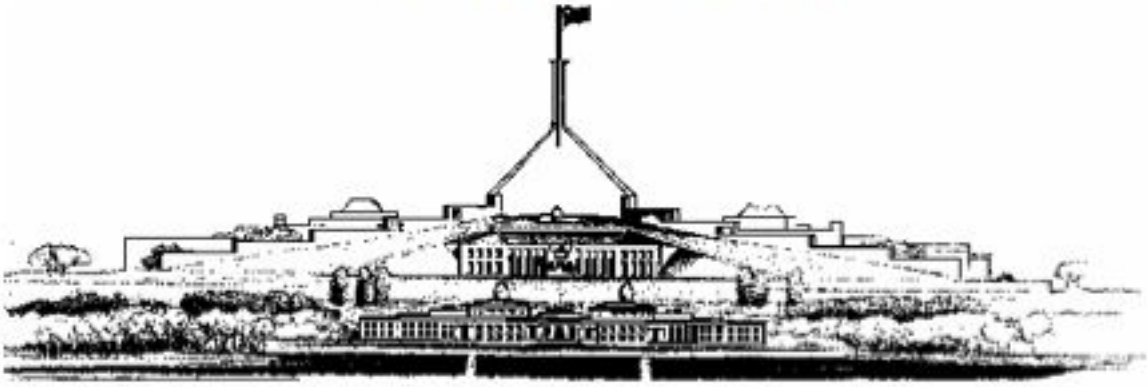
COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Main Committee

ADJOURNMENT

Swan Electorate: Financial Advisers

SPEECH

Thursday, 23 June 2011

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Thursday, 23 June 2011	**Source**	House
Page	7241	**Proof**	No
Questioner		**Responder**	
Speaker	Irons, Steve, MP	**Question No.**	

Mr IRONS (Swan) (12:44): Thank you, Mr Deputy Speaker. It was interesting to listen to the member for Deakin. I went to Blackburn High School and hearing him talk about Blackburn Primary School brings back memories of the time—Orchard Rise, Springfield Road and all those sorts of places. I rise to speak on behalf of the financial advisers in my electorate of Swan who are not happy with the government. They are not happy because this government is presiding over an absolutely shambolic policy process in its attempt to further regulate the finance industry which could cause considerable damage to an important sector. Firstly, I would like to thank one of my many constituents, Mr Phil Alvaro, for raising this issue and his continued advocacy on behalf of his industry.

By way of background, the government felt it had to do something in the wake of the financial collapses of Storm, Westpoint and Trio. It commissioned a joint committee review chaired by the member for Oxley which became known as the Ripoll review. It may surprise you to hear this, Mr Deputy Speaker, but I do have some sympathy for the member for Oxley, who I know put a lot of effort into his review only for the government to completely ignore his recommendations. The member for Oxley must be wondering why he bothered at all. The government's new tack is outlined in their Future of Financial Advice proposals, which have caused widespread condemnation from the financial services industry. I have concerns with several of the measures in the multiple versions of the government's proposals we have seen and heard.

I was listening to the shadow minister for small business in the chamber the other day when he condemned the government for its deregulation failures. Before the 2007 election, Labor promised a one-in one-out approach to regulation, yet the statistics on actual outcomes are damning and reveal abysmal performance. Between 2008 and 2010, the Commonwealth's own ComLaw register reveals that federal Labor introduced 12,835 new regulations while repealing only 58. This amounts to the Rudd-Gillard government imposing 220 new regulations for each one they have removed. The government's Future of Financial Advice proposals are another deregulatory failure. They will mean that investors who receive financial advice will face more red tape, increased costs and reduced choice if Labor's latest version of these proposals is passed in full.

The opt-in proposal, Labor's push to force people to keep re-signing contracts with their financial advisers, is a classic example of this. Originally the Assistant Treasurer wanted contracts to be re-signed every year. It is worth noting that he has now backed down and revised his proposal to once every two years. However, we in the coalition still believe this is bad policy. It was revealed in the Senate estimates that an average small business financial advisory firm would face $50,000 per annum in additional costs as a result of the latest opt-in proposal. We propose ensuring financial fees are transparent and that consumers are able to opt out of financial advice arrangements or to change advisers without imposing such a regulatory burden. This would be more effective. Opt-in would not be worth while and I do not think even the minister is sure about the merits of his proposal.

Perhaps the most controversial aspect among the industry is the proposed ban of commissions on risk insurance. We do not agree with Labor's assertion that commissions on risk insurance are in themselves a conflicted remuneration structure. Indeed, recent experience in the UK showed that banning of commissions on risk insurance does not work, which is why the UK reversed this decision. I know from a meeting I had with the finance industry in my office that their main complaint about the commissions restructure was that small investors would suffer the most under the restructuring because they would be paying on an hourly-rate basis for the financial investor's advice instead of paying a small commission fee on what may be a $1,000 investment. That was a worry for the end-user. This measure would increase costs for consumers, remove choice and leave many people worse off, particularly small business people who self-manage their super funds.

In conclusion, we oppose key elements of the government's Future of Financial Advice proposals. We do support changes such as proposed statutory 'best interest' duty for financial advisers, subject to seeing the detail in the legislation. However, neither the proposed two-year opt-in requirement nor the proposed ban of commissions on risk insurance inside super would have prevented the collapses of Trio, Storm or Westpoint, which the member for Oxley originally set out to prevent occurring again. The government does not seem to have a clear agenda,

and the backflips and delays are causing great uncertainty within the financial sector. I condemn the government for allowing this to happen. As they often say in the other chamber, business needs certainty. I want to assure financial advisers in my electorate of Swan that the coalition will continue to examine all the proposed changes in close consultation with all stakeholders and make final decisions once the necessary detail on the proposed legislation is available. *(Time expired)*