

industry, science and tourism

A Fair Deal:

The Coalition's Consumer Affairs Policy

A FAIR DEAL commits the Coalition to supporting a safe, fair and informed marketplace for all Australians, with initiatives delivering a safer environment for children, better product information for consumers and more effective industry self-regulation.

A FAIR DEAL

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Executive Summary

Part 1 A Safe Market

The Coalition will:

- Continue its comprehensive overhaul of regulation to **improve product safety** without adding unfairly to the regulatory burden on business
- **Improve community access to information** on product recalls and simplify notification requirements for business

Part 2 A Fair Market

The Coalition will:

- **Support effective self-regulation** to raise industry standards of conduct and to give consumers the choice of resolving disputes outside the courts
- Monitor industry self-regulation and, where necessary, ensure compliance by underpinning codes through the *Trade Practices Act*

- Promote a consolidation of existing codes with the aim of producing **fewer but better codes**
- Continue working with the States and Territories to achieve **consistent national consumer protection laws**
- Seek to **enhance the capacity of state-based tribunals** to hear complaints arising from interstate transactions
- Continue to lead the world in developing an effective framework to **protect consumers using electronic commerce**

Part 3 An Informed Market

The Coalition will:

- Provide consumers with **clear, relevant information** on their rights and responsibilities
- Mark the **International Year of Older Persons** by providing older consumers with accessible and useful information on key issues
- Develop a **regional consumers information package**
- **Make consumer information more accessible** by developing an Internet "one-stop" shop for consumers
- **Boost funding** to \$2.6 million over two years for the public education campaign explaining new **country of origin labelling** arrangements and to make consumers aware how to buy Australian products

Labor's Record

During its thirteen years in office, the Labor Party failed to adequately address the major issues facing Australian consumers - issues such as product safety, dispute resolution and consumer information. Labor's adversarial approach to consumer affairs inhibited the development of effective self-regulation, which offers consumers practical options for enforcing their rights. Labor's preference for regulation discouraged best practice in industry and often imposed unnecessary costs, which were passed on to consumers.

The Labor Party

- failed to address significant safety problems in the Australian market, preferring a reactive *ad hoc* approach;
- failed to keep product safety standards up to date;
- failed to establish a clear, credible regime for country of origin labelling;

- failed to provide legislative support for industry codes of conduct;
- failed to address consumer problems arising from the growth of electronic commerce;
- failed to address consumer problems arising from inconsistencies in Commonwealth, State and Territory fair trading laws; and
- failed to develop mechanisms to improve customer service in the public sector.

Highlights of the Government's Achievements

A Product Safety

The Coalition is implementing long overdue reforms to enhance product safety. The mandatory safety and information standards set under the *Trade Practices Act 1974* have been reviewed. Three unnecessary standards have been eliminated; the remaining standards have been or are being updated. Information on product recalls has been made more accessible to the public. The result is more effective protection for consumers.

A major focus of the Coalition's product safety reforms is providing a safer environment for young children. About 3,500 infants are injured each year because of unsafe products or products being used incorrectly. All too often, governments have reacted to tragedy rather than acted to prevent accidents.

The Coalition is undertaking, with the States and Territories, the first ever comprehensive review of nursery furniture to identify the major causes of childhood injury and to improve safety. Existing standards are being reviewed and improved.

- a mandatory standard for children's cots has been introduced;
- a mandatory standard for child-resistant cigarette lighters has been introduced; and
- other standards, such as those for portable cots and for pram/strollers, are being updated.

Consumers are receiving targeted information materials explaining how to identify safe products and how to use products safely.

B Product Labelling

Consumers need clear and accurate product labels. In particular, Australian consumers wanting to support local industry need simple labels identifying Australian products.

Recent court decisions have added to the uncertainty about country of origin labelling. The Coalition has resolved this problem by placing in the *Trade Practices Act*, for the first time, clear definitions for the key terms of "Product/Produce of Australia" and "Made in Australia". The new legislation

- sets a higher threshold for "Made in Australia" claims than has ever been set by the courts or proposed by previous governments;
- reserves the premium label of "Product/Produce of Australia" for 100% or virtually 100% Australian products. No product with a significant imported ingredient or component will qualify for the label; and
- provides the legal certainty essential to the continuance of the green and gold Australian Made logo.

