SUBMISSION 3

REVIEW OF THE COMPETITION PROVISIONS OF THE TRADE PRACTICES ACT

SUPERANNUATION INDUSTRY

I do not expect that the Trade Practices Act Review Committee will take a particular interest in the superannuation industry. There seems to be a never-ending sequence of ineffective official 'inquiries' into the superannuation industry. My intention, however, is to alert this Committee to a couple of trade practices and industry conventions that are clearly inappropriate.

My hope is that the Committee will, in turn, reflect on how it is that these practices have been allowed to emerge and continue uncorrected. The Committee may then want to recommend that the Trade Practices Act be augmented to give the ACCC scope to pursue appropriate policy reforms for the superannuation industry (and the financial services industry more generally).

General

It is no secret that the proper conduct of a national private superannuation industry is widely regarded as critical to the sound management of the Australian economy, in particular the management of the financial implications of an aging population. In contrast to many other countries with national superannuation schemes from which defined benefits are paid, Australia has opted for an essentially private superannuation system for which the customers pay for funds management and related services and where the customer's financial stake is at risk rather than defined.

The achievement of this national policy objective will be more likely if the community perceives the superannuation industry to be dealing with them candidly and fairly and in an environment subject to the disciplines of competition in providing superannuation services.

As things stand, the superannuation industry is not meeting reasonable tests of either customer protection or a properly competitive environment.

Fair-trading

People needing to independently access superannuation services are often in a rather vulnerable frame of mind -- having been retrenched or retired and looking to rollover accumulated superannuation entitlements into investment arrangements designed to meet their financial needs into the future. These people face decisions that were probably previously made for them by employers contributing to superannuation arrangements chosen by the employer. The issues associated with 'choice' could become more general if plans to allow employees "choice of fund" are implemented.

In the normal course, people looking to rollover superannuation funds need advice from a 'financial planner'. It is sensible for these people to look for qualified advisers, especially members of the Financial Planning Association.

People needing professional advice and services approach practitioners in the expectation that the advice given and related services provided will be in their best interest. This ethical standard -- doing what is best for the customer -- is hopefully entrenched in the various branches of the medical profession; of the legal profession; of motor mechanics and so on. If it were established in these professions that practitioners generally were putting their personal financial interests ahead of the interests of their clients, there would presumably be questions raised about fair-trading ahead of resolute public policy action to reorient professional standards.

It is about time that this line of thinking confronted the financial planning industry. The prevailing arrangements for the remuneration of 'planners' are primarily combinations of one-off and ongoing commissions paid as a percentage of funds under management. When asked, financial planners readily agree that these arrangements commonly place them in situations where their personal interests conflict the best interests of their clients. Most financial planners agree that they would not recommend to their clients, investments with fund managers that do not pay commissions to the financial planner.

The financial planning industry is said to operate with a code of ethics. The code in place would seem to be deftly worded. Under a heading of 'objectivity' -- it says, "members shall disclose to the client any limitation on their ability to provide objective financial planning services". This provision presumably allows the subordination of the clients' interests provided only that the adviser (eventually) says he is 'tied' to a particular funds manager (that pays him generous commissions at the client's expense). It would seem to me that such tied agents, having abandoned any pretence of independence, would sensibly be precluded from holding themselves out to be financial 'planners' or 'advisers'. At some point they become little better than commission agents that are overpaid for giving advice from a privileged position.

Also it seems that the 'disclosure provisions' requiring advisers and planners to disclose the details of their remuneration arrangements do not adequately protect customers. In the normal course, the decision to deal with a particular planner is likely to be made by clients in an unsettled frame of mind persuaded by a superficial oral commitment to 'look after' the personal interests of the customer. The standard modus operandi of financial planner combines a disarming familiarity with an overwhelming 'smoke and mirrors' exposition of technical detail that leaves the clients disoriented. By the time the clients are presented with a voluminous 'written plan' the game is essentially over. It is difficult for clients to 'beware' of dangers they do not understand. 'Planner' issues are addressed in the second extract in the attachment.

In short, no financial planner tells his clients that the advice he gives is unlikely to be in their best interests. On the contrary it is inherent in the conduct of most financial planning businesses that clients be precluded from understanding what is likely to be in their best interest. The matter is important. It is not uncommon for there to be a spread of some 2% per annum between high-cost and low-cost superannuation service providers. Pointedly, no high-cost provider would sensibly bet that the performance of a high-cost arrangement would be better than that of a low-cost arrangement -- as measured by money in the customer's pocket.

