us, we would just deal with the whole thing en bloc.

Mr M.W. Trenorden: I am very pleased with the detailed examination you have done of the bill!

Mr E.S. Ripper: We sent the member for Cottesloe to distract you!

The DEPUTY SPEAKER: We are dealing with clause 16, member for Avon; I would not lead you astray, unlike the member for Vasse!

Mr M.W. Trenorden: Thank you.

Mr T. BUSWELL: I will make my point again. I am interested in making sure that the reserve funds that currently belong, if I can use that term, to the members of the accumulation scheme move over in their entirety to GESB MutualCo as part of this process. I accept what the Treasurer said; that is, that the combined mass of the two entities will either go to GESB MutualCo or stay with the State Superannuation Board. My view is that if those reserves have been generated over time by investment activities or management fees or whatever we want to call it - that is, the profits associated with the activities of members of the accumulation scheme - those

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moneys should go with them, even if that is above what the actuary determines is a minimum requirement. If we do not do that but instead leave it in the State Superannuation Board, effectively the state, in one way or another, will be generating funds that it is not otherwise entitled to from this process.

Mr E.S. RIPPER: Perhaps the Deputy Leader of the Opposition could again provide the exact question that he is asking.

Mr T. Buswell: I want to make sure that the total value of the reserves that are associated with the accumulation scheme - the West State Super minimum benefit guaranteed reserve and general reserve etc - is transferred across to GESB MutualCo as part of this process, even if those reserves are over and above the amount that the actuary determines is the acceptable minimum.

Mr E.S. RIPPER: The reserves will be allocated fairly according to the risks that the different parties bear. Where the members bear the risk, they will have the reserves. Where the state bears the risk or the matter relates to state obligations that could occur in the future, the reserves will be with the State Superannuation Board. Some of this is still to be worked through. What I can say is that the state will not be making a profit on this. The reserves will be divided fairly and according to rational considerations of the purpose of the reserves and where they are best located. I can indicate what GESB's reserves were at 30 June 2006. The pension scheme had an investment fluctuation reserve of \$21 million and an expenses reserve of \$12.6 million.

Mr T. Buswell: Is that associated with the defined benefits schemes?

Mr E.S. RIPPER: That is right. Gold State Super had an investment fluctuation reserve of \$375 million, an expenses reserve of \$85 million and a recoupment shortfall reserve of \$50 million.

Mr T. Buswell: Are they defined benefit reserves?

Mr E.S. RIPPER: That is right. West State Super had two reserves associated with it, including a minimum benefit guarantee reserve of \$7 million, which acts like a defined benefit obligation to the state. That relates to the state guarantee that applies to the 2001 account balance indexed at CPI plus two per cent, which was the position as we shifted to member investment choice. The fourth set of reserves is the operational risk reserve of \$77.4 million. The government services reserve of -

Mr T. Buswell: Are they associated with market accumulated or defined benefit? You have also missed one; you missed the West State Super general reserve.

Mr E.S. RIPPER: I am sorry. I was talking about the West State Super reserve. There is the minimum benefit guarantee reserve of \$7 million, which, as I said, relates to the state's defined benefit-like obligation to guarantee those 2001 account balances plus CPI plus two per cent. There is also a West State Super general reserve of \$63.6 million and then there are fund reserves - an operational risk reserve of \$77.4 million and a government services reserve of \$28.6 million. I think the member was going to go on to ask me whether those reserves relate to particular funds. I will seek some advice on that.

Mr T. Buswell: Defined benefit or accumulation.

Mr E.S. RIPPER: I am advised that they are general; they do not relate to particular funds. I repeat that the guiding principle of this reform is the best interests of members. I must also take into account the interests of taxpayers - the citizens of the state as a whole. We must fairly divide the reserves between the interests of members of the public as a whole and of members of the various funds in GESB.

Mr M.W. TRENORDEN: Could the Treasurer explain the other process of exactly how GESB currently runs its operational funds? It charges a fee on members' accounts to raise funds but also attracts funds through its own investment processes. How big is that fund? Am I correct in assuming that that is the full proportion of the operational funds of GESB? Is there a formula to transfer that?

Mr E.S. RIPPER: This takes us into quite a complicated area. I have been trying to make sure that I have got the right advice. GESB revenue comes from fees charged to members. Some of the reserves have also been built up because investment earnings have been greater than the defined benefit obligation that GESB is required to meet. The surplus has been put into the reserves. There will be a rigorous process to properly allocate the reserves between the State Superannuation Board and GESB MutualCo and its subsidiaries. That process will be overseen by the Auditor General, which is the accountability part of it. The other accountability mechanism is that the reserve allocation will be published in the transfer order. People will be able to see how the reserves have been allocated and they will have the assurance that the Auditor General has been looking over our shoulder at the work that has been done.

