12 December 2010

Press Conference, Canberra

SUBJECTS: Competitive and Sustainable Banking System Package

TREASURER:

I just wanted to deal with a couple of other issues first before we go onto banking and competition in banking because I think everybody here is acutely aware that many Australians are suffering from flooding right around the country and of course it's time for us to think about all of those involved. I want to pay tribute to all of the hard work of the emergency service workers, all of the volunteers that are working hard out there, and of course the ADF that are lending a hand as well.

Also I think we have a final outcome from Cancun. I think this is a well balanced outcome. It puts in place the building blocks for future negotiations, paves the way for eventually a comprehensive agreement. As you know, here at home we are committed to strong action on climate change and of course central to this is putting a price on carbon - a very important economic decision to secure future prosperity.

And of course, we are here today also to talk about another aspect of economic reform. I want to talk about economic reform in our banking system because the Gillard Government has been determined to ensure that we have both a competitive and a sustainable banking system. It's absolutely central to our economic agenda. Now, there are three aspects to the reforms that I will announce today. The first aspect is to empower consumers, to give them the capacity to shop around but also to help our smaller lenders to compete with the bigger banks, and also fundamentally to ensure that credit flows, not just to Australian families, but also to Australian business.

Now I've been working quietly and I've been working methodically with our regulators on this plan for some time. I've also been working with my colleagues Bill Shorten and David Bradbury, and of course my Cabinet colleagues and I want to thank them for all of the effort that they've put in to developing this important plan.

I'm a believer in the fundamental importance of a market economy because a market economy brings flexibility and of course it brings strength. But in a market economy, business and of course Australian households need to be able to get a fair go in the banking system. And this package is all about helping the customers, helping households, and helping business so that we can build up competition in our banking system which will ensure that interest rates are lower over time.

Now, smaller lenders play a vital part in this objective. We need our smaller lenders to be able to compete vigorously with the big banks, forcing them, if you like, to do better by their customers. And it's also very important that consumers are fully informed about the wide range of competitive deals that are on offer. That is, it's important that they know where to look. So therefore, it's also vital that consumers have the capacity to move around - the freedom to move around so that they can get a better deal if they're not happy with their existing lender.

So, these reforms are very important and it is important to get the reforms right. It's important that they are enduring and it's important that we don't let the big banks off the hook. And it's also important that these reforms don't have unintended consequences.

I have consulted, and the Government has consulted widely over a long period of time about these reforms. I've done that personally as a Minister. The Treasury has done that as an organisation speaking to business regularly. I've done it through my advisory committee. And we will continue to talk to industry about these reforms and we will continue to consult them about the design and implementation of the reforms that I'm announcing today. Because measured reforms like these will secure the flow of credit to all households and businesses. But these forward looking reforms will also harness our national superannuation savings so we can domestically fund more of our productive investment in our economy.

Now, there's no silver bullet here. The global financial crisis did bring very serious challenges for our financial system. We can't solve all of these challenges overnight. We're talking about a $2.5 trillion sector here on which something like 200,000 Australians depend for their employment. So we need to move decisively, but we also need to move carefully. It will take time to build stronger competition in our banking sector because the impacts of the global financial crisis are still lingering and of course, as you know, Australia came through the global recession with a strength that few other developed countries have. We acted quickly, we acted decisively. And when we acted quickly and decisively to put in place our bank guarantee, our deposit guarantee, and our wholesale funding guarantee, we secured the flow of credit to the Australian economy and that was something that was a major strength and advantage for Australia.

But we are not immune from the impacts of the global financial crisis, and the global financial crisis hit the smaller lenders really hard and, of course that hurt banking competition. Why did that occur? How did that occur? It's important to understand this important background to the development of the package today.

Now, in the two decades prior to the global financial crisis, the rapid growth in securitisation as a funding source for smaller lenders was the key driver in substantially eroding the market power of the big banks. Major bank net interest margins were driven down - as you can see in that graph there - driven down from around 4.5 per cent in the late 1980s to just under 2.5 per cent before the crisis. That largely reflected the power of competition from our smaller lenders who were reliant upon securitisation. The problem, however, was that when the global financial crisis hit, Australian RMBS, which were backed by very safe loans in this country, suffered brand damage. And of course investors didn't continue to invest in residential mortgage backed securities in this country despite the fact that they were a very good investment. So the contagion effect from the subprime loans used to back RMBS in the United States shattered the confidence of global investors and they didn't continue to invest in residential mortgage backed securities in this country.

