Wagga Wagga base hospital was linked to the privatisation of electricity. That was a lie. The former minister, Reba Meagher, should stand condemned for lying to the people, because at no time was that new hospital linked to any electricity privatisation. It was a disgraceful lie.

I am very concerned about the legislation currently before us in the House. With the initial legislation we would have had a reduction in government expenditure by it not paying the 30 per cent rebate of $959 million. There would have been a reduction in revenue of $660 million, but the government saving would have been $299 million. There has been no breakdown of the expenditure and the revenue provided to us for this legislation, but there seems to us to be a government saving of around $354 million. We have heard a lot from the government side of the House about all the money that the Commonwealth is putting into the hospital system to support the mass exodus into it. It is a load of codswallop. During the Senate Standing Committee on Economics inquiry into the bill, the Western Australian government stated that people dropping insurance would lead to higher hospital operating costs in the magnitude of over $50 million per year in Western Australia alone—one state. Imagine what it is going to equate to in states like New South Wales. It is quite extraordinary.

It is a fact that the government really offered no compensation to the public hospitals and did not conduct any exercise to determine just what the spin-off and the effect of this legislation would be. They are clearly going to let this just play itself out and then blame the states because hospitals are the states' problem. They are not a federal problem. Everybody is told that hospitals are the states' problem, so it is easy. We hear about stopping the blame game. Gosh, it is all you hear about in this House on a continual basis, yet all you hear is blame, blame, blame. What will in fact happen is that I will be told in the House, by the Minister for Health and Ageing or by the Prime Minister, about the impact of this legislation on my electorate, particularly on the public hospital system and how it cannot cope with the added people who have presented to them as a result of dropping their health insurance, and that it is a state issue. Hospitals are a state issue. We will see where the blame game really starts and finishes when this takes place.

As I have said, I think that something meaningful should come out of any change to health insurance. People who are paying health insurance should get incentives. They get their 30 per cent rebate. That was put in place by the former government and has had an enormous outcome. We have seen an increase of 10 per cent of people participating in health insurance. There was a suite of incentives offered by the former government to encourage people to take out health insurance: lifetime health cover, a 30 per cent rebate et cetera. If we are going to make changes, let us make a change so that those people who pay for private health insurance, particularly those older Australians who make the most claims on their private health insurance, will have no gap payments. Give them back the money that the government will save from the people who will exodus from private health insurance. Provide that no gap.

It seems to me to be such an anomaly. I listen to people who come and ask: 'Why is it that we pay such significant private health insurance and we get a 30 per cent rebate but, when we use it, it costs us so much money? It can cost us thousands and thousands in gaps. But if we had the same procedure in the public hospital system and loaded the public hospital system up, even if it were an emergency procedure, it would cost us nothing.' It is a valid question and a valid concern for people. So let us start to ease the burden. Let us start to look after a particular part of our community to begin with—older Australians. If the government is not going to provide the $30 a week rise in the pension then the minister should seriously consider having a no-gap policy and providing the savings to older Australians who are paying health insurance and using the private health insurance system. They should not have a gap. If anything is to come out of this legislation, let that be one of the good results.

If everyone is forced back into the public health system in my electorate, it simply will not cope. I urge and plead with the minister to get involved in the rebuilding of the Wagga Wagga Base Hospital to ensure that the people of the Riverina are able to get access to health care of the quality that they should enjoy—the same as any city person would.

Ms BIRD (Cunningham) (6.36 pm)—I indicate to the House that I only intend to speak for about 10 minutes on the Tax Laws Amendment (Medicare Levy Surcharge Thresholds) Bill (No. 2) 2008 because I need to go to the Main Committee to speak on another bill. Given that, I will not canvass the much broader issues that many members in addressing this legislation have, particularly issues to do with hospitals.

The bill that is before us increases the Medicare levy surcharge threshold for individuals from $50,000 to $75,000 and the threshold for families from $100,000 to $150,000. The member for Riverina in her comments to the House indicates that she is not certain where those figures came from. Quite clearly, what that reflects is the fact that throughout the consultation process in the Senate inquiry into the previous bill that many coalition members and industry players indicated that, if what we were seeking to address was the failure of the initial legislation to contain indexation, the current thresholds should be $75,000 and $150,000. Having taken on board the contributions of those players in

the debate on the original bill, the government has come to these new threshold proposals.