A major public education campaign, costing \$1.2 million in 1998-99 and \$200,000 in 1999-2000, to explain the new arrangements to consumers was announced in May 1998.

C Service Charters

All Australians use government services. To improve customer service in the public sector, the Coalition has required **all** government agencies delivering services to develop customer service charters. Service charters explain what services an agency provides; set standards for service; give customers a say in setting these standards and provide mechanisms to handle customer complaints.

- 130 service charters will be developed by Commonwealth departments and agencies;
- more than 100 charters are already in place;
- charters will be reviewed regularly to ensure they continue to be relevant to customers; and
- the Minister for Consumer Affairs will report annually to parliament on the implementation of charters.

D Industry Self-Regulation

Self-regulation complements effective consumer protection laws. Industry-based dispute resolution schemes give consumers the option of settling disputes quickly and cheaply outside the courts. Codes of practice encourage higher standards of industry conduct, rather than just minimal compliance with legislation.

To enhance community welfare through more effective self-regulation, the Coalition has

- developed benchmarks for dispute resolution schemes, encouraging fair, efficient and independent complaint handling;
- amended the *Trade Practices Act* to allow the Commonwealth to give legal force to codes of conduct, if necessary;
- promoted the development of new codes in areas such as direct marketing and finance companies to protect consumers;
- developed a set of principles for protecting consumers using electronic commerce; and
- established a public process for seeking consumer representatives to industry bodies.

A Fair Deal

The Coalition believes that a fair deal for consumers requires

- an informed marketplace where consumers and business know their respective rights and responsibilities;
- competitive, innovative markets which give consumers the widest possible choice;
- accessible information to allow consumers to make informed choices;
- effective protection against unsafe products;
- cheap, accessible means for resolving disputes; and
- effective enforcement of consumer protection law.

To achieve these aims, a range of policies addressing product safety, consumer education, law enforcement and dispute resolution is needed. The Coalition will encourage all stakeholders - consumers, business and government - to participate in developing and

implementing policy. Believing that a partnership of consumers, industry and government will deliver the best results for the community, the Coalition will promote cooperative, market-based solutions.

Part 1 A Safe Market

A Product Safety

The Coalition will continue with its comprehensive overhaul of product safety arrangements to protect the welfare and safety of all Australian consumers.

(i) Nursery furniture

New voluntary standards for portable cots, pram/strollers and high chairs will be developed as the next stage in the nursery furniture safety program. The merits of a mandatory safety standard for bunk beds will be investigated. Standards Australia will develop these standards in close consultation with consumer and industry groups. All product safety standards will be reviewed regularly to ensure their continuing effectiveness and that, as far as possible, mandatory standards do not stifle innovation or competition. The Coalition will encourage the activities of the Infant and Nursery Products Association of Australia to raise quality standards in the industry.

(ii) Product recalls

Every year, more than three hundred products are recalled voluntarily by suppliers because of potential risks to consumers. The Coalition recognises that successful product recalls depend on the public receiving clear information quickly. An Internet website has been established to enhance public access to recall information and to improve information sharing between regulators. The Coalition will develop this website further to provide a "one stop" shop allowing suppliers to notify recalls quickly and simply with a single notification. At present, suppliers conducting a recall may be required to notify as many as seventeen regulators.

(iii) Injury prevention

The Coalition believes "prevention is better than cure". The social and economic costs of injuries are high - according to one estimate, treating consumer product related injuries cost about \$1.4 billion annually.

Developing better injury prevention strategies requires more effective collection and analysis of injury data. To deliver this information, the

Coalition will work with the States and Territories to improve injury data collection.

Part 2 A Fair Market

A Consistent National Laws and Enforcement

(i) National laws

The Coalition will, in cooperation with the States and Territories, continue to examine State and Territory fair trading legislation with the aim of eliminating regulatory gaps and inconsistencies between jurisdictions. Without seeking uniformity for its own sake, the Coalition believes that consistent fair trading laws will benefit consumers and eliminate unnecessary costs and confusion associated with compliance with differing State laws.

