

# OPENING ADDRESS NATIONAL CONSUMER CONGRESS

RACV CLUB, MELBOURNE

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## Key Points

**Vision for consumer policy:** My vision for Australia's consumer policy framework is one which is more responsive, more cost-effective, and better coordinated across all levels of Government. One that is truly world-class.

**Productivity Commission inquiry:** is the first substantial review of Australia's consumer policy framework in over two decades. It will focus on the right regulatory framework to empower and inform consumers.

**Product safety:** Productivity Commission favours the "single law, single regulator" model. This will provide the best outcomes for both consumers and business.

**Financial Literacy Foundation:** Over the next year, the Foundation will further financial literacy education initiatives, and progress two major research projects.

**Scams:** Proposed enhancements to the information-sharing powers in the Trade Practices Act 1974 will enable Australia's consumer protection agencies to work together more efficiently to target scammers.

Good morning. It gives me great pleasure to be here today to officially open the National Consumer Congress.

I'd like to welcome you all to the congress. And to our interstate visitors, I extend a particularly warm welcome to my home town of Melbourne.

Forums like the National Consumer Congress, which the Australian Government is hosting this year, are invaluable for bringing people together ... for exchanging views ... and for progressing key issues. They also provide governments with the opportunity to hear stakeholders' views firsthand.

The theme for this year's congress, "The Changing Environment of Consumer Policy" is very apt.

The winds of change are sweeping through the consumer landscape as consumers use new technologies to research and purchase goods and services.

Consumers themselves are also changing. They are developing different tastes and outlooks. And they are ageing. Our ageing population is a recurring topic these days. And we use terms like "sea change" to describe the various aspirations and priorities of significant numbers of Australians.

All of these changes are creating fresh challenges for consumer advocates and for policymakers.

But more than just presenting us with challenges, I believe that the current environment also presents us with a wonderful opportunity.

An opportunity to create a new framework for consumer policy. One which is more responsive to consumer needs ... more efficient ... more cost-effective ... and better coordinated across all levels of government. A framework in which industry and government work collaboratively to benefit consumers. A framework with a national focus.

In other words, a framework which is truly world-leading.

Ladies and gentlemen, this is my vision for consumer policy in Australia.

Australians are well-known for their adaptability. And so it follows that Australian consumers will display that particular characteristic.

The internet has revolutionised the way we spend our money. According to ABS data, in 2004-05, about one-third of Australians were shopping online — a dramatic increase, up from just seven per cent in 2000. This is also a far higher uptake than both the UK and USA. In 2005, only a quarter of adult Britons and Americans were shopping online.

Australians are also spending more money online. Recent data from Nielsen shows that total annual online spending in Australia jumped 63 per cent in 2006 to \$12.5 billion. That means that each one of the more than six million Australians who shop online spend, on average, more than \$2,000 a year on internet purchases.

What do we buy online? According to the Australian Bureau of Statistics, travel, accommodation and ticketing services top the list. CDs, DVDs, books and magazines are also popular, along with computer software and hardware. Stocks and shares are also frequently traded online.

According to figures released by Nielsen Research, Australia's three most popular shopping websites are the Australian eBay site, followed by eBay.com and amazon.com.

This is clear evidence that our markets are now national and international.

And we can expect this taste for online shopping to grow. Because Australia has always had a history of rapid technology uptake. Also, the increasing availability of broadband access will mean that the volume of online shopping can only be expected to increase.

That means it's time to rethink our approach. As I mentioned earlier, the old way of doing things is no longer the best way of moving forward. Australian consumers demand consumer policy which keeps up with their changing needs.

## **CONSUMER CONTRIBUTION TO ECONOMY**

Ladies and gentlemen, the close inter-relationship between consumer spending and economic growth is another reason why we need a truly coordinated, nationally-focused approach to consumer policy.

In Australia, consumer spending represents about 60 per cent of Gross Domestic Product. A small change in consumer confidence — up or down — can have a significant effect on our national economy.