The bill introduces transitional arrangements so individuals who obtain appropriate health cover before 1 January 2009 avoid the Medicare levy surcharge for the period 1 July 2008 to 31 December 2008. It also ensures that the thresholds will be indexed against wages growth into the future.

The Medicare levy surcharge, when it was introduced by the Howard government, was clearly and indeed explicitly outlined by the then government as being meant to apply to high-income earners with the purpose of encouraging them to take out private health insurance. We have a mixed health system in Australia. It has a universal, accessible to all public system and a thriving and, one would hope, competitive private system that offers a choice. I would argue that interaction between the two has driven much of the quality of our health insurance.

In their contributions to this debate, people have been indicating particular problems, mainly around issues with their local public hospitals. It is true that we continue to need to address the public hospital system. Also, the challenge is there for the private sector to address some of the less than adequate services that their private health system is able to provide as well. Much of that is driven by an international shortage of specialists and medical staff. That creates some challenges for both the public and private hospital systems in particular and the health system more broadly.

We have a mixed system. In Australia it has always been that those who have the income capacity to do so will often choose to take out a form of private engagement with the health system through private health insurance. That has worked well for us. In fact the mixed base of our economy across a range of areas has worked well for us. The original legislation was intended, we were told, as a carrot to encourage those with the income capacity to take out private health insurance to do so to give meaning to that mixed health system.

The failure to provide indexation in that original legislation has had absolutely the contrary effect to that which the government of the day said it was intended to achieve. What we are doing is correcting the original legislation's failure to provide indexation. If we accept that the government at that time was honest in its claims, its legislation was only about a carrot to encourage those who could afford it to take out private health insurance. The effect has been a tax trap for families increasingly less and less able to afford private health insurance. One could be extraordinarily cynical and think that the original legislation, despite the claims about its purpose, was actually about forcing more and more people who are less and less financially able to sustain it into the private system, thereby providing some of the general motive to push people out of the public system into the private system whether they wanted to go into it or not.

Much of what the former government did in this sort of area was introduced using the term 'choice'. That was a favoured concept of the previous government. Yet when you looked at the impact of what it was that they did, what it did was take away choice. The net effect of that legislation over time has been that people have been given no choice, with them being punished whether they stuck with the public system and said that private health insurance was not a choice for them or whether they took out private health insurance as a result of these pincer movements, if you like, by legislation.

That tax trap is an inequity. It is unfair to working families. It is unfair to individuals who have been increasingly caught in that tax trap. It should be fixed. This legislation attempts to addresses that—and, indeed, the previous legislation tried to address that. I am quite bemused as to why the now opposition would have a problem with a measure that is about government getting out of the way of choice. It is saying that the government should get out of the way of people having choice; the government should allow people to make their own calls on whether or not they want private health insurance; the private health insurance market should be driven by competitive behaviour—quality service and good products—and attract its own clientele on the basis of that. One would have thought that that would be the classic Liberal Party position to take on an issue like this.

Mr Morrison—What about compulsory unionism?

Ms BIRD—That has long gone by the board. We are the party and the champions of real choice now, I say to the shadow minister at the table. The reality is that people, especially in the current economic times, are in a position where it is very difficult for them to sustain their private health insurance. At any point in time when private health insurance premiums go up I can guarantee that my phone will run hot. People are really annoyed that they are forced to take out private health insurance. They do not feel that they are getting a quality product; they do not feel that they are getting value of money. They cannot vote with their feet by pulling out of it, because the government has set it up so that they are stuck with the requirement to have private health insurance.

The private health insurance industry in this country is a pretty good one. It is pretty competitive. There is room for improvement. One of the best ways to keep them on their toes and providing a good service is not to have a captured market but to require them to go out and seek a market and ensure that people see that it is valuable and they keep their private health insurance because it is valuable to them, not because the gov-

ernment is waving a stick over their head to force them to do so.

