

SUBMISSION ON HOUSING TO REVIEWS WHICH ARE IDEALLY LINKED

RECOMMENDATION: CONSIDER HOUSING AS A RIGHT AND MANAGE IT IN MORE OPEN AND COMPETITIVE PARTNERSHIPS TO REDUCE COST

This submission addresses the treatment of the family home and some related key questions posed during the written proceedings of the following inquiries:

- Review of the Equal Opportunity for Women in the Workplace Act (1999) Issues Paper (2009)
- Productivity Commission (PC) Discussion Draft on Executive Remuneration in Australia (2009)
- Inquiry into Australia's Future Tax System (2009)
- Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System (2009)

The above inquiries are ideally considered together to arrive at clear, effective and fair solutions for economic, social and environmental problems, such as all those linked to more affordable and fairer housing and sustainable development in Australia. The treatment of the family home in finance and insurance markets and by government looms large in trading and related investment and taxation interests and is also at the heart of a common relationship between the sexes – supporting children. Milligan's research for the Australian Housing and Urban Research Institute suggests accommodation purchase has become increasingly expensive for people since 1960, and rising household income has not kept pace with rising housing price, especially in the past two decades. She argues housing policy which seeks to reduce the affordability problem should be mainly targeted to making housing more competitively priced for those living in the lowest 40% of the population of Australian household incomes. Many pay over 30% of income on rent or mortgage payments and face housing stress as purchasers or renters. The financial pretence is consumers control their choices, but they take what they can get.

This submission argues that more scientifically planned, open and flexible, non-profit models of land and related housing and business development and financing would be cheaper, fairer, more competitive, more stable and greener than the conventional market driven investment models, which are supposedly stock holder driven. The comparatively good investment performance of Australian industry superannuation funds, which are embryonic, but potentially much more powerfully competitive non-profit investment vehicles, supports this view. However, industry and government must improve their design to achieve more affordable and fair housing and sustainable development in Australia. The Australian Constructors Association (ACA) National Greenhouse and Energy Reporting Act (NGER 2007) discussion paper is briefly considered later in this context. The reporting requirements placed on subcontractors appear horrific. The following more specific recommendations are also made as a result of later discussion:

Review of the Equal Opportunity for Women in the Workplace (EOWW) Act:

Rec. 1: Change the EOWW Act to an EOW Act; let the OEW Director report to the Deputy Prime Minister and liaise closely with the Office of Work and Family in relation to housing and all related matters of concern.

PC Discussion Draft on Executive Remuneration in Australia (2009) and the Inquiry into Australia's Future Tax System (2009):

Rec. 2: Consider a national tax on residential properties worth more than \$1 million

Rec. 3: Consider abolition of conveyance, stamp and other land related state taxes

Review into Governance, Efficiency, Structure and Operation of Australia's Superannuation System (2009)

Rec. 4: Design superannuation fund structures to achieve trustees' duties better. Invest in Australian housing to support small construction businesses more cost-effectively and in relation to National Greenhouse and Energy Reporting Act (2007) requirements, in order to achieve the economic, social and environmental goals of carbon pollution reduction, including by related offset development and triple bottom line accounting.

Rec. 5: Investigate Tobin taxes, which are excise taxes on cross border currency transactions, as the logical extension of indirect taxes to the finance and insurance services industry, and as a way of restraining constant dysfunctional financial trading.

In his address to the Australian Conference of Economists Business Symposium on 1.10.09, Ken Henry, the Chair of Australia's Future Tax System Review Panel and Secretary to the Treasury, stated that the principle holdings of Australian households are:

- Their own home (44% of household assets)
- Other property – including rental property (16%)
- Superannuation (13%) (*N.B. This is often compulsory*)
- Shares and interests in trusts (12%)
- Personal use assets (11%)
- Bank accounts and bonds (4%)

Earlier, the Productivity Commission discussion on first home ownership stated nearly 40% of residential dwellings are fully owned by one or more of the occupants and a further 30% are occupied by households paying off a housing loan (2003 p.14).

Most people appear to think they need a home before any other investment. If most Australians are like me, they make their savings and investment choices on the basis of security rather than speculation. They prefer their home to live in and follow this with other rental property because they can touch the bricks and trust that those in the financial markets will have difficulty taking it from them. The more people are driven towards speculative insecurity and comparative ignorance by government policy the more they have good reason to see government as their enemy. Superannuation can go either way.

