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PRODUCTIVITY COMMISSION INQUIRY INTO NATIONAL COMPETITION POLICY ARRANGEMENTS

The Australian Government has asked the Productivity Commission to inquire into the impact of competition policy reforms undertaken by Australian governments to date, and to identify areas of opportunity for significant gain through further competition reform.

In 1995, all Australian governments signed agreements to implement a range of competition reforms under the National Competition Policy (NCP) framework in an effort to boost the Australian economy. There has been substantial progress in implementing NCP and other competition related reforms. This has delivered significant benefits to Australia. The States and Territories have shared in these gains, including through competition payments made by the Australian Government.

The Council of Australian Governments has undertaken to review NCP arrangements by September 2005. The Australian Government considers that, before such a review takes place, it would be beneficial to have an independent, in-depth analysis of the success of competition related reforms, and to explore ways of increasing the gains from such reform going forward. The inquiry will inform the review of where gains can be made in Australia's international competitiveness, in the efficiency of domestic markets and for Australian consumers, of ways to ensure possible reform activity considers appropriately the adjustment and distributional implications, and also its contribution to achieving other policy goals.

The Government emphasises that the purpose of this inquiry is to inform, not substitute, the Council of Australian Governments review.

It is not unusual for the Productivity Commission to be looking into NCP issues. It conducted an Inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia that reported in 1999. It has also played a significant role in the conduct of NCP reviews of individual industry sectors. This experience should enhance the Productivity Commission's consideration of the current issues.

The Productivity Commission has been asked to report back to the Government within nine months. A copy of the terms of reference is attached.

People wishing to obtain further information on the inquiry or register their interest can do so by visiting the Productivity Commission's website at: www.pc.gov.au or by contacting the Commission directly on (02) 6240 3239.

CANBERRA
23 April 2004

Contact: David Alexander (02) 6277 7340

National Competition Policy Arrangements

PRODUCTIVITY COMMISSION ACT 1998

I, PETER COSTELLO, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998*, hereby refer the following inquiry to the Commission for inquiry and report within nine months of receipt of this reference. The Commission is to hold hearings for the purpose of the inquiry.

Background

1. In 1995 the Australian, State and Territory governments agreed to a program of competition policy reform. National Competition Policy (NCP) and related reforms provide a timely, coordinated and comprehensive approach to reform across all levels of government. There has been substantial progress in the implementation of NCP over the past eight years, including in the related reform areas of electricity, gas, road transport and water. This has delivered significant benefits to Australia. The States and Territories have shared in these gains, including through competition payments made by the Australian Government.
2. In November 2000, the Council of Australian Governments (CoAG) agreed to a further review of NCP arrangements by September 2005.
3. It is therefore timely to undertake an independent review of these arrangements to consider the extent of the benefits the reform program has delivered to date and to inform an assessment of the most worthwhile competition related reforms that could be achieved in the future, including competition related reforms which could apply beyond current NCP arrangements.

Scope of Inquiry

4. The Commission is to report on:
 - (a) the impact of NCP and related reforms undertaken to date by Australian, State and Territory Governments on the Australian economy and the Australian community more broadly. To the extent possible, such assessment is to include:
 - i) impacts on significant economic indicators such as growth and productivity, and to include significant distributional impacts, including on rural and regional Australia; and
 - ii) its contribution to achieving other policy goals.
 - (b) at the Australian, State and Territory level, areas offering opportunities for significant gains to the Australian economy from removing impediments to efficiency and enhancing competition, including through a possible further legislation review and reform programme, together with the scope and expected impact of these competition related reforms.

Considerations

5. In conducting this review, and in recommending changes, the Commission should take into account the desire of the Government :

- (a) to focus new review and reform activity on areas where there is clear evidence of significant potential gains, in particular where clear gains are possible in Australia's international competitiveness, in the efficiency of domestic markets or for Australian consumers; to ensure possible reform activity considers appropriately the adjustment and distributional implications and its contribution to achieving other policy goals.
- (b) to take into account but not replicate significant current and recent review activity in areas such as the CoAG work on energy and water and the review of the competition provisions of the Trade Practices Act.

6. In undertaking the review, the Commission is to advertise nationally inviting submissions, hold public hearings, consult with relevant Australian Government, State and Territory agencies and other key interest groups and affected parties, and produce a report.

7. The Government will consider the Commission's recommendations, and the Government's response will be announced as soon as possible after the receipt of the Commission's report. The report will inform the CoAG review due to be completed by September 2005.

PETER COSTELLO