

## **SUBMISSION TO THE VICTORIAN COMPETITION AND EFFICIENCY COMMISSION FINANCIAL SERVICES INQUIRY**

This submission answers the following questions of the Victorian Competition and Efficiency Commission Financial Services Inquiry:

**How should the significance of the financial services sector in Victoria be measured? What does significance mean in the context of a state economy?**

**To what extent, if any, does the strength of the superannuation funds and insurance industries in Victoria affect patterns of innovation and development in the financial services sector?**

To ask how the significance of the financial services sector should be measured is like asking how long a piece of string should be. The answer depends on the aims that the financial services or the piece of string should respectively seek to serve, from the ideal perspective of the national public interest and the related community, industry, organizational and individual interest. Ideally, all community aims and related interests are conceptualised as social and environmental as well as economic and competition is conceptualised as serving goals in national, international and related regional contexts.

The Retirement Income inquiry 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 many related services and funds. The attached submission, which responds to questions in the Productivity Commission (PC) Issues Paper entitled ‘Performance Benchmarking of Australian Business Regulation: Occupational Health and Safety (OHS)’ (2009) provides a discussion with relevance to health and insurance industry management data to serve key national, regional and related international goals related to health.

The strength of the superannuation funds and insurance industries in Victoria ideally should positively affect innovation and development not only in the financial services sector but also in all other sectors that must be supported effectively by finance. The history and potential of Medicare and private health insurance development on one hand and occupational health and safety and workers compensation insurance development on the other must be understood, as well as the development potential of superannuation fund and related investment, to maximise Australia’s competitiveness in serving nationally and regionally identified economic, social and environmental goals. This is discussed in the attached article entitled ‘Recent Australian perspectives on health and social insurance.’

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 and industry or in the private sector, to gain the best outcomes for individuals, taxpayers, premium holders and the national community. Nationally designed, health and

related funds owned by government and industry, which are transparently, regionally and effectively managed, appear likely to provide superior outcomes to market based underwriting of risk, which may provide additional services, pensions or extra ‘top-up’ support. Approved and applied principles of risk management should be taught. This is a way of promoting critical understanding and implementation of relevant national and international standards as well as an evidence based approach to work performance.

As argued in the attached submission on selected questions from the Consultation Paper on Australia’s Future Tax System (2008), 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 United Nations 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 ideally provides the context for more openly evidence based and more competitive ways to enhance community health and the quality of air, land and water on which biodiversity and the welfare of future generations all depend.

The state economy is ideally conceptualised as part of the national and related regional and international economies, rather than merely as an economy in its own right. This requires much more cooperative openness to attain more evidence based regional industry and community management and related policy making as broadly and holistically as possible. The Interim Biogeographic Regionalization of Australia (IBRA) system divides Australia into 85 biogeographic regions and 403 sub-regions. IBRA provides a scientific land planning framework and tool which should aid development proposal evaluation. A related way forward is addressed in the attached submission to the Productivity Commission (PC) Inquiry into Government Drought Support (Telstra file) which suggests the following steps:

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.

Government and businesses should define the major goals of key government and industry partnerships for health and sustainable development consultatively in related industry and regional community service and environmental contexts. Retirement income funding policy, taxation and other financial policy and services are ideally designed to support contributor aims and broader regional goal attainment more competitively. The United Nations (UN) and its key agencies, the World Health Organization (WHO), the International Labor Organization (ILO) and the UN Education, Scientific and Cultural Organization (UNESCO) define a community as:

- a. a group of people with common interests who interact with each other on a regular basis; and/or
- b. a geographical, social or government administrative unit

The development and management of health care, related services, superannuation fund investment and taxation to assist the achievement of national goals which are social and environmental as well as economic are best understood in the above historical context and in the related regional and community environments which often determine the health of humans and other species, and which may be broadly conceptualised as general wellbeing.

The Council of Australian Governments (COAG) committed 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. Competition is ideally designed to achieve a national platform of guaranteed standards, with the aim of equal treatment for 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 naturally vital for perfect competition, and for perfect accountability, democracy and risk control. 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 purpose and management of industry support and taxation, as well as of retirement saving and investment through superannuation and related funds, are ideally identified 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. This direction would also assist creation of more broadly stable and competitive forms of industry and community planning, saving, taxing, borrowing and related investment systems and services. Financial service providers must ideally be positioned in this context, to perform more cost-effectively and accountably to all those who consume and fund all services.

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). 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 stated regional goals which are social, environmental and economic.

The carbon pollution reduction scheme ideally provides many related offset development opportunities. Health is produced by the total environment surrounding every body, not simply by services designed to cure the sick. Government and communities should now define the major goals of key government and industry partnerships for health and sustainable development consultatively in related industry, community and environmental contexts. Retirement income funding, taxation and other financial policy and services are ideally designed to support this regional goal attainment more competitively.

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 support this new competitive direction should be subordinate or repealed unless other 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 general directions outlined in UN Conventions which nations have embraced. However, many professions appear to have locked themselves firmly into outdated laws and related associations to support narrower interests. The media ideally must drive the necessary open community education for change. An education revolution is needed.

Thank you for the opportunity to make this submission.

Yours truly

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