For example, I am livid that UniSuper lost more of my retirement savings in one year than I ever lost in my life and that what they 'invested' the money in is largely opaque to me – ugly, exorbitant, half-empty, giant hotels? The extreme volatility of 'socially responsible

investments' (whatever they are supposed to be) suggests only gamblers would invest there. Yet as superannuation funds go, UniSuper is one of the comparatively good performers. My preferred upkeep in retirement is from the pension I receive from State Super and the housing loan money my daughter repays me. UniSuper is the best of a bad lot and I am currently looking around to try to do something more socially useful and trustworthy with my UniSuper funds. UniSuper investment is not my ideal of either state.

Accordingly, I recently wrote an open letter to Mr Borger, NSW Minister for Housing, Minister for Western Sydney and Minister assisting the Minister for Transport to ask him how I might progress the following 'Full Maintenance' small business proposal so that ideally I could see what my money is doing, to protect it better. The proposal seeks to:

1. Conduct an audit to determine the capacity, adequacy and condition of all publicly funded housing in the Sydney City Council Region, commencing with uninhabited housing stock
2. Undertake repairs using a suitably open system of prioritization and funding
3. Manage the business on a suitable non profit basis
4. Report on the results using the Standard Business Reporting Model which the Council of Australian Governments (COAG) communiqué (July 2008) indicated should be implemented by 2010. (Productivity Commission (PC) 2009, p. 351)

However, one also assumes it is not beyond the wit of man to make secure, pension style benefits more widely available in old age and this could be done through superannuation fund investment in Australian housing as all in Australia need a suitable place to live.

According to article 1 of the UN Declaration of Human Rights all human beings are born free and equal in dignity and rights. Article 3 states that 'Everyone has a right to life, liberty and security of person'. This implies equal rights to a home, which must usually be determined by economic and other community considerations. Article 25 includes housing in its claim that 'Everyone has the right to a standard of living adequate for the health and well-being of himself and his family... (sic). Ideally, both men and women are housed to protect their own security and that of children. The global financial crash in 2008 shattered home ownership and many other dreams. One wonders how those seeking a Human Rights Act in Australia think that housing policy ought to be addressed. (This could be another lawyers' picnic – just like land rights. Find better voices.)

This submission argues the home is best addressed by government and industry as the foundation for civilization and sustainable development and treated accordingly in policy. The affordability of housing depends on the cost of land, the cost of construction, and the cost of borrowing and regulatory charges. The global financial crisis was led in the US partly by the widespread encouragement of continued borrowing for housing and related business expansion and by the related and increasing risk of home and business mortgage and related loan default. The default risk was disguised by being passed on to others as an investment opportunity, by those living on trading in the continually changing

international markets for many financial services and products, based substantially on the home or business loan and mortgage. The market driven approach to housing encouraged many Americans to become greedily self-destructive and government pitched in to help.

**Review of the Equal Opportunity for Women in the Workplace (EOWW) Act:
Rec. 1: Change the EOWW Act to an EOW Act; let the OEW Director report to the Deputy Prime Minister and liaise closely with the Office of Work and Family in relation to housing and all other matters of concern.**

An earlier response to the Issues Paper of the Review of the Equal Opportunity for Women in the Workplace Act (1999) answers question 1.4: What regulatory role should government play to achieve equal employment opportunity (EEO) for women? It argues for expansion of the coverage of the Equal Opportunity for Women in the Workplace (EOWW) Act to include all people and to eliminate as much related legislation as possible, because legislation becomes increasingly fragmented, inflexible, dysfunctional and costly over time. If this were done, the objects of a new Australian Equal Opportunity in the Workplace (EOW) Act might logically be:

- Promote the principle that employment should be dealt with on the basis of merit
- Promote the elimination of discrimination, both direct and indirect, and the provision of equal employment opportunity in relation to employment matters among employers; and
- Foster workplace consultation between employers on issues concerning equal opportunity in relation to employment.