Mr M.W. TRENORDEN: That brings back an old debate, Treasurer. Is the Treasurer going to resource the Auditor General to do that? It is a function over and above his normal processes. We had that debate only a few

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months ago. Nevertheless, the Treasurer has made the point and I am sure he will. I now make the point to the Treasurer that we are taking this on trust. It is very remarkable; in fact, if the Treasurer were sitting where I am now or where the member for Cottesloe is sitting, and that answer was given during another debate, I do not know whether it would be accepted. I am not having a go at the Treasurer.

We have a good feeling towards this bill. However, our responsibility goes to a little more than that. We have circumstances in which some staff members will be transferred to the new entity. They have an option for a period to go with it. I think they have 12 months to decide whether to go back to the old system. The Treasurer has a complicated formula for all these funds. I have to say that GESB's performance in recent years has been outstanding; it has been a really good performance. However, we are not talking about peanuts. We are not talking about insignificant amounts of money. The Treasurer's answer tells me that I will find out about it after it happens. Normally, in this place that is not a good enough answer. I suspect that we will let the Treasurer get away with it. I hope that some time in the future we do not regret it.

Mr T. BUSWELL: I have some substantive concerns along the lines raised by the member for Avon concerning the matter of reserves. The Treasurer has just said that he needs to weigh up the benefits of broader taxpayers versus the benefits of the members of GESB. That did little to soothe my concerns. In fact, I was so worried I had to go out and get a bit of cheese from the afternoon tea repository before it closed at four o'clock. I am concerned.

Mr C.J. Barnett: All the vanilla slices had been eaten, had they?

Mr T. BUSWELL: Yes. I did not get there before government members, who take all the good stuff!

Mr P. Papalia interjected.

Mr T. BUSWELL: I have warned the member for Peel before about interjecting. I have a couple of beauties lined up for him. I will wait for a far more heated debate; I have some real pearlers in my back drawer.

This is my concern: the reserves that are linked to the accumulation funds - and I suspect a large part of the general reserves - were accumulated over time based on the investment activity and fee-paying activity of the members of the accumulation fund. I want to make sure that we are doing the right thing on behalf of those members when those funds are transferred and that their asset is protected, for want of a better term. The Treasurer has basically said in his statement that he has an obligation to meet the requirements determined by the actuary; that is not within doubt. There will be money over and above what the actuary determines and the reserve balance on the day. The Treasurer is saying that he has to look after the needs of the taxpayers of the state. In other words, there is a need to keep as much money as possible with the State Superannuation Board to help meet the unfunded liability that the member for Avon talked about before. I have some significant concerns about the process. I do not say that to cast any doubts on the quality of the people who are involved in moving this forward - not at all. Some of them are sitting with the Treasurer today. The Treasurer talks about "fair". That was the word he used; a fair allocation. I find that when we discuss matters affecting taxpayers in this state the Treasurer's definition of fair, my definition of fair and the definition of fair of the average punter in the street are poles apart. I do not think there is much we can do with that today in this house. However, I will be having a long talk to my colleagues in the other place to see if they can look at this issue in more detail. I will not talk about it any more. I just want to let the Treasurer know that I am not satisfied with what he has said and I do not think the member for Avon is satisfied with what he has said, although far be it from me to speak on his behalf. I will be having serious discussions with my colleagues in the other place about this particular matter because they have a better capacity to explore these issues. The Treasurer may well recall that when the Financial Management Bill went through he laughed aside some of the objections and concerns we had. Guess what? They came back. The Treasurer was not happy about it but they came back and we had our way. The Treasurer needs better answers. That is what I am trying to say. The Treasurer has between now and when the bill goes through the other place to get better answers. I am not comfortable with what the Treasurer is telling us. However, I will not hold up Parliament for the afternoon talking in circles on this issue because the point has been made.

