

Opening Statement by Westpac CFO Peter King
Senate Economics Committee inquiry in the Major Bank Levy
16 June 2017

Thank you Chair.

My name is Peter King – I'm the Chief Financial Officer of Westpac Banking Corporation.

With me today is Curt Zuber our Group Treasurer.

I represent Australia's second largest taxpayer, a company that supports Australia's economic growth in many ways.

- We employ over 32 thousand people in Australia who last year paid just under \$1 billion in Pay as you go income tax;
- We paid over \$3 billion in corporate income tax;
- We returned 80% of our profit to shareholders through \$6.3 billion in dividends, much of it directly to mum and dad shareholders or into their superannuation; and
- We're the conduit for \$147 billion from offshore capital markets to fund loans in Australia.

While Westpac doesn't support the Major Bank Levy / we do welcome the opportunity to provide input to the Committees deliberations.

Prior to making suggestions to amend the legislation I'd like to comment on the policy.

While we understand this tax is supported by a majority of the Parliament, we believe it sets poor precedent for tax policy, and potentially for other industries.

This law codifies the notion that it's ok to tax a small number of companies to fill a budget gap—just because they can 'afford it'.

This creates investment uncertainty and we've already seen international investors expressing concern at this change in tax policy – and some have already reduced investment weighting in Australia.

It's also a tax on growth and investment, where the more we lend the more we are taxed. At a time when creating jobs is a priority, it's counter intuitive to tax growth.

Further, some rationales used to justify this Levy are flawed. In particular, that banks can simply 'absorb' the levy.

A bank is not an entity separate from its customers, suppliers, shareholders and employees.

The fact is that increasing the bank's costs will be felt by most Australians.

This includes shareholders in terms of lower returns including dividend impacts, suppliers in terms of lower spending or customers in terms of reduced services or changes to prices.

I'll now turn to the specifics of the legislation.

On Budget night the Levy was announced as a "budget repair" measure.

In light of this expressed reason, Westpac recommends the legislation should include a "sunset clause" for the levy to cease once the Budget returns to surplus. On Government projections this is in 20-21.

As I mentioned before, we see this Levy as inefficient as it targets growth. It also distorts the competitive landscape.

Westpac competes against international banks in key markets such as trading in government and corporate securities, short term lending, including trade finance and business deposits.

Selectively applying the Levy places extra burden on Australians while allowing foreign bank shareholders off the hook for budget repair.

Finally, and importantly the design of the tax assumes that banks will be profitable at all times.

We hope this remains the case, however prudent design would suggest the legislation is amended to allow the government to suspend payment if it places undue stress on any bank.

Thank you for the opportunity to speak and I welcome any questions.