

**PRESS CONFERENCE: TUESDAY, 20 AUGUST 2024  
HANSARD TRANSCRIPT**

**Hon Nicola Willis:** Good morning. Today, the Commerce Commission has released its final competition report into personal banking services. Our Government welcomes the report and its recommendations. The commission has conducted its work fearlessly, and its conclusions are robust. It has provided actionable insights, and our Government is responding with urgency.

The Commerce Commission has confirmed what Kiwis have long suspected: we are not getting a good deal from the big banks. The sector is dominated by just four major players: ANZ, Westpac, ASB, and BNZ, making up 90 percent of the market. Since Kiwibank was established in 2001, no new banks have been able to enter the market to challenge the status quo. The Commerce Commission study looked at whether this structure is enabling competition and delivering a good deal for consumers. Put simply, it's not.

Today, I join the Commerce Commission in calling out the market behaviour of New Zealand's big four banks. They are highly profitable compared with international peers, they lack innovation, and they do not aggressively compete for customers. Instead, competition between them resembles a cosy pillow fight, with profit margins coming first and everyday Kiwis coming second. And, as a result, New Zealand bank customers are getting a raw deal. They face higher prices, fewer choices, and poorer service, even when compared to customers of the same parent banks in Australia. There is too little real competition, with the major banks simply following each other's lead and price matching rather than aggressively competing for more share.

The big four have also dragged their heels on investing in core technology that would enable innovation. This has not only constrained the development of new products for consumers; it's also made it incredibly difficult for modern competitors like fintechs to interface with banks' outdated systems. All in all, New Zealanders are not getting good services, are paying too much, and the banking sector is making off with extremely high profits as a result. This is not good enough. Our Government will act to inject some genuine competition into the market for the benefit of all New Zealanders and will respond with urgency to all 14 of the report's recommendations.

There are four key themes we've identified for reform. Number one: growing Kiwibank. Number two: ensuring the Reserve Bank's regulatory settings support more competition. Number three: accelerating progress on open banking. And number four: empowering consumers. I'll make a couple of comments on the first two areas before handing over to Minister Bayly to comment on the second two.

The Commerce Commission makes clear that there is a significant opportunity for Kiwibank to step up and be the maverick competitor New Zealanders need. I share the vision of a stronger, more disruptive Kiwibank. I want it to have the growth capital it needs to really grow its business and to exert more pressure on the big four. As such, I have asked Treasury to engage with Kiwibank's parent company, Kiwi Group Capital, on options for raising new capital, including from KiwiSaver funds, New Zealand investment funds, and investment from everyday New Zealanders. I will take proposals to Cabinet no later than December this year. I want a path forward that sees Kiwibank can grow while remaining New Zealand's bank.

Another set of recommendations are focused on the Reserve Bank and how its policies and decisions can impact banking competition. The report observes that the Reserve Bank oversees a very strict and conservative prudential supervision regime. It's conservative by international standards and the report concludes it needs to put greater emphasis on competition. I agree. As a first step, I intend to issue a new financial policy remit this year to

make clear the Government's expectation that the Reserve Bank and its policies and actions should support a more competitive banking sector. I will also issue a revised letter of expectations to the Reserve Bank to make clear it should ensure it prioritises the work needed to respond to this report.

Before I hand over to Andrew, I just want to make a couple more points. First, I've had some people ask me why banking regulation matters. As you know, our Government is on a mission to rebuild the New Zealand economy for the benefit of New Zealanders, and it's my view that competition is one of the most important drivers of long-term growth and productivity.

The OECD has observed, as recently as this year, that New Zealand is characterised by a limited number of large firms that often face weaker competitive pressures to innovate, seek efficiency, and provide better services and lower prices to consumers. It has noted that in 2022, the recorded combined profits of the big four banks amounted to around 3 percent of our GDP. That is more than the electricity market, supermarkets, and construction sector combined. Seen in this light, the Government's reforms to drive banking competition are an absolutely critical part of our economic growth programme.

Finally, we have recently launched a select committee inquiry into banking. The scope of the inquiry is broader than just personal banking services and it will look at a range of areas including rural banking, business banking, and we'll look at factors like how we better support access to debt for the productive sector. The commission study, of course, will assist the inquiry, and the inquiry will offer an opportunity to further tease out some of the issues raised. It will give New Zealanders a voice and it will ensure we are taking a sector-wide view on everything we can do to improve services in this area.