We saw the upward trend headlined in the media last week, with the news that GDP grew by one per cent in the December quarter — twice as fast as expected. This good news was due to increased consumer spending, particularly on clothing, household goods, new cars and communication services.

## **PRODUCTIVITY COMMISSION INQUIRY**

Given the importance of these sectors to our economy and to all of us as consumers I'd like to turn now to the Productivity Commission inquiry into our consumer policy framework...

This is the first substantial review of Australia's consumer policy framework in over two decades.

As the Commission pointed out in the issues paper it released in January this year, changes to our existing consumer policy framework "have largely been introduced in an incremental and often reactive fashion".

Consumer regulation and administration is also fragmented across the States and Territories.

Given this considerable array of regulation, the timeframe it has to report, and the changes already under way, the Commission has determined how it can add the most value.

It will focus on high-level institutional, procedural and policy issues, with the objective of identifying the framework that will deliver the best outcomes for consumers, families, businesses and the wider community.

Ladies and gentlemen, this brings me to my next point.

Consumers have a lot to gain from this review. In commissioning the inquiry, we particularly asked the Commission to focus on how its recommendations would affect consumers.

In general terms, we asked the Commission to evaluate the policy settings that facilitate effective participation in markets by consumers. This review recognises the essential role consumers play in driving competition among suppliers.

Importantly, we asked the Commission to identify policy that will assist and empower consumers in meeting the challenges of today and tomorrow. The Government also asked the Commission to identify areas of consumer regulation unlikely to provide net benefits to Australia. After all, consumers do not benefit from regulation which imposes net costs.

Given the broad scope of the review, the Government has given the Productivity Commission very wide terms of reference for the inquiry.

The terms of reference include...

Improving the consumer policy framework to assist and empower consumers to meet current and future challenges...

Improving the harmonisation and coordination of consumer policy across all levels of government...

And reducing regulatory duplication and inconsistency.

The Productivity Commission will consult widely with consumers, business, governments and other stakeholders before making any recommendations. It will hold public hearings and roundtable discussions early next month, with a release of the draft report scheduled for late July. A final report will be issued in December.

If anyone doubts the need for a stocktake of our consumer policies, the Commission's issues paper offers compelling reasons.

As it suggests, the question is not whether there is a role for government in the consumer area. Rather, as the Commission points out, "the key issue is how extensive that role should be and what form it should take".

I encourage you all to participate in tomorrow's sessions on the Productivity Commission review. We are fortunate to have Productivity Commissioner, Robert Fitzgerald and an outstanding array of contributors featuring in tomorrow's program.

## **PRODUCT SAFETY**

Ladies and gentlemen, 2007 will be a landmark year for consumers. In addition to the Productivity Commission review, the Government is advancing the consumer agenda on several fronts.

One of these is product safety.

The Productivity Commission has already played a significant role in product safety.

Following the Commission's *Review of the Australian Consumer Product Safety System*, the Ministerial Council for Consumer Affairs has agreed in-principle that we need uniform product safety regulation across the country

Consistent legislative coverage will provide significant benefits by ensuring that businesses are subject to the same law, wherever they operate in Australia. This is an increasingly important issue in our borderless consumer marketplace.

This will have the flow-on effects of encouraging businesses to enter new markets, improving competition and allowing businesses to realise economies of scale. In turn, many of these benefits will be passed on to consumers in the form of a wider range of goods at more competitive prices.

Given the existing inconsistencies, any move towards regulatory harmonisation is good news for industry **and** consumers. But much work remains to be done, and from my perspective I disagree with the state and territory focused option the majority of the Ministerial Council wants to pursue.

### **Single law, single regulator**

While the Productivity Commission did endorse regulatory harmonisation, it favoured the "single law, single regulator" model. I want to say to you today that I also favour this approach.

When it comes to product safety, I strongly agree with the Commission when it says that this approach will provide the best outcomes for both consumers and business.

Having the Australian Consumer and Competition Commission as a single national product safety regulator makes a lot more sense than having policy development, law enforcement and education fragmented and spread across nine jurisdictions.

