

**Senate Select Committee on
Superannuation and Financial Services**

**The benefit design of Commonwealth public
sector and defence force unfunded
superannuation funds and schemes**

Submission No. 6

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SELECT COMMITTEE ON
SUPERANNUATION AND
FINANCIAL SERVICES

SENATE

Commonwealth public sector and defence force unfunded superannuation funds and schemes

On 8 November 2000 the Senate referred the benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes to the Committee for inquiry and report by the last sitting day in March 2001.

The Committee invites interested organisations and individuals to lodge submissions on this matter by 29 January 2001 with:

The Secretary
Senate Select Committee on Superannuation and
Financial Services
Parliament House
CANBERRA ACT 2600
or email: super.sen@aph.gov.au

Submissions become Committee documents and are made public only after a decision by the Committee. Persons making submissions must not release them without the approval of the Committee. Submissions are covered by parliamentary privilege but the unauthorised release of them is not. The Committee encourages the **lodgement of submissions in electronic form. Emailed submissions must include name, phone number and postal address.**

The Committee will consider all submissions and may invite individuals and organisations which make them to give oral evidence at a public hearing.

Further assistance, including details of the terms of reference, is available from the secretariat on (02) 6277 3458 or on the Committee's web site at <http://www.aph.gov.au/committees>.

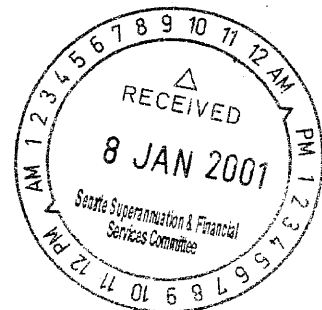
PARLIAMENT OF THE
COMMONWEALTH OF AUSTRALIA

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January 2001



Committee members maybe interested in the following extract taken from "The Chronicle" (Toowoomba) of 11/11/2000.

" A report on the contributions to the Parliamentary Superannuation Fund of five retired Federal Politicians indicates, that collectively, they contributed \$628,546 (an average of \$125,700) and upon leaving Parliament the total payout to the same five politicians was \$10,890,000 (an average of \$2,178,000). Not bad bikkies for a few terms of Parliament! "

"Total payouts in this instance exceeded total contributions by almost \$10.25 million. No worries-no doubt the taxpayers of this country footed the bill for the balance! "

- G Patch, Toowoomba

A quote from an article in the "Weekend Australian" of May 15/16 1999.

"...page 15 of the Budget Statement No4 gives the first estimate of the superannuation bill for past and present federal public servants. \$69.1 Billion this financial year growing to \$72.4 Billion in 2002-3. "

By various devices this \$70 Billion in rounded figures is secured on The Public Credit of the Commonwealth of Australia. Sounds banal enough for 300,000 or so persons.

(The Public Credit is mentioned in the Preamble to the Banking Act 1959 as amended, and in Section 51(iv) of the Constitution of 1901..the total amount, as variously estimated in dollar terms is \$9.2 Trillion..so there is enough to go around!)

However, '70 Billion' represents 70 Parliament Houses (incidentally paid for out of 'seignorage'). It is equal to 20 years of wool production at farm gate prices. It is equal to 18 years of gold production at current market prices. It is equal to the net worth of 35 Federal Electorates. Other comparisons will occur to you as to what \$70 Billion represents.

The report of the Auditor-General described 'the arrangements' as:

"unfunded liabilities.."..howsoever secured.

It is the nature of a superannuation agreement that it is to be a 'future payment'...usually when the recipient reaches retirement either by age or by resignation, in the case of politicians.

Its 'value' is nominated in dollar terms....a 'unit-of-account' that has no constant value and indeed, since 1983 by deliberate Treasury action has been depreciating in value relative to everything else, including other currencies. It is also subject to the diminution of value due to inflation, which, using current methods for Commonwealth financing is simply 'built into' the system.

Let that be explained over the page.

Commonwealth Government funding, has for many years been based on five sources, which are:

- Taxation.....which causes inflation but no debt.
- Fiat money...which causes inflation but no debt.
- Treasury Bill sales...which do not cause inflation but give rise to Debt (and interest)
- Bank borrowing...which causes inflation and rise in Debt.
- Profits from State Owned Enterprises..which may not cause inflation and are exempt Debt..eg Reserve Bank Telstra, and formerly Quantas etc.

You will readily see, that inflation, to be found in a Federal Budget of \$157 Billion, is constant and continuous and that has a specific effect on any 'future' payments, such as superannuation as to its worth in say 20 years from now.