I won't run through all of the 14 recommendations, you'll have the attached table, but just let me reiterate what I said earlier: our Government is committed to delivering a more competitive banking sector so that New Zealanders can get a better deal. We do not intend to put this report on a shelf somewhere. We are taking action.

With that, let me hand over to Minister Bayly to make a few further remarks before we open for questions.

**Hon Andrew Bayly:** Thank you, Minister Willis. One of the key findings out of today's report is that bank customers rarely switch providers. An estimated 54 percent of customers have never changed their bank in their lifetime. One of the reasons customers don't switch is that they find it hard to do so and to compare offers and find the best deal, especially when it comes to home loans, and the application process is a significant barrier to this. An important step we've already taken is to scrap the 14 pages of overly prescriptive requirements in the Credit Contracts and Consumer Finance Act, which will enable Kiwis to benefit from easier and faster loan processing.

The study also found that mortgage advisors are aligned with the banks and often only put forward one home loan offer to their clients. I would be encouraging the Financial Markets Authority to pull every lever they can to ensure mortgage advisors are transparent about who they act for and what commission structures are in place.

I'm also open to the recommendation to update the Responsible Lending Code. Ultimately, the study found that the most significant and enduring force for positive change would be the introduction of open banking. It found that open banking has the greatest potential to promote ongoing disruption and competition.

The first step is the establishment of a consumer data right regime, which is what the Customer and Product Data Bill does. The bill is currently before the select committee and we expect it to be passed by early 2025, which is well before the time line set by the commission. The banking sector is the first cab off the rank, but we're also progressing plans to apply it to the electricity sector, and, in time, other sectors such as telecommunications and insurance.

Once in place, we expect the open banking will spark innovation and enable the development of new products and services, such as better payment options—for example, alternatives to traditional Eftpos, that can compete with the likes of Visa and Mastercard; safer payment options that are less susceptible to scams; and better options for business. And, by way of example, Xero offers their UK businesses the option of doing banking transactions through the Xero platform rather than going through the banking platform.

In conclusion, I'll finish by saying that this process does not end here. I've been clear with the commission that we want to get the maximum value from these market studies. I've tasked the commission with coming back to us with further actionable next steps and advice on how to implement these recommendations. Thank you, and we're happy to take questions.

**Media:** Of the 54 percent of people that have never switched their main bank, will you be looking to make it as easy as switching, say, telcos or power companies are at the moment? Is that how far you'd like it to go?

**Hon Andrew Bayly:** Yes, very much so. And, for instance, I'll give you a real-life example: in Australia, the same banks that are operating in New Zealand can actually switch account in 10 to 15 minutes, and that is through open banking, because what open banking does is it creates the opportunity for an alternative bank provider, or an electricity provider, to get access to your source data. And so they don't need to ask you all the details around your income, how much you're paying, or how much for different things, because it's all there. We need to have that regime in New Zealand and that is one of the key benefits of open banking.

**Media:** What do you think—I mean, the proposals for growing Kiwibank's capital, wouldn't the way that funds would prefer would be for you to just partially float Kiwibank to give them the liquidity they crave? Any decision to perhaps beef up the role of the Super Fund or raises to your KiwiSaver funds would potentially reduce that liquidity and counteract what you're trying to do, which is to get the most capital at the lowest price—or the best price.

**Hon Nicola Willis:** Well, as I say, I have asked Treasury to engage with Kiwi Group Capital on options for raising new capital in the future. I am aware that Kiwibank has under way a digital transformation of its own, which we want it to remain focused on. But what this report makes clear is that if Kiwibank is going to have the scope to competitively go for new customers and grow, then it will eventually need new capital. So the time to act on that is now, and we are seeking advice.

**Media:** Would it be hard, then, if, say, KiwiSaver funds were involved? Would you necessarily get the capital required given—you know, if you allowed KiwiSaver funds to invest in Kiwibank, they could probably only onsell the estates in Kiwibank to other KiwiSaver funds. So you're not getting the best price for the capital that you want.

**Hon Nicola Willis:** Well, there are a range of options, and we need to have those conversations, as I said, initially with Kiwibank. Kiwibank, through Kiwi Group Capital, will also have to have those engagements with potential investors, as to what the terms are on which they would want to invest and what they would see as making that a worthwhile investment. All of that we need to work through. And, as I've said, I want to work through it with some urgency so that we can bring proposals to Cabinet this year.