The Issues Paper states the current EOW Agency is an Australian Government statutory authority and that the Director reports to the Minister for the Status of Women. If the EOWW Act were changed to an EOW Act, with all related legislation repealed or consolidated under it, the EOW Agency Director would most logically report to the Deputy Prime Minister. The current Minister for the Status of Women, Tanya Plibersek, should still have plenty to do in housing, which ideally is addressed as the foundation of civilization and all other construction. One assumes the EOW would liaise closely with the Office of Work and Family within the Department of Prime Minister and Cabinet, which aims to ensure that the formulation of policies aimed at striking the right balance between paid work and family life occurs at the highest level and is central to all policy decisions. Women make up the majority of primary carers of children. Therefore, paid work and family policy have a significant impact on equal employment opportunity for women. The lesson of the recent global financial crisis is that we normally should not have what we cannot afford, as a society or individuals. Medicare provides a basic set of care rights to which additional services can be added through private insurance. That sort of approach might also be constructive for housing. The US market driven approach to health and housing appear fraudulently unstable rather than competitive for consumers.

An earlier submission to the PC inquiry into Executive Remuneration in Australia (2009) discussed how market controllers may rig them primarily to suit themselves. This submission discusses the treatment of housing in this context. The primary policy aim is

to make housing more competitively priced, fairer, greener and more stable as an investment for those living in the lowest 40% of the total population of Australian household incomes. The method is by designing more informed, attractive, non-profit approaches to management of superannuation savings and investment. Then compete.

The nature of choice involves discriminating between all those on offer on one ground or another. We may be attracted because of others' looks, mind or money or for many other reasons. Discrimination and risk are normally related through historical measures of probability. The new ideal of fairness, introduced into trading relationships through the acceptance of the principles of human rights, presents many new fields for inquiry and thus endless old lawyers' picnics. For economic traditionalists, trading outside of clear monopoly control is always judged fair, or the exchanges would not occur. In reality, the labour market has always been a collection of fiefdoms where those inside each silo jealously guard their pathway to control from the top, to keep at bay all job competitors. Are senior executives anything other than more powerful in this pursuit? I guess not.

From the above perspective, breaking through the traditional 'glass ceiling' may be viewed as a Faustian bargain where a few women in law or commerce are judged by business as suitably willing to swallow a lot. When compared with other OECD countries, the US, the global heartland of capitalism and related EEO policy, has obscenely wide income differentials, lower minimum wages, fewer paid holidays, inadequate health care, higher education costs, unstable employment, lost savings, huge government and personal debts, major homelessness, by far the highest murder rate in the OECD and many family deaths and injuries from constant war. When I was young every great man seemed to have a wife and a secretary. Now more may add a female lawyer to their shield. Never have so many been so guarded? That depends what happens to the house, the kids, the mortgage, tax and superannuation. Take my advice for treatment.

PC Discussion Draft on Executive Remuneration in Australia (2009) and the Inquiry into Australia's Future Tax System (2009):

Rec. 2: Consider national tax on residential properties worth more than \$1 million

The PC inquiry into Executive Remuneration and the commentary upon it speak volumes about difficulties arising from attempts to control executive pay. The current submission therefore supports Alan Mitchell's recommendation in his article in the Australian Financial Review (7.10.09 p. 62) which argued that:

If the public is uncomfortable with the level of executive salaries and the wealth distribution they imply, it should think about taxing them more effectively. A national land tax on residential properties worth more than \$1 million might be worth considering. (*Should one assume the tax is on the value of the house?*)

However, the primary objection to the level of executive salaries is not the wealth distribution they imply, but the work value distribution they imply. The global financial crash clearly suggests the exorbitant remuneration reported in the press is not a worthwhile measure of executives' productivity, either to shareholders or to taxpayers.

The market is rigged and the measurement of work values requires more objective consideration than it is given by those who have always written the financial rules.

Mitchell's position, especially if adopted by as many nations as possible, might protect the best land from increasingly falling into private ownership and control by the extremely rich, against the public interest. Land and what is on it also has the virtue of being fairly visible, compared with the type and outcomes of many forms of executive remuneration. The article called 'The case for a new top tax rate' by Richard Denniss, on the Australia Institute website, argued for a 50% tax rate on yearly income over \$1 million. However, this would probably mean a lot more of the taxpayers' money spent on lawyers' picnics. Lawyers naturally defend commercial in confidence principles because it takes so long for everybody involved to prize information from each other. This is not a scientific approach to any policy issue, but is more like driving an economy while blind but with the brakes on and the taxi metre ticking. Mitchell's suggested housing tax, coupled with more development of currently embryonic, non-profit modes of superannuation management and related competition, may appear to be the best reforms. In human relationships, openness is desirable and evidence engenders trust. This allows many more stable and productive relationships to be built more easily and cost-effectively. These need not be conventional, just sensible - a new idea for lawyers.

