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

Second Reading

Mr SCOT MacDONALD (16:05): On behalf of the Hon. Duncan Gay: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

Leave granted.

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 IT platform.

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's 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. 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, unfortunately a number of them 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.

Pillar has underperformed under State ownership, paying a dividend in only four of the last 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 scale and expertise to grow the business and provide greater opportunities for both its clients and for its staff. Private owners can provide a level of industry and market expertise which 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's 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 which guarantee Pillar's continued presence in the region.

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.

The regional commitment is for a period of 10 years and commences after completion of the transaction.

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. In light of this requirement it would be in a future buyer's interest to look at expanding its business in the Illawarra.

The rest of the bill is very similar to other transactions bills which have passed through this Parliament. It includes provisions which allow the Treasurer to take the necessary steps to facilitate the transaction, including arrangements for the transfer of assets and functions.

This transaction is the best outcome for all concerned. That is for Pillar's clients, for Pillar staff, for the Illawarra and ultimately for the New South Wales taxpayer.

I commend the bill to the House.

The Hon. ADAM SEARLE (16:05): I lead for the Opposition on the Superannuation Administration Corporation (Pillar) (Authorised Transaction) Bill 2016. The Opposition does not support the legislation.

The Hon. Dr Peter Phelps: Shame!

The Hon. ADAM SEARLE: I acknowledge those interjections. We oppose the legislation. I move:

That the question be amended by omitting "be now read a second time" and inserting instead "be referred to General Purpose Standing Committee No. 1 for inquiry and report".

With that I also flag that, should we be unsuccessful in moving this legislation into a committee to be examined in more detail at a more leisurely pace, we will be moving some amendments to the bill, in particular around increasing the commitment to the Illawarra region and the continued location of the Pillar operations in that region and also directed to providing greater protection to employees of Pillar. These are the same amendments that were prosecuted by the Opposition in the other place. Notwithstanding the fact that the amendments were not successful in the other place, we will again submit them to this House of review in order that all honourable members from a broader range of parties have the opportunity of examining them and adopting them, which would improve the legislation.

Pillar Administration is a New South Wales State-owned superannuation member administrator. In particular it is a Wollongong based company with about 700 employees. It has two main clients are First State Super and State Super. Approximately 1.5 million people have their superannuation funds administered by Pillar. Pillar has a chequered history in which governments, including the previous Labor Government, have considered selling or offloading responsibility for Pillar at one time or another. It was found at that time that it was not going to return a significant amount of money and that was not proceeded with. In November 2013 Deutsche Bank was asked by the current Premier to complete a scoping study into the potential sale of Pillar after the company put up its hand for a $30 million cash injection to fund a technology upgrade. The scoping study was completed. As at December 2015 the State provided $12 million to improve the platform. That scaled back program is now apparently half complete.

There was no mention of the privatisation of Pillar prior to the 2015 State election, but now it is up for sale to the private sector. The New South Wales Treasurer has said that a condition of the sale would be that Pillar would be required to stay in the Illawarra for another 10 years, whoever buys the business. Some of the provisions in this bill include giving an employment guarantee of two years for existing staff. As I indicated, the Labor Opposition will be moving a number of amendments to address the situation in the Illawarra region. First of all we want to ensure that the private sector entity that becomes the owner of Pillar pursuant to the authorised transaction provides a guarantee that Pillar's existing operations immediately before the completion of the transaction will continue to be conducted in the Illawarra for at least 20 years after the completion of the authorised transaction.

In addition to this commitment to the region, we will also be seeking an amendment that the Treasurer of the day, whoever he or she may be and whichever political party he or she is from, will submit a report to Parliament each year, updating the House on the status of those operations in the Illawarra region. We are pursuing those amendments in relation to regional commitment and employment commitment because a number of specific factors are occurring in the Illawarra economy that must be addressed.

There are significant issues facing the region. A loss of hundreds of jobs has occurred in the past few years in key industries, such as manufacturing, heavy industry and the mining sector. We are seeking