

482 Norton Road,  
Wamboin, NSW 2620.  
20 January, 2001.

The Secretary,  
Senate Select Committee on Superannuation and Financial Services,  
Parliament House, CANBERRA, ACT 2600.

Dear Sir,

I wish to make a submission to the Committee on the inquiry into the benefit design of Commonwealth public sector and defence force unfunded superannuation funds and schemes.

### **Background.**

I am a member of the Commonwealth CSS scheme, which I understand is an unfunded scheme.

I became eligible to receive an indexed pension on 25 July 92, having joined the scheme in March 1961.

During my career with the Commonwealth Public Service, I was involved in every facet of the planning, design, construction, operation and maintenance of aerodromes. I wrote many of the Australian aerodrome Regulations and Standards; represented the Country at ICAO, and was Counsellor Transport with the Embassy of Australia in Washington USA, for 4 years. In later years, I held Senior Executive positions within the Aviation Portfolio.

Aviation "reform" got underway from 1988 onwards and lead to the creation of the Civil Aviation Authority (CAA), along with the agents of change and concepts such as deskilling, self regulation and "affordable safety". When I spoke out against this nonsense, I was eventually made redundant and asked to take early retirement. This meant my pension was in fact premature and is therefore quite low. I was comforted by the understanding this pension would at least be indexed to keep pace with the cost of living, in Australia.

Members will be aware all Australians are now seeing the dubious benefits of self regulation, Privatisation, outsourcing and the rampant deskilling of the Aviation Regulator.

One classic example, is the Advanced Australian Air Traffic Control System (TAAATS) Project; used as an efficiency gain and excuse for sacking hundreds of (then) CAA technical people via a foreign "off the shelf" technology; rather than developing an inhouse Australian system.

This little exercise was finally completed in 2000, **5years late**, and around **\$ 100 M overspent!**

In the bad old days of accountability, the absolute measure of major project success, was to complete projects to Quality, Cost and Time; a sad memory for taxpayers!

I have the memory of being treated like rubbish by the Commonwealth after 30 plus years of dedicated service. More importantly, I have a pension that isn't worth much and has done virtually nothing in the way of appreciation, since 1992.

## **Early Retirement?**

Thousands of former Commonwealth Public Servants are in this situation; forced to leave on early retirement.

Early retirement means much less pension; let me explain.

The standard pension benefit is based on age 65, and is 50 per cent of final salary. Further, substantial reductions apply to those retiring before age 65, and this includes most people thrown out by the "downsizing" rhetoric. Importantly, the reduction is directly related to the number of years prior to age 65.

Should the hapless pensioner die, his or her spouse will receive 67 per cent of this now less than magnificent pension.

In comparison, taking myself as an example; had I stayed a contributor until today, my salary at the same level of employment would conservatively been double what it was in 1992. In addition, I would be much closer to receiving the "full" 50 per cent of that salary as a pension.

This scenario can be directly compared with the negligible movement in the CSS pension since 1992.

In this grossly unfair situation, it is absolutely critical that pensioners receive the Full Benefit of indexation based on a fair and equitable method of calculation and real cost of living. This is nothing more than the promise made to me when I signed up for a Public Service career in 1961.

Whilst not directly relevant to the matter of indexation, the feelings of betrayal are compounded by the subsequent lacklustre performance of today's Commonwealth Public Service, particularly noticeable in the transport portfolio, with some recent "Wonderland" efforts.

It is good to see the rhetoric concerning outsourcing is slowly being exposed. An inquiry into this debacle beyond the recent one into I T, would be very revealing.

The generalist managers got it wrong; those in early retirement are paying the price.

## **Other Schemes.**

In February 2000, the newspapers carried reports of Parliamentarians' salary increases of from 10 per cent to 30 per cent based on average weekly earnings over the past three years, which would "automatically flow through to the superannuation pensions of retired members and senators.

## **What about the CSS by comparison?**

Taking 1996 as a base, CSS superannuants received a 1.3 per cent increase in July 1997, **no increase** in July 1998 and a 1.1 per cent increase in July 1999. This represents a total compounded increase of next to nothing, over three years.

