

*Taxation (Annual Rates, Trans-Tasman Savings Portability, KiwiSaver, and Remedial Matters) Bill — First Reading - 8 December 2009*

Hon Sir ROGER DOUGLAS (ACT): I want to take up some of the points that the Hon David Parker has talked about. But before I do, I just wanted to say that although all of us recognise that the Taxation (Annual Rates, Trans-Tasman Savings Portability, KiwiSaver, and Remedial Matters) Bill is necessary, essentially what it is doing is fiddling while Rome burns. What we as a Parliament are doing is essentially borrowing the equivalent of a hospital every week, and we intend to go on for 4 years borrowing \$250 million a week, or a hospital a week. Frankly, that is unsustainable. The fact is that if we come back to retirement—and I think if we are talking about superannuation, we cannot actually talk just simply about superannuation; we have to talk about retirement—the cost there is not simply superannuation; it is also healthcare in retirement, which is getting more and more costly. If we look at this year's Budget, if we look even at provisions in this bill, we find that 60c in every dollar of personal tax that each and every one of us here and throughout New Zealand pay goes to the retired. It costs \$1 in every \$3 of personal taxation to meet the superannuation costs of the retired. It cost 27c in the dollar of every dollar of personal tax to meet the healthcare costs. That is 60c in the dollar, and we have a retired population of around only 12 or 13 percent. When that gets over 20 percent, this country will be bankrupt unless we do something about it.

I do not believe that any of the political parties in this Chamber have a policy that would help get us out of that. Our Māori Party member, Rahui Katene, who spoke in this debate, talked about inequality. Although I agree with her, I do not agree with the cure. Let us take superannuation, for example. The present superannuation scheme is unfair. It is certainly unfair to Māori. Māori enter the workforce generally at a younger age than most New Zealanders do. They therefore work longer in the workforce than most New Zealanders do. In other words, they are paying more taxes over their working lives, yet they die at an earlier age on average and get nothing. Only a superannuation scheme that is fully funded meets their requirements and the requirements of many others on low incomes.

The same is true in other areas like education and health. That is why I advocated the other day in a paper that I published that the first \$600 of income a week should be tax free, giving around \$6,500 extra a year in people's pay packets. But if people took that tax reduction, they had the responsibility to buy their accident and sickness cover, their health cover, and to save for their own retirement. The fact is that if the average person did that over his or her working life, he or she would be likely to retire with somewhere between \$800,000 and \$1,000,000 in the bank. Certainly, that would be better for low-income earners, often Māori, and Pacific Islanders. It is time for this country to actually take stock. The thought that this Government is going to borrow the equivalent of a hospital a week for the next 4 years makes me shudder. We can fix it. The paper that I put out demonstrates how we can fix it if we are prepared to make some necessary changes. It is true that this Government inherited a mess from the previous Labour Government—there is no doubt about that. But at the end of the day, it does not matter who created the mess. This Government has the responsibility to deal with it. Labour will not recover for a long time from the fact that over and above inflation, it increased Government spending by about \$18 billion a year.