**Media:** On the deposit compensation scheme, consultation is under way on how those levies are structured. Are you going to intervene with that process or are you going to let that run out, because the Reserve Bank has signalled very strongly that the levy should be risk-based?

**Hon Nicola Willis:** Well, final decisions on levy settings will be made later this year. And I think what this market study makes clear is that we need to consider how we moderate levy costs for smaller players. That's the critical issue and that's what we'll be giving consideration to.

**Media:** On Kiwibank—and sorry if you've covered this originally. On Kiwibank, are you open to it being partly foreign-owned? Are you open to whoever buys into it potentially selling their shares to people overseas?

**Hon Nicola Willis:** Well, I want it to remain New Zealand's bank. And so, as I've said, what we're working through are the options through which new investors would want to enter more capital into Kiwibank. And, as a Cabinet, we will consider those options.

**Media:** Minister, how do you see Kiwibank sort of using the capital? What purposes do you expect it to be put to? Do you expect it to move into business banking or just more of the banking that they're doing at the moment? Do you have any senses of the sort of quantum of the investment?

**Hon Nicola Willis:** Well, put simply, for any bank to grow, it needs to have capital against which it can lend. And so we envisage it growing in the business banking area, potentially in the home loan area, and other services. Ultimately, that will be for Kiwibank to decide, consistent with what it views are its competitive interests, where it views that it has the opportunity to grow its share and be profitable. But what the Commerce Commission report today says is, actually, if we remove that capital constraint and allowed Kiwibank to really go for the growth that's out there, that would have two benefits: one for Kiwibank's consumers, but, second, it would actually knock the big four banks out of their complacency. Because, quite frankly, at the moment, they've got a cosy little arrangement, and, when a disruptor comes along in the form of Kiwibank, if we power it up, it could change things for many bank service users.

**Media:** Do you have the support of all your coalition partners, particularly New Zealand First, for the introduction of private sector capital into Kiwibank?

**Hon Nicola Willis:** Well, look, as I say, there's an order of events here. The first thing is that we accept the recommendation of the report today that Kiwibank could potentially be a maverick disruptor. The second thing is that I have asked Treasury and Kiwi Group Capital to work out options for raising new capital in the future. The third thing is that I will take those options to Cabinet before consideration.

**Media:** Do you have a preference? At the moment, I know that you've asked Treasury to go away and do this work, but, looking at it so far, do you have anything that you think would work best, kind of following up on Thomas's question?

**Hon Nicola Willis:** Well, what I see just about every week is New Zealanders who say, "I want to invest more in New Zealand", be it KiwiSaver funds, be it iwi, be it other institutional investors. They often say to me, "Look, we're looking for things to invest in." And so I would love to create a pathway that would allow Kiwi mums and dads, via their KiwiSaver accounts, to beef up Kiwibank. That's exciting to me. I'd love to see our Super Fund, instead of investing in more and more offshore equities, seeing a good play in investing in Kiwibank. I'd love to see ACC, instead of investing in overseas financial services, thinking, "Well, actually, we can make money out of investing in Kiwibank."

**Media:** How wedded are you to Kiwibank being 100 percent New Zealand - owned?

**Hon Nicola Willis:** Well, I think what matters is that it's New Zealand's bank and we're going to explore options.

**Media:** New Zealand's bank could mean mixed-ownership model 51 percent - owned.

**Hon Nicola Willis:** I see the Government retaining a majority interest well into the future.

**Media:** But a majority is just 51.

**Hon Nicola Willis:** As I've said, Thomas, I'm not getting ahead of myself. First, let's explore the options. The ruler for me, that I'm measuring this against, is what's in the best interest of New Zealanders. And what we know, and what this report lays bare, is that they've been getting a raw deal. In Kiwibank, we have a tool for getting them a better deal. So let's explore how we do that.

**Media:** Would you look at switching the Government's banking from Westpac to Kiwibank.

**Hon Nicola Willis:** Look, the Government banking contract doesn't come up until—

**Hon Andrew Bayly:** 2027.

**Hon Nicola Willis:** 2027.

**Media:** So was that something you would like to do when it comes up or move in that direction?

**Hon Nicola Willis:** Well, I think it's important that in any tendering or procurement that the Government doesn't necessarily favour one supplier over another, but that that should be a competitive process.

