

Submission to the Inquiry into the Victorian Government's Response to the COVID-19 Pandemic

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Committee Secretariat
Public Accounts and Estimates Committee
Parliament of Victoria

By email: paec@parliament.vic.gov.au

The Consumer Policy Research Centre (CPRC) welcomes the opportunity to provide a submission to the Inquiry outlining the key findings of our COVID-19 consumer research.

CPRC was established by the Victorian Government in December 2016 as an independent, not-for-profit consumer research organisation. Our mission is to protect and improve the experiences and welfare of consumers, by producing evidence-based research that drives policy and practice change. We conduct research across a range of consumer markets, with a focus on consumer decision-making, consumer data and the online marketplace. We also consider the outcomes of vulnerable and disadvantaged consumers participating in markets.

In March this year CPRC began an ongoing monthly survey as part of a key research initiative *Consumers and COVID-19: from crisis to recovery*. We attach the foundational report released in May (Attachment A). This initiative aims to:

- better understand the impact that COVID-19 is having on Australian consumers' experiences, behaviours and expectations across essential and discretionary products and services markets, now and into recovery
- provide policymakers with insights into consumer experiences of COVID-19 to inform the design of support measures that aim to meet the various needs and expectations of consumers.

Key nationwide survey findings - June 2020:

- Consumer concern about financial wellbeing remains high at 61% of Australians, with 1 in 5 Australians very concerned.
- While concern is generally high across all consumers (61%), we see above average levels of concern among casual workers (70%) and renters (67%).
- We are seeing more steps being taken by consumers to manage their household expenses in June, compared to May, such as:
 - Using credit card or buy now pay later services (from 22% to 26%)
 - Selling shares, investments or household goods (from 4% to 6%)
 - Closing / cancelling ongoing services / subscriptions (from 15% to 18%)
- Casual workers have been much more active in drawing down on finite resources to make ends meet: using credit cards or buy now pay later services (48%); applying for early access to superannuation (20% - general population 7%); or dipping into savings (52% - general population 30%).
- In June, consumers were slightly more active across all sectors than in May when it came to contacting essential product and service providers to switch products, ask

for payment assistance (including payment plans), or apply for concessions. Consumers were most active in the rental market, with 17% of renters contacting property managers and landlords, and least active with credit providers (7%).

- Concerningly, negative experiences for consumers rose significantly in June, when engaging telecommunications (from 15% to 22%) and credit (5% to 8%) providers.
- Energy was the only sector that saw a fall in reported negative experiences from May to June (from 10% to 7%).

In June, mortgage providers were the most proactive in providing support for consumers, with 25% of consumers reporting they had received some form of assistance. Mortgage providers were most likely to be providing helpful advice about payments (14% of consumers), proactively offering payment assistance such as payment plans or deferrals (8% of consumers) and reducing the cost of service (8% of consumers).

Telecommunications providers (11% to 16%) and credit providers (8% to 11%) also increased proactive offers of positive support to consumers, albeit reaching a very small proportion of consumers around Australia.

A sizeable proportion of Australians reported a negative experience/difficulty contacting an essential service provider in June – 15% of renters, 9% of mortgagors, 22% with telco providers, 8% with credit providers, 8% with insurers and 7% with energy providers. However, of those who sought payment assistance, a larger proportion reported negative experiences, particularly renters (89% compared with 32% of mortgagors).¹ 72% of those seeking payment assistance from telco providers and 64% seeking assistance from credit providers also reported a negative experience – compared with 31% seeking assistance from energy retailers.² This difficulty when seeking payment assistance is concerning given the economy has entered recession and there will be ongoing job loss, sustained higher levels of unemployment, and financial insecurity as a result of the pandemic.

Key insights for Victoria include:

Worries about household expenses are common across a range of sectors

Survey data from May found housing costs causing the most concern for Victorians, reported by 39% of Victorian tenants and 33% of mortgagors. Energy bills caused concern for 31% of consumers, and a little over a quarter raised concerns about payments for insurance (27%), debt (26%) and groceries (26%).

