

Empowerment and protection: Updating Australia's Consumer Policy Framework



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About Consumer Action

- Campaign focused casework and policy organisation
- 18 staff
- Assist 1000s of consumers each year

PC review – risks and opportunity

Positives

- Proactive PC
- Acknowledgement of important themes – disadvantaged and vulnerable consumers, importance of consumer behaviour
- Opportunity to take stock of societal and market changes and update our framework

Risks

- Strong themes around cutting red tape, reducing compliance burdens
- CA agrees red tape helps no one but what is effective and necessary regulation and what is red tape may be subject of significant disagreement

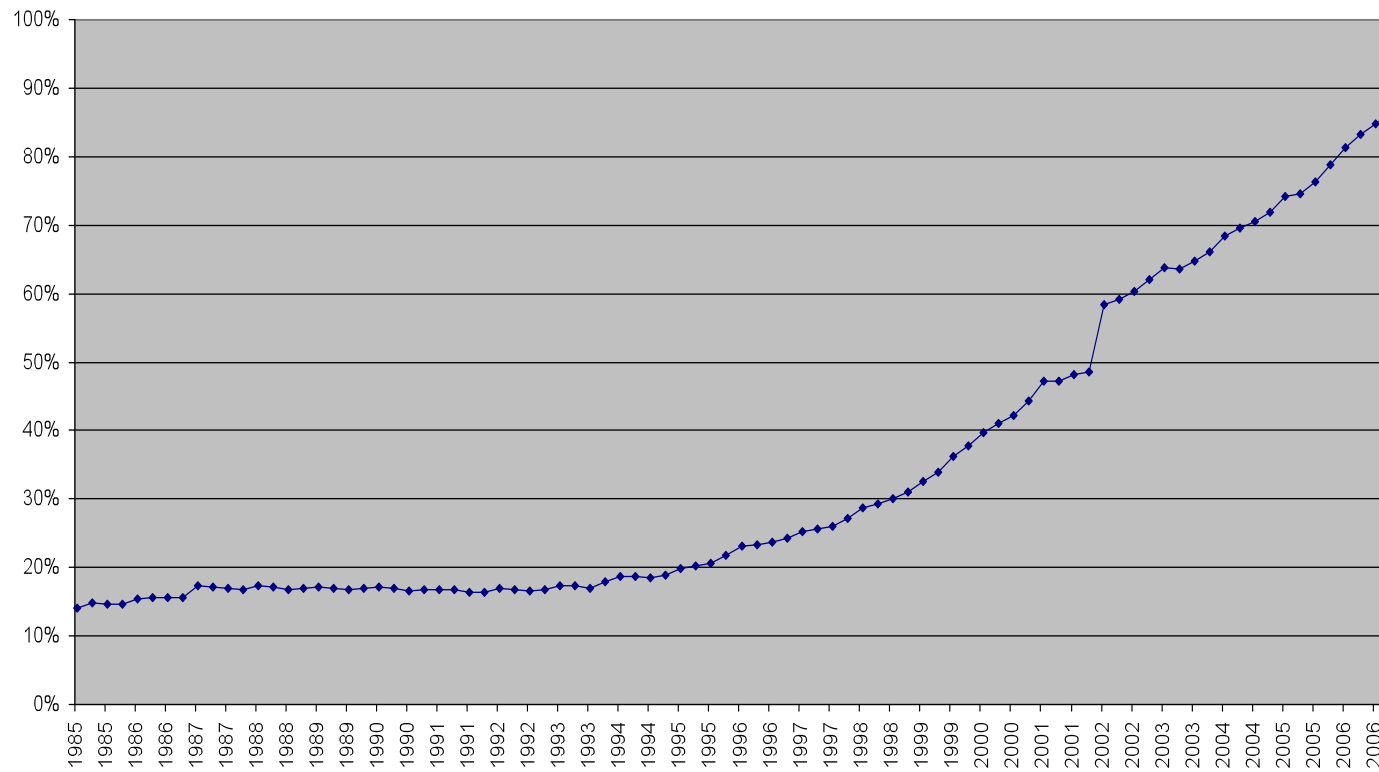
Trends and developments

- Have been many reviews impacting on TPA or areas of consumer policy but no comprehensive review of consumer protection since introduction of the TPA in 1974.
- Significant changes since that time
- Focus on a few of these

Increasing levels of consumer debt

- Rising debt as a percentage of income
- Eg credit cards

Credit Card Debt as Percentage of Annual Average Income



Market created problems eg intermediaries and conflicts of interest

- PC Issue paper touts intermediaries as a positive market development in response to complexity
- No disagreement about increasing complexity
- But an intermediary can't be said to act for a consumer or even be independent when their source of income is commission or other payments from a seller

Increasing attention to the role of consumers in markets & importance of consumer behaviour

“Consumers not only benefit from competition, they activate it, and one of the purposes of consumer protection law is to ensure that are in a position to do so”

Ron Bannerman, TPC Annual Report 1984 AGPS, Canberra, 1984 at 184

So if we are serious about competition we need to be serious about consumer protection. I.e. it is not a 'competition' between regulation and market mechanisms

Other roles of consumer protection

- Consumer protection is required for consumers to operate confidently and effectively
- But it does and should do more
- Assist to distribute benefits of competition
- Reflection of broader societal goals

Disadvantaged and vulnerable consumers

- Not a small group - all can be vulnerable at some time or in relation to particular issues
- Can miss out on benefits of competition
- Problems experienced by d&v consumers may be a pointer to broader consumer detriment
- Therefore broad or targeted approaches may be preferable depending on nature of problem

Industry specific and general regulation

- Theme in PC issues paper that ISR drives inconsistency and duplication
- However can also drive down compliance costs and improve certainty
- Often governments and industry that call for it
- Maybe particularly important in certain circumstances eg essential services, new markets, credence goods, high risk products

What does our environment say about our approaches to CP

- First and foremost recognise the need for range of tools in the arsenal
- Should not preference one set of tools over another - it a question of identifying the right tool for the job
- Application should not be linear ie sometimes regulation is the right first response sometimes licensing, sometimes information.

Evidence based approaches

- Evidence is necessary
- But let's have evidence where deregulation is sought not just for new regulation
- Need to be better at counting costs to consumers of absence of regulation
- Need to be better at measuring benefit
- Lack of consumer data and independent bodies charged to develop it

Downgrading of importance of consumer protection at a federal level

- No Federal Minister for Consumer Affairs since 1998
- De-funding of advocacy organisations
- TPA falling behind
- Even basic improvements to existing framework have floundered

Other institutional arrangements

- The need for speed

A way forward

- World class consumer protection
- Improve our ability to analyse costs and benefits – independent research is a critical element to success
- Strengthening the consumer voice
- Much greater enforcement of existing law
- Help achieve our existing CP law objectives - make markets work *for consumers*