

Dan's plan a road block, not road map out of lockdown

Victorian response
Daniel Andrews must switch from eliminating the virus to managing infections, to prevent more harm to education, health and the economy.



Brian McNamee



Sam Lovick

On Sunday, Victorian Premier Daniel Andrews announced his road map to recovery. It was not convincing, more of a pathway to misery.

We are all hoping that an effective vaccine will be available sooner rather than later. The Commonwealth, with CSL's help, has given us the best chance if either our own University of Queensland candidate or the Oxford University vaccine are proven. Even so, there are risks and we face many months without one. Andrews' chosen path has to be seen in that context.

His staged reductions in lockdown are triggered by state-wide infection rates that look at best too conservative, at worst unachievable.

We would urge Andrews to widen his pool of advice. Not just to adopt a different model to calculate a different target, but to understand that strategies based on management rather than elimination are likely to be better for us all.

Hard triggers are straightforward to estimate but are not always the way to go. We are sure that there are models to support them; there are good modelling groups in Melbourne. But what we are observing in this pandemic does not neatly fit the modelling assumptions, and there is more than one pandemic model to interrogate.

The reasons for large differences in the spread between eastern and western Melbourne, for example, are hard to explain in a model; a prescription that might eliminate transmission in the west might be excessive in the east or in regional Victoria.

To put these trigger levels into perspective, the next major relaxation is due on October 26, but only if the average number of cases over the previous two weeks is fewer than five. NSW, counting only locally acquired cases, has managed this in just seven of the last 54 days, and it didn't start with more than 400 daily cases. The next stage, scheduled for November 23, requires no new cases in the previous two weeks. NSW has achieved that exalted outcome for five days in the last 179.

We doubt these stringent targets can be met. We hope they can, of course, but the



It is time for Daniel Andrews' COVID-19 elimination policy to change. PHOTO: JOE ARMAO

more likely outcome is that they will be missed. If Andrews is true to his word, then lockdown will continue, and the harm to the Victorian and broader Australian economy, which is already enormous, will extend further.

Lockdowns may reduce deaths from COVID-19, but that is not the only cost.

We have seen a 33 per cent decrease in breast cancer screening in Victoria, no doubt getting worse under stage four restrictions. Alarming, a three-month delay in treatment can result in a 25 per cent increase in mortality. And Victoria will have been in lockdown for at least six months before routine cancer screening is likely to resume.

A UK study estimated 3300 additional breast, colorectal, oesophageal and lung cancer deaths after five years from COVID-19-induced delays in diagnosis. If this is happening in Victoria, and the evidence

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suggests that it is, it translates into 315 more deaths.

Suicide is one of the leading causes of death in working-age adults, 2100 in 2018. Unemployed men are five times more likely to commit suicide than their employed male counterparts, out of work women are eight

times more likely than their counterparts. Job Keeper and Seeker are valuable safeguards, but if it takes a year for all the lost jobs to return once subsidies end, we could see a worst case of 300 or more deaths.

Educational consequences are also dire. Final year students face the double whammy of disrupted training and a sclerotic employment market. If the US studies are to be believed, this could translate into lost lifetime income of \$100,000.

The Premier wants to avoid a start-stop response to the pandemic and has pinned his hopes on elimination to do so. It is time for that policy to change.

We need to move to a management strategy. Accept that infections will persist but when they do arise, tackle them.

We minimise harm by testing, track and trace, rapid quarantine of infections and their contacts, and by protecting at-risk groups.

The cornerstone is frequent and comprehensive testing with exemplary contact tracing. Andrews must ensure that Victoria leads in these areas. If help from the commonwealth or NSW is needed to do so, welcome it with open arms.

If community transmission does rise, we must enhance protection for those most at risk. Victoria's Aged Care Response Centre, a joint commonwealth and Victorian initiative, is a valuable step in that direction, a model due to be extended nationally.

Victorian regions should be opened up immediately, with the government focused on testing, tracking and tracing, not enforcing the lockdown.

Lockdown needs to be relaxed more and faster in Melbourne. Restoring our economy, our jobs market and our education cannot be delayed.

The Premier's "cure" is already as bad as the disease. Let's not make it worse.

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Rantings of Rudd and Keating won't fix the super system's flaws

Retirement
Defending higher contributions misses the point. Reform is needed to increase the returns on the super we have – not just pour more money in.



