Response ID ANON-VDJ4-MNKK-9

Submitted to Help Shape the Future of Classification on Industries in Australia
Submitted on 2022-11-07 10:30:46

Introduction

1 What is your name?

Name:
Michelle Jakubauskas

2 Please ensure that you include contact details in your submission. By providing this information, you agree that the ABS can contact you to ask any follow-up questions, if required.

a) What is your email address?:
michelle.jakubauskas@ausbanking.org.au

b) What is your contact number? (optional):
0448902701

c) Name of organisation?:

Australian Banking Association

d) Position in organisation?:

Director, Research and Data Management

e) Overview of organisations purpose (e.g., policy development, research, insurance):

Industry Association - Retail banking

3 For what purpose does your organisation use industrial classifications? (e.g., ANZSIC, ATO BIC etc) <please select all relevant>

Regulatory (including taxation) reporting, Identification of risk profiles for insurance and finance

Other (please specify):

4 What business characteristics are of most importance when classifying a business to an industry in an industrial classification? <please select all relevant>

Other (please specify):

N/A

5 Currently, the International Standard Industrial Classification of All Economic Activities (ISIC) review is in progress by the United Nations Statistics Division. If Australia were to adopt the latest version of the ISIC to replace ANZSIC, do you think it can adequately meet your requirements?

Yes:
No

No:
No

Please specify these industries::

Other (please specify):

There is no consistent industry view on the matter.

6 What issues have you have had with the current industrial classification (ANZSIC 2006) that you would like to see addressed? Specify any topics that you would like covered in a future industrial classification not presently covered?

issues with ANZSIC to be addressed?:

The Australian banking industry are required to use the ANZSIC primarily to categorise businesses for the purposes of reporting economic and financial statistics (EFS) and prudential data to APRA. Banks also use the ANZSIC categories credit risk assessments and internal management activities such as: portfolio analysis, profitability studies, risk management evaluation, strategy decision making amongst others.

There would be some benefit in having the official Australian classification align with industry classification structure used by the ASX which is based on the MSCI Global industry classification standard (GICS).

7 If Australia were to adopt a new industry classification, what are the barriers your organisation would have in implementing it?

barriers to implementation:

Implementing a new industry code will require each bank to make changes to multiple data systems. This includes updating multiple IT data capture points, training front-of-house, back office and head office staff about the new classification to altering data storage systems. It will impact nearly all processes and systems, requiring updates to internal and external reporting practices.

This is not a trivial exercise, there are over 2.5 million businesses registered in Australia, most of which hold some kind of financial product with a bank – whether a transaction or credit account. At an industry level it is expected to cost in the magnitude of hundreds of millions of dollars to implement a new industry classification.

Past experience transitioning from ANZSIC 1993 to ANZSIC 2006 was difficult. The concordances provided by the ABS were not simple to apply in practice. Issues included:
• Some numerical classification categories were used in both classifications but for entirely different industries, causing confusion.
• Application of 'many-to-one' concordances from 1993 to 2006 were simple to apply, but 'one-to-many' was difficult to apply and required going down to individual customer level information to identify.
As a result of these complications, some banks continue to use ANZSIC 1993 as their industry classification.

To avoid a repeat of the difficulty in implementing a new classification structure, and to ensure consistency between banks (i.e. avoiding human error of misallocation of businesses to industry categories), we propose that the Australian Government make information contained with the Australian Business Register available to banks so they are able to use a single source of information to identify the industry to which each business in Australia belongs. Banks would then be able to identify the industry of their business customers based on the ABN supplied to them.

Access to this database will still require system changes, but the expense will be relatively minor compared to updating information on business customers. It will also ensure that ABS EFS data will be consistent and accurate.

8 Would there be a significant time delay in its implementation? How long approximately?

delay in implementation?:

Banks will require many years to implement changes to their systems to support a new industry classification standard. This time would be reduced by accessing the Australian Business Register.

9 Does your organisation agree with the ABS sharing your responses externally (not personal information) to support our decision-making processes as we develop a roadmap for industry classification review?

Yes:
Yes

No:
No

If "Yes", is there any information you do not want circulated? :

10 Are there any other comments you would like to provide regarding this industry classification consultation?

(Word limit 500):

No.