**Media:** On that, what advice have you received, though, or historically even, about Kiwibank's ability to do the services required of Government? My understanding is that it's simply not set up to do that.

**Hon Nicola Willis:** Look, I'm aware that advice has been tendered in the past. I haven't asked to look at that. As I say, I'm focused. The focus here is how do we put Kiwibank in a position to disrupt this very cosy oligopoly? And we're working at pace on that.

**Media:** Mr Bayly, this question kind of sort of falls in between this report and the select committee. But one of the big issues for raising capital for small business is that the banks require small business to take out mortgages against their houses. Is there any intention on the part of the Government to look at that because of the potential for it to be a restraint on the growth of small business?

**Hon Andrew Bayly:** Well, part of the answer actually lies with the Minister of Finance around prudential controls, because that's one of the ways the banks are addressing business loans. But the reason why business people often take up a mortgage is that the cost of a mortgage against your home is much cheaper than a business loan. And, again, that dynamic is, you know, something that needs to be looked at by the Reserve Bank, because there's a convenience factor but there's a cost factor that means that we're getting that sort of opportunity—or that's what's happening in the market. So part of that's being covered by the select committee process—there's quite a bit on business banking and the productive sector. So, hopefully, we might get some recommendations out of that.

**Hon Nicola Willis:** The market study finds that the Reserve Bank should review its settings for the standardised risk weights and to take into account the impacts they have on competition. I support that finding.

**Media:** Because they rejected the proposals from the New Zealand banks to change those risk weights, didn't they?

**Hon Nicola Willis:** Yes, that's right, and what the market study says is that, actually, by allowing for more differentiation there, that could potentially help smaller providers.

**Media:** Can you intervene in that process in any way? There's an impasse between the ComCom and the Reserve Bank. There doesn't seem to be much of a—

**Hon Nicola Willis:** Well, as I say, my first lever is to issue a new financial policy remit that makes clear that we want more emphasis put on promoting competition and the bank's prudential decision-making. I also intend to issue a revised letter of expectations to ask the Reserve Bank itself to directly respond to some of these recommendations and to outline what they think is required or to raise issue with any of the recommendations that are made. In asking for this advice, you're right; that is possible that a conclusion could be that legislative change would be required. I'm not ruling that out. We've got to keep our options on the table.

**Media:** Right, so there's a chance here that the Reserve Bank response to those two documents is, "Look, we're still pretty confident that our decision making around those risk factors is sound." And in response to that, you could say, "Well, look, I'm of the opinion that I

disagree with that and, therefore, we're going to legislate over the top of it." Is that a potential outcome?

**Hon Nicola Willis:** I don't think so, because these things aren't black and white. What's happening is a subjective weigh-up between two competing objectives. On the one hand, financial stability—obviously, critically important. On the other hand, competition—allowing new people to enter this market. And the judgment this report essentially makes is we've got the balance too far in favour of financial stability such that it's making it almost impossible for new entrants. What the OECD and others have observed is that, actually, relative to other regimes, our Reserve Bank is particularly conservative, and that is partly because of the guidelines Government has given it. And so we have to look at those guidelines and understand how that might alter its decision making.

**Media:** I just want to say that the potential outcomes, though, would be that the Reserve Bank gets these documents and says, "Look, OK, thank you. We'll hear the ComComs report and change the way we behave." But they could also say no. And then that presumably puts the ball back into your court and then you have to decide what to do.

**Hon Nicola Willis:** That's right.

**Media:** And what do you decide—

**Hon Nicola Willis:** That's right. Well, I view this report as a call to action. And one of the key areas for action is the Reserve Bank's approach in using its tools to promote competition. So I expect action and I'm accountable to New Zealanders. If ultimately that means that we need to weigh changes to the Acts governing the Reserve Bank, then of course we should consider that.

**Media:** How do you see that balance at the moment? Because, I mean, the ComCom is tasked with competition issues. So it makes sense that, say, if we need more competition and the Reserve Bank's tasked with financial stability, it makes sense that it wants to emphasise financial stability. So that tension is understandable in many respects. Where do you think the balance is? Do you think it's about right or needs to lean more this way or that way?

**Hon Nicola Willis:** Well, I think that both are important, and obviously financial stability for New Zealand is critical. However, I agree with this report that we've let the balance go so far that, in fact, we're promoting financial stability at the cost of competition. And that's led to a situation which has made the oligopoly at the top incredibly cosy. It's made it almost impossible for new entrants to compete in this market and that is a disservice to New Zealanders. So, in that balance, I don't think we've got it quite right, right now, and we owe it to Kiwis to have another look.