In the same way, any new systems for identifying hazards and recording injury data could be implemented far more efficiently at the national level.

The single law, single regulator approach would promote greater certainty and reduce complexity. In this way, it would reduce compliance costs for business, helping to make businesses more competitive domestically and internationally.

It would also significantly improve regulatory efficiency. Just as there are economies of scale in business, so too, there are economies of scale in regulation.

Developing mandatory standards and regulation impact statements is time-consuming and expensive. So it makes sense to produce just one set of standards, or one regulation impact statement.

Similarly, having a single regulator would ensure that regulatory resources are committed to addressing the most serious risks. Regulatory processes like stakeholder consultation would also be carried out in a consistent manner.

One national product safety recall system is likely to be far more effective and less expensive. And stripping back the layers of bureaucracy is likely to result in greater responsiveness to emerging product safety issues.

The ACCC has already demonstrated its capabilities in the product safety area — particularly in its rapid response to hazardous products, and in implementing bans.

We have a quite recent example of this ... On the 14th of December last year, the Australian Quarantine & Inspection Service advised the ACCC that a novelty item called “Message in a Bottle” contained highly toxic seeds **which could cause death** if ingested. Following advice from the ACCC I signed the formal Warning Notice and issued a press release the next day.

Australian consumers demand that kind of swift, decisive response to product safety.

The Commission’s *Research Report into Consumer Product Safety* also identified great potential for policymakers to further investigate the causes of consumer accidents.

The Commission reported that:

“the current level of research on consumer product safety, in particular in the area of data collection ... is limited and poorly coordinated.”

As a result of the Commission’s report, the Ministerial Council (the Council) will undertake a baseline study on consumer product safety. This is scheduled for completion mid-year.

The study will identify the incidence, causes and costs of consumer product-related accidents, and analyse the significance of different causes of accidents.

This is important work. By improving hazard identification, we could potentially reduce the number of deaths and injuries caused by unsafe products.

**Ethic of cooperation with stakeholders**

Ladies and gentlemen, the Ministerial Council has embarked on these two projects — the baseline study on consumer product safety, and the push for uniform product safety regulation — for one simple reason.

The reason is this: **product safety is one of the most important issues facing over 20 million Australians.**

When consumers are thinking about buying goods and services, they consider things like the quality and price. They don't often explicitly consider safety aspects because they expect that any product sold in Australia will be safe to use.

To put it another way, consumers place a great deal of trust in governments and other agencies responsible for consumer affairs. We owe it to them to fully live up to their expectations.

We must also remember that consumers are generally not equipped to assess the safety of consumer products themselves.

The importance that all governments, through the Council, are placing on product safety is a fitting precursor to the ethic of cooperation between the Commonwealth and the States which we will need if we are going to fully capitalise on the findings of the Productivity Commission Review.

My vision for consumer policy in Australia is one in which the Commonwealth, States and Territories work together in partnership. I welcome the States and Territories to the table to undertake joint consumer policy projects with joint funding.

After all, consumers benefit the most when we all work together.

Talking about working together provides me with the opportunity to acknowledge the contribution that industry makes to maintaining and improving our consumer frameworks. The principal sponsors of this congress, AAMI and ANZ, are good examples of successful businesses built on meeting the needs of consumers.

Recognising the vital contribution that industry makes to consumer wellbeing reinforces my commitment to engage in a continuing dialogue with industry into the future.

And most importantly, we can achieve the kind of world-leading consumer policy I envisage for Australia only when policymakers listen to consumers and consumer representatives. My door is always open to those who want to discuss important consumer issues.

At this point, I would also like to acknowledge the ongoing efforts of members of the Commonwealth Consumer Affairs Advisory Council.

The Council provides an important source of information to me and a grassroots approach, which I greatly appreciate. This year, it is undertaking a significant research project into consumer dispute resolution and complaint handling.

This is an important topic. Earlier this month, I spoke about the importance of a streamlined, efficient, practical and consumer-friendly external dispute resolution system in the financial sector. So I am looking forward to the Council's research project this year.