Mr M.W. TRENORDEN: I have to say that it is not acceptable that only the Auditor General reports on this process. As the Treasurer knows extremely well, the Auditor General has a particular function to play in the accounts of the state. There is a person sitting at the table who would be more qualified to comment on this than the Auditor General. The responsibility of the Auditor General will be to look at the function of this bill and tell us whether those functions have occurred correctly. He will not know about the peripheral issues of the transfer of those funds. The Department of Treasury and Finance would go a lot closer to answering those questions than would the Auditor General. However, the Treasurer just pointed out that the Department of Treasury and Finance is not an expert in superannuation funds either. It concerns me that the Auditor General will not

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necessarily answer the questions that the member for Vasse has asked. The Auditor General will say that he has looked at the process and that he sees no discrepancies in it.

Mr T. Buswell: Where does it say that in the bill?

Mr M.W. TRENORDEN: It is not in the bill.

Mr T. Buswell: How do you know that the Auditor General will look at it?

Mr M.W. TRENORDEN: It is not in the bill.

Mr T. Buswell: The Auditor General will not be the auditor of MutualCo.

Mr M.W. TRENORDEN: Not when it is completed; it will be done by PricewaterhouseCoopers and so forth.

Mr T. Buswell: I am worried that it will pass through even those.

Mr M.W. TRENORDEN: An auditor will do the job of an auditor. We are not speaking about whether these things will be done functionally and correctly. I would almost trust the minister's advisors to do that. The question the member for Vasse has asked is whether the arguments about the fairness of those funds will be relayed clearly to us. That is nowhere near the role of an auditor. We are doing more than just taking the Treasurer on trust. I know and accept the motivation behind this bill. However, we are going through the passage of this bill with very scant information.

Mr E.S. RIPPER: I have been reflecting on the contributions of members as the debate has proceeded. This is a serious issue. We are talking about quite substantial sums of money and a complex issue that must be resolved regarding the allocation of the money that is to be reserved for the State Superannuation Board or MutualCo and its subsidiaries. I will tell members what I think should happen. I should table in Parliament the actuary's advice and the transfer order that I ultimately sign. Members will then be able to see whether there is any difference between what the actuary puts forward and what I ultimately decide. I have said that the Auditor General would have oversight of this. It is a little unclear to me exactly whether the Auditor General will be providing a report on this. Therefore, I undertake to discuss with the Auditor General how the outcomes of his oversight will be made available to members of Parliament.

Mr M.W. Trenorden: Will any particular skills be brought into that process of the Auditor General on this issue? They would have to be unrelated skills. I appreciate the Treasurer's openness and his attempt to deal with this. What he is saying is correct. We are debating this matter so that not just members of Parliament can look at it; there is a raft of industry people who should have the right to look at it as well. They have skills well beyond those of the member of Vasse and me.

Mr T. Buswell: Steady!

Mr E.S. RIPPER: The member for Nedlands could well also be part of the accountability operation. The commitments I have given demonstrate that I have listened to the arguments put forward by the opposition. The actuary's report and transfer orders will be tabled and I will discuss with the Auditor General whether we will advise either this house or the upper house, depending on when I get the background, about how the Auditor General's oversight will be reported to the public and the Parliament. The accounts of the State Superannuation Board of GESB are currently audited; a process is already in place.

Mr M.W. Trenorden: We are not worried so much about the audit. We are more concerned about being clear about the process. Before you sit down, Treasurer, other members have a great interest in the other house, but I do not have a huge interest in it. I would like the Treasurer, if he can, to report back to this house about the Auditor General.

Mr E.S. RIPPER: If the debate on this bill is concluded, which I hope it will be because I would not mind it being concluded this afternoon if we have a chance of doing that, I will make a brief ministerial statement on the outcome of my discussions with the Auditor General.

Mr C.J. Barnett: Will you also table the material that you offered to table at the time?

Mr E.S. RIPPER: Yes, I will table the material at the time. The actuary's report and transfer orders will be tabled at the time and I will make a brief ministerial statement on how the Auditor General's oversight will be reported to the Parliament and the public.

Mr T. BUSWELL: I thank the Treasurer very much for giving those undertakings, which are of assistance, and for taking our concerns on board. I think we can leave the transfer of assets behind. I will move on to another point that I and a couple of other members touched on in the second reading debate. I refer to the appointment of

