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MINISTER FOR FINANCE AND DEREGULATION
MEMBER FOR MELBOURNE**

SPEECH

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**Address to the Investment & Financial Services
Association (IFSA) Annual Parliamentary Function**

Welcome everyone. It's good to be with you here at the Annual Parliamentary Function for IFSA.

I understand this will be Richard Gilbert's last time hosting this annual function, as he is stepping down from IFSA after seven years as CEO. Richard, can I thank you for your assistance during that time.

It is to your credit that IFSA has worked effectively with both sides of politics, the Government and the Opposition of the day, to promote sound policy setting in the financial services sector. Under your leadership IFSA has been one of the most effective and respected industry organisations on the national scene.

The global financial crisis has brought into sharp relief the importance of a well-functioning banking and financial sector.

Efficient financial intermediaries facilitate the productivity enhancing investment in future infrastructure as well as the day-to-day operation of the economy.

The importance of the sector was recognised recently with the elevation of my colleague, Chris Bowen, who is here this evening, to the Cabinet as the Minister for both Human Services and for Superannuation and Corporate Law.

As I am sure all of you in the room tonight understand, for the majority of Australians, superannuation is their most significant financial investment. The efficiency of the superannuation system has a direct bearing on that investment and ultimately, their final retirement income.

For example, superannuation account fees, or suboptimal investment performance running at two per cent of a member's account — rather than one per cent — could, over 30 years, reduce their final return by up to 20 per cent.

For this reason, the former Minister for Superannuation and Corporate Law, Nick Sherry, commissioned a major review into the governance, efficiency, structure and operation of Australia's superannuation system which will report next year.

The review complements work already underway to help Australians access affordable financial advice. In February 2008, just a few months after taking office, I announced the formation of a Financial Services Working Group in conjunction with my colleague, Nick Sherry. The Group has spent the last 16 months looking at the current key issues associated with financial services advice and disclosure.

The Working Group, which consists of senior officers from Treasury, ASIC and my department, has a mandate to improve the current regulatory framework in a way that facilitates the provision of financial advice and reduces the red tape burden on the financial services sector.

The initial focus of this Working Group has been on solutions that would shorten financial product disclosure statements. The Working Group will also shortly release the outcome of its consultation on how to facilitate simple advice on choices within an existing superannuation account, such as choosing between the fund's investment options, choosing a suitable level of insurance or determining the best way to make contributions to the fund (for example, personal contributions versus salary sacrifice).

I am very pleased that IFSA has today released its draft Super Charter. As I spoke to Richard and David from IFSA this morning it became evident that the underlying principles of this charter are very much in line with the Government's approach: helping Australians to be better informed, and make better choices, about their superannuation in order to maximise their retirement income.

Increasing transparency and control of payments to financial advisers; enhancing competition through more informed choice; improving consistency of regulation; all of this will assist Australians to have more information and make better choices about their super.

In particular, I welcome the decision by IFSA to proposal the removal of hidden commissions paid to financial advisors and to allow fund members to opt out of paying fees for financial advice should they not wish to access such services.

As I said earlier, the importance of this to individual Australians cannot be understated. But more broadly, improved access to cost-effective financial advice is also of significant importance to our economy.

Current economic conditions are tough and the Rudd Government has taken decisive action to moderate the impact of the global recession on Australians.

The Government is taking concerted action to stimulate the Australian economy in the face of extraordinary pressures emanating from the global recession. But as a Government we have also not lost focus on the longer reform agenda needed to secure Australia's future prosperity.

Australia has many natural advantages – we have a significant natural resource endowment, a well-functioning democracy, a skilled population and a “have-a-go” culture. But to harness these resources effectively and to maximise our living standards, we need to increase our nation's productivity.

The previous Government did not do this. The profits of the mining boom were squandered on wasteful and ineffective government programs while productivity growth fell to almost zero. In good times, this went unnoticed. As we face tougher times and start to rebuild our economy we cannot afford to take our eye of this longer term goal.

This is why the third phase of our economic stimulus plan announced in the Budget included investment in long-term infrastructure needs such as a national broadband network, transport infrastructure and the development of commercial scale clean energy initiatives.

It's why we asked the states and territories to sign up to a Jobs and Training Compact, so that those young people who find themselves out of work during the economic downturn are guaranteed a place in a training or education program to learn skills needed for future job opportunities.

It is also why as Minister for Deregulation I continue to look for new opportunities to cut red tape and regulatory burdens which divert businesses from productive activities or stifle competition and innovation by protecting vested interests.

In conclusion, I would like to congratulate IFSA again on the leadership they have shown in developing the charter and on their continued work with Government to ensure the millions of Australians who have superannuation; insurance; or funds managed through their member organisations receive quality services. I look forward to that strong relationship continuing in the future.

Thank you.