In these circumstances it would seem appropriate to acknowledge the probability of substantial market failure. The Committee could advocate reforms to both industry trade practices and seek, from government, a commitment to ensuring that the general community properly understands the options that are more and less likely to be in its interests.

Competition

As usual, the best chance for the customers lies in vigorous competition for business in respect of both 'financial advice' and 'funds management'.

One would like to think that suitably tailored financial advice could be provided professionally and inexpensively on fee-for-service basis -- and without % commissions. Notwithstanding the financial planners dictum that clients have uniquely individual circumstances, the fact is that all planners quickly fit most clients neatly into a standard financial plan already loaded on their word processor. Ideally the Financial Planning Association would provide this basic, 'demographic box' service. Failing that it would be well within reach of government to sponsor the research and publications that would allow customers to present as a fee-for-service client, already with a fairly sound appreciation of where they fit and the options they will most likely be asked to choose between.

Looking ahead to a more competitive environment, a predictable consequence is that customers will move funds from one fund manager to another. In many cases the value of the asset is of the same order of magnitude as the family home. In all cases it would be appropriate for the industry to develop protocols for transferring investments that ensures the interests of customers are protected in the process of transfer. Unless the 'retirement house' can be sold safely, the prospects of effective competition for the business are diminished.

In illustration, the Committee might like to reflect on the recent volatility in local and international equity markets and the importance of investment transfers between fund managers being made effective on the same day (or otherwise 'hedged' against loss). For some reason the funds management industry has chosen to expose customers to market risk, when customers choose to shift investments from one fund manager to another. It is apparently typical for customers changing fund managers to be exposed to market risk for weeks and even months. It should be standard for the industry to establish transfer protocols that ensure customers moving funds are 'in' and 'out' on the same day. This matter of 'captive customers' is explored in the third extract in the attachment.

End Piece

There are issues in this submission about 'superannuation' that have broad correspondence with issues about 'retail banking' raised in my first submission.

While one might live in hope that in each case the industry itself would come to grips with codes of behaviour that protect, rather than exploit, their clients and customers, the reality is that such hopes are likely to be forlorn.

Accordingly I would encourage the Committee to have regard to a decision in the United Kingdom to establish, within the framework of the OFT (ACCC), a specialist division of expertise to deal with the financial services industry.

The Australian community is looking ahead to the so-called 'choice of fund' provisions in the legislation governing the compulsory superannuation arrangements. It would be reassuring to know that some of the current excesses in this industry are within reach of a regulatory framework that is suitably protective of customers. As things stand, there is a serious risk of a feeding frenzy as 'competition' between financial planners and their cohort funds-managers circle those being encouraged to choose a new superannuation funds manager.

Peter Mair
9 July 2002

ATTACHMENT

PETER MAIR: SUBMISSION 3

SUBMISSION TO TPA REVIEW "SUPERANNUATION INDUSTRY"

This attachment comprises extracts from five articles on superannuation industry matters written by Peter Mair. Four were published earlier this year in the business magazine 'CFO" and the later comment on 'crikey.com.au'..

EXTRACT 1

SUPERANNUATION

CFO March 2002 -- "Under the Microscope"

The superannuation industry is about to host a public policy confrontation. Meantime, customers on the battlefield need defensive strategies -- as will many advisers and managers now taking overly generous fees for performance that is clearly worth less.

The 'boomer' generation, now planning the financial foundations for their years of self-actualising bliss in 'retirement', will need to confront some dragons. Among those waiting with intent for the boomers, are superannuation 'rollover fund' managers and their financial planner cohorts. This gang likes to rollover a boomer.

'Boomers' know to be careful -- but that is a very different thing to knowing how to be careful. Boomers are about to find out that the retirement income business is a minefield. The combination of advisers with 'fingers crossed' skills and the volatility of investment markets blows away timely accountability. Recognising well laid 'plans' going badly astray is difficult enough but reacting appropriately can be delayed by 'explanations' mixing plausible excuses and more promises.

The conduct of retail superannuation and 'rollover' funds generally is discontenting. Over-generous 'management' fees and charges mean unnecessarily high imposts on customers. The process of selling high-charges, super-fund deals tends to stress "prospective performance" in ways that overwhelm the 'full disclosure' that otherwise superficially meets regulatory intentions for customer protection.

