SUPERANNUATION ADMINISTRATION CORPORATION (PILLAR) (AUTHORISED TRANSACTION) BILL 2016

First Reading

Bill introduced on motion by Ms Gladys Berejiklian, read a first time and printed.

Second Reading

Ms GLADYS BEREJIK LIAN (Willoughby—Treasurer, and Minister for Industrial Relations) (16:23): I move:

That this bill be now read a second time.

The New South Wales Government is pleased to introduce the Superannuation Administration Corporation (Pillar) (Authorised Transaction) Bill 2016, which enables the Superannuation Administration Corporation—otherwise known as Pillar—to move from public to private ownership. The Government believes the time is right and the conditions are right to deliver this key piece of reform for the State. Over the past decade both current and previous New South Wales governments have considered this reform in depth. Starting with a 2009 report by Goldman Sachs for the former Labor Government, numerous reviews have been undertaken to consider the best option for the future of Pillar and its members.

The overwhelming consensus from these reviews was that Pillar should not remain in government ownership over the long term. By acting now the Government will be delivering on this key reform, ensuring the new owner will have greater capacity to invest in the new and necessary information technology [IT] platform—and this is a key issue in the reform. Pillar is currently one of the largest superannuation administration businesses in Australia. It administers approximately $100 billion in funds for around 1.1 million superannuation members. The business' client base largely consists of public sector super funds. Most of its employees are based in the Illawarra region, which is also where Pillar's headquarters are located.

Pillar operates in a highly competitive market for superannuation administration services. Margins are low and scale is critical to a firm's survival—another key issue in this reform. Further, many of Pillar's competitors operate diversified business models beyond just superannuation administration services. While the business has worked hard to meet the needs of its clients—and we are grateful for the hard work of the staff of this business—unfortunately a number of the clients have ended arrangements with the firm in recent years. For this reason, ongoing public ownership of Pillar is not in the best interests of New South Wales taxpayers, Pillar's clients or the Pillar business and its staff. Pillar has underperformed under State ownership, paying a dividend in only four of the past seven years.

Currently, the business is a consumer of funds, with the State investing nearly $20 million into an ongoing business transformation process to update Pillar's IT systems. It is not reasonable to expect the Government to continue to underwrite this degree of capital investment in what is, fundamentally, a non-core government business. Further, a responsible program of transacting non-core assets strengthens the State's financial position. It also reduces taxpayers' exposure to commercial risks. This is especially so considering how low Pillar's financial returns have been. Simply put, no State-owned corporation is immune from commercial reality.

A private owner would also have the scale and expertise to grow the business and provide greater opportunities for both its clients and its staff. Private owners can provide a level of industry and market expertise that the public sector does not have. The private sector also has a greater capacity to invest in the future of Pillar. Ongoing private sector investment will put Pillar in a stronger position to pursue growth opportunities and improve the business' long-term financial viability. In turn, the transaction allows the Government to focus on putting its limited funds into critical road, school, hospital and other vital infrastructure projects across New South Wales.

The Government recognises the significance of Pillar's operations in the Illawarra and its status as a major employer in the region. Maintaining employment and investment in the Illawarra region is one of the Government's key objectives in transacting Pillar. Accordingly, the Government will seek commitments from bidders that guarantee Pillar's continued presence in the region. I am pleased that under the commitment the new owner must guarantee that the existing operations of Pillar associated with the delivery of member services to existing clients will continue to be located in the Illawarra after the authorised transaction is completed. In fact, this regional commitment is for a period of 10 years and commences after completion of the transaction. This Government has put in place this guarantee.

In addition to this regional commitment, the bill will strengthen and reinforce protections for current award employees as Pillar transitions from public to private hands. These provisions are consistent with other government transactions. Part 4 of the bill provides permanent employees with up to a two-year employment guarantee period after transferring their employment to the new owners. For temporary employees, the employment guarantee is the remainder of their current term of employment immediately before the transfer date or the period of two years after the transfer date, whichever period ends first. For transferring staff who are contract employees, their contract of service continues to govern their employment.

Transferring employees will also have continuity of entitlements, including those relating to superannuation, sick leave, annual leave and long service leave. These protections provide employees with greater certainty, especially during the transaction. Both of these protections are designed to ensure that Pillar maintains a long-term presence in the Illawarra, and the Government was pleased to make these provisions part of the conditions of sale.

In light of this requirement, it would be in a future buyer's interest to look at expanding its business in the Illawarra. We see this as an opportunity for businesses not only to maintain current member services operations in the Illawarra but also to expand in the region.

The rest of the bill is very similar to other transactions bills that have passed through this Parliament. It includes provisions that allow the Treasurer to take the necessary steps to facilitate the transaction, including arrangements for the transfer of assets and functions. This transaction is in the best interests of all concerned, whether it is Pillar's clients, who deserve the best service they can get, Pillar staff, who deserve to have a positive work environment, or the Illawarra, which now receives a 10-year guarantee for the continuation of existing member services operations in the region. It is a great win for the local region.

Mr Gareth Ward: A Treasurer who listens.

Ms GLADYS BEREJIKLIAN: I note the interjection from the Parliamentary Secretary for the Illawarra and South Coast and the member for Kiama. I pay tribute to him for his strong and vocal advocacy in relation to this issue and many others in his community. Ultimately, this transaction is also a great win for the New South Wales taxpayer because it means the Government can dedicate resources where they are needed most. As I have said, this issue has been around since 2008.

Indeed, it was the former Labor Government that started the scoping studies and other reviews in relation to this issue. We are pleased to provide certainty for the future of this business. We are excited by what the future of this business can provide, we are pleased to be able to make those regional operations commitments to the Illawarra and, of course, to safeguard the entitlements of employees as they transfer to the new owner. On that basis, I ask all members to consider these details. I commend the bill to the House.

Debate adjourned.