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directors, one of whom is sitting with the minister today. She is doing a sterling job and my comments are not a reflection on her. As I understand it, in the first instance, MutualCo will have a number of directors who will be appointed directly by the Treasurer. There is no obligation on the Treasurer to utilise the shared representation model, which is the old model of appointing to the board three employees and three employers, or however that works. I am seeking clarification from the Treasurer about the processes involved in the appointment of the directors of MutualCo and TrustCo. As I understand it, the directors of TrustCo will be appointed using the equal representation model. Therefore, the old arrangement that existed with UnionsWA will remain. It will nominate three members. I understand that UnionsWA, through the wonderful democratic processes of the trade union movement in Western Australia, which is always open and accountable and which has delivered us fantastic members of Parliament on the government benches, will deliver two or three representatives to TrustCo. One representative will be from the State School Teachers' Union of WA, another will be from the missos and the third will be from whichever union is the most powerful at the time. As a former State School Teachers' Union of WA advocate, the Treasurer probably has an interest in seeing that that arrangement is maintained. My colleagues and I are interested to know exactly what arrangements will apply to the appointment of directors of MutualCo and TrustCo. As I understand it, after the first year of its operation the members of MutualCo will elect the directors on the recommendation of the board. I await the Treasurer's guidance.

Mr E.S. RIPPER: I did not rise to the exulted position of advocate; I was merely an organiser of the State School Teachers' Union of WA.

Mr T. Buswell: Were you there when Shelley Archer got the turf?

Mr E.S. RIPPER: My employment was not coterminous with hers.

Mr T. Buswell: You are lucky then, from what I understand.

Mr E.S. RIPPER: I will not be tempted to divert from the important exercise of getting this legislation through this afternoon.

The board of MutualCo is planned to comprise between seven and nine directors, including the chief executive officer of GESB. There are planned to be some common directors between MutualCo and TrustCo but the majority of MutualCo directors must be independent of TrustCo and vice versa. The remaining positions will be filled ahead of the transfer. It is important to have a robust and transparent process. I will take very seriously my role to appoint the inaugural directors because I am conscious that that will set the foundation of the organisation for a long time into the future because of the role that the directors will have in organising their replacements. As the new superannuation organisations must meet commonwealth regulatory requirements, the directors will need to meet a fit and proper and good fame and character test. That covers matters such as propriety, bankruptcy, criminal convictions, disqualification from certain professions - I assume it would be any profession - and so on. The test will also cover a person's fitness. People will have to have suitable qualifications and substantial experience and training in investments, superannuation and wealth management, finance, risk and compliance, and corporate governance. The requirements on individuals to be appointed to these positions will be quite significant. I will be thinking about what skill set is required on the board and I will take great care to appoint competent people. "Competent, competent, competent" will be the guidelines for the appointment to these boards.

It is envisaged that the process will include a call for input and expressions of interests from stakeholders; the engagement of an independent board search consultant to source potential additional candidates; the formation of a short-listing panel comprising the chief executive officer of the Government Employees Superannuation Board and other suitably qualified people, including the board search consultant, to review candidates and prepare a short list for my consideration.

It is my intention to appoint the chair of GESB MutualCo ahead of the remaining positions so that the chair can then participate in the selection panel to fill the other positions. We intend to go about this very important exercise in a serious and rigorous way, and all appointees will have to meet very stringent tests for fit and proper appointees.

Mr T.R. SPRIGG: On the same theme, it seems to me that the special membership category - which obviously will be the Treasurer - has fairly outrageous veto powers. Proposed section 43(3)(c) states -

while there is a special member, the special member will have a power to veto the exercise by the company or the directors of its or their power -

- (i) to alter the constitution of the company; or
- (ii) to appoint a person as a director of the company; or

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- (iii) to remove all of the directors of the company within any 12 month period; or
- (iv) to form, acquire or dispose of a subsidiary after the transfer time; or
- (v) as a holding company of TrustCo, to vote in favour of a resolution to alter the constitution of TrustCo; or
- (vi) to raise capital or borrow money; . . .

We all trust the Treasurer; he will not always be in this position when all this happens.

Mr J.E. McGrath: Speak for yourself!

Mr T.R. SPRIGG: We hope he is not, I suppose!

These seem to be very strong veto powers for the special member - the Treasurer. WA Inc and the misappropriation of government funds is only too recent in our minds, although I am not saying the Treasurer was involved. These are extraordinary powers. Can the Treasurer provide some reasons for the unusual strength of these special membership powers?

Mr E.S. RIPPER: We are moving into a new set of arrangements that will potentially affect retirement incomes in a quarter of a million households in Western Australia. People want to know that any change will be ordered and gradual and that there will not be any sudden deviation from the direction of the reform program that has been outlined. The Treasurer's veto powers are reserve powers. I do not expect them to be required, but they are there in case there is some sort of unexpected development in this organisation that would take it well away from the expectations given to a quarter of a million households when this reform scheme was proposed.

