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Dear Team,

Consultation: Implementation of economy-wide Consumer Data Right: Strategic Assessment

The submission is based on long term interest in personal financial planning, and the need to develop a streamlined approach to collating to inform good financial advice. John has written a book that covers many areas of personal financial planning, and Anthony's research and publications address a number of planning issues.[1] Last year we embarked on a project specifically focused on data collation, which culminated in a submission to the Senate Select Committee on Financial Technology and Regulatory Technology[2] at the suggestion of Senator Hume.

We are excited about the possibilities of the CDR, and delighted at the Consultation's focus on the life journey. In particular we see huge benefits in providing information to allow people to make important strategic decisions, both as consumers and as producers and participants in the labour market.

The focus on people as consumers may obscure the relevance of the labour market that can also benefit from the existence of better datasets to which people have access. The most consequential financial decisions in life probably relate to educational and occupational choices – including when to retire. While these choices involve more than finance, the labour market would surely work better if people were given access to accurate information as to demand, supply and wages in different sectors for different occupations.

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[1] For a flavour of our approach, see De Ravin (2017) Slow and Steady: 100 wealth building strategies for all ages and www.draftfinplancalc.com and the related paper Asher, A, et al (2015) Formulating Appropriate Utility Functions and Personal Financial Plans, Presented to the International Actuarial Association, Oslo (June) http://www.actuaries.org/oslo2015/papers/PBSS-Asher.pdf.

[2] https://www.aph.gov.au/DocumentStore.ashx?id=2203b0a0-e14a-4ab9-abb9-0580387cc43d&subId=699715

Much valuable, and relatively accurate, data on these issues is available from the ATO particularly, and we would urge that serious consideration be given to making it available to people. We see three specific advantages:

- The HECS-HELP data could provide useful information as to the return to education in different qualifications and different institutions both for individuals, the institutions, and for government.
- Wage data could assist in producing typical but personalised lifetime income trajectories critical for understanding what consumption paths are affordable.
- Relative wage data would help both employees and employers in calibrating wage negotiations.

We have given specific answers to the questions raised below. Some of these answers are based on ideas contained in a submission made to the Digital Technology Taskforce earlier this year that highlights inefficiencies in digital markets.[3]

Yours sincerely

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[3] Asher, A, Asher R, Nicholls, R and G Hsu (2021) Submission on Strategies for developing the Digital Economy, Digital Technology Taskforce. https://digitaleconomy.pmc.gov.au/sites/default/files/2021-05/submission-clmr-unsw.pdf

Answers to questions

1   *Are there examples of use cases of life events or key consumer activities where access to consumer data within or across sectors could significantly improve consumer experience and outcomes? If so, how should such use cases be prioritised?*

Financial planning for individuals produces a strong use case in that it could benefit greatly from improved access to financial and demographic data. Significant improvement could be attained via multiple channels. For example, the ready availability of personal financial data would shorten the time required for financial advisers to obtain the critical client data that they need, and would in principle therefore reduce the costs of provision of financial advice. Anything that would reduce the cost of advice is important, given that the cost of advice is a key obstacle to more people obtaining the advice that they need. Another channel that might facilitate improved access to markedly cheaper advice is the potential development of "roboadvice" platforms if the necessary and appropriate input data are readily available. Sensible advice might feasibly be provided very inexpensively via a roboadvice channel, and many consumers who would not be prepared to pay the high current cost of advice might benefit significantly. But easy access to data would be essential for the development of roboadvice platforms to be viable.

We note the inexpensive advice around retirement ought to play a significant role in the implementation of the Retirement Covenant, and expect superannuation trustees to be actively looking for ways of providing less expensive advice.

In terms of which providers of the required data for these use cases should be prioritised, we think the government sector potentially offers the most benefit. In particular, digital download of the financial and household data held by the ATO, Centrelink and Medicare (collectively MyGov) would allow the development of software to support strategic financial decisions at critical times in the lifespan. The major strategic decisions are how much to earn and how much to save or spend. The first crucial decisions are how much to spend on education and training and initial choice of occupation. Other important decisions occur at milestones that include marriage (long term partnering); having children and child care and educational costs; purchase of a house; children leaving home and retirement. Some of these also require decisions on the need for insurance.

Provision of this government data would seem to fall on the Digital Transformation Agency and Services Australia rather than on the ACCC and private sector organizations involved in the CDR. As such, it could be seen as a main priority and run in parallel with other initiatives.

This data can already be supplemented by data from banks that can be useful for the coaching of good financial practices. It could in due course be supplemented by data from general, life and health insurance companies to assist in decisions on insurance.

2   *Are there particular important datasets that have cross-cutting benefits and could support a range of important use cases both within and across sectors?*

Data on earned income seems necessary for the evaluation of educational institutions, wage negotiations and the strategic decisions mentioned above.

In addition, data on the following matters would be very important to the "financial planning" and "retirement income product streaming" use cases that we referred to above:

i.   Superannuation balances across all funds, including preservation and tax status of balances in both accumulation phase and pension phase.

ii. All categories of superannuation contributions made in the current and three previous financial years, broken down by category (employer, personal deductible, non-concessional).
iii. Home ownership status and (for homeowners) the value of the home (sourced either from apps that estimate market value of properties or from the "total improved value" data used by councils for rates purposes).
iv. Demographic status, in particular whether the person has a partner, and if so the gender and date of birth of the partner.
v. Age pension eligibility (which in turn depends on the number of years spent in Australia by permanent residents).
vi. Ownership status of investment properties (and if the person owns properties, the approximate value of those properties).
vii. Share ownership and the current value of those shares.
viii. Interests in listed or unlisted property or equity trusts.
ix. Value of deposits held with banks and other financial institutions.
x. Value of any other assets owned by the person.
xi. Value of mortgage loans, personal loans, margin loans, credit card balances, other loans owing by the person to banks and other financial institutions.
xii. To the extent possible, the value of other liabilities owing to third parties.

