



**CONSUMERS
FEDERATION
OF AUSTRALIA**

Developing and promoting
the consumer interest

PO Box 16193
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19 July 2018

Karen Chester
Deputy Chair
Productivity Commission

Dear Ms Chester

Superannuation: Assessing Efficiency and Competitiveness

Thank you for the opportunity to speak at the Productivity Commission (**Commission**) public hearing for this inquiry about the need to support consumer advocacy in superannuation.

This submission responds to your request for a written submission considering the following issues:

- The value of consumer advocacy to the efficiency, competitiveness and effectiveness of the superannuation system;
- The preferred model for consumer advocacy in superannuation, including scope, funding and governance.

About CFA

The Consumers' Federation of Australia (**CFA**) is the peak body for consumer organisations in Australia. CFA represents a diverse range of consumer organisations, including most major national consumer organisations. Our organisational members and their members represent or provide services to millions of Australian consumers.

CFA's member organisations include membership-based organisations, organisations that provide information, advice, counselling or assistance to consumers, and organisations that identify regulations or market features that harm consumer interests and propose solutions.

A list of CFA's organisational members is available at:

<http://consumersfederation.org.au/members/cfa-organisational-members/>.

Value of consumer advocacy

The Commission has recognised the need for increased resourcing for consumer research, analysis and advocacy. Most recently, the Commission made a finding in its 2017 research report into Consumer Law Enforcement and Administration that gaps remain in terms of consumer policy input into policy development and decision-making affecting consumers.ⁱ

CFA contends that superannuation is an important area that lacks effective consumer input. There are a range of organisations and bodies that represent the interest of superannuation funds, trustees, and managers in superannuation. Yet there is no body that is solely advocating for the interests of superannuation fund members.

Moreover, superannuation is a compulsory for working Australians. This means that people participate in the superannuation market whether they have the skills to manage this or not. This creates an important obligation on government to ensure the system works in consumers' best interests. It is clear from the range of findings in the Commission's Draft Report that the policy settings and regulatory architecture for superannuation have not effectively protected the interests

of superannuation fund members. Giving consumers a voice in policy making and regulatory decision-making is a powerful way of ensuring the system works in members' interests.

Model for consumer advocacy in superannuation

Rather than beginning from scratch, there is an existing model for consumer advocacy in superannuation that we consider should be further developed.

In early 2012, the consumer organisation CHOICE convened an establishment committee for a Superannuation Consumers' Centre. In August 2012, an organising committee took a proposal to Government to provide a one-off contribution to an investment fund to provide an endowment to fund the Centre for 20 years. The Government agreed to make a \$10 million contribution, provided the industry matched that contribution. While a number of major funds agreed to contribute, the committee did not raise the matching \$10 million prior to the 2013 election.

Today, the Superannuation Consumers' Centre exists as an entity, but it does not have resources to operate. To enable it to operate effectively, it is critical that it have independent and enduring funding. This is important for the following reasons:

- Superannuation is a creature of government policy, and the evolution of the industry is significantly determined by government policy. Effective consumer advocacy, therefore, requires independence of all parties including industry and government. Consumers must have sovereignty.
- Funding that relies upon government budgetary decisions can mean that funded bodies lack stability as they can be subject to unpredictable budget reductions. This was an issue recognised by the Financial System Inquiry in its recommendation that the Australian Securities & Investments Commission (**ASIC**) be funded through an industry levy,ⁱⁱ a recommendation that has now been adopted by the Federal Government.ⁱⁱⁱ
- Superannuation is a long-term product held by consumers over the length of their lives. This requires a long-term approach both to policy settings but also effective consumer input.


Attached to this submission is the business case for the Superannuation Consumers' Centre developed in 2012/13. It articulates how the creation of an endowment to fund the Centre can ensure that funding is independent and enduring.

The business case also describes the governance of the Superannuation Consumers' Centre including the appointment of skilled directors through a nominations committee process that includes external expertise. CFA considers that this mechanism remains appropriate to ensure that the Superannuation Consumer Centre is well-governed and independent.

CFA notes that the Minister for Financial Services has announced a new body that will boost financial capability of Australians.^{iv} As we understand it, this new body will accept and disburse community benefit payments obtained by ASIC through enforceable undertakings. Community benefit payments may be one way to build an endowment or funding for an effective Superannuation Consumer Centre.

Please contact me at chair@consumersfederation.org.au or on 0415 223 211 should you have any questions about this submission.

Yours sincerely



Gerard Brody
Chair

ⁱ Productivity Commission, Consumer Law Administration & Enforcement, finding 6.2

ⁱⁱ Financial System Inquiry, Final Report, p 247

ⁱⁱⁱ *ASIC Supervisory Cost Recovery Levy Act 2017 (Cth)*.

^{iv} Kelly O'Dwyer, Media release, Boosting financial capability across Australia, 28 May 2018