

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 30 May – 1 June 2006

Question: bet 93

Topic: Consumer testing for PDSs

Hansard Page: E52

Senator SHERRY asked:

Of course it is. It is in everybody's interest to get this right, Mr Murphy. We have got FSR, we have PDSs flowing out at 100 pages-plus, we have had two sets of refinements, and no-one has yet bothered to consumer-test whether these things are readable and understandable by consumers. You have not done it. The regulators have not done it.

Mr Murphy—I might get back to you on that because I think you would find, if you talk to industry, that there has been a hell of a lot of consumer testing. You might say that that is not appropriate or that they are not the ones who should be doing it, but I think there has been a lot of consumer testing.

Answer:

Generally, Product Disclosure Statement (PDS) requirements in the corporations legislation do not mandate the details of how information is to be presented and allow product providers flexibility in determining how best to communicate important information to consumers. It is the legal responsibility of product providers to ensure that the PDSs they prepare are 'clear, concise and effective'. Feedback received by Treasury from industry group inquiries with their members indicates that consumer-testing of PDSs is widely carried out by product providers with responsibility for preparing these documents.

Poor presentation of information in a PDS is not in the commercial interest of product providers as it make a product unattractive to consumers in a crowded market. Competitive pressure on product providers since the introduction of the current PDS requirements has resulted in continuous improvement in the presentation of information, as improved presentations are quickly being adopted by rival product providers.

There is one set of requirements for disclosure in PDSs where the presentation of information is set out in a mandatory form and these requirements were subject to consumer-testing conducted at the request of Treasury.

The enhanced fee disclosure measures were the subject of consumer-testing through focus groups organised by the Australian Securities and Investments Commission. These measures were put in place through Corporations Regulations in March 2005 to complement the introduction of Superannuation Choice on 1 July 2005. They standardise the description and calculation methods for fees and costs to allow for easier comparability and understanding of this information in PDSs. The presentation of information benefited from consumer feedback so as to make it easier for consumers to directly compare fees and costs of rival products.