

Coalition Senators Dissenting Report

General comments

1.1 Coalition Senators wish to draw attention to the proposed Government's 'open banking' regime, with the Treasury Laws Amendment (Consumer Data Right) Bill 2018 introduced into the House of Representatives on 13 February 2019.

1.2 Coalition Senators acknowledge that the open banking regime is a core part of the Government's unwavering commitment to better consumer outcomes in the financial services sector. Open banking will allow customers to access their data and direct their data to be sent to trusted and accredited service providers of their choice. Customers will control who holds their data and how it is used.

1.3 Having better access to their data will enable customers to make better and more informed choices about the financial products that are right for them. In turn, informed markets are innovative markets. Open banking will drive competition within the financial services sector, promoting innovation and allowing new and better products and services to be developed. Innovation has already led to better consumer outcomes in the UK, which is the world leader in open banking.

The reality of financial hardship in Australia (recommendation 1)

1.4 Coalition Senators reject recommendation 1 of the Chair's report, which recommends "protecting penalty rates" and "reviewing the adequacy of government payments including Newstart".

1.5 Coalition Senators wish to make it clear that, under the system set up by Australian Labor Party Prime Minister Kevin Rudd in 2009, it is the independent industrial tribunal, the Fair Work Commission, which sets minimum pay and conditions, including penalty rates and the minimum wage. Coalition Senators endorse the system of having an independent tribunal set penalty rates, a position that until recently enjoyed bi-partisan support. In the lead up to the 2016 Federal Election, Opposition Leader Bill Shorten said "I'll accept the independent tribunal". Further, he noted that "the way minimum wages get set in this country is through evidence, it's through the submissions of workers, their representatives and employers".¹ Not long after their election loss, the ALP abandoned this position, and has since introduced legislation that would undermine the decisions of the Fair Work Commission.²

1.6 Coalition Senators highlight that the Government has a strategy to boost the living standards of all Australians through policies that promote economic growth,

1 Michael Koziol, 'Labor won't fight any Fair Work Commission decision to cut Sunday penalty rates: Bill Shorten', *The Sydney Morning Herald*, 21 April 2016, <https://www.smh.com.au/politics/federal/labor-wont-fight-any-fair-work-commission-decision-to-cut-sunday-penalty-rates-bill-shorten-20160421-gobpo5.html> (accessed 22 February 2019).

2 Fair Work Amendment (Restoring Penalty Rates) Bill 2018, available at: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r6135 (accessed 22 February 2019).

boost job creation and support income growth. Australia's targeted tax transfer system plays an important role in protecting low income Australians and, as the Productivity Commission has noted, the tax and transfer system has consistently acted to substantially reduce income inequality. The national minimum wage, which was increased by 3.5 per cent last year, has been stable at around 54 per cent of median full-time earnings since 2008, while the number of Australians under age 65 on welfare is now at its lowest level in thirty years. Unlike other developed countries, Australia had relatively strong growth in incomes across all deciles. Australia exhibits a high degree of income mobility with 90 per cent of Australians moving at least three income deciles in the last 15 years.

1.7 Coalition Senators emphasise that the Newstart Allowance is intended to be a short term, transitional payment designed to assist people to get back into the labour market. The Government has continually promoted policies which improve employment opportunities for those on Newstart Allowance and other working age income support payments. The Government has committed to continuing to index these payments each year.

1.8 Coalition Senators stress that the best form of welfare is a job.

Credit products targeted at Australians at risk of financial hardship (recommendations 2–8)

1.9 Coalition Senators note that recommendation 1.7 from the Royal Commission's final report, which recommends removing point of sale exemptions from the *National Consumer Credit Protection Act 2009* (echoed in recommendation 6 of the Chair's report) has already been accepted by the Government, which is now in the process of implementing this recommendation.

Financial services targeted at Australians at risk of financial hardship (recommendation 8–11)

1.10 Coalition Senators note that the amendment that the Government has tabled for the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Power) Bill 2018 includes Buy Now Pay Later products.

Centrepay (recommendations 13–14)

1.11 Coalition Senators note that over 640,000 welfare recipients use Centrepay each month to make around two million deductions. This system helps families and pensioners pay their rent, their electricity and household gas accounts, pay for education expenses and pay their fines, and for essential household goods such as fridges and washing machines.

1.12 Coalition Senators wish to emphasise that Centrepay is free and voluntary. It helps individuals to budget, and people can start, change or cancel their Centrepay deductions at any time. The Government has already moved to make changes to protect welfare recipients, including by removing unregulated consumer lease businesses from Centrepay and ensuring that businesses that use Centrepay to finance families need to apply, comply and act in accordance with tightened policy and terms.