The Inquiry into Australia's Future Tax System (2009):

Rec. 3: Consider abolition of conveyance, stamp and other land related state taxes.

The great contribution of Prime Minister Hawke was to focus Australian minds on increasing productivity and to see redistribution ideally as a contributor to this. In his address to the Australian Conference of Economists Business Symposium on 1.10.09, Ken Henry discussed 'personal capital income taxes' which apparently are taxes on saving. For reasons I do not understand, Treasury tax discussion does not distinguish clearly and consistently between savings and investment and consumption expenditure. This seems strange as one assumes such distinctions are ideally at the centre of taxation policy development if one seeks to increase productivity as well as obtain redistribution. Better understanding of industry production chains and their ideal links with surrounding communities and environments are vitally necessary to achieve the goals of sustainable development effectively and fairly through triple bottom line accounting which ideally has economic, social and environmental goals. Tax is ideally gathered in this context.

Henry discussed 'personal capital income tax policy' as being characterised by 'a concern with nominal, rather than real or inflation-adjusted, income' (p.2). He argued that the logic underlying his discussion is that:

A dollar of income is a dollar of income, so it should be taxed at the same rate regardless of how it is derived. All income should be treated the same whether it comes from a bank account, shares, property, or paid work (p.2).

I guess this 'personal capital income taxation policy' must primarily be an economist's way of discussing the comparative tax treatment of the company, the independent

subcontractor and the employee, although Henry never states this clearly. This is not an industry based approach to analysis, which is normally recommended by the Productivity Commission. Saving to pay off a huge mortgage in order to own one's own home and avoid losing money through renting, is also very different from investing in any second property which is then let out to others who must pay the owner rent. Henry never makes a distinction between saving to pay down home debt and saving invested in others' accommodation which will produce some ongoing income. This ignores the reality that to live people must be housed. Ideally, housing is a right, like health, education, or social security payment, which ideally is analysed in related policy terms as a national goal.

I assume the main reason people rent is because they cannot afford the loan to buy their housing. Men may be happier renting if they feel relationships may be unstable and their women will end up with the children, the house and even more support, as they never earned much money. Government and industry policy should help people get secure accommodation, rather than forcing them into a rental market while pretending the process is a free choice. The recent global financial crisis suggests that the sophisticated market operator, let alone the average person, is incapable of reliably predicting which investments will do best. Why would anyone ever trust a sophisticated market operator unless they were a very big and powerful institution themselves? They can destroy little people whenever they want as the latter are many and alone, without recourse to self-protective action. Working in small business must be a nightmare, for related reasons. Hiring lawyers is a gamble more likely to be self-destructive than protective. They are the expensive and controlling legacy of vile feudal relations and assumptions centuries old.

Had I put my money into buying more property on retirement in 2007, rather than into UniSuper, I would now be better off. The financial press were then strongly urging people like me into more superannuation investment. This was around the same time, shortly before the financial crash, that the Australian Financial Review was also accusing many small builders then going bankrupt of being bad managers. Around the same time my daughter needed housing, so fortunately I loaned her money for a small flat instead of putting it into superannuation. I also note the way many financial journalists have changed their tune since the financial crash and also made it clearer. Before and at the beginning of the crash God only knew what Fanny Mae and Freddie Mac were doing.

Immediately after the global financial crash many groups of small builders, on the advice of our strata manager, who was apparently following the advice of Deacons legal firm, descended on our property of town houses finding work, as if we were a shovel ready project, while citing safety as their primary concern. Old ladies on the average body corporate will believe anything, which naturally increases costs. This is probably wise, as few want their property secretly wrecked by any disgruntled victims of the markets.

But I digress. Ken Henry, states the tax and transfer system imposes taxes on savings, either through capital gains tax, income tax, an assets test or an income test. He claims prior to the Asprey Taxation Review in the 1970s, Australian tax laws recognised many items that were in an economist's definition of nominal capital income: profits from a business, interest, rent, dividends and other periodic receipts. These were generally

included in the calculation of taxable income and taxed at the same progressive rates as labour income. Henry includes 'imputed rent from owner occupied housing and consumer durables' in the list of items not recognised for tax purposes before Asprey. (One assumes that consumer durables are things with an ideally stored and appreciating value – perhaps paintings?) Other items he lists as new to the taxation system include fringe benefits, capital gains, superannuation earnings, retirement lump sum benefits, bequests and gifts received (p.4).