And as you can see in that graph there, the issuance of residential mortgage backed securities fell off a cliff at the end of 2007 and through 2008, and that withdrew an important funding source, an important power for competition in the market from the market and it basically hit the capacity of smaller lenders to compete with our bigger banks. Of course that's why the Government moved back in September and October 2008 to invest substantially in residential mortgage backed securities - $8 billion announced towards the end of 2008 and of course a further $8 billion announced in 2009. This investment has been absolutely critical in supporting the important funding market for our smaller lenders so that they have been able to continue to compete with our bigger banks. That initiative has been absolutely critical to reinforcing and sustaining the architecture of competition against the big banks over the past few years. And of course, in that environment in the middle of 2008 you would all recall that we announced the introduction of a financial claims scheme, in June 2008, which then was adjusted to become the deposit guarantee and the wholesale funding guarantee in October 2008. The announcement of, first of all the financial claims scheme, then the deposit guarantee and the wholesale funding guarantee of October 2008 gave 16 million Australians with deposits absolute certainty about their deposits. Those were critical decisions for the Australian economy and for the Australian financial system.

And of course those decisions secured the critical deposit funding for many of our smaller lenders, our regional banks, our credit unions and our building societies. If you have a look there you'll see just how dependent our smaller institutions are, our credit unions and building societies and our smaller regional banks, how dependent they are on deposit funding. If it wasn't for our financial claims scheme and our deposit guarantee they would've had very substantial problems during that period and on from there.

And of course the smaller regional banks also accessed our wholesale funding guarantee. Smaller regional banks picked up something like $65 billion of wholesale funding, accessing our guarantee. If they had not done that, they would have been without funding during critical periods through 2009.

The point I want to make about all of this, and why it's important to go through the history of it, is that the situation in Australia is entirely different from what it is elsewhere. Elsewhere they're still talking about the sustainability and the survivability of their financial system. The reason we are having a discussion about how we can make our system more competitive is that the Government's strengthened the foundations of our financial system over the past three years and today we're talking about further initiatives to make it more competitive. But what we have done in the past three years is put in place a range of measures that have given smaller lenders the capacity to compete with our major banks.

Now, of course you're all aware that in recent times there's been a debate about the big banks and whether they should have been raising their rates over and above the rate increases that have been decided upon by the Reserve Bank. I made it clear then, and I make it clear now, there's absolutely no justification for any bank to raise its interest rates above the increases in the cash rate announced by the Reserve Bank. The Reserve Bank has confirmed on multiple occasions over the past month that since mid-2009 major banks' overall funding costs have moved broadly in line with the cash rate and the RBA has also confirmed that the big banks' net interest margins are back at pre-crisis levels. That is actually what the RBA has said about the profitability of the net interest margins on the one hand and the funding costs of our banks.

And that brings us to why we're here today. The Government has been acutely aware of the impacts of the global financial crisis on the competitive outlook for our banking sector. We've been working on a range of measures over the past three years and we always intended a further range of measures to come forward. You will be familiar with the actions that we've taken this year, targeting unfair mortgage exit fees. And you're also familiar with our investment in RMBS - all of which has been put in place methodically in recent years to support our smaller lenders and to keep the super structure of our, the competitive basis of our financial system alive. What I'm announcing today is a further range of reforms to strengthen competition, to empower consumers, to support smaller lenders and to secure the flow of finance to our financial institutions.

Now the first stream of those reforms will ensure that consumers have the knowledge and the flexibility they need to find the best deals and to switch to those deals. And our first step here is to ban exit fees outright for new home loans from the 1st July 2011 - to ban exit fees outright for new home loans from 1st July 2011. Now, some big banks have already abolished their exit fees in direct response to the reforms that we already have out there, but we will legislate to ensure that they aren't reintroduced and that exit fees from other banks are banned. Now, if the banks try to re-badge their mortgage exit fees as any other type of fee ASIC will take them to court if these fees are unconscionable - that's the law for both existing and new home loans.

