

HON BOB SUCH MP JP

Member for Fisher

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The Secretary
Senate Standing Committee on Economics
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Parliament House
CANBERRA ACT 2600
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Dear Mr Hawkins

Inquiry into competition within the Australian banking sector

I respond to your invitation to provide a submission to the Inquiry and offer the following comments in relation to the Terms of Reference.

(b) The products available and fees and charges payable on those products

Like many other Australians, I believe that a range of bank fees and charges are too high. There appears to be a growing surge of popular discontent against the banks and an expectation that the government should take action.

Public concern over the conduct of banks is evident in that they are currently facing a massive customer class action lawsuit over unconscionable conduct that incorporates dishonour fees on bank accounts, overdrawn fees and late payment fees on credit cards.

Accordingly, I am apprehensive that should the even more recent cry for the removal of mortgage exit fees be successful, the banks will simply introduce a mechanism to recoup lost moneys through other charges.

(e) The ease of moving between providers of banking services

I referred above to the need to address mortgage exit fees which would allow homeowners to transfer their mortgage to an institution with a lower interest rate. To facilitate such competition between banks, the process should be simplified to encourage mortgagees to pursue the option and, in the process, exert even greater pressure on the banks to become more competitive.

(i) Assessment of claims by banks of cost of capital

My understanding is that Australian banks are unable to access foreign funds easily in the aftermath of the global financial crisis. In view of this impediment to some sources of offshore funding, I believe that the Federal Government should implement strategies to ease the situation as a matter of urgency.

(j) Any other policies, practices and strategies that may enhance competition in banking, including legislative change

In light of the above, I recommend that one approach might be to re-examine the matter of the interest withholding tax, with consideration given to a more immediate reduction in the tax rate.

I am aware that the Government announced in the May budget a reduction in the interest withholding tax rates for Australian banks and foreign banks accessing wholesale funding from offshore markets. I am concerned, however, that the phased nature of the reduction will not have any short term effect on the banks' funding policies. I would therefore recommend that the Government reconsider the projected timelines of these cuts and commit to reducing interest withholding tax rates earlier than the initial adjustment in 2013-14 and the subsequent amendment in 2014-15.

In addition, I would strongly encourage a relaxation of any rules/impediments that prevent or hinder new banks/lending institutions from setting up.

Thank you for the opportunity to contribute to this important and timely inquiry.

Yours sincerely

Bob Such MP JP
Member for Fisher