Mr T.R. Sprigg: By interjection, can the Treasurer give us an example of the sort of extraordinary circumstances in which he might have to intervene? I cannot think of one other than misappropriation.

Mr E.S. RIPPER: It is hard to imagine that these things would actually occur, but what would happen if a determined, well-organised group managed to gain control of organisation meetings and sought to rapidly move the organisation to a demutualised situation? It would be quite contrary to what people were given to expect when the reform went through Parliament. We want to make this change and keep it stable. Ultimately, members will have full control of the organisation and will be able to take it in the direction they wish to. Given the importance of the issues and the significance of retirement income, we thought we would include these safeguards. I have moved an amendment and will move another that provides for transparency in the exercise of the Treasurer's powers, if they are exercised. Notice of any exercise of powers will be required to be tabled in the house. The Parliament can then hold the Treasurer accountable. The Treasurer currently has a lot of powers with regard to GESB. It is a government organisation; the Treasurer or a responsible government minister exercises the normal powers that a government minister has with any government organisation. In fact, there will ultimately be no ministerial power over GESB.

Mr C.J. Barnett: When it's privatised.

Mr E.S. RIPPER: When it is mutualised.

Dr J.M. WOOLLARD: This is a very long clause. The Treasurer in his second reading speech stated -

There is also support from public sector agencies to implement choice as the lack of choice impacts the attractiveness of the state public sector as an employer.

Further on, the Treasurer stated -

It will be important to educate employees and employers about their rights and responsibilities in a choice environment. The Department of Treasury and Finance, the Department of Consumer and Employment Protection and GESB will implement an education strategy to inform and educate WA public sector employees and employers ahead of the introduction of choice.

I think that is very important. I know that when a similar bill was debated in the federal Parliament, the federal Labor Party was concerned about the low levels of financial literacy in the community, which were related to inadequate financial literacy education programs. The federal Labor Party sought an assurance from the federal government that adequate information about fees and commissions would be provided to employees. The federal Labor Party also sought to debate administrative and compliance burdens on small businesses. I have read clause 16, and although there will be reviews and the Treasurer will ask about information that has been given to some members of the company, how much money is the government planning to set aside in the budget for education of employees to ensure that they are able to assume responsibility and have a full understanding of their superannuation and retirement savings?

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Mr E.S. RIPPER: The program is still being worked up, but it is envisaged that it will cost approximately \$500 000.

Dr J.M. Woollard: Will the \$500 000 be spent over the next three years?

Mr E.S. RIPPER: As I recall, I indicated earlier that there would be an 18-month education program; 12 months in the lead-up to choice and six months afterwards. As a result of legislation previously passed in Parliament, there is now a financial advisory service associated with GESB, so people can seek professional financial advice related to GESB services.

Dr J.M. Woollard: So, \$500 000 is to be set aside for an 18-month program -

Mr E.S. RIPPER: We envisage a program of around \$500 000. It has not been determined yet.

Dr J.M. Woollard: Will there be any review? I am concerned that \$500 000 might not be sufficient. When will it be reviewed? According to the bill, there will be no review for three years. When will there be a review to ensure that members -

Point of Order

Ms S.E. WALKER: I cannot hear what the member is saying because of the conversations that are taking place.

The ACTING SPEAKER (Mrs J. Hughes): Thank you, member for Nedlands. It is not a point of order, but I ask members to be mindful that discussion is taking place in consideration in detail.

Mr R.C. KUCERA: On that point of order, perhaps it would help if the member spoke more directly into the microphone. It is difficult to hear over this side as well. It is not coming through the speaker over here.

Debate Resumed

Dr J.M. WOOLLARD: I appreciate that the Treasurer will allocate \$500 000 to an education campaign for employees, and it is envisaged at the moment that it will last for 18 months. What review will be done of that educational program? Will 18 months be sufficient? Although the Treasurer says that public sector employees want choice, I remind him again that the federal Labor Party position was one of concern about financial literacy in the community. Will \$500 000 be enough for the number of people the Treasurer said are involved in GESB?

Mr E.S. RIPPER: GESB has been talking to its members about choice for some time already, and will continue to talk to them. We are allowing 12 months between the passage of this bill and the introduction of choice, and there will be a period of six months after that during which education will continue to take place. At the end of that 18-month period, GESB will, of course, review the outcomes for members' understanding of the changes. Let us not forget that, in the end, members will have the right to move to and from GESB. That is a very powerful mechanism indeed. If members, through any misunderstanding, are unwisely moving away from GESB, GESB will have a very powerful incentive to make sure that those members are properly advised. If members are unwisely staying with GESB when they should be moving, competitor funds will have a powerful incentive to educate them in alternative directions. We are moving to an environment in which organisations will have powerful incentives to deliver information to members or potential members.