3 *What are the top consumer issues that improved access to consumer and product data could help with? In other words, what are some of the significant or innovative use cases in an economy wide CDR? Why are they important? For example, are there use cases which would improve the welfare of, or ability to access services and improve participation by vulnerable or disadvantaged consumers?*

As suggested above, we think that there are important use cases to facilitate personal financial planning

We have the following additional suggestions.

a) Thinking more specifically of vulnerable consumers, it might be possible to generate relevant expenditure data in order to assist people fighting addictions. This could cover expenditure on gambling, alcohol, and tobacco. In such cases, people would need to opt in to have their data collected and provided to them.

b) The Consultation paper does not mention tourism, which includes airlines, hotels and private accommodation. This industry is particularly vulnerable to overcharging by market aggregators[4], who charge high commissions and then face high costs in Google auctions. As suggested in the submission to the Digital Task Force[5] these markets would benefit from a more innovative approach to regulation.

c) There is also no mention of the secondary markets in houses, units and cars. People participate as both buyers and sellers, and they are some of the most significant financial transactions. These markets may be more efficient than tourism, but might also benefit from a revision of the "rules of the game".

4 *What consumer or product data is required to bring these use cases to life?*

a) Credit or debit card data from vendors or cash withdrawals at certain places cold be included.

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[4] https://www.abc.net.au/news/2018-11-13/travellers-urged-to-book-directly-with-hotels/10493148

[5] See note 3 – section 4.

b)   Wotif and the other aggregators/ comparators provide the data already. They need to be regulated to prevent overcharging, and to ensure that all relevant providers are included. They also need to be permitted to negotiate collectively with Google, or to create an alternative marketplace for comparators.

c)   As above.

5   *Would prioritising access to a particular sector or dataset facilitate faster adoption or improve efficiency of expansion of the CDR? Are there sectors where significant data sharing is already occurring? If so, would applying the CDR improve this or provide additional benefits such as greater standardisation?*

There appear to be few sectors where product comparators are not active, and where standardisation would not enable consumers to make better choices. We suggest that the application of the principle of subsidiarity[6] to market design requires product and service providers to make significant input into these decisions. This means that the ACCC should encourage such collaboration by industry bodies but keep a watchful role where this appears to lead to consumer detriment.

6   *What are the more useful datasets for designation or examples of specific compelling datasets which providers across sectors could especially benefit from? Are there richer opportunities for consumer benefit where datasets from multiple sectors are combined?*

We do see the need to aggregate financial assets and liabilities as covered in our answer to (1) and (2) above. It seems likely that the use case mentioned first in our response to Question 1 above will require data to be aggregated from multiple sources; certainly the more comprehensive the financial information in respect of individuals, the greater the benefit that is likely to be derived. There may be some merit in the approach to separately licensing data aggregators as mentioned in our answer to (11) below.

7   *Is the CDR the appropriate path to support these various potential use cases, or are there are other solutions available?*

As we suggest in our submission to the Senate Committee, the CDR will take many years to be able to provide the benefits that MyGov could provide in a much shorter time.

As discussed above, we believe that regulation of existing product comparators is a priority for the comparisons of products for consumer choice.

8   *Are there sectors with competition issues which would more readily benefit from reductions of data-related barriers? For example, to facilitate providers responding to competitive pressure by improving products and services, new market entries or increased transparency.*

We have nothing further to add to our answers to (3) and (4).

9   *Which sector market's efficiency could be improved by making consumer and product data readily transferable to other providers? Are there sectors where there is currently a high transaction cost to release and disperse this data that the CDR could address?*

As discussed above, we believe that the financial sector deserves the most attention and that government has already almost aggregated the necessary data.

10   *Are there other steps we could take to strengthen or develop the CDR regime to enhance the economy-wide roll-out?*

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[6] See note 3, section 1.3.

We have nothing to suggest.

11   *Are there any datasets or kinds of data that may or may not be suitable for Consumer Data Right designation (e.g. due to privacy concerns)? Why?*

The CDR may allow general and life insurers to access data that they may use for underwriting and ratemaking purposes that may lead to additional costs or refusal of cover for some people. This is not however a solely CDR issue as the insurers may obtain such data directly from their policyholders, who face repudiation of their claims for any non-disclosure. If this were deemed inappropriate, it would need to be addressed by regulation of the insurance industry.[7]

12   *Are there global trends or good examples internationally of where consumer data is being used to drive better consumer and/or social outcomes? How has this informed that jurisdiction's approach to rolling out comparable data regimes?*

India appears to have the most ambitious and advanced program for collecting financial sector data.[8] An interesting difference is that they separately licence "account aggregators" and "financial information users". This may well be more efficient in allowing greater specialisation. They have also integrated the CDR environment with their equivalent of the PayID so that one identifier is used by both systems.

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[7] See https://financialservices.royalcommission.gov.au/Submissions/Documents/Round-6-written-submissions/POL.9006.0001.0151.pdf

[8] For a description see https://www.pwc.in/consulting/financial-services/fintech/fintech-insights/account-aggregators-putting-the-customer-in-charge.html