What the general community does not appreciate is that those in the public-sector most able to deliver needed policy reforms, are insulated from this part of the real world. Public sector employees get 'no worries' indexed, defined benefit and no-fees pensions for life. The prevailing, private pension-fund arrangements would never have got a foothold if public-sector employees were also subject to them. Never.

The public policy environment for private pension funds is a barren wasteland. No one in authority seems to know what to do -- and nothing much is being done. Hoping the market will 'fix it' is unmindful that this market is already rigged against the customers.

Boomers setting foot on the private retirement road are in danger -- the coming 'road kill' may throw up ideas for safer roads. Meanwhile the ponderous, committee-report pace of putting even basic safety regulations in place, does not meet the broader needs of those making lifetime decisions now. Government has squibbed it.

The challenge for public policy is to quickly mold the compulsory private sector arrangements to work sensibly for the people compelled to use them.

The once amusingly quaint commercials featuring an 'industry fund' spokesman seen by some to be delivering his lines like a popular comedian, disguised a different reality: the often derided 'industry funds' were offering a good deal. Industry funds are the closest approximation to the deal that public-sector employees have cut for themselves -- a low-cost system for both keeping customer accounts and for out-sourcing the competent investment of the customers' funds.

Some fund managers perform better than others do -- a key question, however, is "can the well performing fund managers over the next decade be identified now?" -- and the answer is "no, Virginia". There is no reason to expect that the investment performance of high-charge, 'expert' funds managers will be better than that achieved by 'industry funds'. More importantly, as the fees of industry-funds are some 2% per-annum less, their customers will have a distinct advantage for higher earnings to be credited to their accounts. Conversely, the 'high-chargers' will need to earn some 2% p.a. more, before charges -- and that is not likely.

Cold, hard facts may eventually bring understanding to the relationship of 'fund costs', 'fund charges' and 'fund performance' -- as measured by the money finishing up in the pockets of the customers. Meantime it would seem reasonable to look for a collation of the opinions of a panel of competent, independent financial analysts about the relative performance prospects of 'industry funds' and 'other' funds. Those who do not think the industry funds will start odds-on to win the panel vote can call me, please -- the current form-guide says they will win.

More pointedly, funds managers promising 'superior performance' in return for higher fees could be made accountable -- including refunding fees when performance falls short of 'benchmarks' (e.g. that achieved by a representative sample of comparable industry funds). Some exemplary impositions of accountability for poor outcomes on high-charge 'promisers' could bring a sensible discipline to the marketing process. Clever advertising copy writing does not deliver superior investment performance and neither does the 'fingers crossed' selling of promises to vulnerable customers.

What is rarely remarked is that the dominant marketing paradigm for superannuation investments effectively ensures that qualified financial planners don't recommend that their clients 'rollover' superannuation assets to a low-cost industry fund. Perhaps the privileged position of 'qualified' financial planners to receive 'up front' and 'trail' commissions from other funds influences their assessments of the best interests of their clients. It seems to. Industry funds don't pay commissions and 'independent' financial planners do not recommend them to their clients.

The financial planning business needs to be dealt with -- some initial, 'wiping-the-smile' suggestions will be explained next month.

EXTRACT 2

FINANCIAL PLANNERS

CFO April 2002 -- "The government must react"

Retiring 'boomers' will soon become familiar with financial planners and their their cohort funds managers. For many it will be a short step from familiarity to contempt. It is an irony that only licenced advisers can give financial advice but the advice given is unlikely to be in the clients' best interests.

The financial-planner game is one worth playing carefully. Along the way, new players should take time to savour the slow smile that spreads across the face of a financial planner asked to explain what will be done in return for the 'trail' commissions paid over by the 'chosen' funds managers. A similar inquiry about 'ongoing review fees' will generate a hesitant chuckle that planners find hard to stifle.

The remuneration of financial planners is a policy issue for government. Fees for funds management services are unnecessarily high, as are the unnecessary commissions paid from these fees to financial planners.

Occasionally, 'free-market' outcomes though inappropriate and unacceptable, become so entrenched that government must react. The financial planning industry has arrived at this point. Planners often have uniquely objectionable characteristics, not least those reflecting institutionalised incentives to help themselves (and their cohort funds managers) rather than giving their best, unbiased advice to their clients. Financial planners will soon enjoy a social status deservedly lower than the apocryphal 'used car salesman'.