Noting that the principal holdings of Australian households are their own homes, and that this is untaxed through the income tax system, Henry states:

Clearly we have a savings tax base that exempts the lion's share of savings (owner-occupied property, personal use assets).....(p. 7)

Henry writes obscurely and I cannot understand what he concludes from his paper, other than that 'we have a tax system for household saving that has not been calibrated to address the challenges of population ageing and the financing of unprecedented levels of business investment and infrastructure' (p.10). However, I guess he supports the views of Ross Gittins, in the Fairfax press. His article 'Renters can't home in on jackpot' in the Sydney Morning Herald (19.9.07, p.13) argued that by owning one's own home one is escaping tax, which those renting and those who rent to them must pay on forms of income they derive by putting their money elsewhere rather than into ownership of their own home. His solution, which he also says is politically unacceptable, is to tax home ownership.

Gittins says, 'if we were to remove the tax-preferred status of owner-occupied housing it would significantly reduce the demand for bigger and better housing, thus lowering its price and making it genuinely more affordable'. However, the assumption that supply and demand are the key determinants of housing price, unhelpfully conflates the price of land, the price of various forms of accommodation construction and the cost of borrowing and regulation, which all have different drivers. Leaving aside the land issue, it assumes that inflation of the labour and the related regulatory and borrowing charges which are increasingly embedded in dwelling prices over time are not main determinants of cost. When one 'owns' one's home one is usually also paying substantial interest to a home loan lender. This costly process presumably increases the price of the house and if home 'owners' must also pay land and related taxes and charges, this also adds to housing prices. If free standing houses on the edges of towns, away from public transport are the cheapest way to build, as I am told is so, this is too brown and policy change is needed.

However, Gittens says 'ending the tax-free status of owner occupation would constitute a big transfer of wealth from the older generation to the younger generation – from existing home owners to would-be home owners, present and future'. This seems likely to be the case only if government decided to spend money on the young, instead of the old, and there is nothing automatic about such a generational transfer, especially when most voters are in the older group. For example, the old seem to provide an extremely fertile ground for intense and continuing medical practice which is highly subsidised by government,

while the young increasingly face higher fees and loans for their tertiary education. Give the kids a break. Taxing the family home is a blunt instrument not a sensible policy.

Gittins says ‘increasing the first home owners grant, cutting stamp duty, introducing shared ownership schemes or a subsidised savings scheme are all poor policy because competition for houses pushes all prices higher’. However, these measures are all very different from each other and cannot be lumped together as bad on the automatic assumption that supply and demand related factors are the overwhelming determinants of housing price. One can just as logically cut housing prices by cutting many financial fees and taxes and by changing many dysfunctional regulatory or management expectations, thus eliminating major costs and uncertainty for housing builders as well as consumers.

The Treasury report on the architecture of Australia’s Future Tax System indicated there are around 125 separate taxes levied by the Australian government, 25 levied by the states and 1 by local government. The top four money spinners at the national level are personal tax, company tax, goods and services tax, fuel tax, taxes on superannuation and tobacco. The states collect payroll tax, conveyance, stamp and other land related tax. Local government collects rates. It is difficult to see the rationale for the state collection of stamp and other land related tax, other than in the case of attempts to tax the rich who might otherwise be in a position to command prime land against competing public interests, while carefully designing their own remuneration to avoid tax in many cases.

The Review into the Governance, Efficiency, Structure and Operation of Australia’s Superannuation System (2009) and the National Greenhouse and Energy Reporting Act 2007 –

Rec. 4: Design superannuation fund structures to achieve trustees’ duties better. Invest in Australian housing to support small construction businesses more cost-effectively and in relation to National Greenhouse and Energy Reporting Act (2007) requirements, in order to achieve the economic, social and environmental goals of carbon pollution reduction, including by related offset development and triple bottom line accounting.

Rec. 5: Investigate Tobin taxes, which are excise taxes on cross border currency transactions, as the logical extension of indirect taxes to the finance and insurance services arena, and as a way of restraining constant dysfunctional financial trading.

