

Parliamentary Secretary, Parliamentary Joint Committee on Corporations and Financial Services

Dear Sir/Madam

Thank you for the opportunity to make this submission to the Inquiry into the Structure and Operation of the Superannuation Industry. However, I am sorry that you did not have the courtesy to reply to my email of 11.8.06 which asked whether you have a plain English issues paper to assist all Australians to address your terms of reference better. Does this mean you are relying on lawyers and financial advisers to give you the overwhelming input? Whose interests do they represent?

In line with point 15 of your terms of reference, which deals with Any Other Relevant Matters: I would like to provide input on the need to reduce fees in superannuation. I also argue that this may be done through the increasing development of STAKEHOLDER rather than STOCKHOLDER management models, which use competition in service and fund management to achieve the public interest, particularly in the areas of health and environment protection. This management model is also designed to reduce cyclical economic instability and all related international underwriting problems.

My central points regarding how to go in this direction are made in letters I outline below. These are addressed, respectively, to:

Alan Kohler, a journalist for the Sydney Morning Herald  
Marion Baird, a representative of the National Tertiary Education Union at Sydney University  
Alastair Davison, Prodean of the Faculty of Health Sciences at Sydney University

The attached proposal for an Australian Workplace Agreement at Sydney University and the related policy papers which I also attach are designed to make my policy position and strategic direction clearer to all.

Thank you for the opportunity to make a submission to your inquiry. I can be contacted at home on 02-9660 8716 and look forward to hearing from you further.

Yours truly

Dear Alan

As a former Marxist and NSW government special projects officer, (truly), I would like to question somewhat your essentially compelling observation (SMH 16.8.06, p. 19) that retirement funds are 'the modern realisation of a Marxist dream....apart from the fees.' Working for NSW government taught me that the thoroughly modern Marxist would also seek a fund management model which is driven by stakeholder, rather than stockholder interests, in order to reap the full benefits of competition.

The stockholder management model operates according to profit driven, commercial in confidence principles which may have many health, environment and related commercial risks with associated costs which are hidden to all. On the other hand, the stakeholder driven management model ideally uses a planned approach to contracting government and industry funds. This approach is ideally driven on a regional or industry basis, to achieve a range of key stakeholder aims, using transparent, competitive contracting which also aims at meeting a broad range of public aims and interests.

In the stakeholder governance model it is clearly recognized that perfect information is necessary for perfect identification and control of risks to organizations, consumers and communities, as well as for perfect competition. It is expected that information is widely

available about the performance outcomes of competing contractors in relation to a range of outcomes, not just profits. In my view the superiority of this neoMarxist stakeholder planning model may be observed in Australian health care and workers compensation operation. Its benefits have been repeatedly compared with less effective and more costly Australian and US services, based on traditional commercial insurance principles.

Multiple lawyers fees, as well as a great many other unnecessary costs, should be avoided with the stakeholder rather than the stockholder management model because it is inherently more openly informative and hence less risk prone, adversarial and costly. Roll on the day, however! I recently switched my housing loan from St George Bank to Member's Equity, 'the Superfunds Bank', at a much lower rate, but came across an adversarial hurdle in which lawyers fees undermined the incentives of the change in a major way.

As a university employee and a Unisuper member, (my wages; my super fund; my bank), I thought this simple loan change should mean no need of multiple lawyers. However, the Members Equity bank lawyer would provide me with no information when I called with a simple query about the change of loan contract, and told me in no uncertain terms to go to my own lawyer for advice. Neither could I attend the banks' exchange of contracts, although my lawyer, had I hired one for this minor transaction, would have been expected to do so. During the process of contract change, land tax was unnecessarily paid to the NSW government, which I could only recoup at a later stage. I had had enough crap by then.

Outdated and secretively adversarial approaches to competition, screw us all unnecessarily, economically and socially. Roll on the day when operations are managed competitively to meet stakeholder interests rather than stockholder interests.

Thanks for your very interesting articles,

Smash the lawyers!

Carol O'Donnell

Hi Marion (NTEU and others for info.)

I saw your look of disapproval over my support for an AWA offer at Sydney University and I thought I would try and convince you by sending the attached notes and articles I've written towards an AWA of my own. (Ditch the supporting policy articles by all means. I could go on forever and people are always telling me that I do.)