Financial planners simply do not, for example, recommend that clients invest in low-cost 'industry funds' that pay no commissions and have management expense ratios around 0.5% per annum, over and above a small account keeping fee. On the contrary, financial planners recommend that their clients invest with cohort funds managers that pay trail (and other) commissions to the planner and entail management expense ratios for clients that, all-up, can run to 2.5% per annum or more. More importantly, most planners could not truthfully say that low-cost 'industry funds' will not perform better than the higher-cost funds managers that they recommend.

Make no mistake, retirees need a financial plan with the benefit of expert advice from financial planners. The connection of clients with planners is a largely random process -- a 'push' from an employer; a 'tip' from a friend; a response to 'clever' advertisements or simply the desperate end of a confusing sequence of 'free, initial meetings' with a range of planners. The ultimate issue, however, is - 'do clients get good advice about investing their money?'

The clients, playing for their financial life, are up against a stacked deck and vulnerable to an 'over-promising' financial planner. The apparent complexities of retirement income options reinforce the imbalance of emotion as between the client and the planner.

Confused clients are apt to be befuddled; apt to trust the 'planner' and apt to be deceived about their best interests. The 'planning' experience is contrived to feel intensely personal for the client while being almost entirely impersonal for the planner. Like it or not, everyone's name fits neatly into a standard plan already loaded on the planner's word processor.

Australia's self-funded retirees need an alternative model to the cohort coalitions between too-many planners and too-many funds managers. The low-cost (but well performing) 'industry funds' that emerged in the wake of compulsory superannuation, are an attractive alternative for clients -- but commercial financial planners do not embrace 'industry funds' that do not pay commissions to planners.

Normally one would look to 'disclosure' requirements for redress but those already in place have proven inadequate. All financial plans say, at some point, "all fees and charges are disclosed here" -- and what follows will be almost surely be incomprehensible. Clients are rarely, voluntarily given a clear statement of all the relevant fees, and the %-per-annum 'total', to assist comparisons.

And there is another 'catch 22'. The only sensible justification for clients agreeing to pay 'high fees' is a planner-induced belief in the prospect of 'high returns' -- but there is no 'guarantee' of future performance. Planners could be made more personally accountable for advising clients to pay high fees without good reason to believe it is sound advice. There are rules about 'fair trading' - and those rules could be enforced.

A system that <u>requires</u> clients to be 'badly advised' surely cannot endure. A test of satisfactory planning and advisory processes will include arrangements where clients are sensibly offered the option to invest with either 'industry funds' or the competitive "no frills" schemes that will eventually be launched by mainstream financial institutions.

The development and publication of standard financial plans for standard socio-economic groups may well be a useful task for the Financial Planners Association (FPA). Meantime, it would be useful to have an FPA assessment of the suitability for ordinary Australians of the new 'ClearView' retirement product range marketed under the auspices of NRMA, with management expense ratios of some 2.3 % per annum.

<u>EXTRACT 3</u>

CHANGING FUNDS MANAGERS?

CFO May 2002 -- "How super traps the unwary"

Imagine having redeemed a long-term portfolio of superannuation assets in mid-September last year -- and then waiting three weeks for the proceeds to be rolled over to another funds manager. Imagine there is no heaven, so to speak.

The 'rollability' of superannuation investments needs public policy protection and a consistent, enforceable industry code of practice.

The reality is that funds managers do not coordinate the redemption and rollover process, having little regard apparently for the interests of customers on the move and 'no longer a customer'. Fund managers holding customers' nest eggs do not willingly surrender associated fee income they receive and have ways of 'discouraging' unfaithful customers. Don’t move 'horror stories' help to freeze the customers.

The excesses of the superannuation industry will be more quickly corrected the more freely and safely customers can move their investments to lower cost funds managers expected to perform well. The superannuation industry needs a 'conveyancing' code consistent with superannuation assets typically matching the value of clients' residential real estate.

Self-funded retirees thinking about changing their fund managers should proceed carefully. Customers on the move, ducking high management fees and under-performing investment managers, might be focused but are likely to overlook the mechanics of their investments being redeemed and rolled over. These customers are probably expecting a 'trusted', well-paid, licenced funds manager to carry out a standard transaction professionally.

Don't assume this for a moment -- this part of the funds management game is not played professionally. The superannuation industry has some traps for the inexperienced and unwary. The process of rolling over a superannuation investment to another funds manager can take weeks -- and it can cost superannuants heaps if the rollover is not properly coordinated.

