

IMGillard
GPO Box 1810, Hobart, TAS. 7001



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DEAR COMMISSIONER,

Many investors adopt a core-satellite approach to their investments. This involves holding the bulk of their savings portfolios in their family home and superannuation, with "satellite" investments in managed funds, rental property, or direct shares. My proposal is that the Federal Government issues infrastructure bonds with tax advantaged income streams in retirement to finance new infrastructure. The effect will be a more efficient allocation in the private savings market.

Retirees can contribute to the economy with their capital rather than labour. I do not want to a burden on the young people of this nation when I get old. The poor opportunities to invest for retirement income streams, and poorly competing retirement saving market, is the problem I want addressed. It is apparent from high take up rates of SMSF membership, and the GFC, that the retirement saving industry needs increased market efficiency and better long-term predictability or an older population will make the national economy less competitive.

Most other OECD countries, on average, collect tax at a higher rate than Australia. Because of this, I fear that Australia's infrastructure, like the degraded, and aging, American (US) infrastructure, will fall behind other OECD countries. Nevertheless, creating an innovative and robust infrastructure funding models is a theoretical alternative. Incentives may be used to redirect money streams voluntarily rather than compulsory. As such, bond issues rather than taxation can fund the financing of infrastructure and other public goods.

Asset sell offs, like Telstra, QANTAS, and Commonwealth Bank have deprived the Federal Government of income streams that could have been used to fund new infrastructure. In addition, toll way contracts seemed to have passed income taxation deductions benefits to corporations, and reduced the state cost. Hidden State to Federal burden shifting seems to be an everyday character of the current policy for infrastructure financing. Ultimately, citizens pay and they do not know how much it has cost.

The principle task to supply infrastructure, like roads, rails, ports, hospitals, schools, and aged care, is correctly the duty of our State and Federal Governments. Successive governments have chosen to collect insufficient tax to finance this task. This is a political reality. A low taxing government is popular because of the electors' focus on short-term gain, and that the power shift and cost is not transparent.

It is clear that income streams from taxation is not suitable to fully fund all public infrastructure is a political reality. Because of this, the government needs to develop alternative fair and equitable money streams to provide for the peoples' needs. My proposed infrastructure bonds fill this need.

I hope that your final report will treat infrastructure user as significant and interested parties in the commissioning of public infrastructure. Users pay for this infrastructure. Currently the benefit goes to the government, because taxation is unpopular. They have been using the private sector as an agent of government to hide tax. If government does not tax, but grants tolls and other guaranteed levy to corporations, there is less taxation, but shifting revenue rights to the private sector is in reality just a way to disguise tax.

Can you detail in the final report how much 'hidden tax' are state and federal government taking off the balance sheet through the granting of these monopoly rights?

Like many other of the 12 million Australian workforce, people aged 45-60 have been more actively engaged in retirement saving. Those fortunate to have the economic capacity to save over the compulsory super guarantee level look for low risk and tax effective options. The approaching age of retirement, means people 45-60 want better opportunities than are now available. I believe the current market has a too large macroeconomic cost. People can increase negatively geared rental property investments, (and inflate home prices), or make deductible personal contributions or salary sacrifice to super, (and have super funds inflate share prices of blue ribbons corporations).

I am concerned that the superannuation market lacks competition and is inefficient because of the uncertainty of individual long-term investment and variability risk for future income streams. Having shifted the retirement risk to retirees by the change from defined benefit to accumulation account based super, government policy now needs to provide greater certainty about the long-term returns for retirement income streams. An infrastructure bond issue gives this certainty to retirees.

Because retirement presents the potential of a period of diminished capacity, I fear exploitation in old age. I can share the risk with my spouse, but actuaries tell me that the larger the risk sharing the greater the certainty and lower the individual risk.

Because of franking credits, discounted capital gains, or concessional taxation of super, most retirement saving choices pass a taxation burden to fellow citizens. Citizens are entitled to a fair return for these tax concessions. New infrastructure financing would be one such return from infrastructure bonds. This in addition to a more efficient retirement saving market would completely justify government intervention in this market.

I would like to have the capacity to purchase infrastructure government bonds with inflation protection, lifetime cover, capital protection, and an income stream that commence when the owner turn 60. Such a product would require the capacity to deliver lifetime non-assessable non-exempt income when the purchaser turns 60 to be a substitute for current super products. Government underwriting and law changes are required for such a long-term product.

I think that bonds should target workers aged 45 to 60. They should have a maximum lifetime contribution cap to limit government's potential future risk. They should reduce aged pension payments, but not all retiree entitlements.

I believe that potentially \$14 billion is available for tax effective government infrastructure bonds each year.

- About 1/4 million people would invest \$25,000 and
- About 3/4 million people would invest on average \$10,000, each year,
- Workers in the age range of 45-60 would have a competitive investment option to superannuation.

(Estimated from published population and super saving information.)

Can your final report answer if is it in the public interest for the government to underwrite or issue infrastructure bonds to mature workers, to improve market competition for retirement income streams?

Regards,

I M Gillard