

**Please accept submission below and related attached for info. Cheers, Carol O'Donnell, [removed for privacy reasons]**

## **WE ARE ALL CAPITALISTS NOW: A CONSUMER'S RESPONSE TO THE CONSULTATION PAPER ON AUSTRALIA'S FUTURE TAX SYSTEM (2008)**

### **1. THE CURRENT REVIEW CAN GO NOWHERE: WORK OPENLY IN INDUSTRY GROUPS TO ACHIEVE SUSTAINABLE DEVELOPMENT**

This submission later answers the following selected questions from the Consultation Paper on Australia's Future Tax System (2008) for a Review Panel chaired by Ken Henry:

Q. 5.13: The cost of providing health and aged care to older Australians is currently met by government through the health sector. Should retirement incomes policy take into account projected increases in health costs for older Australians? If so, what would be the most effective mechanism and how might the transition to such a system be achieved?

Q6.1 Can the tax system be structured to better attract investment to Australia in a way that increases national income and if so how?

Q 8.4: How could the governance of the tax-transfer system be reformed to reduce complexity, uncertainty and cost, and to improve transparency, understanding and support for the system?

Q. 11.1: Is it appropriate to use taxes on specific goods or services to influence individual consumption choices, and if so, what principles can be applied in designing the structure and rates of such taxes?

Q. 14.3: What is the role of the tax system in ensuring that renewable resources are used both sustainably and efficiently?

The main aim of this response, however, is to argue that tax can only be effectively understood in its relationship to all government assistance provided to industry on one hand and to communities on the other. The consultation papers on Australia's future tax system considers tax and transfers to communities in a very partial way, and has a related and flawed development perspective, which is primarily that of old-fashioned business. Financial services and related law reflect a theoretical paradigm which was dominant long before the United Nations (UN) was established. The consultation paper reflects this.

The best way forward now is to set up industry groups to consider tax in the same context as the range of government assistance to industry. Each group goal is ideally to develop law and related financial management recommendations to support the goals of sustainable development in business, including through taxation. The White Paper Summary Report (2008) which discusses the aims and implementation of Australia's carbon pollution reduction scheme is now ideally treated as law. Other law ideally is subordinate, while awaiting repeal or reform to support sustainable development. This approach was taken when occupational health and safety acts (OHS) with broad aims and duties of care, rather than narrow, contradictory and wrong prescriptions, were introduced in the mid 1980s.

Further justification for this position is below. I cannot think of a more educational exercise for all involved. The categories of capital, labour and land on which the taxation discourse relies are outdated. Prime Ministers Hawke and Keating buried the class struggle when they brought in

compulsory superannuation. We are all capitalists now and some of us don't like the language that others of us are using. This must be discussed before we can go on further together. During the current international crisis and before the introduction of the carbon pollution reduction scheme is the perfect time to do it openly, flexibly and fast. These recommendations are also justified in answers to questions later.

## **WHY INDUSTRY GROUPS TO ACHIEVE SUSTAINABLE DEVELOPMENT?**

The Consultation Paper on Australia's Future Tax System, like its predecessor, which supposedly addressed 'the architecture of Australia's tax and transfer system' has no conceptual direction and appears to be a pile of complex rubble which now may be endlessly picked over by so-called experts at great expense. I have seen similar problems in many volumes produced by the Australian Law Reform Commission (ALRC) - on privacy, for example. (No offence to the good ones produced with the National Health and Medical Research Council). The poorer volumes seem the modern, costly versions of presenting medieval debates about how many angels can dance on pinheads. They are far too narrowly theoretical and represent interests historically divorced from most of those in the modern world. Modern interests require widespread open practice justified through more open practice designed to try to tell us clearly where we are going, in case we get confused. Managerial authority is ideally based on science which serves the population. Much law and its closely related theoretical perspectives are not designed to support this. Populations live in an environment which must be understood. (Just ask a doctor.)

The consultation paper on Australia's future tax system never addresses the aims of taxation directly and deals with 'tax-transfer' impacts on the environment eventually, in chapter thirteen, even though 'environment' was the most common of twelve issues raised for consideration in submissions from organizations and also from individuals. One may disagree with the Productivity Commission (PC), but one has confidence that the organization has an idea about where it is trying to drive Australia and why. The PC appears to try to develop the competitive direction for Australia in the global economy that Labor and Liberal governments have been painfully developing, at least since Whitlam. I wonder if the writers of the current papers on Australia's future tax system have any goal other than producing more work for people like themselves. For this reason I have no confidence that the research commissioned by the Review in 2009 will have any point and wonder why the particular research topics in Appendix D (p.273) were the chosen ones. Why do we need a brief history of how tax and transfer theory have evolved over time? How useful is it going to be to help solve the current international financial crisis? We must stop re-embroidering the past in law that gets more complex. Give up and move on.

Keynes remarked that the difficulty is not so much in developing new ideas as in escaping from the old ones. The Summary of the Consultation Paper on Australia's Future Tax System notes that the Panel views environmental sustainability to be of such importance to Australia's future that it is ideally a principle against which the current system and potential reforms ought to be tested (p.14). I agree completely. My later response to the Panel is designed to take their concern into account through describing ideal regional and national industry and community approaches for sustainable development, which tax goals ideally support. It also focuses on the first term of reference of the review, which is that 'in order to position Australia to deal with the demographic, social, economic and environmental challenges of the 21<sup>st</sup> century and to enhance Australia's economic and social outcomes' it will consider:

The appropriate balance between taxation of the returns from work, investment and savings, consumption (excluding the GST) and the role to be played by environmental taxes (p.44).

The review is also expected to ‘make coherent recommendations to enhance overall economic, social and environmental wellbeing’ (p. 44). One wonders how this can occur because the people who wrote the consultation papers on Australia’s future tax system show no historical understanding of the development of industry or government or tax. Can they define ‘environment and wellbeing’ consistently with relevant UN, World Health Organization, and related national goals? They must, or produce an expensive regulatory mess. These problems are discussed again later and in the attached article on insurance.

I assume the goals of the tax system are ideally to serve current and future generations of Australians through meeting key regional economic, social and environmental goals as effectively as possible. Those who wrote the consultation paper on Australia’s tax system only ever refer to the goals of the tax system as being ‘simplicity, transparency, equity and efficiency’. Those are not government goals – they are ideal ways of doing business. The statement that they are goals suggests the outdated perspective that individuals can most effectively meet their needs through the market without any government interference and that the ultimate pursuit of self-interest is also in the interests of all. In fact, an elected government’s aims are ideally broader than those of its business partners, whose driving goal is to create the appearance of greater business value to encourage further investment. From a government perspective, the business goal of genuine production, as distinct from its appearance, are the means for achieving broader social and environmental aims. The aims of government should not be confused with those of its business partners. The consultation paper is outdated and confused. Land is discussed in this context later.

The consultation paper notes in passing that Cnossen identified five international objectives for product specific taxes in 2005. These goals appear fairly consistent with the social, environmental and economic direction recommended here for industry and related community consideration and development. This is discussed later in response to specific questions raised in the consultation paper. Cnossen found the following tax goals:

- To raise revenue for general purposes (What purposes?)
- To reflect external costs (These are described as being associated with quantifiable social harm, and the example of a tax to reflect the cost of sulphur dioxide pollution on the surrounding environment is offered.)
- To discourage consumption of harmful or addictive products for health reasons
- To charge for government provided services (When is a service considered a tax?)
- Other objectives (The primary example of making the tax system more progressive is offered.) (p.69)

I recommend closer consultation with key industry participants, as defined by the Australian and New Zealand Standard Industry Classification (ANZSIC) System, to achieve key government and regional community goals and in order to educate everybody better, rather than blinding all with an increasing mountain of economic pseudo-science.

This direction has a history. When the Hawke government came to power in 1983 it began to address Australia's increasingly unacceptable terms of trade partly through an economic management agreement (an ‘accord’) with the trade union movement. Eleven industry councils were also set up to cover manufacturing. These conducted industry stock takes and developed strategic plans. This moved industry from an automatic reliance on barrier protection to strategies which included economic incentives for microeconomic reform to make organizations more competitive in the longer term. In 1992, the Commonwealth introduced a superannuation guarantee. Industry managed superannuation funds have now become big players in providing savings and investment services. Call them non-profit?

The current and future directions of Australian primary production, manufacturing and the services sector should now be considered in the light of carbon pollution reduction goals, current PC reports on primary, manufacturing and service industries and other reports. As savers and investors through our superannuation, ordinary Australians are capitalists now. As workers, we also join the capitalists as producers. Besides being savers, investors, and workers, we are also consumers and borrowers who belong to regional and related communities with particular characteristics. All our related individual goals, whatever they are, are now ideally aligned to serve our diverse populations and the wider world.

(‘We don’t need no education, we don’t need no thought control?’ Far from it! Read on.)

Australian taxation should be conceptualised and constructed to meet key industry and community goals in clear and mutually supporting ways. The Australian carbon pollution reduction scheme ideally embraces this. It will cover around 75% of emissions and involve mandatory obligations for around 1000 businesses (White Paper Summary Report, 2008). The Government is committed to using ‘every cent it receives from the sale of pollution permits to help households and businesses adjust and move Australia to the low pollution economy of the future’ (p. 4). Major employers and governments are expected to pioneer more sustainable development and environments globally. I get the impression from the White Paper Summary Report and related announcements that we may soon have government money coming out of our ears if we want to pursue it, but the primary difficulty will be in getting it spent sensibly, or even spent. At the same time, the international financial services system and its providers are being shown not only as opaque, complex, unaccountable and unstable but also criminal. Deliberations on taxation to support national goals by those businesses most affected by carbon pollution reduction requirements should be of considerable interest to government and regional communities during this period of change. This is discussed again later in responses to questions.

### **WHY NOT ASSESS LEGISLATION AND TAX AGAINST INDUSTRY GOALS IN THE LIGHT OF DIRECTIONS FOR SUSTAINABLE DEVELOPMENT?**

In the new international context, where a great deal of current Australian regulation, including in taxation, is outdated and dysfunctional, if only because it has no clear aims or definitions of the key terms necessary for scientific practice, the PC issues paper for the Annual Review of Regulatory Burdens on Business – Social and Economic Infrastructure Services (2008) provides a useful checklist for assessing regulatory quality. It states that regulations that conform to best practice design standards are characterised by the following principles and features:

- **The minimum necessary to achieve *objectives* (my emphasis)**
- Not unduly prescriptive
- Accessible, transparent and accountable
- Integrated and consistent with other laws
- Communicated effectively
- Mindful of the compliance burden imposed
- Enforceable (PC 2008, p.14)

The major sources of taxation are ranked below. This information is taken from Chart 2.2 entitled ‘Ranking of Australian Taxes by revenue in 2006-07’ from the earlier consultation paper produced in August. (Treasury, 2008, p.14):

1. Personal tax (\$120 billion)
2. Company tax (\$60 billion)
3. GST (\$40 billion)
4. Fuel excise (\$20 billion)

5. Payroll tax (less than \$20 billion)
6. Conveyance stamp duties (ditto)
7. Local government rates (ditto)
8. Superannuation taxes (ditto)
9. Tobacco excises (ditto)
10. Land taxes (ditto)

Chart 3.1 entitled 'Contributions to Australia's tax mix: All Australian governments 2007-2008' in the recent consultation paper (2008, p. 54) seems somewhat different. I am confused. However, from the history of the introduction of superannuation, I guess the competitive way forward to achieve the goals of sustainable development would be for company and personal tax to be reduced and for savings and investment through superannuation funds to be increased. One must also be assured such investments are managed in a way which is guaranteed to assist sustainable development in a more productive, competitive and stable way than otherwise likely. This is discussed later.

The problems of tariff and related industry assistance appear to be more evident when it is also realized that sustainable production depends on product and service innovation which meets social and environmental goals, as well as short-term economic ones. For example recommendation 3 in the recent inquiry into the textile, clothing and footwear (TCF) industries states that 'the scheduled tariff reductions for the TCF industries to 2015 should be allowed to take their course, as it is widely recognized that tariff protection is a blunt instrument for the promotion of innovative and competitive capability at the enterprise level and can in any case have only marginal impact in the context of large exchange rate movements. It is recommended the emphasis of future policy should instead be on well-designed industry assistance measures'. The Australian carbon pollution reduction scheme may be best understood as an opportunity for more open public and private planning partnerships designed to lead to fairer, cleaner, greener and more stable development everywhere. This requires broader, more open, more innovative thinking.

Ideally, all government assistance to industry and communities is considered to achieve related sustainable development goals. This is discussed again later. In this regional development context one wonders if Treasury, financial service providers and other key organizations use the Australian and New Zealand Standard Industry Classification (ANZSIC) or related occupational classification systems which are applied by the Australian Bureau of Statistics and the PC. I guess most financial service providers run more confidential races, supported by their lawyers. This increases the lack of transparency and accountability which led to international financial collapse. Americans call this a free market. (It's the politics, Stupid.) To create markets in the long-term interests of people outside some charmed financial and political circles, governments and communities they ideally represent must produce in better ways than normal. See below.

**Q. 5.13: The cost of providing health and aged care to older Australians is currently met by government through the health sector. Should retirement incomes policy take into account projected increases in health costs for older Australians? If so, what would be the most effective mechanism and how might the transition to such a system be achieved?** A: See below and attached article on health and social insurance.

Retirement incomes policy should clearly take account of the projected increases in health care costs for older Australians but ideally so that younger generations are not burdened with the costs or debts of those who went before. This goal of intergenerational equity is a key principle of the new international regulatory model based on the 20<sup>th</sup> century UN ideal of universally guaranteed standards of living, which also place fair treatment, wellbeing and the guardianship of natural resources for future generations at the centre of all development. A related international regulatory

context for protecting health and biodiversity by embracing carbon pollution reduction began in 1990, when the World Commission on Environment and Development defined sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. In 1992 the UN Rio Declaration on Environment committed governments to producing healthier environments. The first principle is that humans are at the centre of concern for sustainable development and entitled to a healthy and productive life in harmony with nature. This is a new way.

The development and management of health care, related services and taxation to assist the achievement of national goals are best understood in the above historical context and also in the regional and community environments which often determine health, broadly conceptualised as wellbeing. The Council of Australian Governments (COAG) committed itself to this direction in 1990 when it called for development of national standards for health and environment protection, including related occupations and training, disability services, social security benefits and labour market programs (Premiers and Chief Ministers, 1991). Competition is ideally designed to achieve a national platform of guaranteed service standards, with the aim of equal treatment being given by law to the private and the public sector service provider, unless another course of action appears in the public interest. Additional services are ideally available in the market to provide greater flexibility and choice. Perfect information is vital for perfect competition, and for perfect accountability, democracy and risk control. It is resisted in areas like financial services, which may live on lying, control and ignorance. All laws, including on taxation, retirement income and investment, are now ideally constructed in a new international context of regionally planned, competitively delivered programs and projects to meet triple bottom line accounting requirements which are economic, social and environmental.

The Retirement Income Consultation Paper (2008) notes that 'the age pension and superannuation systems are intended to have complementary roles' but they were developed and operate largely in isolation from each other'(p.41). The same is true of state workers compensation systems, the Medicare system, private health care services and insurance, accident insurance, life insurance, the disability support pension, the carer's pension, and a range of related services. The attached article entitled 'Recent Australian perspective on health and social insurance' describes the background and continuing inquiry into major Australian health and social insurance systems in their primary context of national taxation based welfare provision and private insurance against injury. It may assist all industry discussion of management direction and related taxation issues. Australian policy makers have been particularly interested in the extent to which all health and related funds for services or pensions should be underwritten (owned) and managed by government or in the private sector, in order to gain the best outcomes for individuals, taxpayers, premium holders and the Australian community. Nationally designed, health and related social or environmental service funds owned by government and/or industry, which are transparently, regionally and competitively managed, are likely to provide superior outcomes to market based underwriting of risk and related service provision. It is necessary to construct broader understanding that competitive pursuit of stakeholder interests is more broadly functional than the narrower pursuit of stockholder interests.