Customers on the move will be exposed to market risk because the redemption and reinvestment of their funds will not be seamlessly co-ordinated as it should be and as it could be. Having a whole investment portfolio converted to 'cash' is not a good strategy for investors sensibly wanting continuous exposure to global stockmarkets. Markets are volatile and asset values move quickly.

No financial adviser would sensibly propose that a long-term investor 'shorts' the market holding everything in cash for few weeks, gambling against the market. Nonetheless, funds managers routinely place customers on the move in this no-man's-land. Fund managers claiming expert skills, when sacked, typically hang departing customers out to dry in 'cash' for a few weeks. Fund managers apparently need considerable time to process rollovers, conducting a Dickensian ritual of checking and double-checking the paperwork, before preparing to snail-mail a cheque to the new funds manager. Spare us such dedication to appalling 'service'. Spare us the consequential losses. Instead of observing the golden rule -- fund managers do things to the customers that they would never want done unto themselves.

A service industry that has just grown like Topsy to meet the burgeoning superannuation market readily accommodates a hit-and-run, 'hustler' mentality. Players are lured by the prospect of high commissions taken from customers on the way in, along the trail and even on the way out. As the reality of this rorting dawns and the customers start to move, one danger is that unscrupulous practices will develop to lock in the customers.

There may well be a new career opportunity (for removalists) in the superannuation business: industry professionals able to manage the seamless redemption and rollover of funds have a role to play as the redundant resources now in the superannuation industry are displaced.

A little public-policy forethought would benefit self-funded retirees considerably. It would also limit the eventual drain on the public purse of social security supplements to retirement incomes eroded by excessive fees. Out of sight and out of mind, however: our politicians and public-policy makers, cocooned in their indexed pensions for life and insulated from the trouble emerging for self-funded retirees, are not thinking ahead.

The very people -- planners and managers -- most conscious of the sense of continuity of investments in long-term assets, apparently accept no obligation to properly protect and service the needs of their customers choosing to change managers. People with no thought of ever gambling their life savings on a roll of the market dice should not be left holding cash for some weeks while fund managers dilly-dally with the rollover of a superannuation investment.

Proper, code-of-practice 'conveyancing' rules would ensure customers rolling over investment funds are not carelessly exposed to market risk. Industry standards would link fund managers involved in a rollover, directing a seamless transfer of funds from one to the other.

Fund managers and trustees have fiduciary responsibilities for protecting the interests of customers -- they should be accountable when their conduct falls short of the standards of care reasonably expected of highly paid professionals.

EXTRACT 4

SUPERANNUATION: WHEN THINGS GO WRONG

CFO June 2002 -- 'When dreams turn to dust"

An investor protection scheme for superannuation assets? Not yet apparently. It seems Treasury's Superannuation Working Group will put this issue in the too-hard basket.

If 'all' are compelled to make provision for their retirement, the compeller, presumably, is honor bound to see that all get roughly what they were compelled to buy -- a predictably higher income in retirement than the age pension they could have had anyway. With compulsory super, the customers are effectively saving in a scheme about which they are unlikely to understand much.

There will inevitably be incidents of under-performance among superannuation funds -- investment outcomes well below those expected. In the jargon -- 'operational risk' will crystallise in a 'substantial diminution' of investors' real incomes. This need not be a consequence of fraud or mismanagement, just poor performance of the underlying investments.

Lifestyles will be disrupted and 'losers' will generate political heat -- about misplaced trust, disappointed expectations and the vulnerability of older people (now less able to leave bequests). Those 'dependent' on failing retirement income schemes, may be modestly sustained by falling back on the social security system. The issue, however, will be about their feelings of entitlement to assistance to mend plans gone astray.

Depending on the numbers, the usual mock-sympathy may spill over to a bailout to relieve distress (and save votes). Moral hazard arrives next -- customers taking more risk to some extent but, more importantly, the soft regulation that condones over-pricing to 'protect' (and consolidate) the industry. Historically, the politics around failing banks and insurance houses created the current situation of the too-few uncompetitive and undercapitalised sheltered workshops in these industries. The same elements -- impressionable customers, promoters pushing the boundaries and the 'fear politics' of ambiguity on bailouts -- are now present in retail funds management.

