



16th December 2016

Mr Peter Harris
Chairman

Data Availability and Use
Productivity Commission
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Dun & Bradstreet welcomes the Productivity Commission's Draft Report on Data Availability and Use, and the recognition that fundamental change is needed to the legal and policy frameworks under which public and private sector data is available and used in Australia. In particular, how the move to comprehensive credit reporting in 2014 has the potential to help address information asymmetry between borrowers and lenders and tackle the fact that participation levels are below those of other OECD countries despite the clear public benefits associated with higher levels of participation.

D&B has been a leading and long-standing advocate for the economic and public policy benefits associated with the comprehensive credit reporting environment. D&B was the first Credit Reporting Bureau (CRB) in Australia to implement and offer comprehensive credit reporting data to the domestic market in June 2014. Further to our submission to the enquiry dated July 2016, we highlighted how comprehensive data from a broad range of sources is fundamental to achieving an efficient credit reporting system.

We support the views expressed by the Australian Retail Credit Association (ARCA) in response to the draft report. D&B also supports the critical role ARCA fulfils in managing the technical integrity of the CCR data contribution framework, as well as the equitable sharing of CCR data, through the Australian Credit Reporting Standards (ACRDS) and the Principles of Reciprocity and Data Exchange (PRDE) respectively. In line with ARCA, we believe a full review of Part IIIA of the Privacy Act is necessary in order to successfully implement the PC's recommendations, with specific consideration to:

- Removing current barriers to full participation in CCR, such as currently exists for non-Australian Credit License (ACL) holders. This will allow, for example, telecommunications and utility providers to share Repayment History Information (RHI). This situation already exists in New Zealand, where CCR participation from the aforementioned industry sectors has been both pioneering and consistent since CCR was introduced in 2012.
- Broadening the definitions of 'permitted uses and disclosures' of credit reporting information to allow this information to be better used and integrated in full credit lifecycle management.
- Expansion of the data elements that may be reported to CRBs to include, inter alia, balance, utilisation and payment amount information. One of the fundamental purposes of CCR is to prevent credit providers from inadvertently lending to individuals who are not credit worthy. This purpose has economic benefits by ensuring that capital is directed to the most efficient purpose and social benefits by ensuring that individuals are not indebted beyond their reasonable ability to service their credit obligations. This



additional information will also allow the analysis of indebtedness over various dimensions, including geographic, market, and demographic, and will be of substantial use from a macro prudential perspective. Most countries operating comprehensive reporting systems allow the reporting of account balance, either at a point in time or over a period of time. Australia, like New Zealand, does not permit this currently. It should be noted that in the New Zealand Office of the Privacy Commissioner's recent review of the New Zealand Credit Reporting Code views were sought from industry on the inclusion of account balance in CCR. Many respondents were fully supportive.

- The regulatory framework for credit reporting, including the continued appropriateness and relevance of the current regulatory bodies and mechanisms given the governance protocols suggested in the PC draft report.

Furthermore, we see Draft Recommendation 4.1 as the critical path to addressing the specific impediments to private sector data access.

Draft Recommendation 4.1

D&B supports the PC's draft recommendation 4.1 as an important step to accelerate the transition to Comprehensive Credit Reporting (CCR) in Australia. If this recommendation is not implemented, the benefits of the widespread adoption of CCR would likely be delayed by many years.

As we observed in our initial submission to the PC in July, the World Bank stated that "Credit reporting is a vital part of a country's financial infrastructure and is an activity of public interest."

"In competitive markets, the benefits of credit reporting activities are passed on to borrowers in the form of a lower cost of capital, which has a positive influence on productive investment spending. Improved information flows also provide the basis for fact-based and quick credit assessments, thus facilitating access to credit and other financial products to a larger number of borrowers with a good credit history (i.e. good repayment prospects)."

Progress on implementation of CCR is slow and limited in Australia. One of the notable consequences of CCR data supply being voluntary is that Credit Providers (who represent only one of the beneficiary parties) must commercially justify the work involved to their relevant stakeholders.

Who should be subject to the 40% contribution measure?

It would not be practical for the 40% contribution measure to be applied to all credit providers and all credit portfolios in the 30 June 2017 timeframe. This is based on the implementation issues that the transition to comprehensive reporting will present for credit providers and credit reporting bodies and the difficulty in ascertaining whether the 40% threshold has been met. The practical issues of having thousands of credit providers transitioning in the recommended transition period would also create significant logistical challenges.

We recommend therefore that the initial measurement in the proposed timeframe to 30 June 2017 could be made applicable only to revolving credit facilities (typically credit and charge cards). This is the largest portfolio of discrete products in Australia, with an estimated 16.376 million cards on issue per the latest RBA statistics.



Thereafter, the PRDE will govern the balance of the transition of other portfolios over the following 12 month period.

Defining the measure of CCR participation in relation to credit cards has the advantages of being clearly measurable, practically achievable and, in conjunction with the operation of the PRDE, will ensure that other portfolios follow in a reasonable timeframe.

We suggest consideration be given to establishing a second threshold measurement of 80% of open accounts, at industry level, that must be attained by 30 June 2018, and failure to achieve this participation level then triggers mandatory CCR participation provisions. Given that the PRDE currently stipulates a minimum initial contribution of 50% and full transition to 100% of available accounts, subject to certain exemptions; this would require formal revision under this proposal.

D&B acknowledges that some credit providers require the availability of 'private mode' functionality from CRBs to allow such credit providers to finalise all pre-production testing and operational preparation. We recommend that CCR data supplied in 'private mode' be included in the threshold determination, on condition that 'private mode' is only available for 6 months after the initial supply of CCR data to a CRB and such data is automatically switched to full public sharing on the expiry of that period, or sooner if requested by the relevant credit provider and the CRB agrees to such request.

We believe the uptake of comprehensive credit reporting in Australia will lead to richer and more accurate consumer credit information to be exchanged between credit bureaux and credit providers. Higher quality credit information is crucial for lenders to make better credit decisions, and to give more consumers greater access to credit through rewarding positive credit behaviour. Ultimately, this provides for greater and more transparent competition in the marketplace, driving innovation for consumer benefit.

For further information on this submission, please contact me on browns@dnb.com.au or 03 9828 3725.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steven Brown'.

Steven Brown
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Dun & Bradstreet Australia and New Zealand