In a paper entitled ‘Perspectives on company tax’, Ken Henry stated that among OECD countries, the unweighted average company tax rate fell from around 47% in 1982 to under 27% in 2008. Australia apparently has moved from ‘having the 9th lowest company tax rate in the OECD in 2001 to having the 22nd lowest today’. On the other hand, the Pension Review Report (2009) of the Department of Families, Housing, Community Services and Indigenous Affairs notes that compared with other OECD countries the Australian tax-transfer system is highly efficient in redistributing resources to those with least means. Among the 27 countries for which data are available, Australia has the highest proportion of public transfers flowing to the quintile of the population

with the lowest private incomes. Australia also has the lowest rate of direct taxation in the group of 19 countries with data on this, according to the Treasury (p.8) People trying to make a living in small business as well as wishing to buy a home may be resentful if others on social security benefits also get supporting accommodation much more easily than they do. (Were I in small business, I would be very unhappy with such a situation.)

The direction towards more open international markets suggests that company and personal tax should be cut particularly at the lower end of the market and that indirect taxation and superannuation collection may be gradually increased across the board, to aid those models of industry and personal investment which appear likely to obtain the goals of carbon pollution reduction and related offset production aimed at more sustainable development. Tobin Taxes on financial trades are discussed in this context later. In 'Unfinished Business: Paul Keating's Interrupted Revolution', David Love describes the recent decades of Australian financial policy transition and practice which Australian governments considered necessary to meet the requirements of effective participation in international markets. Love argues for an increase in superannuation contributions to meet Keating's ideal of the policy 'golden circle', which is 'the line that runs through rising household savings to rising capital supply to rising international strength to stable interest rates and back to rising household net worth'(p. 205).

However, one fears the above direction may simply lead to many more financial and legal interests with their snouts in many more troughs, making the pools as muddy as possible in the process of constantly dipping into them and calling the process necessary for objective, secure treatment. The terms of reference of the Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System (2009) seek examination of the legal and regulatory framework of the superannuation system, including 'issues of trustee knowledge, skills and training' and also appear to assume that the diversification principle of the superannuation system is an investment necessity. Such assumptions need questioning in the light of reality and government policy direction in other areas. Diversification of risk appears to be accepted automatically in the market as a necessary protection against loss. This is a convenient view, which is the natural concomitant of gambling, as distinct from making better, evidence based judgements.

In 5.5.2 (p. 9), the Issues Paper on Governance of superannuation states Australian super funds have a bias towards equities in their portfolios (around 57% before the global financial crisis, compared with an average of 36% in 20 OECD countries where data are available.) The essential point in any discussion of diversification is that if a specific investment is made on highly reliable evidence, diversification of investments may be a bad choice, rather than the naturally accepted good that those constantly clipping their management fees by making fund movements would have us believe. Australians putting all their savings into paying off their mortgages may think any alternative investment activities seem comparatively risk prone, expensive and unwise. Diversification is for gamblers and scientific investment decisions are ideally made on much better evidence.

The Issues Paper on Governance (2009) of the review of Australia's superannuation system states superannuation funds operate under a trustee model derived from the general law of equity:

That is, a corporate trustee or a group of individual trustees controls the fund's assets and operates them solely for the benefit of its members and beneficiaries. Each trustee has a fiduciary obligation to the members and beneficiaries which involves taking ultimate responsibility for the entity and an obligation to manage the assets of the entity with competence, diligence, prudence and honesty (p. 3).

One assumes the ideal trustees are also the scheme underwriters, in order to reduce the risk of them facing moral hazard. Is this so?

In its Annual Review of Regulatory Burdens on Business: Social and Infrastructure Services, the PC noted that the Council of Australian Governments (COAG) communiqué (July 2008) stated the Standard Business Reporting Model should be implemented by 2010 (PC 2009, p. 351). On the other hand, an email I recently received from UniSuper, had the following message written on the bottom:

UniSuper Management Pty Ltd (ABN 91 006 961 799) AFS Licence No. 235907 is the Administrator of UniSuper (ABN 91 385 943 850, SPIN: UN 10001 AU) and a subsidiary of UniSuper Ltd (ABN 54006 027 121) the trustee of UniSuper.