Now, these measures are absolutely critical to ensure customers can walk down the road and get a better deal. At the moment, what happens is that the big banks rely on the fact that they don't think their customers can walk down the road, or want to walk down the road. Well if customers want to make that choice then they should be able to do it, and that's the importance of this measure - to empower the consumer to take decisions to search for a better deal.

Now, in addition to that, we're going to take further steps to boost consumers' flexibility to transfer their deposits, and their mortgages by taking important steps to progress the transition towards full account portability. We're going to give this a go. It doesn't exist anywhere else in the world at this point in time but we think it's worth a go. And we're going to give it a go, which is why we've given the job to Bernie Fraser to scope out all of the difficulties and to tell us whether it's technically feasible, and if it's technically feasible how is it achievable and what is the time frame for that.

We'll also introduce a mandatory facts sheet which lenders must provide to new home loan customers so consumers can compare different offers side by side. Now, this is actually quite important because if you go and trawl through much of the material that is supplied to a borrower it's pretty incomprehensible. So what we do want here is a uniform fact sheet that a borrower can put from one financial institution up against one from another financial institution and clearly see what the difference between the two is. A small initiative, but an important initiative to empower the consumer. An important initiative to empower consumers.

Also I'm announcing today that we'll bring in tough new laws to prevent banks from engaging in anti-competitive price signalling - very important. The ACCC has advised me that they do believe there has been instances in banking of price signalling. In response to that advice, the only responsible thing to do is to move in this direction and give the ACCC the powers that it requires. We've worked with the ACCC on this methodically to avoid creating unintended consequences for other sectors of the economy.

Also we'll fast track legislation to get a better deal for Australians with credit cards to give them more control over their borrowing and of course to stamp out lender practices which overcharge with interest.

We will also launch a national community awareness and education campaign to empower consumers to shop around and that is also very important. And we'll establish a task force with the Reserve Bank to monitor and enhance the ATM competition reforms already in place and they have been substantial and take any further action needed to get the best deal for consumers.

That brings me to the second stream of these reforms. Our second reform stream builds on measures we've already taken to support smaller lenders to compete with the big banks. We'll build a new pillar in our banking system from the competitive power of our credit unions and our building societies. First of all, we'll educate consumers about the safety and competitiveness of mutual lenders by letting more of those lenders call themselves banks, if they wish. We'll also put them right at the centre of our *'Bank on a Better Deal'* awareness campaign to promote their competitive role.

And we will introduce a new official Government protected deposit seal to help consumers easily identify that mutuals and regional banks are just as safe as the big banks. This is quite important. Many consumers don't understand that our mutuals and our building societies are regulated in the same way as the banks, regulated in the same way and that deposit protection applies to them, just as it does to the big banks. It's very important to this sector that that information is clearly understood.

And, of course today I am confirming that the financial claims scheme is a permanent feature of our financial system. The decision to introduce the scheme was taken of course, as I said to you before, well before the crisis back in June 2008. And of course it has been accelerated with the announcements that we made in October 2008 to deal with the flow on effects from the collapse of Lehman Brothers in September that year. The deposits it covers are a critical source of funding for our smaller lenders, so this is a vital measure to support banking competition.

In addition, we'll invest a further $4 billion in high quality AAA-rated RMBS to keep supporting this vital funding market which our smaller lenders rely heavily on to compete by making cheaper home loans. These investments have been assisting the smaller lenders to be much more competitive and you can see that in what has become almost weekly announcements from those small lenders in terms of their issuance of RMBS and their participation in that market with the Australian Government via the AOFM.

We're also going to accelerate our work on developing a market for RMBS bullet bonds which smaller lenders can easily access. This is also another important initiative which will assist our smaller lenders and indeed, it was only last week, the first bullet RMBS issuance by a smaller lender, that is the Bendigo and Adelaide Bank, took place. A very important development in terms of the funding needs of our smaller banks.