The purpose and management of taxation, as well as of retirement saving and investment through superannuation and related funds, are now ideally conceptualized and designed together, to meet the new international goals of health and sustainable development. These goals are ideally implemented more competitively, through open government, industry and community partnerships. This would bring Australia closer to the social insurance model of a government and industry managed retirement income and related investment system recommended by the World Bank. The ideal World Bank multi-pillar retirement income structure is outlined in Appendix C of the Retirement Income Consultation Paper (p. 48). This direction would assist creation of other more broadly stable and competitive forms of industry and community planning, saving, taxing, borrowing and related

investment systems and services. In this process, financial service providers are ideally positioned by legislation to perform more cost-effectively and with greater accountability to consumers of financial services. Tax is addressed again later.

The Retirement Incomes Consultation Paper (2008) states that requiring an amount of superannuation savings to be taken as an income stream would better integrate the age pension and the superannuation system and provide greater protection against longevity and inflation risks (p. 31). I assume so. A frequent message in submissions was also the need to increase compulsory savings through superannuation with targets of 12% to 15% of remuneration commonly being recommended (p. 21). If this money is to be safe rather than lost by those who brought us the latest global financial crisis or others like them, a broader social insurance management perspective which links government, industry and regional community interests more clearly and effectively is necessary. This ideally aims to achieve sustainable development through more information sharing and dialogue designed to achieve regional goals which are social and environmental as well as economic. The carbon pollution reduction scheme provides a related early development opportunity which is discussed later. Health is also produced by the total environment surrounding every body, not simply by the services specifically designed to cure the sick.

Government and major businesses should now define the major goals of key government and industry partnerships for health and sustainable development consultatively in related industry and regional community service contexts. Retirement income funding, taxation and other financial policy and services are ideally designed to support regional goal attainment more competitively. A way forward is addressed below and in the attached submission to the PC Inquiry into Drought Support (labelled Telstra). It suggests the following steps. The land (or seabed) supporting production is discussed later.

1. Plan agriculture, mining and eco-tourism in their regional land matrix contexts nationally and internationally to achieve all the goals of sustainable development.
2. Consider carbon trading and offset development in the context of the land matrix regionally, nationally and internationally to address global warming and loss of biodiversity.
3. Act to reduce carbon pollution and protect biodiversity by weed and pest removal, planting native vegetation and protecting river banks.
4. Seek more innovative, better coordinated management of urban and rural waste, pursued in more open markets
5. Consider the management of life and death to support the aims of the Australian Organ and Tissue Donation and Transplantation Authority Act (2009) and to assist personal choice to be exercised more effectively
6. Intervene in the national broadband communication content planning and service delivery processes to achieve all community goals as scientifically, effectively and competitively as possible (Christians may think of all things bright and beautiful.)

Harnessing the broader goals of sustainable development to carbon pollution reduction offers a new global vision of protection which is ideally embraced by all. Regulations and systems which do not clearly support the new direction should be dispensed with unless another course of action appears in the public interest. Transition to sustainable development may be lead by better coordination of many industry development directions recommended by the PC as well as by those charged with implementation of the Australian carbon pollution reduction scheme, so all Australians and related others may achieve their goals more competitively, in more open and stable markets. This direction also requires open education for sustainable development, which includes education to achieve the directions outlined in UN Conventions which nations have embraced. However, many professions appear to have locked themselves firmly into outdated laws and academic enclaves forged for

narrower interests. ABC and SBS ideally help drive the necessary open community education for change. An education revolution is needed.

**Q6.1 Can the tax system be structured to better attract investment to Australia in a way that increases national income and if so how?**

**A.** Yes. Do it by defining key regional industry and community goals and also by designing tax, industry support, welfare systems and superannuation management to achieve all goals more effectively, as discussed earlier and in attached articles. Also use the carbon pollution reduction scheme, discussed below, as a vehicle for going forward.

However, the ownership and treatment of land must also be discussed. See later below.

**Q 8.4: How could the governance of the tax-transfer system be reformed to reduce complexity, uncertainty and cost, and to improve transparency, understanding and support for the system? A:** The same answer as above. See related discussion below.

The writers of the consultation papers on Australia's future tax system need to broaden their perspective and put it in a suitably historical and scientific context to be of further use. Conceptually, Australian taxation policy also needs to be clearly situated in the broader context of global and national production, consumption and investment to support sustainable development, with carbon pollution reduction playing a leading role. To reform taxation policy, one also needs to be aware of the full range of Australian government payment systems which provide support to industry on one hand, or to citizens on the other. The Australian Bureau of Statistics (ABS) apparently defines taxes as 'compulsory unrequited transfers to the general government sector' and taxation revenue as 'revenue arising from compulsory levies imposed by government'. In the consultation papers the concept of 'transfers' is used only to mean spending on welfare services and supports. This entails a focus which is different and narrower in scope than the ABS concept of the term 'transfer'. The tax analysis is therefore partial and muddled.

Western governments, laws and taxation systems often have similar origins in European feudalism. Such systems were also exported to colonies centuries later. Under feudalism, peasants paid for the armies and comparatively rich lifestyle of the royal family and their supporting overlords by working the land. The ordinary family and church looked after welfare. As capitalism developed from feudalism, the goals of government and taxation were increasingly to provide the conditions and services necessary for the further development of capitalism, such as roads, railways or bridges. Governments were also called upon to satisfy growing education and welfare demands made by workers and their families, which they were too poor to satisfy in the market. From this historical perspective, as capitalism became increasingly productive, and the vote was increasingly extended to those who demanded it, the goals of government and taxation increasingly became the redistribution of wealth, so that goods or services, (e.g. for a guaranteed level of income in old age, health care or a flourishing environment), would become increasingly available to all. This is the historical reason that Cnossen identified those particular five international objectives for taxes in 2005.

The development of capitalism also produced a clear conceptual distinction between the trading classes representing capital (investment) and labour (production). Small business was always involved in both classes through saving and/or borrowing for production. The concept of consumers as a class of traders, as distinct from the class who deploy their capital or who sell their capacity to work, developed later still and is not yet properly recognized in Australian law, including in the Trade Practices Act. Workers have now also become investors or potential investors, primarily through their membership of superannuation funds or 'ownership' of land, a house or business, on

borrowed money. Finally, government concern has included the effects of production on the natural environment surrounding communities. Enter the carbon pollution reduction scheme.

Financial services and business law may drag centuries behind the above conceptual development. For example, the US has a colonial history of perceiving government as a malign interference in the otherwise benign outcomes of market operation, or as a related defender of the faith. Government is allowed to attack supposed monopolies, but not the obvious ones of lawyers and related professionals. One wonders what most Americans now think they have won as a result of this other than obscene income differentials, lower minimum wages, fewer paid holidays, inadequate health care, higher education costs, unstable employment, lost savings, huge debts, by far the highest murder rate in the OECD and family deaths and injuries from constant war. Sant and Kinsley point out that energy independence has been the policy goal of US government for 35 years (Australian Financial Review, AFR 16.12.08, p.54) and this is a dramatic exception to the broader policy of free trade. The theory of free trade holds a nation is better off when its citizens are permitted to buy goods from foreigners at any price they wish to pay and worse off if government interferes. The quest for energy independence is now ideally a new form of national protectionism. Ideally it strongly assists the creation of a new world order where the major goals of government are for health and sustainable development for all people.

The opportunities now presented by the pollution reduction scheme, outlined in the Australian Government White Paper Summary Report (December 2008) require consideration in this context. There are around 7.6 million registered businesses in Australia. The overwhelming majority will not face any direct obligations under the scheme. However, approximately 1000 of the nation's largest employers and polluters will be centrally involved. The White Paper Summary Report supplies a text for all which is addressed later below. Under the National Greenhouse and Energy Reporting System (NGERS) the key polluters will first have to measure and report the level of greenhouse gases they produce before they receive carbon permits from government. Emissions intensity 'will be measured on the basis of the emissions-to-revenue or emission-to-value-added of activities being above nominated thresholds' (p.20). Will these measures clarify the relationships between trading and financial operations and how measurement of real world productivity is related to this? Such a lack of value clarity appeared to help Fannie Mae, Enron and other US Ponzi or similar schemes to flourish.

The White Paper Summary Report (2008) on Australia's carbon pollution reduction scheme states that we can wait and leave our children and grandchildren to face the full impact of climate change or take responsible action now by investing in the industries and jobs of the future. It states the world is confronting the worst financial crisis in three quarters of a century, which makes it more important we secure the long-term prosperity that comes from building the low pollution economy of the future. It establishes a package of financial assistance for Australian households worth about \$6 billion per year ongoing from the commencement of the scheme in 2010. A further \$2.15 billion over five years will be invested to help business, community sector organizations, workers, regions and communities adjust to a low pollution future through the New Climate Change Action Fund. There is \$12.9 billion available to fund a new 10-year plan called Water for the Future. Australia is also involved in the \$200 million International Forest Carbon initiative, which supports efforts to reduce emissions from deforestation and forest degradation in developing countries. The Global Carbon Capture and Storage Initiative (p. 11) and many other government funding initiatives have been announced.

I guess the capacity to achieve openly shared and sensible direction, rather than the actual amounts of money involved in real production, is the vital driver necessary for future economic stability and for achieving all Australian sustainable development goals. For example, according to Winestock (AFR, 23-29.12. 08, p. 30) Japan had net financial liabilities equal to 88% of gross domestic

product (GDP) in 2007; the US had 52% and Britain 35%. On the other hand, Australia has net financial assets of 7.7% of GDP. Winestock states that in September 2008 US Congress produced a massive bail-out package called the Troubled Asset Relief Program to invest in the assets of troubled banks. He claims Warren Buffet said, 'If I could buy a hundred billion of these kinds of instruments at today's prices, and borrow a non-recourse \$US90 billion, which I can't, but if I could do that, I would do that with the expectation of significant profit'. Trust is all you need to make some rich and achieve production? I have no idea but I bet you do.

**Q. 11.1: Is it appropriate to use taxes on specific goods or services to influence individual consumption choices, and if so, what principles can be applied in designing the structure and rates of such taxes?**

A: Tax to promote health and environment protection. Decide rates on the basis of estimating the cost of injury prevention and rehabilitation when the product causes harm which has to be addressed (e.g. cigarettes, alcohol). Keep lawyers out of the system and keep broad ownership of the relevant premium or related tax/levy funds, in order to control how fund managers use and invest them competitively on your behalf. Never give away the premium/levy/tax fund and lose control over its deployment, because the shareholders of the private fund exert downward pressure which undermines all injury prevention and rehabilitation services the fund is set up to support. Own the funds and reap benefits of their competitive investment yourselves. You will then also have much greater control over the competing fund managers. You can ensure they provide adequate prevention and rehabilitation services. You can also have more money from owning the fund and its investment income, which you also direct. Lawyers have traditional relationships with private fund underwriters and together with courts their battles drive up ruinous costs without producing data or incentives to assist injury prevention or rehabilitation services or to establish premium setting properly. The monetary cost of calamity is passed to better managers instead, and massively increases all business instability. Then we all pay for the crash which the lawyers also feed on. See attached on health insurance; see Michael Moore's film 'Sicko', and ponder the international financial crisis for further information.

**Q. 14.3: What is the role of the tax system in ensuring that renewable resources are used both sustainably and efficiently?**

Come to terms with the land by first dealing with it clearly and openly on a national basis. From the earlier paper on Australia's future tax system one learns that there are many taxes in Australia, all of which are ultimately paid from the earnings from only three factors of production: labour, capital and land (including natural resources) (p. 167). I assume land is overwhelmingly a non-renewable resource upon which most production involving renewable resources must be conducted. However, the appropriate treatment of land is a mystery to me. I am unclear about its essential rules of ownership and the ideal relationship of these to indigenous land rights, property or human rights of any kind. (This is yet another picnic exclusively for lawyers?)

I regard the absence of the theoretical and regulatory discussion of land in the consultation papers on Australia's future tax system as another major inadequacy. One cannot discuss renewable resources, housing and much other policy sensibly without first discussing land. I guess that most state land taxes eventually get passed on in extra costs to the people who buy houses or businesses. Land taxes must also be infuriating for other small borrowers such as me, because they appear primarily and unfairly designed to provide revenue for unnecessary lawyers and financial services providers in badly designed systems, as well as for state governments. (See attached discussion of the irrational relationships between a superannuation fund, Perpetual Ltd and a bank called 'Trust'. (The management seems like expensive self-blinding. Who needs Perpetual and why?))

I have recently read the NSW Environmental Planning and Assessment Amendment Bill (2008), the Building Professional Amendment Bill (2008) and the Explanatory Notes for these. They are perhaps the worst examples of incomprehensible, expensive and time wasting legal and related government product that I have seen for years. As a person who worked in policy and advisory positions in the WorkCover Authority for ten years, I have seen a lot of outdated, determinedly unclear, uninformative, repetitive, voluminous, legislative rubbish in my time. However, the Environmental Planning and Assessment Bill and the Building Professional Amendment Bill took the cake. No wonder NSW Councils have recently been sacked for corruption. If this is the standard of legislation in planning it is a wonder that anybody involved in the process has any idea of what they are supposed to be doing. The proposed legislation is so incomprehensible that it is hard to believe that this is not what state government wants. One wonders why.

For example, under Division 4 88 (1) Definitions, one is told that a Crown development application means a development application made by or on behalf of the Crown. Why call government the Crown and why use a definition which simply repeats the most confusing or contentious word? (I hate lawyers.) Section 88 (2) states:

A reference in this Division to the Crown:

- (a) includes a reference to a person who is prescribed by the regulations to be the Crown for the purposes of the Divisions, and:
- (b) does not include a reference to:
  - (i) a capacity of the Crown that is prescribed by the regulations not to be the Crown for the purposes for the purposes of this Division, or
  - (ii) a person who is prescribed by the regulation not to be the Crown for the purposes of this Division.

The above merely states the obvious, extremely confusingly, without providing any necessary information. It is vital to know whether any person involved in the planning process is expected to be acting on behalf of government, in a regulatory capacity, or on behalf of a member of the private sector, in a market capacity. In spite of its wordily incomprehensible statements of the bleeding obvious, I have absolutely no idea what the discussion of Crown developments means or requires. This problem is typical of the rest of this outrageously worded legislation. This is lawyers' talk, whose ultimate purpose is to convince ordinary people that they are stupid and must give control of their affairs to the legally trained at great expense. A government which stands behind such abuse of the public trust and purse is criminal in my view. Why does there appear to be no government desire to support plain English in legislation? A clear national approach is necessary. Much of the current academic discussion of land and housing is useless in my opinion. I guess they do not want to know much about the real world because knowing is frightening.

The concerns of 85 Councils from across NSW whose members rallied to oppose the proposed changes to the NSW Planning System are logically treated in a coordinated, national context. Councils call for an efficient development and approvals process, which is not undertaken at the expense of heritage, sustainability and the democratic right for input into the future of the neighbourhood. These claims must be implemented from more broadly open and scientific regional perspectives to be effectively met and corruption free. The alternative is more confusion, division, cost and conflict, driven largely by the twin desires for market and political advancement. Councils are concerned that any NSW plans to limit monetary contributions to councils from developers will prevent the latter from providing local facilities and services. They also say these development contributions provide only a fraction of the cost of infrastructure needs. However, future funding or in-kind contributions for land purchase, housing and infrastructure development need to be more clearly and broadly justified. One needs to clarify land management to address tax.

