MINORITY REPORT - Senator Cheryl Kernot

In my view there is one area of the report which needs further expansion. This is the section concerning Capping Fee Levels (paras 3.71 - 3.74).

I do not dissent with recommendation 3.7, although this is, of itself, not an adequate response to the problem of customers being subject to large and unreasonable charges under whatever guise.

I accept that many of the excesses of the past have been discontinued, and that the industry is adopting fairer practices. However, this encouraging trend does not remove the need for a 'safety net'.

My aim in calling for limitations on fees, charges and commissions is simply to ensure that ordinary people are not 'ripped off'. The promotion of competition is supported and the enhancement of the competition by adequate disclosure is strongly supported - but we must also ensure that unreasonable charges are illegal.

There are three areas which need to be separately regulated - the fees and commissions charged by agents, the on-going administrative charges of the funds themselves and the fees levied by investment managers. Merely forcing the disclosure of these imposts will not guarantee that consumers are adequately protected.

The monitoring of the Prices Surveillance Authority (PSA) will assist competition. I am of the view that this body will be most likely to uncover unfair and/or excessive fees. **Consequently, the PSA should also be given a power to recommend to the Treasurer that a particular fee cap be imposed on any of the three areas mentioned above.**

I do not propose this additional recommendation in order to attack the industry. I am concerned that consumers are not disadvantaged by an unscrupulous minority. This is particularly the case where contracts contain provisions allowing fees or charges to be introduced without notice during the term of the contract.

In addition to the case studies detailed in Chapter 2 of the report, the Committee has received much evidence from casual and itinerant workers that, in some cases, the total amount of superannuation in a fund is being absorbed by administration charges. This inequity has a big effect on the opinions of the affected people as to whether superannuation is worthwhile. Consequently, it can be argued that allowing 'ripoffs', even if they only occur in a minority of cases, undermines the Government's push to increase national superannuation savings.