And stream three is also important because this goes to the very core of our national prosperity, how we develop as a country, and how we fund that development. Stream three is all about securing the long-term safety and the sustainability of the Australian financial system. The first thing we are going to do here and it is quite important, is to amend the banking act to allow all Australian banks, credit unions and building societies to issue covered bonds.

Now, we've been consulting with our financial regulators for some time on this important measure. It will ensure Australian depositors will be fully protected by the permanent financial claims scheme and the financial claims scheme, you should note, also allows the Government to levy the banking industry so that tax payers are always protected. But the importance of covered bonds is that it will secure investment from Australian superannuation funds directly into our banking system in a way in which has not really occurred before. It will enable us to enhance investment by Australian savers back into our country for the development of our nation.

We'll also launch the trading of Commonwealth Government Securities on a securities exchange in Australia as part of our broader agenda to foster a deep and liquid corporate bond market. We'll also better align disclosure for retailed corporate bond issues with equivalent share issues, which all will then provide a high level of investor protection.

So what we're trying to do here is to build up deep and liquid markets for covered bonds and corporate bonds which will help us channel our national superannuation savings into investment in our economy, not just in someone else's economy.

So the three streams that I've outline today are the next steps we must take in building a competitive and sustainable banking system. We've done the hard work and the hard yards to get this right to ensure that these reforms are effective and enduring and don't risk letting the banks off the hook.

We'll now work with our regulators, industry and consumer groups to refine these reforms to implement them as soon as responsibly possible. Now, as I've said all along, there is no silver bullet when it comes to building our competition in the banking sector, but today I'm announcing a raft of changes which will further strengthen competition in this vital sector for the Australian economy. Now before I take your questions I might just ask Bill and then David to say a couple of words - Bill.

SHORTEN:

Thank you very much Treasurer. I'll just say that I believe that the banking package outlined by Treasurer Swan, passes the test in Main Street in Australian suburbs and towns. Does this make it easier for consumers and people with mortgages to shift mortgages? And the answer is yes. And does it make it easier for smaller lenders to compete with the large banks? The answer is yes. And in addition does it strengthen the financial sector in Australia? And the answer is yes. I believe today's package hits the sweet spot for competition for consumers in Australia.

BRADBURY:

Thanks very much. It's great to be here with the Treasurer and the Assistant Treasurer for the release of our banking package. My responsibilities as Parliamentary Secretary to the Treasurer, include areas such as competition policy, and consumer affairs, and financial literacy. These areas are front and centre of this debate about boosting competition in the banking sector.

This package is about many things, but at the heart at the package is an emphasis on consumers, both in the aim of the package and in its method. This is about delivering better services for consumers, for households and business. And it's about deploying the most potent weapon that we have in the battle against our banks and to improve banking competition, and that is an active and informed consumer.

There are a number of ways that we do this through the package, but first and foremost it's about providing more information to our consumers to ensure that as consumers we all understand the options that are available to us if we want to seek out the best options for us, our families and our businesses. But secondly, it's about ensuring that we do all that we can to remove those barriers that make it hard for consumers to switch.

In the end the most powerful tool that a consumer has in trying to help get the best deal for themselves is the ability to take their business, walk down the street to a new bank or a new institution and this package keeps the focus on that aspect.

In the end this package is designed to ensure that as consumers we all understand that we are not just the victims of a lack of competition when that occurs in the banking sector, but we are very much an important part of trying to drive competition in this sector and it's through financial literacy, making people available and aware of the choices that exist, that we can ensure that we drive further competition.

TREASURER:

Okay, over to you.

JOURNALIST:

(Inaudible) and how confident are you that the Opposition and the Independent s will let them through?

TREASURER:

Well, there's several pieces of legislation required and there will be some that will be presented for consultation forthwith. For example: the price signalling legislation. We want to move forward with that relatively quickly and of course we've got draft legislation done. We will now move into a consultation phase about draft legislation. We will receive industry response to that. We would hope to move that through as quickly as we possibly can. So that's one that stands out immediately.

Another one that stands out immediately is there will need to be, I think, a change to the banking act for covered bonds. As I've indicated to you, covered bonds are very important to secure further investment within Australia from our superannuation industry, so therefore that will certainly have a priority. I can't give you the full list of legislative priorities for next year as we will be working through that in terms of the broader agenda the Government has. But some of this will have a very high priority for presentation to the Parliament early in the New Year.

