Review of fees of the OPC

Dr Michael Keating
Chairman
Independent Pricing and Regulatory Tribunal
New South Wales

Dear Dr Keating,

First of all I would like to provide some information about the circumstances that lead me to comment on your review.

I am the Private Manager for my wife who is in a nursing home with advanced Dementia. She cannot communicate and understands almost nothing.

I sought a Protective Order for the sole purpose of being able to transfer (no broker's fees) about $20,000 of shares into my name so I could sell them if I had to (to pay for my wife's accommodation and needs) or if it were prudent to do so (falling market).

I stated this fact to the Guardianship staff member and at the Tribunal hearing. I also said that I saw it as a one-off requirement.

Whether I didn't know the correct questions to ask or I was not properly advised by the Guardianship Tribunal as to what I was letting myself into is debatable but it is one of the worst decisions I have ever made.

The OPC would not allow me to transfer the shares (apparent conflict of interest) so I was unable to do the only thing I requested. I could however sell the shares and buy them back (double broker's fees).

When I suggested that I would like the Order revoked, The OPC told me that the most likely outcome would be that my wife would be turned over to the OPC to manage. Consequently I did not proceed.

At the time I was told that OPC fees would be $100. I submitted the first set of accounts earlier this year and was charged $405 ($100 Accounts fee + $305 Income fee). The bulk of my wife's income comes from the Aged pension. I notice from the OPC submission (page 57) that the 4% net income fee is stated as being exempted when Centrelink payments are >50%. This didn't happen. If the OPC is acting in my wife's best interest why was this not applied? I will take this up with OPC.

The accounts comprised 52 entries of Receipts, 71 entries of Payments, an Assets sheet, a Statement of Account sheet, 2 sheets of Manager's Report with ticked boxes and supporting Receipts and documents. If it took an OPC clerk an hour to check it off I would be surprised.

The OPC has not played any other part in my wife's care or financial well-being. To do so would be an additional substantial fee.

My original aim of saving money by a simple share transfer has back-fired terribly and, unless I can have the order revoked, I will be locked into paying excessive OPC fees for the remainder of my wife's life – not to mention the account-keeping aspect on my part.

From the above you would be aware that I consider the OPC, in my case, has not provided a satisfactory outcome.

With regards the 26 specific questions that have been raised for comment, I will respond as objectively as possible.

1. The existing approach does not take into account the differing amounts of time taken by OPC in providing the required outcomes for all clients. A fee-for-service is no better for the same reason. The only fee structure that makes sense to all clients is one based on time spent in serving their needs.
2. This would be ideal but I can't see it happening.
3. In my case, definitely no - see above. Can't reply to the second part as no experience with OPC.
4. Within the law, the view of family and others should come first.
5. Yes – commensurate with the time taken.
6. Since no external benchmarks are available (negligible competition), the OPC should establish its own internal ratings including client satisfaction.
7. Don't know what 'efficient' would mean in this context.
8. Hopefully positive but re-inventing the wheel.
9. Sounds good but only if it 'reflects the cost of providing the service'.
10. The argument of 'underpricing/overusage' makes no sense. Clients use services as dictated by need. Commission based fees are no better. As stated in 1) above fees should be based on time spent at an hourly rate in the same way as an accountant, tax agent or plumber.
11. Commission based fees are not acceptable irrespective on what they are based.
12. Which private sector? If it means the Fund Management sector there is no comparison as the services provided are totally different.
13. As you would gather from the above, I am against any percentage figure. It should be replaced with a 'time spent x hourly rate'.
14. See above comments re-pricing.
15. Not in my jurisdiction. No doubt wealthy clients will express their view.
16. Asset value should not be a criterion for fees. See above.
17. Absolutely outrageous. $1300 for an 'authorised visit' or $810 for 'Accounts' (whatever that means) is ludicrous. It can in no way reflect the time involved – certainly for us.
18. As already stated 'income-based' or 'fee-for-service' methods are not the answer. These may be administratively convenient but are not fair for anybody.
19. Yes! Yes! Yes! Again, they should reflect the time consumed.
20. Do you mean the OPC fee structure or the iPart fee recommendations? Either way they do not reflect a fair cost for clients who have differing needs.
21. Yes, but only in the context of time involved.

22. Not for the same service.
23. Government funding should be based on the difference between **total OPC costs** (salaries + overheads) **– income from services provided** (hours taken to provide the various services x hourly rate for those services). The hourly rate should reflect current rates in the private sector. This would provide an incentive to improve efficiency. Clients should not be required to pay excessive charges to reduce the gap.
24. A multi-year funding arrangement with some flexibility would be preferred.
25. If the current OPC proposal is any guide I would not like to see the result of de-regulation. The answer is definitely no!
26. Reappraisal is always essential and in two or three years is appropriate. Not too sure on the differentiation between 'iPART' and the 'Government' but of the two, iPART is preferable.

In closing, it would appear that the focus of this review has been on increasing fees to close the gap between the income and expenditure of OPC by requiring clients to pay unrealistic prices for OPC services. The logical approach is to price services at a realistic figure and fund the difference by improved efficiency within OPC or from Government. Thank goodness Centrelink do not charge for their services!

I look forward to your report.

Norman Unsworth