Mr T. BUSWELL: I have a question relating to the review of the Treasurer's special membership of GESB. Who will conduct the review at the completion of three years? The bill lays out that the Treasurer will conduct the review, and sets out what the Treasurer must have regard to. The granting of veto powers to the Treasurer is quite significant. The Treasurer made an interesting observation earlier, using the unusual example in which the members of GESB rise up as one and decide to demutualise. That may or may not happen, but the Treasurer said that it would not happen under his watch. That is fine; the organisation is already privatised. Could it be argued, and should it be argued, that this review be conducted by somebody independent - for example, the Auditor General or another person independent of the Treasurer - so that when the review comes back to the house or goes to the government for consideration, it is not clouded by views such as that expressed earlier by the Treasurer? His view was that he needs to maintain some form of control over where the entity is headed. It may be that after three years, things are going so well - I certainly hope this happens - that there is no valid or rational reason that a good independent analysis could ascertain for the Treasurer maintaining that special membership. I have a concern that if the Treasurer, or the Treasurer of the day, were conducting the review, he would be highly unlikely to give up his special membership, even if that were in the best interests of everybody, simply because of some attachment he may have formed to that special membership or, as the Treasurer indicated earlier, a strong desire to prevent certain things from happening. In the drafting of the bill, was any consideration given to entrusting that review to an independent person? It is still a government decision; it is fair and reasonable that it be a government decision. I am talking about the stage at which the review is conducted,

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so at least we can sit down as a Parliament and say that an independent person who is an expert in the field has conducted the review, and it is our determination that the Treasurer should cease to be a special member. If the government of the day says that it will take the point on board, but decides to keep the veto powers in place, that is its political decision. I suppose I am trying to separate a proper review from a political process. I am not denying the government of the day the right to have that political process, but was any consideration given to separating that process from the review process? Does the Treasurer have any advice from other states in which a similar process has occurred? Who conducted those reviews?

Mr E.S. RIPPER: The statement I made about demutualisation was not an indication of a personal prejudice that I would apply. It was merely a statement to give people confidence that what we are proposing to do with this bill will actually happen. It is important when dealing with such a sensitive issue, so many people and such a big reform, that people know that things will be as explained to them and will not become something different within a very short period. That is why I made the statement that I would veto demutualisation in the first three years if I were Treasurer.

The Treasurer will not personally do the review; he will commission somebody to do it, and the report is to be tabled in Parliament in any case. The Parliament can hold the Treasurer accountable for whom he chooses to do the review, the quality of the report and the Treasurer's response to it. In theory, it could be provided that somebody else do the report, such as the Auditor General, the Economic Regulation Authority or the Public Accounts Committee, but the important point is that it will not be done by the Treasurer personally and it will be tabled in Parliament.

Mr M.W. TRENORDEN: It has just occurred to me that I should be declaring an interest, because I have roughly \$30 000 in GESB myself, and here I am arguing about its regulation.

Mr T. Buswell: That would be your weekly pension!

Mr M.W. TRENORDEN: Exactly!

Mr E.S. Ripper: If we weighted the membership by superannuation entitlements, we would not have any votes!

Mr M.W. TRENORDEN: Exactly. I actually went to a local government meeting once at which a motion against Telstra was moved, and no-one could vote because everyone was a Telstra shareholder! The vote could not take place.

I will put to the Treasurer another point about which I am very concerned. I will not make a federal case out of this, but the documents are pretty light on for information about the operational manner of the mutual company and the trust company. The structure indicates where they all sit in the process, but the bill is silent on how the administration will actually work. I am curious about why that is the case. The reasons, the structures and the purposes of those bodies are included in the bill, but the administrative functions are not. I find that a little difficult. I can only presume that, in developing this process, very learned people have looked at the requirements of the federal bodies and what is needed to meet them. I presume that when these bodies are finally elected, they will establish their own procedures to a large degree. Again I say that, as in relation to the investment process, we would not find that acceptable in other bills. That is a vacuum in this bill. Again, we are taking on trust the people around the Treasurer. I am, frankly, not all that unhappy to do that. However, I am making the point that our role in opposition is to scrutinise bills and raise these issues. I asked some questions of the advisers when we had the briefing. I do not want to delay the process, but I can point out a couple of circumstances that, in the normal procedures of superannuation companies, will raise question marks about what happens to the mutual board and the trustee company. Those questions cannot be answered until the companies start to operate. It is a bit like the asset situation. We must take the Treasurer on trust. I am not sure that we should be doing that.