Do I expect there to be support for this? I certainly hope so. I think this package has a lot of integrity. It's the product of a lot of methodical work, a lot of advice, a lot of consultation and as you've seen from the behaviour of our larger banks in recent times, is necessary, is absolutely necessary to give consumers the tool, the tools that they require to walk down the road if they're unhappy with their financial institution.

So we will be certainly arguing our case strongly, not just with the minor parties in the Parliament but more broadly in the community. I've heard Mr Abbott being completely negative again on television last night so I don't know where the Opposition will be, but if they're going to be true to form they'll just be out there trying to wreck it as they are trying to wreck every other sensible initiative that the Government puts forward. But we'll certainly be arguing the case for this legislation very strongly.

Can I put it in these terms, because this is not just a technical debate. This really goes to values. If you think about our lives, if you think about Australians; the capacity to have a good job, with decent pay and conditions and the capacity to have a home and pay off a mortgage, are basically the foundation stones of peace of mind. And the reason why this is so important is that if you, as an Australian who has got a mortgage which you could be locked into for up to 30 years, suddenly feel that you've been unfairly treated by a large financial institution at the moment it is really difficult for you to break out of that. And that can have quite significant consequences, not just for your standard of living, but for you piece of mind.

So the values on which this package or plan based, are values which go to the very core of what we aspire to be as Australians. Australians dream to own a home. They know to do that they've got to have a good job. At the moment when it comes to employment Australians are doing really well. The number of jobs created in this country in recent times has simply been stunning, but unfortunately as a consequence of the global financial crisis the flow of credit is not what Australians require or need. The terms and conditions on which it's coming are not necessarily fair.

What we're on about here is giving Australians a fair go, and it's not just Australians who are wanting to buy a home, it's also anyone who shares the great Australian dream of setting up a small business. The capacity to get access to business finance - this is all linked and that's why this is such a balanced package. Consumer measures are measures to support our smaller lenders and long-term initiatives to secure the flow of Australian savings back into the development of our economy. And the values of which that is all based are the values of a prosperous economy, good jobs, and a decent standard of living and somewhere to live.

JOURNALIST:

(Inaudible) bank lenders, they charge you up to $7,000 -

TREASURER:

It's outrageous, isn't it?

JOURNALIST:

So non-bank lenders, will they be affected by these changes? And if so, how will that -

TREASURER:

Of course they will. There is absolutely no justification for anyone to have an exit fee of $7,000. It is just not justifiable in my view. Now we've put into this package a range of initiatives to support smaller lenders. I understand smaller lenders have done it tough. There are a range of initiatives here which will support the activities of smaller lenders. But if smaller lenders have to depend for their business model on an exit fee as high as $7,000, well that's just not sustainable. And it's not something we can tolerate if we want to have a banking system that is competitive and gives people a choice, if they are unhappy with their institution, to walk down the road. Because for $7,000 you'll never shift. You'll never be able to afford to shift. So we can't have fees that high. And of course, it has been fees, not that high, but fees which are nevertheless high and not a true reflection of cost that has been locking so many Australians into not moving their mortgage. And when they can't move their mortgage, the financial institution, they just clap because they know that they've got that consumer locked in.

JOURNALIST:

What about exit fees? (Inaudible) way around it?

TREASURER:

Well exactly. It could be if you didn't have strong consumer laws like we do. Because we've put in place national consumer credit laws and what we now have for the first time nationally is the power for ASIC to scrutinise all the fees of our banks and declare those that are unconscionable illegal. So if anyone thinks they are going to come back through the back door and set up another fee which is simply a substitute for the exit fee, it's not going to be on. We're awake to them, we're alive to them and we've got to target it.

JOURNALIST:

What is ‘unconscionable'?

TREASURER:

That will be a question for ASIC. If you are familiar with ASIC's discussion paper about unfair mortgage fees, you'll get a sense of how ASIC has been dealing with this, and I won't take you through it at great length now, I'll just simply make this point. Any fee that is out of whack with the real cost of doing business. Any fee that looks excessive and isn't just a fee where you recover your cost.

