

Submission to the Senate Committee.
Competition within the banking sector

11/11/10

Peter Higgins

To the Honorable Members of the Senate.

I am a self employed father of 6 children and I am currently forced to work 2 jobs at total of 11 hours a day 6 days a week. Working this hard allows me to pay my mortgage, pay my land rates, water rates, electricity, telephone, fuel, car registration, and at the end of all this my family has a budget of \$150 per week in which we must buy food and clothing for the 8 of us. We simply cannot sustain the current increase and the cost of living expenses and the unjustified interest rate increases by the RBA and the CBA.

I strongly support and urge the government to regulate the banking sector. Regulating the banking sector will only just scratch the surface of what is truly required. The major problem facing the Australian people and the overall economy clearly is the RBA and the enormous power that they hold and the totally irresponsible way in which they use that power.

I believe that the charter of the RBA is to control monetary policy in the national interest. How is it in the national interest to have citizens losing their homes, farms, businesses, and jobs then to compound the issue banks are then permitted to raise rates even further, making an obscene amount of profit. The RBA clearly do not understand damage that their unjustified rate rises are causing the Australian people and economy.

The basic issue I believe is why are the banks allowed to vary interest rates in the first place, no other business that I am aware of can charge more or vary the conditions of a signed contract, i.e. if the price of a house is \$250,000 then that is what I pay not a cent more

I refer to the Australian Bureau of Statistics

11/11/2010

Total Dwelling Units,

fell 11.6% to september 2010 seven months of continuous falls

Private Sector Houses

approvals fell 14.1% to September and has fallen nine months in a row

Private Sector Other Dwellings

Seasonally adjusted estimate for the private sector other dwellings fell 0.6%

Home loan approvals have fallen 12 out the last 14 months

Real Estate Prices

Real estate prices all over the country are about to free fall, probably worst than at any time in the countries history. and I will give you some examples

We built an investment home 3 years ago to house a low income earning family at Innes Park that home cost us \$400,000 house and land we have been trying to sell it for 12 months as we cannot afford the crippling interest rates that we are now forced to pay, We have not had one enquiry in that time and the agents now tells that the property may only sell for around \$340,000 to \$350,000, a loss of \$50,000 to \$60,000 before agents fees.

Another friend of mine had his home valued by CBA board valuer 4 years ago when his marriage failed at \$320,000, since then he has spent over \$100,000 in extensions and renovations, only to have that home revalued by the same CBA board valuer in September 2010 at \$280,000

██████████ and his wife purchased a home in western Sydney 5 years ago and paid \$360,000, they can no longer afford the crippling costs and are trying to sell that home, at \$325,000 and can't sell it, these are 3 examples in three different sort after locations on the eastern sea board, this is the true state of affairs facing the property market, and blame can lay nowhere else but at the feet of the RBA and the commercial banks.

11/11/2010 Australian bureau of Statistics

October Unemployment rate 5.4% ?

646 500 Australians unemployed or looking for work

3 385 000 in part time work or underemployed

and only 7 970 900 in full time work

no figures on the number of people who have given up looking for work

Under no reasonable assessment or measurement can 4 031 500 Australians either unemployed or under employed can be considered full employment or that our country is close to capacity. This statement is just a lie

I am 43 years old, when I first started my working life I received my wages in a little yellow envelope in cash and it was my choice if I placed some or all of that money into a bank account.

Today Australian people are forced to accept their wages electronically into a bank account, we have no choice and are then charged a fee by the banks to access our own money.

The banking industry today is not just a commercial enterprise, but in reality they are a service that the public have no real choice but to use therefore should be regulated to behave responsibly to their customers.

9 november 2010

CBA chief admitted that the banks dramatic interest rate rise of 0.45% last week would hurt families and in some cases cost their homes, and that he would rather see a "FEW" foreclosures than have a low profit banking system, Well who the hell is he to decide weather Australian families deserve a roof over their head or not.

Farmers

The Australian farmer who has just suffered one of the longest and hardest droughts in history and many of them have been forced to borrow in some cases millions of dollars just to keep operating. Finally they get a break with the rain, so what do the RBA and the commercial banks do Hike interest rates and stick another knife into their backs.

The latest Dunn & Bradstreet report for the September quarter 2010 shows that 2,700 businesses went under, this is 73% increase than before the GFC. This cannot and must not be allowed to continue, controlling banks and the interest rates that they are allowed to charge will benefit all.

When we purchased our first property 20 years ago the purchase price was \$50,000 at an interest rate of 15.5% which equals \$7500 p.a., my income at that time was \$48000 p.a. Today to purchase a home at the medium house price is \$450,000 and at the CBA rate of 7.8% that equals \$35,000 p.a. my wages today are around \$65000, do the maths clearly something is very very wrong.

Clearly the interest rates that the RBA are setting for the Australian people are extreme and totally unjustified in todays climate, especially when you compare us to the rest of the world who are paying between 0.25% and 1% for their home loans. And please don't be fooled by the rhetoric that interest rates are at historical lows, STOP LIVING IN THE PAST the cost of everything today is extreme to say the least.