The PC report of the review of the regulatory burden on upstream petroleum (oil and gas) states in chapter 5 that under Australian law, petroleum resources are owned by the Crown (i.e. by government (p. 69). I assume, therefore, that government, not the private sector oil company, ideally manages all operations conducted upon the resources it owns. Government ideally also manages such operations competitively, in the public interest, by contracting mining companies to extract and market oil and gas to government specifications. In this ownership context, PC discussion of the rationales for government regulation, which briefly addresses 'public goods' is unacceptable. Box 3.1 states:

Public goods exist where provision for one person means the product is available to others at no additional cost. Public goods are characterised by being non-rivalrous in consumption (that is, consumption by one person will not diminish consumption by others) and non-excludable (that is, it is difficult to exclude people from benefiting from the good). Given that exclusion would be physically impossible or economically infeasible, the private market is unlikely to provide these goods to a sufficient extent. The nature of public goods makes it difficult to assess the extent of demand for them. Common examples include flood-control dams, national defence and street lights (p. 30).

The above perspective is what one might expect from Daniel Plainview, the oil man in the recent movie, 'There Will Be Blood', rather than from Australian government in 2008. Government is established to seek the public good for current and future generations – which is economic, social and environmental. Government does not envisage the public good as 'similar analytically' to 'externalities or spillovers'. The PC appears to be the subject of the regulatory capture it deplores on page 33. The report seems like the tool of oil company shareholders thinking of their short term profits and very little else. This is likely to mean potentially competing renewable resources are not used or are destroyed. The PC appears uninterested in innovations to make production more sustainable, but sees regulation more as a hindrance it wants to be rid of, rather than as any potential incentive for more innovative and cleaner production. For example, on page 29 the PC discusses crude oil and condensate, natural gas, LNG, LPG and the countries to which these products are sent without providing any idea about what these products are used for, their cost, their impact on the environment, their substitutability and their general level of sustainability. This disinterest in the relative merits of oil and gas products from any social or environmental perspective appears typical of the report. Yet such information may be vital for carbon pollution reduction and renewable resource development.

In the current context, where even the PC appears to be confused about who it is supposed to be serving, it is not surprising that industry participants find 'a lack of clarity of policy intent and definition of good oilfield practice' (p.79). I assume that good oilfield practice is ideally that which meets the stated aims of oilfield legislation. I also assume that these aims are ideally to meet the interests in sustainable development of current and future generations of communities, workers and customers in environments which are involved in or affected by production and consumption of oil and gas. The PC proposals for change in the industry are ideally reconstructed in this wider context of national and international legislative aims, including carbon trading and renewable resource development.

I have no idea why the WA Government states 'The concept of 'good oilfield practice' balances the competing objectives of maximising both net present value and ultimate recovery' in cases where 'the interests of operators may diverge from those of regulators' (p. 83). I assume regulators ideally expect the operators to serve regulatory goals, in the same way that I expect a building contractor to build the house I want, not something else it prefers. It is important to understand such issues if governments are being requested to introduce 'lighter handed regulation of retention leases by

increasing the period of the initial lease from five years to 15 years, with renewals for a period of ten years’.

In the current context, oil and gas extraction and petroleum production appear ideally linked to major sources of automotive and related transport and energy innovation. I assume oil, gas, petroleum, auto and related transport sectors should all seek a consistent safer, greener, planned transport innovation and energy funding approach in which all production and consumption are driven by incentives for more sustainable development. A regional industry and community stakeholder management framework, rather than a petroleum production chain management approach is necessary for consolidating current regulation to achieve sustainable development across all national industry and community boards. One assumes the ideal role of partnerships, unincorporated associations and sole traders must be considered in a related context by Australian and other governments. The COAG ideally assumes that competition between business entities should take place on a level playing field of national minimum standards related to health (welfare) and environment protection, unless another course of action appears to be in the public interest. Management structures are ideally designed to serve all relevant goals competitively.

Funding projects for more sustainable development in areas of primary production, such as mining and energy, forestry, fishing and farming require early consideration in related global, regional and local communities. Many projects should be partially guaranteed by government credit on the basis of their apparent ability, if handled properly, to reduce major problems related primarily to dealing with financial crisis on one hand and global warming or related problems of environment degradation on the other. In general, projects are ideally ranked and chosen for funding on the basis of their potential for controlling all related current risks to populations which are economic, social and environmental, as fast as possible. This is also the basis for triple bottom line accounting. This recommended funding approach delivers biggest bang for buck in part because the general direction of holistic regional and local development and related risk reduction may become gradually clearer to all the stakeholders. This also helps them to identify and deal with problems by teaching themselves. The direction also provides a more stable future by producing better coordinated understanding and control of all development related risks.

Thank you for the opportunity to make this submission.  
Yours truly, Carol O'Donnell,

## **RECENT AUSTRALIAN PERSPECTIVES ON HEALTH AND SOCIAL INSURANCE**

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### **Abstract**

This article describes the background and continuing inquiry into major Australian health and social insurance systems in their primary context of national taxation based welfare provision and private insurance against injury. It aims to promote more cooperative and applied research into how health and social insurance design and management may be improved internationally. Australian policy makers have been particularly interested in the extent to which all health and related funds for services or pensions should be underwritten (owned) and managed by government or in the private sector, in order to gain the best outcomes for individuals, taxpayers, premium holders and the whole community. Nationally designed, health and related social service funds owned by government and industry, which are transparently, regionally and competitively managed, appear likely to provide superior outcomes to market based underwriting of risk, which also provides services or pension style support. Approved and applied principles of risk management should be taught in vocational education. This is the means of promoting critical understanding and implementation of relevant national and international standards and an evidence based approach to work performance. Australian policy appears to make funding available for applied industry research and education.

**Keywords:** social insurance, health insurance, workers' compensation, disability insurance, risk management

### **Defining insurance, social insurance and risk management**

Historically, insurance developed before a great deal of social welfare provision and related taxation. Social insurance systems usually developed even later, and may combine elements of both systems of provision. Insurance has been defined as a mechanism for contractually shifting the burdens of a number of pure risks by pooling them (Rubin 1991: 360). Private individuals, business entities or other groups have traditionally purchased insurance from private sector insurance companies which underwrite (i.e. bear the risk) of various potential economic failures which the premium purchaser may experience as a result of injury and legal suit, unemployment or other unfortunate specified circumstances. Some systems for insurance may require the proof of fault, prior to the court determination of lump sum compensation, as in the case of third party motor accident insurance. Others are social welfare style insurance systems without a fault-based element, as in the case of workers' compensation insurance. The major architect of the post-war British welfare state, Sir William Beveridge (1942: 11), described social insurance as 'the system by which every citizen of working age contributes, 'in the appropriate class', according to the security that is needed'. He believed that each person should ideally be covered for all needs by a single weekly contribution on one insurance document, and that all the principal cash payments, (for example for support through disability or unemployment), should continue so long as the need lasts, without means test. He believed that payments should ideally be made from a social insurance fund built up by contributions from the insured persons, from their employers, if any, and from the state.

Beveridge regarded the development of such a comprehensive system of social insurance as vital because of a popular objection to means testing for the provision of government welfare benefits provided from taxation. He thought this came from general resentment at any policy which appears to penalise those who undertake the duty of working and saving in order to provide for their personal needs. However, he did not closely address appropriate service delivery systems and the extent to which government should underwrite and therefore own funds, or be the service and pension provider. Neither did he discuss appropriate systems related to fault in the case of injury, which is a

major topic largely beyond this paper's focus on fund management. In regard to the above definitions of insurance and social insurance in the Australian context, it is also necessary to understand differences between risk rated premium setting, community rated health care provision paid for primarily through government taxation plus additional private insurance, and other benefit systems which have their primary purpose in assisting general accumulation of savings for old age, called superannuation. These different systems are briefly described later in the Australian context.

In developed economies, health and social insurance services and related pension supports are most easily and appropriately understood in the national context of the guaranteed welfare provision, which is broadly provided and funded by government through general taxation. Government has sought, through such provision, to establish guaranteed minimum welfare standards to which entire communities are entitled. From the public policy perspective, the primary aim of social insurance and its management should therefore be to assist achievement of this generally required minimum standard of social support as effectively, equitably and sustainably as possible. Achieving these aims also requires effective administration and related risk management, which may be defined as the informed and consultative identification, prioritisation and treatment of risks related to any activity and its environment. Monitoring and evaluation of activity outcomes are also necessary to produce a better evidence base for a data driven approach to future management of any organization, community and environment (Standards Australia/Standards New Zealand 1999). This is consistent with the requirements of quality management and environment management as outlined in international standards, and also with those of health promotion (Wass 1994) and action research (Hart and Bond 1995). Rubin's Dictionary of Insurance Terms (1991; 360) describes risk management in a related way, as 'a procedure to minimize the adverse effect of a possible financial loss by identifying potential sources of loss, measuring the financial consequences of the loss occurring, and using controls to minimize actual losses or their financial consequences'.

The success of taxation, social insurance or insurance systems, as well as that of other business ventures, also depends partly on contributor trust. Ideally, this must be based on clear and easily available evidence that the structure and management of an operation is sound and meets contributor, consumer and community goals comparatively effectively. Transparent administration and reliable information about service outcomes are necessary for public confidence and effective development of any social system. Reliable information is necessary for identification and control of risk, as well as for operation of the market and democratic accountability. A risk management model based on the interests of stakeholders may challenge the traditional notions of business confidentiality, by requiring broader operating data than is normal in the stockholder driven management model driven by the pursuit of commercial interest. Australian development is considered later in this context.

### **Designing social insurance to meet the global needs of aged and vulnerable populations**

Measured by longevity, health is improving internationally and many nations now face growing problems related to provision of appropriate support for the elderly, the physically or mentally disabled, and others who may be poor or unemployed. Health and education are also recognised as primary drivers of productivity (Stiglitz and Muet 1999: xxvi; Leeder 2002). In any society the poor are invariably also found to have the worst health and education (Murray and Lopez 1996; United Nations 2003). The United Nations recently noted ( UN 2003) noted that primary education provides the greatest return on investment, both for individuals and communities, and that this is also closely related to effective fertility control, which is generally necessary to avoid poverty. An important question for all communities is that of the appropriate roles of government, industry and competition in regard to health, education and all related welfare service. Since 1992 the UN Declaration on Environment has also committed signatories to ecologically sustainable development goals with the first principle being that health is at the centre of human development and that all

people are entitled to a productive life in harmony with nature. This is equally meant for future generations. In an increasingly international, competitive environment, continuing comparative discussion of regional health, education and related taxation and social insurance experience is important not only for sustainable development generally, but particularly for the most vulnerable. Later description and evaluation of Australian fund management policy is undertaken in this development context.

In comparatively poor agrarian countries the family may be the only welfare state. Adults are normally expected to care for their aged parents, and children may also have to work to help the family meet its ongoing needs. Some poor nations, such as Nigeria and Pakistan, expect to see the school-age population increase by two thirds during the next fifty years. In China, however, it is expected to decline by 23% (United Nations 2003: 9). While many developing nations face the problem of an aging population, in China the combination of high levels of economic growth, comparatively good population health (Murray and Lopez 1996) and the one child policy, have meant that the population is ageing faster than the norm and related potential stresses are therefore more obvious. By 2020 people over sixty will make up 16% of the population. The Chinese government is facing how best to provide for this group now and in the future (World Bank 1997). This also appears likely to be important for sustainable production in Australia, which is a major trading partner.

Comparative Russian and Chinese experience suggests that stable management and competition are more important than private property for effective functioning of the market and also for health (Stiglitz 2002; Murray and Lopez 1996). The Australian experience discussed later, generally supports this in regard to fund ownership and management. However, much more applied research is required in order to find out the insurance, social insurance and taxation mix which appears to support the broadest community interests most effectively. The situation of the poor requires particular consideration. Galbraith (1973) and others (Averitt 1968; Doeringer and Piore 1971; Gordon 1972) described market driven organizations, nations and the international economy as having a central tendency towards being planned or monopolistic, with a highly competitive but impoverished economic periphery where migrants or those with little or no education commonly seek to maintain themselves in work. Governments have sometimes been advised to bring dual economies into greater equilibrium by increasing competition in monopolistic sectors, and strengthening communities in peripheral sectors (Galbraith 1973). While a government planning perspective was unfashionable in the 1980s it now appears to be returning.

Stiglitz and Muet (201) have stated that economic crises have shown the need for greater world governance, especially to manage 'public goods' such as financial stability and environmental protection. At the same conference the French Prime Minister emphasised the need for a comprehensive and balanced approach to development and for 'governance' of the international economy. The President of the World Bank also lamented that traditional economic policies for growth have seldom been accompanied by an equal focus on governance for health, education and environment improvement and that those with a narrower professional or short-term commercial focus still drive development outcomes. Stiglitz and Muet conclude that many economists now seek to go beyond 'the Washington consensus' which they characterize as involving a plea for unconditional liberalization of markets, lack of attention to institutions, and macroeconomic policies geared too much towards lowering inflation and not enough towards development and employment. They claim there is a failure to understand how weak financial institutions lead to macro-economic instability as bad as large budget deficits, and also fuel dramatic financial crises. They view development success as requiring high savings, rapid capital accumulation, high levels of training, strong capacity to acquire new knowledge and rapid insertion into international trade. They also

state that improved world governance must closely involve employers and trade unions as well as non-government organizations. This Australian experience is discussed later in this context.

Some have argued that governments in developing countries should leave most social insurance or insurance to enterprise based or private provision and provide health services, education and social support only to poor and vulnerable groups (Saunders and Shang 2000). Developing countries may strongly promote a welfare state in the formal economic sector through social insurance for pragmatic reasons. This may also have the effect of increasing social inequality by excluding most farmers and others who are likely to be poor, unless steps are taken to avoid the problem. China currently has the aim of unifying all enterprise based pension systems so that organizations and workers covered under separate pension plans or not covered at all are eventually brought into a single system with common standards. Program management is to be transferred from enterprises to government agencies, and administrative management and fund management are being separated (World Bank 1997: 4). However, it has been argued that government commitment to a unified approach to addressing poverty on a national basis is necessary in China and that all related social security systems need to be re-focused in this general direction (Saunders and Shang 2002). Australian experience is also investigated for its relevance to other communities in this context.

### **The taxation based context of Australian health service and social welfare provision**

Australia is a former British colony, which became a federation of states in 1901. Its national health, education and welfare systems are primarily taxation based, but a major expansion of the enterprise based social welfare system is occurring very rapidly in relation to provision for old age, which is discussed briefly later. Government guarantees taxpayer funded primary and secondary education and a basic level of health care. Other education, hospital and related services may be purchased in the market and government may subsidise these operations when they meet its requirements. One in five people of workforce age are dependent to some extent on pension related support funded by the taxpayer, compared with one in seven a decade ago (Minister Assisting the Prime Minister for the Status of Women 1999: 1). This is generally paid on a means tested basis, from taxation, primarily to the unemployed, to people with disabilities and their carers, to lone parents, students and war veterans. The elderly also have access to a means tested pension. Housing support for the severely disadvantaged and government relief for natural disasters may also be available.

Australian hospitals have been provided with government support from taxation since the early 20th century. In 1984 the national Medicare system replaced hospital and medical insurance which consumers formerly purchased in the private sector with major government subsidy. Medicare guarantees universal, taxpayer-funded, basic hospital and medical care, administered by the national Health Insurance Commission (HIC) from general taxation revenues and an identified levy on taxable incomes. The HIC also administers the Pharmaceutical Benefits Scheme (PBS), which subsidises thousands of competitively priced drug brands. The Commonwealth government provides additional subsidies to health care consumers who choose to purchase extra care entitlements through private health insurers. From a government perspective, the major point of encouraging people to take up additional private health insurance is to increase the overall pool of health funds and public or private facilities available for general use (Industry Commission 1997). Since 1986 the Commonwealth government has also provided for health promotion programs which have been successful in reducing death from major health problems such as HIV/AIDS, cardiovascular disease, accidents and cancers primarily by changing the behaviour and environment of relevant populations through public education, screening and related improvements in technology and management.