JOURNALIST:

Why not abolish them for existing mortgages? This is merely prospective. Someone on $7,000, with a $7,000 exit fee would remain on it after your package. Why have you allowed that to happen?

TREASURER:

That would be a reasonable question if it wasn't for what we have already done. And what we have already done is that we have already targeted unfair mortgage exit fees and we have put out the framework and the discussion paper about those in the ASIC paper that I just spoke about before. So we are already dealing...

JOURNALIST:

(Inaudible)

TREASURER:

No, no. We are already dealing now with unfair mortgage exit fees. What we're saying is that I don't think you could construct laws like this in any other way because you need certainty in the system and we're not banning them altogether, but we've taken a step on the way to that by what we're doing right now by targeting unfair fees. We haven't banned them, next step is banning. So I think we've been moving through that process and we're getting to the end of that process and that is the only responsible way to do that. But I might just ask my colleagues if they want to add to that.

JOURNALIST:

The reality is that millions of Australians who already have mortgages will not be able to get out of those exit fees.

TREASURER:

Millions of Australians who have mortgages now, now have access to the new laws that we have put in place and unconscionable conduct is exercisable right now, right. So part and parcel of what we will be doing informing Australians about this package is telling them that, because I don't believe they know.

JOURNALIST: (Inaudible)

TREASURER: Beg your pardon?

JOURNALIST: (Inaudible)

TREASURER:

Depends if they're unconscionable or not. They may not. They may not remain the same, that's the whole point. I don't think you quite get it and what we've already done. What we're announcing today is their abolition all together. But the fact is that we have put in place the framework to deal with them right now, that's why the ASIC paper was published a month or so ago and there is the framework for dealing with those and I don't think, I stand to be corrected here, that there'd be any other way for a response to deal with it, other than the way that we are doing that right now. Because we have been active in this space for a long time.

JOURNALIST:

Treasurer, you've got Bernie Fraser looking at a couple of things including (inaudible) mortgages. Wouldn't Ben Chifley be really happy that the Labor Party is effectively going into nationalise the mortgage system?

TREASURER:

No, we're not going into nationalise the mortgage system at all. There's a couple of issues here and they go to the capacity of people to move. Let's take mortgage lenders insurance, right. Now at the moment, you go along to a banks, your deposit is relatively small, you get charged mortgage lenders insurance. It can be something like $7,000. So here you've invested in mortgage lenders insurance and you've bought into your loan, it's like an exit fee. You're locked there forever. If you go through the package, we're trying to find a way where we can get a central repository, if you like, of people who've paid their insurance and trying to make that transferrable. What happens to those people now is they lose it if they terminate their loan. So you'll see through this package a number of areas where we're talking about what we can do to make people, to give people the ability to move without suffering some of these other consequences that can occur as is the case with mortgage lenders insurance.

Now, you'd also be aware that there are various ways in which if people get a mortgage they go along to some state department and pay their stamp duty. And if they want to get out of it, effectively they charged twice or three times. What we're talking about for a central repository, is you only ever pay that fee once. So this is not nationalisation, it's actually trying to make sure that people don't get caught up in paying a multiple of taxes which becomes the disincentive for them to ever move. That's what it's aimed at. Nothing like that. But you know, if people want to call me all sorts of names for backing the mutuals, fair enough. I don't apologise for it. Mutuals are going to be a very important part of this framework for all the reasons I outlined before. They're a safe alternative. What I want to see is more competition and to have the competition you've got to remove some of these roadblocks which lock people in to terms and conditions and they can't get out.

JOURNALIST:

(Inaudible) the Government guarantee over funding to be extended, for instance extended to RMBS. Can you talk about why that was and show them as (inaudible). Can I also ask a related question which is about the bullet bonds for RMBS. You mentioned that there were some bullet bonds being issued now. In that case, what actually is there that the Government needs to do to change the system if they're already being issued?

