



31 January 2014

By email: prebudgetsubs@treasury.gov.au

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

Dear Sir/Madam

Submission regarding the 2014-15 Federal Budget

Consumer Action Law Centre (**Consumer Action**) welcomes the Government's invitation to the Australian community to provide input to the 2014-15 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. Federal funding for financial counselling;
2. Funding for Australia's consumer protection regulators, particularly the Australian Competition & Consumer Commission, the Australian Energy Regulator, and the Australian Securities & Investments Commission; and
3. Funding for the peak consumer body in Australia, the Consumers' Federation of Australia.

The consumer matters above relate to current policy priorities such as regulatory reform, financial service policy and competition policy. We note that the Government has commissioned two major inquiries into the financial system and competition policy, and also has a priority to ensure the effectiveness of regulatory frameworks.

Our comments are detailed more fully below.

About Consumer Action

Consumer Action is an independent, not-for-profit, campaign-focused casework and policy organisation. Consumer Action offers free legal advice, pursues consumer litigation and provides financial counselling to vulnerable and disadvantaged consumers across Victoria. 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.

Consumer Action Law Centre

Level 7, 459 Little Collins Street Telephone 03 9670 5088
Melbourne Victoria 3000 Facsimile 03 9629 6898

info@consumeraction.org.au
www.consumeraction.org.au

Funding for financial counselling services.

Financial counselling is an essential consumer safety net that provides free and confidential advice to low income and vulnerable consumers. It forms a critical part of the national financial literacy framework, with trained counsellors who are uniquely placed to deliver practical advice and assistance in a cost effective service delivery model. More than 75% of those receiving assistance have annual incomes below \$60,000.

As a jointly funded program between the States and the Commonwealth, it delivers value for public funds by reducing the load on courts and related services that result from severe financial difficulty. Almost 75% of clients avoid legal action, and more than 50% avoid bankruptcy, as well as the associated physical and mental health benefits of reduced stress which relieves pressure on health services.¹

Demand for financial counselling services is growing, and the Government can assist with a modest increase to meet that demand, with perhaps a matching contribution from State Governments. At minimum, the Government is advised to maintain its investment in this program at \$20 million per annum, that can be seen as an essential component of a national financial literacy program.

Funding for regulators

Consumer protection regulators have been established by Government with a mandate to ensure that businesses comply with the law. It is thus important that these regulators, particularly the Australian Competition & Consumer Commission (**ACCC**), the Australian Energy Regulator (**AER**) and the Australian Securities and Investments Commission (**ASIC**), are sufficiently funded to achieve their purpose.

Non-compliance with consumer laws can contribute to anti-competitive outcomes, having a negative impact on the economy overall. For example, some businesses may comply with the law, but others will not in the knowledge that the risk of being found in breach is low. Robust enforcement by consumer regulators can protect individual consumers as well as contribute to fairness within markets.

Further, consumer protection law often needs to be tested before the courts to determine its meaning and extent. This is a key role for consumer regulators. Sometimes law reform is argued for in circumstances where the existing law has not been fully tested. We submit that it is important that regulators are sufficiently funded so that they can play the essential role of ensuring the law is tested.

Where regulators monitor licensed industries, for example the AER and ASIC, there is the possibility that licensees can contribute to the funding of the regulator—more of a ‘user pays’ model. In our submission to the Senate Committee investigating the performance of ASIC, we encouraged the committee to consider whether ASIC should receive greater funding from the businesses it regulates. We note that UK’s new Financial Conduct Authority is funded entirely from the financial services firms it regulates.² Such an approach might reduce regulators’ reliance on consolidated revenue and provide more flexibility for the regulator to increase or decrease its resourcing depending on the

¹ Dr Nicola Brackertz, ‘I Wish I’d Known Sooner: The Impact of Financial Counselling on Debt Resolution and Personal Wellbeing’, Swinburne University, 2012.

² Financial Conduct Authority, ‘How are we funded’, available at: <http://www.fca.org.uk/about/how-we-are-funded>

scope of its required activities. It might also free up funds for other regulators that monitor businesses generally, such as the ACCC.

Funding for a national peak consumer body in Australia

Given public inquiries and policy reform expected in key areas affecting consumers such as the financial system and competition policy, it is more important than ever that the consumer interest is heard in policy debates that affect them. For these reasons, Consumer Action would strongly support the funding of the national peak consumer body in Australia, the Consumers Federation of Australia (**CFA**), in the 2014-15 Budget.

In its final report on its *Review of Australia's Consumer Policy Framework*, and after much inquiry and consultation, the Productivity Commission 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.³

Government funding for the CFA would deliver on the first two elements of this Productivity Commission recommendation.

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 can lack networking opportunities and professional support, and are often unable to participate fully in relevant and important policy debates due to limited resources. A current example is the financial advice reforms being considered by the Federal Government.

Please contact us on 03 9670 5088 or at info@consumeraction.org.au if you have any questions about this submission.

Yours sincerely

CONSUMER ACTION LAW CENTRE



Gerard Brody
Chief Executive Officer

³ 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.