One wonders why three ABN numbers apply to UniSuper and how the duties of the trustee are fulfilled effectively in what one assumes is three separate business situations of commercial in confidence management requirements. How will all these apparently separate businesses ideally relate to the proposed Standard Business Reporting Model? Elsewhere I read that to be a constitutional corporation, a business entity must be either a trading or financial corporation or both. How does such a distinction relate to the assumptions underlying the Australian and New Zealand Standard Industrial Classification (ANZSIC)? Business entities that do not fall within the definition of the constitutional corporations have apparently been found by the courts to include partnerships; unincorporated associations and sole traders. One wonders if these are the same groups who were expected to conform either to national standards or mutual recognition as part of the introduction of the national competition policy in the early 1990s? I guess so. How will the Standard Business Reporting model affect them?

In general, the lawyers' idea that everything is ideally managed at arm's length and in ignorance of the management of everything else seems taken from Dracula's ancient recipe for managing blood banks to extract the maximum amount. I have commented upon apparently related problems in an earlier discussion of the relationship between UniSuper, the Members Equity Bank (the 'Super Funds' bank) and Perpetual Ltd. The latter may be the trustee of Members Equity Bank, but I regard it as a costly menace to clear financial practice. I have also commented on related opacity and cost problems in regard to Ross Garnaut's view that:

Care would need to be given to the design of the institutional arrangements for administering the allocation and use of (carbon pollution reduction) 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 '(2007, p.65).

Such views appear irresponsible because government is elected to govern and by giving away its power to a body established at arm's length from itself, it can only make itself more ignorant and unaccountable than it would otherwise have been. The idea that establishing fund management bodies at arms length from an original body will guarantee objective management is particularly misguided if the appointed trustees have other secret relationships and drivers of their own. One assumes perfect information, perfect competition, perfect accountability, perfect risk management and perfect democracy are logically and positively related. Surely we agree on this? It is in the interests of lawyers and related financial services to assume drivel and they have done so freely for centuries.

I have no idea how housing property is treated in superannuation and wrote the following to UniSuper to find out. However, they never replied:

In regard to the 2007 UniSuper Report to members, I was interested to read you only have 10% of the UniSuper fund in property. This seemed strangely low, as I also note that property is a reasonably sized category in the Capital Stable; Conservative Balanced; Balanced and Growth investment baskets (pp.12-13). How can this apparent anomaly be explained and how is level of risk in each of these different investment baskets estimated? How is Australian property valued as a comparative investment, and as compared with property in other countries, e.g the US or China? How is a choice made about which property to invest in?

I wonder what exactly is the nature of the pooling and investment in the 'single, diversified portfolio' (p. 12) and how its performance relates to investment of the accumulation component of the overall investment fund. I guess the defined benefit division component of the fund uses an actuarial methodology for making pension style payments from the fund whereas the accumulation component of payment is market determined? Is this so? How do these different investment practices relate to each other in terms of the choice of investment vehicles?

It seems to me that modest housing (and broadband) should be ideal investments in Australia because every family needs a house and a broadband connexion for effective development in future. If one seeks investment security, how could national housing or related socially vital investments go bad, especially if they are clearly designed on a more competitive non-profit investment basis than the norm – which is supposedly stockholder driven? However, Bernie Fraser's 'Compare the pair' advertisements could become even more convincing than they currently are if industry superannuation structures were better.

Life appears difficult in many ways for small business. In its Annual Review of Regulatory Burdens on Business: Social and Infrastructure Services, the PC (2009) concluded the problem for smaller contractors and businesses tendering for work in

remote indigenous communities is ‘bundling up’ of construction work across a number of communities into a single contract which exceeds the National Code of Practice for the Construction Industry threshold on federally funded works (\$5 m) and the Federal Safety Accreditation threshold on federally funded works (\$3m). This disadvantages smaller contractors who cannot bid. Such financially based discrimination seems likely to be a wider problem, which slows housing services to communities while adding to their costs.

Governments should try to reverse the current economic incentives for sprawling housing construction on the urban edges or Australia will face increasing domination of cars over public transport and more loss of biodiversity. However, it is difficult to see how the carbon pollution reduction scheme can reduce carbon or make this happen. The Australian Constructors Association Industry Discussion Paper on the National Greenhouse and Energy Reporting Act (NGER 2007) indicates that in new building construction works the possible sources of greenhouse gas emissions and energy consumption are from hoists, cranes, light and power, concrete pumps, earthmoving plant, any light and power from tenancies or common areas that have not yet achieved practical completion or are being commissioned, where the construction manager is deemed to have operational control. Subcontractors are expected to collect and report all NGERs data to the principal contractor. The complexities, paper work and costs involved in the proposed carbon pollution reporting and associated trading system appear enormous, especially for small businesses. The costs appear naturally passed to housing consumers.