The Australian population aged sixty-five or over is projected to rise to 18% by 2020 (Kendig and Duckett 2001). The National Strategy for an Ageing Australia (2000) identified a range of broad program areas for health. These include maintaining physical and mental health, engaging in physical activity, preventing falls and injury, maintaining adequate nutrition, detecting sensory loss early, managing incontinence and evaluating alcohol and other drug use. It has suggested strategies to maintain wellbeing at older ages should also centre on the development of more flexible employment patterns and better coordinated provision of all health and social services, with the aim of assisting everybody to maintain links with work, recreation and community service wherever this appears beneficial. It is also proposed that all Australian government provision for aged care services be pooled into a single fund to be managed at regional level. This would incorporate residential aged care, home and community care and related government activities, with the expectation that separate funding streams should exist for accommodation and for the delivery of flexible services based on client levels of disability and related need (Kendig and Duckett 2001).

In 1990 the Council of Australian Governments (COAG) agreed to establish national standards for health and environment protection and reviews of legislation accordingly commenced. The National Competition Policy Reform Act (1995) requires equal competition between public and private service providers unless another course of action can be shown to be in the public interest. There is increasing agreement about the necessity to separate policy from competitive regional administration and related service provision, in order to identify comparative service outcomes more effectively, whether they are provided by government or in the market. Australian social insurance systems should ideally be conceptualised and developed to meet the requirements of this broader public policy context. The health insurance systems discussed later are under constant government and independent inquiry to achieve greater national uniformity and understanding of the comparative benefits of planned and market driven approaches to all service provision. However, applied research and education appear likely to be potential components of international trade and cooperative project development which require more broadly coordinated policy and stakeholder based management approaches, in order to achieve a broader range of community aims than is possible through the normal commercial models which are managed in the stockholder interest.

### **Key forms of social insurance and saving systems in Australia**

The most recent, large and untested element of Australia's social insurance system involves provision for the aged. It was introduced to cover the whole workforce in 1992 through national legislation which requires 'a superannuation guarantee'. This ideally ensures payment to supplement or replace government pensions and many other private industrial arrangements. All employers are accordingly required to provide entitlements for provision in old age for all their employees. Government and workers also contribute to the funding pool. Superannuation funds may currently be managed in a variety of ways and industry managed superannuation funds have quickly become spectacular new investors on behalf of members. The self-employed may also select appropriate insurance and investment products. The primary purpose of funds is to provide a savings pool which is sufficient for maintenance in old age. However, the effective investment of these funds, so that they support international health and development goals, is a vital secondary issue. As Attanasio points out (Muet and Stiglitz 1999; xvi) capital invested in less developed regions could yield higher returns to finance the retirement of Western baby boomers and at the same time could help development in other regions. However, one would not like to lose one's nest egg or innocently injure those already disadvantaged in the process. Think of the meteoric rise and fall of Enron (McLean and Elkin, 2004) and the recent collapse of the insurer HIH, which in 2003 led to a Royal Commission in Australia. Accumulation of superannuation funds is a big investment responsibility.

Australia's oldest enterprise based system of health and related social insurance is workers

compensation insurance, established at the turn of the 20<sup>th</sup> century. The origin of state workers' compensation legislation is the Employers' Liability Act introduced in Britain in 1883. The act primarily provided for weekly benefits for injured workers. It was considered necessary because the common law suit, which required an injured worker to sue their employer for negligence, was failing to meet workers' needs. It was then being argued successfully in the courts that in doing the work, the worker was also taking on the risk of its undertaking. The British act, and the Australian legislation that followed it, conceptually transformed the insurance premium from payment to protect the employer against legal suit, to a 'no-fault' system of enterprise based welfare provision. In contemporary Australia, premiums pay for health care provision, work related rehabilitation services, and pension support for those off work. Lump sum compensation is available for the permanently injured. Self-employed contractors not deemed employees in legislation must make their own insurance arrangements. Forms of 'top-up' or extra insurance and related benefits may also exist. (Industry Commission 1994). Premiums are risk rated on the basis of the extent to which an industry and organization appears to be engaged in high-risk activities. This is designed to reflect economic reality and to provide incentives for risk reduction.

Historically, state workers' compensation schemes have been repeatedly established either as government monopolies or with competitive insurer underwriting, depending on the political persuasion of the government in power. There is now increasing commitment to national uniformity based on the managed fund model of service delivery which was first introduced by the New South Wales (NSW) Labor government in 1987, in addition to requirements for work related rehabilitation services (Australian Heads of Workers' Compensation Authorities 1996). Under this social insurance model, the government and industry own the premium pool and underwrite the scheme. A statutory authority with a board of experts drawn from government, employers, workers and insurers establishes the level of benefits for injured workers, and the level of premiums. It licenses a dozen insurance companies and pays them to collect premiums, administer claims, invest funds, and collect data on its behalf. Government and industry own the funds but very large employers may be approved to self-insure instead of joining.

In NSW, the Australian state with a third of the total population, the traditional adversarial determination of levels of permanent disability and the award after an accident at work have recently been replaced by compulsory conciliation, directed by medical panels. NSW has also led in deciding that workers' compensation premiums should also pay for administration of state occupational health and safety (OHS) acts which were introduced during the 1980s, following the Robens Committee report produced in Britain in 1972. This 'duty of care' legislation provides the basis for an increasingly holistic risk management perspective which can be contrasted with that of 'black letter law'. The latter traditional legal approach is driven by disputes and related court decisions in which the letter of the law is of primary importance. In contrast, the focus of Australian OHS acts is on the need for comparatively scientific and preventative approaches to gaining safe outcomes from work. Accordingly, all employers have a general duty to provide a safe place of work and to ensure the health and welfare of workers, contractors and visitors as far as is reasonably practical. Workers are expected to cooperate and work safely. There is a requirement that products provided to the work place will be safe when properly used. The legislation also requires workplace risk management to identify, prioritise and control risks, in consultation with workers who have been provided with appropriate training.

Industry standards and codes of practice are also called up by the legislation. People are expected to apply the relevant codes of practice to guide work unless another course of action can be shown to be as safe. Government inspectors or trade union representatives may fine employers or take prosecutions for dangerous work practices, whether or not death or injury has occurred. The risk management approach required of all workplaces by OHS acts provides the legislative context for a

generally more professional attitude to work which can be compared with that already required of health workers (Johnson 1997). For example, a doctor is ideally expected to identify a problem and to know and apply treatment after consideration of the relevant body of scientific evidence. However, the treatment may vary as far as this appears to be necessary to meet the specific health needs of an individual's situation. The reasons for deviation from the generally expected expert practice should be documented. This should then contribute to a body of related information which is broadly studied in order to improve the general treatment. In order to promote efficient and equitable management of all injury, consistent protective approaches should normally be taken to those who are injured at work, or allegedly at the hands of a product or service provider, or as a result of other misfortune or negligence in the community. Australian policy makers and health practitioners are aware of the need to move towards more uniform and effective approaches to the management of risk, in order to avoid withdrawal of services to the public and also to avoid any further collapses of major insurance companies. (Senate Economic References Committee 2002; The HIH Royal Commission 2003; Productivity Commission 2003).

### **Inquiries into health care provision, insurance and related social insurance systems**

In Australia, major debate occurs on a continuing basis about the best forms of insurance, social insurance and related taxation. A key question has been the extent to which insurance funds should be underwritten by government and industry or by the private insurer, in order to achieve the best service outcomes for key stakeholders. Some critics of increased competitive contracting by government (Hancock 1999; Smyth and Cass 1998) have tended to ignore the relationship this may bear to national and state regulatory processes which have progressively extended government and industry ownership of health, workers' compensation and retirement funds over the past two decades. Formerly, such funds were privately owned and commercially driven, supposedly in the interests of shareholders. On the other hand, research into the Australian insurance experience often indicates that private sector underwriting and competition on premium price inhibits injury prevention, rehabilitation, fund management and cost containment. This is discussed later.

Internationally based insurance companies which have the largest slice of the Australian insurance market are commonly regulated under state legislation and are also subject to national controls. Many current insurance systems retain strong links with the ancient, lawyer driven operations of the British common law, in that a lump sum award is provided to the injured only if a court finds a plaintiff's adversary is the cause of their injury. Third party motor accident insurance, professional and public liability and product liability insurance are examples of fault-based schemes, normally underwritten in the private sector, which supposedly address harm and disability to people other than the premium holder. Although such schemes may penalise, they often do not provide the data which would assist injury prevention programs or establishment of proper premium setting (Senate Economic References Committee 2002; The HIH Royal Commission 2003) Regulators have indicated, for example, that insurance companies do not distinguish motor accident premiums in any way from their other general insurance funds, so there is no basis on which to exercise the powers of financial monitoring provided in relevant legislation (Standing Committee on Law and Justice 1997). Whether it is possible for government to achieve disclosure and monitoring when insurers underwrite the business appears a moot question.

Although Australian health care is funded primarily from taxation the structure often interacts with workers compensation and motor accident insurance systems and also influences all private health insurance. All Australians have a right to taxpayer funded hospital and medical care, which may be delivered either in public or private sector settings, as the need arises. Although Australian and U.S. health care systems both employ the term 'managed funds' their design and fund ownership structures differ. The universal coverage of the Australian Medicare system and its integrated

requirements regarding voluntary private health insurance put downward pressure on the prices that all doctors, hospitals and insurance companies charge. The private health insurance system is not traditionally risk rated, like a normal insurance system, but is 'community rated', like Medicare, because it is recognised that people who are sick should not also be heavily penalised economically. Neither are high premium penalties likely to lead them to be able to improve their health situation. Complex administrative arrangements, which are sometimes called 're-insurance', therefore link private health insurers to Medicare, to prevent the private insurer becoming insolvent because of an escalating proportion of elderly clients and related treatments (Industry Commission 1997).

In the U.S., on the other hand, employers take out private health care insurance cover for their employees, or individual consumers may purchase it from competing private health care funds on their own behalf, if their employer does not carry it for them. The government provides a safety net that applies to a small, comparatively old or impoverished population. In a review of evidence, Duckett (1997) found the Australian Medicare system outperformed the U.S. health care structure on social indicators related to service access, equity and cost, but not service quality. Findings of comparatively poor service quality in Australia may appear surprising in the light of the scope Medicare potentially provides for the collection and analysis of reasonably consistent and reliable health service data across all public and private sector hospitals and general practitioners. However, research has also pointed out the need for better-coordinated professional and academic organization and practice, in order to achieve the transparent, data driven management systems which are necessary for of quality management and related research. Problems outlined in the following reviews are partly related to inconsistencies in state based insurance systems, which ideally require a nationally coordinated, transparent approach to policy and service administration. (Review of Professional Indemnity Arrangements for Health Care Professions 1995; Industry Commission 1995: 221-243; Australian Health Ministers' Advisory Council 1996; National Expert Advisory Group on Safety and Quality in Australian Health Care 1999; Senate Employment, Workplace Relations, Small Business and Education References Committee 2001).

Commonwealth Labor government established a national commission of inquiry into accident compensation and rehabilitation in Australia as early as 1973. It was chaired by Justice Woodhouse who had headed a previous inquiry in New Zealand, leading to the introduction of a comprehensive accident scheme providing rehabilitation to injured people regardless of fault. The Australian committee marshalled a great deal of evidence on the capricious and selective results, and the poor effects upon rehabilitation of adversarial court structures. It recommended a similar scheme to the New Zealand model but this was opposed by many, including insurers, lawyers, trade unions and some areas of government. The Labor government lost office and the plan was never implemented. Between 1973 and 1989 ten separate inquiries into workers' compensation came to the conclusion that the adversarial system is detrimental to rehabilitation (NSW WorkCover Review Committee 1989). There were five insurance company insolvencies in the mid eighties in New South Wales, when there were over forty insurance companies underwriting workers' compensation. Competition between them led to pricing wars and to the reserves of some insurers running low at a time when the courts were making increasing lump sum payments to injured workers (NSW Government 1986). A state Labor government introduced the current competitively managed fund structure in 1987, and it was retained by an incoming Liberal government after an inquiry concluded there was a lack of evidence of benefits from private sector underwriting, and that other factors, including quality of scheme administration, provide more important indicators of performance (NSW WorkCover Review Committee 1989). Later national inquiries into workers' compensation (Industry Commission 1994; Australian Heads of Workers' Compensation Authorities 1996: 132-133) agreed with this perception.

Later inquiry into the ongoing operation of the NSW workers' compensation scheme (Grellman 1997) found that its rising costs were being caused primarily by lack of ownership of the requirements for effective risk and injury management at the workplace level. The most recent national inquiry into workers' compensation and OHS has stated that the major significant issues now arise from differences in state and industry schemes which generate heavy compliance burdens and costs for multi-state employers (Productivity Commission 2003). The inquiry has recommended steps for more self-insurance and for the progressive establishment of a consistent national workers' compensation scheme. Private sector underwriting is recommended, in spite of the fact that the only reported Australian case for this was made by the Insurance Australia Group. This got some lukewarm support from the NSW Labour Council, a historically surprising group of trade union bedfellows, who also publicly admitted to being uncommitted in the longer term.

In general, inquiries have found that private sector underwriting is not transparent, and premium price competition promotes general economic instability rather than injury prevention. It is also more costly. Private underwriters require high profit margins to guard against the effects of competitive premium price-cutting, global economic fluctuations, unexpected court awards or long tail claims, poor investment decisions and inefficient administration practices. Such events have produced major insurer insolvencies in Australia. Whenever the national premium pool is broken up and owned by competing insurers, they require international reinsurance as well as high profit margins to guard against insolvency. All these costs must be borne by individuals, the government and the community of premium holders. On the other hand, when funds are owned by government and industry, and when premiums and benefits are established by legislation, the insurers contracted to manage the system ideally compete for market share by providing premium holders with risk management and investment services, rather than premium price cuts. In addition, the benefits of managed fund investments return to scheme stakeholders if they also underwrite the fund!

Shiller (2003) provides an opposing U.S. perspective on the appropriate management of financial risk in the 21<sup>st</sup> century. His market driven approach to insurance appears to support unlimited protection for risk takers who pay the premiums required. The assumption of risk can also be contracted out freely. This does not appear to be a proposal which can promote injury prevention or contain business cost for the majority, although the opportunity to continue to shift costs onto bystanders may please major risk takers and their supporters. In Australia, on the other hand, it is becoming clearer that there is considerable scope to improve social welfare and reduce costs through better national integration of the aims and administration of Medicare, private health insurance, workers' compensation and a range of other injury prevention, rehabilitation and insurance services.

### **Taking risk management research and education to the community**

The earlier discussion suggests that risk management education and related research should be an international priority. Research collaboration related to combined OHS and social insurance pilot systems for large development projects may appear particularly appropriate. Cooperative risk management education and research aims might be effectively coordinated with government support for regional health, welfare and education developments, especially for the poor. The Tokyo Declaration on Work Related Stress, which was sponsored by the Tokyo Medical University and the WHO in 1998 and signed by representatives of the European Union, Japan and the U.S. has been commended to policy makers everywhere as a framework for appropriate action. The Committee of Review of the Australian Overseas Aid Program (1997) also recommended that aid programs assist developing countries to reduce poverty through sustainable economic and social investment. The Review of Business Programs (Mortimer Report 1997) recommended all business support should be more focused and that a review of the education system should be undertaken to drive it as a source of comparative advantage for Australia. The Prime Minister then announced additional grants to

assist small business research and development. Tertiary education institutions should accordingly consider pursuit of research and risk management education partnerships, including those related to the consultative development of OHS and social insurance systems for major development projects.