No one expects to be a customer of a superannuation scheme that substantially under-performs the market. 'All' the customers sign-up with expectations of 'all' comparable schemes achieving at least average returns (and all promoters say they will 'do better' than average`). One issue then is whether a deal can be struck to cover some of the risks in these situations.

Considering comparable schemes, could there be a prior agreement to even things up as time unfolds along the investment way? An arrangement to partly adjust the returns among members of participating schemes may be attractive to the customers worried about possible losses. Some of the 'excess' earnings from the better performing schemes could be applied to restore some of the 'loss' in under-performing schemes. This is a reasonable proposition to put before policy makers and the promoters and customers of like-minded schemes. The 'driver' here is objective humility: looking a decade ahead, neither the customers, promoters nor investment managers can predict the relative performance of their fund among a group of like funds. And the policy makers have a role in protecting the customers with no hope of protecting themselves.

The prospective pain of a substantial 'loss' probably outweighs the joy that might accompany a windfall gain. All customers initially expect to do better than average: they know that some will do worse than others, but not which ones. Given the uncertainties, the customers in schemes that ultimately will be seen to have performed very well would probably agree to give up some of their unexpected 'excess' earnings to partially compensate customers of schemes that unexpectedly performed relatively poorly. Taxpayers generally, and Treasurers, might also welcome such a trade-off in lieu of a straight bailout funded from the public purse.

The talk is not about 'amalgamation' of funds nor is it about 'equalisation' of returns across participating funds. It is about swapping unders and overs at the unexpected edges of possible outcomes for investment returns. Winners would still win and losers still lose -- just not as much.

Whether a limited, private protection scheme could be designed to operate sensibly is one thing: another is the consequences of doing nothing and letting politicians run the gauntlet -- waiting for the 'accident' that will force the political hand.

The sharing of operational risk in super funds could probably be negotiated voluntarily among like-minded funds with similar investment profiles and similar cost structures. The formation of like-choosing-like alliances would itself be illustrative. Alliances would protect the reliable 'branding' of participating funds, because the rules would require commitment to common objectives and disclosure standards likely to minimise risk.

Wider ranging, good-intentions regulation, as predictably envisaged by the Superannuation Working Group, is unlikely to either address properly the prudential supervision of a fragmented industry or reassure the customers at risk in individual schemes.

Voluntary alignments of like-with-like superannuation funds could synthesize official regulation with private self-interest and private prudential commonsense. The addition of peer group monitoring to official supervisory processes would likely better protect the sound performance of superannuation schemes.

EXTRACT 5

MAY 2002, COMMENT PUBLISHED ON 'crikey.com.au'

'SUPER' JOURNALISTS TALK SUPERANNUATION

It has been very pleasing to see a stream of articles in the print media recently -- eg SMH and AFR -- gently reminding people needing superannuation fund managers, to be very wary of so called 'retail funds' with high 'ongoing management charges (OMC)'. I guess that this run of stories is illustrative of the steady, gentle and constant flow of soundly based opinion by which the media helps to educates the community.

A couple of recurrent themes in these stories could be illustrated more clearly.

- First, the disclosure of ongoing fees for 'industry funds' tends to overstate them. By amalgamating their modest '1 dollar a week' account administration fees with their very low, 0.5%pa. "OMC", the all-up disclosed cost appears relatively high, 1.0 % + for accounts of $10 000. The more relevant message for retirees and others with much larger lump sums, is that the all-up "OMC" is closer to 0.5%pa and much lower than the OMC for other retail funds, typically 2.5% even for large accounts.

- Second, the idea that 'the higher the fees paid the better the performance' is a natural expectation and can be (mis)used as a marketing ploy. The facts are, however, quite likely a different matter. It should be possible to present some historical facts to illustrate 'high' v. 'low' performance and thus put this 'natural expectation' in a true context. It should also be possible to get a range of professional, expert opinion about an expectation that the 'high charging' funds managers will perform better than 'low charging' funds managers.

- Third, some open-offer 'industry funds' could be identified to make the underlying message more effective for the readers. It is most unlikely that financial planners would take the initiative to recommend industry funds to clients looking for advice about 'low cost' funds managers.

While it is perhaps a little unfair to single out any particular 'fund manager' levying relatively high ongoing charges, the NRMA's ClearView product range deserves of some attention. The NRMA brand is still burned into the minds of ordinary Australians as synonymous with the kind of low-cost, self-help services usually associated with a member based 'mutual'.

END OF ATTACHMENT -- Peter Mair 9 July 2002