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REMARKS TO THE HOUSE JUDICIARY COMMITTEE
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I come before you with 27 years of experience in the trust business, having both a legal and a business degree background. I have worked in both large trust departments and a small trust company, and watched the evolution of the business in response to unforeseeable, revolutionary changes in banking laws that began around 1980.

Prior to that time, the local banks that controlled the local trust business were under local management, boards of directors and shareholders who knew that if trust customers were not given the best service, the right people would hear about it promptly. Since 1980 we have seen local control of banks slip away to other cities and other states through mergers and acquisitions at an accelerating pace. Trust customers have consequently lost the ability to insure the same level of responsiveness to their concerns.

I don't mean to suggest that the new owners and managers don't try to give any service, because they could always be sued if the service fell below a basic legal minimum, but the new owners and managers are driven primarily by far-flung bottom-line considerations, and it is no secret that lending money successfully to larger and larger interstate markets is a far more financially remunerative endeavor than nursing along a labor intensive, low profit-margin personal trust business. Trust Departments often don't have the political clout within their own banks to get what their customers need in the priority for resources against more profitable departments.

The single factor that is the most harmful to the public and the most needing reform is the lack of continuing competition in the trust business. Once an irrevocable trust has been set up at a bank, the rules of trusts make it nearly impossible to move the trust, barring the most egregious malfeasance. So when granddad set up a trust at Girard in 1951 thinking that a century old local institution would treat his heirs no differently than it treated him, he would be very much surprised to find out if he could come back that the Girard no longer exists, the trust headquarters has been moved to Pittsburgh, and more recently to Boston, and that only a handful of Philadelphia employees have survived the purges and staff turnovers of the past 10 years. In other words, the nature of the trustee he chose has been totally overturned, and his family under trust law of legal fiduciary successorships is locked in with no recourse under the normal rules of free competition. As many say: You can change your broker or lawyer or even your spouse more easily than you can change a bank granddad unwittingly locked you into before you were born. This is not good public policy. No industry should be shielded from the daylight of the free market.

I am not here to discuss the specific merits of H.B.326. It contains some provisions which I feel go farther than we need. But I trust the legislative process to grind off some

of the rough edges, and feel that a few details should not stand in the way of the momentum of desperately needed reform.

The entrenched providers of trust services don't want to see free competition as to price or service. They want to preserve unilateral fee escalator clauses to jump up their fees with no recourse for their customers. They don't want to have to hire more experienced and expensive personnel to furnish more than the cheapest minimum acceptable level of service. Again I stress that I am sure they do this not from malevolence - but from the inexorable corporate pressure to create current profits at the expense of defenseless beneficiaries.

Finally, let us face the political question directly. Is this reform only for the rich and not of concern to the average middle-class voter? Well, the average trust produces less income than social security. You or I or anyone else can be helped by reform - even the banks themselves, who will see more business on their books once the public no longer feels that the family loses all control once the big bank gets into the picture. Please keep the reform ball rolling; it will be good for the trust industry as well as the public.

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