In 2001 the Australian Prime Minister announced a new research and development tax concession rate for high spending companies to address concerns about the drop-off in private sector research activity. Additional research and development support included the ability for small firms to gain the equivalent of 125% research and development taxation concession (The Australian Financial Review 29.1.01: 1). The provision of such public subsidy for organizations to undertake research and development may be beneficial for the whole community. However, comparatively few Australian employers will be in a position to undertake or support scientific and technological research and development alone, or purely on their own behalf. On the other hand, it could be of great benefit to Australia if industry leaders, their organizations and members are willing to participate in research and education plans to achieve mutually agreed objectives of national development related to health, welfare and sustainable development which are managed on an industry and related community basis.

## **Conclusion**

The populations of many nations are ageing, and the aim of remaining healthy and independent for as long as possible is shared by the elderly and governments alike. The importance of an effectively coordinated policy approach to all health, welfare and related social insurance provision is increasingly being recognised in this context. In Australia, a number of health and related social insurance and insurance inquiries have suggested that the benefits of industry and community ownership of funds are comparatively clear, as long as funds are managed transparently, competitively and effectively. This requires policy driven, consultative risk management where administration is focused clearly on evaluation of service and environment outcomes. Ideally, these pursuits should also be effectively coordinated with the regional management focus on related health, welfare and education needs of aged, disabled and poor communities. Partnerships for education and research into such social service provision would assist the general attainment of national and international development aspirations. This is the overarching context in which all core management and vocational skills might be taught and funded by government and industry.

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# A RESPONSE TO THE PRODUCTIVITY COMMISSION DRAFT OF THE INQUIRY INTO GOVERNMENT DROUGHT REPORT

## INTRODUCTION AND RECOMMENDATIONS

The draft of the Inquiry into Government Drought Report is another excellent Productivity Commission (PC) product and I think all its recommendations should be supported. However, its focus does too little to prepare Australia for a greener future and for related carbon trading and offset investment schemes to achieve it. The major goals of this submission, therefore, are carbon pollution reduction and protecting biodiversity. It primarily addresses PC draft report recommendations 7.1 and 8.1 so as to position Australia's farming and related communities more effectively in their regional, social and environmental contexts, so all production can be managed in a more holistic and therefore more effectively coordinated manner, to achieve all stakeholders' social and environmental goals more competitively. This submission also aims to position Australia to achieve all related national and international goals more effectively, through managed and targeted competition and evaluation of the outcomes, according to triple bottom line accounting requirements, which are economic, social and environmental. Farming, mining, waste management, communication development, education and research are addressed in a related fashion. This also addresses the third of the Terms of Reference given to the PC, which was to identify the most appropriate, effective and efficient responses by government to build self reliance and preparedness to manage drought.

PC draft recommendation 7.1 states:

The objectives of the Australia's Farming Future initiative should be revised and expanded to the following:

1. Assist primary producers to adapt and adjust to the impacts of climate variability and climate change
2. *Encourage primary producers to adopt self-reliant approaches to managing risks*(My italics. Risks to the surrounding environment must also be managed.)
3. Ensure that farm families in hardship have temporary access to a modified version of income support that recognises the special circumstances of farmers

Draft recommendation 8.1 states that 'Significant public funding should be directed to research, development and extension to assist farmers prepare for, manage and recover from the impacts of climate variability and change. However, primary producers ideally also manage risks that their production may generate for others besides themselves and this needs to be clearly recognized for effective development. Encouraging primary producers to take self-reliant approaches to managing only their own business risks is a good idea unless the practice becomes so successful that it threatens the sustainability of competing life which is ideally valued more highly, in order to encourage other industries,

such as eco-tourism, communication or education, and in order to ensure the preservation of vulnerable species and the quality of life for future generations. For example, I love to see orang utans on TV as well as in the wild and hope they are valued more as I get older, rather than dying to produce palm oil. Government policy can assist many such market transitions so that they maximise the interests of communities in meeting all regional, national and international goals as widely, effectively and competitively as possible. Later discussion addresses this. Some draws verbatim on the findings of my daughter, Jessica O'Donnell, who completed a study at Macquarie University, entitled 'How vulnerable to climate change are plant communities within protected areas' supported by the Department of Climate Change. The following recommendations are made:

1. Plan agriculture, mining and eco-tourism in their regional land matrix contexts nationally and internationally to achieve all the goals of sustainable development.
2. Consider carbon trading and offset development in the context of the land matrix regionally, nationally and internationally to address global warming and loss of diversity.
3. Act to reduce carbon pollution and protect biodiversity by weed and pest removal, planting native vegetation and protecting river banks.
4. Seek more innovative, better coordinated management of urban and rural waste, pursued in more open markets
5. Consider the management of life and death to support the aims of the Australian Organ and Tissue Donation and Transplantation Authority Act (2009) and to assist personal choice to be exercised more effectively
6. Intervene in the national broadband communication content planning and service delivery processes to achieve all community goals as scientifically, effectively and competitively as possible

The following attached submissions to inquiries should be read in a related context:

- Health and education for sustainable development and the Australian Carbon Pollution Reduction Scheme
- Submission to Australian Health Ministers Advisory Council on a national registration and accreditation scheme for the health professions

**1. PLAN AND PURSUE AGRICULTURE, MINING AND ECO-TOURISM IN THEIR REGIONAL LAND MATRIX CONTEXTS, NATIONALLY AND INTERNATIONALLY TO ACHIEVE ALL THE GOALS OF SUSTAINABLE DEVELOPMENT**

**2. CONSIDER CARBON TRADING AND OFFSET DEVELOPMENT IN THE CONTEXT OF THE LAND MATRIX REGIONALLY, NATIONALLY AND INTERNATIONALLY TO ADDRESS GLOBAL WARMING AND LOSS OF BIODIVERSITY**

### **3. ACT TO REDUCE CARBON POLLUTION AND PROTECT BIODIVERSITY BY WEED AND PEST REMOVAL, PLANTING MORE NATIVE VEGETATION AND PROTECTING RIVER BANKS**

According to the PC (p. 35) Australia is highly urbanised by international standards. In 1906 around 65% of the population lived outside the capital cities, falling to about 36% in the 1970s. This remains the situation. However, between 2001-2006, the capital cities, some coastal regions, provincial centres and mining towns experienced population growth, whereas populations in most rural and remote areas declined. Australian agriculture is ideally planned and managed from within such regional contexts where land is understood and utilised in planned production. In these contexts, one wonders which crops and animal husbandry should be encouraged in a dry continent and which should be discouraged, to achieve the goals of sustainable development most effectively. Mining interests must also be considered in regional contexts where the total land matrix is utilised effectively for planned, competitive development. Waste management and communication to promote education, development and research also require discussion in related regional arenas. This submission calls for universal action based on such analyses. Related carbon trading and offset development also require consideration in the regional context of the land matrix, nationally and internationally. This is discussed later.

The PC profile of Australian agriculture indicates that traditionally it has been dominated by extensive pastoral and cropping activities, including wheat, beef cattle and sheep (for wool and meat products). Over time, the share of wool and wheat in agricultural output has declined while that of beef and sheep meat and other crops has risen. Since 1983, areas under cotton, cane, potatoes, rice and horticulture increased, and viticulture has expanded. Intensive livestock industries have also grown. Cotton and rice production, however, have recently declined relative to the levels attained in 2001-02 (PC, p.18). There has been long term decline in the number of farm businesses, with numbers falling from about 196,000 to 130,000 in 2004-2005. The area of land used for agricultural production has declined and is now at around 1950s levels. In 1996-97 the largest 30% of farms generated 76.5 percent of the total value of agricultural operations, while the smallest 50% generated 9.8% of the total value of agricultural operations (PC, p.20). Farmers in areas such as western NSW, central Queensland and parts of the east coast are more likely to be vulnerable than farmers in other areas. A lack of partnerships, degradation, small area scale operations, low average incomes and lack of off-farm income were major indicators of vulnerability (PC p.30).

The above indicators ought to be considered in concert to achieve broader community and environment related goals, including carbon reduction and biodiversity maintenance through trading and offset development. For example, one wonders whether cotton and rice are sensible products to grow in such a dry continent as Australia, where the price of water will necessarily rise in future, along with community criticism of the effects of water removal on biodiversity and climate change. In the colonially driven production context described, one also wonders whether it is mainly for European colonial reasons that bamboo, a fast growing plant which can be used in building, for cotton-like clothing and for many other purposes, seems largely to have been ignored by Australian agriculturalists.

In a related context one wonders whether the consumption of kangaroo meat should be preferred over the consumption of other meat, for the purposes of general sustainability, or whether kangaroos should be perceived as lucrative tourist draw-cards, which are endangered by culling. In the same colonial context it is important to consider the knowledge of the land which Aborigines who were hunter gatherers have, and more generally to become more aware of the potential of products traditionally used in Asia and other places rather than Europe.

Those concerned more with conservation than agriculture have suggested that 49 plants and 54 animals have become extinct across Australia, and more than 1000 plants species, 400 animal species, and 40 ecological communities, are currently under threat from many human-induced pressure and the impacts of pest species. Some invasive weeds, other pests and their destruction of native vegetation on which fauna depends, may also be seen as problems by farmers and conservationists alike. Effective management of common threats within the landscape matrix is increasingly recognized as an important element in the development of adaptive management strategies for protected areas, and conservation initiatives in general. In relation to climate change, the management of these threats, and the maintenance of high quality and well connected habitat are necessary to facilitate the dispersal and establishment of species within new areas. I cite O'Donnell's work below.

Approximately 89 million hectares of land, or 11% of the continent is currently protected in some form. Since the 1960's, the development of the national reserve system in Australia has been based on the principles of comprehensiveness, adequateness and representativeness (CAR) (ANZECC & MCFFA 1997). These principles are directly related to the development of the Interim Biogeographic Regionalisation of Australia (IBRA), which divides Australia into 85 distinct biogeographic regions and 403 sub-regions. IBRA provides a scientific framework and tool to aid and evaluate the realization of the CAR principles in the development of the national reserve system. For example, the current goals of the national research system are to protect 80% of the ecosystems represented by both the IBRA regions and sub-regions by 2010-2015 (DEWHA 2008a). In the last decade however, the acquisition of land for the national reserve system has not met current targets (Sattler & Taylor 2008). The treatment of farming and mining in Australia should take account of the impacts of various forms of production on climate change and biodiversity. Government should also consider further acquisition of protected land.

Traditionally, the establishment of protected areas has been thought the most important and effective conservation method. Protected areas offer differing degrees of protection, ranging from formally managed national parks to land subject to conservation covenants, and the World Conservation Union has developed a formal classification system to define these different levels of protection. Ideally, protected areas represent suitable habitat of an adequate size for the maintenance of ecosystem processes and the persistence of species populations, in an environment that is protected against destructive activities and land-uses. The Australian protected area network incorporates over 9000 reserves, including national parks, protected land owned by indigenous Australians, areas managed by non government organizations, and private land protected through conservation based agreements such as Covenants. Should these reserves now be augmented by measures to

achieve as many national and international goals as possible? (I guess so, but the decision is ideally made on a variety of good evidence about the regional land matrix.)

The perceived effectiveness of protected areas was initially based on the assumption that species distributions were static. As early as 1985 however, it was recognized that species distributions were changing in response to climate change, and that this would have implications for the capacity of protected areas to continue to conserve individual species and maintain current community assemblages. The WWF report *Building Nature's Safety Net (2008)* assesses the current state of Australia's national reserve system in terms of meeting current targets for ecosystem representation. The report highlights the inevitability of change in the current species assemblages within protected areas, an important issue that had been raised in the Australian *National Biodiversity and Climate Change Action Plan 2004–2007* (NRMC 2004). The Australian Government Department of Climate Change report *Implications of Climate Change for Australia's National Reserve System* builds on this theme by suggesting the previously accepted conservation goal of "preventing ecological change" must shift towards "managing the change to minimize the loss". This new way of thinking incorporates two main management directives: (1) the facilitation of natural changes, such as species distribution changes and community change, and (2) the identification and protection of areas considered especially important as refuges, or particularly vulnerable to climate change. (Why accept losses?)

Recognition that species ranges are shifting, at least partly in response to climate change, has greatly increased consideration of the landscape matrix, in the conservation of biodiversity. The quality of the landscape matrix plays an important role in facilitating or preventing a species dispersal, survival and establishment. The landscape matrix, represents both potential habitat of varying quality and also a source of threats to species survival, persistence and migration. For example, a history of land clearing, intense land use and modification has reduced the extent of natural vegetation on the east coast of Australia. Suitable habitat within the landscape matrix is often highly fragmented, posing barriers for species movement, migration and dispersal, and impeding genetic flow. The modification of hydrological systems, pollution and the introduction of grazing species have further degraded potential habitat in Australia. Disturbance of natural ecosystems, nutrient addition and the activity of grazing animals have facilitated the invasion of exotic plant species, which compete with native plants for resources. It is recognized that synergies exist between these factors and the pressure imposed by climate change, potentially making the combined impact worse than the sum of the impact of individual factors. How are all ideally treated in regional land matrix contexts and more broadly?

Protected areas represent the most common and potentially effective method to conserve biodiversity. They aim to buffer healthy habitat from human activities that modify, degrade or destroy ecological assemblages. For two decades, it has been recognized that climate change poses a threat to the effectiveness of protected areas, and there is mounting evidence that the distribution of species, and species representation within communities is already changing in response to climate. O'Donnell's study sought to assess and compare the vulnerability to climate change of plant assemblages within two Australian national parks in contrasting environments, using three potential indicators of climate change

vulnerability. She used bioclimatic modeling to predict the current bioclimatic ranges of all higher plant species known to inhabit each park, and compared the range size frequencies between the parks. To investigate and compare levels of climate change exposure, she projected the current plant ranges onto a future climate scenario and measured the magnitude of range size change, and the potential loss of plant species from each park. To investigate and compare the capacity for plant species to track climate change outside the boundary of the national park, and move between refuges such as protected areas, she undertook a simple qualitative analysis of the landscape matrix surrounding each park – one inland and one coastal.

The results suggest plant species inhabiting both Kinchega and Myall Lakes national parks are vulnerable to climate change, as all species responded to future climates with shifts in range, and the landscape matrix around each area also presents threats to species persistence and movement. Plant assemblages within Kinchega National Park, however, may be more vulnerable to climate change, as the Kinchega species showed stronger responses to climate change, which is likely to translate into greater ecological change within the park. The flora of the Darling Riverine Plains vegetation is currently not highly represented in the Australian National Reserve System, and species shifting out of Kinchega National Park face a highly degraded landscape, with few areas of formal protection, and high levels of competition from a large number of exotic pest species. The study suggests plant assemblages within Kinchega national park may be more vulnerable to climate change-induced range contractions than those within Myall Lakes National Park, but that both parks will be susceptible to change.

The vulnerability of a species, community or ecosystem to any kind of pressure, or threat, is determined by a multitude of interrelated factors. These factors can be categorized roughly into three main groups: (1) the intrinsic characteristics of species, (2) the factors that determine the degree of exposure to a pressure or threat, and (3) the factors that influence the adaptive capacity of a species. O'Donnell found the landscape matrix around Kinchega national park represents continuous remnant vegetation, but poor quality habitat due to high levels of grazing pressure and competition from a large number of invasive plant and animal species. The lack of protected land within the region reduces the chance of species shifting into land actively managed for conservation purposes, leaving them more vulnerable to a range of threats. The landscape matrix around Myall Lakes is highly fragmented, due to widespread land clearance for agriculture and urban development, which represents the greatest threat to biodiversity within the region. A greater concentration of reserves within the region increases the chance of species shifting into other protected areas, but fragmentation of the landscape is likely to present numerous barriers to dispersal. Climate change and a landscape matrix affected by production and development both reduce biodiversity. The latter appears the main problem. This has implications for land planning and carbon offset development.

