



16 January 2009

By email: prebudgetsubs@treasury.gov.au

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Submission regarding the 2009-10 Budget

Consumer Action Law Centre (**Consumer Action**) welcomes the Government's invitation to the Australian community to provide input to the 2009-10 Commonwealth Budget.

We are mindful of the current economic conditions and their impact on the Government's budgetary considerations. We have therefore limited our submission to some brief comments regarding three key issues currently affecting the consumer interest that we believe stand out as consumer priorities for the Government's consideration this year. These are:

1. Funding for the peak consumer body in Australia, the Consumers' Federation of Australia (**CFA**);
2. Federal funding for financial counselling, including a peak body; and
3. Funding for household energy efficiency measures pursuant to the Government's Carbon Pollution Reduction Scheme (**CPRS**) White Paper of December 2008.

The consumer matters above relate to current policy priorities such as regulatory reform, addressing the impact of climate change and assisting Australians with problems exacerbated by the economic downturn.

About Consumer Action

Consumer Action is an independent, not-for-profit, campaign-focused casework and policy organisation. Consumer Action provides free legal advice and representation to vulnerable and disadvantaged consumers across Victoria, and is the largest specialist consumer legal practice in Australia. Consumer Action is also a nationally-recognised and influential policy

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and research body, pursuing a law reform agenda across a range of important consumer issues at a governmental level, in the media, and in the community directly.

Funding for a national peak consumer body in Australia

Given the likely impact of the global financial crisis on ordinary Australian consumers, it is more important than ever that the consumer interest is heard in policy debates that affect them. The Australian Government's ongoing commitment to regulatory reform to encourage an efficient and productive economy in these times also necessitates strong and informed consumer participation in these regulatory processes.¹ For these reasons, Consumer Action would strongly support the funding of the national peak consumer body in Australia, the CFA, in the 2009-10 Budget.

In its final report on its *Review of Australia's Consumer Policy Framework* last year, and after much inquiry and consultation, the Productivity Commission also concluded as its recommendation 11.3 that:

Within the broader consumer policy implementation framework agreed to by CoAG [Council of Australian Governments], the Australian Government, in consultation with MCCA [Ministerial Council on Consumer Affairs], should take the lead role in developing arrangements to provide additional public funding to:

- help support the basic operating costs of a representative national peak consumer body;
- assist the networking and policy functions of general consumer advocacy groups; and
- enable an expansion in policy-related consumer research.²

Government funding for the CFA would deliver on the first two elements of this Productivity Commission recommendation. The CFA has separately prepared a document outlining in more detail the case for funding of the CFA, with a proposal for modest funding of only \$1.2 million (indexed) annually over three years, together with an additional \$175,000 in start-up costs. We attach a copy of this document and endorse its contents.

From Consumer Action's practical experience, we can attest that the existence of a funded national peak consumer body would provide significant and much needed support to both our own organisation and other consumer organisations operating in Australia, given we currently lack substantial networking opportunities and professional support, and are often unable to participate fully in relevant and important policy debates due to limited resources. This is particularly the case at a time when there is a large amount of activity in the consumer policy area with significant reform processes currently being undertaken in relation to, for example, the national regulation of consumer protection and fair trading, consumer credit, unit pricing for groceries, trade practices and personal property securities.

¹ See, eg, Productivity Commission, *Review of National Competition Policy Reforms: Productivity Commission Inquiry Report*, No. 33, 28 February 2005, p.386: '...in a reform-specific context, it is the role of consumer advocates in providing a counterbalance to producer groups seeking to maintain anti-competitive arrangements that lead to higher prices, reduced service quality or less market innovation, that is most relevant.'

² Productivity Commission, *Review of Australia's Consumer Policy Framework: Productivity Commission Inquiry Report: Volume 2 – Chapters and Appendixes*, No. 45, 30 April 2008, pp.291-292.

Federal funding for financial counselling, including a peak body

Consumer Action considers that there is now an urgent need for some core funding support for the peak body for financial counsellors in Australia, the Australian Financial Counselling and Credit Reform Association (**AFCCRA**), particularly given the increasing importance of financial counselling services. We also urge the Government to consider a further increase in federal funding for financial counselling services in light of present economic conditions.

Consumer Action works closely with financial counsellors, for example, we operate a dedicated legal advice line that provides support and advice to financial counsellors and other community workers, funded by Consumer Affairs Victoria. Our legal casework practice indicates a growing need for financial counselling services as consumers continue to present to our legal service with significant credit and debt problems. Consumer Action's clients often require financial counselling assistance in addition to any legal assistance we can render.

The Australian model of financial counselling is acknowledged as being among international best practice. Free (largely government-funded) financial counselling services assist Australians with a wide range of financial problems, including escaping debt problems and taking control of household finances, as well as providing information, education and community development services. Timely and effective financial counselling services also save governments money on crisis support services.³ Further, financial counsellors also act as advocates for the interests of the clients they see, who tend to be some of the more vulnerable consumers in our community, and both the Commonwealth and State governments often seek input from the financial counselling sector on financial services and consumer policy and practice matters, often through AFCCRA.

