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Platform debate exercises planners

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DIMINISHED competition might or might not lead to lower fees and fewer choices for investors.

While economies of scale could help drive down fees on platforms, those against consolidation say it could lead to less choice for investors, particularly since the three biggest platform providers also own some of Australia's biggest financial planning groups.

Platforms reduce the costs and administrative hassles associated with investing a client's money with a variety of different fund managers.

Instead of the planner having to go to each fund manager with their client's money, filling out a different application form each time, the platform does it for them.

It provides access to hundreds of managed funds and other financial products from competing providers in a single centralised administration system. After the planner has ticked the products they want to invest in, the platform takes care of all the paperwork, including preparing taxation information at the end of the year.

On Monday, the Australian Competition and Consumer Commission rejected NAB's $14 billion bid for Axa on the grounds it would significantly diminish incentives to compete in relation to retail investment platforms.

Investment Trends analyst Andrew Knox thinks the ACCC would have been looking at the consequences of a high proportion of planners using a narrow group of platforms.

About 80 per cent of the investment money handled by planners goes through platforms, and the big banks have the lion's share of the market.

Westpac has a 25 per cent market share, the Commonwealth Bank has 17 per cent and NAB has 15 per cent, according to Investment Trends.

The Axa takeover would have given NAB a 22 per cent share.

Matthew Heine, executive director of Netwealth, an independent platform provider that is not aligned with any financial institution, thinks further concentration would provide the major players with very little incentive to reduce their pricing.

"And then the distribution channels owned by the banks would certainly be heavily incentivised to use that in-house platform," he said.

Association of Independently Owned Financial Planners executive director Peter Johnston thinks lower fees would have been a definite benefit of the NAB/Axa merger but says there are risks associated with further consolidation.

"What can taint this outcome, however, are institutions overloading the investment menu with their own in-house funds management products in an effort to `clip the ticket' twice," Mr Johnston said.

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