The provision of drought support requires consideration in an environment where invasive weed eradication and the planting of native species to provide habitat and build corridors for wildlife migration are ideally also recognised as necessary. This direction is ideally supported by carbon trading and offset development. In this context the concerns of

organizations such as Rivers SOS also require close consideration and related action. Rivers SOS is an alliance of 41 community groups in NSW campaigning for a safety zone of at least one kilometre around all rivers in order to protect them from the severe damage being done by poorly regulated mining operations. (Anyone who has visited Borneo might guess that a similar river strategy is urgently necessary for protection of many endangered animals such as orang utans and proboscis monkeys. In some areas there is so much clearing in the forest along supposedly protected rivers that one wonders how long the eco-tourism industry and animals can survive. Rivers are also good for carrying other produce cheaply, even for the smallest operators). In the light of the ageing and more affluent populations which have arisen comparatively recently across the world, the preservation of native animals and related development assistance provided to their surrounding communities, is ideally a central strategy for all future development. This seems the only sensible way forward, with poverty alleviation considered in this context.

Mining is ideally considered in related regional contexts. For example, Rivers SOS is concerned about longwall coal mining. It claims this underground mining is having a devastating impact upon rivers, swamps and aquifers. The group claims mining and environmental legislation are failing to protect the environment or provide water security and that protection zones are now required to protect rivers, streams, swamps and other key natural features from being cracked, drained and polluted as a result of ground subsidence caused by longwall mining. It calls upon government to implement a regulatory system that counterbalances mining approvals with a legislated one kilometre protection zone for rivers, streams and swamps. Among other measures, it seeks adoption of the recommendation of the Hawkesbury-Nepean River Management Forum which principally sought to ensure that all underground coal mining is required to eliminate existing impacts and to avoid future impacts upon the water supply system, rivers, streams and wetlands within the Hawkesbury-Nepean, Shoalhaven and Woronora catchments. The group also seeks to expose the mining industry to greater public transparency and accountability, by providing greater access to all environmental reporting and standardising the community consultation process. Such concerns are important to take into consideration in any planned approach to the land matrix. Perfect information is necessary for a perfect market. The international financial crisis was based on ignorance instead. The blind led the blind. Freer markets depend upon reliable information.

#### **4. SEEK MORE INNOVATIVE, BETTER COORDINATED MANAGEMENT OF URBAN AND RURAL WASTE, PURSUED IN MORE OPEN MARKETS.**

#### **5. CONSIDER THE MANAGEMENT OF LIFE AND DEATH TO SUPPORT THE AIMS OF THE AUSTRALIAN ORGAN AND TISSUE DONATION AND TRANSPLANTATION AUTHORITY ACT (2009) AND TO ASSIST PERSONAL CHOICE TO BE EXERCISED MORE EFFECTIVELY**

The Lord Mayor of Sydney, Clover Moore, states that the council's Sustainable Sydney 2030 program anticipates there will be restrictive carbon pollution policies in the future and proposes several measures through which the City can reduce its carbon footprint and become more sustainable. A key Sydney 2030 initiative is to change the way energy

(electricity, heating and cooling) is provided and distributed. The plan for Green Transformers includes the introduction of locally generated energy using various low-carbon energy generation technologies such as co-generation, tri-generation and renewables. It is recognised that in the long term some of the fuel for this network could be sourced from local waste. In November 2008 the City sought expressions of interest in the provision of light emitting diode (LED) technology to improve lighting in public spaces. This technology apparently has the potential to cut energy use by 50%, decrease maintenance costs and also provide improved lighting conditions in public spaces.

Currently in NSW the state government has a program for recycling and reuse of government waste. Councils handle waste separately. Better coordinated and more innovative management of waste management programs is necessary in the future. Sustainable Sydney 2030 commits the City to investigating an integrated waste management strategy with other Inner Sydney Councils, which may include establishing an Alternative Waste Technology (AWT) facility as an alternative to the current practice of using landfill for disposal. AWT facilities have the potential to recover 80% or more of recyclable materials and have the potential to generate energy through the capture of methane. This would help the City meet both its waste diversion targets and support the Green Transformers initiative, according to the Lord Mayor.

Proposals for AWT facilities should include investigation and consideration of the current methods of disposal of all human and animal body wastes, in order to improve their treatment. In a medical context, the prevention of overpopulation and the disposal of human bodies and their wastes are the raw material of many potential scientific and democratic revolutions. More scientific and democratic development approaches have yet to emerge from the destructive ignorance of past feudal practices everywhere, which many rich lawyers and others still jealously guard through courts, which also support 'junk science' through their expensive adversarial practices. The Australian Organ and Tissue Donation and Transplantation Authority Act will commence in January 2009. Its aims and related requirements need close examination in this context in order to develop an understanding of how the health aims of everybody may be achieved most effectively and fairly. Ideally, individuals have the right to make their own informed decisions. They should not normally be spoken for by lawyers, psychologists, ethicists and others who may use the pretence of protecting people to frighten them to silence while living off them.

After the Nazi defeat in Europe, the Nuremberg trials produced a Code which expressed the new international awareness that narrowly driven views of scientific experiment may make total destruction as likely as improved wellbeing. The Nuremberg Code stated all those involved in research must be properly informed and have the power and moral responsibility for autonomous speech and decision. The first principle of the Code states:

The voluntary consent of the human subject is absolutely essential. ....  
The duty and responsibility for ascertaining the quality of the consent rests upon each individual who initiates, directs or engages in the experiment. It is a personal duty and responsibility which may not be delegated to others with impunity.

Code principles should be applied in any broadly scientific approach to individual or community management, as well as in medical experiments. Broader community education rather than lawyer driven requirements and ethics committees are needed in this context. The latter may just produce red tape and often copy feudal assumptions and practices which are pre-scientific, let alone pre-Nuremberg. A recent discussion paper on the protection of human genetic information by the Australian Law Reform Commission and the National Health and Medical Research Council (2003) concluded ethical inquiry is consistent with scientific inquiry, in that it is centrally concerned with the kind of procedures or discussions that allow all relevant sources of information and viewpoints on a disputed matter to be taken into account in coming to a decision. Ethical judgment, like scientific inquiry, is ideally an ongoing activity for all, since community life is continually developing, along with knowledge and related conceptions of truth. This inclusive approach to ethical judgment requires much greater recognition of the need for informed participation of communities in all service provision. It also requires educational approaches which recognize the subjectivity of all, including that of any researchers who prefer to think of themselves as above the fray gripping those below.

This route is also necessary for freer international markets and attaining Millennium Development goals. Many poor women have little or no choice whether they carry a child or not. That choice is largely up to men and they too, may have no contraception. Uncontrolled population growth is therefore a major problem for all those seeking to end poverty and to improve health and sustainable development by freer choice. The use of nuclear power remains a key safety concern for every nation, particularly in Iran. The record on Iranian women and children's health, family planning and related education are all comparatively good for a developing nation. Ideally, Australians should try to collaborate further with Iranians or other willing communities to improve child and community health, including through nuclear medicine and environment protection.

Cultural or related legal prohibitions against the death penalty for major criminals must also be understood as occurring in many contexts where the urban or rural poor and disabled are given no government economic support of any kind whatever. From any perspective, but especially from theirs, the jails may appear most accurately conceptualised as comparatively expensive forms of welfare service provision, made primarily to those who appear least deserving. The funds might logically have been spent more usefully elsewhere, including on provision of relevant contraceptive devices to reduce poverty, crime and all related environmental degradation. We need more useful cultural dialogue so that everybody can have their personal wishes satisfied better.

My personal aims in life are to gain greater public recognition of the need for more competitive, greener development everywhere, and to obtain more personal choice for elderly citizens such as myself, so as to render more support to other more vulnerable beings as well. If every Australian over retirement age who wished to do so was given the choice to end their life up to two years earlier than might otherwise be so, the taxpayers could save vast amounts of money on care towards the end of life, when its quality may also be diminished and so valued least by some of us. When we are old enough to rationally assume that we will not get better, some of us may wish that the money which

keeps us alive was spent instead on making life more comfortable for many who apparently have much more reason to live than we do ourselves, such as all those who are younger and more vulnerable. From this perspective, which others may share, voluntary organ donation in old age may be conceived as a great form of public service, a related potential gesture of personal gratitude or atonement and a choice ideally made available in the public interest to anybody who is elderly. I aspire to make this choice, albeit preferably at some stage later on. I have always tried to make the most of my body and am deeply grateful for its absolutely outstanding service so far. I would ideally like to help others live, including monkeys and other endangered species, by donating it later. Surely I have the right to this choice, which is so obviously in the public interest.

## **6. INTERVENE IN THE NATIONAL BROADBAND COMMUNICATION CONTENT PLANNING AND SERVICE DELIVERY PROCESSES TO ACHIEVE ALL COMMUNITY GOALS AS SCIENTIFICALLY, EFFECTIVELY AND COMPETITIVELY AS POSSIBLE**

In 1992, the first principle of the Rio Declaration on Environment agreed to by UN members was that humans are at the centre of concern for sustainable development and are entitled to a healthy and productive life in harmony with nature. At the 1994 Asia Pacific Economic Cooperation (APEC) summit, national leaders agreed to create an Asia-Pacific free trade zone by 2020, and to protect health and the natural environment. Achieving Millennium Development and related goals also requires healthier, freer trade. Ideally, regional environments are examined to identify and manage key risks to business, community and environment wellbeing. In this national context, where perfect markets also require perfect information, the broadest and most open communication possible appears logically to be the best way forward to the freest markets. I therefore assume that talks about how to achieve this should start with Telstra and with all related others, including ABC and SBS TV, other TV stations, newspapers, Microsoft, Google, Sony, libraries, museums, universities, other education, training and research institutions, etc.

In November 2008, Senator Conroy, Minister for broadband communications and the digital economy called for bids to deliver a national broadband network which meets the government objective of providing a fibre-based network reaching 98% of the Australian population and delivering minimum speeds of 12 megabits per second, according to the Australian Financial Review (AFR 1.12.08, p.3). Telstra has proposed a national broadband rollout but made clear that it is likely to be able to deliver coverage for only 90% of the population. It argues the \$4.7 billion the government has put towards the project will only allow such limited reach (p.3). It also indicates a willingness to take the government offering of \$4.7 billion as a 'concessional' loan rather than a grant. (AFR 27.11.08, p.64). Including Telstra, the government has received six proposals – four national and two for states. Three national broadband bidders have claimed they will meet the criteria to reach 98% of the population but some propose doing so by connecting more remote areas with wireless technology, not fixed fibre network (AFR 1.12.08, p.3).

Boss magazine (AFR Nov. 2008, p.26) states Sol Trujillo became Chief Executive Officer (CEO) of Telstra in July 2005. There are currently 47,000 employees. The Chairman,

Don McGauchi, claims he is ‘totally supportive of Sol positioning the company to give ‘shareholders and customers first priority. Not anyone else who may think they have a stake’ (p. 29). One wonders, however, why the CEO has such an enormous remuneration package as that reported in the media. On what basis does Sol Trujillo get so much money and what is he expected to do for it? Are no others capable of doing his job as well but cheaper? If so that is remarkable. What makes him so special? Is he uncompetitive?

The Telstra Chairman has submitted a scoping proposal as distinct from a bid to the government. He said Telstra cannot bid without an assurance it would not have its business structurally separated by government delivery requirements and described other areas of concern that need to be resolved. Key Telstra concerns are ‘for its intellectual property to remain confidential and for clarification of the regulatory regime’ (AFR 27.11.08, p.64). The latter appears also to relate to other uncertainties over how to treat any supposed ‘conflict of interest’ which may arise a result of the history of Australian government ownership and regulation of Telstra.

The concept of being or doing actions which are labelled uncompetitive is a legal mine field, which may also be linked to the concept of having a conflict of interest. In an earlier inquiry, the PC estimated that Telstra currently accounts for around two thirds of total services revenue in the communications industry. Its market dominance is due to the fact that it is the original government owner and provider of all the lines and switches that are currently used for sending or receiving voice and data on fixed phone lines. If a rival to Telstra wishes to compete in non-local services, such as mobile, national and international long distance calls, it must have access to the ‘local loop’ of aging copper wires historically funded by government and inherited by Telstra. The latter has faced repeated charges from the National Competition Council that it prevents competition to its services through its monopoly power. The Australian Competition and Consumer Commission (ACCC) conduct arbitrations. Telstra has been called the biggest consumer of legal services in Australia ( PC, 2001, p. xxv). (How much does this cost taxpayers?)

The current government may be forced to wait until the second half of 2009 to sign any contracts for broadband rollout because the opposition insists on a full inquiry into the project (AFR 26.11.08, p. 14). They question the use of government money to subsidise networks in city areas that could get services on commercial terms. They also oppose the government taking equity or debt in the network operator as this would ‘revive the conflict of interest prevailing when the government owned and regulated Telstra’ (p.14). The legal concept of ‘conflict of interest’ and its treatment is often based, however, on outdated assumptions. One is that competition to get money is the only kind which need ever be addressed. A second is that the more market players offering services in any arena, the better the society will be served. (Anybody who knows anything about the comparative provision of health care internationally knows this assumption is nonsense.) Thirdly, this view of competition, which focuses on trading, takes no account at all of the importance to the consumer of any particular kind of media content over any other. (Lawyers are nuts.)

The form of national competition policy envisaged by Hilmer (1993) would have led naturally to triple bottom line accounting – economic, social and environmental - if

implemented properly. He defined competition as, 'striving or potential striving of two or more persons or organizations against one another for the same or related objects' (1993, p.2). His recommendations were agreed to by governments but botched in implementation to the Trade Practice Act (TPA) which recognises competition for money as the only kind. Hilmer's national competition policy ideally requires private sector and public sector service providers to compete on a national level playing field of standards which ideally apply equally to all competing operations. Separation of national policy from supporting service management ideally allows the outcomes of all competing service managers to be judged. Whether the latter are government or privately funded organizations is not important. The vital question is how comparatively effectively their management achieves the mission or standards which have been agreed more broadly. The role of government is ideally to intervene transparently in the market to facilitate more effective competition or to attain other social objectives considered to be in the public interest.

From the above perspective there superficially seems to be no need for Telstra to be broken up, as long as its goals are clearly aligned with those of government and its operations are transparent enough for its comparative outcomes to be judged effectively on a continuing basis. Telstra ideally competes with peer producers on a level playing field, whether it built an earlier version of the latter playing field itself, or not. In its inquiry, the PC (2001) concluded there is an inherent difficulty in defining anti-competitive conduct in an objective sense and it is not possible to undertake a full benefit cost analysis of the merits of anti-competitive conduct regulation. It stated that lack of transparency in the Trade Practices Act (Part XIB) also limits the ability of telecommunications providers and the community to analyse and comment. The Commission's view of its own inquiry into allegations of unfair use of market power is summed up in its quote from the Hilmer Report (1993, p. 69):

The central conundrum in addressing the problem of misuse of market power is that the problem is not well defined or apparently amenable to clear definition....  
.....Even if particular types of conduct can be named, it does not seem possible to define them, or the circumstances in which they should be treated as objectionable, with any great precision.....Faced with this problem.....the challenge is to provide a system which can distinguish between desirable and undesirable activity while providing an acceptable level of business certainty. (2001, p. 154)

Unlike the ACCC and the PC report above, I also assume the choices which people make about communication are driven at least as much by the media content produced for the competing communications available, as by the cost of their carriage. For example, whether I watch TV, get a video, use my computer, listen to the radio, read a book or go out to a lecture or the theatre on any particular evening depends overwhelmingly on my level of interest in the competing content on offer, and also whether it is close to home. Within reason, the cost of the communication carriage is normally less important than the content of the product. (For example, I always go out of my way to avoid sport. Others may see it as one of life's top priorities. History and politics are similar, in reverse.) In communication choices, one's taste is everything. On the other hand, the high cost

mandated for traditional university education, where the curriculum is closed and the lecture time or place may be very inconvenient, seems unnecessary and outrageously unfair. Universities appear to function for accreditation of narrowly self-appointed elites.