Over my working life i have seen many changes in the way that things operate, one of the things that really annoys me no end is the way successive state and federal governments have forced, deregulation, privatisation of our utilities and banks, in the name of more competition because it will lead to lower prices, and this has **NEVER BEEN THE CASE** anywhere in the world all that has ever happened is an increase in the cost of fuel, phone, gas, water, electricity, home prices, food, you name it it only ever gets more expensive.

How come it is so clear and obvious to around 99% of the Australian people that The RBA has way to much power and yet their actions over the last 3 years have been negligent at best.

I refer to the totally unnecessary interest rate rises before the GFC, which is commonly acknowledge by the Australian people as some of the worst economic decisions in the countries history closely followed by their incompetence in not lowing interest rates nearly enough after the GFC.

These guys just don't get it over the last 18 months with these unnecessary rate rises those fools are making the same mistakes again. I see and am very happy that JOE HOCKEY is taking on the big banks, and calling for more competition in the banking sector, but what needs to be remembered is that the commercial banks are only moving in tune with the RBA and there lyes the problem.

The RBA has a so called charter to act in the national interest, but all of their playing around with interest rates over the years has truthfully done nothing to control the cost of living, all it has ever done is allow the banks to make more and more super profit at the cost of the Australian people.

If these guys were employed by a business and made the same magnitude of errors or

treated their customers with such contempt, they would be instantly fired no question. yet you in government seem to accept such incompetence as par for the course.

There are some common arguments in the media about how good our RBA and our banking system is, and how these heroes saved us from economic destruction. This is simply a lie forced on us by so called economic experts and bank paid analysts and those fools in the media.

Clearly nothing can be further from the truth, the only reason our country appears on the surface to be doing well is because the rest of the world wants our resources, and will continue to want them probably for the next 100 years or until they run out. and the fact that the previous government left office with 23 billion dollars in the bank

And the only reason our banks are making such huge profits is because they are simply ripping us all off.

Clearly the RBA needs to be dealt with and their ability to raise and lower interest rates on very dodgy and selective economic data needs to be restrained, they should only be allowed to change interest rates in times of absolute economic emergencies, and then only with the express consent of parliament

The RBA say that they need to raise rates to control inflation, and that this is in the national interest, this argument simply is the biggest LIE since the Iraq and Vietnam wars combined. and the Australian people are awake to it. In no way will raising interest rates to increase bank profits and damaging the rest of the economy will it have any effect on world's demands for our resources. The RBA clearly needs to set the cash rate at between 2 to 3 % maximum and you our elected officials must force them to do so.

The commercial banks need to remain profitable, so capping the amount they are allowed to charge to no more than 150 basis points above the RBA cash rate will still give them plenty of margin to make billions in profit without totally ripping off their customers.

To set these limits would still be high compared to the rest of the world, but would be far fairer than what we are forced to pay now.

In today's climate there are many things that the government could do instead of just raising rates every time the banks want to make more money.

1) If you think people are buying too many plasma televisions and washing machines etc, simply raise or lower the GST accordingly.

2) if you think wages are causing inflationary problems, simply raise or lower people's superannuation contribution accordingly

These two simple steps are far better than simply ripping off home owners, farmers and small business. and destroying the building industry and would only help to increase the country's national savings nest egg, instead of just feeding into the banks' super profits

Please increasing competition will be good but will be only part of the cure, what needs to happen is regulation.

And please show courage and don't be fooled by all the bank propaganda, financial commentators who cry out that regulation is the biggest evil since Adolf Hitler, this is just

more lies.

After all every industry in the country has regulation, the building industry, hospitals, fishing industry, even taxi drivers have regulations, why is it so terrible to regulate the RBA and the commercial banks, after all they are the only industry that has an iron clad government guarantee not to fail, and people are forced to use them.

Clearly what needs to happen is the RBA must not only reverse its latest bad decision, but be forced to cut the cash rate in half and the major banks must be forced to follow. Their track record clearly shows that they have no social conscience and will never do the right thing if left to their own devices.

You in government are our elected officials and are in your position to provide for the Australian people, and believe me we don't want hand outs, all we want is a fair go and an even playing field, and it is your responsibility to provide us this.

PLEASE do the right thing by us all and demand that the RBA halve the cash rate and demand that the commercial banks do the same, If the RBA wont do the right thing by the Australian people or in the national interest, then please demand the entire RBA board resign as they are totally undeserving of the position that they hold. And if they wont resign Please raise legislation to have them removed.

If any of the major parties takes on these socially responsible ideas you would win the next election in a record land slide. Please don't just tinker at the edges attack the true problem and introduce controls on the RBA and the commercial banks, that is what you are elected for and it is what the Australian people expect and deserve.

I do believe that most politicians run for office because they believe that they can make a difference, and have a genuine desire to do some good, Here is your chance, TIME FOR COURAGE and see past all the banks scared tactics and paid media nonsense PLEASE DO THE RIGHT THING. and control these banks and lower the interest rates for the good of us all.

Kind regards

Peter Higgins