**Media:** Have any stakeholders brought to your attention that the Commerce Commission shares tweets about Israel?

**Hon Nicola Willis:** You brought those to the attention of my office, I understand, who just on the way down have let me know. Look, I haven't looked at the tweets in detail. I would note that what is critical is that any personal views don't impact on the ability of a public servant to do their job.

**Media:** Given what happened to Rob Campbell last year, with your Public Service hat on, do you think comparing the Government of Israel, the party that leads Israel, to the Nazi party, is particularly helpful for a public servant?

**Hon Nicola Willis:** Well, look, those aren't comments that I agree with and it's something that I will follow up with the Public Service Commission.

**Media:** Can I just go back to the report, just on timing. So you spoke about taking—or you've asked for options and you want to take those proposals to Cabinet this year. Can you just give an indication as to when New Zealanders can expect capital to be injected into Kiwibank and when they might see the effects of that?

**Hon Nicola Willis:** Well, as I said, Kiwibank is currently focused on its own digital transformation, and so I would expect that any capital raising wouldn't occur until 2026 at the earliest. I want to be upfront, open, and transparent with New Zealanders about this. So the first step is for me to properly canvass the options, then to bring those options to my Cabinet colleagues for us to discuss our views on what's best for New Zealanders, and then we'll progress from there.

**Media:** In that sense, then, are you having conversations with other parties—obviously with the coalition parties, but also the Opposition, in case of an election and what might happen?

**Hon Nicola Willis:** Look, I would be absolutely prepared to engage constructively with the Opposition on this. I would note that the previous Government intentionally set up the current structure for Kiwibank—is what's called a Schedule 4 Crown entity—and I understand that in doing that, they specifically envisaged that there could be a point in the future where the Government would want more external capital brought into that entity. So let's hope there's room for discussion.

**Media:** Does the Government support allowing significantly more financial institutions—things like credit unions, building societies, finance companies—to market themselves as banks even if they're not registered as banks with the Reserve Bank?

**Hon Nicola Willis:** Well, that is one of the recommendations of the report—that by not being able to use the word “bank”, many providers find it difficult to market their services. And it's not just credit unions; it's also potentially some of the financial tech companies as well. And I think that's something that should be looked at, and it's one of the areas that I'll be highlighting for the Reserve Bank to have a think about.

**Media:** On the risk weights, I talked to a bank CEO last week and they conceded that if the risk weights were changed, they wouldn't necessarily change the way they lend because, ultimately, banks assess risk, and if you can lend to someone borrowing for a house, why wouldn't you? It's less risky than lending to a farmer. So—

**Hon Nicola Willis:** Well, good luck to them explaining that to the select committee. They will have their opportunity to explain that to the select committee. And my view is this: New Zealanders expect banks to provide fair, competitive, good services. And we view banks as playing a crucial role in the productivity of our economy, of our livelihoods, of jobs and incomes. So when banks go and front to the select committee inquiry, I think New Zealanders will expect them to outline how they meet those expectations.

**Media:** Do you accept that the bank lobby is exceptionally strong, though? And if you loosen those risk weights, that could actually increase their profits. If the bank has total less capital for lending to a business, that can make it more profitable and then it can just continue lending for mortgages, which is what's profitable.

**Hon Nicola Willis:** Well, Jenée, the bank lobby may be strong, but democracy is stronger, and our Government won't be cowered by the big four banks.

**Media:** You mentioned that raising capital is some time away. Can you foresee a situation where after consultation, a mixed-ownership model isn't on the table, isn't going to happen?

**Hon Nicola Willis:** Look, I think there are actually a range of options as to what could appear. I think the critical question, really, is, what are the terms on which someone investing in Kiwibank would want to do that? What would they like to see as the conditions in which they bring any of their capital to bear in this entity. So those are engagements that we need to have, discussions that we need to have. I think there would be many stakeholders who would agree with my conclusion that part of Kiwibank's competitive advantage is that it's New Zealand's bank. So the question is: how do we preserve that while also ensuring we can bring more external capital to bear?

**Media:** Can it be New Zealand's bank with all that external capital?

**Hon Nicola Willis:** Well, as I say, you're getting ahead of yourself because we need to canvass the options first. Thanks, everyone.

**conclusion of press conference**