(ii) National enforcement

With the use of direct marketing and the Internet growing steadily, state-based small claims tribunals are often unable to assist consumers who buy products directly from interstate traders. The Coalition has already commenced, in cooperation with the States and Territories, a review of consumer redress mechanisms, such as small claims tribunals. The Coalition will extend this review to identify ways to overcome jurisdictional problems to ensure that consumers are not denied redress. A number of options may be feasible: using new technology in tribunal procedures, cross-vesting of jurisdiction or possibly improving access to the Commonwealth jurisdiction.

B Electronic Commerce

Realising the full potential of electronic commerce will hinge on the new technology gaining consumer confidence. A critical factor will be the level of protection available for consumers.

(i) Enforcement in the global market

Providing a safe environment for consumers using the Internet is a major challenge for all national governments. With transactions cutting across international boundaries, the new technology raises considerable problems for law enforcement. To ensure the most effective enforcement possible in this global market, the Coalition will support greater international cooperation between regulators. A Memorandum of Understanding will be negotiated with the European Union to improve coordination between regulators, to complement

current discussions with the United States.

(ii) Self-regulation and the Internet

Consumers can also be protected by industry initiatives to eliminate unethical conduct. The Coalition is leading the world in developing a framework for effective self-regulation in electronic commerce. In April 1998, the Coalition released a set of principles for consumer protection in electronic commerce which defined the major elements of good business practice. These principles have already strongly influenced OECD guidelines being developed in this area. The Coalition will continue to lead international efforts to enhance consumer protection on the Internet.

The Coalition will promote the development of an industry code of conduct, based on the above principles, for sellers using the Internet. Compliance with the code could be indicated by exclusive use of an approved logo. Once an effective code is in place, the Coalition will consider the merits of supporting a trial industry dispute resolution scheme in the sector. The Coalition will also encourage industry to support innovative strategies to enhance consumer protection, such as a possible consumer "scam alert" system or international ombudsmen.

C Supporting Industry Codes of Conduct

The Coalition will assess the need for new codes in key sectors and will work to improve the quality of existing codes.

(i) New codes where appropriate

In cases of strong public interest, the Coalition will encourage industry to develop effective codes of conduct. Likely sectors include mortgage providers and Internet services and sales. These codes will need to include an independent dispute resolution process which can resolve consumer disputes fairly and efficiently.

ii) Fewer but better codes

The Coalition will assess the performance of existing codes against the standards set in the *Benchmarks for*

Industry-Based Customer Dispute Resolution Scheme and the Ministerial Council of Consumer Affairs' *Fair Trading: Codes of Conduct*. The Coalition will encourage consolidation of codes to produce fewer but better codes. To ensure their continuing relevance, the *Benchmarks* will be reviewed in 2000.

(iii) Enforcing codes

Where necessary, the Coalition will consider the merits of using its new powers under the *Trade Practices Act 1974* to prescribe codes. The Coalition's approach to using these powers will be clearly stated in public guidelines. In general, codes will not be mandated unless there is a significant market failure affecting the community and existing self-regulation has proved inadequate.

Part 3 – An Informed Market

A Country of Origin Labelling

The Coalition has amended the *Trade Practices Act 1974* to restore clarity and certainty to country of origin labelling. The amendments will provide, for the first time, clear definitions for the most commonly used terms - "Made in Australia" and "Product/Produce of Australia" - and will eliminate the uncertainty about labelling which has caused many consumers to lose confidence in labelling.

The Coalition will increase funding for the public education campaign explaining the new arrangements to consumers and industry. An additional \$1.2 million will be spent in 1999-2000, bringing total

funding for the campaign to \$2.6 million over two years.

The Australian Competition and Consumer Commission will enforce the new provisions as a major priority. Where necessary, regulations will be made under the Act to confirm that simple processing in particular cases, such as converting pork into ham or orange concentrate into orange juice, will not be sufficient to qualify for use of the "Made in Australia" label.

