



Letter for Publication

It is not just business and the states calling for changes to Australia's consumer policy framework (AFR 1 October). CHOICE (the Australian Consumers' Association) has long been calling for a substantial overhaul, as we see first hand the negative impact of the incoherent policies now in place.

Too much consumer policy fails to reflect the realities of modern markets, including the growth of services, online commerce, and the rise of intermediaries such as financial advisers. Inconsistent state laws and federal/state buck passing will not improve regulatory effectiveness in increasingly national and international markets. Too much consumer policy is reactive rather than preventative, such as in the areas of sustainable consumption and product safety.

Proposals to divide the Australian Competition and Consumer Commission into separate regulators are a distraction. The clear linkage between competition and consumer policy mean that such a division would weaken rather than strengthen market regulation. Rather than separate these areas, we need a Federal Minister for Competition and Consumer Policy, to give greater coherence to market reforms.

Australian consumers deserve a consumer policy framework that can generate sensible and timely responses to emerging market problems. At present consumer policy development is a "tar pit", where policy proposals get caught in the sticky mud of state bureaucracies and federal/state politics. The development of the regulatory regime for the mortgage broking sector is a classic example. While we wait for years for a sensible regulatory system, the barriers to entry for brokers remain close to zero and credit mis-selling persists. It is time to transfer the regulation of credit to the national level, consistent with the regulation of all other financial services.

As well as structural issues, we need an urgent revamp of the consumer policy toolkit. It's clear from financial services reform that the one-dimensional use of disclosure is not the answer to every market problem, and can raise costs for industry without addressing consumer detriment. Key regulators, such as the ACCC and ASIC, need greater ability to act for groups of consumers, which would contribute to a more cost-effective use of regulatory resources.

The current Productivity Commission review of consumer policy – if it is genuinely open to new thinking on consumer market regulation - provides the opportunity to modernise Australia's consumer policy framework. This review's starting point should be the need to ensure that consumers have confidence and trust in markets, payment systems, and the ethical conduct of companies. After all, while large corporations or state agencies may be calling for reform, ultimately market regulation is supposed to deliver the goods for consumers.

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