There is a sixth source of 'funding' which the Public Service and particularly The Treasury are reluctant to admit and that is:

"The Use & Disposition of the Public Credit"

(of a previously given figure of \$9.2 Trillion)

This has been quietly accessed for the basis of 'superannuation contracts' for: Elected politicians, Members of the Judiciary, Public Servants and Members of the Defence forces.

To find the verity of that comment one has to go beyond the fenestration contained in the wording of the various pieces of legislation that so establish the various superannuation arrangements...with a search along the lines of...where is the money to be found..of course some 20 years in the future and you will be satisfied with 'The Public Credit'.

Now it may occur to members of the Committee..."that if it is all right for the 'administrative echelon' to secure for themselves, from the Public Credit, splendid superannuation payouts etc "...then why not use the 'Public Credit' for other purposes as was, and is the intention of Section 51(iv) of the Constitution of 1901.

'This' requires some small legislative activity and can be readily accomplished by use of these words taken from 1968 legislation:

"To give confidence to the People of Australia by making the Nation's resources temporarily available to them under adequate safeguards thus providing them with opportunity to correct maladjustments in their patterns of revenue and capital expenditure without resorting to measures destructive of Federal, State or Personal prosperity."

(See also Article 1 (v) of the 'Purposes' of the Articles of Agreement of the International Monetary Fund)

Just bear in mind that the performance of the currently legislated superannuation arrangements will depend on what amounts to the 'indulgence' of the legislators and the people of 20 years hence to this end, and as a basis for securing such an 'indulgence' it would be not more than wise to share around...The Use and Disposition of the Public Credit..as in brief will be dealt with on the next page.

There is a manifest need to 'access' the Public Credit for immediate provision of Public Housing for, an as given number of 230,000 persons on the waiting lists in the various states. As an estimate that would require an outlay of \$8 Billion.

The given figure for the number of unemployed is over 800,000. As the average 'capital content' of each job in Australia is near \$80,000 (ABS figures) that requires an immediate capital usage of 800,000 X \$80,000...\$64 Billion as a prior placement within the various firms (abled on a 'temporary basis under adequate safeguards') to effect full reduction in unemployment.

Both of these pressing items can be fully funded by accessing:

"The Public Credit of the Commonwealth of Australia"

This may seem a variance subject for members of this committee but as members of Parliament you are on other committees and you also have your constituents considerations to represent. The foregoing brief notes. It is written so that you can realise that the current limited 'indulgences' can be equitably shared around and thus, preserve their function.

I have written about the 'Constitution', the use of legislation, both current and intended and so forth but at the back of my mind all the while has been the following facts:

1. A retired High Court Judge in a 4 page opinion concluded, in matters concerning the Constitution:

"..from the historical evidence I therefore come to the conclusion that the current legal and political system in use in Australia and its States and Territories has no basis in law."

:and that has been the correct opinion since January 10 1920 when Australia, as sovereign Nation signed, as a founding member the Charter of the League of Nations...which as you will find had a clause stating:

'No country shall be subject to the laws of another country.'

2. Britain also signed the Charter.

3. The Constitution is, was, and remains..British Law..and yet since 1920 that "fact" has been not observed by Parliaments and People of Australia.

4. What we have had since 1920..in law..is 'Constitutional law/lore, but not the law of the Constitution! 'held in place by that ancient device which was codified at Magna Carta of "usage and custom". Or in the words of Senior Judge... "the system must be sustained".

5. Further, to take this matter to the High Court for determination places the Judges in an impossible position. If they find "according to the evidence" (of an historical nature) that from 1920 Australia has been a 'Commonwealth' devoid of a written Constitution (that was valid in law) then, because 'they' hold office under Sections 71-79 of the Constitution they would lose their..position, pay, and (possibly) their pensions. An excessive result of finding of the facts!

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This may seem an inappropriate place to bring matters of Constitutional considerations to the attention of a Parliamentary Committee but consider this.

It is the nature of a superannuation contract to give a firm commitment at some future date to a payment. The integrity of that intention is totally dependent upon the arrived at legislative permission from a past date, and that legislation has to be seen as more than the provision of an 'indulgence'.

That situation requires a firm basis for its issuance...and I think you will agree, that "firm basis" with reference to the written constitution is simply not present post January 10 1920.

As an aside. At the end of World War 1 the Turks were asked to surrender to the Australian forces. They refused saying that .."They could not surrender to a Colony..but only to the British Forces! "

You see, the Turks knew then what has been kept hidden ever since.

I bid you well in your deliberations.

Peter D Glover

A handwritten signature in black ink, appearing to read 'Peter D Glover', written in a cursive style.