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HOUSE OF REPRESENTATIVES

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COMMITTEES

Economics Committee

Report

SPEECH

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Speaker Thistlethwaite, Matt, MP	Question No.

Mr THISTLETHWAITE (Kingsford Smith) (17:36): I wish to make a few comments regarding the House of Representatives Standing Committee on Economics review of the Australian Prudential Regulation Authority, the Australian Competition and Consumer Commission and the Australian Securities and Investments Commission and their annual reports, but I must make some comments regarding the previous speaker's description of the banking inquiry.

Let's face it: the economics inquiry into the banks is nothing more than a diversion tactic from this government. It is Malcolm Turnbull, the member for Wentworth, doing all he can to avoid a royal commission into the banks. The banking executives came here to Canberra for a two-hour cup of tea. They spent the first hour of their evidence apologising to the Australian public for all of the scandals in wealth creation, in insurance arms, in their banking and deposit schemes, in their credit card arms, in respect of their mortgage practices and for the fact that they do not pass on interest rate cuts when the RBA passes a rate cut. To say that they were inquired into, that there was a thorough investigation and that there will be meaningful recommendations coming out of the House of Representatives committee report into the banks is nothing but laughable. Nonetheless, the committee will report tomorrow, and I will make further comments regarding that in the coming days.

At the public hearings regarding APRA, ASIC and the ACCC, the committee examined the current policy settings and regulatory framework for enforcement of prudential standards and practices by APRA. Issues canvassed included competition in the banking sector, recent stress testing of authorised deposit-making institutions that APRA conducted, increased margins in small business lending, increased supervision of investor lending in the property market, rate tracker mortgages, executive accountability in APRA regulated institutions, reviews into the life insurance industry and related party arrangements, and fees and superannuation.

In his opening statement to the committee the Chairman of APRA, Wayne Byres, updated the committee on key areas of APRA's work and regulatory agenda through the course of the year since the previous hearing with the committee in March 2016. The chairman reiterated APRA's view:

... that a strong, stable and competitive financial sector is essential for the ongoing prosperity of the Australian community. Importantly, we do not see enhanced safety as necessarily requiring a trade-off with competition. Rather, the two are complementary since only sound financial institutions will be able to support their customers – both existing and new – through good times and bad.

The committee also examined the current policy settings in corporate, market and financial system regulation, focusing on ASIC's surveillance and enforcement activities, the powers and recent activities of the ACCC, resourcing of the organisation, sectors of concern and priority areas for the ACCC.

Competition in the banking sector was also discussed as were other matters, including petrol pricing, food and grocery code of conduct, and the motor vehicle aftermarket. I expressed some concerns regarding the motor vehicle aftermarket, particularly regarding the fact that there had been claims that the big companies that lease vehicles, the big sellers of vehicles and the big manufacturers of vehicles in Australia—or those that used to manufacture in Australia but no longer do—were withholding information from smaller vehicle repairers and smash repairers. That information relates to the computer codes and computer systems that operate in every car these days. There has been an inquiry announced. The government did promise prior to the last election to undertake an inquiry. They have not done that but we found out through this questioning of the ACCC that the government will adopt the ACCC's inquiry and their findings, so that is something that we will be keen to see in the coming months.

In the week preceding, the committee had been asking questions of the CEOs of the big four banks. Unfortunately, the same issues that plagued those sessions with the banks—namely the lack of adequate time for effective questioning—also affected the committee's ability to properly and sufficiently scrutinise the regulatory

institutions. When we talk about the gamut of issues that had been covered, which I mentioned earlier, we really only got two or three questions for each of the regulators regarding the operations of the banks.

Nonetheless, in every respect, the regulators were quite scathing and there was the occasional revelation, such as the admission by the head of the Australian Securities and Investments Commission, Greg Medcraft, himself a former banker, that the major determinate of mortgage rates set by the banks is the RBA cash rate. This statement was directly contrary to the evidence that was given to the committee by the representatives of the four major banks when they claimed that the cost of capital and how they sell and set their mortgage rates was not majority determined by the RBA cash rate but by the price of that capital on international markets. So there is an interesting contrast between the evidence that was given by the chairman of ASIC and the evidence given by the CEOs of the four major banks.

This was a startling revelation that proved further that a royal commission into the banking industry is the only way to get to the bottom of the practices that banks utilise, often to the detriment of ordinary Australians. Over the course of the hearings and in recent years, Australians have become used to reading in the newspapers and watching on their newsreels at night stories about the banks ripping off Aussie customers. Every Australian uses a bank, but too many Australians are being used by their bank. It is time the government did the right thing and established a royal commission to shine a light on the toxic banking culture and put an end to the rip-offs and shonky dealings once and for all. Only when we have that thorough investigation over a long period of time with an independent arbiter will we be able to get to the bottom of what is really going on in the banking industry and change the culture, because everyone, including some of those CEOs, admitted that there does need to be a change in the banking industry in Australia.

The DEPUTY SPEAKER (Mr Buchholz): To assist the House, unless the member for Perth particularly needs to speak—I will allow latitude, the same as what we had from the former speaker. I need to get through three committee reports. The first is the one from ASIC. If there are no further speakers on the ASIC report, I would like to move to the Australian Competition and Consumer Commission report. I will give you as much latitude as you want, because they are all economics based. That being the case and there being no further speakers, the debate is adjourned and the resumption will be made an order of the day for the next sitting.