

COTA AUSTRALIA 2018 NATIONAL POLICY FORUM

Older Consumers: Choice, Challenges and Rights in changing markets

National Press Club, Canberra, 16 National Circuit, Barton ACT 2600

Thursday 28 June 2017

Facilitator's summary remarks

One of the themes threaded throughout the day concerned language. Should we refer to people as 'consumers', as 'service users', or as 'customers'? None of these terms seemed entirely satisfactory, and numerous speakers and participants stressed the importance of keeping the concept of 'citizen' front of mind at all times as well, since citizenship emphasises that older Australians have rights and their own voices. We were reminded too, particularly by keynote speaker Jane Caro, that older citizens are as diverse as any other group of Australians, and we should avoid the advertising industry's trap of stereotyping.

Another debate relating to language concerned the idea of 'choice'. Was this another way of talking about agency—about an older person's right and ability to determine the way his or her life goes? If so, then most of us were supportive of increased choice, and certainly individual choice was recognised as potentially important in increasing autonomy. But autonomy is not everything. In fact, individual autonomy in decision making is only meaningful in a social context. Late in the day, Lawrie Robertson, President of Residents of Retirement Villages Victoria, pointed out that social connectivity is essential to the well-being of residents in retirement villages, but this is equally true of all older Australians, (indeed all people). Autonomy and social connection need to reinforce one another, rather than work against one another. An emphasis on choice as a consumer in a marketplace can tend to represent people as isolated individual actors maximising some perceived self-interest, rather than understanding choice as being embedded in the larger context of our membership of broader communities.

There was also a strong view that choice should not come second to—and cannot be separated from—other essential concerns in relation to our role as consumers and citizens, especially when it comes to essential goods and services such as health, aged care, housing, energy or telecommunications—namely affordability, availability and reliability. Sometimes

choice in a market place is not meaningful. During our after-lunch soapbox session for example, John Pauley from COTA Tasmania argued that superannuation firms or energy providers sometimes provide us with thousands of different offerings that diminish, rather than enhance, our agency. This ‘hyper choice’ is not helpful to us as consumers, but as John described it, really amounts to the creation of a ‘confusogopoly’—the same few companies bamboozling us with apparent product differentiation, when what we want most of all are a few straightforward, easy-to-understand options that are reliable and affordable.

Over the course of the day, the various approaches to ‘choice, challenges and rights for older consumers in changing markets’ fell into two broad categories. The first focussed on individual solutions, particularly on empowering the consumer to make good choices by providing them with information and equipping them with skills and capacity. Essential to this approach was for contracts to be transparent and for consumers to be aware of costs. The second approach was more systems based, focused on changing structures and laws to ensure that the choices offered to older consumers were fair and reasonable.

Both approaches were perceived to have potential benefits and potential shortcomings. One limitation of the ‘empowering consumers’ approach, for example, was that it is not always possible for older consumers to be fully informed about their choices, especially in complex markets like energy, telecommunications, housing and financial services (the subject of our second panel discussion). Sometimes a lack of familiarity with online systems is a hurdle to accessing these markets in an informed way, sometimes there may be cognitive limitations, and as a participant pointed out from the floor, older consumers of migrant backgrounds may face language barriers. On the other hand, Erin Turner, Director of Campaigns and Communications for CHOICE, described the many ways in which older consumers are empowered to become consumer activists, not just participating in lobbying government to improve policy outcomes, but also in advising one another (and indeed younger consumers) about their options in online forums.

There was a perceived risk that system-based approaches could end up being paternalistic and top-down. A one-size-fits-all approach that does not in fact suit everyone at all but is chosen because it makes life administratively simpler for providers. Yet there was a strong view that sometimes system-based reform is essential to ensuring that consumers do have meaningful choice

The tension between these two approaches was evident in the very lively debate after morning tea, between Productivity Commissioner Dr Stephen King, and Roland Manderson from Anglicare Australia. The example of the roll out of the NDIS was seen by both speakers as offering a warning: on the one hand people living with a disability had pushed for such a scheme as a mechanism that would allow them to determine the type of services they need and want, but the rapid roll-out of the scheme was seen as problematic, potentially resulting in lower-quality services as less-experienced providers driven by a profit motive rushed into the market. Competition can pit services providers against one another when what is most needed is collaboration and cooperation. There was also the serious challenge of providing adequate choice in rural and remote communities where the market is too small to enable a range of providers to offer competing services.

