

Introduction

Background

- 1.1 The House of Representatives Standing Committee on Economics (the committee) is empowered to inquire into, and report on, the annual reports of government departments and authorities tabled in the House that stand referred to the committee in accordance with the Speaker's schedule.
- 1.2 The Australian Competition and Consumer Commission (ACCC) Annual Report 2017 (annual report) stands referred to the committee in accordance with this schedule. On 7 February 2018 the committee resolved to conduct an inquiry into the annual report.
- 1.3 The ACCC is an independent Commonwealth statutory authority whose role is to enforce the *Competition and Consumer Act 2010* (previously the *Trade Practices Act 1994*) and a range of additional legislation.¹ The ACCC has a Chair, two Deputy Chairs, and three Commissioners. Appointments to the ACCC involve participation by the Commonwealth, and state and territory governments.
- 1.4 The ACCC's stated aims include promoting competition and fair trade in markets to benefit consumers, businesses, and the community. It also regulates national infrastructure services. The ACCC's key goals include:
 - maintaining and promoting competition and remedying market failure

1 Part II—The Australian Competition and Consumer Commission (ACCC) of the *Competition and Consumer Act 2010* covers the establishment and functions of the ACCC.

- protecting the interests and safety of consumers and supporting fair trading in markets
 - promoting the economically efficient operation of, use of, and investment in, monopoly infrastructure
 - increasing its engagement with the broad range of groups affected by the ACCC's operations.²
- 1.5 The ACCC's role complements that of state and territory consumer affairs agencies who administer consumer protection legislation in their jurisdictions, and the policy work of the Treasury's Competition and Consumer Policy Division.
- 1.6 The ACCC's net cost of services for 2016–17 was \$180.6 million, with Government revenue of \$173.4 million. The ACCC attributed its \$2.9 million increase in expenditure in the financial year mainly to increases in legal settlements and consulting (\$4.7 million and \$5.2 million, respectively), which were offset to some extent by decreases in legal expenses and salaries and wages (\$6 million and \$0.8 million, respectively). A financial overview is provided in Table 1.1.
- 1.7 In its annual report, the ACCC outlined that in 2016-17 it had taken on additional roles and responsibilities at the direction of Government, including:
- using inquiry powers to increase transparency in the gas market, including by identifying the use of market power and other obstructions to the efficient supply of gas to the households and businesses as part of a wide-ranging inquiry into the supply of and demand for wholesale gas in Australia
 - the ACCC's inquiry into the retail supply of electricity and the competitiveness of retail electricity markets, which will look at the drivers of retail electricity prices over time and what can be done to improve customers' experience in acquiring electricity services
 - undertaking regular inquiries into specific competition issues across the financial sector to assess whether competition is sufficient to drive the best outcomes for consumers. This includes an inquiry into residential mortgage products

2 ACCC, *About the ACCC*, <<https://www.accc.gov.au/about-us/australian-competition-consumer-commission/about-the-accc>>, viewed 8 June 2018.

- undertaking an inquiry into the supply of residential insurance building, contents and strata insurance products to consumers in Northern Australia and will monitor prices, costs and profits to address concerns about the high price of insurance in the region.³

Table 1.1 ACCC comparative financial results, 2014–15, 2015–16 and 2016–17

	2016-17	2015-16	2014-15
	\$'000	\$'000	\$'000
Expenses			
Employee benefits	102 979	103 731	97 372
Legal fees	20 782	26 769	24 533
Other expenses	61 044	51 448	54 627
Total expenses	184 805	181 948	176 532
Own-source revenue			
Other revenue	4 178	5 544	2 621
Gains	–	–	91
Total own-source revenue	4 178	5 544	2 712
Net cost of services	180 627	176 404	173 820
Revenue from Government	173 359	165 346	167 446
Net operating surplus/(deficit)	(7 268)	(11 058)	(6 374)
Changes in asset revaluation reserve	167	(48)	247
Total comprehensive income	(7 101)	(11 106)	(6 127)
Operating cash balance	1 616	1 289	1 083
Receivables	30 929	33 781	36 576
Total assets	50 927	54 503	60 199
Total liabilities	59 417	59 234	57 117
Total equity	(8 490)	(4 731)	3 082
Administered fees and fines revenue	46 699	83 861	34 050

Source ACCC and AER, *Annual Report 2016-17*, p. 11.

Scope and conduct of the review

1.8 The ACCC appeared before the committee at a public hearing in Canberra on 29 June 2018 to review its 2017 annual report. Details are provided in Appendix A.

3 ACCC and Australian Energy Regulator (AER), *Annual Report 2016-17*, p. 17.

- 1.9 The ACCC's responses to the committee's questions on notice and in writing are available on the committee's webpage.⁴
- 1.10 The proceedings were webcast through the Parliament's website, allowing interested parties to view or listen to the proceedings as they occurred. The transcript of the hearing is available on the committee's webpage.
- 1.11 This report focuses on issues raised at the public hearing.

4 House of Representatives Standing Committee on Economics, <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/ACCC/AnnualReport2017/Documents>.