Government needs to give more attention to how to maximise the Australian pie through more openly planned approaches to sustainable development and through the related and better planned treatment of land, construction, mortgages and taxation. According to an article in the Australian Financial Review (12.10.09 p. 12) the billionaire George Soros is looking to address the ‘political problem’ of climate change by investing \$1 billion towards solutions. Apparently he said:

I want to apply rather stringent criteria to the investments. They should be profitable but should also actually make a contribution to solving the problem.

Gee, that would be a new idea. According to an article entitled ‘China claiming lead on climate’ in the Sydney Morning Herald (14.10.09 p.1) Professor Jiang Kejun, who heads the climate change modelling team which is helping to shape Chinese policy, favours a carbon tax rather than a cap and trade system for China.

Mark Latham’s assessment of the Australian carbon pollution reduction scheme is that ‘this is not a carbon trading scheme but a new tax-transfer system, shuffling money around the economy without significantly increasing the real cost of carbon’(AFR, 21.8.08, p.78). I can see his point. However, I have argued that the government’s proposed carbon pollution reduction scheme will not achieve its objective and that carbon trading is instead ideally conceptualized and approached in related industry and regional contexts, in which the carbon permit is viewed as an insurance related financial instrument – a premium, which is owned and pooled by industry and government. As in superannuation, the funds are ideally invested competitively, in broadly planned regional

initiatives to reduce carbon pollution and its effects, and also to achieve triple bottom line accounting and all related sustainable development goals more broadly. Taxation is ideally considered in related regional production, consumption and investment contexts.

The ANZSIC and related occupation classifications are based on international industry classifications designed to assist the process of more scientific management. Ideally, ANZSIC classifications should be incorporated into all industry management and related scientific practices unless there appears to be good reason to do otherwise. Recent PC reports have supported this industry development direction which is also necessary for transparency and cost reduction, as well as for more scientific management. Legal and financial interests have been ignorant or hostile in regard to such development because it would greatly inhibit their capacity to take other peoples' money by using controlling and confusing language, preferably numerical. They prefer their pre-scientific norms.

Since the 1960's, the development of the Australian national reserve system has been based on the biodiversity related principles of comprehensiveness, adequateness and representativeness (CAR). These international scientific principles are directly related to the development of the Interim Biogeographic Regionalization of Australia (IBRA) system which divides Australia into 85 distinct biogeographic regions and 403 sub-regions. IBRA provides a scientific land planning framework and tool which should aid development proposal evaluation and the realization of the CAR principles in the related development of all national and regional planning for more sustainable development.

Australia operates in a global economy, yet Treasury's discussion of Australia's future tax system shows little interest in broadening the foreign income tax base. In a brief discussion entitled 'How taxes affect savings and investment decisions (p. 248) Treasury's first discussion paper provided one of many strange charts, 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'. Apparently these 'holding entities' are banks, companies, superannuation funds or trusts. How exactly are such entities defined and structured and how are they ideally treated by any government which seeks to govern in the public interest? Treasury treats such 'holding entities', in passing but they are much more than 'holding entities'. They are trading entities in their own right, which may trade many opaquely valued financial products with unexpected outcomes. Tobin taxes are excise taxes on cross border currency transactions. They appear to be the logical extension of indirect taxes, such as the Australian goods and services tax (GST), to the finance and insurance services arena. Such taxes may have the advantage of restraining constant financial trading which appears to be primarily undertaken in the interests of financial service providers, rather than their customers.

Report Recommendation 6 of the Parliamentary Joint Committee on Corporations and Financial Services Report (2007) entitled 'The structure and operation of the superannuation industry' was that trustees of superannuation funds should publicly tender key service provision agreements. Labor members thought superannuation has been 'governed by the trustee system in a sound and effective manner' and were against the

recommendation because it appeared to imply broader, 'impractical and unnecessary interference in the internal operations of business' (p. 199). I disagreed strongly. If UniSuper tendered clear service provision agreements publicly, this would encourage the market through educating it first - a highly appropriate action. More openly planned and competitive investment directions are necessary to serve industry and community goals through triple bottom line accounting which is economic, social and environmental.

Thank you for the opportunity to make this submission.

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