B Consumer Education

The Coalition will provide effective education materials to assist consumers, in particular older persons, consumers in rural and remote areas, consumers on low incomes and young adults. In the 1998/99 Budget, the Coalition announced that an additional \$1 million would be spent on consumer education initiatives.

i. Older consumers

To mark the International Year of Older Persons in 1999, initiatives will be undertaken, including joint education programs with industry, to assist older persons to adapt to new technology, to make sound decisions on superannuation and investment issues and to be aware of the range of housing options available for older persons. An inventory of services for older Australians and education on consumer scams will also be produced.

ii. More accessible information

An Internet "one-stop shop" will be developed to give consumers an accessible source of consumer information and advice on referral to dispute schemes.

The Coalition will seek State and Territory support for a national consumer affairs telephone number which, for the cost of a local call, would divert callers to their nearest consumer affairs agency. The Coalition

will also seek State and Territory support for a national consumer information page in the White or Yellow Pages.

To assist in the transition to a more competitive market for superannuation, the Coalition will undertake a substantial public education campaign and investigate the feasibility of a Superannuation Advice Service.

iii. Regional consumers information package

Many consumers in regional Australia have expressed concern about the impact of microeconomic reform and competition policy on local communities. The Coalition has responded to these concerns by, amongst other things, commissioning an inquiry by the Productivity Commission into the extent to which the benefits of competition are flowing to rural and regional Australia.

To stimulate an informed debate on these issues, the Coalition will prepare an information package for regional communities addressing the consumer issues involved in these reforms. Research will be undertaken to identify solutions to the difficulties being experienced by regional communities undergoing structural adjustment.

The Coalition will also examine the options for improving rural consumers' access to information and support services.

iv. Information for disadvantaged consumers

Consumer education material will be

developed for younger consumers, aged from 14 to 17.

Community-based material will be developed to assist consumers on low incomes to develop essential skills in areas such as negotiating with traders, avoiding and managing debt and avoiding scams.

C Service Charters

To improve the performance and accountability of the public sector, the Coalition is requiring all government agencies delivering services to the public to adopt service charters. Service charters will promote a strong service ethic and continuous improvement in the public sector.

To promote outstanding customer service, the Coalition will support an annual customer service award for public sector agencies. The effectiveness of the service charters program will be reviewed by 2001.

D Financial Counselling Programme

The Coalition will continue its support for the Commonwealth Financial Counselling Programme which, each year, provides counselling to more than 12,000 people on low incomes facing financial difficulties.

The Coalition will ensure that the programme meets community expectations and addresses the areas of greatest need.

Questions and answers

Is the Coalition pursuing industry self-regulation at the expense of legislative protection for consumers ?

The Coalition supports self-regulation as simply one of many options for addressing problems in the marketplace. Self-regulation *complements* the protection available to consumers under Commonwealth, State and Territory law. Consumers are given the choice of resolving disputes

through an industry scheme as well as through more traditional avenues such as the courts or small claims tribunals. Self-regulation can also promote a "best practice" environment where industry members see a competitive advantage in complying with a respected, high quality code of conduct. In such cases, industry members have an incentive to offer consumers more than the law requires.

Shouldn't the new origin labelling arrangements set a higher standard for goods to be described as "Made in Australia" ?

By any standards, Australian or international, the Coalition has set a tough threshold for claims that goods are "Made in Australia". Most of our trading partners only require that goods be substantially transformed in the specified country. One of the few exceptions is Canada which also requires that at least 50% of production costs are incurred in the claimed country of origin. After considering carefully the needs of Australian consumers and industry, the Coalition has adopted a similar approach - to use the defence now in the *Trade Practices Act*, a producer must pass both the substantial transformation test and show that a majority of production costs have been incurred in the country of origin. This is a higher threshold than has ever been set by the courts or previous governments.

The Coalition's reforms have also confirmed that "Product/Produce of Australia" will be a premium label for products which are 100% Australian or as near to it as possible. Where the

choice exists, consumers wishing to buy purely Australian products should buy "Product of Australia" in preference to "Made in Australia".

What will the Coalition do to help consumers in regional areas ?

The Coalition recognises that consumers in regional areas can be disadvantaged by isolation, small and often less than competitive markets and a paucity of consumer information. The Coalition has already surveyed regional consumers to identify their main concerns. The Coalition will give consumers greater access to essential information, opportunities to develop networks to overcome isolation and improved access to financial counselling services.

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