Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Mr Steve Blizard
Authorised Representative
Roxburgh Securities Pty Ltd
PO Box 122
BURSWOOD WA 6100

29 September 2006

By email: corporations.joint@aph.gov.au

Dear Sir

Re: Inquiry into the structure and operation of the Superannuation Industry

This submission is in addition to my original submission of 21 August 2006.

May I clarify that my submissions are in no way a personal attack against either Health Super, IFS or any Industry Super fund subsidiary. It is my belief that these funds are fully entitled to offer services to their members under Super choice legislation, as much as I choose to offer services to my clients.

My primary concern is that the regulator applies a consistent approach to the various service providers and funds in the market place.

I am also concerned that the various regulators concerned should apply strict and fair codes of conduct when tens of millions of dollars of members super funds continue to be aggressively used (without obtaining the permission of those members beforehand) for the marketing purposes of those same funds.

4. The role of advice in superannuation.

In the IFA Magazine Sep 18-24, 2006, Industry Super Fund Health Super confirmed that it does pay commissions to two advisers licensed under Health Super's Financial Planning Division.

Health Super Marketing Manager Steve Jenkins is quoted saying "All of the money, in this way, stays within the company for the benefit of the members"[1].

Assuming the veracity of the statement, one must question whether Health Super is inferring that their organization is receiving commissions from the super funds (that pay pensions) of their members, to assist in cross-subsidizing the costs of the marketing efforts and seminars that their two licensed advisers may conduct, to attract new (accumulation plan) superannuation members?

[1] "Industry Funds pay commissions" IFA Magazine Sept 18-24 Page 6

Jenkins then goes on to say "the commission fee was justified in the case of the allocated pension product as certain services come with the pension. Such services include ongoing financial planning whenever the member requires it"[2].

The question could also be asked why Health Super believes that their accumulation super fund members should have financial planning advice provided by "fee for service" (whatever that means or costs); compared to the more transparent method of charging a PDF disclosed "commission" that is directed towards the costs of providing financial advice to their members that are receiving pensions?

Does this mean that Health Super believes that for the first forty years of their members' working life that members don't really need financial planning advice to any great extent?

Does Health Super then change their view on the need for advice, and that their super fund members in the pension phase then need "advice on tap", paid for with non-rebatable commissions - when it is possibly too late to change the outcome of their retirement – apart from providing some social security aged pension planning advice?

Not withstanding these arguments, SIS does not distinguish between Pensions and Accumulation funds. They are both regulated products. It is fallacious to even attempt to distinguish between them, because under SIS, Pension and Accumulation Super Funds are regarded as one and the same.

To attempt to differentiate either indicates a gross lack of knowledge of the related legislation, or an attempt to duck and weave around the issue at hand.

11. Whether promotional advertising should be a cost to a fund and, therefore, to its members.

In the same IFA article, IFS chief executive Gary Weaven is quoted as saying that he "was not concerned consumers regarded all industry funds as subscribers to the IFS no-commission stance, and that Health Super might be leveraging off this understanding"[3].

Weaven is then quoted as saying "We're quite happy for it to be taken as a **broad-brush understanding** of these funds because if there were one or two exceptions, it doesn't change the main message [of the advertisements]"[4].

These are very interesting comments by the Chief Executive of the IFS. The industry has witnessed a whole parade of parties calling for Financial Planners to be banned, fined, jailed (or even burned at the stake if possible) – and in a number of cases prosecutions have been quite rightly undertaken by the regulator.

If an accused financial planner used as their defense a "broad-brush understanding" of the legislation they are subject to, they would be laughed out of court - before they were slammed into jail.

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[2] "Industry Funds pay commissions" IFA Magazine Sept 18-24 Page 6
[3] "Industry Funds pay commissions" IFA Magazine Sept 18-24 Page 6
[4] "Industry Funds pay commissions" IFA Magazine Sept 18-24 Page 6

While Mr Weaven might not be concerned about his IFS advertising campaign, many in the industry are watching the regulator very closely about whether it is concerned about the ongoing “Compare the pair” advertising and related campaigns conducted by Industry Super Funds.

With an eye to the future, if over time all of the non-Industry fund financial advisers ended up being banned from the industry or jailed, one would then presume Mr Weaven may not be that concerned about the degree of honesty of the IFS campaign.

However one would hope that we are not beginning to witness one rule for Industry Super Funds, and yet another set of rules for the non-Industry super fund participants.