



29 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 2010-11 Budget

Consumer Action Law Centre (**Consumer Action**) welcomes the Government's invitation to the Australian community to provide input to the 2010-11 Commonwealth Budget.

We are mindful of the Government's various budgetary considerations and understand that not all requests can be met. With that in mind, we have limited our submission to a single key issue which we believe is of critical importance to consumer policy and regulation, and which would require a minimal outlay from government. This issue is funding for the peak consumer body in Australia, the Consumers' Federation of Australia (**CFA**).

We also comment briefly on the proposed budget allocation to the Australian Securities and Investments Commission (**ASIC**) in relation to the new national consumer credit laws.

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 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.

Since September 2009 we have also operated a new service, MoneyHelp, a not-for-profit financial counselling service funded by the Victorian Government to provide free, confidential and independent financial advice to Victorians facing or experiencing job loss or reduced working hours to help them manage their money and debt.

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Funding for a national peak consumer body in Australia

The current Government has worked hard to make a virtue of broad consultation and to ensure that the views of all relevant stakeholders are considered in important policy debates. The purpose of this approach is to develop fair and balanced policy. This consultative approach has, by and large, been positive for the community sector and is important to achieving fair policy outcomes beneficial to the community as a whole.

Consumer Action does note, however, that a broad consultative approach is seriously compromised if significant stakeholders remain under-represented. Without adequate representation, there is a very real risk that policy debates will be captured by narrow interests who are able to distort policy outcomes to their own benefit, and to the general detriment of the community at large. This is particularly true in a time of significant regulatory reform, where established interests will consistently seek to minimise the impact of real reform.

Australian consumers constitute a large and important stakeholder group in major policy and regulatory debates, however, as a dispersed group it is difficult for consumers to communicate their interests to policy makers and regulators effectively and they require adequate representation.

As the Productivity Commission noted in its review of the National Competition Policy reforms, consumer advocates both help to drive competition but also, in a reform-specific context, provide a counterbalance to producer groups seeking to maintain anti-competitive arrangements that lead to higher prices, reduced service quality or less market innovation.¹ Without a strong consumer voice in ongoing policy development, the process of forging fair and efficient markets will continue to be compromised.

Whilst consumer advocacy groups do exist in particular industries (the newly established ACCAN in the telecommunications industry, for example) or in some State and Territory jurisdictions (for example Consumer Action), there is an urgent need for a single, national consumer peak organisation to support and represent a consumer voice across major national policy debates.

The Productivity Commission, in its final report on its *Review of Australia's Consumer Policy Framework* in 2008, stated under recommendation 11.3:

...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.

¹ Productivity Commission, *Review of National Competition Policy Reforms*, Inquiry Report, No. 33, 28 February 2005, p386.

Consumer Action strongly supports the Productivity Commission's view that funding is required to establish a representative national peak consumer body, and notes that the Consumers' Federation of Australia (**CFA**) has filled that role before and could do so again.

Government funding for the CFA would deliver on the first two elements of the Productivity Commission recommendation. The CFA has separately prepared a document outlining in more detail the case for funding, with a proposal for modest funding of \$1.2 million annually over three years (indexed). In addition, the CFA requested \$175,000 in start-up costs. For ease of reference we attach this document and strongly endorse its contents. Further, we note that the CFA provided a further submission to the Treasury in relation to its Issues paper, *Consumer voices: Sustaining advocacy and research in Australia's new consumer policy framework*, advancing the case for CFA funding and we endorse that submission.

The CFA notes in that submission that, while it would be to be able to identify some neat mechanism for resourcing consumer advocacy and research that is cost-free to the Commonwealth, the reality is there is none (although industry levies, licensing fees and civil penalties are used to fund consumer advocacy in some cases and similar arrangements could be investigated to support Federal government funding of the CFA). We therefore recognise that funding for a national consumer peak body would require Commonwealth budget spending.

However, we also recognise that it would be helpful to identify any corresponding savings that could offset that spending. In examining spending in the consumer policy area, Consumer Action notes that in the 2008-2009 Budget, \$11.3 million was allocated for the monitoring of grocery prices over the period 2007-08 to 2010-11. This initiative eventually became GroceryChoice, an online price monitoring service that was to be run by the consumer advocacy organisation, Choice, with funding from Federal Treasury. In June 2009 the GroceryChoice project was cancelled on the basis that Government believed that accurate pricing data could not be guaranteed. A November 2009 Senate Economics Committee Report into GroceryChoice found that the total cost of the project had been \$7.7 million, with a potential contingent liability of \$700,000. Consumer Action advocates that any unspent funding allocated to grocery prices monitoring could be directed towards the funding of the CFA.

Funding for ASIC to undertake new national consumer credit regulatory functions

Consumer Action commends the government on its significant reform work in the field of consumer credit. We note the commitment to provide \$66 million in additional funding to ASIC to support its additional regulatory and enforcement functions under the new national consumer credit regime.² Consumer Action strongly supports the allocation of this funding to ASIC to support what are substantial new responsibilities – whilst the new national consumer


² Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law 3 December 2007 - 8 June 2009, *Keynote Address to the National Consumer Congress*, Hyatt Regency Adelaide, 13 March 2009; and *Australia to Get World-Leading Credit Licensing Regime*, Media release no 40, 27 April 2009.

credit regime represents a significant step forward in consumer protection, its impact will be limited if ASIC is not adequately funded to administer and enforce the regime. We therefore look forward to the inclusion of this new budget measure in the 2010-11 Budget.


Should you have any queries regarding this submission, please contact Zac Gillam on (03) 9670 5088, or zac@consumeraction.org.au.

Yours sincerely

CONSUMER ACTION LAW CENTRE



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Attach.

1. Consumers' Federation of Australia, *Strengthening Consumer Voices: A proposal for a sustainable peak body for consumer organisations*, September 2008.