Demand for financial counselling services within the Australian community remains very high,⁴ and is only likely to increase further as the effects of the global financial crisis continue to impact on the Australian economy, including on employment levels. However, Federal Government funding support for financial counselling services has historically been low. Consumer Action therefore recognises and commends the Government's initiative last year in doubling federal funding for financial counselling services by providing for an increase in funding of \$10 million over four years.

Despite this increase, funding for financial counselling services remains low overall, particularly at the federal level, and is certainly insufficient to meet current, let alone future, demand for such services. Further, and critically, AFCCRA has received no core funding since 1996. AFCCRA plays a central role in supporting the counsellors who deliver these services and, as noted above, in providing information and advice to the Government on a large range of consumer and financial issues. Consumer Action also regularly seeks AFCCRA's views in relation to problems that we identify may be affecting consumers seeking our assistance.

³ Network Australia, *Cost Benefit Analysis of the Commonwealth Financial Counselling Program*, June 1998.

⁴ See, eg, State Services Authority (Victoria), *Review of Government Funded Financial Counselling Services: Final Report*, February 2008, pp.9-12.

Attached to our submission is a document prepared by AFCCRA last year that provides further details about the financial counselling sector and its funding requirements. We also note that the Productivity Commission last year recommended that Australian Governments should provide increased resourcing of financial counselling services, especially for vulnerable and disadvantaged consumers.⁵

Funding for the delivery of household energy efficiency measures

In the December 2008 CPRS White Paper, the Government committed to assisting Australian households to take practical action to improve energy efficiency, both by providing consumer information on reducing energy use and by delivering energy efficiency measures. These measures are to be delivered before the CPRS commences in 2010.⁶

However, no funding has yet been announced to deliver these commitments. Consumer Action considers that the 2009-10 Budget must therefore provide sufficient funding for these important household energy efficiency measures.

Consumer Action strongly supports the Government's proposed household assistance to be provided to low and middle income households in the form of cash payments and tax offsets, as set out in the CPRS White Paper. We agree that these payments will help to address the difficulties that such households face in adjusting to overall increases in the cost of living, such as those anticipated to be caused by the introduction of the CPRS.

However, these payments address a separate issue to the one that household energy efficiency measures are directed towards. Energy efficiency initiatives have a dual benefit in that they reduce costs for households but also help to reduce energy consumption, thus themselves contributing to the overall goal of the CPRS. Further, helping households to reduce their energy consumption in a permanent manner leads to ongoing and sustainable cost savings for those households, whereas transfer payments and tax offsets assist a household only at the times they are made. Energy efficiency measures need to be a central element of any effective household assistance package, not merely an additional consideration to cash payments. This is especially so given that it is in electricity and gas prices that the greatest price impacts of the introduction of the CPRS will be felt by households, at least initially.

However, as the Government noted, low-income households often have a limited capacity to take up energy efficiency measures due to insufficient access to capital and a lack of access to information.⁷ This limited capacity is also due to the fact that many low income households are in residential tenancy arrangements that render it unfeasible to make capital investments in their homes. The Government has also recognised that lower income households typically spend a higher percentage of their income on these essential services compared with other households,⁸ and research has shown that these households already

⁵ Productivity Commission, above n2, pp.222-224.

⁶ Australian Government, *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future*, White Paper, December 2008, pp.17-19 – 17-20.

⁷ As above, p.17-20.

⁸ As above, p.17-3.

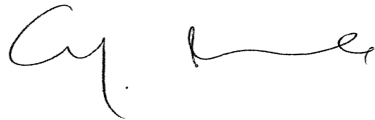
tend to use less energy than other households, so their capacity to reduce their usage further without making home improvements is fairly limited.

It is for these reasons that Government-funded household energy efficiency measures are needed. Such energy efficiency measures should incorporate serious retrofitting of both public and private housing, including the installation of insulation, window shutters and blinds and the replacement of inefficient appliances, not just the provision of information. The combination of tax and transfer payment assistance and effective energy efficiency programs will be essential to facilitating emissions reductions, affordability and thermal comfort (ensuring people do not under-consume energy, for example to be able to afford other essential items such as food and rent) and, importantly, to providing all Australian households with an opportunity to engage actively in a low carbon economy. This combination also represents a more sustainable longer-term solution to household assistance for the Government than increased payments or reduced taxation revenue alone.

Should you have any questions regarding this submission, please contact Nicole Rich on (03) 9670 5088.

Yours sincerely

CONSUMER ACTION LAW CENTRE



Carolyn Bond
Co-CEO



Nicole Rich
Director – Policy & Campaigns

Attach.

1. Consumers' Federation of Australia, *Strengthening Consumer Voices: A proposal for a sustainable peak body for consumer organisations*, September 2008.
2. Australian Financial Counselling & Credit Reform Association Inc, *Financial Counselling in Australia: core funding for the national peak body*, November 2008.