**FINANCIAL LITERACY FOUNDATION**

I am going to turn now to other initiatives on the consumer horizon for 2007...

At a time when Australian consumers are telling us that they are concerned about coping with the increasing complexity of their finances, the Government established the Financial Literacy Foundation.

2006 was a landmark year for the Foundation with the launch of the *Understanding Money* media campaign.

The campaign — which included television advertisements, radio spots, a suite of print ads, a [website](#) and other resources — was designed to raise consumer awareness of the benefits of financial literacy and the real difference it can make to their lives.

It placed financial literacy in the spotlight, complementing the Foundation's other work in areas such as the school curriculum and vocational education and training, as well as its significant commitment to research .

The *Understanding Money* website has proven to be very popular. I'm pleased to announce that last week the website received a "Highly Commended" award as a top finance site, in competition with about 5,000 sites nominated by readers of *NetGuide* magazine.

2007 will be another big year for the Foundation. Over the next 12 months, the Foundation will further financial literacy education initiatives ... and advance two major research projects.

The Foundation is delivering the financial literacy message to a wide cross-section of our population. For example, the *Understanding Money* handbook has been distributed through childcare centres to families with young children, and is proving very popular. You can also find a copy of the handbook in your information satchel.

The roll-out of financial literacy into Australia's technical colleges is well underway. The Foundation is also promoting financial literacy as a vocational training and education-accredited option for Year 11 and Year 12 school students.

## SCAMS

As well as concerns about how to best manage their money, consumers are worried about increasingly sophisticated and dangerous scams.

The Australian Competition and Consumer Commission continues to target scams. In the past year, the ACCC has continued to vigorously enforce the consumer framework of the Trade Practices Act. For example, last year it took court action against a number of scams targeting small businesses and took out an injunction against a business claiming to cure cancer.

Of course, we would prefer to prevent scams. That is why the ACCC recently launched its revamped Scamwatch website to educate consumers about scams. That kind of knowledge is vital.

The site complements the innovative *Little Black Book of Scams*. It features stories from Australians who have been targeted by scams, helping consumers to learn from the experiences of others. Also, to educate consumers, it contains a list of 39 different types of scams.

The Scamwatch website also serves as the internet portal for the annual scam awareness campaign run by the Australasian Consumer Fraud Taskforce.

Earlier this month, I welcomed the start of this year's campaign. It focuses on the golden rule: "If it sounds too good to be true, it probably is!"

The four-week campaign is a coordinated effort by the Australian Government through agencies such as the ACCC, the Australian Securities and Investment Commission, or ASIC, and the Australian Federal Police. State and Territory governments and the New Zealand Government are also contributors.

As Peter Kell, Chief Executive of Choice, said in relation to Scamwatch:

"Our email inboxes, mobile phones and mailboxes overflow with offers to earn money from home, prize giveaways and cheap deals on goods and services and often it is difficult for consumers to tell if they are genuine offers."

Another weapon in our arsenal against scammers is the proposed enhancements to the information-sharing powers of the Trade Practices Act.

These strengthened provisions will enable Australia's consumer protection agencies to work together more efficiently. It will mean that the ACCC and State and Territory agencies working on joint investigations will have better access to the full range of relevant information.

The information-sharing provisions will also mean better protection for Australian consumers from scam artists based overseas. Information obtained in Australia can be provided to foreign agencies to help them investigate the activities of people and companies within their jurisdiction.

## **CONCLUSION**

Ladies and gentlemen, in this year of change, I am committed to continuing to work with stakeholders to ensure that Australia has a consumer policy framework that we can truly call world-class. The kind of responsive, unified and efficient framework that Australian consumers expect and deserve.

I trust that you will all join me so that we can work together to realise this vision. And I hope that the congress gives all of you the opportunity to discuss with your colleagues the best ways of working towards that goal.

I would like to thank The Treasury for organising this National Consumer Congress and for putting together such an excellent program.

We have over 250 representatives from government, business, academia, consumer and community groups gathered together here at the congress. We all, every one of us, have the power to achieve the kind of change I have outlined today.

Thank you.