The bottom line, from my perspective is that the unbridled collegiate culture is not transparent, not efficient, and it makes education phenomenally and unnecessarily expensive. Somebody has to pay for that. Students and taxpayers usually do, which I think is extremely unjust and that reform would be in the interests of all Australians. Freedom of speech is vital and we will lose it if we don't take control of our destiny.

If it isn't reformed effectively Sydney Uni. will probably be forced to hang increasingly off US collegiate and commercial coattails in its research and related teaching approach, just to get the brownie points. Particularly in health care I think this would be an absolute disaster for Australia.

I think we need to move forward with a broadly designed and planned progressive approach, to meet the interests of Australian industry, China and the developing world, which the old Sydney Uni. trajectory certainly doesn't.

However, it seems to me that if AWAs merely create a new two tier management structure at Sydney Uni. without sufficient reform of production incentives in either tier, the result will be elimination of positions. The VC pointed out yesterday that something like this keeps him awake at nights. Personally, I think the NTEU should help him out. We need to be designed

to grow capacity, not reduce it. There are many ways to produce economies of scale which would benefit us all.

Cheers  
Carol

Hi Alastair

Do you have any advice regarding my wish to ask Anne Brewer to be my bargaining agent for an AWA? I await any thoughts you may have on this and any suggestions about how to do this or something different. I want to ask her for the following promotional reasons. If she declines, can she suggest alternatives? Can you?

Anne Brewer performed brilliantly in her presentation of the AWA to economics and finance staff, in my view, and I said to her at the time that even though she is in management and I am not, I regarded us as more like colleagues than adversaries, with the design of the AWA being more of a public interest based one, than a contract purely to pursue individual and organizational interests - with both sides helped by lawyers.

I think it is strategically important not to perceive ourselves in an adversarial relationship with management unless this is unavoidable, as I indicate in the letter to Alan Kohler below. I think it is unhelpful to see our interests as diametrically and secretly opposed in any way. I want everything opened up to scrutiny in my case because I think it is in my interests. I believe that secrecy primarily involves handing over the potential power to screw you to somebody else, who knows more about your affairs than you do.

I have no reason to trust any financial advisers from the private sector and they are almost a totally unknown quantity to me. (I have tried to get discussions going with a few - with interesting results which I won't bore you with.) They are probably all yesterday's people as far as I am concerned and I see us as having a naturally adversarial relationship because they are there to make money out of me. Being financially literate enough to at least know how complex financial matters have become, the idea of ever sitting down in the privacy of my living room while some bloke I have just met discusses my financial affairs with confidence, while assuring me of absolute secrecy and commitment, frankly just chills me to the bone.

While I have no reason to trust anybody in the private sector, I have no idea whether anybody in economics and finance at Sydney University understands what I want and is any good. (Unisuper advisers certainly don't appear to, I can assure you.) Who are the faceless men and women who are in economics and finance at Sydney Uni? What do they do? Can they help?

Over six months ago I contacted Graham McCulloch, in the NTEU, whom I have known since I was very young, asking whether he would be my bargaining agent for the AWA. At the time he sent me a letter saying that if the NTEU was a bargaining agent it would be expected that one should hand over one's decision making power to the NTEU. I said that was outrageous rubbish. Even lawyers ADVISE on business, and do not take over. (The current NTEU line is different. They know they are only advisers and not decision makers, but I don't particularly want to get mixed up in what could be a lot of ongoing union crap while they think of all their other members - much as I love them (or some of them).

I also contacted Nixon Apple who is now responsible for superannuation in the ACTU and who I used to live with. He is very good and extremely knowledgeable about all areas of manufacturing industry and trade. I first met him when he was on the national executive of the CAE union in the early 1980s and he then went to work for the AMWU and did a lot of industry policy and development stuff, and was on the Austrade Board as an AMWU representative. However, he sent me a letter from the compliance officer saying he cannot give financial advice because he hasn't got the requisite tickets.

Anyway, re my AWA bargaining agent. Do you have any advice regarding Anne Brewer?  
Please see related letter below.

Cheers  
Carol