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Australia's property industry
Creating for Generations

25 October 2018

The Honourable Kenneth Hayne AC QC
The Commissioner
Royal Commission into Misconduct in the Banking, Superannuation
And Financial Services Industry

By email

Interim Report - Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

The Property Council of Australia would like to thank the Royal Commission for the opportunity to make a submission on the Interim Report.

Property is Australia's biggest industry, supporting 1.4 million jobs and contributing 13 per cent of GDP. The property industry has been a key driver of economic activity and growth in the period following the mining investment boom, providing jobs, investment and housing across the country.

A strong and efficient financial system is the bedrock on which the property industry relies to build and maintain our cities and support the delivery of new housing supply. The stability and efficiency of the system is essential to our national prosperity.

The conduct of the nation's financial institutions, which has been brought to light by the Royal Commission, has inflicted damage to the reputation of Australia's financial sector, as well as severely damaging the confidence of Australians in their banking and insurance industries. Restoring confidence and trust in these institutions must now be paramount for the sector.

Consumers must be 'top of mind' when financial businesses make both long and short-term decisions. Long term consumer confidence in Australia's financial sector is critical to Australia continuing to build on nearly thirty-years of economic growth.

As part of that careful consideration, the way in which new regulatory requirements on banks will interact with the future availability of credit is of utmost importance to the ability of Australian households and businesses to secure finance to buy and invest in property.

The Property Council recommends that the Royal Commission, in its final report, consider consequential impacts of any recommendation that would limit the availability of credit into the economy.

While protections for consumers are warranted and necessary, policy makers should be cognisant that any change of regulation that inhibits the consistent flow of credit into the economy effects economic growth and the ability of markets to operate openly and freely.

Over the last 12 months we have seen the impact of tighter credit on the construction cycle, arising from a number of factors. According to confidence surveys conducted by the Property Council there are already expectations that the availability of debt finance will reach record lows.

Similarly, the residential sector is seeing tightening credit leading to falling clearance rates in major capital cities.

We welcome the reflections in the Interim Report on whether we should "add an extra layer of legal complexity to an already complex regulatory regime" or whether the "law should be simplified". It is a complex process to balance the regulatory and prudential framework that appropriately protects the needs of consumers, depositors, households, businesses and promotes prosperity.

We look forward to the final report and recommendations of the Royal Commission when they are released.

Yours sincerely

Ken Morrison
Chief Executive