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Strong banks – strong Australia

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Senate Economics Legislation Committee Hearing Major Bank Levy Bill 2017

Friday 16 June 2017

Opening statement by Anna Bligh, Chief Executive, Australian Bankers' Association

****CHECK AGAINST DELIVERY****

Good morning.

Thank you for the opportunity to meet with you today.

I'm joined today by Tony Pearson, the Australian Bankers' Association's Chief Economist and Executive Director of Industry Policy.

This morning, I'd like to:

- Provide some context about the Australian Bankers' Association's views on the proposed major bank levy.
- Ask members of the Committee to consider potential amendments to the proposed legislation.

The ABA consists of 25 banks including the five banks directly impacted by the levy.

Given the differences in the scale and operations of our members, it is inevitable that from time to time, the interests of members will not be aligned, but this is the exception rather than the rule.

Overall, the industry as a whole has a common interest in joint representation on a range of issues, including the extensive raft of regulatory changes and reforms facing the industry.

The ABA acknowledges that a number of non-major banks support the proposed bank levy on the grounds that it will contribute to a more level playing field. The ABA endorses a strong and competitive banking industry.

The Association is voicing concerns about the tax on behalf of its affected members.

The Committee will hear directly from a range of member banks throughout the day.

In the design and formulation of the new bank tax – it is the ABA's view that given the scale of potential impacts – neither appropriate processes have been followed nor sufficient consultation has happened.

All ABA members have an interest in good public policy-making processes.

The ABA urges the committee to consider whether this has occurred in relation to this Bill.

In recent weeks, we have raised a number of concerns about the proposed tax – including:

- The rationale for the levy, given the government has changed the rationale publicly numerous times.
- How the levy was designed, given Treasury has not provided any modelling.
- Whether the levy will achieve its revenue raising target, given differing estimates between the affected banks and Treasury.
- Concern the levy could be extended to other banks or the rate increased in the future, given there is no sunset clause.

Many of these concerns have also been independently raised by credible third parties including a wide range of industry analysts; ratings agencies; academics; industry and peak bodies; think tanks; and business and political commentators.

On the question of policy rationale, the government has provided a number of motivations for the proposed tax.

The most oft-stated rationale is that additional funds are required for budget repair. If this is the case, the Bill should be amended to include a sunset clause removing the tax when the budget returns to surplus.

In the absence of a sunset clause, it is open to future governments to increase the tax and to extend it to other banks in the industry.

The ABA asks the Committee to consider amending the Bill to include such a sunset clause.

On the question of the design of this tax, there has been insufficient material shared by Treasury with the affected banks to determine the basis on which the Government has determined its estimated revenue target.

Without access to the Treasury modelling, banks are unable to confirm that the tax will achieve this target.

The ABA asks the Committee to request the public release of the Treasury modelling to enable transparent public scrutiny.

The Association is concerned by S.8 of the Bill which provides the Minister with scope to alter the operation of the levy via an "instrument" or put simply, new regulation.

These clauses give the Minister the powers to determine:

- The total liabilities amount
- The exclusions to which the levy will not apply, and
- The liabilities to which the daily average calculation will apply.

The Explanatory Memorandum does not provide any insight as to why these powers are required. The ABA seeks an understanding of the circumstances under which this clause may be applicable to reduce the uncertainty it creates around the future of the Bill.

The ABA also requests the Committee to request Treasury to explain why clauses 8(2) and 8(3) are included, in particular to elaborate on the intention of the drafting and why the powers are necessary.

If the Committee finds the explanation unsatisfactory, the ABA requests the Committee to have clauses 8(2) and 8(3) removed from the legislation.

The ABA is concerned that Government comments to the effect that the impacted banks should "absorb" the new tax, are misleading.

The proposed new tax is an additional cost of doing business and must be borne by savers, borrowers, bank employees, shareholders – or a combination of these groups. There are no other alternatives.

Banking is a successful industry. The five banks affected by this new tax are already the largest taxpayers in Australia.

This tax will increase their tax liability at a time when their global competitors are experiencing declining rates of corporate tax.

The banks affected by this proposed tax provide more than 120,000 jobs for Australians; help people into the security of home ownership; lend to small businesses, farmers and large companies to drive jobs and growth in the economy; and provide support for customers experiencing hardship.

Unintended consequences in this critical part of the economy should not be taken lightly.

The ABA is concerned that imposing a new tax on the banking sector, based in part on its success, sets a worrying precedent for other successful Australian businesses or industries.

Today, we're calling on members of the Committee to make appropriate inquiries into:

- The design of the levy and the basis on which it will be implemented, and
- To recommend appropriate amendments that will ensure the negative impact on the Australian economy is reduced.

Thank you for your time.

Tony and I are happy to take any questions.

ENDS