

# **WALTER CONSTRUCTION GROUP**

## **Contribution Dr. C Emerson – to House of Representatives March 2005**

Dr EMERSON (Rankin) (7.37 p.m.) —Australian building workers and small businesses are being forced to grapple with yet another corporate collapse—that of the **Walter** Construction Group. The administrators have described the group as 'hopelessly insolvent'. They have warned retrenched employees that there is little prospect of receiving their full entitlements as a result of this collapse. How could such a major construction company be 'hopelessly insolvent' during a sustained building boom? Didn't anyone in authority see the collapse coming? And does anyone in authority really care?

The **Walter** Group owes \$18 million to permanent employees. Since the group's realisable assets are valued at between \$17 million and \$26 million and it has only \$10 million in liquid assets, and since it also owes creditors \$90 million, the employees look like ending up high and dry. The government promised years ago that it would legislate to rank employees above creditors but has never fulfilled that promise. So the employees will be left to the mercy of the government's General Employee Entitlement Scheme, otherwise known as GEERS. If you believed the former Minister for Small Business and Tourism, the employees would get 100 per cent of their entitlements through GEERS. During the election campaign, where truth seems to be an early casualty, in an interview on Radio 2UE's Steve Price program on 30 August the following exchange occurred. Minister Hockey said:

Well, we already have a fund that covers employee entitlements and we do that, we have that fund because we've done the hard yards on managing our budget and we have the funds available so that we do not have to increase taxes.

The member for Sydney, Ms Plibersek, asked:

**Do they get a hundred per cent of their entitlements, Joe?**

Mr. Hockey replied:

**Yes, they do. Yes, they do.**

That is what the minister for small business at the time said—that, under GEERS, employees receive 100 per cent of their entitlements. The fact is that GEERS does not pay 100 per cent of employee entitlements. GEERS is capped at eight weeks redundancy pay and does not cover any unpaid superannuation. These limits are publicised on the Department of Employment and Workplace Relations website—[www.workplace.gov.au](http://www.workplace.gov.au)—on the employee entitlements webpage.

Documents obtained through freedom of information reveal that these limits on GEERS and other limits have left working Australians more than \$35.3 million out of pocket. The FOI documents reveal that the Howard government is pretending to protect employee entitlements but is short-changing one in five claimants—that is, almost 4,000 working Australians—by an average of \$9,000 each. So you have the minister for small business at the time saying that 100

per cent of employee entitlements are paid, yet the FOI documents reveal the truth—that almost 4,000 working Australians have been short-changed by an average of \$9,000 each.

The only employees who have received 100 per cent protection of their entitlements are those of the Prime Minister's brother Stan. As a result of that scandal, Labor and the general community were able to shame this government into introducing a limited employee entitlements scheme known as GEERS. In contrast, Labor took to the election a proposal to cover 100 per cent of employee entitlements, including superannuation, and it was that scheme that the former minister for small business was criticising in that 2UE radio interview on that day. That is why he was on radio: because he was criticising Labor's proposal to protect 100 per cent of employee entitlements while pretending that the government's own scheme did just that, and of course it does not.

The government claims it is the party of small business and it wants to protect contractors. It has foreshadowed legislation about that. But what about the subcontractors to the Walker Group working on its 30-odd projects? They will take a big hit, but of course they will try to stay solvent. They will not be entitled to GEERS, since they are not the employees of an insolvent company. Who is going to look after the subbies? Not the Howard government, which pays lip-service to protecting contractors. Here is an opportunity for the government to put its money where its mouth is, to take an active interest in the plight of both employees and subcontractors. It is expected that at least 500 employees will be retrenched on Friday. I call on the Minister for Employment and Workplace Relations to involve himself personally and not wait for the gears of GEERS to grind slowly forward, eventually paying part of the entitlements owed. If the government were interested in anything but pre-election political rhetoric, it would involve itself in this unfolding disaster.