Few renters accessed their rights to support in June

Despite heightened concerns about rent payments, fewer Victorian renters sought out supports to help manage their rental costs in June (10%) than in May (13%) and compared with Australians overall (17% in June). 4% of Victorians asked for payment assistance from their landlord/property manager (compared with 6% nationally) and only 3% applied for government assistance (compared with 8% nationally). This may reflect low awareness of the supports available, or perceived difficulties in negotiating with landlords due to power asymmetries.³

We welcome the additional support measures and consumer protections introduced by the Victorian Government. In our view, the Victorian Rental Relief Grant and additional consumer protections for renters as well as the draft measures proposed by the Essential

¹ Note the smaller sample size for these findings, which should be treated with caution.

² As above.

³ Steven Curry, *The Renter's Journey: A consumer-centred approach to understanding the dynamics of Australia's private rental market*, (Consumer Policy Research Centre, February 2019).

Services Commission⁴ offer much-needed support for those facing financial difficulties and stress due to the COVID pandemic. Significant opportunities exist for government, industry and community sector organisations to partner to maximise the awareness of consumer support measures available. We expect this need will only increase over the coming months.

Key considerations for policymakers responding to COVID-19 include:

1. Consumer vulnerabilities are expanding/heightened

Consumer vulnerabilities are intersecting with health vulnerabilities and restrictions. Our results show insecure workers are facing heightened financial/bill concerns, and that essential services providers such as utilities and rental and mortgage providers have a role to play in easing financial pressures by offering payment support and flexibility.

It is likely that groups of people less familiar with available support require more active support and outreach – including renters, casual workers and young people.

2. Immediate consumer supports need to be sustained, adapted and adjusted over the longer-term

Many people with incomes affected by COVID-19 may be unable to find secure employment in the near future, causing multi-year, generational impacts. Our findings indicate these groups are already drawing more heavily on finite resources (e.g. debt, superannuation) which means some payment problems will surface further down the track.

3. Many consumers require cross-sector support

Our data shows there is concern about bill payments across different markets. In the short term, industry-wide measures may be providing bill relief. However, when support measures end we may see a cascading effect where inability to pay bills or accrued debts is shifted from one sector to the next. Sectors such as energy, telco and housing need to work together to ensure that supports are appropriately sustained, adjusted and calibrated across different household expenses.

4. Industry must deliver the support that consumers have a right to access

Our research points to a gap between levels of concern about bill payments and the number of people seeking and receiving support. Insights for policymakers include:

- industry must ensure it is fairly sharing the burden of supporting consumers throughout this difficult time – more proactive hardship and payment assistance can and should be provided
- opportunities exist to increase investment in customer outreach and community information programs, building on initiatives such as the Victorian Government and CPRC partnership to deliver Energy Simplified – a program ensuring energy consumers can access and act on their consumer rights
- flexible responses by industry to customer non-engagement are required (acknowledging the barriers people face in accessing assistance at this time, such as long call wait times and mental health barriers)
- a need for improved customer service, including when accessing payment assistance.

⁴ Essential Services Commission, *Supporting energy customers through the coronavirus pandemic – Draft decision*, 30 June 2020

5. Strong consumer protections must come alongside stimulus to build trust and confidence

Before the onset of COVID-19, household expenditure accounted for 55% of Australian GDP. Stimulus measures are helping to support consumers but will need to be extended to bolster consumer confidence. For stimulus measures at an Australian and state level to be effective in the long-term, consumers must have confidence that product and services providers will treat them fairly, promote their safety, operate in their best interests, and provide support where it is needed. Mistreatment or exploitation of consumers by businesses during this time will undermine the policy goal of building the consumer trust and confidence so critical to economic recovery. To this end, we support the Victorian Government pursuing principles of fairness, safety and inclusion in the recovery mission.

If you have any queries about this submission and the attached report, please contact Emma O'Neill, Research and Policy Director, at emma.oneill@cprc.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lauren', with a long horizontal flourish extending to the right.

Lauren Solomon
Chief Executive Officer
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