Mr E.S. RIPPER: One important point is perhaps being ignored in the debate; that is, we are shifting this whole set of arrangements to commonwealth regulation, except for the defined benefit schemes for which the state has the liability and the regulatory responsibility. The fairly stringent commonwealth superannuation regulatory scheme will step in. It is not the case that the Treasurer will be responsible for the regulation of GESB MutualCo and GESB TrustCo. That will be the commonwealth government's responsibility, just as it is responsible for regulating all the other superannuation schemes in the country. In addition to the commonwealth regulation, on the structural questions, the Treasurer will have some reserve powers that have been designed to deal with the most serious risks that could potentially arise. We will have commonwealth regulation plus the reserve powers of the Treasurer if someone proposes a radical change to the arrangements. If, in the member for Avon's view, the operation of West Scheme, Hester or the schemes that operate in the building industry and so on are satisfactorily regulated under the commonwealth arrangements, he should be comfortable with what is proposed for GESB MutualCo and GESB TrustCo.

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Mr M.W. TRENORDEN: The minister is correct, but he is ignoring the basic premise of what we are doing here. We are moving a range of superannuation benefits from the state's control to a private entity.

Mr E.S. Ripper: It will be a member entity that will be regulated by the commonwealth.

Mr M.W. TRENORDEN: That is right. People have hundreds of thousands of dollars in this fund, and we are asking them to trust our management of this process because of all this regulation. That does not mean it will be well managed. If the Treasurer were considering investing a quarter of a million dollars in a share fund tomorrow, he would want to know about the management of that fund. I agree with the Treasurer about the prudential requirements of the federal government and of the state. I am not arguing about that. They exist. However, we cannot look our constituency in the face and say we know that the government's model is a good model because it is in the bill; we have a description of it. In fact, we have no description.

Mr E.S. RIPPER: In the end, the operations of the fund will be disciplined by two mechanisms. The first is commonwealth regulation, which is what applies to superannuation funds generally. In my view, that commonwealth regulation is likely to be more robust than what the state can ultimately offer because the commonwealth regulators do that regulation as their core business, having achieved a critical threshold and critical mass of regulatory experience and talent. The second mechanism that will regulate the performance of GESB MutualCo and GESB TrustCo is the mechanism of choice. If something goes wrong with these funds or organisations and they stop performing, people will walk. That will be a very powerful deterrent to any poor behaviour or poor management in GESB. That is the ultimate discipline - any member can walk and go to another fund if he so chooses.

Mr M.W. TRENORDEN: I will make one last point. I did not go to the effort of making a speech for nebulous reasons. Management of superannuation funds is critical. I have no problem whatsoever with the regulatory processes that have been outlined; I accept them totally. However, we are asking the members of the superannuation fund to take management on trust. I do not say that lightly, because in my speech I said that when the commonwealth bank changed from an agency to a fully privatised bank, the cultural change took 10 years. I am not saying that I am terrified that the management that will move across to this new entity will fail; I am saying that we are taking that on trust and that is not good enough.

Clause, as amended, put and passed.

Clauses 17 to 51 put and passed.

Clause 52: Section 29 amended -

Mr T. BUSWELL: I would like a brief explanation from the Treasurer, without too much Canberra bashing, about the processes that have unfolded in his communications with the federal Treasury with a view to transferring West State from a non-taxed superannuation fund to a taxed superannuation fund. I understand that the vast majority of part 5 of this bill contains three different options, one of which will apply, depending on how the federal Treasury responds. I understand that information is fairly much locked in now, given that the federal government will not support GESB's arguments about transferring a transmission mechanism to take West State super from a non-taxed to a taxed fund. The Treasurer knows Mr Costello has had a hard week so I am sure the Treasurer will go easy on him. A vicious attack will destroy him!

Mr E.S. RIPPER: I am reflecting on how to describe a relatively complex issue.

Mr T. Buswell: Simply, will do.