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It is understood the age pension as with the politicians own scheme, is adjusted by the **higher** of consumer price index or movements in average weekly wage earnings.

The CSS increase is based on the CPI indexation which clearly does not allow pensions to keep pace with changes in the living standards of the rest of the community. I understand the CPI is purely a cost index for a basket of goods using a base year of around 1989/90. Curiously, this is about the time when the movements in average weekly earnings started to diverge markedly from movements in CPI.

In looking at each of these measures since 1991, the gap between CPI and average weekly earnings is widening very significantly. Why is there this discrimination against retired public servants?

### **Other considerations.**

Retired public servants are further disadvantaged, by the unfettered increase in "User Pays", applied to everything from toll roads (yes, even the National Highway!) to fees for using our National Parks; already well and truly funded by our taxes.

In addition, we are taxed more than ever before, using various other names like excise on fuel, various levy's, duties and bank fees. Privatisation also produces higher costs for the consumer, and fuel prices are about to go further out of control, aided by government policies.

The GST is bad news all round in terms of increasing costs of goods and services; the Australian Council of Public Service Retirees is on record as saying more than 90 per cent of members were ineligible for any assistance to reduce the impact of the new tax system. Estimates of price increases of 5 per cent after introduction of the GST now appear to be understated! In short, the GST will simply COST those on fixed pension incomes; the inadequate assistance offered by the Government is not available to most members.

### **Representations.**

The committee may be interested in what happened when I attempted to bring these matters to the attention of the Government.

I wrote to the Prime Minister on 18 March 2000, raising the issues, seeking a specific response from the Government.

Ministerial Officer Steve Pring replied on 29 March 2000, telling me Mr. Howard receives thousands of letters each week and my comments on the "various issues of concern" had been noted.

I saw this treatment as offensive, and responded to Mr. Pring on 6 April, 2000 requesting a Government response to my queries.

Mr. Pring replied on 10 April, 2000,

This advice informed me “ Mr. Howard receives thousands of letters each week from Heads of Governments, Premiers and Chief Ministers, Federal and State Ministers, Federal and State Members of Parliament, shire Councils, heads of community, business, industry, religious and union organisations as well as from members of the public and it is obviously not physically possible for him to give them all his personal attention.”

I do hope members of this Senate Committee never feel they do not receive the full attention of Mr. Howard. Leaving that aside, Mr. Pring never saw the need to arrange for a written response to my concerns!

This will give members an appreciation of how difficult it is these days, for the ordinary Australian to get any meaningful answers to legitimate concerns such as this.

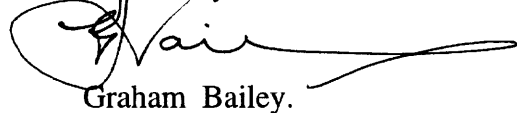
**Proposal.** For consideration by the Committee.

1. Remove the discrimination against retired Commonwealth Public Servants, by applying the SAME method of indexation to their pensions, as used for the index of Parliamentary pensions, the age pension, defence force and others. There should be no difference(s).
2. Adopt the average weekly earnings method of indexation to all pensions, or redesign the CPI so that has real meaning for the cost of living in Australia, taking account of the GST , Privatisation, User Pays, and Fuel prices.
3. Provide **adequate compensation** to CSS members for the clearly inadequate indexation of pensions, since 1991.
4. Set up a meaningful point of appeal for those unhappy about methods of indexation, policies or the fairness of public sector superannuation schemes.
5. Under terms of reference (f)

Consider the fairness of the CPS involuntary early retirement practices of the early 90's resulting from government restructuring; particularly the case of individuals forced out at a substantial benefit reduction. This fairness should be seen in the light of the original contracts made when joining the CPS and the “trade off” of accepting lower PS remuneration over the intervening years. The methods used to establish Redundancy should also be investigated; in my case Consultants were used and later found to have bogus qualifications.

Thank you for the opportunity to bring these matters to the attention of the Committee; I would appreciate being kept up to date on the progress of the inquiry; with copies of the Submissions, the evidence , and Final Report, if possible.

Sincerely,.



Graham Bailey.