Close consideration of the potential consumer choice of specific communication content appears vital for effective broadband planning and service delivery purposes. The objects of the Radiocommunications Act (1992) should have focused many recent inquiries much more effectively on educational and entertainment content than was the case. Lawyers and those who benefit from their feudal mode of production often love acting to increase their costs and are powerful enough to force their feudal will against any later, more scientific approaches. How else may one explain the failure to implement the Hilmer Report better, even though its contents were supported by government? Why ignore the Radiocommunications Act, which seeks management of the radiofrequency spectrum to:

- Maximise, by ensuring the efficient allocation and use of the spectrum, the overall public benefit derived from using the radiofrequency spectrum
- make adequate provision of the spectrum for use by agencies involved in the defence or national security of Australia, law enforcement, the provision of emergency services, or for use by other public or community services

A government appointed panel has the authority to consider Telstra's twelve page submission as a bid, alongside those of other bidders and will report within eight weeks from the end of November 08. In my view the government committee and all broadband bidders should confer as necessary, with the aim of maximising their service outcomes and the related interests for all involved. Presumably their activities will also be considered under the public-private sector plan for infrastructure funding described by Finance Minister, Lindsay Tanner in an article entitled 'Tanner puts trust in time to be fair'. (AFR, 19.11.08, p.4). This indicates that the government intends to use some of the money from its three infrastructure funds to buy shares in companies responsible for nation building projects, thus giving it oversight of the ventures it sponsors to ensure accountability. The reform of rules of government investment in national infrastructure is also designed to attract some of the billions of dollars invested by Australian superannuation funds in offshore projects (p.4). Broadband development is part of infrastructure development.

The government's announcement of an 'education revolution' in late 2007, aimed to provide each school child with access to a personal computer, the 'tool-box of the future'. The PM also discussed his vision to 'unleash the national imagination from beyond the ranks of politics and the public service' and 'to help fashion a national consensus around a common vision for the nation, with common goals to aim for within that vision', in the Sydney Morning Herald (SMH 17.4.08, p.11). The national broadband direction is ideally addressed in a clearly related context of industry, community and environment planning and development. The Australian Broadcasting Commission (ABC) outlined its plans for five channels. ABC5 will be the Educational Channel providing English and foreign language tuition, curriculum material and an integral digital resource for a newly developed national schools curriculum, with at least 50 percent Australian content to meet teachers' and students' needs. Coordinated consideration and attainment of open

education and related entertainment media content is vitally necessary, so learning on the job and away from it is easier for everybody.

From the historical perspective of the normal product development chain and from the related democratic perspective which seeks to meet the broadest possible need for high quality and rapid skills and education development, the Australian online education production process appears to be totally and determinedly irrational. (One person, the teacher, does almost everything herself, but her work can only reach a comparatively few people.) One may wonder why the apparently normal way of providing the most effective production and related economies of scale has apparently been ignored in regard to on-line teaching. I guess that the big US money behind IT development is strong enough to drive everything else in its own interests, and that these dominating interests have allied themselves with universities and technical colleges against the broader public interest, for related development purposes. On the other hand, the powers of Google, email, TV, radio and videos in providing information are enormous and the Sony Tropfest approach to the image has wonderful democratic development potential.

Community benefits can be derived across all boards if industry leaders, their organizations and members participate in broader, more open, regional community planning approaches which address innovative management and skills developments to achieve the diverse goals of sustainable development as broadly as possible. The carbon pollution reduction scheme provides potential support for this direction. An industry and community approach to management and all related education ideally starts with teaching key skills and management principles for the identification, prioritization and control of community and environment risks, in order to devise effective injury prevention and rehabilitation solutions for the future. Open and broader educational support is needed for this approach. Sol Trujillo apparently has introduced a \$200 million program called the Telstra Learning Academy to improve training and better equip the field force of 'techs' who go out in the trucks and do the legwork. He is quoted as saying he values customers and shareholders first and they should be put at the centre of everything. He thinks there is no such thing as too much feedback. Open discussion to gain jointly agreed broadband contract design and service operation seems the logical approach.

Thank you for the opportunity to make this submission.

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## **AN IDEAL TRUST STRUCTURE FOR THE BENEFICIARIES: AN EXAMPLE FROM AN AUSTRALIAN SUPERANNUATION FUND AND A BANK**

### **Introduction**

From a historical and related scientific management perspective, industry superannuation funds, to which workers, employers and government contribute primarily to provide the workers with an income in their old age, may be conceived as new and better coordinated forms of insurance, taxation and banking. In the traditional insurance company, the fund owners and beneficiaries of the business are the stockholders, not the premium purchasers who are seeking to protect themselves against some kind of risk. Elected governments collect and direct taxes separately, on behalf of taxpayers. Banks take deposits from citizens and companies and lend money to their customers for home or business purchase and all related development. Industry superannuation service management is ideally now designed so fund managers can achieve not only contributor savings, adequate pension provision and housing loan assistance but also regional investment for sustainable development more scientifically and cost-effectively. Many regional planning and management processes are ideally conducted by government in cooperation with relevant communities, industries and related fund managers. An ideal trust structure is considered later in this context. It is structured to enhance competition through better service coordination, related cost cutting and more openness. Openness is vital for all scientific work, including management. Perfect information is necessary for a perfect market. The ideal trust promotes this development.

The main reason current financial institutions do not work as effectively as they should in the interests of the financial service customers, is that financial service providers and governments remain adherents of management expectations belonging to a feudal management era, which existed prior to the more scientific assumption that perfect information is necessary for a perfect market. The scientific management expectations of welfare state capitalism are even newer still. In the early insurance model there are few injury prevention or rehabilitation structures or services to reduce the risk of injury or its consequences for the client or the surrounding environment. The cost of the risk of injury occurrence, on the other hand, may be offloaded to innocent premium holders or taxpayers, or sold to other market participants. This adds to the eventual risk of market collapse rather than providing a mechanism for risk prevention. UniSuper indicates that for the financial year ending in June 08, cash investments performed best with returns of 5.89% and 'socially responsible high growth assets' performed worst at -17.49%. In 2006-2007 the latter assets returned 19.60%, while cash returned 6.68. This comparatively unstable investment performance is a major concern in relation to the introduction of carbon trading in 2010, to achieve pollution reduction.

Australian national sustainable development goals must be achieved primarily through seeking the prevention of injury in the environment and rehabilitation after injury occurs. Industry cannot drive sustainable development effectively alone, because its primary

goals are making money for stockholders or accessing support or other compensation when this fails. More broadly scientific approaches to management are necessary to achieve more sustainable development. More broadly linked management partnerships between industries, governments and other communities, driven by social and environment goals, which include commercial goals, are necessary. Recommendations of recent Treasury and other government reports are considered in this context.

### **More Scientific Financial Management is Necessary but Treasury Cannot Lead**

This discussion first provides a short historical and theoretical background for Australian superannuation fund management. It also focuses on the evidence to support a central example of ideal managed trust relationships between Australian superannuation fund members, bank customers, and related broader communities with similar interests. These collective and individual interests principally lie in better and cheaper fund management for superannuation members and bank customers, in order to achieve related and more broadly identified community goals or directions more effectively. The evidence supporting the discussion of the ideal trust structure is also provided with the aim of maximising the interests of the beneficiaries most concerned with the example provided. They are contributing members of UniSuper and loan customers of MembersEquityBank.

However, the current financial crisis is also a good time to explore potentially matching trust relationships between many industry superannuation funds and bank managers, or with other institutions. Such institutions may have assisted saving, lending, taxing, pension provision or related financial service and investment functions. Such services may be better defined, designed and coordinated to serve the interests of industry superannuation fund members, bank customers, taxpayers and other customer or related community groups more effectively than at present. Supporting discussions of Australian constitutional problems, education for sustainable development, and the management structures to achieve the government Green Paper on Carbon Pollution Reduction (2008) objectives are provided in attachments. Tax needs to be conceptualised in this context.

Later discussion of ideal trust structures and relationships additionally aims to promote effective financial service provider competition through describing a more consistent and scientific approach to financial services structure, management and delivery to achieve more clearly identified social goals. This process ideally begins with clarification of financial definitions, more consistent use of financial terms, clearer financial, social and environmental aims, and the improved design of related service management structures and administrative procedures. This is necessary to promote the financial service managers' capacity to compare service outcomes and to continually improve them through competition. I assume the Australian and New Zealand Standard Industrial Classification (ANZSIC) should provide useful guidance in this context and that the following Services Industry categories should be of primary interest:

- Finance and Insurance
- Property and business services
- Construction

The above industries ideally serve many related industries as scientifically as possible. Yet Treasury does not refer to any ANZSIC categories in its publications discussed later.

According to Popper (1972), science aims to be objectively grounded in the outcomes of experiment and test. Although honesty is not a scientific concept, all science depends upon it. Scientific, democratic and customer service management processes also depend on communication. Effective communication, rather than tests, grades or related numbers, are the essential measure of much scientific discourse. Written communication requires a level of logical thought development which cannot be matched in cultures which are primarily oral or numerical and so less open to organized development or criticism. Naïve academic or professional ‘experts’ may also be taught to equate numbers with science and the written word with law or imagination. This is not the case. Ideally, scientific managers know and encompass the value of all through good communication. Science ideally emulates a more careful, carefree God than the deity of feudal cultures.

The Australian government must understand the necessary conditions for effective comparative administration before it can create them. I have little confidence that many so-called legal or financial experts understand them well because they are largely uninterested in historical and related structural development. They hide behind laws and numbers. When legal or financial experts write they often omit definitions of terms, because they are not in legislation. The courts rule but seldom define. Theirs is prescientific treatment. I used Rubin’s Dictionary of Insurance Terms, published by Louisiana State University (1991), to define key terms used later. The Financial Services and Credit Reform Green Paper (2008) produced by the Australian Treasury and entitled ‘Improving, Simplifying and Standardising Financial Services and Credit Regulation’ does not even define a trustee. However, it defines TRUSTEE CORPORATIONS as:

Corporations licensed under State and Territory Government Trustee Companies Acts for the purposes of providing personal trustee and estate administration services.

One wonders what other functions such trustee corporations normally have. The Treasury report on the architecture of Australia’s Future Tax System (2008) has no glossary. In Table 2.9, entitled Australian government taxes as at 1 July 2008, the heading ‘Trusts’ refers to ‘*Trustee of trust (other than public trading trusts, corporate unit trusts and FHSA trusts)*’ (p. 59). FHSA is not even in the listed acronyms. All the above management concepts and structures, whatever they are, require consideration in the light of current Treasury and related government reports’ shortcomings and the argument made later. This indicates that poor service administration is related to bad choice of a trustee in the case of the MembersEquityBank choice of Perpetual Ltd. All trust related concepts should now be defined and treated appropriately. Treasury seems unwilling to do the job of analysis properly. Why not give the Productivity Commission and the Australian Tax Office a go, on behalf of Australian consumers and taxpayers? Law which operates without aims, key definitions or related classifications, makes scientific management impossible and the latter is not valued at all in such authoritarian,

feudal and unstable environments. Courts collect little or no management data which can be used for better injury prevention. They are the root of an evil far from public service.

The Treasury report on the architecture of Australia's Future Tax System appears to take little interest in issues concerning the potential broadening of the income tax base. (What planet do they live on?) In a brief discussion entitled 'How taxes affect savings and investment decisions (2008, p. 248) the report provides a misleading chart, entitled 'Savings and Investments in an Open Economy. In it, 'resident savers' and 'non-resident savers' face 'holding entities' which surround 'financial structures', which surround 'assets'. The 'holding entities' are 'banks, companies, superannuation funds or trusts'. None of these vital entities are defined in the Treasury report on Australia's Future Tax System or in the Treasury Green Paper (2008) on Financial Services and Credit Reform. Treasury overlooks such 'holding entities'. However, banks, companies, superannuation funds and trusts do much more than holding. They are trading entities, which may trade increasingly opaquely valued financial products with unexpected outcomes, as the current US and related global financial crisis is currently showing. I assume that 'foundations' were missed out by Treasury because their doings are ideally considered philanthropic. Charitable activities may be unclear but may also escape tax implications. Financial services need greater scrutiny. Treasury appears not to have the stomach for it.

### **The Consumer Friendly Nature of the Modern Superannuation Magic Pudding:**

In feudal times, the trader's family, banker and insurance premiums were his main financial protections. In the case of catastrophe, a man might call his lawyer and attempt to get lost money back from another supposedly guilty party or an insurance company, via the courts. In a later historical period, the flowering of science and technology was strongly driven by the development of capitalist organization and related competition. Even later, the development of capitalism drove welfare state growth and all its related public service provision, such as pensions, funded through taxation. However, the earlier feudal management structures continued to dominate later bureaucratic management expectations, through the continuing and dominating power of feudally structured courts, lawyers and all related commercial in confidence expectations. The current result of this is dysfunctional overregulation which only works to profit lawyers and their acolytes by driving everybody else increasingly into professional and related darkness. The current US crisis shows the cumulative effect of financial secrecy and consequent ignorance. This is the opposite of increasingly open markets. Americans are kidding themselves.

The desire for financial compensation or revenge, rather than for injury prevention or rehabilitation drives the feudal approach to management. Risk may be parcelled up and sold to others as a financial investment service, and as if this process were also related to stopping a ship from sinking, or a sea wall from breaking and flooding houses, in the real world. It is not. Lawyers and their acolytes are used to following many ancient rules, in which self-blinding ignorance may be equated with more effective management. For example, under the heading, 'Robust institutional arrangements are needed' Garnaut provided the following warning in his Interim Report on Climate Change:

‘Care would need to be given to the design of the institutional arrangements for administering the allocation and use of permits. Variation in the number of permits on issue or the price would have huge implications for the distribution of income, and so could be expected to be the subject of pressure on Government. There is a strong case for establishing an independent authority to issue and to monitor the use of permits, with powers to investigate and respond to non-compliance ‘(Garnaut, 2008, p.65).

The Australian government is elected to govern and by giving away a major governing power to any body established at arm’s length from itself, government only makes itself more ignorant and unaccountable than it would otherwise have been. This is a common kind of problem. Everybody needs to know more about what is going on, not less.

In the case of industry superannuation, as in the case of NSW workers compensation insurance, the managed funds are owned by the contributors to the funding pool, who are also the fund customers. This fund management model ideally services its stakeholders – the ideal beneficiaries of the fund - rather than a completely different group of stockholders, as is usually the case with management of insurance companies and banks. Like premiums paid to an insurer, deposits placed in a bank or taxes paid to government, superannuation funds are ideally invested by the fund managers to achieve adequate returns to the fund owners. In superannuation the latter are also the main contributors to the fund, its customers and related beneficiaries. This stakeholder management model is the most recent, scientific and democratic form of capitalist development, which can ideally be effectively coordinated with the broader management aims of governments and with the related interests of industry and communities in sustainable development. Older ways of operating now merely add layers of foolish regulatory costs to all transactions. British government purchase of interests in banks may assist better Australian direction.

