

SALLY LOANE – INTRODUCTION – BT POLITICAL SERIES

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CHOICE AND COMPETITION IN SUPERANNUATION

Good morning and welcome to the FSC BT Political Series Breakfast.

I would also like to acknowledge and pay my respects to the traditional owners of the land on which we meet – the Gadigal people of the Eora Nation.

Welcome to our FSC members and guests, and welcome to Melinda Howes, BT Financial Group's General Manager, Superannuation.

I would like to thank BT Financial Group for their loyal and ongoing support of the Political Series breakfasts. They are unique - forums where financial services engages directly with politics and policy makers. As they should – financial services is the biggest contributor to our national economy.

A very warm welcome to Russell Mason, National Leader Superannuation Consulting with Deloitte; and to Senators Jane Hume and Chris Ketter – the chair and deputy chair of the Senate Standing Committee on Economics respectively.

Thank you for coming today to debate the issue of choice and competition in superannuation.

Senator Hume has a degree in commerce from Melbourne University and long career in financial services. Prior to entering the Senate in 2016, she worked for the NAB, Deutsche Bank, Rothschild Asset Management and Australian Super.

Senator Ketter also has a commerce degree, and a BA, from Queensland University. Chris enjoyed a long career in the trade union movement – starting work in 1982 with the Shop Distributive and Allied Employees' Association, becoming secretary in 1996 prior to entering the Senate in 2014.

Adjudicating will be Sally Patten, Fairfax Media's Personal Finance Editor. Sally's Australian Financial Review columns cover superannuation, tax, investments and financial advice.

As a former journalist myself I often tell people that we're fortunate to have so many excellent financial sector specialists working in the fourth estate – including the journalists with us today –so we really appreciate Sally – one of the best informed in the business - taking on the role of facilitator.

The Productivity Commission is currently examining whether our \$2 trillion super system is as efficient and competitive as it should be. We have been actively participating in the process.

We wanted to get some independent research to add to the public debate – so we engaged the competition policy experts, Deloitte Access Economics, to look at Choice and Competition in Australian Default Superannuation.

I hope this morning that we can map out the future for super – the one that is going to be fit for purpose for my Millennial children. I want them to be engaged with super, not default to ambivalence.

I think we can agree that our 25 year old super system has done pretty well up till now.

But in order to ensure this superb piece of public policy is fit for the next generation – where consumers have more power than ever and more of us work in the gig economy - we need to design what I call Super 2.0.

Super 2.0 must deliver choice and competition.

- Competition in markets has consistently resulted in cheaper prices for consumers, better levels of product and service quality and new and innovative products and services.
- Competitive markets are more innovative.
- Competition spurs investment in products and innovation that benefit consumers.
- When someone has to choose a product or service – they engage. The default system as it is now actually encourages ambivalence. Enabling choice and competition into the default system will lift engagement.

Young people (and some not so young) want to manage financial services on their digital device – we all want great tech and convenience. We want to be able to choose to put our super into a fund that suits our purpose and sometimes, our lifestyle.

Can we honestly say the system allows us to do this now? It doesn't.

There are still two million Australians locked out of choice. They start work and their employer tells them the super fund they must use.

Can you imagine allowing our employer to choose our bank for us, or our health insurance, or any other part of our financial life?

Where Enterprise Agreements prevents choice being offered to employees, Deloitte makes the point that this is not default – it's actually a condition of employment.

In a sample of Enterprise Agreements analysed by Deloitte, 19 per cent were found to offer no employee choice.

This matters. People can quite literally be stuck in poorly performing funds with poor governance charging high fees.

How is this fair and equitable for working Australians?

How is this fair to the 25 year old who wants to change to a fund that suits his or her lifestyle, like a BT fund, one from NAB, ANZ or Russell or Australian Ethical Super - or a new digital disruptor like a Zuper or a GROW? Or perhaps they want to be in a different industry fund?

They go up to HR and find they can't change funds - it's their money, almost 10 per cent of their weekly salary, and they have no say in how it's managed - how's that going to improve that 25 year old's view of compulsory super?

Deloitte Access Economics has found this is a clear restriction on trade.

And for those who argue that superannuation is a condition of employment, like salary and conditions, surely then there is a responsibility to provide access to the best fund? This is not happening now. People are locked into poorly performing subscale funds, and can't move.

In doing the research, DAE applied principles of competition policy to the default superannuation system and made recommendations for reform.

They found the benefits of introducing choice and competition could be significant – including that fees would be reduced by \$292 million each year, across the 14 million MySuper accounts in existence. This equates to a 13% decrease in total administration fees in the MySuper regime.

Russell Mason is going to outline the findings in more detail shortly.

Finally, if we are to ensure that super will be fit for purpose for the next generation we cannot persist with protectionist industrial laws that prevent choice and competition for Australian consumers.

All of us who care about public policy which delivers best outcomes for all Australians, should be doing all we can to engender trust and confidence in superannuation – we should be doing all we can to ensure it's sustainable and that it delivers comfortable retirement savings for Australians.

Please welcome Russell Mason.