By 2005-06 nearly 500,000 people were trapped in the tax trap set up in the original legislation. We want to abolish that trap. We want to give some tax relief to those families earning around $50,000—hardly a high income in today's economy. We have listened to the concerns, the views and indeed the proposals not only of the industry more broadly and various lobby groups around this area but also of opposition members in the Senate and their contributions and suggestions.

We should acknowledge that Senator Fielding has today indicated that he will support the legislation. It is important to provide immediate relief to approximately 330,000 Australians, a significant number, at a time when they most need it. We heard, from the member for Solomon earlier, that the new Leader of the Opposition has said that he is there to go into battle for working families. Here is one very simple and straightforward way to do that. We need to give people genuine choice and that is what we are attempting to do with this legislation.

I want to very briefly in my closing comments make the point that many members of the opposition have said that people will pull out of private health insurance, so the opposition, I assume, presume that the product is so appalling and so uncompetitive that people will not choose to stay simply because they are getting good service and value for their money. Instead you have to force them to stay in regardless of how bad the product or service might be. Their argument has by and large been that this will put massive pressure on the hospital system. Thank heavens there is now a federal government that for a start is not cutting money from the public hospital system as has happened over the last 12 years but is actually putting money back into providing training positions in universities for the staff needed for those systems.

At the end of the day, people should not be forced by the government into taking out private health insurance when they are on incomes that cannot sustain it. This legislation quite simply and purely corrects an anomaly. It is something that I would have certainly expected the Liberal Party to have argued for and I am surprised we are even having to debate the principles behind this legislation.

I commend the bill to the House. I commend Senator Fielding for acknowledging that the current economic situation means that the budget integrity has to take precedence and that he is therefore going to pass the government's budget measures in the Senate. I think that is a responsible position to take. While I do not agree with many of his concerns about this bill, I do acknowledge his position and I commend the bill to the House.

Ms MARINO (Forrest) (6.47 pm)—I want to speak against the Tax Laws Amendment (Medicare Levy Surcharge Thresholds) Bill (No. 2) 2008. I and many others spoke against the government's initial Tax Laws Amendment (Medicare Levy and Medicare Levy Surcharge) Bill 2008, which attempted to increase the Medicare levy surcharge thresholds for individuals from $50,000 to $100,000 and for families from $100,000 to $150,000. This No. 2 tax law amendment bill proposes to lower the income threshold level to $75,000 for singles.

How can these amendments reduce financial pressures on working families? The government must realise that its proposed legislation is not wholly directed at working families. People who are currently in private health insurance also comprise single people both young and old. Low-income families and singles on incomes below the threshold levels would be adversely affected because they would not benefit from the tax cut but would face higher health insurance premiums as a result of fewer people taking out health insurance. Lower income families would simply fall out of the private health insurance market and have no alternative but to rely on the public health system.

A number of senior constituents in my electorate of Forrest have called me to discuss what the government's proposed legislation would mean to their private health insurance premiums. They are most concerned when they understand the detail of the proposed legislation. It stands to reason that those who benefit least from health insurance will be the first to leave the system. They would be those with good health, the young and fit. Senior people can see the logic of why younger healthier people and also low-income families would withdraw from private health insurance, which would leave a smaller pool of older Australians reliant on their private health insurance. They can also see that ultimately premiums will drastically increase and they may no longer be able to afford the private health insurance that they have maintained to give them some level of surety so that, should they need medical treatment or hospitalisation in the ensuing years, they will be able to receive it and not have to wait in the never-ending queues for elective surgery as a public patient.

Pensioners cannot cope now with the higher cost of groceries, fuel and day-to-day living expenses. Most fear that they will not be able to afford to pay higher premiums for their private health insurance. If the government believes that this will help working families, how will it explain to working families in the future, once the family has pulled out of private medical insurance, why it is they cannot get the necessary medical treatment and why there are queues of public patients before them? This will ultimately put an unsustainable burden on our public hospital system—a system which is struggling to cope now.