TREASURER:

Well, the terms of bullet bonds to get it going. The first issue was with our AOFM. That's the whole point. This is the sort of work we've already been doing and the bullet bonds is now a logical consequence. Now, the bullet bond is entirely different from normal RMBS and the difference with the bullet bond - this is quite important - it is more like an ordinary bond because the principal has been paid at the end. In normal RMBS you pay both interest at principal regularly. What investors want, what superannuation funds want is a financial instrument more like a bond. So the bullet bond is RMBS that is more like, more like in profile and in terms of income, a normal bond. So superannuation fund wanders along san says I might take that bullet bond over there because it's going to mature in such and such a time and I've got the income profile and all of that.

We've been doing this work - this is the evolution of our investment of, our investment in RMBS up until now. If you have a look, for example, at RMBS issuance, when we first started with the first tranche back at the end of 2008 through to 2009, we were the investors in most of the issuance - 80 per cent and the private sector was 20 per cent. What's actually happening now as the market is coming back is that we're the investors for 20 per cent and the market is 80 per cent. And as we've been through this process and as we've worked with the industry about what we can do about their funding needs, they've said to us, well if we could get a bullet bond going that this would further encourage other investors, such as the superannuation funds but not them exclusively, to become more interested in RMBS, like they used to be before the global financial crisis. So, the first bullet bond has now been issued. Now it's been done once, there will be a discussion about that and hopefully we'll see more of that happen. That is what, that is why what we've done up until now in the three years to now, is so important to what we're doing to the next three years. They are all linked. We have been really active in this area ever since this crisis hit and particularly when we had to live with the consequences of the collapse of Lehman Brothers which stopped the flow of credit to the Australian economy and if we hadn't acted this economy would have been in deep trouble. The guarantee made sure that people knew their deposits were safe wherever they left them, whether it was in a big bank, whether it was in a credit union, whether it was in a building society, and the wholesale funding guarantee got that funding back. The problem is, we are too reliant structurally on overseas funding. Bullet bonds, the corporate bond market, covered bonds are ways of lessening our reliance on overseas investors and marshalling the savings of Australians and getting it reinvested in our system. And by the way, in doing that providing some competition for the big banks.

JOURNALIST:

(Inaudible) success here. Is it the mutuals to move from the 10 per cent market share then more or less head toward 20 per cent (inaudible)?

TREASURER:

My benchmark for success is that Australians have the peace of mind in being able to change relatively easily over time through these changes. I am not here today to endorse one financial institution over another. I don't mind if people want to stay with the big banks providing it's an active choice, not an act of coercion. If people want to go to a mutual, great for them. If they believe in mutuals, they need to have the information that their mutual is safe. That their deposits are protected. So we're not here with a package that does anything other than attend to what are competitive road blocks in the flow of finance in our financial system, taking or trying to eliminate them or remove them or take the edge off them, so that consumers can take those decisions on their terms, not on the terms of some chief executive of one of the major banks.

JOURNALIST:

(Inaudible) bank accounts. Was it your intention that that would act like mobile phone numbers? You keep your number and you go (inaudible)

TREASURER:

Look, it's a really good question.

JOURNALIST:

Is that your intention? Do you think that it's a realistic prospect that this could ever happen? Or is this just...

TREASURER:

No I think it's really difficult. I think it's really difficult which is why we've gone down the Bernie Fraser road. Let me, let's use the example of mobile phones. This is a very good example. It took 15 years to get mobile phone number portability in Australia in what was a new and young and dynamic market. Trying to get deposit account portability in an older, established, much more complex market where each of the major institutions has different technology and so on is really hard. But we think it's worth a go. You know, I'm not raising expectations about it, but we think it's certainly worth a go. There's no country that's successfully done it and our regulators have to be happy with how we approach it so doing it in this way is the only responsible way of going about it.

Thanks very much.

JOURNALIST:

(Inaudible) small business. Why is small business (inaudible)?

TREASURER:

Well I'm sorry there is stuff in here for small business. All of what we're doing, particularly in terms of the smaller lenders is for small business as well as mortgage holders but in terms specifically of small business, our last tranche of RMBS investment and the one that is coming also has a small business focus and I'm more than happy to supplying you with the evidence of how some of that money is now flowing to small business. But generally making the market more competitive is just as important to someone who's got that dream in Australia of establishing a small business as it is to someone who's got the dream of owning a home.