There was no clear winner in the debate, but it helped to reinforce the overall point that we do not face an either-or choice between empowering individuals and reforming structures and systems, but that both approaches are necessary. In fact, one without the other is insufficient. This was brought home to us in the first keynote presentation by Peter Kell, Deputy Chair of ASIC in his discussion of commission-based remuneration for financial advice. As long as financial advisers can maximise their income by selling certain products rather than others, regardless of how appropriate those products are for their clients, then the financial advice that they provide to older Australians will be flawed and dangerous, regardless of how well informed those older consumers are, and despite any raising of professional standards in the industry. If we want good outcomes for older consumers in terms of financial advice, then we need both a systems approach that prevents commission-based selling, and an empowerment approach that helps to ensure that older consumers are well informed about the risks and opportunities of different investment options.

Peter Kell encouraged participants at COTA's National Policy Forum to have their say on this and related issues, by providing input on the role and responsibility of the FASEA, the new Financial Advice Standards and Ethics Authority, and feeding ideas into ASIC's current work on reverse mortgages, and current debates around the reform of ASIC's penalties and powers. In this way, individual empowerment can inform system change.

It was recognised that markets and competition can drive innovation, diversity, efficiency, lower costs and better service. The examples of disruptive business models like Uber and Airbnb were mentioned in this regard. In terms of older consumers, one area that

appears ripe for disruption is oral health, which is essential to wellbeing but currently beyond the reach of many older consumers due to its prohibitive costs. Tan Nguyen, President of the Australian Dental and Oral Health Therapists' Association, suggested possible innovations in the sector, including potentially allowing oral technicians and hygienists rather than dentists to perform a range of simpler procedures, which should deliver the equivalent service at lower cost.

On the other hand, competition and market-based approaches can lead to short-term cost savings when what is needed is longer-term investment. Dr Michelle Bennett from the Australian Catholic University offered the example was offered of residential aged care. In the short term, employing a speech therapist increases costs; but in the longer-term it can dramatically improve communication with residents, thus enabling them to more clearly articulate their needs and concerns, and so reducing staff time overall.

The overall tenor of debate at the National Policy Forum was not about whether we should have markets or not have markets, or whether competition and contestability in goods and services are good or bad in themselves. It focused more on the importance of designing markets, incentives and regulations in such a way that they provide for the needs and preferences of older consumers. As Lawrie Roberts put it, it is not about 'light touch' regulation as 'right touch' regulation. This means going beyond the tokenistic and often patronising appointment of an older consumer as a representative on a committee, to seriously engaging in co-design on the understanding that older consumers are the experts on their own needs and that their knowledge is valuable. Jane Mussared, CEO of COTA SA, outlined the Plug-In initiative as an inspiring example of how this can be approached.

Markets, incentives and regulations should also be designed to reward loyalty and promote trust. As Gerard Brody, CEO of the Consumer Action Law Centre, pointed out, older consumers tend to be more loyal, and they would generally prefer not to have to constantly shop around for a better deal on insurance, electricity or telecommunications for fear that they will be punished for being loyal customers. He sounded a warning that a purely transactional, price-based approach to the provision of goods and services could have broader social impacts in undermining levels of trust in the community.

Our final keynote speaker, Dr Bronwyn Evans, CEO of Standards Australia, emphasised the important role that standard setting can play in protecting consumer rights

and choices. She encouraged participants to provide input into standard setting to ensure that they were informed by the views and knowledge of older consumers.

Overall, there was considerable support for the thrust of current developments, which were seen as moving away from a provider-centred model of delivering goods and services, to a more user-centred model, where older consumers exercise greater choice and agency. But there were strong warnings that such a transition cannot be rushed, and that it must be based on the maintenance of certain fundamental standards and safeguards in relation to reliability, accessibility and affordability. It was also recognised that no matter how well a market or a service delivery system is designed, if it is not adequately resourced then it is destined to fail. No amount of competition and contestability can compensate for a lack of funding.

The best hope for positive reforms lies in better communication. In story-telling and listening, because, after all, older Australians can speak for themselves.

Peter Mares