

**RAYMOND BRICKNELL M.B.A., F.I.E.AUST. (RET'D)**

14 June 2009

The Hon. Bernie Rippoll MP, Chairman  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600, Australia

Dear Bernie,

**SUPPLEMENTARY SUBMISSION - A VERY BRIEF SUMMARY FOR YOUR REFERENCE AND USE**

As discussed in your electorate office last week, you propose to seek to fix the fundamentals of the investment industry rather than the fine detail. You appeared to agree that two major areas of fundamental significance needing to be fixed are:

- 1. Independent Experts need to be made independent of Scheme Promoters.** A simple and workable method of doing this is attached, as discussed.
- 2. The pool of (largely compulsory) superannuation savings of Australians should not be allowed to continue to be a trough of goodies with too many greedy snouts in it.**

The solution to the second problem is also relatively straightforward. Total elimination of commissions payable to so-called Financial Advisers should be the goal – perhaps over a period of a few years. (Bruce Baker would be a good source of advice on the practicalities of implementing this.) **Car Salesmen get commissions – Financial Advisers should NOT.**

**In the interim, more effective price competition needs to be introduced into the industry.** As a first step in this direction, establish a fee-free, government backed *National Infrastructure Fund* into which Super Fund Trustees can place funds at no risk of capital loss, and for a reasonable return. For detail on this proposal, please refer to my initial submission dated 3 April 2009.

**You asked: Who takes the risk on this fund?**

**Answer: The federal government takes the risk – just as it does RIGHT NOW.** After all, if the excessive fees and poor risk management of funds managers, which do not add value proportionate to their 2 percent p.a. **compound** take from the capital of super fund contributors, result in retirees needing to draw (even partial) age pensions, who pays the pensions?

***Introducing an element of certainty and greatly reducing these pointless fees would reduce the cost to government of funding retirement incomes. It is a risk worth taking.***

Sincerely,  
Ray Bricknell

## **MAKING INDEPENDENT EXPERTS INDEPENDENT**

- **The Scheme Promoter prepares its draft Product Disclosure Statement (PDS) without any Independent Expert's Report.**
- **The PDS is lodged in draft with ASIC, along with a \$25,000 Fee.** ASIC need not review the PDS itself.
- **ASIC selects a Co-ordinating Consultant (CC) from a pre-approved Panel, strictly by rotation through the panel.**
- **ASIC engages the CC for an initial fee of \$20,000 to select a panel of Consultants to prepare an Independent Expert's Report.**
- **The CC drafts an appropriate set of Consultant Briefs and invites firm bids from suitably qualified Consultants.**
- **All bids are lodged in a Tender Box at an ASIC office, and are opened by the CC under ASIC supervision.**
- **The CC selects the final panel of Consultants on the basis of value for money, and proposed methodology.**
- **ASIC and the Scheme Promoter are simultaneously advised of the fee budget required for the preparation of the Independent Experts' Report.** Names of consultants are disclosed to ASIC but not disclosed to Scheme Promoter.
- **The Scheme Promoter either commits to fund the fee budget or withdraws its application for approval of the scheme.** The budget may include an additional fee for the CC, if reasonable relative to the work involved. ASIC is the final arbiter on this, if the Scheme Promoter disputes same.

- **The CC is responsible to ASIC and co-ordinates the preparation of the Independent Experts' Report, and then presents same in draft to the Scheme Promoter.**
  
- **The Scheme Promoter either:**
  - **Accepts the Report as prepared and includes it in the PDS; or**
  - **Asks the CC for amendments to the Report, perhaps based on some changes to the Scheme as originally proposed; and**
  - **The Report is amended as appropriate by the Independent Expert(s).**
  
- **The issued PDS must contain the full and final Independent Experts' Report, and may not legally be distributed until the CC and all Consultants are paid in full.**