Mr E.S. RIPPER: Some members of West State Super may find it to their advantage to transfer to a taxed fund. A lot of members of West State Super will find that it will not be to their advantage to transfer to any taxed fund under existing commonwealth arrangements. That will limit the practical availability of choice to those people because, no matter how good the performance of a rival tax fund might be, the competitive advantage with which West State Super starts as an untaxed fund for some members will mean that they will not find it in their interest to transfer. It will be better for those members in that it will give them practical access to choice and it will be better from the point of view of the administration of GESB MutualCo and GESB TrustCo if West State Super members are transferred in bulk to the GESB scheme; in other words, transferred from the untaxed West State Super scheme to the taxed GESB scheme. However, to do that would involve detriment to the benefits of a significant proportion - the majority - of West State Super members. We could not in good conscience transfer their benefits in there if there were to be detriment to their benefits, as it would be contrary to our agreement with the commonwealth not to make changes to superannuation that would reduce members' benefits.

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We did some modelling, which showed that we could, with commonwealth cooperation and some consideration given to not applying the contributions tax to the in globo transfer of members to the new scheme, have beneficial impacts ultimately on commonwealth revenue while not undermining the benefits of members. Unfortunately, we have not been able to convince the commonwealth of the merits of that proposal. I have had a long telephone conversation with Peter Costello, I have written to Peter Costello on two occasions, and the Under Treasurer has written to and had conversations with Ken Henry, the commonwealth Secretary to the Treasury. We have therefore made a significant effort to persuade the commonwealth on this matter. However, I received a letter from Peter Costello of 26 June in which he said -

While I understand that you are keen for our Departments to resolve their differences over the costing of your proposal, I stress that my concern with your proposal is not related to the cost to revenue. My concern is one of equity.

The object of our superannuation reform is that where contributions are taxed on the way in, they are tax free on the way out. Where they are tax free on the way in, they are subject to tax on the way out. There is no category that is tax free at both ends. If the Government created such a new category, naturally all other classes would want the same treatment.

I recommend you allow existing members of WSS to elect to migrate their accounts to GESB Super, paying the contributions tax and getting the benefit of tax free payments. Those who would not benefit from such a scheme could elect to stay under the current system.

The unfortunate fact is that the overwhelming majority of West State Super members falls into the category covered by that last sentence - "Those who would not benefit from such a scheme could elect to stay under the current system." The practical choice will be a bit limited for those people, unless we can get some commonwealth consideration. That is the matter as it stands at the moment. I am always hopeful that there might be a last-minute change of heart. I am hopeful that the new Treasurer next year - whether it is a Liberal or Labor Treasurer, I think there will be a new Treasurer next year - might be prepared to take a fresh look at this issue.

Mr T. Buswell: Are you resigning?

Mr E.S. RIPPER: A new federal Treasurer.

MR M.W. TRENORDEN: I want to make a couple of final points before this clause progresses, and I will not make these points lightly. As was pointed out in the briefing the other day, this is the third biggest lump of superannuation funds in the nation. The Government Employees Superannuation Board is one of the really competent organisations in Western Australia. I cannot recall how many billions of dollars are under the management of GESB, but the Treasurer said that about a quarter of a million families are affected. I am not sure that we as an opposition have done justice to this bill. The member for Vasse and I have done the best we can. I do appreciate the concessions that the Treasurer gave; they are important concessions. However, I continue to feel a little hollow in that a bill of this significance, which has the capacity to have a very substantial impact on a lot of Western Australians, will pass through this house in such a short period.

I also say in this statement that I have confidence in the new and activated GESB; its performance in recent years has been very good. I have confidence that it will mature into a professionally operated superannuation fund. However, I point out that they are not our concerns. Our concerns are to make sure that we have examined this bill as best we can for the benefit of Western Australians. I will sit down now a little unsure - I do not speak for the member for Vasse and others - that we have done that.

Clause put and passed.

Clauses 53 to 70 put and passed.

Clause 71: Part 4A inserted -

Mr E.S. RIPPER: I move -

Page 79, after line 10 - To insert -

75GA. Notice of refusal of approval to be tabled

If the Treasurer refuses to approve the doing of something which, under the governing rules, cannot be done without the Treasurer's approval, the Treasurer must -

- (a) give written notice of the refusal to the TrustCo; and

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- (b) cause a copy of the notice to be laid before each House of Parliament or dealt with under section 78 within 14 days after it is given to TrustCo.

This is the second part of the package that I said was put by the government to the house in response to non-government members' issues raised during our briefings.

Amendment put and passed.

Clause, as amended, put and passed.

Clauses 72 to 89 put and passed.

Title put and passed.