The need to support and expand financial counselling services (recommendations 15–17)

1.13 Coalition Senators note that, as part of the Royal Commission response, the Government announced that it would be commencing an immediate review that will focus on the coordination and funding of financial counselling services. It will consider gaps and overlaps in current services and the adequacy of appropriate delivery models for future funding.

Alternative financial products for financially stressed Australians (recommendations 18–20)

1.14 Coalition Senators note that recommendation 19, which recommends "that the government consider what tax and other incentives could be used to encourage mainstream credit providers to offer low interest products to vulnerable Australians", could result in giving tax cuts to banks.

1.15 Coalition Senators wish to draw attention to the fact that, as part of the Royal Commission response, the Government announced that it would be commencing an immediate review that will focus on the coordination and funding of financial counselling services. It will consider gaps and overlaps in current services and the adequacy of appropriate delivery models for future funding.

1.16 Coalition Senators recognize the important work of financial counsellors and note that the Government is providing \$64.2 million over the next four and a half years for financial counselling services.

Inconsistent approach to consumer protections

1.17 Coalition Senators wish to highlight the hypocrisy of the Australian Labor Party's approach to issues pertaining to consumer protections. The ALP has doggedly opposed reform measures introduced into the 44th and 45th Parliaments that are designed to protect consumers.

1.18 Coalition Senators wish to highlight the ALP's staunch opposition to the Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018 ('the Package'). These essential reforms to the superannuation system included in the Package included the banning of exit fees, the capping of fees for low-balance accounts, and the elimination of opt-out insurance for low-balance accounts, inactive accounts, or account for those under 25.

1.19 Coalition Senators note the importance of these reforms, and the widespread support they have received. As noted by Brendan Coates, a Fellow at the Grattan Institute, Labor's obstinacy could cost young workers at least \$400 million per year.³

1.20 Coalition Senators commend the Government for its determination to eliminate opt-out insurance for people under-25 or those with balances below \$6,000,

3 Brendan Coates, 'Labor and the Greens are standing in the way of cheaper super', *ABC News*, 19 February 2019, <https://www.abc.net.au/news/2019-02-19/labor-greens-standing-in-way-cheaper-superannuation/10822876> (accessed 22 February 2019).

in spite of the steadfast opposition from the ALP and the Australian Greens. These measures are addressed in Treasury Laws Amendment (Putting Members' Interests First) Bill 2019, which was introduced into the house on 20 February 2019.

1.21 In the same vein, Coalition Senators wish to highlight the ALP's opposition to the Cashless Debit Card, a measure that is designed to protect vulnerable Australians and those around them.

1.22 Welfare quarantining measures have, until late last year, enjoyed bi-partisan support. The ALP had previously supported the rollout of the Income Management program and initial trial sites of the Cashless Debit Card. They also initiated their own expansions of the Income Management program into new sites, including Bankstown, Rockhampton, Logan, Shepparton, Playford, the APY lands and the Ngaanyatjarra (NG) Lands. By opposing this policy now, they are attempting to claw back the inner-city "green left" vote at the expense of vulnerable people and communities that have already seen the benefits of this program.

1.23 Coalition Senators are disappointed by the prevaricating by the Leader of the Opposition and the Social Services Shadow Minister who have given mixed messages about the future of this important policy. They are shamelessly playing politics with people's lives.

1.24 While this inquiry was established in the noble name of consumer protection, it is clear that those who instigated it have a well-documented history of opposing much more important reforms that protect many more members of the Australian community.

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

1.25 Coalition Senators wish to draw attention to the Australian Labor Party's lacklustre response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ('the Royal Commission').

1.26 The Royal Commission's final report was handed to the Governor-General Peter Cosgrove by Commissioner Kenneth Hayne on 1 February 2019. The Government issued a response to all 76 recommendations in the final report on 4 February 2019, the same day that the report was made public.

1.27 After taking 15 days to come up with a response to the Royal Commission's findings, the ALP trotted out 3 measly pieces of legislation that addressed a mere 5 recommendations in the report. This "response" is an utter embarrassment, and fails to dignify a Royal Commission that conducted 7 rounds of public hearings over no fewer than 68 days, called more than 130 witnesses, reviewed over 10,000 public submissions, and cost an estimated \$75 million.

1.28 The ALP's proclivity for wasting taxpayer time and money is not merely limited to the manifestly inadequate response to the Royal Commission. The ALP has wasted taxpayers' time and significant sums of their money with the conduct of this inquiry, which has not produced a single substantive finding or original recommendation.

1.29 Coalition Senators note that, by contrast, the current Coalition Government is adding to its already strong record on financial services reform. When the Royal Commission handed down its final report, its recommendations supported multiple pieces of legislation already introduced by this Government. Legislation that was before the Senate has now been passed as a result of support from the Royal Commission's recommendations. This is hard evidence that this Coalition Government was taking the necessary steps to reform the financial services industry.

Senator Jane Hume
Deputy Chair