Consider the recommendations of the Select Committee of Senate on State Government Financial Management (2008) in this context. Recommendation 1 is for a Charter of Budget Honesty. In the current US financial meltdown, all those who have always striven to be honest, may now be forgiven for wondering what they are expected to be doing differently. This is now the major financial puzzle conceptually - a little like the Chinese, cultural, revolution. Recommendation 2 suggests the Charter should include requirements that financial reporting ‘be fully consistent with all relevant financial reporting standards’, (etc. etc. etc.). The necessary trick, however, is deciding which financial reporting standards continue to be relevant if one properly understands the nature and requirements of ideally related national and international capitalist, democratic and sustainable development enterprises (to say nothing of the ideas of Marx, the champion of scientific materialism.) Recommendation 3 of the Select Committee of the Senate refers to the necessity to maintain the integrity of the tax system, among many other fine things. Having read ‘Australia’s Future Tax System’ (2008) I think Treasury is probably unwilling or unable to explore what integrity might mean, let alone act on it.

The recent article on Frank Lowy entitled ‘The quiet benefactor: Lowy’s dedication to Israel’ in the Sydney Morning Herald (SMH 29.9.08, p.1) states that a foundation is not a

company or a trust. In regard to the integrity of the tax system, the same article notes that the Australian Tax Office has trouble applying Australian taxation laws to non-common law entities, such as the Lichtenstein foundation operated on Mr Lowy's behalf. It seems that more effective bank regulation is necessary in many tax havens to ensure that Australian and other governments can tell the difference between illegal and legal activities when Australian money goes to banks offshore. This may also be part of the route to coordinating sustainable development more effectively through triple bottom line accounting. The latter is primarily concerned with establishing the bank project aims from commercial, social and environmental perspectives and documenting their progress.

One wonders in this international context how the leaders of failed or failing states other than the US, such as Burma and Nepal, think their countries' situation is ideally managed in the light of the impact of the global financial crisis and all related requirements for sustainable development, which are partly driven by ideal systems for carbon pollution reduction. One also wonders how the governments of failed states ideally perceive their populations and any related foreign workers to be protected when natural or man made emergencies arise. The secondary trading markets appear largely to have toxic purposes in this global context in that they offload the cost of financial risk to other market players, rather than reduce all risk through risk prevention, rehabilitation and related development programs funded effectively from common pools. US attempts to provide good health services via market mechanisms failed, why should carbon trading be any different?

From the international sustainable development perspective, which governments, industry superannuation funds and related managers ideally now support, good governance normally requires clear separation of government policy from its administration, with the former driving competitive, transparent, service provision (Rich, 1989; Hilmer, 1993) so all may identify a range of economic, social and environment related outcomes. Program budgeting, as partially implemented in the public service by Wilenski (1982; 1986), is central to this approach. Managers start with program and related project aims which have been consultatively developed and prioritized in the light of national and regional community goals. They establish strategies to meet them and prepare related budgets. The direction is important to establish early and openly, rather than fighting about the supporting amounts of money and their sources over the long term. Arguments about the latter go on forever. If there is a clear policy direction and worries are about the real world consequences of action, its potential problems can be more easily seen and reduced. Key fund management activities are monitored and their outcomes are measured in the light of the overall identified aims of the related projects and institutions.

Australia has been blinded by an outdated Constitution and financial administration which reflects a British governance model in which elected politicians, administrators, and the judiciary are seen as separate, independent governance pillars, which try to keep each other and those lower, ignorant. The Senate Committee report of inquiry into transparency and accountability of Commonwealth public funding and expenditure (2007) ignored program budgeting. It recommended complex additions to the existing Australian budget process which add to current budget opacity and all related cost. The committee concluded its recommendations were designed to restore the Parliament's

historical and constitutional prerogatives. This is undesirable in an era where open partnerships with industry and communities are required to achieve national and regional health and sustainable development effectively, through fair and efficient competition.

In Recommendation 8 of the Senate committee on State Government Financial Management (2008), the committee suggests the Council of Australian Governments (COAG) consider the costs and benefits of input controls compared to output controls in the development of Special Purpose Payments (SPPs). Input controls and output controls are not defined. The recommendation followed discussion of Commonwealth-state and territory fiscal relations in Chapter 2. The committee notes the major overhaul of the SPP framework currently being undertaken by the COAG. It also notes the National Audit Office (NAO) has identified this topic as possibly warranting a future performance audit, which the committee supports. One assumes the NAO will naturally operate secretly. Government needs to understand and implement open program budgeting, not forget it.

Prioritization of projects for the \$20 billion Building Australia Fund, the National Rental Affordability Scheme and related project coordination is now being undertaken and management partnerships must be considered in this context. An openly planned approach to investment should allay opposition concern that these funds 'will just be used as a slush fund to bail out failing state Labor governments, who have got infrastructure problems that they have all allowed to accumulate' (Sydney Morning Herald (SMH) 4-5.10.08, News 4). I assume current NSW Government policy in regard to the procurement of **infrastructure, information technology, property and goods and services** requires consideration in the same context. For example, the NSW Treasury Gateway Review Workbooks comprise:

- Strategic Review Workbook
- Business Case Review Workbook
- Pre-Tender Review Workbook
- Tender Evaluation Review Workbook
- Pre-Commissioning Review Workbook
- Post Implementation Review Workbook

I believe that few could go through the current voluminous Treasury processes outlined in the above workbooks without being driven to drink. I do not know how these Treasury expectations relate to anything expected by the NSW Department of Planning, councils, recommendations of the Senate Report on State Government Financial Management (2008), or construction to be undertaken under the National Rental Affordability Scheme draft guidelines (2008). The latter superficially seem reasonable to me. (This is rare.)

### **Rationale for Construction of an Ideal Trust Structure and Relationships**

In the Dictionary of Insurance Terms, Rubin (1991) states:

*A TRUST is a legal entity that provides for ownership of property by one person for the benefit of another. The trustee receives title to the property, but does not have the right to benefit personally from the property. The trustee has a legal obligation to manage the property and invest its assets solely for the BENEFICIARY OF TRUST (sic).*

*There are basically two types of trusts: LIVING TRUST (established during the life of the GRANTOR) and TESTAMENTARY TRUST. For example, a trust may be established by a parent to hold assets for the benefit of a child.*

Logically, under Rubin's definition of TRUST, my claim relates primarily to a living trust which exists between me and UniSuper. I am one of many UniSuper members. Under the above definition of TRUST, I am the beneficiary of a trust in which UniSuper (the trustee) undertakes to manage my superannuation savings and related investment account. If I seek a loan, MembersEquityBank may be my loan service provider and mortgage related trustee. Members Equity advertises itself as 'The Super Funds Bank'. I took out a loan and have now paid it off. My Super Funds, my Bank! I had naively thought. However, I had to undertake transactions which should have been simple and largely free of cost, but which were made extremely complex and costly. The aim appeared to be to extract money by forcing me to use lawyers, have property valued, have mortgages and certificates of title dealt with, and related state taxes paid, in order to have some of the latter reimbursed. At the time, many organizations were on TV nightly seeking to lend money to people with much less credit worthiness. I recommend that the Treasurer invite Australia's leading industry superannuation funds and Members Equity Bank to design a better system from the perspective of the superannuation fund contributor, loan consumer and the national interest. Related suggestions appear below.

According to Rubin:

*FIDUCIARY - holding of property or otherwise acting on behalf of another in trust. The fiduciary must exercise due care in safeguarding property left under personal care, custody and control. Insurance coverage is available for this exposure. (One wonders why the insurance should be necessary).*

MembersEquityBank is the ideal fiduciary of UniSuper. UniSuper is also the ideal trustee for MembersEquityBank. The interests of the beneficiaries of UniSuper savings and investment account management and the customers for MembersEquityBank loans and related property services appear best served if MembersEquityBank becomes the housing loan manager for UniSuper funds. However, Perpetual Ltd. currently interferes in this ideal trust relationship. Perpetual Ltd should not be considered as the trustee of MembersEquityBank, 'The Super Funds Bank' as is currently the case. Perpetual Ltd must operate in the interests of shareholders in Perpetual Ltd, who are neither UniSuper members nor MembersEquityBank customers. Perpetual Ltd shareholders represent a third set of interests which milk the other two sets irrationally, opaquely and very annoyingly. Perpetual Ltd has something worse than a conflict of interest. It should never have been the trustee of MembersEquityBank. UniSuper fund managers are the ideal MembersEquityBank housing loan underwriters. Who chose Perpetual and why?

The manner of treatment of any mortgage and certificate of title on any loan related property being considered in the above context should be clear and exclude as many costs as possible. The current MembersEquityBank loan management and related service

system is unnecessarily complex, adversarial and expensive. If MembersEquityBank managers could know how much superannuation a consenting member had in a UniSuper account, one wonders how the circumstances of the attachment of any MembersEquityBank loan, however small, to property and its related mortgage or certificate of title, should be carried out. This now requires consideration.

According to Rubin:

*Since the trustee is required to manage the property and its assets in a prudent manner, if he or she fails to perform in accordance with the PRUDENT MAN RULE the trustee becomes personally responsible for any lost funds or profits incurred by the trust*

From the above perspective, I believe that whoever made Perpetual Ltd. the trustee of MembersEquityBank or UniSuper failed to perform in accordance with the PRUDENT MAN RULE. From my perspective, what they did was more like the application of the STUPID, HORRIBLE OR EXPEDIENT MAN RULES. In my experience this often involves the continuing application of feudal legal principles, while mixing them up even more irrationally than was probably the case in the 14<sup>th</sup> century. In Australia, the more scientific concept of duty of care, which is found in state Occupational Health and Safety Acts, may be usefully extended by consistent regional management with coordinated duties of care to customers, communities, the land, water, air, and related biodiversity. Market operations which are driven by money managers will not produce effective competition to solve real world problems, as indicated by the current US financial crisis. A more scientific management approach is suggested in the attached article entitled 'Health and education for sustainable development and the Australian carbon pollution reduction scheme'. Taxation matters also require consideration in coordinated regional industry and community contexts, where the common aims are increasingly related to sustainable development – to achieving economic, social and environmental goals.

According to Rubin:

*A trust agreement is: A legal document setting out the roles to be followed by a TRUSTEE in administering assets of a TRUST. The trust agreement may limit investment of trust assets to specified types of securities, for example, or provide for distribution of the trust principal or earnings to a BENEFICIARY OF TRUST only under certain circumstances*

Rubin does not include a definition of SECURITIES in his dictionary. He includes dictionary definitions of a number of different bodies with the word 'security' in the title, but never explains the word itself. (I assume this Freudian slip follows the common feudal courtesy of lawyers to their judges. Increasing confusion over terms costs money.)

The concepts of UniSuper 'rebalancing and strategic tilting' which were discussed in recent member training, should logically be undertaken in the above context, in cooperation with those charged with achievement of government and industry regional planning objectives related to sustainable development and carbon pollution reduction, as

discussed in articles attached. If UniSuper is convinced of the material value of the housing or related portfolio held (for example, by going out and patting the housing stock) fund managers should not switch financial holdings from moment to moment to achieve some concept of numerical, market and risk related equilibrium as markets move, especially if this concept of value is fictitious, as appears to be the case. Related standards appear false and a means for traders to make more money for themselves.

In Recommendation 2 of the Parliamentary Joint Committee on Corporations and Financial Services Report (2007) entitled 'The structure and operation of the superannuation industry', the writers suggest that treasury should conduct a review of laws and regulations governing superannuation to identify how they may be rationalised and simplified. Key assumptions, definitions and industry descriptions and relationships still need to be logically addressed before effective discussion of the simplification of superannuation law is possible. For example, any future inquiry should address the aim and related rationale of requirements that a superannuation fund or any other financial institution should be managed by a trustee, 'at arm's length'. When is the separate trustee necessary and why? What exactly should the trustee role entail? The report constantly refers to 'the industry'. This and other key terms and relationships need clearer definition. I do not recommend treasury for the task. However, consistent with the recommendation of the above report, it would be good if UniSuper publicly tenders its key service provision agreements for consideration. It would educate the market.

The above issues require further consideration in the light of national competition policy which was supposedly implemented after Hilmer's report to Australian Heads of Government in 1993, following an independent committee of inquiry. Hilmer defined competition as, 'striving or potential striving of two or more persons or organizations against one another for the same or related objects' (1993, p.2). This definition would have led to triple bottom line accounting (financial, social and environmental), which is necessary for sustainable development, if it had ever been implemented properly. It was not. The earlier Trade Practices Act (TPA) 'interpretation' of competition was retained in spite of Hilmer, which states that, 'competition includes competition from imported goods or from services rendered by persons not resident or not carrying on business in Australia'. The TPA does not define key terms, but 'interprets' them instead.

In spite of Hilmer, Australian competition legislation still follow the US Sherman Antitrust Act of 1890 which stated that all 'unfair' business 'monopolizations' and 'combinations' are against the national interest. As JK Galbraith pointed out, 'To suppose that there are grounds for antitrust prosecution whenever three, four or half a dozen firms dominate a market is to suppose that the very fabric of American capitalism is illegal' (1952, p.68). He also pointed out that this has never discouraged the briefless lawyer. The Australian TPA has developed on a similar basis of early legal assumptions about the market being composed of traders whose interactions, when ideally free from government interference or other monopoly influence, naturally benefit the whole society. This is a highly questionable economic proposition, unsuitable for legal reification. The consumers (customers) are not recognized as a sub-set of traders in this theoretical framework. The comparatively recent concept of the 'consumer', suggests that many such traders may need

special protection because of their comparative lack of information about their purchase, or for other reasons such as their comparative lack of money, opportunity or related bargaining power. After the Hilmer report, consumers were specifically addressed in a new section of the TPA. This and state fair trading acts now have long, inconsistent and narrow definitions of a consumer. Lawyers' logic is awful because their views are feudal.

### **UniSuper Fund Management Ramifications**

Recently in the Australian Financial Review (AFR 30.9.08, p.69) Lohr discussed the current US financial legislation which will allow the Secretary of the US Treasury to make decisions regarding the purchase of mortgage-related assets up to the value of \$700 billion. In the legislation, the term mortgage-related assets apparently means residential or commercial mortgages and any securities, obligations or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before September 17<sup>th</sup>, 2008. Lohr quotes a former senior researcher at the International Monetary Fund (IMF) saying:

Key tasks are overseeing the workings of the rescue plan, helping to guide the contraction and recapitalisation of the banking industry, assisting home owners who face mortgage defaults and in general shaping policy for a nation that will be less accustomed to easy credit and overspending. (AFR 30.9.08, p.69)

Australian development is ideally coordinated effectively in a global context. However, on the basis of current reading I do not trust Treasury officials in the US, Australia or the state of NSW to resolve key problems rather than increase them as a result of following their past rules and more recent ones which they make up as they go along in conditions which have become increasingly opaque. This has now caused many disasters in financial services provision and results. The past Australian treasurer's concern about whether government buying securities is supposed to raise or lower the cash rate also requires consideration in this context. His confusion and that of treasury about this is recounted in his Memoirs (Costello, 2008 p. 114).

In the current, extremely unclear financial situation, it seems a good idea to start any accounting processes with current material realities, such as housing stock, on which loans are often based. In this context I cannot understand how it is possible to have a non-financial dependant, which was referred to in recent UniSuper training. The Treasury reports are very scrappy but neither they nor Rubin's Dictionary of Insurance Terms, which looks a more scholarly account, allude to any such category of being. Are we about to revive the concept of 'emotional dependence', as in my youth? How delightful. I'd be grateful for any further information you provide on any of these issues.

Thank you for the opportunity to make this submission.

Yours truly  
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