Richard Holden

Finally. We are now having a long overdue discussion about how Australia could get more out of its compulsory superannuation system.

Having said that, the quality of that discussion could do with some improvement.

Last week, two former Labor prime ministers – Kevin Rudd and Paul Keating – went on what can only be described as rants about how pausing an increase to the rate of super contributions was equivalent to destroying the entire system, and with it any semblance of humanity in Australia.

Anyone who wants to improve the superannuation system is, according to Rudd and Keating, an imbecile.

Well, label me imbecilic. Keating, ironically, appears to be "going troppo". As the architect of Australian superannuation, he should understand better than anyone that the system needs to be reformed to live up to its highest ideals.

Yes, wages after accounting for inflation have barely risen since 2012 – something that has happened in many advanced economies and is the result of tectonic economic forces such as automation and globalisation.

But as economists of all stripes know, increased super contributions involve workers trading consumption for retirement savings, thereby depressing wage rises further.

Four-letter words (Rudd) and mouth-frothing indignation (Keating) do nothing to change that fact.

And whatever the merits are of increasing the contribution rate from 9.5 per cent to 12 per cent, they won't cover up the gaping

flaws in the system. Worse still, if we don't repair those flaws now, then when will we?

Fees – which average more than 1.1 per cent a year – are outrageous. More than 4 million people pay more than 1.5 per cent in annual fees.

Worse still, active managers picking stocks almost always do worse on a risk-adjusted basis than passive index funds. Often, they do worse. Period.

It is the refusal to accept crucial reforms that will do the most to destroy our super system.

Don't take my word for it, Nobel laureates spanning the spectrum, from the founder of "behavioural finance" in Richard Thaler to the godfather of the "efficient markets hypothesis", Eugene Fama, have been saying so for years.

We should have a low-cost, index-tracking fund (or a basket of them) as the default option for those wanting exposure to stocks in their super funds.

International comparisons show this should cost between 10 and 20 basis points a year at most – a fraction of the current average fee.

Obviously, the asset allocation between stocks and other assets would vary over people's lifetime, with more equity exposure early on, and less when nearing retirement.

As for the tax treatment of super, it should

be untaxed on the way in and taxed at people's marginal rate on the way out. That would reduce complexity significantly and would do away with debates about what level of balances should be tax free.

The current, completely arbitrary number is \$1.6 million. But it's always up for grabs, as Prime Minister Scott Morrison should know – he upset many by putting the current level in place when treasurer.

Under a tax-free in, taxable-out model, people would just pay their marginal rate (with the capital gains discount) on whatever balances they have. This would also reduce gaming of the system where it is used as an estate planning vehicle for some.

Obviously, existing balances would need to be grandfathered, but new contributions could be given this tax treatment.

These changes would go a long way to making superannuation a replacement for, rather than a supplement to, the age pension.

Even by 2038 – after two generations of compulsory super – Rice Warner estimates that 57 per cent of Australians will retire on the pension. Why are we giving huge tax breaks for forced saving if it doesn't get people off the pension after all?

If reforms like this are what the government is angling for then it deserves credit. But at least some members do indeed seem to be on an ideological crusade of which they have been accused. But why?

It makes no sense whatsoever for the Liberal Party to be ideologically opposed to compulsory super. Indeed, the individual accounts we have in Australia look much like what George W. Bush wanted, but failed

to achieve, with reforms to social security in the US during his presidency.

A centre-right party ought to be strongly for a system where workers save for their individual retirement, thereby taking the burden off the public pension system.

And having individual accounts, combined with the pension as a safety net, means that people who can rely on themselves for retirement do, and those who need government support because of circumstances are able to access it.

Of course, there needs to be an element of compulsion in it, otherwise there will be less saving and more reliance on the age pension than otherwise. But only anti-motorbike helmet fringe libertarians think that forced retirement savings – or mandatory private health insurance for those who can afford it – is government overreach.

We should face reality – our retirement savings system is not "the envy of the world". But it could be. And many of the elements of such a system are due to the Labor Party in general and Keating in particular.

Yet it is the refusal to accept crucial reforms – the key one being a low-cost index-tracking default – that will do the most to destroy our super system.

Without a better return to the individuals who save – and the taxpayers who fund huge tax breaks for it – superannuation will continue to under-deliver.

And throwing more compulsory savings on the pile will do precisely nothing to change that.

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