

Senior Adviser
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

March 30, 2015

Dear Sir/Madam,

**Re: Submission in response to the Final Report of the Financial System Inquiry: Recommendation
19 on Data Access and Use**

I write on behalf of the Australian Centre for Financial Studies (ACFS) and its community of researchers to endorse Recommendation 19 in the Final Report of the FSI which addresses the need for greater access and use of data.

While greater access to data is a critical aspect of encouraging alternative finance providers, reducing barriers to entry and lowering transaction costs, it is even more essential if we are to encourage better research for the purposes informing good policy.

The FSI Report notes that while national governments globally are adopting open data policies, in Australia there has been little recognition of the importance of this issue or debate about the need for change.

The FSI has pointed to these issues in Recommendation 19:

Review the costs and benefits of increasing access to and improving the use of data, taking into account community concerns about appropriate privacy protections.

Several recent public reports including the Productivity Commission Annual Report 2012–13 and the National Commission of Audit have noted the limited use of public sector data resources in Australia despite the low initial costs of doing so. These reports identify a lack of recognition of the benefits of shared information for achieving better outcomes for the economy. On this point the Productivity Commission observes that ‘... academics, researchers, data custodian agencies, consumers and some Ministers are eager to harness the evidentiary power of administrative data, but this enthusiasm generally is not matched by policy departments’.ⁱ

As a means of exploring better use of data as per Recommendation 19, the FSI has proposed that the Productivity Commission be tasked with undertaking ‘an inquiry into the costs and benefits of increasing access to and improving the use of data, subject to privacy considerations’, with the intention being to ‘enhance consumer outcomes, better inform decision making, and facilitate greater efficiency and innovation in the financial system’ (FSI Final Report p. 184).

We strongly support this recommendation and drawn some examples from the Monash-CSIRO Superannuation Research Cluster to demonstrate where access to public data for researchers can be

in the public interest, especially access to government data and corporate data from ASIC's Business Register.

Access to government data for research purposes

As the 2015 Intergenerational Report notes, one of the key challenges for policy makers is the ageing of the Australian population. Developing better policy which ensures a sustainable approach to providing for older Australian through the superannuation system, the Age Pension and the health system requires input from researchers, government agencies, and the finance sector with various product solutions.

In 2011, Monash University led a new initiative to develop a better evidence base for this purpose through bringing together a research program funded by a CSIRO Flagship Cluster Grant. This project draws together researchers from CSIRO, Monash and Griffith Universities, the University of Western Australia and the University of Warwick in the UK to apply their skills to this issue. These researchers are well informed by a Stakeholder group which includes representatives from ANZ, AMP Capital, BT, CBus, Challenger, Mercer, Vanguard, the Australian Institute of Superannuation Trustees (AIST), Association of Superannuation Funds of Australia (ASFA), Australian Taxation Office (ATO), Productivity Commission, Federal Treasury, Financial Services Council (FSC), and the Productive Ageing Centre of National Seniors Australia. Stakeholders assist in shaping the research and providing feedback to researchers on an on-going basis.

There are a number of areas where researchers have been frustrated in their ability to access essential data for the purpose of better understanding the needs of the ageing population.

Understanding cash flows in retirement

One of the key issues for researchers is to understand cash flows in retirement. Opinions vary as to whether retirees spend their superannuation balances quickly to take advantage of the Age Pension, or whether they draw down a minimal amount so as to "make it last". Understanding the behaviour of retirees in this regard helps in better framing retirement policies, and also assists the finance industry in developing appropriate products for this cohort.

Since its inception, the Superannuation Research Cluster has formed a relationship with the Australian Tax Office, and APRA to access data which assists with this type of research. While some data has been forthcoming from both the ATO and APRA, and is being used by a team from CSIRO with big data capabilities, there are significant restrictions on the ATO data in particular. These restrictions impede the researchers' ability to segment into cohorts, to identify by location, or to follow a cohort over time, thereby limiting the outcomes of the research and our ability to fully understand the behaviour of retirees.

The natural extension of this work is through the use of data from the Department of Human Services to identify the financial profile and behaviour of Age Pension applicants. Such data has been applied for, however, it might be expected that similar restrictions will apply.

Failure to be able to access and utilise meaningful public data of this nature means that researchers are unable to build the evidence base necessary to assist in developing an adequate and sustainable retirement system.

Access to financial institutions' data through APRA

Further, research into issues concerning financial services in Australia has long been impeded by lack of access to data from APRA. While extensive data is collected from institutions in Quarterly reports etc, little of this is publicly available. This is in stark contrast to data collected by such agencies in the US which are freely available for research purposes. The natural extension of this is that many finance researchers in Australia base their work around US data, hence providing public policy insights for the US courtesy of Australian researchers. While it is understood that providing data for research purposes falls outside APRA's primary mandate of regulating the financial system, our policy-makers, the financial community and the public are disadvantaged by this situation.

Cost of access to ASIC's Business Register Data

Researchers wishing to examine detailed company records from ASIC's Business Register for this purpose are required to pay a fee of \$38 for each annual record which contains the current and previous financial year (ie. two years of data). Hence, for the necessary 10 years of records required to examine a single company, researchers are required to pay for five ASIC reports which equates to \$190. Given the large number of companies normally required to validate research of this nature, this represents a significant annual cost to the research community.

Access to data on public infrastructure investment

Barriers to public infrastructure research include the easy access and availability of the terms and conditions of these transactions. Our experience with state government treasury departments shows that access to government infrastructure transactions, including public private partnerships (PPPs) is very difficult. The conventional response from state government treasury departments is that the private sector organisation delivering the infrastructure or PPP has requested that the terms and conditions of the transaction remains 'commercial-in-confidence'. From a public sector governance perspective, this is an unsatisfactory rationale. It can be argued that the transaction details between two *private* sector organisations can remain confidential. However, in the case of public infrastructure (especially PPPs), it is a transaction between the *public* sector and *private* sector. As a result, it is best practice that the terms and conditions are transparent to the taxpayer and be available to public scrutiny. Our two recommendations are:

(i) The terms and conditions of historical infrastructure transactions where any level of risk is allocated to the public sector should be made transparent to the public.

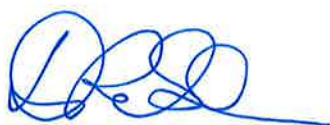
(ii) All future infrastructure and PPP transactions should be transacted on the basis that all terms and conditions will be transparent and open to public scrutiny.

In a number of cases staff of relevant agencies have indicated a desire to assist researchers in providing access to data for research which they recognise can provide useful insights. They do, however, point to legislative restrictions on access to such data.

We therefore, on behalf of our community of researchers, strongly endorse the intention of Recommendation 19.

We firmly believe that appropriate access to public data for researchers, with the necessary privacy safeguards, is an essential part of developing the evidence base essential for good policy outcomes.

Yours sincerely



Professor Deborah Ralston

Executive Director

Australian Centre for Financial Studies

M: 0419650318

E: Deborah.ralston@australiancentre.com.au