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The Hon John Murphy MP
Chair
Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600

04 OCT 2012

Dear Mr ~~Murphy~~

Thank you for your letter of 20 August 2012 regarding a petition submitted for consideration by the Standing Committee on Petitions requesting a new nationally owned bank to be established (reference 693/1124).

For many years, a government owned bank played a significant role in the financial sector, however the Government does not consider it appropriate for it to own or operate a bank or other financial institutions in the modern Australian economy.

A government-owned bank would provide similar services and products to those currently provided by the private sector and would not be in a position to provide better or cheaper services to customers than a private institution in a competitive environment.

The Government is of the view that strong competition in the financial services sector is critical to ensuring consumers get the services they want at the lowest possible prices.

That is why the Australian Government has taken action to promote a competitive and sustainable banking system. The Government introduced three broad streams of reform: to empower consumers to get a better deal; to help smaller lenders put more competitive pressure on the big banks; and to secure Australia's financial system, to provide a sustainable flow of credit to households and businesses.

To empower consumers to get a better deal, the Government has introduced a new 'tick and flick' service so consumers can easily switch transaction accounts to another bank, building society or credit union. This new service removes the burden of having to change the details of automatic debit and credit transactions.

The Government also banned exit fees on home loans entered into after 1 July 2011 to reduce the costs of switching to cheaper mortgage products. Borrowers can now also request a mandatory key fact sheet to enhance their capacity to compare the costs of different mortgage products when they shop around for home loans.

The Government has also passed legislation to help get a better deal for Australians with credit cards by giving consumers more control over the amount they borrow while stamping out lender practices that see them pay more interest than they should.

In addition to these measures, the Government has also empowered the Australian Competition and Consumer Commission to prosecute anti-competitive price signalling, to prevent banks from engaging in behaviour designed to keep interest rates higher than they otherwise would be.

To support smaller lenders in putting competitive pressure on the big banks, and to secure critical deposit funding for smaller lenders, the Government has:

- confirmed the Financial Claims Scheme as a permanent feature of our financial system;
- increased its investment to support the securitisation market, which many of our smaller lenders rely on to make cheaper loans, by \$4 billion; and
- launched a national community awareness and education campaign, to build understanding about the range of competitive deals available and empower consumers to shop around.

A competitive and sustainable banking system is central to the Government's broad economic agenda, and continues our record of strong and responsible economic management.

Information on the Government's *Competitive and Sustainable Banking System* reforms is available from: www.bankingreforms.gov.au.

Thank you for bringing this petition to my attention.

Yours sincerely,

WAYNE SWAN